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Post Office Limited

Post Office Mediation Scheme: outline of report on Horizon

Following the submission to the Post Office Board on 26 March 2014 of our Report into the legal issues arising in connection with the Post Office and SPMRs' use of the Horizon system, you have asked us to set out our comments on an expert report into the Horizon system itself. There are decisions to be made about the scope of such a report, the work needed for its production and the extent to which existing work (whether by Second Sight, Fujitsu, the Post Office's auditors or others) could be relied on. There is also a decision to be made as to who should, as the appropriate expert, prepare the report. The issues set out below will need to be modified in light of the decisions which the Post Office takes as to these issues. Moreover, we would ordinarily expect to discuss and refine the scope of such a report with the expert commissioned to provide it. This is important as the expert will have views on the practicality of certain aspects of the work and the extent to which the scope of work could be said to impact on the weight which should be attached to the conclusions.

We see the intended purpose of the report as potentially being one or more of the following, depending on what the Post Office's key objectives are:

- To show that the Post Office takes the issue of the proper working of Horizon very seriously and is determined to identify whether there are systemic problems and thereafter remedy them if necessary. To achieve this end, the report – or some edited version of it – would have to become public in due course. This should be assumed in any event.
- To counter the general criticisms which have been made of the Horizon system, in Parliament and elsewhere.
- To the extent possible, explaining to, or reassuring, SPMRs who have brought complaints as to the efficacy and reliability of Horizon.
- To form a point of reference against which specific complaints as to potential malfunctions in Horizon could be assessed. This could be relied on in considering complaints made by SPMRs.

In order to achieve these goals the report would have to be:

- Prepared by an expert whose views would be respected: they have to be credible on the basis of their skills and expertise.
- Appropriately supported by evidence so that the conclusions reached can be shown to be careful and robust.
- Prepared by an expert with sufficient independence from the Post Office, even if the expert is assisted (but only to the extent necessary) by parties who might be seen to lack the requisite independence, such as Fujitsu.

All existing work on Horizon – by whomever performed – should be considered so that work is not repeated unnecessarily and can proceed with all due speed.

Subject to the points made above, we expect that a report on Horizon would cover the following.

1. A general description of the Horizon system understandable in lay terms, including:
 - a. its ordinary range of functions as stipulated by Fujitsu;

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- b. key software;
- c. the end-user hardware and interface;
- d. the network in which it operates and the interface with the broader Post Office IT system; and
- e. key statistics of the size of the network and usage.

2. How the Post Office and SPMRs typically use Horizon, including:
 - a. examples of typical transactions for which Horizon is used and a description of their transmission through the system from start to finish, in particular, by reference to characteristics typical of all transactions in Horizon;
 - b. the weekly and monthly transaction reconciliation process;
 - c. loss recovery; and
 - d. workarounds and other ad hoc measures commonly adopted by the Post Office and/or SPMRs to maintain Horizon's functionality (if any).
3. Recognised or suspected weaknesses (if any) in Horizon that impact or are likely to impact at least a significant proportion of SPMRs or the Post Office's business. This should be addressed in general terms and without reference to the specific complaints of individual SPMRs.
4. A categorisation of the alleged defects in Horizon, as reported by affected SPMRs, into several broadly defined issues and an explanation as to why, if it be the case, such issues:
 - a. are not defects in Horizon as such;
 - b. are not caused by Horizon or anything else for which the Post Office is responsible;
 - c. are unlikely to effect the vast majority of SPMRs; and/or
 - d. otherwise do not fall within any of the recognised or suspected weaknesses identified above.
5. A clear statement that, isolated exceptions aside, Horizon functions across the entire SPMR network satisfactorily in accordance with its design parameters and to a standard sufficient reasonably to allow the Post Office and SPMRs to carry out their respective day-to-day functions (if that be the case).

Linklaters LLP