



Case Study 1

Ethics and Values Workshop

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Please read the following and then discuss with your group. At the end of the session, the document must be returned to Fujitsu Legal.

- In August 1994, an opportunity to tender was announced on behalf of the Post Office for “*computer and other services ... to support [Post Office’s] operations for its full range of clients, both at point of sale and in back office processing*”.
- In September 1994, International Computers Limited (“**ICL**”) (which was later fully acquired by FSL) expressed its interest to tender and later submitted its proposal as ICL Pathway (referred to hereafter as FSL). This proposal included details of relevant services it already delivered e.g., the National Lottery system, that could be leveraged.
- By July 1995, the Post Office had shortlisted three service providers, including FSL, and it was awarded the service contracts in May 1996.
- A key consideration for the Post Office was that FSL was the only supplier willing to take the desired transfer of risk from the Post Office. This risk transfer aspect of the tender was “*critically important*” to the Post Office, as it had financial constraints at the time. FSL bore the risk (and, therefore, the cost) of any delays to the acceptance of the Horizon IT system.
- There can be little doubt that the Horizon IT System is a complex system and FSL has accepted that it underestimated the scale of the complexity of automating the Post Office network. In particular:
 - the fitness for automation of the Post Office branch network;
 - the scale of development work required to put in place the desired technical solution;
 - the training needs of the cohort of Post Office branch staff, in order to support the transition to an automated system; and
 - the use of third-party software, as Post Office identified: “*We knew that risk and we weren’t shy about telling [FSL] about that risk and they would have to address it if they were going to go forward and, hence, why we put the mitigating stuff around the risk later on*”.
- When opening the Inquiry, the lead lawyer for the Inquiry, summarised a 1997 consultancy report noting that FSL “*had “seriously misjudged” the scale of the development required to meet its contractual obligations and had, as a result, underestimated the resources and time required to deliver the technical solution*”.
- FSL attempted to adopt a new methodology to develop the Horizon IT system which included using an application called the Electronic Point of Sale Service (“**EPOSS**”).
- From 1996, and in the run up to the Horizon IT system acceptance date, the EPOSS application coding had a number of bugs, errors, and defects which required rectification. The tender bid had been won using a prototype which had then been further developed instead of starting afresh properly. There was a lack of formalised and signed-off designs, poor coding standards, no methodology in place, no unit testing, little or no audit trail, a lack of professional qualifications in key positions, and a total disengagement of the Chief Architect.

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- These bugs, errors, and defects were being raised faster than they could be cleared. A task force had to be created because the FSL System Programme Director *“wasn’t very happy with the way the product was, so [he] felt let down by the people who had developed it”*.
- As part of the ongoing issues with the EPOSS code, a CSR+ Development Audit recommended that the code be rewritten to address the high number of errors.
- Despite specific recommendations that the EPOSS code be rewritten, FSL leadership made the decision not to re-write the code. *“...Effectively as a management team we have accepted the ongoing cost of maintenance rather than the cost of a rewrite. Rewrites of the product will only be considered if we need to reopen the code to introduce significant changes in functionality. We will continue to monitor the code quality (based on product defects) as we progress through the final passes of testing and the introduction of the modified C14 codeset into live usage in the network”*.
- Documents in the Inquiry revealed that hundreds of bugs, errors and defects in the EPOSS software existed in 2001, after the Horizon IT system acceptance date, and this software had been rolled out to thousands of Post Office branches. When Mr Justice Fraser issued his judgment in the Group Litigation in December 2019, it found that bugs and errors in Horizon could – and in some cases did – cause accounting discrepancies in Post Office branch accounts which were used to support Post Office prosecutions: *“In my judgment, there is a material risk that such a shortfall in a branch’s accounts was caused by the Horizon system ...not only does the potential for these errors exist, but this has in fact happened, and this has led to financial discrepancies in branch accounts”*.

Discussion Points

As a member of the sales, bid or delivery team preparing for the launch of Horizon, how would you have responded? Imagine yourself in one of these teams at the time, and with the information they had, and then contrast that to how you might act in similar circumstances today.

- Why were the risks and complexity of the system underestimated?
- Should the code have been rewritten?
- How could the potential impact of the issues with Horizon have been better managed?

Disclaimer - these case studies are based on facts and events that occurred within FSL over the past 25 years. However, some of the names of FSL employees have been anonymized and some of the events and roles have been modified or composited for the purpose of this exercise to encourage discussions around key themes that have arisen during the course of Project Holly and the Post Office Horizon IT Inquiry.