

THE REPORT:

1. Who commissioned the report and why?

In June 2012 Post Office Ltd commissioned independent forensic accountants, Second Sight, to review the Post Office's Horizon accounting system, following complaints from ex-subpostmasters that the system had been responsible for significant losses at their branches.

POL has consistently maintained that the system is not at fault, but in recognition of the concerns expressed by the small number of ex-subpostmasters who believe the Horizon system was responsible for losses, the company commissioned the review to provide an independent view of the integrity of the system.

[It also invited subpostmasters to come forward with cases. 60 subpostmasters came forward of which Second Sight considered 18 as suitable.]

I am very pleased to note that the first of Second Sight's conclusions is that there is "no evidence of system wide problems with the Horizon software".

2. When will the 'final' report be published?

The Post Office commissioned this independent review to address the concerns that had been raised. They are committed to completing the review, but following this initial report they are taking action on some of the issues identified in this report (see detail in Ans 12).

3. How will POL ensure the independence of the ongoing review?

I welcome the steps that the Post Office has set out in response to the publication of this interim report, in particular their commitment to seek to work with the Justice for Subpostmasters Alliance, honourable members, and Second Sight in concluding this review.

[The Post Office recognises the need for independence and I am assured they will complete the review with this in mind.]

4. How many cases are in the report; are there in total; and is this the total number of sub-postmasters or are there more than one case per person?

Second Sight selected 47 to review cases. This interim report considers four of the cases.

HORIZON OPERATIONAL MATTERS:

5. How does the Horizon system work?

The Horizon system was developed by Fujitsu to provide a uniform and robust accounting platform across the entire Post Office network.

At the time that it was introduced [in 1999] there were over 18,000 post offices in the network. In the 14 years of operation, many tens of thousands of subpostmasters and their staff have successfully used the Horizon system.

[Of the 68,000 users of Horizon, the cases represent less than 0.1% of users.]

6. Will POL be replacing the Horizon system?

As the report makes clear, there are no systemic problems with the Horizon system. Decisions on changes to IT systems are operational matters for the Post Office.

7. In how many of these cases were there allegations that Horizon was to blame?

Of the XXX cases that the Post office has prosecuted since 1999, XXX were for charges of theft, false accounting and fraud.

8. What training do you offer to subpostmasters?

The Post Office regularly reviews its training packages to meet the needs of subpostmasters and the business. Currently, subpostmasters receive a range of class room and on site training. Depending on the needs of the branch total training ranges from between 15 to 21 days.

[Significant improvements have been made to training and support and the Post Office is not complacent and continues to seek to improve its offer.]

IMPACT ON SUBPOSTMASTERS:

9. How many SPMs have been affected?

47 cases have been put forward for review by the Justice for Subpostmasters Alliance, or through constituent MPs. Second Sight's review covers a preliminary view on just four of these. This compares to a national network of around 11,800 branches with 68,000 Horizon users.

As the independent report makes clear, "the vast majority of subpostmasters and branches are at least reasonably happy with the Horizon system".

10. Why did the system register losses against SPMs?

The report makes clear that there is no evidence of systemic problems with the Horizon software. However, the report does suggest that there Post Office Ltd could have done more to help subpostmasters who were experiencing difficulties in operating their post offices.

The report also highlights two occasions when the Horizon system led to 76 branches, or 0.6 per cent of the network, to record incorrect balances. However, the report also makes clear that in both instances the Post Office did identify the error and make good any shortfall registered recorded against individual subpostmasters.

No prosecution of a subpostmaster followed from either instance.

11. Why were the concerns of SPMs ignored?

This independent review, which was commissioned by Post Office Ltd, demonstrates that the concerns are being listened to by the company. The Company has welcomed the main finding that there are no systemic issues with the Horizon system, but is keen to work with its subpostmasters to ensure they have access to better support or training if they need it.

NEXT STEPS:

12. How will POL ensure that this doesn't happen again?

The Post Office has welcomed the main finding that the Horizon system does not have any systemic problems, but is keen to work collaboratively to ensure that subpostmasters have access to the training that they need. In particular, the Post Office will:

- (a) Set up a working party to complete the review of cases started by Second Sight. The JFSA have been invited to join this working party.
- (b) Undertake a review to determine how an independent safety net might be introduced to adjudicate in disputed cases in the future. Again the JFSA will be invited to take part in this process.
- (c) Introduce a new Branch User Forum to provide a way for sub-postmasters and others to raise issues and insights around business processes, training and support.

13. Will POL pay compensation to affected SPMs?

This would depend on the outcome of the review and whether as a result of that process it is clear that compensation should be paid. There is no indication at this early stage that compensation should be payable

14. What support structures do you have in place for subpostmasters when they have an issue?

The Post Office is proposing to respond to the Second Sight report with three new initiatives aimed at addressing the issues raised, improving future processes and examining potential structural changes to support subpostmasters.

One of those initiatives is a new Branch User Forum to provide a way for subpostmasters and others to raise issues and insights around business processes, training and support, directly feeding into the organisation's thinking including at the highest level. A key task for this forum will be to review support processes and training to ensure they meet the standards expected of the Post Office.

PROSECUTIONS:

15. Why did POL continue to prosecute SPMs even when they knew the Horizon system had flaws?

The report does identify two occasions when the Horizon system registered incorrect balances against a very small number of branches. In each instance the Post Office identified the error and made good any discrepancy against the affected subpostmaster. No prosecution of subpostmasters followed either occasion.

As the report makes clear, there are no systemic issues with the Horizon system. However, there will on occasion in a network of 11,800 branches unfortunately be a very small minority of subpostmasters who do commit fraud and theft. As a guardian of significant public money, Post Office Ltd is absolutely right to seek to protect its customers and the taxpayer.

16. Are convicted SPMs going to have their convictions overturned?

It is not for the Government, or for the Post Office to overturn convictions. That is a matter for the judiciary, and we must remember that where convictions for fraud, theft and false accounting have been made, these have been made by the independent judiciary following appropriate judicial processes.

Ultimately, concerns about individual convictions and their impact on subpostmasters can be pursued through the courts in the usual way.

17. Why does POL have powers to prosecute SPMs itself? Is this appropriate?

As with HMRC and other bodies which safeguard public money, the Post Office has investigation and prosecuting authority in its own right.

The Post Office has processes in place where discrepancies are identified and a policy of investigating all cases where criminal activity is suspected. Where a decision to prosecute is made, the evidence is obviously tested in court in the usual way.

18. What are the implications of this report for POL's prosecutions and debt recovery policies?

The public would expect Post Office to take steps where there is evidence to do so. The Post Office has announced measures to ensure balance between this kind of action and providing training and support for subpostmasters.

19. Is there evidence that POL pressured SPMs into pleading guilty to crimes they didn't commit?

There is nothing in this report to suggest that the Post Office has in any way pressured ex-subpostmasters into pleading guilty to false accounting, theft or fraud charges. And there is nothing in this report to suggest that any convictions are unsafe.

20. What should an SPM or former SPM who feels they have been wronged do to seek redress? What if they can't afford litigation?

There is nothing to suggest any convictions are unsafe, and the report is clear that there are no systemic issues with Horizon. Concerns about individual convictions can be pursued through the Court of Appeal in the usual way. This is an interim report, and the Post Office has said that they want to work collaboratively with the Justice for Subpostmasters Alliance to complete the review.

21. What is the number of MPs affected?

Out of a total of 47 cases, the review considered 29 cases that had been referred to Second Sight by MPs. I am grateful to the honourable member for North East Hampshire (James Arbuthnot) for co-ordinating these cases.

22. Have any SPMs appealed against convictions?

I am not aware that there have been any appeals against convictions over any Horizon system challenges.

23. Have any convictions been overturned?

I am not aware of any that relate to the Horizon system.