

From: Paul Miele  
Policy Division

9<sup>th</sup> September 2013

Stephen McGowan

**CORRESPONDENCE FROM MR WILLIAM DORAN REGARDING POST OFFICE LTD AND DEFECTS IN THE HORIZON COMPUTER SYSTEM**

1. Mr Doran wrote to the Lord Advocate on the 24<sup>th</sup> July 2013 to highlight concerns that his wife was wrongly reported by Post Office Ltd for alleged embezzlement as a result of defects in the Horizon computer system used by Post Office Ltd. The letter and enclosures are attached at **ANNEX A**.

2. Post Office Ltd also contacted the Crown in late July to highlight potential issues with Horizon and a meeting was held at Crown Office on 5<sup>th</sup> September 2013 to establish to what extent, if any, the defects in the Horizon system are present in live or pending prosecutions in Scotland.

**Background**

3. Mrs Doran was reported in 2004 for allegedly embezzling £7583 whilst employed as a counter clerk by the Scottish Midland Post Office Franchise (SCOTMID).

4. In brief the case hinged on the fact that the Post Office computer system 'Horizon' recorded a shortfall of money which Mrs Doran could not explain. Mrs Doran maintained the shortfall was due to an error with the Horizon computer system. Ultimately the case was found not proven and Mrs Doran was acquitted on 22<sup>nd</sup> March 2006.

5. The case papers are attached at **ANNEX B** and a report from the local office including the procedural history of the case is attached at **ANNEX C**.

**Investigation into the Horizon Computer System**

6. In the interim period a number of sub-postmasters/mistresses who were prosecuted by Post Office Ltd, or required to repay monies, due to shortfalls identified by Horizon have protested their innocence and have blamed defects in the computer system.

7. A campaign from MPs representing said sub-postmasters/mistresses and the Justice for Sub-Postmasters Alliance (an organisation setup to raise awareness of potential problems with the Horizon System) led to Post Office Ltd commissioning an independent investigation by an external forensic accountancy firm "Second Sight" into the Horizon computer system.

8. The interim report from Second Sight has now been completed and is attached at **ANNEX D**. As part of their preliminary conclusions Second Sight found that:

*a) We have so far found no evidence of system wide (systemic) problems with the Horizon software;*

*b) We are aware of 2 incidents where defects or 'bugs' in the Horizon software gave rise to 76 branches being affected by incorrect balances or transactions, which took some time to identify and correct;*

The report concludes on page 18 that:

*"Further investigative work is needed to get to the bottom of this complex matter"*

9.) On the 9<sup>th</sup> of July 2013 a statement detailing the findings of the Second Sight investigation was given to parliament by Jo Swinson, Parliamentary Under-Secretary of State for Business, Innovation and Skills. The statement and connected debate is attached at **ANNEX E**.

10.) The statement given to parliament is referenced in Mr Doran's letter to the Lord Advocate and an enclosed letter addressed to Scotmid. It is clear that Mr Doran believes that defects in the Horizon system were to blame for his wife being reported to COPFS by Post Office Ltd.

#### **Enquiry with Post Office Ltd in relation to live criminal proceedings:**

11.) Post Office Ltd have separately been in contact with Policy Division to advise that the prosecuting solicitors representing Post Office Ltd in England and Wales have as a matter of routine been disclosing to the defence the aforementioned interim report by Second Sight and an additional technical report (the "Helen Rose" report) which is attached at **ANNEX F**.

#### Effect on Live Proceedings in England and Wales

11.) Post Office Ltd have also instructed the discontinuation of proceedings in England and Wales only in cases where system failings may have generated the incriminating evidence of a shortfall and there is an absence of supporting evidence and/or admissions by the accused.

12.) Post Office Ltd are continuing to prosecute cases in England and Wales where they have obtained an admission from the accused notwithstanding that evidence generated by the Horizon system which led to initial investigations may have been generated as a result of a system error.

#### Effect on Live Proceedings in Scotland:

13.) A list of all cases submitted for prosecution in Scotland since 2008 is included at **Annex G**.

14.) Post Office Ltd have carried out a review of all live Scottish cases and consider that the system defects identified in the "Second Sight" and "Helen Rose" reports do not play a part in any live Scottish cases. However, Post Office Ltd accept that a much more detailed forensic analysis of the Horizon system is required in order to establish the full extent of any system defects/bugs.

15.) It may be discovered in due course that system defects in the Horizon system played a part in some of the shortfalls identified in current live Scottish cases. According to Post Office Ltd though that cannot be said at this time and could only be determined at the conclusion of a further independent forensic examination of the system which Post Office Ltd are in the process of commissioning.

16.) Post Office Ltd met with Policy officials on the 5<sup>th</sup> September 2013 and confirmed that a full examination of the Horizon system will be carried out and will be completed within 6-8 months. This examination was already planned by Post Office Ltd as a result of the findings of the "Second Sight" report and was not instructed by the Crown.

17.) Post Office Ltd consider that a full examination would detail the extent of any system defects in the horizon system and the author(s) of the examination would also thereafter be in a position to provide expert evidence in individual cases as to whether or not the shortages identified by Horizon were attributable to system errors.

#### **Conclusion and recommendations:**

18. A draft reply to Mr Doran's correspondence is attached for your consideration and approval at **Annex H**. Mr Doran's wife was acquitted after trial and it is not considered prejudicial to respond to Mr Doran in the terms suggested in the draft.

19. In relation to the current live cases it is recommended that an operational instruction is issued meantime advising offices that:

- Any Post Office Ltd cases which rely on evidence obtained from the Horizon System for corroboration should be adjourned until such time as the aforementioned full and independent investigation is concluded by Post Office Ltd.
- No new Post Office Ltd cases, where corroboration is dependent on evidence obtained from the Horizon computer system, should be marked for proceedings until such time as the investigation is completed.

20.) It is recommended that proceedings are allowed to continue in respect of any cases in which there is corroborated evidence of Fraud/Theft from sources other than the Horizon system.

Paul Miele  
Policy Division

9<sup>th</sup> September 2013

**ANNEX A**

**Letters and Enclosure from Mr William Doran**



New OR - 23.07.13  
- Doran.pdf ...

**ANNEX B**

**Report and case papers re c/a Elaine Doran – LN04003001**



**LN04003001 -  
Elaine Doran.pdf ...**



**Doc11.doc (70 KB)**

**ANNEX C**

**Local Office's report re procedural history of the case against Elaine Doran –  
LI04003001**



**Draft Report re  
Elaine Doran.d...**

## **ANNEX D**

### **Independent interim report by Second Sight into the Horizon system**



Second\_Sight\_POL\_I  
nterim\_Report.pdf



**ANNEX E**  
**STATEMENT TO PARLIAMENT**



**201306281348.pdf**  
**(879 KB)**

**ANNEX F**

**Forensic report (“Helen Rose report”) into a specific case Post Office Ltd  
case**



**HELEN ROSE REDA  
CTED REPORT FOR**

## ANNEX G

### List of all live Post Office Ltd cases in Scotland



Scottish Cases.xlsx  
(40 KB)

**ANNEX H**

**Proposed response to correspondence from Mr William Doran**

Dear Mr Doran,

Thank you for your letter dated 24<sup>th</sup> July 2013 to the Lord Advocate raising your concerns regarding the use of the Horizon system. I have been asked to respond on his behalf.

I have read carefully both your own letter and the enclosed correspondence addressed to the Scottish Midland Co-Operative Society Limited. I am sorry to hear of your loss, please accept my sincerest condolences.

I can confirm that the Crown Office and Procurator Fiscal Service (COPFS) is aware of the recent publicity concerning the Horizon system, however I regret to advise you that this is not a matter that COPFS can assist you in.

I appreciate the concerns you have in respect of the prosecution of your wife, who was as I understand it acquitted. The status of the Horizon system at the time of the prosecution, however, is a matter which you will require to pursue directly with Post Office Ltd and I see from your letter that you are already in the process writing to them in this respect.

As the public prosecutor in Scotland it would be not be appropriate for COPFS to provide you with legal advice on how to pursue matters further with Post Office Ltd should they be unable to provide you with the answers that you seek. I would however recommend that you seek your own independent legal advice or contact the Citizen's Advice Bureau who may be able to assist you further.

I understand that you may be disappointed with this response however this is an issue upon which Post Office Ltd will require to respond to you directly.

Yours sincerely