

OFFICIAL SENSITIVE - COMMERCIAL

To: Baroness Neville-Rolfe

From: Laura Thompson, ShEx GRO

Date: 16 October 2015

Subject: Meeting with Second Sight on Post Office Horizon
Monday 19 October 14.30 – 15.00

Meeting purpose: You agreed, following your meeting with James Arbuthnot, to meet representatives from Second Sight Support Services Ltd (“Second Sight”), the firm appointed to undertake independent forensic accountancy work into complaints received about the Post Office Horizon system.

Meeting attendees:

- Ron Warmington, Managing Director, Second Sight
- Ian Henderson, Director, Second Sight

We recommend that Laura Thompson from the ShEx team should also attend.

Proposed handling

1. James Arbuthnot suggested that you meet Second Sight to “decide for yourself” whether their views on Horizon and on Post Office more generally deserved more Government attention or action. You agreed to offer a short private meeting to Second Sight, after which you would recommend that they speak to Tim Parker as part of his review.
2. Mr Warmington, Managing Director of Second Sight, has contacted your office to request that this is an off-the-record meeting. Your office have confirmed to Mr Warmington that, while a meeting note will be kept by your office, it will not be made public (or shared with Post Office). We recommend that you confirm this at the outset of your meeting with Second Sight, and that you expect they, similarly, will not make public the matters discussed in your meeting.
3. Second Sight have asked that you read their most recent (April 2015) report before your meeting. Your office have copies available; if you choose to do so we recommend that you also read the Post Office’s response to that report.
4. We expect Second Sight to raise a number of issues across a broad spectrum with you, which will probably include criticisms of Post Office’s business model and management, as well as complaints about conduct during the mediation scheme.

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We recommend that you are predominantly in listening mode for this meeting, but you might suggest to Second Sight at the outset that, given the short time you have, it would be most helpful for you if they focus on system-wide problems, rather than individual examples or cases (since those issues are best resolved bilaterally, through mediation or court action).

5. The Government's position is that this is an operational matter for Post Office Limited, and as such you have asked Tim Parker, who started as Chair this month, to look at the matter with a fresh pair of eyes, and he will take a serious and thorough look at this. The Criminal Cases Review Commission (CCRC) is considering a number of cases, and there are a large number of mediations scheduled to take place in the coming months. Both those processes, and Mr Parker's review, should be allowed to run their course. If any new evidence emerges as a result of those processes, then the Government will consider whether any action would be required.

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- A. Speaking note
- B. Second Sight biography and background

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A. Annotated agenda

Opening remarks

- Thank you for coming in to see me at relatively short notice. James Arbuthnot recommended that I should meet you.
- I understand that you would like this to be a private meeting. I have my officials here with me who will take a short note for our records but it will not be shared widely or outside of Government. I trust you will do likewise.
- Clearly this matter has received a great deal of scrutiny and continues to do so. As Government our main objective is to ensure that the right and fair outcome is reached for all concerned.
- The Criminal Cases Review Commission are considering 20 cases on this matter. We do not know for certain when they will conclude those investigations but it may not be for a few months at least.
- A large number of individuals who raised cases with Post Office were offered and have accepted mediation. I understand around 20 cases have been mediated to date and the rest will take place over the next few months.
- I have also asked Tim Parker, who is the new Post Office Chairman, to look at this with a fresh pair of eyes. He will be keen to meet you and I would encourage you to do so.
- We only have a short time and I know you have informed my office of a number of topics you wish to cover. I would find it most helpful if you can focus on the Horizon system and whether there are system-wide issues, rather than individual circumstances or examples.

[There are some lines to take on points that Second Sight might make overleaf, if you need them.]

Closing remarks

- Thank you for a helpful meeting. I expect that Tim Parker will be in touch with you shortly as part of his consideration of this matter. I encourage you to meet with him and discuss in a bit more detail what you have told me.
- If you have any further points to make, I suggest you raise those with Tim.

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Lines to take:

If Second Sight ask whether Government will launch an inquiry

- These are operational matters between Post Office and individuals. They are best resolved between the two parties directly.
- The CCRC is considering some cases, and many more are going through mediation. That is the best way to resolve issues.

If Second Sight state that Post Office have not made any improvements

- Perhaps you can tell me what more you think Post Office should have done.
- I do think Post Office take this matter seriously and are committed to improving.

If Second Sight criticise Post Office's approach to prosecutions

- We must remember that it is the Court's decision whether to convict an individual of a crime.
- Post Office must comply with the same requirements for prosecution as the CPS

If Second Sight state that Post Office have been time-wasting

- Clearly this matter has taken a lot longer to resolve than anyone would like. I imagine there have been delays on all sides.
- Post Office have already said quite clearly that they will not pursue the statute of limitations as a defence for cases which have reached it as a result of the mediation process.
- I understand Post Office had a team of around 20 people working on this issue

If Second Sight say that Post Office should have mediated criminal cases

- I understand some people have been disappointed not to be offered mediation because they have a criminal conviction.
- Of course, mediation is a voluntary process and it cannot overturn a Court judgement.

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B. Second Sight biographies and background

Timeline

- **May 2012:** Second Sight Support Services Ltd were appointed as forensic accountants by Post Office to undertake a “top down” analysis of the Horizon system, and produce a report on their findings.
- **May 2013:** After a year, having not completed their work, they were asked to publish an interim report. This found that there was no evidence of systemic flaws in Horizon, but pointed to instances where Post Office could have offered more training or support to employees.
- **Autumn 2013:** With the establishment of the Mediation Scheme, Second Sight were reappointed by Post Office on new terms, to undertake “bottom up” reviews of each of the 136 individual cases accepted into the Scheme. Second Sight also decided to prepare a “thematic issues report”, looking at common themes across cases.
- **March 2015:** Post Office, having completed their own reviews into each individual case, give notice to terminate Second Sight’s contract.
- Post Office and Second Sight agreed the terms under which Second Sight would complete their final individual case reviews, and also to complete their final “Part Two” report which was issued to applicants (and subsequently made public) in **April 2015**.
- **July 2015:** Second Sight’s contract with Post Office ends.

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Meeting attendees

Ron Warmington FCA CFE, Managing Director

A Chartered Accountant and a Certified Fraud Examiner, Ron has held leading positions as a Board Director and Chief Financial Officer of a Global Fund Management Company; Head of Internal Audit and a Member of the Audit Committee, and later as Global Banking Investigations Head, of one of the world's largest international banks. In these positions, he has designed and implemented changes that have transformed business profitability, turning hugely loss-making business into sustained profit-generators.

GRO

Ian R Henderson CCE CISA FCS, Director

Ian R Henderson CCE CISA FCA specialises in providing support to organisations dealing with the challenges of digital evidence, IT Security and the disclosure of electronic documents. Ian qualified as a Chartered Accountant in 1984 and then specialised in corporate investigations and computer audit. He subsequently qualified as an Information Systems Audit & Control Association ("ISACA") Certified Information Systems Auditor. He is also a member of the International Society of Forensic Computer Examiners ("ISFCE") and is an ISFCE Certified Computer Examiner. He has been trained in forensic computer procedures and has extensive knowledge of the criminal justice system and the civil procedure rules relating to the disclosure of electronic documents. He has been invited to speak at over 20 conferences world-wide in the last 5 years on a variety of security related topics and has given evidence as a forensic computer expert in numerous civil and criminal cases, including a major terrorism trial at the Old Bailey. Prior to moving into the private sector in 1998, Ian was Head of Investigations at the UK's largest Financial Services Regulator. Immediately before this, he was Manager of the Investigations Department at Lloyd's of London, with responsibility for investigating fraud and misconduct world-wide.

GRO

Correspondence / media

- Mr Warmington wrote to George Freeman and then to the Prime Minister in July 2015 following the Adjournment Debate on 29 June. He then wrote to you and you replied: your correspondence is attached. Andrew Bridgen MP was also made aware of Mr Warmington's letter to you and it was mentioned in the Sunday Telegraph on 2 August.
- Mr Henderson was invited to give oral evidence to the BIS Select Committee in the last Parliament; he appeared at an evidence session alongside Paula Vennells.
- Mr Henderson also appeared on BBC Panorama in August 2015. (This was in breach of the terms of Second Sight's contract with Post Office.)

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Mr Warmington's correspondence to Government

Email to George Freeman MP (constituency office)

Wednesday 22 July 2015

Dear Mr Freeman:

I am puzzled, and not a little distressed, by your summarisation, in your recent email to Mr Ian Warren, and more importantly in Parliament, of my firm's Interim and Part Two Reports (there were, in fact, three Reports). You have summarised our Reports with the following words: "*Second Sight have produced two independent reports, in 2013 and 2015, both of which demonstrate that there is no evidence of systemic flaws within the Horizon system which could cause the issues reported*". That is NOT a correct statement. I respectfully draw your attention to paragraphs 21.27 and 26.8 of our Report, and to the following additional paragraphs:

9.3; 9.6; 9.12; 10.10; 11.8; 13.8; 21.3; 21.4; 21.8; 21.30; 21.31; and 22.10.

You may have noted, from reading our Reports, and also from Post Office's Rebuttal Documents, that Post Office has continually focussed attention on *the system itself* (i.e. 'Horizon', and its successor system, 'Horizon Online'), and even more narrowly on the *software*, rather than on the *entirety of the operational platform used by its Subpostmasters*. It follows that even if there had never been any systemic flaws in either version of the system (that being a contention with which we do not agree), that would not mean that the operational platform as a whole was always fit for purpose for all of the tens of thousands of users. As we have stated in our Report, it was not.

I have attached here a copy of our Briefing Report - Part Two. In that copies of this Report are already in the public domain, releasing a further copy to you does not constitute a breach of our Confidentiality Agreement.

I am available at any time, subject to the constraints imposed (by our Confidentiality Agreements with Post Office) on my firm, myself and on my colleagues individually, should you call for any clarification.

With best regards,

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Ron Warmington CFE, FCA
Managing Director

Email to David Cameron MP (constituency office)
Tuesday 28 July 2015

Please pass this email directly to Mr Cameron. Thank you.

Dear Mr Cameron,

As yet I have received no response to my below-copied email to Mr Freeman. In it, I am challenging the words he used in the House in summarising my firm's Reports on the Post Office and its Horizon operating platform. In that you also incorrectly used similar words in the House, I respectfully look to you to ensure that more care is taken on this matter so that broad reassurances are not again mistakenly given.

With kindest regards,

Ron Warmington

Email to you, Tuesday 4 August 2015

Dear Baroness,

Further to the article written by Tim Ross in this weekend's Sunday Telegraph (see: <http://www.telegraph.co.uk/news/uknews/royal-mail/11778288/Post-Office-under-fire-over-IT-system.html>), I have as yet received no acknowledgement from Westminster in regard to my July 22nd and 28th emails to Mr Freeman and to the Prime Minister.

The possibility seems to exist that Mr Freeman was inaccurately briefed on the results of our firm's investigation. As stated below, we have concluded that there were, and probably still are, systemic flaws within Horizon.

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With regards,

Ron Warmington

Your response to Mr Warmington

Friday 14 August 2015

Dear Mr Warmington

Thank you for your email of Tuesday 4 August regarding the Post Office and attaching correspondence you have sent to George Freeman MP and to the Prime Minister. I am replying as the Minister responsible for the Post Office. I have read with interest your "Part Two briefing report" as well as the response from Post Office Limited.

The Government is grateful for Second Sight's work in reviewing the Post Office's Horizon IT system. The results of your investigations will enable each of the individuals who have raised concerns with Post Office Limited to understand better what has happened in their individual case, and if appropriate to seek resolution through mediation or other means.

As you say, your work has considered not only the IT system but also wider issues, and where your investigations have highlighted areas of concern, Post Office have committed to addressing them and making improvements, particularly around the training and support they provide to subpostmasters. Where problems have been identified in individual circumstances, those are best resolved directly between the two parties involved, both of whom will be able to benefit from your investigations on each individual case.

Thank you again for raising this with me.

Kind regards

Baroness Neville-Rolfe

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Sunday Telegraph article 2 August 2015

Post Office under fire over IT system

Sub-postmasters falsely accused of theft and forced to repay Post Office money they did not owe, campaigners claim

By Tim Ross, Senior Political Correspondent

6:37AM BST 02 Aug 2015

Sub-postmasters running small village post offices have been wrongly accused of fraud – and in some cases jailed – because a controversial computer system was not “fit for purpose”, ministers have been warned.

The Government assured MPs in June that an independent report had found “no evidence” of difficulties with the Horizon IT software used in 11,500 post offices.

However, the authors of the report have now written to ministers to complain that their findings have been misrepresented.

More than 100 sub-postmasters have been unfairly “dragged through the mud” – and in some cases prosecuted and left bankrupt, campaigners have said. One case, it is feared, led a victim to commit suicide.

The IT system is used to record financial transactions in post offices throughout the country. Concerns were raised by MPs in 2012 after complaints by sub-postmasters that they had been unfairly sacked as a result of flaws in the system, which recorded large cash shortfalls they could not explain.

A report by Second Sight, a firm of fraud investigators, found that the Post Office launched court proceedings before finding out why the shortfalls had occurred. The Post Office rejected the conclusions of the investigation, which it had commissioned. It said it would only start criminal proceedings against sub-postmasters if it had satisfied the full test of the code for Crown prosecutors.

Andrew Bridgen, the Conservative MP leading the campaign in Parliament, said: “Although the Post Office will maintain there is nothing wrong with its system, that is disputed by Second Sight themselves – in letters they have sent to ministers.

“The human cost is loss of reputation for sub-postmasters, loss of their business, relationships have failed. People have lost their livelihoods and in the worst cases they have lost their liberty. It has gone on for too long.”

Mr Bridgen said he had asked ministers to order the Post Office to pass its evidence to a firm of solicitors to ensure it was not destroyed.

The minister responsible, Baroness Neville-Rolfe, told Mr Bridgen last week that she had taken up the issue with the Post Office, which had agreed to pass on its evidence.