



POST OFFICE LIMITED BOARD REPORT

Title:	Post Office Horizon IT Inquiry: Update	Meeting Date:	24 January 2023
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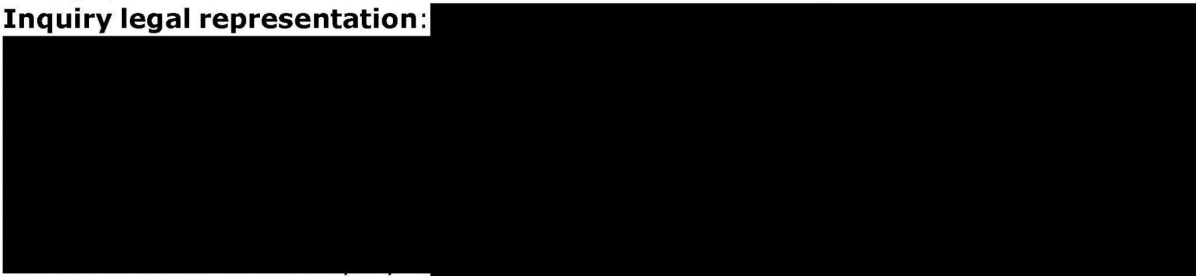
This update contains information which is confidential to the Inquiry. It must not be discussed or shared with anyone who has not shared a confidentiality undertaking.

Input Sought: Noting

Board is requested to:

- **Note** the key developments that have taken place in the Inquiry programme since the last update was provided, including as set out in the Appendices.
- **Note** the current key strategic considerations relating to the Inquiry programme.
- **Note** the financial update and assurance activities being undertaken in relation to the Inquiry programme, as set out in the Executive Summary.

Executive Summary

1. **Leadership of the POL Inquiry team:** Fintan Canavan's tenure as POL's Inquiry Director came to an end in December 2022, with Diane Wills starting in post as Public Inquiry and Historical Matters Legal Services Director from 2 January 2023. Gemma Ludgate, Inquiry Operations and Strategy Director, will support Diane with the leadership of the team and, with the welcome return of Louise Sivey, **GRO** as Head of Legal, the team will be better able to deal with the challenges ahead.
2. **Inquiry legal representation:** 
3. **Phase 2 reflections:** Four key themes/take aways emerged from Phase 2. They are captured in more detail in the main report but centred around governance, reliance on horizon data for prosecutions, listening to postmasters and the Inquiry's approach to witnesses. These themes will flow through future phases.
4. **Compensation Hearing:** The POL Inquiry and HMU teams attended the Compensation Hearing on 8 December and the Chair's update report was received on 10th January. More detail is provided in the main report but in essence, the Chair recognised the progress made across the schemes and the changes made following previous reports but noted his continued concerns that matters are not being resolved quickly enough. He confirmed that



a further hearing will be held in April and he has also asked for submissions on how bankruptcy impacts upon a person's entitlement to compensation under the various schemes given the impact this is having.

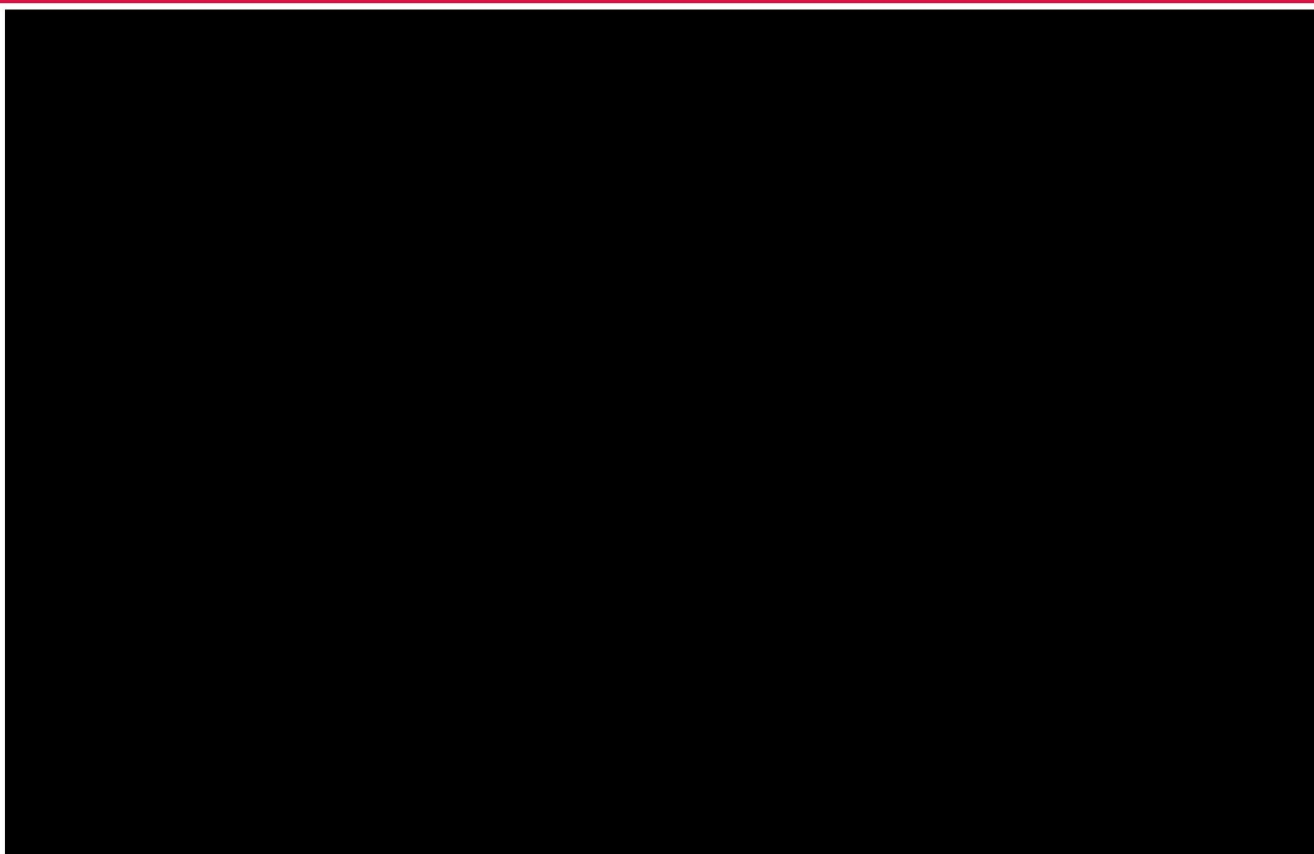
5. **Phase 3 hearings:** Phase 3 hearings began on 10 January. They will continue for two weeks, before a three-week break. The first two weeks relate to 'Early Operation of Horizon, Training and Modifications'. The Inquiry has so far only published a witness list for these first two weeks, and this is set out in Appendix 3. No current POL employees have been called to give oral evidence during the first two weeks, but we anticipate that current POL employees will be called later in Phase 3.
6. **Employee witnesses:** To date, we are aware of 11 current POL employees who have been asked to prepare a witness statement relating to one or more of Phases 2-4. Of these, 1 employee has subsequently been exempted from the process by the Inquiry for medical reasons. Further details in Appendix 1. The POL Inquiry team also continues to support former Post Office group personnel who have received a request for a witness statement with confirming D&O insurance coverage and obtaining legal representation. D&O coverage has been confirmed in all cases to date in which it has been sought.
7. **Disclosure:** Following the submission of the Third Interim Disclosure Statement on 30 November 2022 the Inquiry requested a fourth interim disclosure statement and this was filed on 12th January. The Inquiry specifically asked for an update on several hardcopy data workstreams, including in particular around the reindexing project, by Thursday 12 January 2022. The hardcopy data reassurance work is underway. The forensic search of Finsbury Dials took place on 19-20 December 2022 and the searches, and re-certification process, will begin again in January. A summary of the next steps is provided in Appendix 4. Initial review suggests that there are some documents which may be relevant to later Phases of the Inquiry, but early indications are that the majority will be duplicates. Further work is required in relation to handwritten notebooks and CDs.
8. **Rule 9 requests:** POL has to date received 31 Rule 9 requests for documents. Responses have been provided to 30 of the requests. Rule 9 (31), relating to past prosecutions, was received on 15 December 2022 and has a deadline of 17 February 2023.
9. **Financial update:** The lifetime costs options paper is provided separately.
10. **Assurance activities:** The Group Compliance assurance exercise continues and to date the team have reviewed the design of Inquiry-related end-to-end processes and identified areas of key inherent risks. This will now form the basis of the assurance assessment and walk throughs to determine the level of adherence within the Inquiry team, with focus on POL governance, and the timeliness and completeness of responses to Rule 9 requests. This activity is planned for January 2023. In addition, the Compliance Team have supported the Inquiry Team in the preparation, execution and oversight of the hardcopy data audit, which began in November 2022.
11. **Confidentiality undertakings briefing note:** The latest version of the POL Inquiry team's briefing note on the confidentiality undertakings that have been signed by POL colleagues is contained in the Reading Room.

Report

Key developments not otherwise covered in Executive Summary

Phase 2 reflections

12. There were 4 key take-aways from Phase 2:



We will use these insights to help prepare for future phases.

Rule 9 requests for documents

13. POL has (as at 21 December 2022), produced 107,144 documents to the Inquiry.
14. Rule 9 (31) requests specific details in respect of all prosecutions that have been conducted by or on behalf of POL or RMG in the period from 2000 to 2013. The details sought include the name of the Postmaster and branch, the name of the relevant lawyers and investigators, the offence and appeal status. HSF is progressing work on the request with support from Peters & Peters.
15. POL continues to provide supplementary disclosures to the Inquiry where documents responsive to previous Rule 9 requests are identified during the course of ongoing reviews of material held by POL. In December, potentially relevant documents were identified in a cabinet in the Chair's office. The Inquiry was informed about the discovery of these documents, and they are being reviewed as a priority. One document was immediately identified as responsive to Rule 9(30) and has been disclosed to the Inquiry. The remaining documents are being reviewed for relevance to previous Rule 9 requests.

Hardcopy data audit

16. A detailed and structured hardcopy data audit is being rolled out to provide POL, and in turn the Inquiry, with assurance that we have properly searched for relevant hardcopy material in each physical data location. This will see independent search experts carrying out forensic searches of POL's high-risk sites. Alongside this, all other sites will be following a more robust process for re-certifying that they have searched their premises




and have flagged any potentially relevant hardcopy material. The forensic search of Finsbury Dials was carried out 19-20 December 2022. 80 boxes of potentially relevant material were identified but early indications are that the majority of documents will be duplicates rather than new relevant material that will need to be disclosed to the Inquiry. The remainder of the searches will start again this month, alongside the re-certification process. Material that is identified as potentially relevant to the Inquiry will be reviewed on an ongoing basis so that responsive material can be disclosed as promptly as possible. A summary of next steps in relation to the hardcopy data audit is set out in Appendix 4.

17. The Inquiry continues to be interested in POL's disclosure and has advised that some Postmaster representatives are pushing for a disclosure hearing to question POL about its efforts to identify and disclosure relevant material to date. The Inquiry is not currently minded to hold such a hearing. However, we understand that should there be any issues with ongoing disclosure, or should the Inquiry find the hardcopy data audit not robust enough, then they might call one in March/April 2024 at which they would expect to hear from those in POL both responsible for and conducting the disclosure work.

B. Key strategic considerations

Phase 3 hearings

18. 
19. In order visibly to demonstrate POL's engagement with the Inquiry, and following a good level of GE attendance in Phase 2, the POL Inquiry team also continues to encourage members of GE and the Board to attend the hearings, whenever they have the opportunity to do so. To date, two GE members have indicated they are able to attend in the first two weeks. It also remains important to have our Postmaster NEDs attend throughout.
20. Given the first two weeks of evidence in Phase 3 principally relate to training issues, we have requested the Retail team, led by Martin Roberts, to put forward members of its team to observe each day of evidence, so that their insights as subject matter experts can be considered as part of their day-to-day work and also shared with the POL Inquiry legal team. We will continue to request relevant SMEs to observe the evidence throughout the remainder of the Inquiry's hearings. The POL Inquiry legal team, in conjunction with the Head of Communications and Engagement, is preparing a proforma "insights" questionnaire for SMEs to complete after attending a day of evidence. In order to visibly demonstrate POL's engagement with the Inquiry, and following a good level of GE attendance in Phase 2, the POL Inquiry team also continues to encourage members of GE and the Board to attend the hearings, whenever they have the opportunity to do so. To date, two GE members have indicated they are able to attend in the first two weeks. It also remains important to have our Postmaster NEDs attend throughout the Inquiry.
21. During Phase 3, the Communications and Engagement team will circulate a weekly (rather than daily) summary of the oral evidence, which will focus to a greater degree on key strategic matters for the business. The weekly summaries will reflect insights gained from the legal team and the observations shared by SME attendees in their questionnaires.



22. Our Counsel team is continuing to prepare and submit to the Inquiry proposed "Rule 10" questions to be put to oral witnesses. The Inquiry's Counsel team put a number of our proposed questions to witnesses during the Phase 2 hearings which led to ICL Pathway witnesses backing down on some points set out in their written evidence.
23. The POL Inquiry team is maintaining trackers of themes and issues arising from the hearings that it will be necessary for POL to be able to demonstrate have been addressed in Phases 6 and 7.

Compensation hearing

24. Sir Wyn reached the 'clear conclusion' that a formal interim report was not necessary and said he intends to continue to monitor progress by holding another hearing on compensation in April. Sir Wyn recognised the balance that needs to be struck between the speed of decision making and ensuring that offers are full and fair but noted he is '*not persuaded as yet that the complex applications within HSS are being processed with sufficient vigour.*' He noted that this is a topic he intends to return to in phase 5. He also recorded his view that given overall delays, fairness demands an 'unequivocal statement' that all late applications to HSS should be accepted subject only to the usual eligibility criteria – ie. that there should not be any requirement to provide a reason for the lateness of the application. HMU are discussing this with BEIS to agree a way forward.
25. On OHC, Sir Wyn notes that despite his comments in the August update statement on the need for transparency and consistency in how claims are managed, there is no transparent scheme in place and instead, claims are dealt with via individual negotiations. We are making good progress in developing principles to underpin how we approach OHC pecuniary claims and will have an update for Sir Wyn on this by the time of the April hearing.

Analytical work to support Phases 3-4 and 5-7

26. HSF continue to progress evidence analysis, overseen by the POL Inquiry legal team, in accordance with HSF's workplan for Phase 3. HSF will progress draft narrative responses to the Inquiry's Phase 3 Issues, which will be used to inform POL's Phase 3 Closing Submissions in due course.
27. HSF is also continuing work to progress evidence analysis for Phase 4. In conjunction with Peters & Peters, HSF is preparing reports setting out evidential analysis for a number of Phase 4-related workstreams.
28. In relation to Phases 5, 6 and 7, the POL Inquiry team have met with relevant business areas to assess their readiness for the Inquiry's examination in those Phases of POL's (i) current governance arrangements and (ii) current practices and procedures which seek to remediate the findings in the Common Issues and Horizon Issues Judgments. A report capturing the current status of implemented operational improvements has been shared with the Group General Counsel and HSF. Work on documenting POL's current governance arrangements continues.
29. A separate Inquiry Budget paper is being prepared with options as to the point at which an alternative law firm might be appointed. These will take into account the desire to manage the programme's costs more efficiently, given the significant extension to the timetable, scope and scale of the Inquiry. The paper will also include options for the handling of Phase 5 given the potential for the issues in that phase to give rise to a conflict of interest for HSF as a result of their involvement in the handling of the GLO/establishment of HSS after the handing down of the CIJ.