

**Mike Granville**

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One  
(South)

**From:** Mike Granville  
**Sent:** 04 February 2011 17:34  
**To:** David Simpson  
**Subject:** FW: Inside Out programme  
**Attachments:** CMK letter to BBC pdf.pdf

David,

This is copied over to you so you are aware to whom I've copied this in POL.

Thanks

Mike

**Mike Granville**  
**Head of Regulation Strategy**  
**Post Office Ltd**

1st Floor, Banner Street Wing, 148 Old Street, LONDON EC1V 9H1Q

 **Postline**  GRO  
 GRO  
 GRO

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**From:** Mike Granville  
**Sent:** 04 February 2011 16:53  
**To:** Kevin Gilliland; Paula Vennells; Mike Young; Susan Crichton; Rod Ismay; Alana Renner  
**Subject:** FW: Inside Out programme

To update the latest on this programme, which goes out on Monday evening;

The media statement sent over by David Simpson looks like this;

### **Post Office Statement**

- The Post Office is fully confident that the Horizon computer system in its branches, and all the accounting processes around it, are absolutely accurate and reliable at all times.
- The Horizon system has been subjected to full, independently-assured, robust testing procedures. The Horizon information security processes meet the relevant industry standards which apply to such organisations as banks and building societies.
- Subpostmasters are given fully appropriate training, typically including classroom training and a further time on site under close supervision and guidance from a Post Office manager. Subpostmasters can also ring a dedicated helpline for advice.
- The Horizon system has operated successfully for over 10 years across the Post Office network, which currently stands at more than 11,500 branches.
- The National Federation of Subpostmasters, which vigorously represents the views and interests of subpostmasters around the entire country, has gone on record on a number of occasions to express its full confidence in the accuracy and robustness of the Horizon system.
- The Horizon system provides detailed records of every transaction, no matter how small or large, in any individual Post Office branch. Separate records of all key strokes in the system are stored in a tamper-proof way..
- The Post Office handles large sums of public money as well as the money entrusted to it by the 20 million people who visit our branches each week. The Post Office rightly makes

every effort and takes all reasonable steps to protect the money in its care.

**In the three cases indicated by the BBC programme Inside Out, the facts are:**

**Misra.** Mrs Seema Misra was found guilty of the theft of £74,609.84 at her branch in West Byfleet while she was subpostmistress by the unanimous verdict of a jury at her trial lasting more than a week at Guildford Crown Court in 2010. She had also pleaded guilty at Woking Magistrates' Court to six further charges of false accounting involving the falsification of documents on dates in December 2006, June 2007 and December 2007. The Crown Court judge sentenced her to 15 months imprisonment on the theft charge and six months concurrent imprisonment for each of false accounting charges. The judge said when sentencing Mrs Misra that the jury, before reaching its unanimous guilty verdict, had heard all of the evidence put before it, including the testimony of an IT expert appointed by Mrs Misra's defence.

**Hamilton.** Josephine Hamilton's contract as a subpostmistress with the Post Office was terminated in 2006 after a loss of £36,644.89 was discovered during an audit at her branch in South Warnborough. She agreed to repay the money. She pleaded guilty to 14 charges of false accounting at her trial at Winchester Crown Court in February 2008. She was sentenced to 12 months community service and received a supervision order.

**Bristow.** Discussions continue between Mr David Bristow and the Post Office, which is seeking the repayment of a shortage of over £40,000 at the branch in Odiham during his time as subpostmaster. Mr Bristow received appropriate training. Investigations have been made. There is no evidence that the loss is related to the Horizon system.

In addition, a letter has been sent from Cameron McKenna to BBC lawyers which is attached to this e-mail.

Thanks

Mike

**Mike Granville**

**Head of Regulation Strategy  
Post Office Ltd**

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# C'M'S' Cameron McKenna

**Private and Confidential, Urgent**

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**For the attention of Roger Law**

**NOT FOR BROADCAST**

Your Ref:  
Our Ref: SCB/DRM/MIT/043299.00029

03 February 2011  
**By Fax and Email**

Dear Sirs

**Inside Out - Post Office Ltd**

We act for Post Office Ltd and have been instructed in relation to a proposed broadcast in the BBC Inside Out (South) series which we understand is currently scheduled for next Monday 7 February 2011. We further understand that this story may also be featured by BBC Surrey and BBC Sussex on Monday morning.

We note your website currently refers to the proposed Inside Out programme as: "Investigating the claims of false accounting being levelled at local subpostmasters." "We investigate trouble behind local post office counters as subpostmasters are accused of false accounting. But are they really to blame when the figures don't add up?" The description of the programme makes it clear that you will be suggesting that subpostmasters are being wrongly accused of false accounting. Subsequent correspondence makes clear that you will be making criticisms as to the way in which the Post Office has treated these subpostmasters and, moreover, that you will be making criticisms of Post Office Ltd's Horizon computer system.

You have confirmed in your email of 31 January 2011 that you propose to feature three subpostmasters in your programme, one of whom was convicted of theft by a criminal court, one pleaded guilty to charges of false accounting, and the third was given three months' notice for failing to make good losses totalling in excess of £40,000, as required under his contract. However, all of those you propose to feature have clear "axes to grind" and their stories should therefore be treated with real caution.

You also mention an interview with a lawyer from Shoosmiths, who is seeking to launch a civil action against Post Office Ltd and who, therefore, has a clear vested interest in encouraging claims. You say that she represents 55 subpostmasters or former subpostmasters. Without full information Post Office

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Limited is unable to comment on this, save as to say that Post Office Ltd is confident as to Horizon's accuracy, as set out further below.

The allegations made of Post Office Ltd are serious allegations, and they are unjustified. All of the cases to which you refer arose from serious issues arising as a result of losses identified at the branches in question, following which appropriate action was taken.

It is significant that in relation to the first case to which Mr Valters refers, a considerable deficit of in excess of £70,000 was identified at an audit and Mrs Misra, the former subpostmaster, in question pleaded guilty to six charges of false accounting in the Magistrates Court at Woking and was found guilty of theft by unanimous verdict after a full seven-day jury trial at Guildford Crown Court, which included evidence of an IT expert. The case was fully and properly tried, and subject to the high burden of proof required of criminal matters. Post Office Limited was also clearly not responsible for the sentence passed by the judge. So with respect to Mr Valters' email of 31 January 2011 and to the comments of Mrs Misra's husband, even if this were to have been a perverse outcome, which is not accepted (and we note there is no suggestion of any appeal), it would not be Post Office Limited who "is wrong", but the Judge and Jury at Trial.

The second case, that of Jo Hamilton, also involved a significant loss discovered following an audit, namely a loss of in excess of £30,000. Ms Hamilton chose to plead guilty to 14 counts of false accounting.

The third case involved an identified loss of over £40,000, following an audit in June 2007. Eventually, after a number of meetings and attempts to help find the source of the problems, as there had been no explanation for the large loss which had occurred, and as the loss had not been made good, Mr Bristow was given three months' notice in January 2009. The losses are still outstanding – and no errors have come to light to account for the outstanding debt. The branch is now operating normally with no accumulating losses.

Subpostmasters are responsible for making good losses at the branch where this is caused by their own negligence, carelessness or error, and also for losses of all kinds caused by subpostmaster assistants – this is made clear in the contract entered into with each subpostmaster. Clearly also where a subpostmaster has admitted false accounting, they will be liable to repay any sums. This is not an issue for the vast majority of subpostmasters across the country.

Post Office Ltd is fully satisfied with the integrity of the Horizon system. The Horizon system has been in place and has operated with integrity for over ten years. The overwhelming majority of Post Office Ltd's network of branches (currently over 11,500 strong) operates entirely professionally, using the Horizon system, without problems or any unaccounted losses, and without accumulating abnormal debts, and do not have any significant issues which arise out of audits which are conducted. To suggest to the contrary would be false and seriously damaging. It is fundamental to the reputation of Post Office Ltd that it is seen to be honest and accurate in its financial dealings. As our client has made clear, it takes any suggestion or implication that the Horizon computer system is in any way inaccurately recording information extremely seriously. Such a suggestion or implication is a direct challenge to the integrity and probity of the Post Office Ltd business, which prides itself on the highest standards of honesty and accuracy in all its dealings with its agents and its customers.

It is clearly important that our client provides for the conduct of audits at its branches, which are placed in a position of trust within the local communities. It is also clear that our client is not unduly "hard nosed" or unsympathetic, as has been suggested. Post Office Ltd does not accept any such suggestion. Our client has simply been responding to serious financial issues that were identified at the branches in question, and taking appropriate action.

It is of course in the interests of both our customers and the vast majority of subpostmasters that in the very few instances where there is evidence that the finances of a branch are not being properly managed,

## C'M'S' Cameron McKenna

or where money has gone missing, Post Office Ltd must fully investigate, and take necessary action, including legal action in the last resort. The decision to prosecute is not taken lightly.

All subpostmasters have access to training prior to becoming subpostmasters and then on-going training and support is available to address any issues or concerns. All subpostmasters are able to raise any concerns over transactions or accounting to Post Office Ltd who will always help and investigate any such concerns raised. To make any suggestion to the contrary would be false and damaging to Post Office Ltd.

In summary, therefore:

1. Any suggestion in your programme that the Horizon system is unreliable or at fault would be false and defamatory of our client. Should you proceed with the programme, you should of course make it clear that the overwhelming majority of branches have experienced no problems with the system.
2. Our client has at all times acted reasonably and fairly towards its subpostmasters, providing them training when it appears necessary, and providing subpostmasters with every opportunity to respond to shortages which are disclosed following audits. Any suggestion that Post Office Ltd does not provide appropriate training or does not seek to treat its subpostmasters fairly would be false and defamatory of our client.

As Mr Valters is aware, Post Office Ltd will be submitting a written statement for broadcast. For the avoidance of doubt, this letter is not our client's "for broadcast" response to any allegations/criticisms you intend making in the broadcast programme, but is provided to ensure that you are aware of the Post Office Ltd's position in relation to the serious issues raised by BBC Inside Out, and which may also be featured by BBC Surrey and BBC Sussex.

In the meantime, all our client's rights are reserved.

Yours faithfully

**GRO**

CMS Cameron McKenna LLP

Cc Mr J Valters, by email  
Cc Ms J Craddock, by email

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## Objectives Nigel Viles 2010/11

**ERM** - To continue the design and implementation of an ERM framework for launch in FY 11/12, with the aim of providing a continuous unified picture of the risks and opportunities that Post Office faces. The frame work will then enable Post Office to better manage those risks and opportunities effectively.

Continue to develop the ERM framework as per the plan – 31 Mar 11  
Trial the reporting criteria against a number of directorates – 31 Mar 11  
Present the finding to the ET for endorsement of the approach – 31 Mar 11

**MI & Reporting** – Review in conjunction with stakeholders all compliance MI and reporting models. Agree with stakeholders the requirements and scope of reporting and implement a new suite of reports in-line with agreement.

- Review MI data and stream-line current reports Feb 11
- Compliance Reporting Workshops Mar 11
- Changes & endorsement Mar 11

**AML** – Migrate the transactional centre for AML from Chesterfield to London, Old St. Ensure knowledge and a structure is in place to meet our regulatory AML obligations.

- Migration – Jan 2011
- Efficiencies identified and implemented – 31 Mar 2011
- Continuous improvement training (SOCA, HMRC, Partners) – 31 Mar 2011

**Assurance and Audit** – Review the assurance/audit program with stakeholders and design/provide oversight of a refreshed assurance plan in-line with agreements for 2011/12.

- 2011/12 Assurance/Audit plan designed and approved - 31 March 2011
- CAT program for 11/12 designed and approved – 31 Mar 11

**Team** - Build a Risk and Assurance team in-line with the agreed template that show signs of being proactive, results-driven and are meeting agreed targets. The team will aim to develop its skill set and build beneficial internal and external relationships.

- Areas of responsibilities agreed – 31 Mar 11
- SMART Objectives agreed – 31 Mar 11
- Personal development plans agreed – 31 Mar 11
- Team behaviours agreed – 31 Mar 11
- Key focus areas agreed – 31 Mar 11
- Recruit two vacancies to complete team - TBC

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**Mike Granville**

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**From:** Mike Granville  
**Sent:** 01 February 2011 19:27  
**To:** Kevin Gilliland; Angela Van-Den-Bogerd; Paula Vennells; Mike Young; Mike Moores; Susan Crichton; Rod Ismay; Alana Renner  
**Subject:** FW: BBC reply - Post Office story  
**Importance:** High

Further to my e-mail last week on this subject wherein BBC South informed us that they are looking to run a programme within its 'Inside / Out' investigative series on 'claims about Horizon'.

David Simpson in Group Comms went back to the BBC with a strongly worded note that we regarded these allegations seriously and that before responding we needed to understand who / what allegations were being made.

He received back the information below. We are currently investigating the details of the specific cases that look like they will be featured in the programme.

Our intention is to respond with a strong statement back to the BBC around the integrity of the system and commenting on the specific cases mentioned. We'll seek a legal overview of that response statement. As that statement is put together over the next day or so, I will copy around to keep everyone in the picture.

Thanks

Mike

**Mike Granville**  
**Head of Regulation Strategy**  
**Post Office Ltd**

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**From:** David Simpson  
**Sent:** 31 January 2011 18:00  
**To:** Mike Granville; Mandy Talbot  
**Subject:** FW: BBC reply - Post Office story  
**Importance:** High

Please see the reply from the BBC. Let's discuss this further tomorrow.

David

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**From:** Jon Valters GRO  
**Sent:** 31 January 2011 17:57  
**To:** David Simpson  
**Subject:** BBC reply - Post Office story  
**Importance:** High

Dear David,  
Thank you for your e-mail on Friday.  
The answer to your questions are as follows:  
The three subpostmasters we feature in the programme are:

1. Seema Misra, of West Byfleet Post Office in Surrey. She and her husband maintain she didn't steal the money but that inexplicable errors in the accounting system made it look as if she had. We interview her husband, Davinder who says his wife is innocent and the Post Office is wrong.

2. Jo Hamilton, of South Warnborough Post Office in Hampshire. She says one week her computer indicated she was £2,000 down. She rang the helpdesk and she says the figure suddenly doubled while she was speaking to them. The Post Office took the 'missing' money out of her wages. The discrepancies continued and became larger. She's angry because she says the Post Office never has to prove anyone has taken the money.

3. Dave Bristow, of Odiham in Hampshire. Soon after he bought his village business the computer began throwing up huge discrepancies. Auditors found that some of these were down to errors he had made but there was £42,000 that couldn't be accounted for. He told us that the Post Office did not know how, when or why the discrepancy occurred. He claims it's either a paper or computer error or the information was not processed correctly. The Post Office suspended him and told him he had to pay the money back.

We also interview the MP for North Hants James Arbuthnot who talks of his concern at the number of cases and claims the Post Office has been hard nosed in the way they have taken cases to court. He suggests the Post Office needs to be more sympathetic.

We have also recently interviewed a lawyer from Shoosmiths who will shortly be launching a civil action against the Post Office. She says she represents 55 sub postmasters, and told us they all claimed the computer system had been causing them problems. She said there were issues with lack of training and IT support. But it all came down to what was stored in the computer system. She says it's more than a coincidence that this is happening to such a large number of people right across the country.

I hope this is of help. We would be grateful if you could let us know before 5pm tomorrow (Tues Feb 1st) whether you plan to put anyone up for interview.

Yours sincerely,

Jon Valters

Tel:  **GRO**  
Mob:

<http://www.bbc.co.uk>

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