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Witness Name: Christopher Charles Aujard

Statement No.: WITN00030100

Dated: 15 MARCH 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF CHRISTOPHER CHARLES AUJARD

I, **Christopher Charles Aujard**, will say as follows:

INTRODUCTION

1 I was engaged by Post Office Limited ("**POL**") on a fixed term contract ("**FTC**"), initially for the period from 14 October 2013 to 31 March 2014, and held the position of Interim General Counsel ("**Interim GC**"). This contract was subsequently renewed on at least two separate occasions, pending the appointment of a permanent general counsel.

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2 This witness statement is made to assist the Post Office Horizon IT Inquiry (the "**Inquiry**") with the matters set out in the Rule 9 Request dated 12 January 2024 (the "**Request**").

3 I have had no involvement with POL since my employment ended in the last week of February/ first few days of March 2015 but I have obviously become aware of the subsequent events from reports in the media. These mainly concern the wrongful prosecution and or conviction of subpostmasters, subpostmistresses, managers and assistants (**"SPMs**") and the terrible human impact of that. When I commenced employment for POL there was already effectively a moratorium on bringing new prosecutions although I was aware that there were a handful of ongoing cases. I very much hope that the Inquiry is able to answer the questions posed by those who were so adversely impacted by these matters.

PREPARATION OF THIS STATEMENT

4 As part of the Request I have been provided with over 199 documents (those documents which I have reviewed and which are expressly referred to in this statement are listed in Schedule 1, and those I have not referred to but have reviewed in preparing this statement are listed in Schedule 2). I understand from correspondence from members of the legal team for the Inquiry and the solicitors for POL, that POL has waived legal professional privilege in relation to the matters addressed in this witness statement. I make this statement having regard to that waiver.

5 Having reviewed the material with which I have been provided, there are obviously relevant documents which I have not seen and my recollection of the

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detail of these events is scant due to the time that has elapsed. I have limited recollection of many of the matters on which the Inquiry has sought my assistance. This is due, in the main, to having only worked at POL for a short period of time (some 16 ½ months) and having finished there nearly 9 years ago. If any further documents become available, I will of course endeavour to assist the Inquiry as best I can. To the extent, however, that my recollection diverges from any record contained in any other documents to which I have not had access, that is unintentional and caused solely by the passage of time from the events in question. I further acknowledge that in relation to any particular set of events perceptions of what was said or agreed may differ, sometimes markedly. I wish to provide as much information as I can to assist the Inquiry and prevent such terrible miscarriages of justice from ever occurring again in the future.

6 Almost all of the documents I have been provided with I would have been unable to recall but for reacquainting myself with them as part of the process of preparing this statement. Where a particular document has triggered a specific recollection, I have tried to make this fact clear in this statement; where comments made in this statement are based on my general recollection of matters, or based upon the most plausible interpretation of events, I have equally tried to make that clear.

SCOPE OF THE REQUEST AND SUMMARY

7 The Request broadly covered the following topics:

(1) My background and career

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(2) The work and management structure of POL Legal

(3) My knowledge of Horizon

(4) My role and involvement in the investigation carried out by Second Sight

(5) My role and involvement in the Mediation Scheme and the Working Group

(6) Project Zebra

(7) The Review of Past Convictions

(8) POL's Prosecutorial Role

MY BACKGROUND AND SUBSEQUENT CAREER

8 As indicated above, I was engaged as the Interim GC at POL on a FTC, starting on 14 October 2013 and (following at least two renewals) ending, for all practical purposes, in late February or the first few days in March 2015. Contractually, I believe my FTC with POL ended at or towards the end of March 2015 but for the last month or so, my presence in the office was no longer required as my permanent successor, Jane MacLeod, had by then started. The exact date of her starting is unclear to me but I believe it was around the end of January. She and I spent some 4 weeks engaged in a "handover".

My Background Prior to my employment with POL

9 I completed two Bachelors degrees (the first a B.Sc. in physics and the second in law) at Monash University, Victoria, Australia, graduating in 1983 and 1985 respectively. Following completion of my degrees I undertook Articles at a large

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Melbourne firm, Arthur Robinson & Hedderwicks, now Allens, an international commercial firm which is part of the Linklaters Alliance. In 1986 I was admitted as a Barrister and Solicitor of the Supreme Court of Victoria, Australia and later that year I moved to the United Kingdom in order to complete a one year Master of Laws (LL.M.) degree at Trinity Hall, Cambridge. I then worked for a year at the newly established Investment Management Regulator before accepting a position at what is now Norton Rose Fulbright LLP ("**NRF**") as an associate in the Corporate Finance team. I was admitted to the roll of Solicitors in England and Wales in May 1992.

10 During my 8 years at NRF, my practice was mainly concerned with financial services law and regulation and public and private mergers and acquisitions work, which has been the focus of my career ever since. I subsequently worked at a number of large organisations as a senior lawyer, predominantly in the financial services sector. My employers prior to POL included Lloyd's of London (in special projects), National Australia Bank, Royal London, and Singer and Friedlander (which was later acquired by Kaupthing). I also undertook a short stint as General Counsel at a FTSE250 gold-mining company, Centamin Plc, with a view to redomiciling (by way of a Scheme of Arrangement) its seat of incorporation from Australia to Jersey. It was this move to Jersey and my desire not to relocate there that meant I was available to start at POL as an interim at very short notice. As the Inquiry can see from my employment history, POL was a very different type of organisation than those I had worked in previously.

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My Subsequent Career

11 Since my time at POL, I have worked in an interim role as the General Counsel of the non-food division of the Co-operative Group, with responsibility for both its insurance company and the on-going separation from Co-op bank, in which the Co-operative Group then owned a twenty per cent stake. I currently work as Group General Counsel for an international Fintech company in London, although I am very soon to retire from full time employment.

MY TIME AT POL LEGAL

My Recruitment by POL

12 I received an unsolicited call from a head-hunter on or around 17 September 2013 who approached me for an interim position at what he described on the phone "as an iconic British brand". POL was, and is, a well-known organisation and I was aware it had separated from Royal Mail in 2012. It was explained to me that a financial services background was a necessity, which I understood to be because a very significant portion of POL's revenue at that time derived from the sale of financial services products (e.g. insurance, foreign exchange transactions, etc). It was also subsequently explained to me that POL was looking to establish its own insurance mediation business and repatriate some of the value that was lost due to the fact that POL was then distributing financial services products by acting as an "appointed representative" of the Bank of Ireland.

13 As mentioned earlier, the role itself was expressed to be for an interim FTC for up to 6 months to bridge the gap until a permanent appointment was made. The

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application process was competitive, and I understood that other applicants were being considered although I did not know their identities nor how many of them were being considered. I recollect that the process involved interviews with Alice Perkins, the then Chair, Paula Vennells, the then CEO, and the head of HR whose name I cannot now remember. I may well have also been interviewed by other senior individuals, such as the CFO, although if so, I no longer have any recollection of them or their part in the process. An external psychometric-based evaluation was also required.

14 As far as I can recall during the interview process, questions were focused on my financial services and risk management experience. The fact that POL had received complaints with respect to the operation of the Horizon IT system was mentioned, as indeed was the mediation scheme which had been proposed to deal with the concerns of SPMs. (Whilst the people included within the mediation scheme's definition of subpostmaster (which was said to include subpostmistresses, nominee subpostmasters of multiple branches and counter clerks) is potentially a slightly different group of people to those referred to by the Inquiry as "**SPMs**" I do not think any distinction is material for the purposes of this statement and so I will simply refer to SPMs throughout.) Neither the complaints about Horizon nor the mediation scheme were the central focus of those interviews. I further recall that I had asked a contact at a City law firm to run a press-clipping service on POL ahead of my first interview and I am sure I was aware, in broad terms, of the existence of the Second Sight Interim Report **[POL00029650]** ("**the Interim Report**").

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15 I started on 14 October 2013 on an FTC with a term of 5 ½ months. As I understood matters, Ms Crichton, the previous General Counsel, had left fairly suddenly in September 2013 and Hugh Flemington had been acting as head of the department in the interregnum (he became my deputy upon my arrival, and remained so throughout my tenure until his departure at some point in mid-2014).

The Reasons for Ms Crichton's Departure and My Handover

16 I was not told of the reason for Ms Crichton's sudden departure, but after I started, I gained the general understanding (I cannot now recall from whom) that Ms Crichton and Alice Perkins (the then chair of the board) had had a disagreement over the appointment of Second Sight. I believe, but cannot be sure, that Ms Crichton was in favour of appointing a larger, more established firm, with better credentials in the area of forensic IT analysis and with a larger team. I believe at that time Second Sight had only two active partners and therefore limited capacity. That said, I was not briefed on the background to Second Sight's appointment (or if I was, I do not recall the details). Other than this apparent disagreement which may or may not have been accurately described to me, I was not made aware of any other reasons for Ms Crichton's sudden departure.

17 Given the absence of an incumbent, the internal handover process was somewhat ad hoc. I did receive some assistance from Hugh Flemington, but my recollection is that, in the main, the process of bringing me up to speed on the matters with which the Inquiry is concerned fell mainly to external parties. Although I do not now have a specific recollection, from reviewing the

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documents I can see that a briefing was prepared for me on the issues concerning the convictions (see paragraph 88 below) by Cartwright King Solicitors ("**Cartwright King**"), and I am fairly sure I received a briefing, or more likely several briefings, from Bond Dickinson LLP ("**Bond Dickinson**") (as they were when I was at POL, Womble Bond Dickinson now) on the matters relating to the Scheme, its background, purpose and associated wider issues, together with the various other major pieces of legal work that made up my workload at POL.

My Departure and the Recruitment of My Replacement

18 As far as I can recall, some 8 to 12 weeks after starting, I was asked if I would be interested in taking on the role permanently. I was not interested and made my position clear, in firm terms, as I had by then already decided that I wanted to move back into mainstream financial services where I had spent most of my career. This offer was repeated on at least two occasions subsequent to that first approach and on each occasion I refused. That said, towards the end of my first term of my FTC, I did agree to the first of what I think were two extensions (I think, but can't be sure, that each of these was for a period of a further six months). This was to provide continuity until such time as a permanent successor could be found. On my final renewal, whenever that was, I recall making it very clear that I would not renew again and that POL needed to find a permanent GC.

19 I was not involved in that recruitment process, but POL did not manage to recruit a permanent General Counsel (Jane MacLeod) until Q4 of 2014. That said, my recollection is that by early December of that year, it was widely known

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internally that Jane would be starting her role in early 2015, which she duly did: I believe she eventually started in late January. I was on a family holiday between 13 and 23 February 2015 and I remember that my duties were fairly diminished on my return. By late February 2015 it was clear that my handover with Jane MacLeod was complete and POL asked me to go on garden leave until the conclusion of my contractual term (which I think was 30 March 2015).

20 For almost all of my time at POL, therefore, it was very widely known that I was not permanent and would be leaving as and when a permanent candidate was recruited. Whilst I would like to think that this did not affect the regard the Board and others had for my legal advice, it probably did mean that my relevance to the organisation at an executive level (as opposed to as legal adviser) diminished somewhat once the exact date of Jane's arrival became known in December 2014.

21 I have been asked why I resigned from POL - as above I did not resign from POL – my FTC, which by that stage had been renewed at least twice, simply came to an end.

The Work of POL Legal

22 When I joined POL, my impression was that POL's legal team was extraordinarily busy. In addition to being involved in matters with which the Inquiry is concerned, the team dealt with a wide range of other legal matters. These included: dealing with the new contracts needed for the network extension programme, the re-tender of the Fujitsu contract, the repatriation of a number of services from the Bank of Ireland, the establishment of a POL insurance intermediary business, employment law disputes, civil

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litigation, assisting the Shareholder Executive (**ShEx**) (now UK Government Investment (**UKGI**)) with its state aid application and dealing with problems caused by the postal workers employed by Royal Mail going on strike. In addition, there were day to day supplier contracts to deal with and, although there was a separate procurement team, procurement contracts were escalated into the legal team if they were above a certain monetary value or were deemed to be particularly complex.

23 At the time of my employment, the issues with which this Inquiry is concerned were simply one component of an exceptionally busy workload for me personally. Indeed, there were periods when the matters with which the Inquiry is concerned occupied very little of my time, though it would be a challenge for me now to quantify the ebb and flow of that work with any precision. I do recall in the summer of 2014 I was heavily engaged with an enterprise-wide costs reduction exercise led by McKinsey, for example. It would therefore be wrong for the Inquiry to infer from the volume of documentation provided to me for review that the majority of my time at POL was spent on dealing with the matters in this witness statement. I was, after all, a financial services lawyer.

24 At the time I commenced my employment, POL had only been independent of Royal Mail for around 18 months and my perception was that some of its processes and policies were relatively undeveloped for a business of its size. This, and the evident pressure to sign up new SPMs, meet financial targets and to reduce losses, put a noticeable level of stress on the legal team and on the entire organisation. It is also fair to say that the legal team had been somewhat unsettled by Ms Crichton's sudden departure.

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25 The Board itself appeared to rely on legal advice from multiple sources on multiple topics. This was perhaps understandable given the (then recent) adverse publicity that POL had received in respect of the Horizon IT system, but nonetheless meant that external legal advice was regularly sought on a wide range of issues, to an extent that was outside my previous experience, which increased the workload of the legal team in instructing outside law firms.

26 I was also struck upon joining by the difference between the way business was conducted in a state-owned enterprise such as POL and the way it was conducted in the private sector environment to which I was more accustomed. For example, elsewhere it was common for meetings to be held late at night to deal with urgent or pressing issues, and for board members and suppliers to contact me directly, whether during working hours or otherwise, in relation to issues which they felt were of concern. In particular, I was very accustomed to board members (particularly the chair of board subcommittees) contacting me in advance of meetings to get full and detailed briefings on papers that I had submitted. This was not a feature of work at POL, although it must be said that in connection with Project Sparrow, the Chair did take a keen interest in matters and would seek me out if she felt she needed more information.

27 What also struck me was that, where I had worked previously, the decision-making processes tended to be more data-driven, rather than based on political concerns, such as how a minister, ShEx or MPs might react to a given decision. There was also a strong sense that as POL was owned by the government, any expenditure needed to be justified as value for money for taxpayers. Concerns about being seen to waste public funds featured prominently in the thinking of

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the Board and its committees. I do not raise that as a criticism, but it was a different approach to that which I had been exposed to previously.

28 When I started at POL the Mediation Scheme (which I will refer to in this statement as the "**Scheme**") and its outline terms had already been announced in Parliament, draft internal documents had been prepared in order to implement that Scheme, a potential chair of the working group that was to preside over the scheme had already been identified (though not yet formally appointed), and a review of historic convictions substantially complete, at least for the purposes of considering whether further disclosure needed to be made in the light of the concerns raised that disclosure had been inadequate. In addition, an abundance of legal advice had also been commissioned and received. The organisation was therefore "mid-flight" in relation to the Mediation Scheme when I joined.

Management Structure of POL Legal

29 I cannot remember the management structure within POL's legal department in any great detail. To the best of my recollection, when I joined there were perhaps about 14 lawyers in total, of whom three reported to me directly. These were Jessica Madron (Head of Infrastructure and Litigation to whom I believe Rodric Williams, Head of Civil Litigation, and Jarnail Singh, Head of Criminal Litigation reported), Piero D'Agostino (Head of Commercial), and Hugh Flemington (Deputy GC). All of my direct reports were senior and seasoned lawyers who had more junior members reporting to them. I would however, meet with them on a regular basis, discuss their workload, and that of the teams that they were managing and discuss re-prioritising work, if that were needed.

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In turn they would escalate to me any issues of concern and discuss legal problems if that were relevant.

30 I was also responsible for performing their annual appraisals and agreeing with them their annual objectives and development plans. As Interim GC, and as head of the legal department, my line manager was the CEO (who at all times was Paula Vennells). I am aware that in some organisations the GC also has a solid or dotted reporting line to the Chair of the Board (who at all times was Alice Perkins). This is usually the case where the GC is also the company secretary. At POL, however, no such reporting line existed, possibly because I was not also the company secretary. That said, in the context of the matters with which the Inquiry is concerned, I did feel that I had an (unofficial) open line of communication to the Chair.

My Role as Interim GC

31 The role of GC varies considerably from organisation to organisation, both in seniority and content: there is certainly no universal description that is applicable to all. That said, it is always to some extent executive and to some extent legal.

32 In the case of POL, I do not recall seeing a job description or any specific document setting out the extent of my responsibilities (though there may well have been one). Necessarily, an interim GC's role differs somewhat from that of a permanent GC particularly as regards executive matters – as a general rule an interim has to be more sensitive to the general direction of travel of the organisation, and is less involved in changing its course. This is for the obvious reason that an interim is unlikely to be able to see any such changes through

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to completion. In addition, when I started I did not know how long I would stay as my tenure was incremental and was dependent upon the recruitment of a permanent replacement.

33 The legal side of my Interim GC role with POL involved, at its heart, ensuring that the board and the relevant officers and employees within the company received such timely and accurate legal advice as they requested or needed to facilitate the proper discharge of their duties. In practice the role was, in large measure, a responsive one, responding to events, new initiatives, and requests from the Board and senior employees. There was also an element that required reviewing and being alert to the implications of new laws and regulatory developments. The GC's role, whether interim or not, is advisory and does not typically involve stepping in to stop the organisation from making decisions, provided it is acting lawfully and provided where appropriate, the legal issues and risks have been suitably flagged.

34 In relation to matters that are of interest to the Inquiry, work tended to come to me, or to the legal team, as a result of either requests from the Board, requests from the Sparrow Board Advisory Subcommittee (see further below), direct requests from the CEO or Chairman, requests from the Working Group (see further below) and/or letters or other correspondence from outside sources. Many matters other than ones of interest to the Inquiry, of course, also crossed my desk on a regular basis. In my role I was expected to know in broad terms what the major issues were affecting the organisation but there were teams below me who dealt with the detail of many of the legal topics and had day-to-day responsibility for them. Those teams referred matters to me as required, or

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sometimes matters arose as a result of a direct inquiry by other senior employees within the organisation and/or members of the ExCo (as defined below). Given that the legal team was small (totalling around 14) there was, in any event, a very high degree of information sharing between its members about matters of significance, either formally, at team meetings (which were held, I think, fortnightly and at which we would discuss all material matters that legal were dealing with), or informally "across desks" in the open plan office where we all sat. Historically, the legal team had engaged well with the business, and there was relatively good discipline around ensuring that no contractual commitments were made without legal sign off. Work tended to come into the legal team of its own accord, rather than the lawyers having to or needing to seek it out.

35 My legal work at POL was hugely varied with a heavy workload across a range of business-critical activities (and I would say was exceptionally heavy in my first few months). My legal role was also largely focused on financial legal matters, which was, of course, my area of expertise and the reason I was selected for the role. I did not (and do not) consider myself well-versed in criminal law, having had no experience of it in practice, nor did I hold myself out to have any expertise in the processes involved in criminal law. Similarly, I had limited experience in dealing with contentious matters, in the UK at least, as it was something I had last dealt with in any detail during my Articles which I had completed in 1985 (in Australia). That said, having dealt with financial regulators for much of my career, I had on occasion been asked, as part of my work with previous employers, to consider the extent to which a regulatory decision would be amenable to judicial review.

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36 In relation to issues concerning criminal law and other contentious matters, therefore, I was reliant on the other highly experienced lawyers within POL's legal team (particularly Rod Williams and Jarnail Singh). This was particularly the case on matters such as past prosecutions and POL's prosecutions policy. Rod Williams was a highly competent lawyer who did essentially the POL internal legal work around the Scheme and Project Sparrow, in conjunction with the external advisors engaged by POL. For most of the key criminal law issues during my tenure, external legal advice was sought either directly or via Bond Dickinson. That said, I would rely on Jarnail for those (often practical) points where it did not warrant seeking external advice to inform any papers I prepared (for instance, a question such as: is there a time limit for making a decision to charge?).

37 From the papers and my recollection of events, in relation to the matters with which this Inquiry is concerned, I dealt with the following external firms and specialist Silks, all of whom were highly reputable, whose advice and judgement I trusted and was unlikely to have questioned unless it seemed to me obviously wrong, or based on an incorrect understanding of the facts.

37.1 Bond Dickinson is a reputable full-service law firm. I cannot recall the full range of work that they undertook for POL, but it extended further than work on the Scheme. They had acted for POL since well before I joined and were a repository of POL's institutional (legal) memory (in particular Gavin Matthews and Andy Parsons during my time there), particularly on the matters touched on in this statement. Bond Dickinson were so embedded within POL that in many ways they acted as an extension of the in-house legal team, frequently

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attending internal POL meetings on the matters with which the Inquiry is concerned. Solicitors at Bond Dickinson, particularly Andy Parsons and others whose names I cannot now recall, were very involved in the Scheme - both in terms of advising POL on its potential liability to individual SPMs and how it should approach settlement with them, but also with administering the scheme itself, for instance by reviewing case summaries prepared by POL within the scheme. Instructions to and advice from Bond Dickinson would largely not have been routed through me – they were sometimes routed through Rod Williams and often, where appropriate, Bond Dickinson was contacted by the relevant (non-legal) team within POL directly. Bond Dickinson were often involved in key matters where some wider legal context was involved, for instance they attended consultations with Brian Altman KC concerning the review of prosecutions and the draft of the prosecutions policy. I cannot now recall how involved they were in the Linklaters advice (which I deal with between paragraphs 199 to 212 below); I think it was limited to providing some background context.

37.2 Cartwright King is a reputable firm of criminal solicitors who, I understood, had been instructed for many years on all POL's prosecution work even before the separation from Royal Mail. They conducted the review of criminal cases (see further below) and were also involved in the Scheme in reviewing how POL should process and respond to any applicants to the scheme with criminal convictions (and, I believe, reviewing POL's investigation reports in such cases). They prepared a first draft of POL's prosecution policy.

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37.3 Linklaters LLP ("**Linklaters**") were instructed to provide advice to the Board about possible claims by SPMs and advised on the standard SPM contract.

37.4 Brian Altman KC had been engaged prior to my appointment. He was brought in to review Cartwright King's criminal case review work (described further below) including advising POL in relation to its approach to criminal cases within the Scheme and advising on POL's prosecutorial role and policy.

37.5 Richard Morgan KC, a commercial litigation silk, who I do not think I met, had provided some advice (seemingly through instructions via Bond Dickinson) in 2012 - prior to the appointment of Second Sight - advising against the instruction of an independent expert to prepare a report on the Horizon system. I recall he was also involved in the provision of the Linklaters advice in April 2014.

37.6 CMS Cameron McKenna, who supported the stream of work concerned with the re-tender of the Fujitsu contract.

38 I was aware that during my tenure work was being carried out by these independent lawyers and acted from time to time on the advice that they had provided.

39 I was therefore comfortable that POL had access to suitable expertise in the area of criminal law. I accordingly did not regard my lack of experience in criminal law matters as a practical issue in my role.

40 My work at POL also involved me presenting to, attending, and/or participating in various internal management committees, Board sub-committees and/or Board meetings. For convenience, set out below is a list of those internal

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governance bodies, relevant to the Request, with which I had some involvement. It should be noted that the governance structures at POL, when I started, were still in the process of being established and that this list is based on my recollection of those structures as prompted by a diagram contained in the pack of papers prepared for a meeting of the Executive Committee on 13 March 2014 **[POL00092172]** (page 37).

41 **The Board** - the Board comprised, I think, six members one of whom was nominated by ShEx (initially, during my tenure, Susannah Storey and subsequently Richard Callard) plus the CEO and CFO. Alice Perkins was the chair throughout. I believe it met at least eight times a year, and subject to certain reserved matters as set out in its Articles of Association (e.g. borrowing powers) was the senior organ of governance at POL and was its ultimate decision-making body. I did not have a standing invitation to attend the Board but was asked to present papers to it from time to time and answer any related questions. I would then leave the meeting once my agenda item had been dealt with. My attendance at Board meetings would have been arranged through the company secretary or the chief executive's office.

42 **The Audit, Risk and Compliance Subcommittee** ("**ARC**") - this was a standing committee of the Board and comprised, I think, 3 Board members. It was intended to meet at least three times a year, although I only have the minutes for the meetings held on 19 November 2013 (**[POL00038678]**). I cannot now recollect but I think the ARC may have been split into two during my tenure at POL to separate the audit and risk committees (as is usual in most

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commercial organisations). I think that, throughout my tenure, Alasdair Marnoch chaired the ARC. In paragraph 296 below I refer to some confusion I have now about which committee some papers prepared in July 2014 were for as it was called the Risk and Compliance Committee, but I do not think it was the ExCo Risk and Compliance Committee referred to at paragraph 46 below and it may well have been a (partial) successor committee to ARC.

43 The "**Project Sparrow Subcommittee**" (which I will refer to in this statement as the "**Sparrow Board Advisory Subcommittee**" to try to clearly distinguish it from other structures within POL that had "Project Sparrow" in the title). This was established by agreement of the Board on 26 March 2014 (**[POL00021523]**), and its draft terms of reference were considered by that subcommittee on 9 April 2014 (**[POL00105528]**). It would appear that it was initially anticipated that only board members would sit on this subcommittee, but from the minutes of the inaugural meeting it seems as though the Chair of the Board and the subcommittee, Alice Perkins, wanted me to sit on that subcommittee (**[POL00006565]**) which I believe I duly did, presumably because I was the member of the executive with the closest link to the underlying subject matter. That said, my recollection is that no decisions of that committee were made unless all the board members were in broad agreement (i.e.: although I was a member of the committee, my role was to present the perspective of the executive and/or give legal advice, not to independently advocate a decision that the Board members disagreed with). Those members were Alice Perkins, Richard Callard (the director on the Board appointed by ShEx), Alasdair Marnoch (the chair of the ARC) and Paula Vennells.

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44 The purpose of the Sparrow Board Advisory Subcommittee was, according to its terms of reference, "*…to make recommendations to the Board in respect of Project Sparrow and provide strategic oversight of the delivery of the project and the development of the Initial Complaints Review and Scheme…*" (**[POL00105528]**). It was thus a review and oversight committee, rather than a decision-making committee which could bind the Board. I have been provided with four sets of minutes for this committee, namely those for 9 April 2014 (**[POL00006565]**), 30 April 2014 ([**POL00006566**]), 6 June 2014 (**[POL00006571]**) and 12 January 2015 (**[POL00006575]**).

45 The **Executive Committee** ("**ExCo**") - this comprised the CEO's direct reports together with the Company Secretary (Alwen Lyons). Those direct reports were: the CFO, the Commercial Director, the Network and Sales Director, the Group People Director, me as Interim GC, the Director of Financial Services, the Communications Director, the CIO, and the Chief of Staff. My recollection is that, in addition to the day-to-day management, business development and operational oversight functions, one the main functions of the ExCo was that of implementing decisions made by the Board. That said, I do not now have access to the finalised terms of reference for ExCo, although have been provided with one ExCo agenda dated 13 March 2014 (**[POL00092172]**), along with supporting papers, and two decision logs dated to 8 January 2014 and 13 March 2014 respectively (**[POL00027491]** and **[POL00027423]**). Save as otherwise referenced in the statement, my further recollection is that the committee was not the key decision maker in respect of the matters set out in the Request.

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46 The **Risk and Compliance Committee** – this committee reported to the ExCo and from the draft terms of reference its purpose appears to have been to support the ExCo in fulfilling their effective oversight of risk management. From recollection this was a newly established committee and was part of POL starting to establish a more formal "three lines of defence" risk management framework as I explain at paragraph 47 and following below. On the basis that the Head of Risk (Dave Mason) reported to me, I acted as chair of this committee. I have only been provided one set of minutes from 20 January 2014 (**[POL00027479]**) but think it generally met every few months. Effectively the Risk and Compliance Committee was the management committee responsible for maintaining oversight of the day to day operation of the risk management framework, ensuring that "risk owners" were appropriately reporting on risks and that appropriate risk mitigation management activities were taking place.

47 At the point when I joined POL, its enterprise risk management framework was immature for a business of its size and complexity (this was possibly related to the fact it had only relatively recently become independent of Royal Mail) and it was in the process of trying to establish a "three lines of defence" risk management framework. I recall that much of my early work at POL was related to the overhaul of its risk management processes. In broad terms, the "first line of defence" involves those within the management teams responding to and addressing risks as they emerge. For example, if there were a defect in process or procedure, it would be those who had day to day responsibility for that process or procedure to manage the risk associated with it. This meant that accountability concerning operational risks remained at the executive level in the relevant area. The "second line of defence" is essentially the risk team who

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are there to create policies and procedures to ensure risks are properly identified, managed and reported on (by the first line function) as they emerge and exercise oversight to ensure that this is done in a consistent manner across the whole enterprise. The "third line of defence" is basically the internal audit function.

48 The Risk and Compliance Committee (and ARC) was therefore a component part of the second line risk function. As part of my role I managed POL's Head of Operational Risk (Dave Mason) and as a result of that initially chaired the Risk and Compliance Committee. This was still a very new way of thinking within POL and as such much of what was done at that stage was simply aimed at getting "something" in place, even it were imperfect and unpolished. It would not be usual, and I do not recall it being the case at POL, for a Risk and Compliance Committee to itself seek to identify particular risks (whether operational or strategic), but rather to ensure the processes were in place so that such risks would be identified and managed.

49 I am identified as being "risk owner" of certain matters related to Project Sparrow. I should note that my understanding of the risk that I was "owning" was the risks to POL of the allegations about Horizon, rather than the risk of any underlying issues with the robustness of the Horizon software itself. This is evident from the 'Risk Management Update' which sets out the risks associated with the allegations as impacting POL reputationally and in its ability to engage with key stakeholders and recruit SPMs (**[POL00027483]**).

50 Being a "risk owner" was separate from my role on the Risk & Compliance committee and meant that I was responsible for ensuring that controls, with

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respect to the risk in question, were identified and put in place or should such controls not be available and should the risk in question be outside of the Board's risk appetite, this was flagged to the Board. My recollection, however, is that for much of 2014 the risk management framework was still in the process of being formally established, and that even the more straightforward components of that framework, such as clear statements of risk appetite and/or risk tolerances, were not embedded. It perhaps should also be noted that in the case of Project Sparrow, a number of the risks had in fact crystallised (for example, there had been adverse publicity), which meant that, under the framework this would have been described as an "issue" rather than a "risk". In the case of this risk, essentially my role as a "risk owner" was to ensure that management actions were agreed with the Board and/or others in the organisation.

51 I, as Interim GC, had carriage of this issue as these allegations were regarded as legal matters, whereas issues with the integrity of the Horizon system would have been an IT or network matter. The integrity of the Horizon system had not, to my knowledge and as far as I recall, been formally identified by ExCo as a key risk facing the business.

52 An example of an update from me, of around 13 March 2014, as risk owner of this risk is on page 4 of **[POL00092172]** and this sets out my understanding of the risk, and the mitigating actions in place (e.g. close Board involvement):

"*Owner's Risk Description*

Originally known as Project Sparrow, the Initial Complaint and Scheme programme currently carries a substantial level of risk which is being managed

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with support of colleagues across the business, including ExCo. It will be important to maintain this focus as we move into a critical delivery phase for the programme.

Risk Owner Update

It has been the subject of extensive previous discussions at Board level; a further Board discussion was held on 26 February 2014 to consider the various options for managing the risks and issues relating to the programme. A copy of the board paper is provided as Appendix a. Consequently a detailed update is not appropriate for this meeting.

For completeness, the following mitigating actions are in place:-

• CEO participation in stakeholder communications,

• Strengthening the Post Office resources available, and

• Close Board involvement."

53 **Ad hoc ExCo sub-group in relation to the Linklaters engagement** - I can see reference in the papers (page 10 of **[POL00027423]**) to an ad hoc ExCo sub-group which was established, apparently at an ExCo meeting on 13 March 2014, to consider the Linklaters paper (see paragraph 199 below) and oversee the provision of their work. That sub-group, called the 'Sparrow Sub Group (SSG)' in the action log comprised Paula Vennells (CEO), Chris Day (CFO), 'MF', 'NH' and me. I do not have any minutes of that sub group and cannot say I recall it at all (although I accept I probably was on it, as a Board paper in my

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name refers to it (**[POL00027431]**)) so I do not know whether it was disbanded once Linklaters reported to the Board in March 2014.

54 In addition to being involved with the above sub-groups, committees and other organs of governance, I was also asked to be the "sponsor" of **Project Sparrow**. In broad terms, **Project Sparrow** was the generic name given to the work POL was engaged in relation to (a) its participation on the WGR and the operation of the Scheme, and (b) setting up a new branch user forum. However, by 21 November 2013 as outlined at paragraphs 3.1 and 3.2 of a "Project Sparrow Update", (**[POL00027482]**) a decision had been made to establish a **Business Improvement Programme** to deal with a new branch user forum, and any other process / training or other improvement issues arising out of the ongoing investigations into Horizon. I understood this to be essentially a forward-looking programme which was led by Angela van den Bogerd (who I see is referred to in the minutes of the Board meeting held on 26 March 2014 as the "Network Change Operations Manager" (**[POL00021523]**)). I cannot recall having had any substantive involvement with the Business Improvement Programme. 'Sparrow', therefore, for most of my period at POL referred to POL's involvement with and the operation of the WGR (as defined below) and the Scheme.

55 My understanding of the term 'sponsor' in this context was that it was different to the usual project management definition of 'sponsor' used in the private sector. Typically, there it refers to an individual with a significant financial interest in a project and/or who might anticipate a specific monetary reward, or

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a bonus based on, and tied into, the output of a project. This was not the case in my role. In the context of Project Sparrow the role of 'sponsor' was, as I understood it, to ensure that the project's work was governed effectively and that the project delivered in line with the objectives set by the Board (and, from March 2014, the Sparrow Board Advisory Subcommittee – see paragraph 212 below); further, that the Board and Sparrow Board Advisory Subcommittee were appropriately kept informed of progress and developments. The role also involved assessing and reporting on the risks to achieving those objectives, ensuring that budgetary discipline was maintained and seeing that resources were managed in a manner consistent with those objectives.

56 Shortly after joining, I assumed line management responsibility for Belinda Crowe and the team that worked with her to provide administrative and clerical support for the Scheme (in this statement, I refer to this as the "**Sparrow Programme Team**" (but confusingly it is sometimes also called 'Project Sparrow' in the papers, or the 'Sparrow Project Team', or the 'Initial Complaints Review and Scheme ('ICRMS') Programme' or 'Project Team'). The role of that team was somewhat varied, and included:

a) ensuring that administrative steps were taken to give effect to the decisions of the Scheme's Working Group ("**WGR**") (which I explain further below) decisions;

b) determining POL's position in respect of issues raised – which might include a decision to try to reach an early settlement with an applicant and/or whether

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to mediate and/or an approach to take in any mediation (I would often be briefed on these decisions prior to WGR meetings);

c) acting as secretariat to the WGR;

d) from January 2014 acting as administrator of the Scheme;

e) in general terms, managing POL's participation in the WGR; and

f) (with slightly lower priority) developing a future complaints resolution scheme.

57 To the best of my recollection, however, the team did not investigate complaints accepted on Scheme, retrieve files or produce POL's reports for the WGR; I believe this work was conducted by a team working for, or under the auspices of, Angela van den Bogerd.

58 I do not recall being particularly involved in either making or supervising the day to day decisions of the Sparrow Programme Team, although I do recall having frequent meetings with Belinda Crowe as and when significant issues developed.

59 I was also a member of the **Steering Group** along with Paula Vennells (shown as chair, with me as her substitute), Charles Colquhoun for finance, Andy Holt for IT, Belinda Crowe (as head of the Sparrow Programme Team) and Mark Davies (Communications Director). The only minutes I have for the Steering Group are for 5 November 2013 (**[POL00139000]**), very shortly after I joined POL, and a mention of another meeting in an email from Sophie Bialaszewski dated 22 November 2013 (**[POL00137911]**) that appears to have been due to

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take place on 25 November 2013. This steering group does, however, appear to have been disbanded shortly after that meeting.

60 On 17 January 2014 there appears to have been the first meeting of the **Programme Board**, of which I was chair. I believe that this was set up in place of, and as a successor to, the Steering Group and was established as part of wider work within POL to improve governance structures. The objective of the Programme Board, as set out in the draft terms of reference (see page 4 of the Programme Board's slides (**[POL00138077]**), was to *"provide the overall direction and management of the programme*". As can be seen on page 5 of that document (**[POL00138077]**), the "vision" was that all scheme complaints had been resolved, relationships with SPMs and other stakeholders improved and that Second Sight's engagement had been satisfactorily completed, amongst other matters. To the best of my recollection, it was not the role of the Programme Board (or the Sparrow Programme Team) to consider or investigate any wider issues regarding Horizon.

61 I think, but can't be sure, that the Programme Board met fortnightly, and its membership included all the members of the Steering Group except for Paula Vennells and Mark Davies (Sophie Bialaszewski was the Sparrow Programme Team's head of communications). It also comprised Fay Healey (a non-executive director), Rod Williams (for legal) and others whose roles I think were largely within the Programme Team's. The paper also shows that as regards legal advice, a revised support model with Bond Dickinson had been put in place, which is consistent with my recollection that the Programme Team would liaise with Bond Dickinson directly as required.

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62 In addition to the above, I also had certain executive responsibilities that were peculiar to POL. These included:

62.1 Being the reporting line manager for the Head of Operational Risk (Dave Mason), as I mentioned above, and the Head of Internal Audit. Both of these individuals were the heads of 'classic' second and third line functions (as explained above), and my role was similar to that which I fulfilled in connection with my direct reports in the legal team. In other words, I met with them "one to one" on a regular basis, helped set their objectives for the year, undertook performance appraisals and dealt with management issues as and when they arose. I think it's fair to say that in my first few months at POL a considerable amount of my time was spent in helping the Head of Operational Risk and his team re-launch the so-called "Enterprise Risk Framework", the previous roll out of which had failed. Part of this framework involved ensuring that key projects had "risk owners" who identified the risks associated with those projects and who were responsible for monitoring and reporting on them. It should also be noted that although the Head of Internal Audit reported to me, he also had a reporting line to the Chair of ARC for the purposes of ensuring that his independence was maintained.

62.2 There was also a separate Security Team, who were responsible for matters such as the security of cash movements in and between branches. There was also a small group within the security team, a significant number of whom were, as I understood it, ex-police officers, who had also historically carried out POL's criminal investigations with some involvement in the latter stages from the criminal law team. After the separation of POL from Royal Mail, the criminal law

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team consisted solely of Jarnail Singh. Jarnail Singh had no other responsibilities within the legal team and was responsible for dealing with all criminal matters arising at POL. The head of that Security Team (John Scott) also reported to me. During my time at POL, I had almost no interaction with that team (I imagine particularly as investigations were not progressing to prosecutions) and everything was routed through John. The team operated more or less autonomously and only escalated any matters to me that were of ExCo / Board level significance or required support from other parts of POL, such as the challenges they were having with regard to the rollout of new security cameras across the Crown Offices. Again, I had regular one to one meetings with Mr Scott and undertook performance appraisals etc. In the course of my dealings with him, he did not give me any cause for concern about his ability to carry out the role he was then carrying out.

63 There were numerous other committees both within and outside POL, that are not relevant to this Request, that I attended on a regular basis, sometimes in my capacity as an observer and sometimes as a member, depending on the committee. For example, in connection with the contractual relationship between POL and the Bank of Ireland that was in place when I started, regular formal governance committee meetings were diarised. These were aimed both at overseeing the delivery of products by them to POL and at discussing the various contractually agreed key performance indicators. Furthermore, as and when the project to establish an insurance intermediary got underway, regular meetings were held to progress the application of the new subsidiary with the relevant regulator (at that time, the Financial Services Authority) and to consider the changes that would need to be made to POL's existing internal structures.

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I believe that when Jane MacLeod joined in January 2015, I provided her with a list running to several pages of the various standing meetings, committees, and other working groups which I was then at the time expected to participate in.

My Professional Responsibilities as Interim GC

64 I have been asked for my view of "*the extent of my professional responsibilities derived from my position as a solicitor whilst acting as General Counsel*". I am not sure I entirely understand the question but as a solicitor I am regulated by the Solicitors Regulation Authority ("**SRA**") and must abide by its Code of Conduct as in force from time to time ("**the Code of Conduct**"). Whether I was acting at any point or on any task in a purely legal, or purely executive, or hybrid capacity would not affect how I would approach my ethical and professional obligations.

65 That said, I am of course aware that in general, the SRA standards and regulations do not distinguish between in-house solicitors and solicitors working in private law firms. Although the SRA Code of Conduct for firms does not apply to in-house lawyers, as they do not work for regulated entities, in-house lawyers are required individually to comply with the principles and the Code of Conduct. However, it is also clear that some of the rules of the Code of Conduct are not relevant for in-house solicitors, for example those relating to client money, referrals and complaints. The assessment of character and suitability rules obviously do apply, meaning that in-house solicitors must notify the SRA if their conduct does not meet the required standard for a solicitor, for example if they have committed a criminal offence or acted dishonestly. I am aware, from the

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legal trade press and other sources, that the SRA recently carried out a thematic review of in-house solicitors in which they identified a number of key challenges and provided some practical guidance. I would encourage the SRA to do more in this regard given the numbers of solicitors now working in-house, as opposed to in private practice.

My Understanding of Privilege

66 I consider myself to have a general working knowledge, from legal training and my experience in practice, of legal advice privilege and litigation privilege as regards civil matters, though not as regards criminal matters. As regards civil matters, in general terms, legal advice privilege attaches to confidential communications between a lawyer and client made for the main or dominant purpose of seeking or giving legal advice. This applies equally to in-house lawyers acting in their capacity as such.

67 Litigation privilege, on the other hand, attaches to confidential communications between the lawyer and the client and/or a third party, or as between a client and a third party, where those communications are created for the sole or dominant purpose of obtaining information or advice in connection with the conduct of existing or contemplated litigation, including defending or resisting that litigation. In both cases, the privilege belongs to the client. I am aware that different rules apply in connection with EU competition law matters.

68 Despite having some knowledge of privilege, prior to seeking to apply the label of "privilege" to any given document, or class of documents, where the application of privilege might be uncertain (such as to third party reports commissioned by POL or to internal reports etc), I or someone in the legal team

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would generally have sought guidance from either Bond Dickinson or POL's in-house litigation lawyer. I recall that POL was advised that in circumstances where there was a prospect of documents being found by a court to be privileged, they should be marked as such. This was probably due to the fact that there were concerns, from very early on during my time at POL, that civil litigation, prompted by the JFSA, might be imminent. In practice, of course, privilege becomes relevant at the point there is an obligation to disclose and a decision needs to be taken at that point whether to assert privilege whether or not it is labelled as such.

69 I have always been very sceptical of the use of privilege in a corporate context. Like many in-house lawyers, I am very conscious of how easy it is to lose privilege, and in my experience, documents which are privileged often lose that privilege simply by being circulated too widely or through inadvertent disclosure by other means, for example, by referring to their contents in the minutes of a meeting. For that reason, if asked, I think that I would have cautioned against viewing privilege as some form of "blanket protection" against disclosure. I do not know whether that view was shared widely within the legal team, as I cannot now recall whether or not it was discussed.

MY UNDERSTANDING OF MATTERS RELEVANT TO THIS REQUEST WHEN I JOINED POL

The Computer Weekly Article of May 2009

70 I have been asked whether I read the May 2009 Computer Weekly article (**[POL00041564]**). I do not specifically recall it but think I may have seen it, and at least skim read it before joining POL, or possibly shortly thereafter. As

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mentioned above, prior to starting the role I had obtained a bundle of recent press articles on POL from a press-clipping service. I do remember that I subsequently read one or possibly more subsequent article(s) from Computer Weekly whilst at POL and I am sure others did too. As I have said, prosecutions were not being brought during my time at POL so the question of not commencing prosecutions because of these articles did not arise.

71 The safety of previous prosecutions was a matter that had been and was still being considered, by external lawyers, with the assistance of Brian Altman KC. I think within POL the general view was that these were articles by campaigning journalists and the full facts were in some respects different from those described in the articles.

My Knowledge of the Second Sight Interim Report when I Joined

72 Either shortly before or shortly after I arrived at POL I was made aware that in June 2012, Second Sight had been appointed to conduct an "independent inquiry into the Horizon system". The scope of this "independent inquiry" was agreed with Second Sight, the Justice for Subpostmasters Alliance ("**JFSA**") and James Arbuthnot MP as a result of the campaigning by JFSA and subsequent pressure generated from James Arbuthnot MP.

73 When I heard about this I was somewhat surprised that Second Sight, rather than one of the Big Four accounting firms, or other specialist IT consultancies, had been appointed to carry out the interim review work but as far as I was concerned that decision had been made and unless other issues arose in relation to their ability to undertake the role required of them, I would not have suggested that it should be revisited.

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74 Prior to my arrival at POL, on 8 July 2013, Second Sight had prepared their Interim Report "Interim Report into alleged problems with the Horizon system" (**[POL00029650]**), which was the key output of their initial engagement. I am sure I had seen this around the time of my joining, but have looked again at that document to refresh my memory. I can see that "The Second Sight Inquiry – the Detail" sets out the remit, agreed between POL, Second Sight and JFSA, which was "*to consider and to advise on whether there are any systemic issues and/or concerns with the "Horizon" system, including training and support processes, giving evidence and reasons for the conclusions reached*". That report concluded, in summary:

74.1 that they had "*so far found no evidence of system wide (systemic) problems with the Horizon software*";

74.2 that there were "*2 incidents where defects or 'bugs' in the Horizon software*" (called the "Receipts and Payments Mismatch Problem" and the "Local Suspense Account Problem") gave rise to 76 branches in total being affected by incorrect balances or transactions, which, the report said, took some time to resolve;

74.3 that there were concerns around how issues with Horizon could be reported by SPMs to POL and how POL dealt with such issues in terms of resolution, support to SPMs, implementing process improvements and resolution of disputed transaction corrections.

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How POL was dealing with the Issues Raised in the Second Sight Report when I joined

75 I can see that on the date that the report was published, POL issued a press release (referenced at page 18 of **[POL00105528])** confirming POL would create a working party, to which JFSA had been invited, to complete a review of the cases started by Second Sight, together with any new themes emerging from those cases.

76 The following day Jo Swinson MP made an announcement in Parliament that "*an independent figure will chair a review to determine how best to adjudicate disputed cases in future. The JFSA and other stakeholders will also be invited to take part in this process*" (page 12 of **[POL00100124]**).

77 A subsequent POL press statement on 27 August 2013 (page 19 of **[POL00105528]**) announced the formation of an independent Scheme for subpostmasters stating "*...the Post Office, JFSA (Justice for Subpostmasters Alliance), and Second Sight, the independent investigators, have formed a working group to collaboratively develop and monitor this scheme which is available to current and former subpostmasters from 27 August 2013..".*

78 I can also see from page 19 of **[POL00105528]** that in September 2013, the detail of the Scheme was set out in a document published on the JFSA website. The document itself starts at page 21 of **[POL00105528]**. This was before my appointment and so I am not going to set out all the details here, but it was nevertheless the starting point for the Scheme that I subsequently assisted with post October 2013.

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79 It was unclear to me at the time why POL had decided to use "mediation" as its preferred way of resolving concerns raised by SPMs. It seemed to me that this was a very time intensive process and one that, in order for it to succeed, relied on a consensual desire to meet together to resolve differences. It also seemed to me that JFSA and SPMs would have been more interested in a process that involved an independent third party adjudicating disputes with the ability to make determinations binding on both parties. Furthermore, at some stage in the process and once the process was well underway, possibly around April/ May 2014 (at the time options for the Scheme were being explored), I recall being told by several litigation partners in major City firms that mass mediation was not an approach that they would have recommended in these circumstances. There were a number of reasons for this, including the time consuming nature of mediation, cost-effectiveness and the fact that both parties had to agree on any settlement.

80 By the time I joined POL, the organisation had committed itself to a mediation process. I recognised this as a very sensitive issue which had been put in place after much discussion internally and with a wider group of third parties. The issue had also been raised in Parliament. Accordingly, whatever my personal views about the approach, I did not consider that there was scope as the newly arrived Interim GC to propose an alternative structure.

81 I have been provided with a number of documents from the Inquiry which illustrate that POL had had a considerable amount of legal advice prior to setting up the scheme. Brian Altman KC, having previously had the role of Senior Treasury Counsel, was clearly someone who was extremely well

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qualified to deal with the matters with which POL was having to grapple. I can see that he "*advised considerable caution in relation to mediation cases involving previously convicted individuals…The concern is that lawyers acting for those individuals may be using the scheme to obtain information which they would not normally be entitled in order to pursue an appeal"* (**[POL00040093]**).

82 Nonetheless, POL had decided that the mediation route was an appropriate course of action. Prior to my arrival, Bond Dickinson had advised in their Initial Complaint Review and Scheme presentation that POL should insist on "*very clear proof of a technical defect in Horizon*" and "*POL should be slow to concede that Horizon has any technical faults [as it] would "open the floodgates*" (page 14 of **[POL00040096]**). They had scoped out this advice on the '*Initial Complaint Review and Scheme*' at a meeting of the Sparrow Steering Group just prior to my arrival at POL on 8 October 2013 (**[POL00040096]**). I understood that Bond Dickinson's advice had been informed by Brian Altman KC and Cartwright King, following a Conference on 9 September 2013.

83 While at this point, I had not started at POL, the documents accord with my recollection of the position when I did start on 14 October 2013. The impression I had was that the process had been managed thus far by highly capable and experienced individuals. That knowledge together with the fact that my role was as a caretaker until a permanent appointment had been made, meant that I considered my role to be to execute and take forward the existing plan. I was not employed to, nor would I have considered myself appropriately qualified to, enter POL to challenge and change the system that was by then in its early stages. There was nothing about its implementation that caused me particular

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concern and I was aware that it had been overseen and considered to date by those with considerable legal expertise in the area.

84 At the point when I joined, the plan to resolve SPM's issues via mediation was well underway, there had been a number of WGR meetings, and the full breadth and scale of the Horizon issues were simply not known. As identified in the Second Sight Report Interim Report (**[POL00029650]**), at that time, the Horizon system had approximately 68,000 users and processed over 6 million transactions per day. Comparatively speaking, the number of users adversely affected by Horizon issues appeared to be relatively low with only 150 applications made by both current and former SPMs to the Scheme.

85 This does not, of course, diminish the harm suffered by any SPM as a result of the Horizon issues but it does, I think, help explain the lens through which POL, and the Board, were viewing things when I arrived. As far as I could tell there was a genuine belief within POL at the start of the Scheme that the limited complaints would be capable of resolution relatively easily and at low cost. This was an important consideration as POL was acutely conscious of providing value for money for the taxpayer. As the Scheme progressed, of course, it became clear that was unrealistic.

My Knowledge concerning the prosecution of SPMs when I joined

86 Prior to my joining POL, the only knowledge I had of POL's role in prosecuting SPMs was that gleaned from the media (as mentioned above, I had utilised a press clipping service before my start) and from no other sources. I had assumed when I started that POL had some specific prosecutorial power or duty because of its history and I was very surprised to discover, when I was in

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post, that POL had been utilising the general right everyone has to bring private prosecutions. Although I cannot specifically recall it now, I can see that Cartwright King, prepared a "Briefing Note Post Office General Counsel" on 16 October 2013 (**[POL00108136]**) ("**the CK Briefing Note**"). As this was two days into my role, I assume this was prepared by way of handover to me and I know that early on (from the email correspondence **[POL00123008]**) I had a meeting with Bond Dickinson and Brian Altman KC. I think it likely therefore that I would have read the CK Briefing Note at the time.

87 As I explain further below, during my time at POL there was an effective moratorium on new prosecutions. To the best of my recollection, I did not authorise any prosecutions during my time at POL and, as it would have been an unusual course of action for me professionally, I believe it is something I would remember had I done so.

88 My understanding, upon starting, informed by the CK Briefing Note (**[POL00108136]**) and the meeting(s) I had with Bond Dickinson and Brian Altman KC was therefore that:

88.1 POL had prosecuted SPMs for theft, false accounting and fraud. Prior to its separation this function had been undertaken by Royal Mail.

88.2 In doing so POL had relied on evidence from the Horizon system, and the evidence of an expert, Mr Gareth Jenkins, who worked for Fujitsu.

88.3 For reasons which I could not recall until I re-read the papers, issues had arisen concerning the adequacy of disclosure by Mr Jenkins (and potentially POL) as to known defects with the Horizon system.

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88.4 On re-reading the papers I was reminded that my understanding was that there were effectively two documents of concern – the Interim Report which, as above, set out details of two "defects or 'bugs'" (as Second Sight put it) which the advice from Cartwright King suggested that Mr Jenkins knew about, and the Helen Rose Report which apparently also raised a further issue which again it was suggested that Mr Jenkins knew about.

88.5 The concern was that Mr Jenkins had not complied with his duty as expert to the Court and that consequently POL had not complied with its ongoing disclosure obligations in criminal proceedings which required these issues to be brought to the attention of those accused or convicted, where relevant to do so. This was confirmed in the Advice from Brian Altman KC (**[POL00006583]**).

88.6 POL had not yet found another expert witness, so all prosecutions were de facto on hold when I joined.

88.7 Cartwright King, assisted by criminal barristers, were conducting a review of their files to establish in each case whether the documents referred to above should be disclosed. This process was being overseen by Brian Altman KC. At the point I joined, Cartwright King set out in their briefing that 301 cases had been subject to a "sift" review (**[POL00108136]** page 7, paragraph 17) and that there was currently a 'second sift' review taking place which entailed "*senior counsel reviewing all 'sift' reviews to ensure uniformity of approach and correctness of the original reviewer's decision*" (**[POL00108136]**), page 8 paragraph 19). It was noted that "*We believe that we are nearing the end of the Review process*" (**[POL00108136]**), page 9 paragraph 27).

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88.8 The Criminal Cases Review Commission (the "**CCRC**") had apparently written to POL on 12 July 2013 about a number of cases they were concerned about (**[POL00006583]**). I don't recall being involved in any correspondence with the CCRC, but I can see a draft response to the CCRC formed part of the briefing note prepared by Cartwright King when I started at POL. It may therefore have been something that I saw, albeit I think it doubtful I had much, if any, input into it as I would have been heavily reliant on Cartwright King and Brian Altman KC in responding. (I note that Brian Altman's advice of 15 October 2013 at paragraph (xi) on page 6 (**[POL00006581]**) and at paragraph 160 on page 50 actually implies that the response to CCRC had by that time been sent by Susan Crichton.)

88.9 Cartwright King's advice when I started was that *"[w]e are certainly more confident now that the number of potential wrongful convictions is in single figures and that the Court of Appeal is likely to overturn only one or two of those convictions, if any*" (page 10 of [**POL00108136]**). This reinforced the view that seemed to be circulating at that time that the scale of the problems with Horizon as perceived then was much smaller than is known to be the case today. It also formed the basis of my understanding of the extent of the issue with which POL was dealing.

88.10 A weekly "hub" call was arranged to which any Horizon related issues were to be brought so Cartwright King could consider whether further material required disclosure. I can see some advice in this regard from July 2013 (three months before I joined) suggesting minutes were not being properly taken and/or potentially being destroyed (**[POL00066807]**). By the time I had started,

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however, I was told in the CK Briefing Note that there was now a policy in place within POL for the "Identification, Recording and Retention of Material which may be subject to Duties of Disclosure" and any issue with the destruction of data was not raised with me (page 8 of **[POL00108136]**).

89 In short, therefore, my understanding from the external lawyers was that there was a (recent) historic issue with regard to non-disclosure of material by POL/Royal Mail/Fujitsu's expert relating to specific defects within the Horizon system in circumstances where POL/Royal Mail/Fujitsu had consistently maintained that Horizon was robust. Once this issue came to light, a thorough review of past cases was carried out by Cartwright King and the process was overseen by Brian Altman KC. In the meantime, processes had been set up to ensure future disclosable material would be captured and retained, but prosecutions were subject to a moratorium in the meantime. I do not, however, recall being aware of any ongoing involvement with the CCRC, and there is nothing in the documents provided to me which has prompted my memory in this regard.

My Knowledge of POL's Prosecutorial Policy when I joined

90 I first became alerted to the fact that POL had, or was considering, regularising its prosecutorial policy very early on, when reviewing the advice provided by Brian Altman KC at **[POL00123009]**, commissioned by Bond Dickinson, which was sent to me a week after I started at POL. I can see that I must have discussed this advice at a conference with Brian Altman KC and Bond Dickinson the following day (**[POL00125442]**). That advice was said to be informed by discussions Brian Altman KC had had prior to my arrival with POL's

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senior management, Susan Crichton, Jarnail Singh and Rod Williams, Cartwright King and Bond Dickinson. Broadly it stated that POL was keen to retain its prosecutorial function and set out the case for and against its retention (**[POL00123009]**). It concluded that "*there is no good reason to advise [POL] that it should abrogate its prosecution role to another public prosecution authority, and there are many good reasons why it should retain its role*" (page 5 of **[POL00123009]**). That said, he also advised that various steps should be taken, including regularising and rationalising POL's prosecution policy and documentation, and suggested that thought should be given to publishing that documentation (at least internally).

91 At around the same time, I believe (but do not specifically recollect) that I must have had sight of the draft prosecution policy **[POL00030686]** prepared by Cartwright King, which states on its face it is effective from 1 November 2013 (that is, around 2½ weeks after I started at POL). I am unclear whether or not this policy was ever formally adopted by the Board, although re-reading the documents it would seem to me that it was not and was simply a draft.

92 The notion of POL criminally prosecuting SPMs was something entirely alien to me. The fact that POL was simply exercising its private prosecution right which every individual or entity has instinctively struck me as odd as I was of the view that the shortfalls were matters of civil, rather than criminal, law. I was therefore not an advocate of pursuing criminal prosecutions and, so far as I recall, none were brought during my time.

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KNOWLEDGE OF HORIZON

93 Prior to joining POL, I had little to no knowledge of the Horizon IT system, the legal relationship between POL and SPMs or the fact that POL had, historically, used a professional expert witness provided by Fujitsu in order to prosecute SPMs. Furthermore, although it is probably the case that these matters were mentioned to me as part of my interview process, they did not, to the best of my recollection, feature as the main part, or any material part,of that process. The role I was being interviewed for was "corporate" general counsel with a background in financial services. Experience or knowledge in the Horizon IT system (or indeed IT systems more generally) was not indicated to me as relevant to the selection process. That said, it is most likely the case that by the time I attended my first interview I had a general understanding, gathered from press clippings, of concerns raised by SPMs about Horizon. I cannot say that I recall hearing the expression "bugs errors and defects" ("**BEDs**") (insofar as it related to the Horizon system) prior to joining POL. Upon joining POL my knowledge of the Horizon IT system was expanded in a number of different ways over a number of months, including the following:

93.1 I received briefings and caused information to be collected in connection with the proposed termination of the contract with Fujitsu. There was then to be an ongoing tender process for identifying replacement service suppliers. This was to be done pursuant to a so-called "Service Integration and Management (SIAM)" or "Towers" delivery model, as opposed to a "prime contractor" model (with which I was more familiar). I recall being struck by the different risk profile this new model presented to the organisation. Through this work on the re-

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tendering process I gained a high level knowledge of how the system could be segmented into different component parts and how each part could then be put out to tender to different providers.

93.2 I participated in the WGR. As is discussed elsewhere in the statement, at those WGR meetings we discussed the suitability of particular cases for mediation, a process which often involved a discussion of the underlying issues that the relevant SPM was grappling with. To the extent that these issues concerned the Horizon IT system, often I would receive some form of briefing (usually oral) prior to the relevant working group meeting itself. On occasions these briefings were given by Bond Dickinson, or for more technical matters it would have been someone within POL itself.

93.3 Discussions held with Deloitte and others internally in the course of the preparation of the so-called Project Zebra Deloitte report (discussed further below).

93.4 Introductory briefings given over the course of my first few weeks at POL about Horizon and the concerns raised by SPMs.

93.5 Briefings from and written advice given by Cartwright King in relation to the criminal prosecutions affected by Horizon, and related briefings from Bond Dickinson.

93.6 Second Sight's so-called Part One report, which was a document prepared for the purposes of the Scheme and which outlined the operation of the Horizon system. To some extent also Second Sight's Part Two report (although it was

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published after I left and I was not, as far as I recall, involved in much of the detail of that).

93.7 General discussions with others within POL about the Horizon system, its history and operation.

93.8 My job did not require me to use Horizon, so my practical experience of using it was very limited. That said, I think at some point early on in my time at POL I was "walked through" the processes within Horizon and shown how it operated.

93.9 I also did several (at least 3) on-site visits to meet SPMs, through which I gained an understanding of the conditions in which they worked and the crowded and often busy nature of their daily routine. Given the nature of my role, I did not request or require any further formal training.

94 In term of any knowledge of alleged "bugs errors and defects" ("**BEDs**") gained once I started at POL, I note that:

94.1 Within the Interim Report **[POL00029650]**, I can see that there were two issues mentioned as known bugs or defects (which had been fixed) so I must have been aware of those at the time (these were also referred to by Deloitte – these are called the "Receipts and Payments Mismatch Problem" by Second Sight and the "Branch 62 Issue" by Deloitte (page 8 of **[POL00028062]**), and the "Local Suspense Account Problem" by Second Sight and/ the "Branch 14 Issue" by Deloitte (page 8 of **[POL00028062]**). These were obviously publicly known as a result of Second Sight's report and had led to the Cartwright King review.

94.2 Cartwright King's advice referenced above makes mention of the Helen Rose Report (discussed further below) so I must have been aware of the existence

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of that report by way of Cartwright King's summary at page 5 of **[POL00108136]** and Brian Altman KC's summary at pages 20 and 54 of **[POL00006581]**. I cannot now recall whether I ever saw the original Helen Rose Report although I believe that at the time I would have understood that Report dealt with an issue at Lepton (and so it is called "the Lepton Detailed Spot Review Information" issue by Deloitte (page 8 of **[POL00028062]**). The issue was summarised in the Deloitte report as "*a Sub-postmaster will not be notified about automatic reversals of transactions when not connected to the data centre*". I'm not sure that this would be classified as a BED but I think I must have been aware of it from the Deloitte report, if not the Helen Rose Report. Cartwright King and Brian Altman KC were aware of this issue at the time.

94.3 Brian Altman KC's advice at paragraph 130 of **[POL00006581]** also references something called the "Falkirk issue" which I understood had been raised in a criminal trial and had been fixed in 2006. Brian Altman KC did not consider it to have any ongoing relevance. (This is also called the "Falkirk Issue" by Deloitte (page 8 of **[POL00028062]**) and I think may also be the issue referred to at paragraph 6.10 of the Interim Report **[POL00029650]**.

94.4 Second Sight produced a "Spot Review Bible" addressing areas of concern (see para 2.7 of their report). Again, I did not understand those to have concluded there were any particular BEDs in the Horizon IT System software but nonetheless it did provide some insight into those matters that gave rise to concerns. Again, this was in the public domain and Cartwright King knew about it.

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94.5 As a consequence of my involvement in the Scheme, I was alerted to a range of complaints arising out of the operation of Horizon some of which I am sure were allegations that there were BEDs within Horizon, though to my knowledge no evidence of that was provided within the Scheme. However, it is also true to say that many of these complaints appeared to be related to so-called "wider" Horizon issues such as training, processes and support (rather than the integrity of, or BEDs within, the software system per se).

94.6 To the extent that the expression "bugs errors and defects" was in use, or that the concepts therein were referred to by a different name, my understanding was that no one at that stage had identified a problem, or a series of problems, that would render the Horizon IT system unfit for purpose. This conclusion also appeared to be consistent with the Interim Report in which they concluded that "*we have so far found no evidence of system wide (systemic) problems with the Horizon software*" (page 8 of **[POL00029650]**), which as a working conclusion I took at face value.

94.7 It is also fair to say that many discussions about alleged issues with Horizon were (understandably) somewhat generic. That said, a striking feature of much of my time at POL was that (with the exception of my involvement with Deloitte) terminology I had encountered previously was not being used. For example, terms like "user acceptance testing", "testing in production", "incident reporting", "defect management" etc. were not much in evidence. Although my knowledge of software development and implementation was then, and still is now, very limited, even by the time I started at POL I had been exposed to enough of the

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terminology in that discipline to think it was slightly unusual that these terms were not being used.

95 One of the questions I recall asking shortly after joining POL related to the "distribution" of reported concerns about the Horizon system amongst SPMs. The thinking behind my question was to ascertain whether such problems occurred uniformly amongst the SPM population, or whether they occurred in specific areas, or in branches with specific characteristics. I recall being told that almost all of the reported problems arose in smaller branches (not the larger ones such as those run by WH Smiths or McColls) and that they did not occur in Crown Offices. I do not know whether the answers to my questions were factually correct but nonetheless this was cited to me as evidence of the fact that problems reported by SPMs were more likely to be related to the need for better training, rather than bugs, errors and defects within the system itself. I understood this to be because Horizon as an accounting system was effectively dependent upon the SPM inputting the correct information into the system (which could in certain circumstances, as I understood it, be quite complicated). This view was ubiquitous within POL when I started.

96 I am not an IT expert and, in terms of gaining an understanding of the internal workings of the Horizon system, I relied on information received from others in the business with IT technical expertise, for example Lesley Sewell (the Chief Information Officer at POL at the time) and her team. Furthermore, in terms of gaining an understanding of how the system operated in practice, and the practical challenges facing SPMs, I would generally consult someone in the Network Team such as Angela van den Bogerd, the Network Change

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Operations Manager and also Head of Partnerships at POL. (She is identified in the Sparrow Update Board Paper at **[POL00027482]** as being responsible for the Business Improvement Programme and I think was, as explained above, responsible for investigating complaints within the Scheme.)

97 In addition, I would on occasion consult Bond Dickinson who had acquired a wealth of knowledge about the system and how it was used. To the extent that issues were raised, I was given explanations which seemed to me to be adequate for my purposes by those that had far more experience of the system than I had. However, the overall backdrop to my time at POL was that, despite complaints from some SPMs, there was no evidence brought to my attention that Horizon did not work as it should in all critical respects or that there was an architectural problem with the general lack of integrity with the system. (I discuss the Deloitte report in detail below.)

98 The ability of Fujitsu to alter transaction data in branch accounts without the knowledge of SPMs was not a matter I recall being discussed during my first few weeks at POL. I should add that as an IT layman, the appropriateness of such an ability in relation to an accounting system as complex as the Horizon IT system, is something which, at the time, I would not have felt qualified to opine on. This would have been a matter for the CIO and her team. Where the architecture of the system provides for an ability to alter data, the question which naturally arises is what safeguards, controls (including segregation of duties and access rights) and/or monitoring is in place to ensure that it is used appropriately. I am sure that these are the issues that I would have raised as indeed I did when it came to my attention in May or June 2014 as a result of

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the Deloitte Report that such an ability may have been available to people with appropriate access rights over both Horizon and Centera (if indeed any such people existed) (see paragraph 243 below).

THE WORKING GROUP, PROJECT SPARROW, SECOND SIGHT AND THE DELOITTE REVIEW/ PROJECT ZEBRA

99 I have been asked to describe the nature and extent of my work with the Scheme and the WGR, including a description of the extent which I was involved in decision making relating to the ambit of Second Sights investigations or its access to relevant documents and Project Zebra/ the Deloitte review. I have been asked some specific questions on documents. In responding to these questions, I have first dealt with some general questions about the WGR and the Scheme, before setting out my involvement in, roughly, chronological order albeit linked to subsequent events, where helpful to do so, from paragraph 146 below.

POL's Policies and Strategies

100 I have been asked what policies or strategies POL adopted in responding to complaints about Horizon, both in the Scheme and more widely. I cannot recall what, if any, policies or strategies POL adopted in relation to any complaints made about the Horizon IT System to the extent that they were raised outside of the Scheme. Indeed, it is probable that if there were such strategies, I would not have been briefed about them to any significant extent as they would, in all likelihood, have either predated my starting at POL or been dealt with as part of the Business Improvement Programme, with which I had limited involvement. (Certainly, there are some references in the WGR minutes to certain complaints

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to the Scheme by SPMs still in post were being dealt with under "business as usual" processes.) Accordingly, in the absence of any documents being made available to prompt my memory in this regard, I would imagine that most day to day complaints, issues or queries would have been dealt with by a specially dedicated team within either POL or Fujitsu. To my knowledge no historic complaints were being dealt with anywhere other than through the Scheme. I am aware from the papers (and think I must have been aware at the time) of the weekly hub calls that were being held for the purposes of ensuring that there had been appropriate disclosure of material in the criminal cases previously bought by POL.

101 Complaints brought to the Scheme were dealt with in accordance with a process agreed by WGR. As I explain further below, this involved the Sparrow Programme Team and/or Angela van den Bogerd's team requesting data from Fujitsu, reviewing it and preparing a case summary which was then passed to Second Sight, who would review and prepare their own case review reports ("**CRRs**"). I had no day to day involvement in this process but did exercise oversight to ensure that cases were being dealt with in a timely way (e.g. X reports have been produced). I would have reviewed those reports as a member of the WGR, who then provided comments on them for the Sparrow Programme Team to implement.

102 Although I was involved in the commissioning and consideration of the Deloitte report, was aware of the criminal cases review initiated before the start of my tenure and had some involvement in the settlement and prosecutions policy (all of which I deal with in more detail below), my only direct involvement in

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responding to allegations relating to the Horizon IT system was within the Scheme. That involvement essentially just entailed my reviewing POL reports, or more usually briefings on them, once they had been produced rather than conducting any sort of detailed review myself. I cannot comment on the factors that the case reviewers took into account when preparing their case reports as this was not a process that was within my control, nor did I see the underlying source material, but the WGR did make recommendations as to what should be included.

The Factors taken into account in determining how POL responded to allegations and whether there was any disagreement

103 I have been asked what factors were taken into account in determining how POL responded to allegations made by SPMs concerning the Horizon IT system. As far as I could assess the POL response was based upon the information that was received in relation to individual complaints and the agreed protocol regarding the Scheme.

104 My perspective was that the Board, and others in POL, were heavily guided by legal considerations, such as the legal interpretation of the SPM contract and the value of the claim applying legal principles i.e. what value would a court award were the SPM to bring a successful claim.

105 For me this was a contrast with the approach I might have expected in a private sector organisation where in such circumstances the approach is likely to be informed by what I would consider to be more commercial considerations based on systematically collecting data across the network as to what issues were being experienced by SPMs. This might have led to exploring "workarounds" to

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the system to reduce the number of "incidents" reported by SPMs and considering what routes can be taken to maximise revenue in the longer term by, for example, retaining the SPM in post and then setting tolerances within which losses as reported by SPMs would be considered acceptable. Although this may appear to be a semantic distinction, from my perspective it was a fundamentally different approach. For example, the first approach is restrictive and may come across as "hard nosed", whereas the second approach could lead to the conclusion that it is better to be more generous, and to preserve goodwill amongst SPMs rather than rigidly adhere to, and take actions, within a fixed scheme.

106 To my mind, the issue of value for money for the taxpayer was a significant feature in the approach being taken by POL: it generally felt a need to show good value for money. One consequence of this was that the Board appeared constrained to only offer settlement to SPMs if a legal case had been made out warranting compensation. This also became an increasing concern as the costs of the Scheme continued to increase. In an email to me of 23 February 2014, for example, Paula Vennells set out quite clearly that the intention of the Scheme was to be more supportive but that she and Alice Perkins "d*id not intend it to result in major compensation for policies that were followed and applied to thousands of others who did not have problems, and which were operating in a different corporate context. We seem to have lost this focus and I am looking for advice on how we regain it […] And will be a question from the Board*" **[POL00116285]**.

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107 Having said that, overall my perception was in general terms, POL were committed to the idea of addressing SPMs' concerns. Indeed, Paula Vennells and Alice Perkins indicated in writing that they wanted to "*find out what was really going on to create so much noise*" and "*to put in place processes that we felt were closer to the way we wanted [POL] to be run (more supportive) going forwards*" (see page 2 of **[POL00116285]**). Furthermore, my recollection was that POL was also under increasing pressure to ensure these issues were properly investigated, and that it was also keen to do so because at the time a key political objective for POL was to increase branch numbers (and therefore recruit more SPMs) and this issue was a potential barrier to that.

108 The general background to all of POL's thinking on this matter was that Horizon functioned as it should in all material respects. This was, I believe, partially informed by the fact that Second Sight had not identified any systemic problem in their Interim Report **[POL00029650]**. As I recall, the perception was supported by the assertion that the issues encountered by SPMs did not affect POL's Crown Office branches, nor the larger franchises, such as the branches operated by WH Smith/ McColl's. There was also a strong view within POL that the real issues were with the way the system was used rather than the system itself and that these could be resolved with more training and support for independent SPMs. Obviously, I now understand that to be incorrect but I am giving my understanding of the position as I believed it to be at the time.

109 I do not recall any major difference of opinion within POL on any of the key issues in this statement either within ExCo or, insofar as could see from my (potentially limited) attendance at Board meetings, at Board level. From what I

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saw there was concern at all levels to understand the progress of the Scheme, the costs and any difficulties with the Scheme/ risks around failure and its effect on stakeholders. I would say there was a broad consensus that the Scheme was approaching things in the right way and as best POL could, but there was not a sense (as is clear from the papers) that all was going well.

110 From my perspective there was some debate, although not necessarily at Board level, concerning how to deal with those cases where there had been a criminal conviction through the Scheme (I think around a quarter of cases in the Scheme had involved a criminal conviction). This debate was really between the WGR and POL, and between legal advisors but I mention it as it probably was the least settled area of policy (and was obviously important for the WGR). The draft settlement policy, as prepared by Bond Dickinson, had initially envisaged that for these cases within the Scheme, the standard approach would be to investigate as for any other case and if grounds for appeal were identified to (a) suspend the mediation process, (b) disclose the information giving rise to the grounds of appeal and (c) consider whether POL "will support or oppose any appeal" (see 5.14.3 of the Settlement Policy v1.3 at **[POL00027505]**). I believe that this approach was broadly decided before my time, when the Scheme was intended to be open to all, even if there was a criminal conviction (see **[POL00105528]**, page 25). However, as time went on the practical problems of this became more apparent and as further advice was obtained on how to deal with these issues, POL became more apprehensive about going into areas where it needed to tread carefully. In particular, there were suggestions in mid-2014 that as these cases required increased investigation and more detailed legal consideration, so took longer to progress

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through the Scheme, they might be held until the end (see, for instance, paragraph 3.7 on page 4 of **[POL00022128]**). I seem to recall this as having happened, but from the documents I have been provided with I am not now sure it did.

111 Linklaters advice of 20 March 2014 (see further paragraph 204 below) also dealt with the criminal cases in the Scheme at paragraphs 5.52 to 5.55 **[POL00107317]**, making the point that:

"*the only basis as a matter of law on which the Post Office should entertain a claim for the repayment of sums claimed from the SPMR is if it were to conclude that there were doubts about the evidence on which the conviction was based. However, if the Post Office did so conclude, the situation would be much more complex than simply dealing with certain individual claims for "compensation."*

5.55 The Post Office in its capacity as a prosecutor has duties of disclosure which extend beyond the date of conviction in any particular case. In R v Belmarsh Magistrates' Court (Ex p Watts)[], it was observed that private prosecutors are subject to the same obligations to act as ministers of justice as the public prosecuting authorities. Any material in the possession of the Post Office which might cast doubt on the safety of any particular conviction ought therefore to be disclosed to the convicted party. The "Settlement Principles" in the Draft Settlement Policy of December 2013 state:

> *"5.6 Settlements involving convicted Applicants should only be offered where there is clear evidence of a miscarriage of justice."*

This is consistent with the above analysis."

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112 There were also concerns, most clearly articulated in Rod William's email of 7 August 2014 **[POL00040254]** that for criminal cases there was a need to ensure consistency of approach for cases within and outside the Scheme.

113 POL's approach, which I think was ultimately maintained throughout the Scheme, was to process these cases in the same way as for all other Scheme cases (albeit being mindful of the criminal disclosure obligations these cases were reviewed by Cartwright King) but not to give any opinion about the merits of an appeal. The applicant could then consider whether those documents provided any grounds for appeal. If it did, then the scheme process for that case could be paused to allow an appeal to be mounted. If the applicant did not mount an appeal then "*there [was] nothing POL and the applicant could sensibly mediate*" (**[POL00040254]**).

114 This approach was challenged by Sir Anthony Hooper who, as chair of the WGR, was keen for criminal cases to progress to mediation, if possible, and in July 2014 suggested that there could be a limited mediation in which only three outcomes would be available: POL supporting, opposing or not opposing an appeal (see Rod Williams' email to me dated 6 August 2014 at page 2 of **[POL00040254]**) – that is very similar to the settlement policy proposal but with POL expressing its opinion on an appeal within a mediation rather than before a mediation). However, Brian Altman KC advised against that approach in August 2014.

115 Sir Anthony Hooper subsequently suggested mediating in order, as Brian Altman KC describes, *"to discuss the root cause of, and responsibility for, a loss leading in some cases to a negotiated settlement of that issue without upsetting*

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the safety of the conviction" (**[POL00130651]**). In a written advice dated 5 September 2014 (**[POL00130651]**), Brian Altman KC also advised against that course. He set out at paragraph 5 his reasons for opposing the first proposal (i.e. a mediation on POL's approach to an appeal), saying "*I could not see any advantage to POL in adopting, far less being held to, a position on any criminal appeal during the Scheme. In fact, adopting such a course would be to court an unacceptable level of risk…*" essentially because POL would be in a position of setting out its position on an appeal that had not been made, rather than at the point an appeal was properly developed. In that advice at paragraphs 9 to 17 he also addressed Sir Anthony Hooper's second proposal and stated "*[d]iscussion about underlying loss is, in my view, fraught with potential problems. I do not see the point of it, and what it can achieve, other than provide an applicant with a false sense of hope or expectation that POL might accept whole or part liability for the loss, and settle. If nothing else it would give the applicant an opportunity to seek to undermine and find flaws with POL's original case, the monetary applications it made on sentence, as well as in the court's orders, in an uncontrolled environment, which in my opinion, is not something POL should engage with*" (**[POL00130651]**).

116 Thereafter, having considered the legal advice provided, to the best of my recollection POL took the approach of refusing to mediate criminal cases. The Board was made aware of this and noted it at their meeting of 25 September 2014 (**[POL00021528]**). Indeed it had previously been noted on page 10 of the Board minutes from 21 May 2014 that even at that stage POL was "unlikely to agree to mediate" criminal cases **[POL00027400]**. I cannot see exactly when this was relayed to the WGR but it must have been as at a WGR meeting on 8

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December 2014 POL was asked to reconsider its views on the suitability of cases for mediation where there had been a criminal conviction (**[POL00043631]**) although I cannot now recall what then happened in this regard. I do not think any cases involving a criminal conviction had been mediated by the time I left POL.

How I would Report to the Board, CEO and Chairman

117 Briefings on matters relating to the scheme to the board, CEO and Chair would typically cover all or any of the following:

- current status of Project Sparrow, including facts and figures as to how cases were progressing through the scheme
- current issues, such as the so-called "expectations gap"
- where relevant, an update on financial matters, such as the expected cost to the scheme
- forward looking matters such as upcoming meetings and events
- legal developments, for example as regards any new advice received or commissioned
- staffing issues, including whether the Sparrow Programme Team was sufficiently resourced in order to meet its deadlines
- responses to specific questions, which had been raised by either the board or the senior individuals.

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118 It was, however, certainly not the case that all of the above matters would be covered in all formal briefings as what was most relevant at any particular time depended, in large measure, on current events and circumstances. Very often, the preparation of briefings was a team effort, and many of the more formal briefings would have been prepared with input from a variety of individuals involved with Project Sparrow, including on occasion with the input from Bond Dickinson. Furthermore, others such as Belinda Crowe were on occasion called upon to brief the Board directly on Project Sparrow (see for instance the minutes of the Board meeting on 21 May 2014 (see page 10 of [**POL00027400**]). Formal briefings were, of course, not the only mechanism by which the CEO and the Chair were kept informed of developments. As is the case in any organisation there were both scheduled and ad hoc face to face meetings along with telephone calls and chance "corridor" and other informal interactions. However, the Sparrow Programme Team was well aware of the need to ensure that any information of relevance was passed up to Board level given the profile of the issues that they were dealing with.

119 Whilst I cannot now, nine years later, definitively say there was nothing relevant that was not passed onto the Board, the Chair or the CEO, to the best of my recollection I cannot think of any material topic or matter where I was involved in any decision not to pass on something material to the CEO, the Board or the Chair as I thought it important that as the decision makers, they had knowledge of material matters.

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THE 'WGR'

The Purpose of the WGR

120 The Initial Complaint Review and Scheme ("**the Scheme**") WGR was established, prior to my time, to deal with the mechanics of the Scheme. The WGR consisted of representatives of the JFSA (usually Mr Bates and Ms Linnell), the two principals of Second Sight (Mr Henderson and Mr Warmington), various employees of POL (usually me, our civil litigation lawyer Rod Williams, Ms Van Den Bogerd and Ms Crowe) and Andy Parsons of Bond Dickinson. In broad terms once a case was accepted onto the Scheme by the WGR, the Applicant would be invited to submit a Case Questionnaire Report ("**CQR**"). POL would conduct an investigation and produce an investigation report, dealing with any points raised by the CQR. These reports were shared with the WGR and would be sent to Second Sight who would review the CQR and POL's investigation report and produce their own "Case Review Report" ("**CRR**") giving, where possible, their opinion where there was a disagreement between the Applicant and POL and also setting out their opinion on what, if any, aspects of the case could usefully be mediated.

121 I believe that at the time of my joining it had already been agreed by the WGR that Sir Anthony Hooper would be appointed as WGR Chair, with a letter of appointment approved by WGR, although he had not yet taken up his role. The WGR accepted applicants to the Mediation, and decided when cases were ready to move onto the next stage of the process. It would also ultimately decide whether a case was suitable for mediation.

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122 The detail of how a case would progress through the scheme had also been broadly agreed by the time of my starting. Whilst there may be earlier or later versions of the document, that process was essentially set out in the document "Overview of the Initial Complaint Review and Scheme" at page 21 of **[POL00105528]** which I believe was shared with SPMs who wished to participate. At page 22 of **[POL00105528]**, the role of the WGR is explained as "*to ensure the Scheme is run in a fair and efficient manner. It will also be involved in making decisions on how particular cases should be managed through the Scheme*". The WGR met roughly every week.

123 At the time I joined, I do not think that the WGR had set out its "Terms of Reference", nor had Second Sight's retainer been settled so both these issues needed to be progressed. This was problematic from POL's perspective because at the time of that initial engagement, Second Sight was not engaged to provide anything like the services it was envisaged they would provide to the WGR, which involved disclosure of POL investigation reports and Second Sight's CRRs to individual applicants. Therefore, when I started at POL, the basis on which Second Sight were receiving information about individual applicants to the Scheme, how they should hold such information, the basis of charging, reporting lines etc. was neither documented nor clear. As the ability of the WGR to progress cases and achieve its objectives was dependent on Second Sight, their performance was key to the operation of the Scheme. From fairly early on, therefore, I recall the Board were concerned to clarify the governance around the WGR and the terms on which Second Sight were engaged.

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124 In doing this it became clear that POL/JFSA and Second Sight had slightly different understandings of the Scheme, the WGR and the scope of Second Sight's retainer. Resolving these differing understandings, I think, did cause some tension within the WGR, but ultimately the WGR's Terms of Reference were agreed by all parties on 7 March 2014 (**[POL00026656]**), and Second Sight's retainer for their work with the WGR was signed on 1 July 2014, again following agreement of the WGR on the scope of that retainer. To my mind, Second Sight's work on the WGR fell outside of Second Sight's original retainer (which led to the production of the Interim Report) which had been to "*consider and advise on whether there are any systemic issues and/or concerns with the Horizon system*" so quite different to its ongoing role within the WGR as administrator of the Scheme (initially), and reviewer of the investigation of each case in the Scheme.

125 The oversight offered by the WGR, and members of it, over the process was ultimately as follows:

125.1 At the outset in deciding whether to accept cases on to the Scheme (I think 4 out of 150 applications were not accepted, largely on the basis that the applicants were not eligible as they had not been SPMs);

125.2 Making case management decisions (such as whether to allow an application onto the Scheme, whether to allow extensions to applicants/ POL/ Second Sight in respect of various tasks);

125.3 Reviewing and providing feedback on the first few investigation reports produced by POL to check the WGR thought they gave the applicant and mediator sufficient information;

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125.4 Reviewing and providing feedback on the first few Second Sight CRRs to check the WGR thought they gave the applicant and mediator sufficient information;

125.5 Agreeing the suite of documents to be sent to the mediator in each case;

125.6 Deciding whether a case was suitable for mediation, which involved the investigation report and CRRs (albeit, as I explain below, POL did decline to mediate in a handful of cases where the WGR recommended mediation); and

125.7 Overseeing the production of two general reports by Second Sight – the Part 1 report and the Part 2 report.

125.8 Its role also included agreeing an approach concerning some of the knottier issues that arose (such as how to deal with cases where the applicant had been made bankrupt and might not benefit from any sums offered by POL).

126 As I recall it the main, and most contentious, case management decisions that the WGR was called upon to make was whether or not a particular case should be referred to mediation in cases where Second Sight had recommended it, but POL did not agree, or in cases where Second Sight did not recommended mediation. In practice, however, JFSA formally always voted in favour of mediating if Second Sight recommended it, and so if POL did not agree with that assessment it would present its reasons and Sir Anthony Hooper, as chair with the casting vote, would decide whether the case should proceed to mediation.

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My Role in the WGR

127 From the time of my joining, I sat on the WGR. I usually attended the WGR face to face meetings, which happened monthly, and the more frequent weekly telephone calls. Essentially my role would be to put forward POL's position on the various issues up for discussion, following a briefing (typically on the previous day) on the agreed POL position. That briefing would usually be by Belinda Crowe, Rod Williams and Andy Parsons of Bond Dickinson (there may have been others – possibly Angela van den Bogerd). I would not accept the briefing without challenge – see paragraph 141 below.

128 In terms of my involvement with the Scheme outside of the WGR, this principally involved reporting to the Board or the Subcommittee the outcomes of WGR decisions and highlighting any issues arising. I had essentially no day-to-day involvement with investigating specific cases or progressing them through the Scheme – that was handled largely by the Sparrow Programme Team and/or Angela van den Bogerd's team. The reports to the Board also involved reporting on running the costs of the Scheme (internal POL costs, Second Sight costs and costs of the applicants' advisors) and any risks attributable to the Scheme. I also had some involvement with progressing the Settlement Policy as explained below.

129 Obviously my role in the WGR also meant I fed back material to the Programme Board (though I was not the only one to do that). This is illustrated, for example, in the minutes of the initial compliance review and case Scheme programme board dated Friday 17 January 2014 (**[POL00138101]**). It is flagged that Sir Anthony Hooper has indicated that "*...the Post Office reports are coming across*

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defensive. The reports need to be more balanced and this needs to be managed through QA". An action is taken at that meeting to ensure that this concern is dealt with by Angela van den Bogerd and her team.

130 My recollection is that this concern was taken on board and from the documents provided to me I can see that Second Sight and the WGR praised the quality of the investigation reports subsequently (see, for instance the WGR meeting of 10 July 2014 where "*It was noted that the investigations were of a high quality but they were taking much longer than anticipated*" (paragraph 6.3, page 7 of **[POL00026672]**) and indeed in Second Sight's final Part 2 report (**[POL00021791]**) which stated "*we wish to place on record our appreciation for the hard work and professionalism of Post Office's in-house team of investigators, working for Angela Van Den Bogerd, Post Office's Head of Partnerships. Our work would have been much harder and taken much longer without the high quality work carried out by this team. We have also received excellent support from the administrative team set up by Post Office to support the Working Group*". Certainly the Sparrow Board Advisory Subcommittee meeting minutes for 30 April 2014 at page 2 note that by that point, Sir Anthony Hooper was "*broadly content with [POL's] investigation reports but suggested the conclusions should be sharper and more assertive where appropriate*" **[POL00006566]**.

How the WGR Operated

131 I have been asked for my views on how the WGR operated, including on the approaches taken by POL, JFSA and Second Sight. The WGR was appropriately named. As mentioned above, its primary purpose was to discuss

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cases and consider how to progress them through the scheme. In practice, however, it dealt with a number of additional issues, many of them administrative in nature (although also relating to the work Second Sight was doing). This can be seen from the various WGR minutes, particularly those that relate to the period just after the WGR was established. In relation to those administrative matters, there was often a high degree of consensus.

132 Whilst working relationships were, in the main, cordial, and I had a lot of respect for Mr Bates and Sir Anthony Hooper, I think that as time progressed it became increasingly clear that POL and JFSA had very different understandings of the workings and purpose of the Scheme.

133 However, tensions arose from the lack of Terms of Reference and Terms of Engagement for Second Sight at the outset. It seemed to me that POL throughout had understood the Scheme essentially to be a mechanism for individual SPMs to raise specific complaints about past issues with Horizon that they individually had experienced and for those specific complaints (including ones relating to training and support by POL) to be considered and if possible resolved. This was to be achieved by POL conducting an investigation, preparing a response to be sent to the SPM concerned, and then ultimately, and ideally, for the parties to meet to mutually resolve the issue. Thematic issues might arise and be reported on from those complaints, but the Scheme did not involve anything wider than that. All this was to be undertaken with some independent oversight as outlined above. By comparison, JFSA (and to some degree, Second Sight), understandably in terms of their own objectives and perspective, appeared to be of the view that the WGR and Scheme should be

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a forum to investigate "Horizon issues" more widely and report those findings to various stakeholders. I was led to believe by those that had been at POL at the time the Scheme was conceived, that this was never POL's understanding of what had been agreed or committed to. In short, so far as I understood the position, POL considered the aim of the Scheme was to work through the specific complaints as efficiently and cost effectively as possible. POL was, therefore, opposed to any notion that this wider work should fall within the purview of the WGR. Following this logic, it was never contemplated by POL that Second Sight, which really only had very limited capacity, would or should undertake work during this period that was not specifically connected to a particular case within the Scheme (or any thematic issues arising out of the cases in the Scheme as a whole).

134 This obviously caused tension particularly as the focus of attention moved towards discussing the terms of reference, considering cases, and deciding whether to recommend them to mediation, and the WGR consensus became more strained.

135 It also became apparent, almost immediately as applicants started submitting their CQRs that the amounts expected by way of settlement by the SPMs often exceeded (sometimes very significantly) that POL's legal advisors had advised that it was reasonable to pay. By way of an extreme example, I recall one case (albeit a very significant outlier) where the settlement sum requested was £5,000,000. By way of contrast, POL in trying to set parameters around the amounts that it should consider paying by way of compensation had commissioned legal advice from Bond Dickinson. The substance of that advice

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was that POL should not contemplate paying more than three months' worth of remuneration to a SPM in respect of claims for loss of revenue as a result of alleged wrongful termination by POL of an SPM's contract. This difference between what the Scheme participants expected and what POL thought they were entitled to receive came to be referred to internally at POL as the "expectations gap". This led to a very real concern within POL that the Scheme would not be an effective solution for a considerable number of the SPM applicants, despite the very significant sums being spent on the working of the Scheme itself.

136 It also became apparent that not only did the Scheme impose a very significant burden on POL in terms of investigating cases and writing reports (often involving many days), but it was also plain from early on that Second Sight were struggling with the volume of work required to produce their CRRs. POL had recruited 22 investigators and had a team, including Bond Dickinson, overseeing the quality of the work plus a wider team involved in the WGR. Second Sight had a team of two to prepare their CRRs to the appropriate standard and attend the WGR. It is not therefore surprising that whilst the number and complexity of the cases within the Scheme caused delay for POL, it was more seriously problematic for Second Sight. Particularly as Second Sight were also ultimately responsible for putting together a Part One report (a document which was designed to set out for the reader some basic facts of the Horizon system) and preparing the Part Two report (setting out various thematic issues). This again involved the same two individuals at Second Sight. Perhaps the best way of illustrating the apparent challenge that Second Sight were having in completing their reports, is by reference to the following table,

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summarising the developing position with respect to those reports throughout my tenure as best as I can based on the documents I have. For clarity, where there are a number of documents each month showing progress, I have selected the document showing the figures most clearly:

Date	**Number of POL reports sent to SS (cumulative)**	**Number of Second Sight CRRs sent to WGR (cumulative)**
19/12/2013 (WGR) **[POL00026634]**	2 (total)	-
30/01/2014 (WGR) **[POL00026641]**	4 (total)	Says Part 2 report will be circulated within 4 weeks
27/02/2014 (WGR) **[POL00026637]**	Unclear	2 and says mediator's pack (i.e. Part 1 and Part 2) will be circulated by 5/3
27/03/2014 (WGR) **[POL00026644]**	6 (since last WGR), so at least 10	0 – Second Sight had been asked by the WGR to revise their 2 reports. Part 1 and Part 2 reports not available, nor any revised CRRs.
08/05/2014 (Letter from Sir Anthony Hooper to Jenny Willotts) **[POL00116540]**	20 by 17 April, subsequently 12 revised reports re-submitted by 2 May 2013	0 (as awaiting POL's revised reports)
03/06/2014 (Sparrow subcommittee briefing) **[POL00022128]**	22	3
17/07/2014 (WGR meeting) **[POL00026671]**	33 (the 24 in the table at point 10, plus the 9 Second Sight had reported on)	9 (the 7 in the table at point 11, plus the 2 that had been mediated) (NB: Final Part 1 and Draft Part 2 issued over

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		summer 2014)
17/09/2014 (Board update paper) **[POL00027363]**	73	19

137 This led to a series of delays in the production of CRRs, which was a cause of great frustration to all those involved. Because of these difficulties an issue arose as to whether POL should explore options for ensuring that the WGR was able to do its job more effectively, whilst at the same time ensuring that the right balance was struck between the cost of running the Scheme and making sure those cases which had a realistic prospect of being successfully mediated were put through to mediation. I discuss this further below.

138 The relationship between POL and Second Sight was not always easy. I personally found Second Sight somewhat difficult to work with on occasion, though that is obviously informed by the fact I was putting forward POL's institutional position. It is plain from the table above and the minutes of the WGR that Second Sight were consistently over-optimistic as to how quickly they could prepare their reports (although to some extent the same criticism could be made against POL, particularly in the early stages). The relationship between Second Sight and POL was not helped by the fact that there was no documentation setting out the scope of their engagement in respect of matters dealt with by the Scheme until 1 July 2014. When the Terms of Reference for the WGR and Second Sight's engagement letter were finally agreed (see paragraphs 197 and 292 below), things did get easier, at least for a period of time.

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139 As can be seen from the minutes, cases started to flow through the Scheme, with some settling prior to mediation and some settling at mediation (although it's fair to say that a majority of cases did not settle). By 17 January 2014, 8 cases had settled prior to mediation (see the figures at page 5 of **[POL00093696]**). The first cases were approved by the WGR for mediation in June 2014 (see **[POL00026673]**) and the first mediations had happened by mid-July (see **[POL00026671]**). By 8 January 2015 (the last date for which I have figures), 16 cases had settled within the Scheme, but prior to mediation, 10 cases had been mediated and 4 of those 10 had settled (**[POL00022293]**).

140 Another complicating feature was that part way through my time at POL and I cannot remember exactly when, mention was made by the JFSA of potential civil litigation against POL, which raised the spectre that matters discussed in the working group, and indeed materials produced for the working group, could be used against POL in future litigation.

141 None of the above should be read as implying that POL behaved perfectly at all times. Whilst I do not think I usually saw the underlying documents in relation to investigations, I was either orally briefed on or presented with summaries of the internal investigation reports if there was an internal recommendation not to mediate as they would have formed part of the internal briefing (an example of a briefing is at **[POL00140431]**). I did think at the time that the approach taken by POL was towards the "hard edged" end of being reasonable, and the positions in the briefings/ report being perhaps a bit more defensive than I would have made them. I recall in relation to a few briefings testing some of the key conclusions with those briefing me, for example "are you really sure of X" and

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always receiving explanations that satisfied me. I suspect POL's slightly defensive approach was partly informed by the fact that the litigators (both Rod Williams and Bond Dickinson) were involved in reviewing all the investigation reports and naturally approached them in a slightly risk averse way. I did not consider at the time that that was an unreasonable approach given the Scheme that had been agreed. Similarly, I also recall initially being more inclined to allow cases to progress to mediation than the POL institutional position (on the basis I thought it would do little harm) but as time went on I came to agree with the perspective that agreeing to mediate a case where there was no hope of settlement (because of the "expectations gap") was unduly raising applicants' expectations and incurring considerable expense.

142 In retrospect, I think that POL (and indeed I) could have worked harder at the very start of the process to build bridges with JFSA. In my view, adopting a more engaging approach may well have had the effect of streamlining the work of the WGR. It would not, however, have addressed the fact that there appeared to be two fundamentally different conceptions of the Scheme, as discussed in paragraph 133 above. Nor indeed would it have dealt with the so-called "expectations gap", nor the fact that in retrospect the needs of many of the applicants to the scheme (if not the majority) would probably have been better served by a system of adjudication/arbitration rather than mediation.

Fujitsu's Assistance to POL in relation to the Scheme

143 I have been asked for my views on the nature and extent of the assistance provided by Fujitsu to POL in preparing its responses to those SPMs accepted into the Scheme. In this regard I have been provided with a series of

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emails (**[POL00108507]**) the subject matter of which is a request, or a series of requests, aimed at ensuring that Fujitsu stopped its practice of destroying files at the end of the retention period. From those emails it looks as though Fujitsu were initially reluctant to make such a change and were insisting on a formal change request. It further looks as though several attempts were made in December, then February and finally in April to prevent Fujitsu from "purging" any data relating to applicants accepted in the scheme. It is unclear to me at what point this change request became effective as Fujitsu appeared to "*keep putting back the date*" (page 1 of **[POL00108507]**). Given my understanding of IT systems, I do not know whether the second request raised genuine systems issues, or whether it was simply a case of administrative reluctance.

144 I can also see a reference to Fujitsu's assistance in an e-mail exchange between me and Paula Vennells dated Sunday 23 February 2014 (**[POL00116285]**). In that email exchange I comment that Fujitsu appear to have now responded to requests to try to speed up the retrieval of data, but that "I would have to defer to Belinda [Crowe]", for details. The implication appears to be that initially they had been somewhat slow, but that issue does not appear to be referred to elsewhere in the documents I have been provided with by Inquiry and I cannot now really remember.

145 Absent any other information, it would appear on the basis of the limited information that I have now seen that Fujitsu was not being as cooperative in this matter as one would have expected given the nature and importance of the issues concerned. In particular, it looks as though they were tardy in responding properly to requests made by POL. That said, I have no particular insight nor

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recollection of the mechanics involved in complying with the requests that POL made in this regard, so this is more of an impression from the documents than a clear recollection.

Chronological Section

October 2013

146 The documents show I attended a WGR meeting in my first week at POL, on 17 October 2013 (**[POL00043640]**), at which reference is made to the appointment of Sir Anthony Hooper as chair of the WGR being finalised, and by the next meeting on 25 October 2013 (**[POL00026625]**) Sir Anthony Hooper had indeed been appointed. There was some discussion at this first meeting of disclosure in criminal convictions cases (see paragraph 5) - Andy Parsons of Bond Dickinson said that the POL "*prosecution team was applying disclosure rules where a case is or has been subject to criminal proceedings*" and there was some mention that Second Sight might have material relevant in this regard to one of the applicants. At paragraph 11, it was stated "*Second Sight's role is that of expert advisor to the [WGR]*".

November 2013

147 On 5 November 2013 I appear to have attended my first Sparrow Steering Group meeting (**[POL00139000]**) where I was listed as the sponsor of the "core" steering group (see paragraph 54 above). I was given an action of preparing a paper with Rod Williams for the next ExCo meeting to gain its approval of the then draft of the settlement policy (which from the version

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control table at the beginning of **[POL00027505]** would appear to be v1.2, which I do not have).

148 As requested, a paper dated 13 November 2013 on the settlement policy (**[POL00146797]**) was duly prepared. It is in my name but I assume Rod Williams had significant input given I was less than a month in post and we had both been assigned the action by the Sparrow Steering Group. The objectives of the Scheme are noted at paragraph 3.2 as to "*provide a mechanism to investigate a [SPM's] concerns proportionately and effectively*" and to "*try to achieve a mutual and final resolution of a [SPM's] legitimate concerns about Horizon and any associated issues, whether through mediation or direct discussion*". It set out at paragraph 3.3 that the role of the WGR was to "*monitor the fairness and efficiency of the Scheme in achieving its objectives*", "*ensure the cases progress through the Scheme in a timely manner*" and "*review Subpostmasters' cases which may not be suitable for the Scheme and decide whether or how those cases may proceed*". It also highlighted:

"*From the Post Office's perspective the Scheme will have been a success if, when it has completed:*

• *the JFSA, the media and politicians consider that the scheme addressed the concerns of Subpostmasters identified in the Second Sight report;*

• *the cost to the Post Office in terms of financial settlements is not excessive, is proportionate, and is consistent with the proper use of public money; and*

• *Subpostmasters retain their confidence in the Horizon system.*"

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These measures of success essentially informed the work I did on the Scheme during my tenure.

149 That paper also explained the purposes of the Settlement Policy - to manage and control costs, approach financial settlements consistently, and provide those attending mediations for POL a mandate for settlement. It is also apparent from this paper than the "expectations gap" had already arisen in that some of the amounts SPMs appeared to be expecting through the Scheme was much higher than the amounts POL had been envisaging and considered justifiable on the basis of the evidence it had. This "expectations gap" was problematic in that there was a real risk that if it could not be closed (a) mediations would not be successful (paragraph 4.5), and (b) SPMs would feel further let down by POL (paragraph 6.2). As I explain further below, this "expectations gap" ultimately did become very problematic.

150 The first draft of Settlement Policy (which I am fairly certain was drafted by Bond Dickinson) appears to have been circulated for consideration within POL on 22 October 2013 (see **[POL00027505]** with version 1.4 seemingly being generally agreed, though not formally adopted, in December 2013). That Settlement Policy incorporates Bond Dickinson's advice that, in relation to complaints concerning the Horizon IT system not operating as it should, "very clear proof" of a technical defect (see page 16 of **[POL00199361]**) causing a quantifiable loss would be required before settlement would be considered. In the case of other complaints or issues it just needed to be a specific issue (rather than a generalised complaint that there was insufficient training). In retrospect I can see that the "very clear proof" standard for settlement of a complaint about a

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technical defect would have been very difficult for an individual applicant, but at the time, given the investigations being undertaken by both POL and Second Sight (with the applicant also being professionally represented), it appeared to me defensible and obviously spoke to POL's concern not to pay what was, in its view, taxpayer money to settle claims that had not been sufficiently made out. The policy perhaps also reflects the general direction set by Paula Vennells insofar as her conception of the Scheme was that it was not intended to pay out "major compensation", as referenced in paragraph 106 above.

151 Whilst I do not have minutes of any ExCo meeting in November 2013, it appears from the running ExCo actions log that this paper on Settlement Policy was discussed at an ExCo meeting on 19 November 2013 as one of the actions arising from that meeting was for Mark Davies to develop a communications strategy regarding the "expectations gap" (page 4 of **[POL00027423]**).

152 In my note to the Board of 21 November 2013 (**[POL00027482]**), prepared some five weeks after my appointment, I noted that ExCo had considered on 19 November 2013 (at paragraph 3.8) "*a draft policy prepared by the project team with a view to ensuring that our approach to resolving individual applications was consistent across the piste*" (i.e. the draft Settlement Policy) and I flagged that work was being done to bridge the "expectations gap".

The Board Meeting of 27 November 2013

153 The matter was duly discussed at the Board meeting of 27 November 2013 (**[POL00021520]**). I have been asked for my recollections of the discussions on challenges to the integrity of the Horizon IT System and Scheme at that Board Meeting. I do not specifically recall this meeting, which took place fewer than

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six weeks after I started at POL so I am heavily reliant on the papers provided to me by the Inquiry, in particular my noting paper on Project Sparrow and the minutes of that meeting (**[POL00027482]**) and (**[POL00021520]**). My general recollection, which is in line with that update, is that the broad mechanics of the Scheme had by that time already been agreed, (presumably with some degree of Board oversight though I have been given no documents to assist my recollection in that regard). For this reason, I do not think that at the November meeting the Board were concerned with the general direction that the Scheme was then taking, nor with the mechanics of its operation, nor challenges to the integrity of the Horizon IT system in detail. Indeed, the paper itself is positioned as a paper for noting, not a discussion paper, and in the ordinary course of events I would not necessarily expect boards to challenge and discuss such a paper in any detail.

154 However, the update referenced two new notable matters. These related to (a) an unexpectedly high volume of applications at around 140 (75 had been anticipated), which would increase the operating costs of the Scheme, and (b) the "expectations gap" (**[POL00027482]**). The drafting of the Settlement Policy was mentioned, albeit as work still in progress to be presented to the Board subsequently.

155 Although the paper was for noting, rather than discussion, it is evident that the Board were concerned to understand the financial implications of the increased number of applicants in the scheme and the effect this would have on timescales. Accordingly, they asked for regular updates showing the number of cases received, where they were in the process, and where possible the overall

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costs attached to claims. This was to be included in the regular CEO report. It is clear from the documents that financial factors were important but I have no recollection as to whether they were considered to be more or less important than any of the other matters.

156 I should say that despite the number of applicants to the scheme being roughly double initial expectations, it is nonetheless still a relatively small figure relative to the total population of SPMs who could have been affected by Horizon issues (representing around 1% of the 11,500 SPMs, and a far smaller proportion of less than 0.3% of those using Horizon). (I acknowledge this number is also small compared to the total number of SPMs known today as having been affected by Horizon issues.)

157 One possible consequence of the (relatively low) number of complaints submitted to the Scheme is that at a subliminal level the Board may have gained comfort that the scheme was not having to deal with a large-scale systemic Horizon issue, affecting many users. In retrospect this may have given the Board comfort that the extent of user issues with Horizon was known, and I think throughout my tenure the general and widespread understanding within POL was that the issues being dealt with in the Scheme were much more likely to have been as a result of issues with recruitment, training or support by POL which the Business Improvement Programme was designed to address.

158 It was at that Board meeting that I was also asked to prepare a paper on the liability for the business and individual board members in relation to past prosecutions. The minutes record that "*The Board asked for a note from the General Counsel explaining who was named in past prosecutions and the*

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liability for the Business and Individual Board members. The note should also include information on both PI and D&O insurance cover" (page 2 of **[POL00021520]**).

159 I think that this request was prompted by an (oral) update given to the Board by the then Chair of the ARC in which he noted that the ARC had considered a paper on the future direction of POL's prosecution policy (I explain this paper in the prosecutions section below). There is no description in the minutes of that meeting of any discussion having taken place, but I would surmise from the context in which that action appears that the Board was concerned to understand a) whether the risk for past prosecutions was a risk carried by POL (given that prosecutions had historically been carried out by staff within Royal Mail but brought in POL's name) and b) the nature and extent of their own personal liability. I have no special insight into why Board members were, at that time, concerned with their own personal liability (other than that it is human nature to be so concerned), although I have seen in the papers provided to me a copy of advice prepared by Bond Dickinson on 15 August 2013 (that is, prior to my starting) called "Horizon Risks" (**[POL00040092]**) which did deal with this issue in passing. (I should say I do not recall seeing that advice at the time I was preparing my own advice to the board - although it was sent to me by Andy Parsons on 12 March 2014 (**[POL00040090]**) as part of a pack of advice to be passed on to Linklaters.)

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December 2013

My note on Directors' Personal Liability dated 6 December 2013

160 A draft of the advice requested at the Board meeting on 27 November 2013 was subsequently prepared. I recall that the paper was based on advice received from external advisers, including with oversight from Bond Dickinson and sent to the board on 6 December 2013 (**[POL00100003]**). The headline conclusion of that advice was that directors are highly unlikely to be personally liable in respect of past prosecutions unless a court determines that they have acted maliciously or in bad faith (which was hard to envisage). Furthermore, notwithstanding the fact that prior criminal prosecutions were managed by individuals in the Royal Mail organisational structure, legal liability for improper convictions would lie with POL. The advice also referenced the work undertaken by Bond Dickinson in connection with their assessment of the most likely "heads of liability" should a conviction turn out to be improper. It is noted that in such cases the quantum of loss which could be claimed was likely to be at a relatively low level.

161 The legal advice received by the Board as to the low likelihood of an SPM successfully making a claim against POL of any significant value is likely to have affected POL's approach to the Scheme. This is because the cost of the Scheme and the value of any compensation on offer, would have been evaluated in the context of the risks to the business of the individual claims not settling. Given the perceived low level of damages suggested by Bond Dickinson, POL would be bound to use those figures to inform the appropriate awards for the mediation. Whether the absence of directors' personal liability

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made any material difference I do not feel able to comment upon. To answer that question properly I would have to speculate on the counterfactual where advice had been given that they were highly likely to be liable. In those circumstances I rather suspect that there would have been a request for further, more detailed advice on the back of which some examination of past cases may have been initiated. I do not know what the results of that line of inquiry would have been, nor do I feel able to comment on it.

162 In mid to late December 2013, I should note that I suffered a torn retina, which led to me being away from work for a week or so, so there may have been meetings and so on in this period that I would usually have gone to but which I did not attend.

January 2014

WGR Terms of Reference

163 I cannot remember when the terms of reference for the working group were originally drafted, nor by whom. However, from my papers I can see that amendments to the Terms of Reference were first discussed at a WGR meeting on 3 January 2014 (**[POL00026638]**) (they were subsequently discussed on 9 January 2014 (**[POL00026682]**), 30 January 2014 (**[POL00026641]**), 13 February 2014 (**[POL00043626]**) and ultimately approved on 7 March 2014 (**[POL00026656]**)). It is unclear to me from these documents whether or not some form of informal, "interim" terms of reference had been put in place prior to the final terms of reference being adopted or whether the WGR and Scheme had been running without such Terms. I have been provided with ten versions of the Terms of Reference - nine of which appear to be drafts (**[POL00137703]**,

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[POL00147219], **[POL00147220]**, **[POL00147321]**, **[POL00196404]**, **[POL00198020]**, **[POL00201594]**, **[POL00201652]** and **[POL00302529]**) and one which I assume to be the version finally agreed on 7 March 2014 (**[POL00022307]**). I note that one of the drafts (**[POL00196404]**) includes reference to the WGR possibly reporting to James Arbuthnot MP and the Board, but that does not appear in any of the other versions I have, nor in what I believe to be the final copy.

164 I suspect, but cannot now recall, the Terms of Reference were drafted by Bond Dickinson (certainly Andy Parsons was on 3 January and 30 January 2014 tasked by the WGR with amending the Terms of Reference) but the WGR clearly had input into them and ultimately signed them off as I explain further below.

WGR meeting of 3 January 2014

165 Initially all complaints by applicants were being lodged with Second Sight directly. As Second Sight had limited capacity, the WGR agreed at the meeting on 3 January 2014 this administrative task should be taken over by POL to free Second Sight to work on the CRRs (this was agreed by the WGR and had been actioned by 9 January 2014 (see **[POL00026682]**). However, as I explain further below, concerns about Second Sight's capacity largely remained throughout my involvement with the Scheme.

166 On 3 January 2014 at the WGR, Second Sight also said that they would "*produce a generic report covering regularly occurring issues and a case specific report for each individual case*" This generic report ultimately became

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the Part 2 Report, which was ultimately not finalised until after I left POL, and which I discuss further below.

v1.4 of the Settlement Policy

167 On 6 January 2014 Belinda Crowe sent an email to Alwen Lyons (**[POL00199360]**) in my name, attaching v1.4 of the Settlement Policy (**[POL00199361]**) which had apparently been amended in line with ExCo's instructions to include an "apology" and "no agreement but deeply regret any distress caused". Although it is clear from the chain that both the text of the email and the amendments to the Settlement Policy itself emanated from Belinda Crowe (or someone in her team), and I think it highly likely that Bond Dickinson had input into the amendments to the policy and the covering email, I am sure that I would have approved her sending it in my name.

Establishment of the Sparrow Programme Board

168 On 17 January 2014 there was the first Programme Board meeting, of which I was chair. The papers for that meeting are at **[POL00138077]** and the minutes are at **[POL00138101]**. As well as initial set up matters such as governance of the Programme Board (establishment of Terms of Reference etc) the Programme Board on this day also considered resourcing issues, building in feedback mechanisms so any delays with obtaining information from Fujitsu could be fed back to the WGR and extensions obtained, general comments on the case summaries to date (that they should be less defensive, and demonstrate where improvements were being made based on themes arising from the cases), and an early settlement policy (i.e. for cases in the Scheme

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that POL wanted to try to settle in advance of the mediation) was agreed. From recollection this was fairly typical of the work of the Programme Board.

WGR Meeting of 23 January 2014

169 On 23 January 2014 at a meeting of the WGR, the issue of Second Sight's letter of engagement was raised, with the minutes (**[POL00026640]**) recording:

"*[Second Sight] raised the issue that the engagement letter was one of the things holding up the submission of the cases. CA and SAH noted this issue but made clear that they did not feel that agreeing the terms of engagement should hold up the reports. In any event it was agreed that this would be resolved by a further discussion between CA and SS and the terms of engagement being taken to the working group on 30 January*".

Meeting between James Arbuthnot MP, Paula Vennells and Alice Perkins of 28 January 2014

170 Over the life of the Scheme, I was aware of meetings being held between James Arbuthnot MP, Paula Vennells and Alice Perkins with a view to discussing the progress of the Scheme and the Business Improvement Programme. One such meeting was scheduled for 28 January 2014 in advance of which Belinda Crowe prepared a briefing note. This note, which is dated 21 January 2014 (**[POL00093696]**), contains a detailed commentary on each of the items for discussion on the agenda, one of which was Second Sight's work. In the headline summary, on the first page this topic is described in a few lines and here it is said that Second Sight's work is a "delicate item". I have been

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asked why it was described in this way. Whilst I did not write this, I think it was for the reasons explained below.

171 The position that POL (and ultimately the WGR) adopted was that it considered Second Sight to be engaged by POL for the purposes of furthering the progress of cases through the WGR and the Scheme, which in my view was consistent both with my understanding and the position articulated in the meeting of 25 October 2013 (the first meeting with Sir Anthony Hooper) that Second Sight's role "*is that of expert advisor to the [WGR]*" (**[POL00026625]**). As set out in Paula's briefing note for the meeting with James Arbuthnot MP, however, Second Sight believed (at least at that time) that "*they are appointed and accountable to James or a wider group of MPs*" as well as POL (**[POL00093696]**). This meeting therefore "*provide[d] an opportunity to explain to James [POL's] plans for working with Second Sight and also to confirm the scope of their work with him*" (**[POL00093696]**).

172 It is possible, and indeed likely, that the source of this confusion about Second Sight's role arose from their original engagement for the preparation of the Interim Report (with which I was not involved) as I understand that this did involve James Arbuthnot MP. My own understanding was consistent with the position set out in Belinda's note: Second Sight were, at least in this phase of their work, engaged by POL and their services were to be focused on investigating specific complaints raised by each SPM who had been accepted onto the scheme and assisting with any other reasonable requests made by WGR and/or POL (which Second Sight indicated would include the production of a thematic report for cases within the Scheme).

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173 The terms of engagement under which Second Sight prepared their Interim Report (as annexed to that Interim Report) were plainly unsuitable for their work with the WGR as it expressly provided that "*the Inquiry is not asked to investigate or comment…on any individual concern…save to the extent that it concludes that such investigation or comment is necessary to address the remit*", that "*[t]he Inquiry…is not intended to resolve or affect any dispute there may be between any individual Horizon user and [POL]*". Under that initial retainer, Second Sight was "*entitled to request information relating to a concern from [POL] and if [POL] holds that information, [POL] will provide it to Second Sight*". However, this was in circumstances where "*all information received by Second Sight from whatever sources in connection with the Inquiry will be held confidentially and will only be used for the purposes of the Inquiry*" and where the final report was intended to be able to be published without any personal data and/or confidential or commercially sensitive information. I believe they had also separately signed non-disclosure agreements in relation to their Interim Report work as they were being provided access to privileged and commercially sensitive information.

174 The initial terms of engagement plainly did not reflect the scope the work that Second Sight was now being asked to undertake for the WGR, nor deal with matters such as how documentation provided to Second Sight should be held (as clearly the confidentiality/ anonymising provisions above would not work) in circumstances where: (a) Second Sight was now accountable to the WGR, (b) both POL and Second Sight were commenting on particular applicants' cases with documentation provided to Second Sight also being passed to an applicant, and (c) the focus of the Scheme was on resolving individual

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complaints rather than identifying any systemic issues and concerns with Horizon and any recommendations arising out of the same.

175 Clearly POL's view of Second Sight's role (as now providing particular services to the WGR) was not, at that point, entirely shared by Second Sight. As is plain from Belinda's second briefing to Paula (**[POL00100124]**) Second Sight believed that MPs were expecting some other report from them. Indeed, it is clear that, at the point in time when their Interim Report was published, Second Sight were of the view that "*there is still much work to be done", and "that there would be a final report in due course"* (**[POL00029650]**). That said, having a view on a matter is quite different from there being agreement with all parties that further work should be done, particularly so given that circumstances had changed quite considerably with the launch of the Scheme and as explained above my understanding was that Second Sight's work was now entirely related to the Scheme and WGR.

176 Second Sight's desire to undertake further work, and publish an additional report is also evident in my briefing note to Paula Vennells of 27 January 2014 (**[POL00100135]**) which was prepared following a call with Ian Henderson of Second Sight. It was clear from that call that Second Sight wanted to publish a report that was being prepared under the auspices of the WGR and/or report independently and directly to MPs. As set out in that briefing, I explained to Ian Henderson that a) this was not my understanding of Second Sight's role at that point; b) Paula would be discussing matters with James Arbuthnot the following day and c) the WGR would undoubtedly have views on Second Sight's proposal.

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177 From the papers provided to me by the Inquiry it would appear that the meeting with James Arbuthnot MP did go ahead on 28 January 2014. I cannot now recall whether or not I received an oral briefing as regards the matters discussed at that meeting but I see included in the documents provided to me is a written file note of that meeting (**[POL00026743]**) which states that whilst James Arbuthnot MP initially said he did not "*understand why Post Office were drafting a letter of engagement when he had a letter from Jo Swinson (NB letter to Alan Bates dated XXXXXX) that made clear Post Office did not employ Second Sight*". I do not know what letter that is referring to, nor the background to it. As far as I understood it, POL had always engaged Second Sight and paid their fees, albeit Second Sight were acting independently and not as advisors to POL per se.

178 Importantly, however, the note goes on to say that Paula Vennells clarified with James Arbuthnot MP that, *"although Second Sight were not employed by Post Office they were engaged by Post Office in the same way that any independent professional service might be and were accountable to the Working Group*". Further, that *"[James Arbuthnot] accepted this and it was also confirmed that [James Arbuthnot] did not engage Second Sight*" (**[POL00026743]**). It was clear, however, from that meeting that Second Sight would remain able to raise matters of concern directly with James Arbuthnot MP should they so wish. There appeared to be some consensus that there should have been a letter of engagement in place with Second Sight from the start and that this issue was now being put right. Assurances were given that the engagement letter would not restrict in any way Second Sight's ability to investigate issues with Horizon that were raised by SPMs in the Scheme, and it is clear that Paula Vennells

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understood, as I did, that Second Sight were at that point only engaged on work for the Scheme.

179 It is also stated in the note that, "*JA raised the issue of a final report, which PV thought could be provided at the end of the mediation as there was a need to avoid prejudging the mediation process. JA questioned whether this report could not be published earlier and suggested that Second Sight could produce a report for the end of February. PV explained that that would not be possible and that Second Sight needed to keep matters internal while the mediation was ongoing that there could be a report at the end*" (**[POL00026743]**).

180 My limited recollection of the impact of that meeting was that within POL there was a belief that MPs were accepting of the position that a) Second Sight should, for the time being at least, focus their efforts on the Scheme not on preparing a wider report; and b) that they should be engaged by POL (who would be paying their fees) but providing services for the benefit of the WGR.

181 As a postscript, I should add that at the time I recall being concerned to ensure that, should it be the case that Second Sight were engaged to undertake further non-Scheme related work, the basis on which it did so would need to be properly set out in contractual form. To my mind, this would need to cover matters such as, who would pay, how would confidentiality be maintained and who would be authorised to set the scope and confirm that Second Sight's work had been performed to a satisfactory standard. It was also unclear to me how such work would fit into their Scheme commitments: they were already under pressure and carrying out other work would distract them from that purpose.

The WGR meeting of 30 January 2014

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182 The terms of engagement with Second Sight (or at least the definition of scope) were also discussed with the WGR on 30 January 2014 (**[POL00026641]**) and I was tasked with making some amendments to the draft that was then in circulation and ensuring it aligned with the Terms of Reference of the Scheme. I have no specific recollection of the 30 January meeting but from the minutes (**[POL00026641]**) it would appear that Alan Bates of JFSA said that he thought the Terms of Reference as drafted were insufficiently broad. I am minuted, at page 1 **[POL00026641],** as saying that the terms as drafted reflected the understanding I had been given of the Scheme upon joining POL, and it was agreed that Mr Bates would provide further information presumably to attempt to demonstrate that my understanding was incorrect. I do think that POL was being relatively open - it agreed that if an admission was made by POL in a mediation about a flaw or fault in Horizon that would be reported back to the WGR, that the WGR could review all Second Sight reports (which had not previously been agreed), that the WGR would get the final report at the same time as the applicant and various other matters.

February 2014

The WGR meeting of 13 February 2014

183 At a WGR meeting on the 13 February 2014 (**[POL00043626]**) the scope of Second Sight's remit was again discussed, and it was agreed that JFSA would send me further documents that they considered within the scope of the Terms of Reference for the WGR.

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Email of 23 February 2014 concerning a Board Paper of 20 February 2014

184 On 23 February 2014 there were emails between me and Paula Vennells (**[POL00116285]**) concerning a Board paper prepared by Belinda Crowe, a copy of the finalised version of which appears to be at page 12 of **[POL00092172]**. The paper focuses on a "*number of serious challenges*" to the Scheme, including an increasing "*expectations gap*", disagreement as to the scope of Second Sight's engagement letter and the Terms of Reference, slower than expected progress and a high costs base.

185 In her email (**[POL00116285]**), Paula asked me if anything was going well. I deferred to Belinda but said "*there is clear engagement by JFSA and SS*" and noted that the matters had been kept out of the press and largely off MPs' radar. I had explained about the legal assurance processes in place to "*make sure nothing in the reports could* ***inadvertently*** *be read as an admission that (there are grounds for) a criminal conviction being considered unsafe; the second is to make sure that in in [sic] trying to sound more conciliatory we don't over step the mark and create future problems for ourselves*" (emphasis in the original). I noted that the quality of the reports was much better than previously. I do not think that I really looked at the reports produced, other than in an early stage and as a member of the WGR, but would have received this feedback from Rod Williams and/or Bond Dickinson who were involved in reviewing the investigation reports.

186 Paula asked "*Settlement claims policy - did CA/CD sign this off (is it draft or confirmed) and are CD/CA comfortable to talk to it if we have questions?*" to which I replied "*Yes*" (**[POL00116285]**). I am not now sure whether I meant yes

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the policy had been signed off by me and Chris Day, or whether I was comfortable to talk about it, or both. (I note that in my papers there is reference at paragraph 3 of an advice from Brian Altman KC of 5 September 2014 (**[POL00130651]**) to the fact the settlement policy was in draft and would not be signed of but was effectively being used in practice. I simply cannot now recall why this would have been.)

Meetings of 24 February 2014 between Paula Vennells, me and Sir Anthony Hooper and Second Sight, and briefings about the same

187 Also on 23 February 2014 Belinda Crowe sent to Paula Vennells a number of documents in advance of meetings the following day with Second Sight and Sir Anthony Hooper (covering email at **[POL00158669]**). It seems from the annotated agenda for the meeting with Sir Anthony Hooper (**[POL00158675]**) that Mr Bates did, as had been agreed on 13 February 2014, send me some documentation albeit that did not change my or POL's view that the WGR was never intended to have a wider remit (although I cannot now remember what that documentation was). The note states that Mr Bates had suggested that the WGR "*should supervise all work to do with the Horizon system and that the Terms of Reference should build on all previously published documentation about Horizon*" (page 2 of **[POL00158675]**).

188 Also attached to that email were various other documents including a Briefing Note from Belinda Crowe to Paula Vennells and copied to me and others (**[POL00158672]**), which set out the various issues at that point, from POL's perspective, that needed resolving by discussion with Second Sight and Sir Anthony Hooper. In particular it is clear that Second Sight considered they could

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(a) brief MPs on the contents of the generic report being produced for the WGR (whilst the principle of this had been agreed with James Arbuthnot MP, I think POL's concern was that this should not distract them from the work for the Scheme, nor should Second Sight be able to do this without the agreement of the WGR), and (b) saw themselves as engaged in two jobs - on the Scheme and their "work for MPs" (page 1 of **[POL00158672]**). The concern was that publication of a generic report part way through the mediation process could derail the Scheme, and would distract Second Sight's attention from its immediate role of progressing individual cases through the Scheme as efficiently as possible. POL was though, subject to Paula Vennell's views, happy for a final (generic) report to be produced by Second Sight for publication, but that should happen after the Scheme had concluded.

189 I cannot now recall whether the letter of engagement was discussed at the meeting with Second Sight of 24 February 2014 (my note of the meeting is at **[POL00100337]**), though I note that it was something Paula Vennells had told Second Sight she wanted to discuss and so presumably it was.

190 Paula said to Second Sight that the total level of claims within the Scheme had been roughly £100m and Second Sight said that "*their back of the envelope calculation was of the order of £25 to £50m*". Paula "*observed that this was a long way from the figures that were in mind when the scheme was established, which were much smaller, and more of the nature of a "token" with an apology. Moreover, it was difficult to imagine that the Board or Shex would countenance the payments of large scale amounts by way of compensation*" (page 1 of **[POL00100337]**). Second Sight acknowledged "*that some advisors were*

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clearly "trying it on"" but flagged that there were a number of cases involving criminal prosecutions where they "*felt that the level of compensation payable might be quite significant*". We discussed whether there were steps that could be taken to improve timescales so that matters would conclude by October 2014, as initially envisaged, and Second Sight agreed to give some thought to the matter. POL floated the idea of engaging a large accountancy firm to work on individual case summaries, leaving Second Sight to focus on the thematic report but no conclusion was reached and this was not really taken further. In addition, Second Sight said that "*in their view a number of the applicants were expecting the scheme to fail, but were using it to gather more information about POL and the processes with a view to launching legal actions at a later date. They specifically referred to Shoesmiths [sic]*" (page 2 of **[POL00100337]**).

191 I also cannot now recall and it is not clear from my note of the meeting with Sir Anthony Hooper on 24 February 2014 (**[POL00100335]**), whether there was an in depth discussion about the terms of reference for the scheme/ engagement letter for Second Sight. However, there was a pretty frank discussion about the future of the Scheme, for instance at paragraph 5:

"*The various ways forward were discussed. These included a) terminating the scheme entirely and allowing SPMR's to pursue their legal remedies through the courts and/or paying out compensation to applicants in a formulaic manner (as per the email that PV had received from the A member* [sic, this should read "from a member"] *of the Board earlier in the day) ; b) restructuring the scheme such that it is looked more like a more like a Scheme (with nothing being resolved until all the applicants CQRs had been received- this would have the*

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effect of pushing out any settlement payments for many months); c) augmenting SS's resources with resources from one of the big accountancy firms, either by displacing them in their investigative role, or by placing resource alongside them; and d) reworking the process in the scheme and streamlining it."

192 Again Paula mentioned that the Scheme had moved a long way from "*its initial positioning as something the outcome of which in many cases might be an apology and/or a small gratuitous payment*". I noted that "*TH noted that the applicant's CQRs often painted a very distressing picture, where there had been a loss of livelihood, and other losses. His view was that, should the evidence show that POL had not acted properly, then the amount of compensation payable could be quite material [N.B. this contradicts the legal advice obtained by POL from BD which categorically states that the maximum loss POL could expect to pay would be limited to 3 months "pay" under the SPMR's contract]. It was not entirely clear whether TH had in mind criminal cases only when he made these comments"* (**[POL00100335]**).

193 I do think the contrast between the advice received from Bond Dickinson and what both Sir Anthony Hooper and Second Sight said about potential quantum may well have contributed to the Board deciding to obtain advice from Linklaters which I refer to below.

The Board Meeting of 26 February 2014

194 It is also clear from the documents that I have been given access to (namely the paper dated 20 March 2014 **[POL00027431]**) that there were concerns raised by the Board, expressed at its meeting on 26 February 2014 (the minutes of which I do not have, but at which I assume Belinda Crowe's paper of 20

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February 2014 (page 12 of **[POL00092172]** was presented by Paula Vennells, and Paula's Speaking Note at **[POL00116313]**), about:

- "*the rising costs associated with administering the Scheme;*
- *the quantum of some of the claims being submitted to the Scheme, especially when compared with our assessment of what we might reasonably consider paying by way of settlement (the so called expectations gap); and*
- *the extent to which managing the Scheme, and associated issues, is diverting management attention.*"

The WGR meeting of 27 February 2014

195 At the WGR meeting on 27 February 2014, at which I was present, it was confirmed that Second Sight had produced their first two case reports which were to be discussed at the next in person meeting (**[POL00026637]**).

Second Sight's Email of 28 February 2014

196 On 28 February 2014, as had been agreed in the meeting between Paula Vennells, me and Second Sight, Ian Henderson set out in an email to me ideas as to how the mediation process could be made more efficient. He suggested triaging and grouping cases, and he too acknowledged an expectation gap and said "*unless this gap can be bridged in some way, the mediation process may not provide the intended benefits.*" (**[POL00116317]**). I replied to set up a meeting to discuss. I cannot now recall in any detail, but I think it almost certainly the case that these suggestions would have been discussed internally

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within POL, and possibly at the WGR (although I cannot see specific mention of these suggestions in the minutes at that time). By this point I think that everybody was looking for ways to improve the progress of cases within the Scheme. (I note that the possibility of "*grouping cases to facilitate faster and more efficient report production*" was subsequently raised in the WGR on 31 July 2014 (third bullet point under AOB at **[POL00026674]**) and Second Sight and POL were asked to put forward a joint recommendation in this regard but I do not now recall whether that happened.)

March 2014

The WGR meeting of 7 March 2014

197 At the WGR meeting on 7 March 2014, at which I was present, the WGR agreed its Terms of Reference (**[POL00026656]**) and, as mentioned above, I suspect (but do not now know) that this was the document **[POL00022307]**. From the documents it seems relatively clear that I was, at some point, tasked with finalising these Terms of Reference, and was involved in doing so. However, this was not a document produced by POL alone but was ultimately agreed by the WGR - that is JFSA, Second Sight and Sir Anthony Hooper as well as POL and Bond Dickinson.

Commissioning the Linklaters advice

198 As I mentioned at paragraph 159 above, Andy Parsons sent me a pack of documents on 12 March 2014 (**[POL00040090]**) for onward transmission to Linklaters. My recollection is that POL at that time had a strong relationship with Linklaters, and would turn to it for more complex, "heavyweight" advice. Indeed,

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I believe that they were the law firm that was used, at least initially, when establishing the insurance mediation business mentioned above.

199 At a meeting of ExCo on 13 March 2014, at which I assume I was present although I cannot specifically recall (I do not have the minutes but the agenda is at **[POL00092172]**)), it appears (from the action and decisions log at page 10 of **[POL00027423]**) to have been decided as follows:

199.1 That I was to "*check with Jessica Madron, and feed into Linklaters, whether the Business is able to give sub-postmasters three months' notice and whether this should be used as a benchmark in the mediation process".* I cannot specifically recall, but from the papers I have seen I would assume this was reference to POL's understanding, which predated my employment by POL (on the basis Bond Dickinson's advice - presumably including the notes of advice at **[POL00040095]** and **[POL00040091]**) that damages for loss of revenue as a result of termination of an SPM's contract would be capped at three months' earnings, contrasted with the suggestion from the meetings with Second Sight and Sir Anthony Hooper on 24 February 2014 that damages could be very material, and the Board's desire to get a definitive view on this.

199.2 "*A sub-group of the ExCo would be set up to consider the Linklaters paper and sign off the paper for the Board on behalf of the ExCo. The Sub Group would consist of CD,MF,PV,NH and CA (sparrow sub group SSG)*" I am sure this was done for purely practical purposes to ensure appropriate flows of information to Linklaters as it was needed.

199.3 "*CA to ask LL if they can get benchmark what we are doing with sparrow against any other business who had had to deal with similar claims eg standard life*". I

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cannot recall that Linklaters did produce anything in writing on this point but I do recall at the time that mention was made of other schemes that were put in place such as scheme then in place to consider allegations made against News of the World for unlawfully intercepting telephone conversations.

199.4 "*After receiving the LL report, SSG to consider where the Business stands on consequential loss and whether there is a need to communicate to claimants to highlight the expectations gap, as staying silent may be seen as acceptance of the level of claims*"

Second Sight's Request for Access to Legal Files dated 13 March 2014

200 Meanwhile, on 13 March 2014, Ian Henderson of Second Sight emailed Belinda Crowe, copying in me and David Oliver, asking for access to legal files for two applicants to the scheme (**[POL00061304]**).

201 This obviously caused Belinda some concern as this appears to have been the first request from Second Sight for information of this type which was particular to individuals who were part of the scheme. Furthermore, it came close on the back of our meeting of 24 February 2014 when Second Sight had flagged that they thought applicants were using the Scheme to get as much information as possible in order to launch a legal action at a later date.

202 Belinda forwarded this email to Andy Parsons for advice, seemingly having already spoken to him about it. Andy emailed me, saying his recommendation was to refuse disclosure of the legal files, and to remind Second Sight that any privileged information they already held was subject to their previous agreement not to disclose it to any other party. This seemed to me appropriate

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in circumstances where Second Sight were now producing documents that would be sent to the applicants themselves. While there was no difficulty with disclosure of evidential documents relating to the individual cases, I was uncomfortable with the idea of any of POL's legally privileged information making its way to applicants who may then use that same privileged material in civil litigation against POL at a later date. It also seemed to me that Second Sight were not legally qualified and accordingly the utility of such material to Second Sight may, in any event, have been limited. In the circumstances as they appeared to me at the time, particularly where Second Sight had suggested that SPMs were (perfectly legitimately) using the Scheme to obtain as much information as possible with a view to bringing a civil claim, it seemed important and appropriate that any privilege in documents be maintained against the applicants, as is usual.

203 I cannot now recall what would have been within the legal files and/or whether anyone (either internal to POL or within Bond Dickinson) would have reviewed the legal files as part of the investigation process within the Scheme - I assume so and there is some support for that recollection in the minutes of a subsequent WGR meeting on 12 June 2014 (**[POL00026664]**). At point 6, the minutes record that Second Sight said that they were waiting for the disclosure of legal files for two cases in order to finalise their CRRs. At that meeting I said that POL would not be disclosing legal files in any cases. Sir Anthony Hooper obviously encouraged POL to do so saying that privilege could be waived on a case by case basis. However, it is also clear that it was agreed that exhibits and statements from within those files "*should be made readily available to both the PO investigation teams and SS. CA confirmed that this was PO's current*

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policy". In other words, I understand from this that the policy was that legal files were reviewed and non-privileged material disclosed.

Finalisation of Linklaters advice

204 I have been provided with emails from 19/20 March 2014 between me and Linklaters (**[POL00022029]**) concerning the finalisation of their advice. I summarise in those emails what I understood to be their main conclusion: "*Unless there is something wrong with the system, we are entitled to rely on the accounts produced by Horizon as the basis of claiming sums of money from SPMRs. Further that there can be no question of a claim for consequential losses based simply on the recovery by the Post Office of losses if the losses were properly payable and the Post Office was entitled to the money".* I understood this to be saying that if the Horizon system (i.e. hardware and software) was operating as it should, then complaints about "wide Horizon" (i.e. poor training, support, how POL pursued losses etc) were not really claims capable of being legally made out.

205 I also understood, although I cannot now recall whether this was from Linklaters, Bond Dickinson or just a general understanding within POL, that there was a presumption that computers operated as they should and were fit for purpose unless there was evidence to the contrary. Linklaters had seen Second Sight's Interim Report and clearly did not think that undermined this presumption despite its mention of a couple of BEDs. Reviewing Linklaters' advice again I see that their advice was that SPMs have common law duties to keep an account and will be bound by accounts that they have agreed [**POL00107317**], unless they can demonstrate there was a mistake. In the

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absence of evidence of such a mistake, POL is entitled to claim the losses against the SPM and the "*burden of showing that in a particular case, Horizon did not accurately reflect the state of the account between the [SPM] and [POL]*" was, in cases where a Horizon account had been agreed by an SPM, on the SPM (paragraph 5.38). I remember being quite surprised at how stark this position was (coming from a financial services background there are often duties, imposed by regulators, to protect individuals and impose overarching notions of "reasonableness" and "fairness"), which I think is what led me to question whether I had correctly understood their main conclusion. Linklaters were, however, clear in their advice. From the documents and my recollection, I believe that Richard Morgan KC reviewed the Linklaters advice. I understood he had been involved in 2012 prior to my employment at POL in relation to the Shoosmiths' group claim and had advised in 2012 against conducting an independent investigation into the Horizon system - see (**[POL00040094]**).

206 Linklaters' final advice **[POL00107317]** reflects my understanding of the advice as set out at paragraph set 204 above in the executive summary (see paragraphs 1.4 and 1.7). The advice was also that (a) even if a SPM had paid to POL an amount that was showing as due by Horizon but in fact was not, whilst the SPM would be entitled to recover the amount so paid there would not be an entitlement to consequential losses (see paragraph 1.5) and (b) generally if a SPM's contract was wrongfully terminated, damages for that would be limited to the SPM's lost net income over three months unless the SPM could show they had lost the opportunity to sell their business as a going concern within those three months in which case further losses may be claimable.

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207 It can be seen at paragraph 3.1 of the advice, that Linklaters was initially approached to provide advice on a number of issues, including: POL's potential legal liability with respect to complaints in the Scheme, advice on the risks of the Scheme in its current form, potential alternatives to the Scheme (adjudication and ombudsman models are specifically mentioned) and the risks of changing the Scheme. However, it looks as though the scope of the advice was ultimately reduced as the final advice I have been provided with only deals with the first issue, namely the extent of POL's legal liability to SPMs. Linklaters did, however, say at paragraph 3.3:

"*We anticipate that the Post Office will wish to have regard to, and come to a view on, the following matters, in light of the conclusions reached in this Report in order to guide the Post Office's consideration of the issues in paragraphs 2.1.2 to 2.1.5 above:*

3.3.1 Does the Post Office wish to consider paying compensation by reference to principles other than legal entitlement? If so, how will it articulate and apply those principles? How will it justify its position to all SPMRs (Applicants and those who have not complained) and to stakeholders?

3.3.2 Does the Post Office wish to establish a full baseline audit of the functioning of the Horizon system?

3.3.3 How important is it to the Post Office to determine the facts of each individual claim? In any claim is the Post Office's stance to be more conciliatory than adversarial? What are the limits of this approach?

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3.3.4 How and to what extent will the Post Office wish to strike a balance between resolving past issues and putting the future operation of Horizon and the relationships with SPMRs on a sound footing?

3.3.5 How and to what extent will the Post Office wish to strike a balance between the matters above and achieving a satisfactory political outcome, including with regard to what has been said in Parliament about the Scheme and Horizon?"

208 At paragraph 2.3 of the advice, Linklaters noted "*there is, so far as we understand it, no objective report which describes and addresses the use and reliability of Horizon. We do think that such a report would be helpful, though there is a decision to be made about how broad and/or thorough it needs to be*". They went on at paragraphs 5.30 to 5.36, and paragraphs 5.61 to 5.64 to set out what they considered to be missing from Second Sight's Interim Report and their ongoing work. In particular Linklaters say at 5.61 to 5.64 that Second Second's work to date did not provide any evidence of particular issues with Horizon that affected a particular SPM, nor whether those issues were causative of the losses that had been claimed from the SPM.

209 It appears from my note to the board of 20 March 2014 (**[POL00027431]**) that a paper was being prepared by the Sparrow Programme team, overseen by the ExCo subcommittee and with input from Linklaters in relation to possible changes to the Scheme (so I assume that advice was ultimately given by Linklaters on the other issues set out at paragraph 207 above, although I cannot now recall this). Assuming that advice was given, undoubtedly it would have informed POL's approach to options for the future management of the Scheme.

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I said in that note that "*in preparing their advice Linklaters have, in effect, made the working assumption (which we believe to be correct) that there is nothing 'wrong' with the Horizon system. On that basis, the advice from Linklaters is that, in strict legal terms, many, if not all, of the claims submitted under the Scheme would be unsuccessful if they were considered by a Court. Linklaters do, however, acknowledge that there may well be policy considerations, above and beyond pure legal principles, that might sensibly guide any decisions relating to the payment of compensation and/or the future of the Scheme and/or any modifications that might be made to it*".

Email of 25 March 2014 concerning Second Sight's proposed engagement letter

210 On 25 March 2014 I had an email discussion with Paula Vennells and Martin Edwards (**[POL00116392]**) about Second Sight's proposed terms of engagement, and in particular the post termination restrictions. By this time, POL was concerned that Second Sight would immediately go to work for JFSA/ Applicants when its relationship with POL terminated. It also addresses concerns that Second Sight might release materials that were privileged to the WGR. I explained that under the proposed terms POL and the WGR could permit e.g. the publication of a final report by way of side letter, but Second Sight could not unilaterally produce POL's confidential information to third parties outside of the WGR. I note this email refers to a non-disclosure agreement that Susan Crichton had apparently asked Second Sight to sign, which I believe was separate to their initial retainer and was needed because they were seeing privileged and potentially commercially sensitive information during their preparation of their Interim Report.

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Meeting between POL, JFSA, Second Sight and various MPs of 25 March 2014

211 On 25 March 2014, I also attended a meeting with various MPs and their researchers as well as Paula Vennells, Angela van den Bogerd and Mark Davies from POL, Alan Bates and Kay Linnell of JFSA, and Ron Warmington from Second Sight. I cannot now recall who made the note of the meeting at **[POL00105634]**. I also recall very little of the detail of this meeting, but I think I said little, if anything, and did not play a significant part in it. At this meeting Mike Wood MP stated that the core issue was systemic issues with Horizon were at the heart of the problems SPMs had faced. James Arbuthnot MP though said that the Scheme should conclude before making any judgments, and Alan Bates also said that they were "*just going along with the process*" (albeit he was confident that "*real system failures in Horizon*" would come out in the Second Sight thematic report). POL was asked if compensation had been paid to any SPM and I said that POL could not report back on any individual cases but would report back at the end of the Scheme. At that meeting Ron Warmington of Second Sight is noted as commending the POL investigators, and also said "*the "same issues" were being raised in a thematic sense in relation to Horizon but that there was "very little" that fell into the category of suggesting issues occurring right across the network (i.e. systemic)*", both of which POL took comfort from.

Board Meeting of 26 March 2014

212 On 26 March 2014, at a meeting of the Board at which I was present for the relevant part, Christa Band of Linklaters gave a presentation to the Board with a view to explaining her written advice on the legal interpretation of the contract

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between SPMs and POL (**[POL00021523]**). As had been trailed in the written advice, as part of her presentation, she questioned the approach taken by Second Sight in the work they had conducted thus far (and outside of the papers I do recall Linklaters being unusually critical of Second Sight's approach and standard of work, which only added to POL's concerns about Second Sight within the WGR). In particular, Christa Band is recorded as saying that she would have expected them to "*produce a review of the system as a 'baseline' before considering any specific complaints*" and "*cite hard evidence to back up any conclusions made*" (page 2 of **[POL00021523]**).

213 As best as I recall, and from reviewing the minutes (page 2 of **[POL00021523]**) and Linklaters' advice of 20 March 2024, because of the criticisms that had been made of Second Sight, and to understand whether the assumption underpinning Linklaters' advice (i.e. that Horizon functioned as it should), "[t]*he Board agreed that they needed to commission a piece of work, to complement that undertaken by Linklaters, to give them and those concerned outside the Business, comfort about the Horizon system. The Business was asked to revert with the terms of reference and timescale for the work which should cover:*

- *The work undertaken by Angela Van Den Bogerd explaining how the system works*
- *A review of the data integrity aspects of the system*
- *A reference to all audits and tests carried out on the system*
- *A response to the most significant thematic issues raised by Second Sight".*

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214 I was asked to take matters forward and refine these terms of reference with Linklaters "*to ensure that this work would satisfy them as evidence that Horizon is reliable and then agreed by the Board Sparrow Sub Committee*" (page 3 of **[POL00021523]**). This assurance work was given the name "Project Zebra" and was initially discussed by the Board in rather general and non-technical terms (no doubt in part because I do not think there was a member of the Board with a deep knowledge of IT systems); in broad terms it was directed at trying to establish whether or not Horizon was designed and functioning as intended. It was also aimed at trying to bottom out some of the issues raised in Second Sight's Interim Report. I think, but cannot be sure, that there was an emphasis on producing a report that could be shared more widely, outside POL. This recollection is reinforced by the reference in the minutes to the report giving comfort to "*those concerned outside the Business*" (page 2 of **[POL00021523]**). Whilst this request was phrased as giving "comfort" on various matters, I understood this to simply be a turn of phrase and really what was meant was an objective look at the various points listed - this was reflected ultimately in the scope of work as defined by Deloitte (see paragraph 224 below).

215 I was also given authority to sign the letter of engagement with Second Sight, but to try to increase their post-termination restrictions for acting against POL.

216 It was also at this meeting that the Sparrow Board Advisory Subcommittee was created. I cannot now recall the exact trigger for the creation of a formal subcommittee of the board, nor indeed the factors that the board took into account when making that decision. In any event, such a decision may have been made without my involvement, or indeed with only limited involvement

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from me (it was not suggested in my paper). That said, in my experience, it is standard practice for boards to establish ad hoc subcommittees to address specific projects or to deal with specific events, so it did not strike me as particularly unusual. I suspect it may have been triggered by Linklaters' advice and the decision to carry out further assurance work. I do not believe that is was initially intended that I be a member of the Sparrow Board Advisory Subcommittee (certainly the draft Terms of Reference at page 2 of **[POL00105528]** suggest it was only board members who could be members of the subcommittee, albeit both I and Belinda Crowe, could be asked to attend committee meetings) though subsequently I was co-opted on.

April 2014

Initial Approach to Deloitte on Project Zebra

217 It would appear from the papers that I have been provided with that my colleague Rod Williams, the litigation lawyer in the legal team, was the first to make contact formally with Deloitte on or around 2 April 2014 once they had been selected. I cannot recall exactly why Deloitte were selected. It would also appear that, as part of the onboarding process, he sent them background briefing papers, all of which were (at the time) copied to me, Belinda Crowe and Lesley Sewell (POL's CIO). I have not, however, been provided with any documents that concern my involvement in the process in between that first formal contact and the issuance of their draft engagement letter (see paragraph 223 below) but believe it highly likely that there were ongoing discussions between Rod Williams, Lesley Sewell, members of the Information Security team, members of Programme Team and me as to what and how, in technical

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terms, the scope of the work to be undertaken by Deloitte could be best articulated. Based on the papers I have seen, the written communications with Deloitte were, at least initially, conducted primarily by or through the legal team. I suspect the reason for this was that the Deloitte engagement was prompted by the Linklaters' advice and a need to preserve privilege. However, as this was a very technical matter, the reality was that those with technical expertise at POL were far better placed to manage and scrutinise this piece of work and were subsequently heavily involved. Certainly, in a subsequent note to the Risk & Compliance Committee (**[POL00031410]**) there is a reference to the engagement with Deloitte being joint, involving both Lesley Sewell and me. Given the direction from the Board that Linklaters remain involved, I would be surprised if this process did not also involve them and, for that matter, Bond Dickinson. I can also see that at an early-stage Deloitte talked about splitting the work into two parts (see the email from Gareth James at **[POL00108395]**), a practice which, in my experience, is not uncommon on more complex assignments. That said, I have no clear recollection of why this was done or necessary on this occasion, nor have I been provided with any papers to assist my memory in that regard.

Sparrow Board Advisory Subcommittee of 9 April 2014

218 On 9 April 2014 the first Sparrow Board Advisory Subcommittee meeting was held. Minutes are at **[POL00006565]** and the agenda and papers are at **[POL00105528]**. It looks as though I presented the papers, but I think the options paper was then likely prepared by the Sparrow Programme Team, probably Carolyn Low (who is noted in the minutes of a Programme Board

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meeting of 11 April 2014 - **[POL00138282]** - as the Future of Scheme Options Lead, and who attended this meeting). The paper had obviously been anticipated since Linklaters' instruction, and "*involved extensive discussion with internal stakeholders, including ExCo members, and taking advice from our external legal advisers*" (**[POL00105528]**). I do not now recall which law firm was involved as it could have been either Linklaters, Bond Dickinson, or possibly both. This paper, which was plainly an 'all options on the table' paper:

- Discussed various options but maintaining the status quo or switching to another form of ADR were discounted.

- Suggested all claims should in any event be investigated whatever the outcome (unless the scheme were to close in its entirety) to uncover and deal with any issues, and "*add to the evidence base that there are no systemic problems with Horizon*".

- Suggested Second Sight's role should be reworked and the "*balance of power*" between POL and other stakeholders needed to be adjusted. I think this referred to the fact that whilst the Scheme was being paid for by POL with a view to benefitting SPMs (by resolving their complaints), Second Sight and JFSA wanted a wider scope to the Scheme for their own purposes (i.e. a wider ranging investigation into Horizon). Whilst this was understandable, this was not my (or POL's) understanding of the functioning of the Scheme, and POL wanted to rebalance the Scheme to focus on that core purpose.

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- Emphasised POL wanted to "*[do] the right thing*" and set out ideas for a "*more nuanced approach to settlement assessment*" to sit alongside existing settlement policy to go beyond settlement by legal principles.

219 The Sparrow Programme Team's preferred option, as set out in that paper, was to amend the Scheme whilst undertaking mitigation activities, but they suggested a decision not be taken until the Deloitte report concluded.

220 The context to this paper was that, as explained above, the WGR had set down timescales for production of investigation reports by POL and case summaries from Second Sight. It is quite difficult to track through the minutes exactly what happened in individual cases (there was a spreadsheet that accompanied the agenda each week which made this clearer). However, it appears from the minutes as follows:

220.1 The first three cases investigations (M001, M009 and M014) were provided by POL to Second Sight by 3 January 2014 (see **[POL00026638]**) – it seems two in fact were submitted by 19 December 2013 (see **[POL00026634]**). By 15 January 2014, a further three investigations had been, or were imminently to be, submitted to Second Sight (**[POL00026682]**). From a subsequent letter from Sir Anthony Hooper to Jenny Willott MP (**[POL00116540]**) the process seems to have re-started in mid-April in that he says that by 17 April, 20 investigation reports had been submitted by POL but that following a discussion at a WGR meeting, presumably at around that time, "*POL agreed to make clearer their opinion on the cause of the losses claimed by the [SPMs] to be the responsibility in whole or in part of [POL]*", following which one finalised report was submitted on 24 April and a further 12 were made available by 2 May 2014.

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That resubmission process post-dates this paper so, as at the time of this paper, from POL's perspective between 6 and 20 finalised investigations had been submitted by it.

220.2 Second Sight produced their first two CRRs by 27 February 2014 (i.e. taking around two months to produce two CRRs), and said a further one would be produced by 7 March 2014 (and clearly was as it was discussed at a meeting on that date (**[POL00026656]**)) – these were for M001, M009 and M014. The reports for M001 and M014 were discussed at the meeting of 7 March 2014. Whilst the minutes are quite neutrally written, the general consensus was that there need to be substantial redrafts so that the reports provided even quite basic information such as the value of the claim and consequential losses, what the central case was, the parties positions and ensuring conclusions "*are reasoned and supported by evidence*". In other words, my recollection is that the CRRs were unsatisfactory.

220.3 In the meantime, on 3 January 2014 Second Sight had stated they would prepare their Part 2 (see paragraph 5 of the minutes at **[POL00026638]**) and on 23 January 2014 they said they were a "*couple of weeks away from being ready to release thematic report*" (see final row in table on page 5 of minutes at **[POL00026640]**). On 30 January 2014 they also became involved in POL's "factfile" document (which ultimately became their Part 1 Report - see 2nd and 3rd bullets on the minutes at **[POL00026641]**). By 7 March 2014 (**[POL00026656]**), however, neither report had been circulated. It was agreed by the WGR at that meeting that Second Sight should focus on the production of the Part 1 and Part 2 Reports, and put individual case reports on hold, and

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the Part 1 and 2 Reports should be circulated by 26 March 2014 for discussion at the next meeting on 1 April 2014. Minutes from a WGR meeting on 20 March 2014 record that "*[Ron Warmington] commented that Second Sight's priority is to review the [POL] investigation reports it had received*" and that Second Sight were "*on track to provide the thematic report by 26 March 2014*". However, the WGR meeting the following week on 27 March 2014 (**[POL00026644]**) records at page 4 that "*Second Sight was unable to submit their thematic report on 26/3/14 and it will not be available for discussion on 01/04. Furthermore no case reports will be completed for review on 01/04 either*". There is then discussion as to "*how Part 2 will be compiled*". Contrary to this suggestion, it appears that on 1 April 2014 (**[POL00026633]**), draft Part 1 and Part 2 reports were in fact (at least summarily) discussed – Part 1 had been based on a "Factfile" produced by POL but it was confirmed that Second Sight would take ownership of it, and Part 2 "*was at far too early a stage in its development to be discussed by the [WGR]*". It was agreed that "*completion of the Part [2] report should not hold up the Part [1] report which was a priority or individual case reports*".

221 In other words, at the point that this paper was prepared for the Sparrow Board Advisory Subcommittee:

221.1 It was recognised by POL, Second Sight (see, for instance, **[POL00116317]**) and Sir Anthony Hooper that there was a considerable "expectations gap", which meant there was a real risk that mediations would be unsuccessful despite the time, effort and cost being expended by POL (and others).

221.2 Second Sight's capacity was a serious issue – only three draft CRRs had been produced by them and these required significant amendment in order to be

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useful to a mediator. These amendments were on hold pending finalisation of a report which was supposedly nearly finalised in January but by late March was still in "*too early a stage in its development*" to even be considered by the WGR.

221.3 In addition, Linklaters' advice had been critical of the quality of Second Sight's work to date (see paragraphs 208 and 212 above) and this reflected my own concerns at that time, having seen three case summaries prepared by Second Sight and an early draft of the Part 1 and Part 2 reports.

222 The Programme Team's options paper was discussed in detail at the Sparrow Board Advisory Subcommittee meeting on 9 April 2014 (**[POL00006565]**). At that point the Deloitte assurance work was expected to be delivered in the near future (end of April), and POL were considering that the Deloitte report and Linklaters advice might be made public. The Sparrow Board Advisory Subcommittee were concerned (a) that there was a real risk that the Scheme, despite the time and cost, would leave SPMs dissatisfied, and (b) about the capacity and performance of Second Sight. The Sparrow Board Advisory Subcommittee therefore wanted various streams of further work done by the Sparrow Programme Team on POL's options in light of previous public commitments (paragraph 1d), a paper on the role of Second Sight and how to support or reduce their role (paragraph 3l), a paper setting out approaches to disseminating Deloitte's report and "*the essence of the legal opinion from Linklaters*" (paragraph 3f) and a paper on the appropriateness of making ex gratia "*token payments*" to SPMs "*taking account of the use of taxpayer money*" (paragraph 3g). It was also noted at (e) on p5 that Part 1 of Deloitte's work was

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to be presented at the next Board by Lesley Sewell (the Chief Information Officer, or CIO), and that Lesley Sewell would attend the next Sparrow Board Advisory Subcommittee to provide a detailed update, in particular on whether Part 2 of Deloitte's work was needed (see further below).

Deloitte's Draft Engagement Letter dated 9 April 2014

223 On 9 April 2014 Deloitte also issued their draft engagement letter (**[POL00108462]**) for the "Part One" work, which once finalised, was signed by me on behalf of POL on 25 April 2014 in accordance with the direction from the Board.

224 My understanding of the terms agreed with Deloitte was that their Part One report would essentially (as they put in their summary) provide an "*independently produced summary of the assurance and other work undertaken, over your current day Horizon HNG-X system, for presentation to and discussion with the POL Board*" (**[POL00108462]**). The terms provided that within the Part One work Deloitte "*would not comment on or test the quality of the assurance work performed, nor opine on its adequacy, sufficiency or conclusions, or the integrity of the Horizon HNG-X processing environment (nor the legacy Horizon system)*" (**[POL00108462]**). In other words, the initial scope for Deloitte was really to identify any gaps in the existing assurance framework around the HNG-X system (which had been the system in use since 2010). It can be seen that this description of their scope is somewhat different in nature to that which is recorded in the minutes of the board meeting on 26 March 2014 (**[POL00021523]**). I would have to defer to those with a greater degree of IT technical competence than I possess, but my recollection, albeit indistinct, was

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that reasons for this difference relate to the fact that Deloitte were undertaking a so-called desktop review, not a primary review involving detailed user acceptance testing: this I understand to be a very detailed, costly and time intensive exercise which may have followed in Part 2 (the Part 1 work involving scoping potential options for Part 2).

225 Although I do not believe Deloitte's engagement letter set out a delivery date, I can see in an email chain of 4 April 2014 between various people within POL, including me, and Deloitte (**[POL00108395]**) that they talked about there being heavy time pressure and a draft Board Update as at 13 May 2014 (**[POL00031391]**) referred to producing a "*report in full to management*" on Phase 1 by 16 May 2014 (see fourth paragraph of page 2). The Board minutes of a meeting on 21 May 2014 **[POL00027400]**, which I discuss below, refer at page 9 to the fact that the "*full Review should be available to the Business on Friday 23rd May…*". I certainly remember that ultimately Deloitte did not deliver on time and this caused issues.

226 Despite the fact that Deloitte's report was being prepared on the basis that legal privilege would apply to it (for the purposes of civil litigation), I do recall having conversations with Deloitte at the time about the way in which we could make its contents publicly available. Their concern about doing so, if I recall, was entirely understandable in that as a firm they did not wish to place themselves in a position where they would be exposing themselves to litigation should it subsequently turn out that any of their findings were incorrect. I think, but now cannot be entirely sure, that for this reason I had a discussion with them about the use of a "hold harmless letter" such that they would give their consent to

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report being disclosed to POL's shareholder, ShEx. (These types of letters are very common in corporate transactions and enable the disclosure of information on the basis that the third party does not rely on it, and cannot sue on it.) I have been given no papers to assist my memory in this regard but I would surmise from the fact that it was not made publicly available that no such "hold harmless letter" was in fact ever signed.

227 If there was not such a "hold harmless letter", this would not have been a reason not to disclose to the Board, and not being able to disclose the report to ShEx would, broadly, have been an issue for the ShEx board member. (I note in this regard that the Draft Report, defined at paragraph 241 below, (**[POL00028062]**) and draft Board Briefing, defined at paragraph 254 below (**[POL00028069]**) I have been supplied with both have disclaimers on the front that prevent dissemination, or the documents even being referred to, without Deloitte's consent - I cannot recall if a similar form of disclaimer was on any final versions of these documents.) I see in any event at a meeting of the Sparrow Board Advisory Subcommittee on 30 April 2014 [**POL00006566**] a paper had been submitted in my name. That paper appears to discuss making the advice from Linklaters and the Deloitte report publicly available. This matters seems to have been discussed at that meeting and a decision was taken by the Sparrow Board Advisory Subcommittee not to do so at that point.

Sparrow Programme Board Meeting of 11 April 2014

228 On 11 April 2014, according to the minutes at **[POL00138282]**, I chaired a Programme Board meeting at which Carolyn Low explained that she was collating input into developing the future options and the process for that. Some

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other matters were discussed at that meeting, including the fact that Deloitte had been "*engaged by CIO*" (i.e. Lesley Sewell) on the assurance work.

Alan Bates' Letter to Jo Swinson MP of 16 April 2014

229 In the meantime, on 16 April 2014, Alan Bates wrote to Jo Swinson MP (**[POL00022683]**), the then Minister for Postal Affairs making various complaints about the Scheme - principally that by that date no POL investigation had been completed sufficiently for Second Sight to complete their own reports. He said that he did not think the current investigations were adequate and that "*finding the truth is the last thing [POL] are interested in*" (emphasis in original), that "*POL is the only one that doesn't seem able to recognize what everyone else can see so clearly*" and that POL was adopting an overly defensive attitude. This letter was subsequently discussed at the WGR and Sir Anthony Hooper responded in relation to the reports and POL's investigation. I did not agree with Mr Bates' characterisation that POL was not interested in finding the truth, albeit I appreciate the WGR was not necessarily looking at the wider issues Mr Bates wanted. As mentioned, the POL reports I saw struck me as slightly more defensive in tone than I perhaps would have made them (albeit I had not actually conducted the review), but I did not think they were unreasonably so.

Deloitte's Draft Papers of April 2014 and the Board Meeting of 30 April 2014

230 I do not have any recollection of how the document '*Draft Project Zebra – Phase 1 report regarding HNG-X: Review of Assurance Sources*' (**[POL00105635]**) fits into the grand scheme of things. It looks to be a very early

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draft. I understand that it may have been intended for discussion with the Board at a meeting on 30 April 2014.

231 Certainly, the minutes of the Board meeting of 30 April 2014 **[POL00021524]** on page 6 refer to the "Horizon – Deloitte Report". I am noted as attending for this section, along with Lesley Sewell and Gareth James of Deloitte. Clearly the board had seen some draft report from Deloitte by that stage and that may well have been **[POL00105635]** but I cannot now recall. It is plain from that meeting that the Board was keen to "*know the truth about the reliability of the system*". Lesley explained that the first bit of work Deloitte was performing was "*to give assurance that the control framework…was robust*". Gareth James "*reported that all the work to date showed that the system had strong areas of control and that its testing and implementation were in line with best practice. Work was still needed to assure the controls and access at the Finance Service Centre*". I am noted as saying "*that several of the subpostmasters who were challenging Horizon had made allegations about 'phantom' transactions which were non-traceable. Assurance from Deloitte about the integrity of the system records logs would be very valuable*". The Board asked Deloitte to "*produce and cost a proposal for additional work to enable assurance for the wider system, including pre 2010.*"

232 I should say that the Actions log for this board meeting refers to my work for Project Titan (it seeming to have been the first agenda item on this day and on the subsequent board meeting of 21 May 2014), which was POL's name for the work involved in repatriating the insurance mediation business from the Bank of Ireland (amongst other matters). From memory, at around this point Project

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Titan (which was a major reason for my recruitment) was occupying a significant amount of my time. This would explain my recollection that whilst I was involved with the Deloitte work, I am fairly sure that it was being led on a day to day basis by Rod Williams and Lesley Sewell (or someone in her team) rather than me.

The Sparrow Board Advisory Subcommittee Meeting of 30 April 2014

233 Also on 30 April 2014, the Sparrow Board Advisory Subcommittee met (minutes are at **[POL00006566]**). It seems that between the Board meeting and the subcommittee meeting, I had spoken to Gareth James who "explained the visibility of "Transaction Corrections" ("TCs") on the transaction log" and "*thought the fact that the TCs were visible would enable his assurance work to be completed more quickly*". I believe that I would have understood from this that all centrally generated transactions would be visibly to an SPM.

234 At that meeting of 30 April 2014, Alan Bates' letter of 16 April 2014 was discussed (see paragraph 229 above) and it was noted it would be discussed at a WGR meeting shortly. There was obviously concern that JFSA and/or Second Sight might "walk away" from the WGR at that point as Mark Davies was asked to prepare reactive lines (see first paragraph (d) on page 3). The advice requested by the Sparrow Board Advisory Subcommittee at the meeting of 9 April 2014 (as mentioned at paragraph 222 above) was presented and it was decided not to disseminate the Linklaters and Deloitte advice at that time.

235 I also appear to have submitted in my name a paper on ex gratia payments and conditional fee agreements (Mr Bates having raised the issue in his letter of 16 April 2014, that some Scheme applicants' advisors were acting on such

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agreements despite receiving payment from POL). I cannot now recall the contents, scope or legal analysis that underpinned that advice (I have not been provided with a copy), which I suspect would have been largely prepared by Rod Williams and Bond Dickinson, albeit signed off by me. Given, as explained above, the Board was concerned that any sums paid to SPMs be justified as good use of taxpayer funds, in any event it is unsurprising that the Board decided against making ex gratia payments. I suspect too that this made little difference to the success or otherwise of the Scheme – ex gratia payments were unlikely to have been of a level that would have bridged the "expectations gap" in any event given the previous indication from the subcommittee's meeting on 9 April 2014 that such payments would "*in any event be nominal and made in accordance with very specific criteria*" (and were also referred to as "*token payments*") – see paragraph 3f of the minutes at **[POL00006565]**.

236 The issues with progressing cases through the Scheme and the quality of Second Sight's reports was mentioned (see the final paragraph (b) on page 2), as was the fact that only around 80 applicants had completed their CQR (ie: around half of applicants had not yet provided their case to POL to investigate). A paper on the options for the "*closure of the Scheme and for the acceleration of its completion*" was considered. I assume this was the paper previously considered at the 9 April 2014 subcommittee meeting being reconsidered in the light of the further information that had been requested. At the meeting on 30 April 2014 the subcommittee decided "*subject to a satisfactory outcome from the Deloitte assurance assessment, the Programme Team should develop an implementation plan based on Option 2 — that is, to continue to investigate*

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cases but bring it within the control of the Post Office". That action was assigned to me and Belinda Crowe.

May 2014

Deloitte's Change Order of 6 May 2014

237 On 6 May 2014, as a result of the specific request made by the Board at the meeting of 30 April 2014, Deloitte wrote to me in connection with a proposed change order the effect of which would be to extend the engagement letter between POL and them to cover two further specific matters (**[POL00117612]**). These extensions related to:

- A review of documentation relating to the 2010 implementation of the HNG-X system to compare the nature and extent of project governance and documentation with the Deloitte methodology; and
- A review of documentation relating to the specific design features of the process environment which are assessed to be in place to underpin two key objectives namely that (i) "*sub-postmasters have full ownership and visibility of all records in their Branch ledger*" and (ii) "*the Branch ledger records are kept by the system with integrity and a full audit trail*" (page 2 of **[POL00117612]**). This appears to be aimed at investigating the specific concern (dealt with in Second Sight's Interim Report dated 8 July 2013 at page 12 (Appendix 2)) that effectively branch ledgers could be amended remotely in some way without visibility by the SPM concerned, a point which I had specifically raised during the discussion with Deloitte at the Board meeting on 30

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April 2014. On these issues Deloitte was instructed to "*validate the Audit Store's tamper proof mechanisms*" (page 2 of **[POL00117612]**).

238 On behalf of POL, and as authorised by the Board, I countersigned this change order, presumably on 15 May 2014 (page 3 of **[POL00117612]**) (it has obviously been incorrectly dated as 15 April 2014 in manuscript).

The 13 and 16 May 2014 Draft Board Updates by Deloitte

239 I have been provided with copies of the "HNG-X – Review of Assurance Sources – Phase 1 – Board Update at 13/5/14" ("**the 13 May Draft Board Update**") (**[POL00031391]**), and "HNG-X – Review of Assurance Sources – Board Update" (apparently as at 16 May 2014) (**[POL00029726]**) ("**the 16 May Draft Board Update**") as well as an undated document called "HNG-X: Review of Assurance Sources – Discussion Areas re Phase 2" (**[POL00031384]**) ("**Phase 2 Discussion Areas Document**"). I have not been provided with any correspondence, meeting notes or e-mail exchanges pertaining to these draft reports sent, prepared or received in this period. It is accordingly somewhat unclear to me now why the 13 May Draft Board Update and the 16 May Draft Board Update were produced, though I can speculate that it was part of an ongoing updating exercise, aimed in part at improving the readability of that document. Nor am I now clear as to how the Phase 2 Discussion Areas document fits into matters more generally.

240 It is, however, clear that as between the 13 May Draft Board Update and the 16 May Draft Board Update, the delivery date was changed from 16 May 2013 to 23 May 2013 and that the format was changed in such a way so as to include the recommendations in the body of the report identified under three numbered

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'assurance' headings ("Baseline", "Provision", and "Usage") (pages 3 and 4 of **[POL00029726]**) rather than as a separate standalone table. It is also likely that the 13 May Draft Board Update was reviewed by numerous people internally, including those with IT expertise given the underlying subject matter and that the principal purpose of those reviews was to check for factual accuracy, clarity, and ease of understanding. In addition, I note that recommendations within the table of the 13 May Draft Board Update appear to have been changed slightly. However, I do not recall being and do not believe I was involved in reviewing the iterations of these documents in any meaningful way so may not have been aware of the changes at the time and do not comment on them here. It is clear that the essence of those drafts, in accordance with the change order of 6 May is that POL had extended the scope of the Deloitte Phase 2 work to perform a further desktop review of those detailed features of Horizon which "*ensure that the sub postmaster has full ownership and visibility of all records in their branch ledger; and ensure that the Branch ledger records are kept by the system with integrity and full audit trail*".

Deloitte's Draft Report

241 I have also been provided with a document entitled, "Horizon: Desktop Review of Assurance Sources and Key Control Features – Draft for Discussion (ver. 16)" ("**the Draft Report**") (**[POL00028062]**). This document is dated 23 May 2014. It is unclear to me whether or not it was approved and issued in this form by Deloitte, or whether it was superseded by a subsequent updated version. I do recall seeing a version of this report at some point prior to my email to the Board on 29 May 2014 (**[POL00031400]**) and a version of this report appears

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to have prompted the email from Rod Williams of 20 May 2014 referred to at paragraph 243 below (at page 3 of **[POL00029728]**). I also remember finding this report, or a version of it, both very heavy going and technical, and thinking that most of it would be impenetrable to the Board. As a result, I was heavily reliant on POL's internal IT function, probably Lesley Sewell, in advising me on the significance of its conclusions. I certainly did not understand the Draft Report to contain any "red flags" that POL should be seriously concerned about which I would have expected Deloitte to raise prominently had that been their findings.

242 I note that in an email from Belinda Crowe to Martin Edwards (Paula Vennell's chief of staff) of 12 May 2014 (**[POL00116554]**), she refers in an update for Paula in advance of a call between Paula and Alice Perkins to "forthcoming events" including "*13 May - draft Deloitte report (Phase 1) submitted (Lesley Sewell's update for Subcommittee refers*" and "*16 May - Deloitte executive summary (Phase 2) due (Lesley Sewell's update for subcommittee refers)*". From this I take it that (a) Lesley Sewell had been briefing the Sparrow Board Advisory Subcommittee and taking the lead on that, (b) there is a paper for the Sparrow Board Advisory Subcommittee which I have not been provided with for the purposes of this Inquiry, and (c) both the CEO and Alice Perkins were being kept abreast of the progress of the Deloitte work. This accords with my own recollection as to how seriously this work was being taken, at the highest levels, within POL.

Rod Williams and Mark Westbrook's Emails of 20 May 2014

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243 As I say, on 20 May 2014, the Draft Report seems to have prompted a question by email from Rod Williams to Mark Westbrook of Deloitte, which was copied to me, asking for further detail of the example given of where "*a [Horizon] control was not implemented as understood*" (see page 3 of **[POL00029728]**). Mark Westbrook replied with a fairly technical answer saying that there appeared to be a risk that someone "*with the correct access rights would be able to delete (but not modify existing) Audit Store records on the Centera box…*". He then seemed to suggest that it may be possible for someone (he referred to the risk as being *"small"*), should they be so motivated, with the requisite access rights to two separate parts of the system (Centera boxes and key management) to delete an audit store record, create a new one in its place, seal it and reinsert it into the database (also altering the database of seal values). He said he was asking Fujitsu as to whether any individuals had both sets of rights because, as I understood it, if there was segregation of duties between key management and Centera boxes, there would not be such a risk). Although I have no clear recollection of my thoughts at the time that I read that email, I have little doubt that I would have been very keen for Rod Williams to get Deloitte to properly address this concern in their report (particularly as this went to the point I had raised about "phantom" transactions), which to the best of my recollection he duly did.

Board Meeting of 21 May

244 The Board met on 21 May 2014. I attended with Belinda Crowe to discuss Project Sparrow. As part of that discussion I gave a brief update on the progress of the Deloitte review, with the minutes recording that "*The draft executive*

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summary of the Horizon Assurance Review, prepared by Deloitte, had been circulated to the Board. The General Counsel advised that [] the full Review should be available to the Business on Friday 23rd May. He would circulate it to the full Board as soon as possible, once he was satisfied with its drafting and the clarity of expression. It was agreed that he would escalate within Deloitte if he had concerns about the quality of the product. The Chairman stressed the importance of this Review and the need for it to give the Board assurance that there were (if that be the case) no issues with the system. She also stressed the need for the Review to be written clearly so that it could be used to give assurance to a wider audience. The Review would be considered at the next Board Sparrow Sub Committee". I cannot now recall what had been provided to the Board at this point, but they clearly had seen something from Deloitte, seemingly in addition to the report considered at the meeting of 30 April 2014. It can be seen that the Board took a keen interest in this work and it was anticipated that the Board would see the full report as well as a board briefing.

245 At that meeting, the Board also asked that the Sparrow Board Advisory Subcommittee consider the options for changing the Scheme, given that Sir Anthony Hooper thought POL should let the Scheme run for 12-18 months. There was obviously a concern about doing this given the cost to POL of the Scheme was running at around £700,000 per month (meaning a cost of £8.4-£12.6m, excluding compensation, in circumstances where there was pessimism that many cases would settle). Belinda Crowe, Mark Davies and I were asked to prepare a paper for the next subcommittee meeting on options. Belinda was also asked to provide an update on the progress of cases through the Scheme.

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246 I note at that meeting that in a section I did not attend in which the "Annual Report and Accounts" were discussed, a decision was taken (see paragraph (f) of page 6) not to include Sparrow in that report.

My emails and calls with Deloitte of 29 May

247 The Draft Report was some 72 pages in length, including appendices (**[POL00028062]**). That report appears to have been originally due to be delivered by 16 May 2014, though its delivery date was subsequently re-scheduled to 23 May 2014. Deloitte was also preparing a further board briefing (some report having been provided to the Board by 30 April 2014, and potentially a further report by 21 May 2014). I can see from an email I sent on 29 May 2014 (**[POL00031400]**) that by 23 May 2014 the finalisation of this board briefing had been further delayed. I think, but cannot be sure, that one of the reasons for the on-going delay in finalising this board briefing was the challenge of expressing matters which were highly technical in nature in a manner that could be readily digested by the Board.

248 This challenge led to at least two conference calls with Deloitte on 29 May 2014 (see **[POL00031400]**) and Deloitte's email to me (**[POL00031402]**) suggested that we had agreed we would focus on four straightforward questions. My recollection is that these questions were developed collaboratively with Deloitte after much discussion as to how they could best express their findings in a manner which the Board would find useful, and in such a way as addressed the assumptions implicit in the advice given by Linklaters referred to above (**[POL00021523]**) and the express questions from 30 April 2014. I cannot recall who was involved in these discussions, but I would be very surprised if others,

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such as Rod Williams, had not contributed ahead of the calls. The relevant questions were:

> "*(1) What comfort can be taken that Horizon only allows complete transactions (baskets) to be processed?*
>
> *(2) What comfort can be taken that the transactions completed in Horizon are 'digitally sealed', to protect their integrity and make it evident if they have been tampered with?*
>
> *(3) What comfort can be taken that Horizon's Audit Store maintains and reports from a complete and unchanged record of all sealed baskets?*
>
> *(4) What comfort can be taken that Horizon provides visibility to sub-postmasters of all centrally generated transactions processed to their Branch ledgers?*"

249 On 29 May 2014, Deloitte suggested they would be able to provide their advice the following week. I forwarded Deloitte's email to Paula Vennells, Martin Edwards (who I believe was Paula's Chief of Staff at the time), Alwen Lyons (company secretary of POL), Julie George (from the IT information security team) and Rod Williams asking for comment on the questions articulated by Deloitte, as they seemed sensible to me (**[POL00031400]**). I refer to Deloitte having "*blotted their copy book*" which was a reference to them having produced a Draft Report and board briefing that (a) was, or had become, significantly delayed (particularly so, given that they were then saying it would take another six days for them to complete the task); and (b) was written in a

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form that was not well suited for its primary target audience, namely the Board. Furthermore, my recollection is that at this stage in the process Deloitte indicated that (a) a report such as this would have to be reviewed by an independent risk partner (which I understood to be standard practice) and (b) his/her involvement may well delay the delivery of the final report, and (c) there was the possibility that as a consequence of this review, some of the commentary might be deleted from the final report.

250 I referred in that email to Deloitte not having answered the "*exam questions*" set (by which I meant the four questions set out at paragraph 248 above). I cannot recall what document I had seen at the point of my email, but I obviously did not consider those questions were addressed. I also said "*I should add that there is no suggestion from Deloitte that there is somehow something "wrong" with the system, or that it is not fit for purpose, rather our experience is their internal review partner approach is such that any positive (and helpful) statements that are made in early drafts are edited out before the draft is released to us*". This was meant in the context of the matter being referred to a risk partner within Deloitte for sign off (which is what Gavin James refers to as their "review and sign off activities") - I was trying to explain that this was standard practice for Deloitte and was not because anything within the report itself required escalation to a risk partner. I also flagged that wording was subject to change as a result of that review process, rather than because anything specific had been found to undermine earlier drafts.

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251 That reflected my understanding of the report at the time and the feedback I was getting from Deloitte. Certainly "alarm bells" were not raised with me as a result of the information from Deloitte.

252 Presumably as a result of feedback I had from others on that email chain (copies of which I do not have), I replied to Gareth James at Deloitte on 30 May 2014 saying that (a) although their report was on the current system (HNG-X), POL would like them to opine as far as possible in the period prior to 2010 (this is consistent with what had been said at the Board meeting of 30 April 2014), (b) although the audience initially would be the Board, POL may want the high level conclusions reached to be repackaged and released publicly along with the Linklaters advice, and (c) that the time delay was unacceptable and that POL had been expecting a "*readily digestible document last Friday addressing the key matters… not next Wednesday*" (**[POL00031402]**).

253 I cannot now recall exactly what happened after this communication, although I do remember that Deloitte were unwilling to consent to any of their work being shared publicly despite that requirement having been trailed at the outset of the engagement.

June 2014

Deloitte's Board Briefing of 4 June 2014

254 In the final draft version of the board briefing dated 4 June 2014 (**[POL00028069]**) ("**the Board Briefing**") provided to me there is reference to the issue mentioned at paragraph 243 above, although it appears to be stated in different and much more formal terms. In the section (section 4.2) headed

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"*Specific Comments - Other Key Controls (Summary)*", Deloitte pass comment on what they refer to as "Matter 3", namely the test proposition that "*Baskets of transactions recorded by the Audit Store are complete and 'digitally sealed', to protect their integrity and make it evident if they had been tampered with*". The headline comment in this regard is as follows: "*It appears that Horizon is designed so that its Audit Store is a complete representation of the Counter transactions and ordered events, and the data will be kept with integrity for seven years".* In their detailed comments, however, they do go on to say that "*We have not identified any documented controls designed to … prevent a person with authorised privileged access from deleting a digital sealed group of data and replacing it with a "fake" group within the Audit Store…".* They do, however, make the point that the Audit Store physically runs on separate specialist IT hardware which protects the data once it's written (I believe this was Centera) (3rd bullet point on page 6). In addition, they comment that the so-called Horizon "feature" in question has been assured under E&Y's ISAE 3402 testing since 2012 (final paragraph of page 6).

255 As is referenced in paragraph 217, work on Project Zebra was undertaken jointly with Lesley Sewell the then CIO. In relation to technical matters such as these, I (and indeed other lawyers who would have looked at this, such as Rod Williams) would almost certainly have relied on her and her team to decide whether such a lack of documentation (indeed the lack of certain documented controls referenced elsewhere in the Board Briefing) was a significant issue, or immaterial. I have not been provided with any papers that assist my memory in this regard but my general recollection is that following receipt of this report it was still understood within POL that changes made to the Audit Store left an

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indelible audit trail. I do not know whether that understanding was reached on the basis of some form of formal or informal confirmation from Fujitsu that no individual existed with the requisite access privileges (i.e. there was an appropriate segregation of privileges), or whether other controls were in place of which Deloitte were not made aware.

256 The briefing did deal with the four questions mentioned at paragraph 248 above, with the second question being broken by Deloitte into two parts. The briefing was limited to comments on the design of Horizon, and subject to various assumptions, but its headline conclusions at page 4 were:

"Matter 1 - "Horizon only allows complete baskets of transactions to be processed". From the documentation we have reviewed it appears that Horizon is designed such that only complete baskets of transactions can be processed.

Matter 2 - "Baskets being communicated between Branch and Data Centre not subject to tampering, before being copied to the Audit Store". From the documentation we have reviewed, it appears that Horizon is designed such that data in transit between the Counter and the central system, and data stored in the central system before being copied to the Audit Store, has mechanisms that would enable tampering to be detected. It is however not clear from documentation to what extent these mechanisms are actively checked such that if any tampering occurred, it would be detected on a timely basis.

Matter 3 - "Baskets of transactions recorded to the Audit Store are complete and 'digitally sealed', to protect their integrity and make it evident if they have been tampered with". From the documentation we have reviewed, it appears that Horizon is designed so that its Audit Store has a complete representation

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of Counter transactions and audit events, and the data would be kept with integrity for seven years.

Matter 4 - "The Horizon Audit Store reports from a complete and unchanged record of all sealed baskets". From the documentation we have reviewed, it appears that Horizon is designed such that extracts from the Audit Store represent a complete and unchanged record of basket data.

Matter 5 - "Horizon provides visibility to Sub-postmasters of all centrally generated transactions processed to their Branch ledgers". From the documentation we have reviewed, it appears that Horizon is designed such that the Sub-postmaster has visibility of all centrally generated transactions to their Branch ledgers in that accounting period. Central transactions require Sub-postmaster approval to be processed, except for Balancing Transaction postings. This appears to be an exceptional process, performed only by Fujitsu, and asserted by them to have only been used once (in 2010) between 2008 and the time of their assertion in this area (15th May 2014). Usage pre 2008 is currently not known" (**[POL00028069]**).

257 Reading this Board briefing now, and the Draft Report, and indeed the Phase 2 Discussion Areas Document in the context of what I now know and understand about Horizon and SPMs (and without any other documents provided to me to help me remember the context in which I would have received/ understood/ discussed the Deloitte report), I accept that there are sections within those documents suggesting that further work could be undertaken to provide more detailed assurance and testing over various matters. In particular, various further assurance work regarding Matters 3 and

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5 above (i.e. that the Audit Store was reliable and not able to be tampered with, and that SPMs had visibility over all centrally generated transactions) were suggested in all three documents. Whilst as I explain in paragraph 299 below, all but one of the suggestions in the Draft Report were, as far as I can recall, recommended to be undertaken in some guise or another, I am not sure whether that work was ultimately done as it would have been something that either IT or Finance took forward.

258 However, I wish to explain that the reading of these documents I have now, in light of what is now known about Horizon, is not how I understood them at the time following discussions with Deloitte and POL's IT team. My understanding at the time was that SPMs had said that there were transactions within their ledgers that appeared to have been but were not generated by them. My (high level) understanding was that everyone acknowledged that there were centrally generated transactions posted to Branch ledgers for various reasons that were known by the SPMs, e.g. because all lottery data was centrally inputted. However, POL's position was that all centrally generated transactions were visible within the branch accounts (i.e. would not appear to have been generated by the SPM - it would be clear someone else had inputted them) and would have to be approved by the SPM. I also understood that the Audit Store contained essentially complete "baskets" of transactions (each basket netting to zero) stored on Centera.

259 The understanding I had was that Deloitte's assurance work did appear to show that the Audit Store had integrity and SPMs did have full visibility over their branch ledgers. The exceptional use of the Balancing Transaction Process on,

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apparently, one occasion in 2010 did not in my mind undermine that because my understanding at the time was that even with this process, it would be clear to an SPM that the transaction in question had not been entered by them. (In other words, a Balancing Transaction Process could not have led to transactions apparently entered by an SPM.) Similarly, the point that if anyone did have the requisite level of access rights over two separate systems, they might be able to delete and replace an entry in the Audit Store did not undermine that. I think I must have received some assurance that in practice there were no such people, that this was impossible in some way, or that even this would not have had the effect of "phantom" transactions appearing in the branch accounts. My understanding may well have been wrong, but that is my recollection of what I understood at the time having spoken to Deloitte and colleagues with IT expertise.

260 Obviously the Board Briefing and Draft Report painted a more nuanced picture, especially looking at it with hindsight, but none of my IT colleagues raised any issues that gave me cause for concern that this report raised issues for POL in relation to the concerns being raised by the SPMs. It was probably because this work was being led by Rod Williams and Lesley Sewell (with I suspect, some involvement from Linklaters), none of whom raised any "red flags". I did not analyse these documents in forensic detail at the time as it was not within my expertise and I understood others were doing so (as mentioned at paragraph 232 above a material amount of my time was centred on Project Titan). My overall impression from others within POL was that essentially this Deloitte work revealed no concerns, there were no material deficiencies within the system

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and that the recommended further assurance or testing work was more of a "dotting the i's" type exercise rather than necessary to address any serious risk.

261 I also relied on Deloitte themselves - given that Deloitte was aware of some of the SPMs key concerns in this area (hence their change order of 6 May 2014), I would have expected them to very clearly flag if POL did have something to be very concerned about in these areas. However, from memory and the documents, whilst Deloitte appears to have mentioned further assurance work that could be done in various areas, they do not in any way indicate that POL may have a significant issue in the absence of such work being done.

262 In other words there were no issues raised with me directly by Deloitte or by others with more IT expertise than I myself had, that led me to be concerned about the integrity of the Horizon IT as a result of Deloitte's work.

263 In the evening of Wednesday 4 June 2014, a draft email was sent by Rod Williams, I believe at my request, to the Company Secretary asking her to, subject to Paula's approval, send to the Board an email from me and Leslie Sewell attaching a copy of the Board Briefing paper from Deloitte. That email clearly envisaged that the Board would read the Board Briefing paper and be mindful of its limitations and assumptions. This draft email was then sent by Rod to Alwen Lyons (the company secretary) and Paula Vennells, with a request for it to be cleared for dispatch to the Board (**[POL00108634]**). Paula was comfortable with that e-mail being sent and it duly was, with the Board Briefing attached, on 4 June 2014 **[POL00029733]**. Alwen Lyons then forwarded a copy of her email to the Board to Rod Williams **[POL00029733]**

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saying "Sorry should have cc'd you in as you did all the work!" which is consistent with my recollection that Rod largely led on this piece of work.

264 I am not sure what happened to the Draft Report (or its final version) – certainly it appears to have been envisaged this would be shared with the Board. I do not know if it was in fact shared before or after the Board Briefing, if at all, and have been provided with no papers to assist my recollection. Certainly the Board Briefing refers to the full report in a number of places, so it would seem to me surprising if it was not ultimately provided to or requested by the Board.

265 On reviewing this material now, I have tried to remember whether it was passed to Cartwright King for consideration as to whether it perhaps should be disclosed to anyone POL had prosecuted historically. Knowing what is now known about the Horizon system, it now seems to me that it would have been prudent to do so. However, as explained above, the general view within POL was that neither the Board Briefing or the Draft Report (or any of the other documents) really conveyed much more than was already known and in that context its relevance to criminal cases was not apparent. It may well have been that it was discussed at the time with them, but I have no clear recollection and cannot tell from the documents I have been provided with. Given the Board Briefing was sent to the Board, and knowing how POL worked, I am almost certain that Bond Dickinson would have seen the Board Briefing (and probably any full report). Similarly, whilst I cannot now remember the exact scope and timing of Linklaters' involvement, I am similarly almost certain they would have seen the Deloitte report given the circumstances of its commissioning. Both Bond Dickinson and Linklaters were alive to the issues around disclosure in

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criminal proceedings (see for instance paragraph 5.55 of the Linklaters advice at **[POL00107317]**).

266 I am also confident that Jarnail Singh was aware of Deloitte's work. Whilst Jarnail was not, during my time at POL, carrying out much work on his own, I did think him to be a reliable conduit of information from POL to Cartwright King. At the very least, as above, I am sure that the fact of the Deloitte report was discussed at our regular team meetings (at which Jarnail would have been present) as it was a major issue within the legal team at the time.

267 It may well be that Bond Dickinson and/or Jarnail therefore raised this with Cartwright King and I suspect that, to the extent I thought about it at the time, I would have assumed this to have been done. I have not been provided with any papers by the Inquiry showing whether or not Cartwright King were made aware of this report, but if it is the case that no steps were, in fact, taken to share this report with them, this is matter of deep regret for me.

268 It is unclear to me from the documents provided by the Inquiry what formal actions were taken by the Board in the period after 4 June in relation to the Board Briefing report and/or any full report. In the e-mail of 4 June referred to above it is noted that "[i]*t is unlikely that there will be time at this Friday's Sparrow subcommittee meeting to consider the briefing, though it is hoped that the session can be used to agree how the briefing can properly and thoughtfully be presented to the board*" (**[POL00108634]**). Given the very significant effort that went into producing these reports, and my efforts to get them out to the Board in a timely manner, it seems odd to me that I have no papers showing that it was considered by the Board or the Executive Committee, or the Sparrow

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Board Advisory Subcommittee, or that its absence was noted and explained in subsequent minutes.

Paper of 3 June 2014 for the Sparrow Board Advisory Subcommittee, and the Sparrow Board Advisory Subcommittee meeting of 6 June 2014

269 Meanwhile on 3 June 2014, a paper was submitted to the Sparrow Board Advisory Subcommittee in the names of myself and Mark Davies (although I suspect it was largely prepared by Belinda Crowe and/or Carolyn Low of the Sparrow Programme Team, and possibly Mark or a member of his communications team, and signed off by us) (**[POL00022128]**). As I recall, many people were involved in the preparation of that paper, both internal and external, and it was developed over a period of many weeks both before and after the Sparrow Board Advisory Subcommittee meeting of 9 April 2014.

270 The purpose of this paper was to seek the Sparrow Board Advisory Subcommittee's view as to which, if any, alternative options for the operation of the scheme it wished the programme team to take forward, albeit as explained in paragraph 236 there had been a clear steer that the Sparrow Board Advisory Subcommittee wanted options for bringing the Scheme in house. As can be seen in that paper, three different options were presented, each departing by varying amounts from the then extant approach. Broadly, these options were: a) continue with the scheme as currently configured and managed; b) continue with the scheme but seek to refine its work within the existing terms of reference (what was meant by this was not amending the WGR's terms of reference, but outlining various POL positions within those - those possible positions are outlined at paragraph 3.7 of **[POL00022128]**); and c) complete POL's

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investigations in each case and move the "governance and management" of the Scheme in-house. It should be emphasised that in relation to all options other than preserving the status quo, the proposals involved discussing the matter with the relevant minister in order to seek views before moving forward.

271 The circumstances in which that paper was prepared are important. As is referenced in paragraphs 220 there had been, and at the time of this paper continued to be, within POL, serious concerns both as to Second Sight's ability to deal with the volume of work in the Scheme, and the quality of its work. This updated paper was as a result of further work since the Sparrow Board Advisory Subcommittee meeting of 9 April 2014. Concerns about the Scheme had only increased since that date:

271.1 At a WGR meeting of 6 May 2014 (**[POL00043627]**), Second Sight had produced a draft Part 1 report. Again the minutes are relatively neutral but I remember my impression of this original draft being poor with a number of points that were wrong, unevidenced, or of the nature of an opinion, rather than fact (which needed to be in the thematic Part 2 report, rather than the Part 1 report which was intended to be a neutral fact based document explaining the basics of the Horizon system). At the point of this paper, a revised Part 1 was due to be provided by 9 May 2014.

271.2 At that meeting of 6 May 2014 (**[POL00043627]**) a further CRR (for M022) was discussed. Again, I felt this to be poor quality and the concerns POL had are set out within the minutes. Second Sight was asked to revise this draft by 8 May 2014. At this meeting Second Sight also claimed "*[i]t was clear that [POL's] reports were inadequate*" but it was pointed out that it took them four months

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from receipt of the first report to raise any concerns about POL's work. The minutes show that Sir Anthony Hooper disagreed with the criticism levelled at POL's reports, and in his letter to Jenny Willott MP of 8 May 2014 (**[POL00116540]**) noted that 20 investigation reports had been completed by POL by 17 April 2014, but POL had subsequently been asked by the WGR to make clearer their opinion on whether the losses suffered by SPMs were in whole or part the responsibility of POL, following which 12 reports had been reissued by 2 May. From my perspective, therefore, the concerns with quality rested with Second Sight.

271.3 At a meeting of 15 May 2014 (**[POL00026657]**), it was noted that 22 (presumably revised) investigation reports had now been provided by POL to Second Sight. However, as far as I can tell from the minutes and recall, Second Sight had only produced by this point four draft reports for the WGR to consider: I think for M001, M009, M014 and M022. Only the CRR for M022 was signed off by the WGR to be sent to the Applicant, and that was on the basis that the Part 1 document would be sent to the applicant the following week. At a meeting of 15 May 2014 (**[POL00026657]**), it is noted that Second Sight was to circulate the current draft of the Part 1 document to the WGR that day, for discussion on 20 May 2014. The Part 1 report was duly discussed line by line on 20 May 2014 (**[POL00026659]**) and a number of actions recorded for POL and SS to complete. By the time of this 3 June 2014 paper, I do not think the Part 1 report had been completed. That day, a further CRR on M127 was also reviewed and a number of stylistic comments made for Second Sight to review.

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272 In other words, as at 3 June 2024, by which time the scheme had been open for 9 months, and Second Sight had been in receipt of some of POL's investigation reports for at least six months (and 12 amended reports for at least a month), only five case summaries had been produced by Second Sight, only one of which was ready to issue to the parties and even that was being issued on the basis the Part 1 report would follow shortly. The thematic report Second Sight originally anticipated being completed in January 2014 was still at too early a stage to be contemplated and was parked pending completion of the Part 1 report, which again had been in train for three months and was not yet complete.

273 I accept that this was in part because the cases in the scheme were considerably more complex than had been anticipated and both POL and Second Sight were asked to make changes at the outset to their investigation and reporting process. However, the fact remained that nine months into the Scheme, only one case had been fully investigated and no cases had reached mediation, despite the initial plan being for the cases in the Scheme to have all been mediated by October 2014.

274 Although Second Sight had at that point committed to preparing 3 case summaries per week, POL was doubtful they could achieve this and considered 2 case summaries per week more likely, meaning the scheme would not conclude until November 2015 in circumstances where Second Sight's costs were roughly £60,000 per month (see para 5.2 of the paper **[POL00022128]**) and POL's own costs (for staff investigations and external lawyers) were roughly £135,000 per month (see para 5.3 of the paper). Continuing with the

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unamended Scheme in these circumstances was likely to cost c. £10m (before any compensation payments were considered). (It is unclear to me how the various figures throughout the year reconcile against each other given at the Board meeting on 21 May 2014 the monthly cost of running the Scheme was given as £700,000.)

275 This was obviously a very significant spend in circumstances where, given the "expectations gap" there was a real risk that very few cases would settle and many SPMs might end up more dissatisfied at the conclusion of proceedings than at the start of it. There was an ongoing and a very real concern within POL that it could be criticised for wasting taxpayers' money should it continue down a route which involved spending more money on external advisors than was spent on SPMs who had been accepted into the scheme.

276 It was against this backdrop that the paper was put to the Sparrow subcommittee meeting of 6 June 2014 (see **[POL00022128]**). That paper made it clear that, from the perspective of the factors that the Sparrow Programme Team had been asked to take into account, (costs, time involved, likelihood of achieving an appropriate account for SPMs, etc) each option would present very significant challenges for POL. It was possibly for this reason that the recommendations in the paper were somewhat tentative and procedural. Ultimately, the paper recommends that the Subcommittee approved "*Subject to discussion, communications and handling plans are drawn up in detail for options two and three*", and that further the "*…Programme Team is authorised to develop an approach which would set out option two to the [WGR] at the earliest opportunity, and subject to the discussions set out above*". Further in

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relation to option three, (moving management and governance of the scheme in-house, and terminating Second Sight's engagement) the paper provides that:

"*7.1 In considering the options we have sought to consider what is in the best interests of the business, its people and its customers, as well as the applicants. This means focusing on commercial factors such as the costs and management time involved, along with ensuring an approach which means all cases receive due consideration. A further factor, specific if not unique to the Post Office is the Governmental angle. Retaining the confidence of the Government, and having regard to statements made in Parliament in 2013, is critical to the Post Office's future operation and should be prioritised in that light within the consideration of the options.*

7.2 This is an extremely challenging judgement call with a number of factors at play. In considering our recommendation we have had regard to the cost, reputation, stakeholder and shareholder implications of the various options. The whole life costs including spend to date from August 2013 to conclusion are estimated at: £12.5M for Option 1; £10.7M for Option 2; and £7.7M for Option 3. These costs exclude any compensation payments.

7.3. It is the view of the Programme, Legal and Communications and Corporate Affairs teams that the third option — where the Scheme is effectively moved in-house — is the one which is in the best interest of the business in a pure "commercial' sense. There is a weight of evidence to support this view, including value for money, time scales, concerns around the cost and quality of the Second Sight output, the diversion of senior management time and the critically important point that in two years of investigation nothing has been

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uncovered to raise doubts about the issue at the heart of this debate — the operation of the Horizon computer system.

7.4. We must however have regard to wider considerations. In considering the best (long term) interests of the business we must take into account our position as being wholly owned by Government. We recognise that we would place the Post Office's shareholder, and particularly the minister, in a difficult position were we to move ahead with our preferred option without first taking steps to discuss it with the Shareholder Executive and the minister, and to set out other options and our handling plans.

7.5. In considering these options it is also clear that whether we were take our preferred option or not, there is a pressing need to strengthen our position in relation to the Working Group and set out our position — within the Terms of Reference — in relation to its ways of working. Also, time is of the essence as the scheme continues to progress as now and will continue to do so until such time the Post Office decides on and implements a different approach."

277 Considerable thought went into exploring some very uncomfortable options in this paper - I was very clearly of the opinion that all the available options were sub optimal. That said, at a formal level, the preparation of an options paper is something the Sparrow Board Advisory Subcommittee (and others in POL) had sought in April 2014, with a clear steer as to their views, and indeed the paper itself sets out further steps to be taken before any particular option is finally implemented: it did not ask the committee to make a final irrevocable decision. Clearly one of the steps that had to be taken was to seek approval from the Board, given that the subcommittee was purely advisory, and (in my view)

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would not have had the power to make a final decision of this magnitude. As is signposted in the paper, a decision to move the governance and management of the scheme in-house would only have been appropriate in circumstances where: a) the minister and other key external stakeholders indicated that this was an acceptable option; b) the Board was comfortable that the negative PR impact of being seen to "assess one's own homework" and that was within its risk appetite; c) the judicial review risks were adequately explored (subsequent advice from DAC Beachcroft meant this risk was in fact unacceptable to the Board - see **[POL00022622]** and **[POL00124444]**); and d) at a more general level (though not really discussed in the paper), each member of the Board felt that this was an appropriate business judgement, consistent with their fiduciary duties having regard to the fact POL was in state ownership. This risk was (as a consequence of that meeting) later further analysed and deemed to be unacceptable.

278 I have been asked to explain the basis on which I considered it to be appropriate for POL to move the governance and management of a scheme, which was established to resolve complaints against it, "in house". The proposal was actually in summary that POL would (a) publish a report on Horizon, the Scheme and the legal position, (b) the WGR would be disbanded and Second Sight's engagement terminated, and (c) POL would undertake to investigate all cases and disclose the findings to the applicant, mediating a substantial number of cases (but less than might have been under the Scheme).

279 The practical effect of this proposal for applicants, in terms of changes of external oversight as things were operating as at 3 June 2014 were: (a)

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applicants would not receive Second Sight's CRR and (b) the WGR would not have a role in recommending mediation or not (nor in case management oversight). (The WGR by that point was not, as far as I recall, generally reviewing POL's investigation reports or Second Sight's CRRs, and the Scheme was closed to new applicants so decisions about admissions to the Scheme were not being made.) At the time, as explained above, it seemed to me that Second Sight's CRRs were adding a layer of time and expense that was not necessary for mediation. The CRRs essentially set out whether Second Sight agreed, or not, with points raised by POL in their investigation report (rather than conducting their own investigation from scratch) and explaining whether they considered the issues could be mediated. Whilst, as I explain at paragraph 281 below, I could see how this might have serious PR ramifications at the time, and I can see why applicants may have been very suspicious of such a move, at the time it seemed to me that this was removing a step from the process that was of limited value to applicants and/or the mediation process as a whole. Complaints would be fully investigated and an investigation report provided to applicants – they just would not be provided with Second Sight's comments. Similarly, as mediation was consensual in any event (and even if the WGR was recommending mediation, POL was not obliged to accept that recommendation), oversight of that aspect appeared to be of relatively limited benefit to individual applicants.

280 If the Scheme had not already been in place, a complaints scheme without external oversight (and which does not prevent any subsequent litigation) was not an abnormal process to adopt or in any way inappropriate. The key issue in such a scheme would be to ensure the processes are in place to deal with

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complaints fairly. Whilst the options paper did not go into this level of detail, I have no doubt the Board would have requested this as a next step had this option been approved.

281 Of course, this decision was taken in the context of the Scheme already being in place and the complaints and issues being dealt with at a relatively high profile. The problem here was that notwithstanding those features, it was not in fact fulfilling its purposes namely to enable the concerns of the SPMs to be considered on a case by case basis in a timely manner. As is noted in the options paper, therefore, the negative publicity associated with any decision to move this particular Scheme in-house would have been very significant and my suspicion was that once the PR analysis had been completed, it would have been unlikely to be taken forward any further. To the extent it raised PR considerations, however, they were very much a matter for the expert judgement of Mark Davies as head of communication, which I assume is why he was shown as the joint sponsor of the paper.

282 I do not have any clear recollection of the proceedings of the Sparrow Board Advisory Subcommittee meeting of 6 June, although I do have an indistinct memory that any option involving a material change to the scheme was not supported by Alice Perkins and from recollection my own position was that I was at most lukewarm and somewhat uncomfortable as to how "Option 3" would be perceived externally (albeit, as I say, all of the options were sub-optimal). Indeed, re-reading the papers, it is hard to assess whether options 2 and 3 were being put forward with "force and conviction", or whether they were

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simply responding to a request to put forward a preferred option, or something in-between.

283 It was decided by the Sparrow Board Advisory Subcommittee at that meeting on 6 June 2014 that, subject to the receipt of legal advice on the risk of judicial review, the Chair would explore with "*the Minister the extent to which she would be prepared to support Option 3* [i.e. ending the involvement of the WGR and Second Sight] *and explain the alternative approach of Option 2* [i.e. continue with the Scheme with POL taking various steps to refine its position] *as a fall back position*" (**[POL00006571]**). In addition that the Sparrow Programme Team, "*…should continue to plan for the implementation of both option 2 and option 3 on a contingency basis*". I cannot now recall whether or not the minister was in fact approached, but in any event it is clear from the documents provided to me that following receipt of the legal advice on the risk of judicial review no further action in respect of option 3 was taken.

284 It does seem odd that there is no minute recording any mention of the Deloitte report at that meeting. As mentioned, the email of 4 June 2014 circulating the Board Briefing refers to potentially discussing at the subcommittee meeting how the Board could best be briefed on the issues. (I should note, however, that there almost certainly were subcommittee meetings between June 2014 and January 2015, which is the next meeting I have minutes for, at which the Deloitte report may have been discussed.)

Board meeting of 10 June 2014

285 Following the Sparrow Board Advisory Subcommittee meeting referred to above, advice was obtained in relation to the risk of judicial review of

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proceedings with "Option 3" (bringing the scheme in-house), so by the time of the Board meeting on 10 June 2014 (**[POL00021526]**), that option was discounted by the Board and instead they asked for further work to be done as to how "Option 2" (i.e. continuing with the Scheme, but refining within the WGR's Terms of Reference in an effort to control costs and timescales) could be implemented.

286 Reflecting now as I do on the minutes of the Board meeting on 10 June 2014 (**[POL00021526]**), it again seems very odd that there was no mention or discussion of Deloitte or the Board Briefing in those minutes, or even a passing reference to it. It appears that this was not a normal Board meeting but minutes taken of a session during the Board's away days of 10 to 11 June 2014. It may therefore be that another discussion was had about the Deloitte review for which I do not have the minutes.

Email from Andy Parsons to me, and others, of 17 June 2014

287 On 17 June 2014, Andy Parsons of Bond Dickinson sent an email to me, Rod Williams, Jarnail Singh, Angela van den Bogerd, Belinda Crowe and three others (who I think were in the Sparrow Programme Team) regarding the Helen Rose Report (**[POL00129392]**). As noted above, although the Helen Rose report was mentioned in the briefing from Cartwright King, I think it doubtful that I would have read it either as a result of that briefing or Andy's email and therefore probably understood its significance only from Andy Parsons' description of it (i.e. "*You'll recall that the HR Report was retrospectively disclosed in a number of prosecution cases as it drew into question some of the statements made by POL's expert witness, Gareth Jenkins*") (page 2 of

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[POL00129392]). I have a vague recollection of calling Andy to ask what the Helen Rose Report was, as I could not recall it, and that call was presumably as a result of this email. I think I understood this document as showing something about Gareth Jenkins, rather than any underlying BEDs.

288 The concern Andy Parsons appeared to me to then be articulating was that the Helen Rose Report (and presumably potentially other material) was being spread amongst applicants in breach of confidentiality undertakings, and how to then deal with that. I understood him to be saying that ultimately, if the investigation team needed any guidance as to how to address any questions in relation to the Helen Rose Report, Bond Dickinson, or Cartwright King should be consulted on a case by case basis, which seemed to me to be entirely appropriate. I understood his suggestion of "*minimalizing* [sic] *or ignoring*" the report in the context of POL's response to CQRs, to be for cases where it was not relevant but had been obtained by applicants. If I had understood him to be suggesting that relevant material should not be disclosed, or not given the prominence it should have, I would have challenged him but that's not what I understood this email to be saying.

Paper dated 18 June 2014 for the Board

289 As above, advice was obtained from DAC Beachcroft in relation to the risk of a successful judicial review in the event that the WGR and Second Sight's involvement in the Scheme was ended which resulted in a further paper to the Board dated 18 June 2014 (again, whilst this is in my name I suspect it was prepared by Belinda Crowe or Carolyn Low and approved by me) [**UKGI00002392**]. In the 15 days since the update of 3 June 2014 I record that

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a further three draft CRRs had been produced by Second Sight (bringing the total to six), and Second Sight had "*attempted to introduce, at a late stage, an addendum to their report which they wish to send to the applicants*". I think this is a reference to the Part 1 (rather than Part 2) report, which was still in train at that time. I see I say that this issue was due to be discussed by the WGR that week, but I cannot see and cannot now recall what happened in relation to that.

290 The paper of 18 June 2014 summarises the legal advice received and notes that the WGR meetings have been considerably "*hotter*" because POL was refusing to mediate all cases. JFSA considered that essentially all cases should be mediated and thought that is what had been agreed at the outset. As I recollect it, my view was that the Terms of Reference made it clear that decisions of the WGR (including as to whether to mediate) should consider value for money. Sir Anthony Hooper also appeared to agree with POL's understanding in that he had agreed he should have a casting vote on whether cases should be mediated. To my mind, mediating some of the cases where the sums claimed were so at odds with POL's position on compensation, as informed by legal advice from Bond Dickinson and Linklaters, would simply incur additional expense (for the mediator, POL's internal resource and legal advisor, and the applicant's legal advisor) for no discernible benefit. I also felt it was not fair to applicants who may have their hopes unduly raised and be forced to go through an emotionally draining process without hope of settlement. Applicants would though, in all cases, receive Second Sight's CRR (and POL's own investigation report), so they would have had some answer to their complaint albeit I accept that they would not have been able to ventilate it orally with a representative of POL.

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291 In the note, I also set out the next steps, including finalising Second Sight's terms of engagement, and imposing more structure in relation to old cases and criminal cases progressing through the Scheme.

July 2014

Second Sight's Finalised Terms of Engagement dated 1 July 2014

292 Second Sight's engagement letter was ultimately agreed on 1 July 2014 (**[POL00000213]**). Under that engagement, Second Sight was contracted to provide the following services (pages 6 to 7):

"SCOPE OF SERVICES

1. The Services Second Sight agrees to provide to the Working Group are as follows

1.1. serving as a member of the Working Group and attending Working Group meetings as required, and act in accordance with any directions from the Working Group Chair;

1.2. advising, as requested by Post Office or the Working Group, on the format, style and content of the documents which are submitted by Post Office and/or Subpostmasters during the Scheme;

1.3. investigating the specific complaints raised by each Subpostmaster who has been accepted into the Scheme with the aim of providing:

1.3.1. an assessment of points of common ground between Post Office and that Subpostmaster;

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1.3.2. an assessment of points of disagreement between Post Office and that Subpostmaster;

1.3.3. where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so;

1.3.4. a summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence / information;

1.3.5. a view on whether a case is suitable for mediation;

1.3.6. Second Sight will not provide an assessment of the propriety of any consequential loss; and

1.4. assisting with any reasonable requests made by the Working Group and/or Post Office;

*(together "**the Services**")*

2. Second Sight shall at all times conduct the Services solely in furtherance of the objectives of the Scheme as set out by the Working Group.

3. It is recognised that Second Sight is not required to definitively determine every issue raised by a Subpostmaster but rather is required to reasonably investigate and, where appropriate, offer an opinion on the key issues in dispute between a Subpostmaster and Post Office.

4. Although Post Office is engaging Second Sight, Second Sight is to act independently in providing the Services and any assessment or opinion given

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by Second Sight shall be without bias and based on the facts and evidence available.

5. In providing the Services, Second Sight shall:

5.1. act with the skill and care expected of qualified and experienced accountants; it is acknowledged that matters relating criminal law and procedure are outside Second Sight's scope of expertise and accordingly shall not be required to give an opinion in relation to such matters:

5.2. conduct the Services in an efficient manner and with a view to ensuring that the costs of the Scheme are reasonable;

5.3. use its reasonable endeavours to comply with any deadlines or timeframes set by the Working Group; and

5.4. not sub-contract any part of the Services without Post Offices prior written consent (not to be unreasonably withheld or delayed)".

293 Under the terms of its revised engagement letter, Second Sight was not precluded from requesting any information it wanted. From recollection this was, in most cases, relatively uncontentious, and if POL was unable and/or unwilling to provide certain documents, then Second Sight could raise that with the WGR and record it in its reports. The only disagreements I can recall were in relation to access to the legal files concerning individual applicants mentioned at paragraph 203 (which I only remember as a result of the documents provided to me by the Inquiry), and as discussed further below in late 2014 / early 2015 some pushback by POL in relation to requests for

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information Second Sight wanted for its Part 2 report (which I did vaguely recall in any event).

Board Update dated 7 July 2014

294 On 7 July 2014, a further update to the Board was submitted in my name (again I think prepared by Belinda Crowe but approved by me) [**UKGI00002397**]. This noted that Second Sight's terms of engagement had now been agreed and POL had further oversight of Second Sight's fees (it had been proposed to move them onto a fixed fee structure, which had not happened). I also recorded that JFSA was increasingly uncomfortable with WGR decisions as regards whether or not to mediate cases. By this point it was noted that 13 cases out of 150 had resolved prior to mediation, with 2 approved to go to mediation. By this time, rather than publishing a summary of Linklaters' advice, it had been decided to address the substance of that advice with individual applicants as necessary in the mediation, albeit it seemed relatively clear that details of POL's position within the process would become more widely known.

Paper of 14 July 2014 for the Risk and Compliance Committee

295 On or about 14 July 2014, a paper on the Deloitte review appears to have been submitted to the Risk and Compliance Committee (I am not sure of the timescale now myself, but this is the metadata date of the two papers provided to me by the Inquiry team). I see from the documents that I have been provided with that there appear to be two versions of this paper (**[POL00031410]** and **[POL00031411]**), which differ slightly but not materially, and it is unclear to me why this should be so. It would not have been appropriate for a committee to receive two very similar papers on the same subject matter, and I do not believe

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that is what has occurred. I do not know why there were two papers; indeed, I suspect that they are either separate successive drafts of the same paper or that one of them was subsequently used as an appendix to another document at a later point. However, this is unclear on the face of the documents, and I cannot remember. In any event I cannot discern any material difference between the two.

296 Furthermore, these two documents appear to be written with an audience in mind other than the Risk and Compliance Committee (at least as I have described it above at paragraph 46). They are written in formal language and as such it would be odd for me to present a paper of this nature to a committee of which I was chair. It may be that these papers were 'recycled' for or from other committees, or it may be that by the time of these papers the Risk and Compliance Committee was actually the name of a Board subcommittee which was the (partial) successor to the ARC (see paragraph 42 above, bearing in mind the governance structure of POL, especially as it related to risk, evolved throughout my time at POL so I do not now know).

297 My recollection is that this committee paper was prepared by, or under the auspices of, Dave Mason (then Head of Operational Risk) with very substantive input from others involved with the Deloitte report including the IT function, the Sparrow Programme Team and the legal team; that said as it was in my name, I must have approved whatever version was ultimately submitted. As was customary within POL at that time such papers, regardless of their authorship, were submitted in the name of an executive committee member rather than the name of the individual who had necessarily prepared it.

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298 As referenced above it is unclear to me whether the full 72-page Deloitte report (presumably in similar form to the Draft Report, if not the Draft Report itself) and the Board Briefing were also submitted to that committee. The briefing certainly refers to a full 72-page report being prepared for management which was subject to legal privilege, and also to the fact a Board Briefing had already been prepared. I am not sure why the Board Briefing was not also noted as being privileged, nor why a distinction was drawn between the 72-page report being for "management" and the briefing for the Board. Normally I would understand "management" to include the Board, so I am not sure if there was any significance to this wording. If it meant that only, say, ExCo had seen the 72-page report and the Board had not, whilst I may have known at the time, I struggle now to think why it would have been the case. This report was commissioned at the Board's behest and as a result of legal advice provided to the Board (and indeed the Board Briefing expressly referred to the 72-page report in a number of places).

299 In any event, these papers set out at section 4.4 a summary of the recommendations arising from Deloitte's review which appears to be more or less lifted from the Draft Report and accompanied by a so-called "*business view*" as to whether those recommendations should be implemented (**[POL00031410]** / **[POL00031411]**). As indicated in that section of the papers, the business view was one which was derived through discussions between the legal, risk, information security, finance service centre, and internal audit functions. It thus represents a consensus opinion drawn from amongst people within POL with a variety of expertise and in essence recommended that all of Deloitte's further work be undertaken aside from summary recommendation A3

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(albeit with slight changes to recommendation A4). In connection with summary recommendation A3, "*Analytical testing of historic transactions*", and in particular the response that the benefits of this exercise would be "*questionable*", my recollection, albeit not a clear one, is that was the view of POL's information security team, which was part of the IT function, it being a matter outside my professional experience as what such analysis would achieve in practice. Even now it is not clear to me what the likely benefits would be of what appears, from the Draft Report, to be a proposal for a relatively novel form of analysis ("[w]*ith modern day technologies the analytic profiling and testing of such Big Data sets is* ***likely*** *to be feasible…*" (emphasis added) (page 32 of **[POL00028062]**).

300 As explained above, it was initially anticipated that Deloitte would carry out further Part 2 work, and the draft Phase 2 Discussion Areas Document (**[POL00031384]**) set out some proposed further work that Deloitte might take. As mentioned at paragraph 239 above I am not now sure how this fitted in with the other Deloitte documents nor whether the suggestions in that document were superseded by those of the Draft Report or any final version of it. It clearly reflects, however, the discussions that had been taking place in relation to the Phase 2 work.

Board Meeting of 16 July 2014

301 After 10 June 2014, the next Board meeting for which I have been provided minutes is 16 July 2014 **[POL00021527]** (the minutes appear to have been taken on 11 June 2014 according to the 16 July 2014 minutes but I have not been provided with those). I attended that meeting in part but it appears only to

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discuss the Kelly Report (dealing with failings at the Co-op Bank) and I left before the brief discussion of Project Sparrow which seems to have been mentioned in passing as part of the CEO's report (see final paragraph of page 6) with no discussion of the Deloitte report.

WGR Meetings between 10 and 31 July 2014

302 Over the summer of 2014, the WGR and Scheme continued. In terms of WGR meetings, the lengths of extensions being requested by POL was discussed on 10 July 2014 (minutes at **[POL00026672]**) and the WGR wanted to understand "*where the bottlenecks were occurring. It was noted that the investigations were of a high quality but they were taking much longer than anticipated*" (page 7 of **[POL00026672]**). The fact that delays were occurring at all stages of the process was noted. JFSA noted particular concern about two cases – M001 and M035 - albeit it was noted that these cases had actually been with Second Sight since May. By the date of this meeting, Second Sight appear to have issued final reports on only 6 cases and it was clear that even if "*bottlenecks*" with POL were relieved, Second Sight would still have serious capacity issues. Second Sight stated at this meeting that they anticipated delivering three draft CRRs, and three final CRRs per week. A table in the minutes of the 17 July 2014 meeting (**[POL00026671]**) sets out the various reports outstanding from Second Sight.

303 Issues also arose as Second Sight said at a WGR meeting on 17 July (**[POL00026671]**) that virtually all of their CRRs would refer to the Part 2 report, which was due to be circulated to the WGR on 27 July. On 24 July Second Sight then said that they thought applicants would not need the Part 2 report to

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comment on their CRRs, although they would need it in advance of any mediation. The WGR on that date asked Second Sight to produce Part 2 as soon as possible even if they were awaiting information from POL/ sections were incomplete, and that POL and Second Sight should discuss it as soon as possible. The Part 1 report (**[POL00075178]**) was released on 25 July 2014; I cannot now recall why it was not released until this date. On 31 July 2014 (**[POL00026674]**) Second Sight were asked by the WGR to send the Part 2 report in draft to POL and the JFSA.

August 2014

Second Sight's Draft Part 2 Report

304 The exact sequence of events following this are now unclear to me, but it must have been shortly thereafter that Second Sight released a draft Part 2 report, initially providing (I think) 24 hours for POL to comment on it (see the final paragraph on page 2 of **[POL00022238]**). On 6 August 2014 Linklaters advised POL in relation to it (**[POL00022168]**) and were seriously critical:

"*Given how poor the standard of the report is (as discussed below), and Second Sight's track record in this regard, we think now might be an appropriate time to take as much control over Second Sight's role within the Scheme as possible... Indeed, in the ordinary course, in our view, the work generated by Second Sight to date, and even just this report alone, would justify the termination of their engagement.*

[…]

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The report is well below the standard we would expect of a firm of "experienced accountants" engaged to prepare an Independent, evidence-based report. As with Second Sight's previous work-product, the report largely fails to draw conclusions from any of the issues which it identifies and seeks to explore, and those conclusions it does draw do not appear to be based on any facts or evidence available to Second Sight. It also opines on issues and facts on which Second Sight are not qualified to opine, or are not reasonably within their remit i.e., because they are not sufficiently connected with Horizon".

305 For a magic circle law firm to put this opinion in writing in such strong terms seemed to me at the time quite striking as normally such firms are more circumspect in their use of language. This opinion did influence POL's approach.

306 I cannot now recall exactly what happened thereafter, but my email to the Board of 29 August 2014 **[UKGI00002443]** makes it clear that the Part 2 report was amended slightly by Second Sight following receipt of comments from POL, following which Sir Anthony Hooper had decided that the draft report should be released to applicants within the scheme whose cases were ready to mediate. POL was still unhappy with the report so ultimately wrote to those applicants making it clear that POL did not endorse the report. My explanation in that email was:

> "*The matter concerned relates to the so-called "Part Two Report", a technical document which has just been despatched to those applicants in the Scheme whose cases have advanced to the stage where SS* [Second Sight] *has completed its review (currently some 10 in total, but*

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increasing week by week). The Report, prepared by SS in order to augment their case-specific reports, was initially conceived as a streamlining measure in order to deal with (and describe) complaints, or themes, which are common to a number of cases: the idea (which was strongly supported by Tony Hooper and agreed by the Working Group) was that the existence of such a document would enable the case specific reports to be very brief (which indeed they have been).

The original draft of the Report sent to us for comment was both of a poor quality and somewhat one sided. Although it is true to say that SS did take some account of our comments (and made a number of significant corrections) the final Report was, in our view, inaccurate in a number of areas, contained no clear statement of the evidence upon which many of the opinions expressed in it were based, and included a commentary on matters which are beyond the scope of the Scheme and/or Second Sight's professional expertise as forensic accountants. In reality the offensive wording is more irritating than damaging, as it is likely to unduly raise the expectations of applicants and confuse matters.

As might be expected, the project team did push very hard both to delay the issue of the Report and to have the more subjective language removed. However, despite these attempts, Tony formally decided late last week that the Report should be issued to the relevant applicants without further delay. The Report was duly issued on Tuesday and on Wednesday Post Office wrote to each of the recipients of the Report to advise them that it does not (for the reasons stated above) endorse the

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Report and that a detailed note on the areas of inaccuracies will be provided shortly. We are working with the business areas and Fujitsu to pull that note together as quickly as possible.

Although our hope is that you will see nothing about the Report in media, there does remain the possibility that (despite it being marked confidential and prepared for the purpose of mediation), it and/or our follow-up letter are leaked, and the contents taken out of context, a matter on which Tony would take a dim view. For this reason Mark and his team have been fully engaged and prepared appropriate reactive lines.

As SS has only reviewed a small number of cases, it is likely that they will update this Report should they obtain new information, but there is no suggestion that SS will produce another Report for wider publication. We have put down a clear marker now that going forward they must engage more closely with us as regards amendments to the Report, which they appear to have (belatedly) accepted. In addition, we are also writing to them to set out in very clear terms how we expect a "supplier" to engage with us and have conveyed our disapproval of their work thus far in very strong terms. This in itself could lead to publicity as SS are likely, on past form, to alert JFSA and possibly James Arbuthnot that we are seeking, somehow, to "fetter" their independence. That said, we believe this is manageable from a media/PR perspective, and the risks are outweighed by consistently having to manage the fallout from SS's poor quality work".

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307 I think that POL did send applicants who had received the draft Part 2 report a detailed note concerning the inaccuracies referred to above (although I cannot now recall exactly when). Linklaters also appear to have prepared a draft letter for Chris Day (the CFO of POL) to send to Second Sight **[POL00022237]** and **[POL00022238]**. I cannot recall if this (or any) letter was sent by Chris - I suspect but am not sure that it may have been reworked into something more finance focussed, and I then sent a letter focussing on performance on 24 September 2014 (see paragraph 313 below).

WGR meetings between 28 August 2014 and 25 September 2014

308 WGR meetings continued throughout the Autumn of 2014 and were principally focussed on monitoring the progress of cases through the Scheme and decisions about mediating particular cases. Those decisions were contentious as Second Sight recommended virtually all cases for mediation and POL disagreed with that recommendation in roughly half of the cases. JFSA generally refused to participate in the process of the WGR deciding whether a matter should be mediated and had a standing vote in favour. The Chair formulated a test, which was apparently revised on 28 August 2014 as a result of representations made by JFSA **[POL00026676]**. I cannot now recall what the revision was, but it does appear to have resulted in Sir Anthony Hooper casting his vote in favour of mediations in more cases. POL would, if mediation was recommended, re-consider in good faith whether it would mediate given the recommendation and the reasons as to why that recommendation had been made. Generally, POL did accept WGR's recommendations to mediate, even if it had voted against mediation. POL would, however, declined to participate in

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mediation even though WGR had recommended if it took the view that it would not be fair to put the parties through an expensive and emotionally challenging process if POL was simply not going to offer a settlement (and/or if the case was a criminal matter for which POL had received advice from Brian Altman KC urging considerable caution). Whilst obviously this did cause issues within the WGR, and JFSA objected to this approach by POL, I do think it was legitimate for POL to adopt this approach. I think there were only 2 cases where mediation was recommended by the WGR where POL ultimately declined to mediate.

309 On 11 September 2014 (**[POL00026680]**), it is noted that there was discussion about Second Sight's draft Part 2 report having been leaked, which had led to press coverage. All parties within the WGR were concerned about this as it was intended to be a confidential process, although as above it did not seem to me to be particularly surprising and POL had anticipated that material may become public.

310 The Scheme progress was slow. Whilst, it had clearly taken POL longer than anticipated to work through the investigation reports, concerns about Second Sight's capacity continued. For instance, as at 16 September 2014, nearly a year into the Scheme, only 17 reports had been delivered by Second Sight to the WGR (some of which still required further work from Second Sight) (see the minutes at (**[POL00026685]**), with a further two due to be completed within the next few days. Nine reports were overdue and some of these had been with Second Sight for more than three months. In other words, around 11 months into the Scheme, just 17 cases had been progressed to the point where the WGR could decide whether or not to mediate. (As mentioned above, POL

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investigations had also taken longer than expected but even if they were resolved, Second Sight still had a large backlog.)

311 At that meeting it is recorded that POL had stated (this may have been me, or Angela van den Bogerd, or may have been a combination of comments from several different people) that *"the length of time and rate of delivery was unacceptable given the very significant amounts of money that Second Sight had invoiced so far"* (**[POL00026685]**). Second Sight committed to delivering all 9 outstanding reports within the next 7 days. However, it looks like by the time of the next WGR meeting on 25 September 2014 (minutes at **[POL00043628]**), 5 of those 9 remained outstanding and a further 8 were now outstanding (i.e. the backlog had not been cleared and the situation was getting worse). Second Sight did accept they had a 7 week backlog and had not been delivering 3 reports a week, despite assurances to the WGR that they would do so. The minutes record that the WGR also *"noted the rate of productivity with some concern given its impact on the applicants and the length of the Scheme and agreed that the table of Second Sight's weekly productivity should be maintained and discussed at each Face to Face meeting"* (**[POL00026685]**).

Board briefing dated 17 September 2014

312 This issue was made more explicit in my and Belinda Crowe's briefing to the Board of 17 September 2014 (**[POL00027363]**) which summarised that 124 cases remained in the Scheme, with 12 having settled pre-mediation. (I have to say I am not quite sure how now these figures add up as I believe there were 150 applications to the Scheme of which I think 4 were not eligible to participate in the Scheme, meaning 146 total cases - although by this point some had

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withdrawn and some had settled.) It notes that POL had completed 73 investigations but Second Sight had only completed 19 CRRs with a further 37 pending with Second Sight. At that point, 6 cases were awaiting mediation and 3 had been mediated (1 of which had settled). We reported on the fact that the meeting of 16 September 2014 had been difficult. As we reported, and as had been anticipated, JFSA was unhappy with the positions adopted by POL in relation to whether certain cases should be mediated (such as in relation to M030) but we note were confident we were taking the right approach for the reasons explained at paragraph 308 above.

My letter to Second Sight dated 24 September 2014

313 My letter of 24 September 2014 to Second Sight (which I think was probably initially drafted by Linklaters, with input from Belinda Crowe) (**[POL00002444]**) was sent in that context. I noted POL's disappointment with the rate of production of reports (Second Sight were still only averaging 1.5 CRRs per week, despite committing to producing 3 to the WGR). I said that there had been a lack of engagement by Second Sight with POL's explanations relating to the CRRs, spot reviews and briefing notes, so POL did not understand why Second Sight disagreed with it, nor could a reader "*understand your perspective on the competing positions*".

314 I think from POL's perspective Second Sight were dismissing its explanations out of hand and it did not understand why. Of course, in retrospect it may have been that some or all of POL's positions were in fact incorrect. However, that was not obvious at the time and so if Second Sight had articulated reasons for this, it may have (a) changed how POL approached a mediation decision in the

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case concerned, (b) changed how POL investigated future cases in the Scheme, and (c) have alerted POL to specific evidence against its position. I said "*I…appreciate you may have a different perspective on these issues but as your client, albeit where there are others interested in your work product, our expectations are not being met. [POL] is not looking to fetter your independence or undermine Second Sight's position, although the requirement to be independent does not absolve you of the requirements on you to deliver to the Working Group (including [POL]) the work which you are contracted to provide, and to report to and engage with [POL] on the management of your services: time, billing and quality*" (page 2 of **[POL00002444]**).

315 Whilst under Second Sight's terms of engagement (see paragraph 292 above) they were to act independently, it had also been expressly agreed that they were to carry out their role with reasonable care and skill, use reasonable endeavours to comply with any deadlines set by the WGR, and carry out their work with a view to ensuring the costs of the Scheme are reasonable (see "Scope of Services" at **[POL00000213]**). Given these obligations on Second Sight, and that POL was a major stakeholder in Second Sight's work, I considered it appropriate to write to them in these terms notwithstanding their independent role.

Board Meeting of 25 September 2014

316 Meanwhile, at the Board meeting on 25 September 2014, the minutes (**[POL00043628]**) note that the Board "*was encouraged by the recent progress and the fact that all the Post Office investigations should be finished by December. The Board members understood that the next few weeks could be*

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controversial as the Business was about to refuse to put cases involving criminal convictions into mediation.

…The Board asked the Business to work with ShEx to update the Minister on the Post Office position regarding the investigations, the Scheme and Second Sight".

317 I am absolutely sure this would have been done, but not by me as I had very little to do with ShEx / the Minister.

Meeting between POL and Second Sight dated 30 September 2014

318 My letter of 24 September 2014 to Second Sight, led to a meeting on 30 September 2014 between me and others within POL and Second Sight, a note of which is at **[POL00040290]**. At that meeting Second Sight accepted that they had not met their own targets for producing CRRs (they had since June been progressing at roughly half the expected speed). At this meeting Second Sight committed to delivering five cases per week for the next month, and three cases a week thereafter, which I believe they did then more or less stick to. We also had a discussion about costs, which Second Sight wanted to consider further.

319 At that meeting Second Sight accepted that their original retainer had "*been overtaken by the Scheme*" (page 2 of **[POL00040290]**). We agreed that if Second Sight were approached by an MP to undertake other work (which they thought they might be) that they should ask that MP to write to Paula Vennells as POL would not pay for work done outside of the Scheme or the engagement letter without prior approval. I also commented on my dissatisfaction with how Second Sight had handled the Part 2 report, as it had been published to some

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applicants (albeit with Sir Anthony Hooper's approval) with information within it that was wrong, and having given POL 24 hours to respond to it. It was noted at that meeting that the Part 2 report needed to be "*updated*", which it ultimately was before its final publication in April 2015.

Second Sight's Letter dated 8 October 2014

320 Despite the relatively productive meeting of 30 September 2014, Second Sight formally responded to my letter of 24 September 2014 by way of a letter of 8 October 2014 (**[POL00021889]**) saying they had concerns with the "*manner in which this engagement is being handled*". They said the Part 2 report was carried out for the WGR and with pressure from the chair and that they "*were surprised and disappointed to receive this comment since the Working Group, to whom [they] report (not Post Office), has made no such criticism of our work. […]*

We have been engaged to provide support to the Working Group, as your Engagement Letter of 1st July clearly states. Given the very nature of the assignment, to compare our role and relationship with Post Office as being the same as other professional advisors that you might engage, appears to us to be based on an incorrect premise".

321 I cannot now recall what I thought of this letter at the time. As above, at the meeting of 30 September 2014 it seemed to have been accepted that the Part 2 report needed updating so I thought that the principle of whether the Part 2 report was suitable in its current form had been settled. (Indeed, as I explain below, Second Sight subsequently issued 110 questions to POL which it said it

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needed answers to in order to finalise this report, which again is suggestive of the draft report issued in August 2014 being relatively incomplete.)

The WGR meeting of 17 October 2014

322 The WGR meetings continued throughout this period. JFSA was increasingly unhappy with POL voting against mediation in some cases, and with the Chair's decisions on how to deal with this. I did, of course, at the time understand that the JFSA were keen to ensure that all SPMs were offered an opportunity to vent their frustrations with POL, and to do so in some official forum, but it also seemed to me the costs of doing so needed to be balanced against the likely outcome; if on the basis of the review done by POL there was simply no prospect of a mediation being successful, that to me seemed a course of action that had little to no utility.

323 On 17 October 2014 the WGR met in person (**[POL00040475]**). Towards the end of the meeting, after JFSA had left, as they had already cast their vote in favour of mediation in all cases and did not therefore want to participate in discussion of individual cases, Sir Anthony Hooper raised a number of points that would become important in relation to the Part 2 report. He first raised the question of "*who would be the beneficiary of any incorrect transaction, assuming there was no theft?*". It was explained this was most likely to be individual customers at the relevant branch although it was possible for Post Office clients (meaning, for instance, the Bank of Ireland) to benefit from incorrect transactions. The Chair then asked "*whether subpostmasters who have not entered the Scheme have, over the years, complained about unexplained discrepancies. He felt this was particularly important to address*

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given the their [sic] statements in paragraph 3.17 of their response to Second Sight's draft Part Two report, expressing confidence that there were no systemic problems with branch accounting on Horizon. Post Office said that paragraph 3.17 was not intended to suggest that there had been no other complaints about unexplained discrepancies and they could not say whether there had or had not been such complaints. However, just as with cases within the Scheme, investigations into complaints through the normal business processes had not identified any issues with the Horizon System.

The following points were made in discussion:

- *all transactions and data on Horizon were fully auditable* [as referenced above this was understood to be the case both before and after the Deloitte report]*; and*
- *there was a need to identify what happens in a practical sense where, for example, a customer pays a £100 utility bill using a credit card, the credit card is debited but the transaction is not shown as completed on Horizon; and the differences in this example between the old Horizon environment and new Horizon environment.*

It was agreed that there was a need to:

- *identify if there were any cases where a subpostmaster had been left with a shortfall having made no errors;*
- *set out 5-6 worked examples where Second Sight can identify a potential cause of loss in branch and Post Office the potential mitigation;*

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- *set out how often Post Office absorbs losses from Crown Offices and the level of tolerance in such errors before an investigation is commenced; and for*
- *Second Sight's part two report to reach a definitive view on these issues to the satisfaction of all members of the Working Group and the Scheme's Stakeholders (as far as possible)".*

Alan Bates' letter of 10 November 2014 to Sir Anthony Hooper

324 Partly as a result of that meeting, on 10 November 2014 Mr Alan Bates wrote to Sir Anthony Hooper (**[POL00107151]**) requesting, on behalf of JFSA, that several matters be "*noted*". In particular he comments that it is JFSA's view that the role of the WGR is not to approve which cases go to mediation and which do not, and references a number of public statements he says support that proposition. He then comments that JFSA is concerned that the WGR made a decision, after he left the 17 October meeting, the effect of which is that a number of cases were "*now being held back*" pending the preparation by Second Sight of a revised Part 2 report (see paragraphs 323 and 323 above). He further references a request made to Kay Linnell (of JFSA) to check her records to see whether she has any information which may need to be disclosed retrospectively in relation to criminal cases. Finally, he comments that "*where the money went, should not be the sole deciding factor used by Second Sight in considering whether a case is suitable for mediation*" is not the right approach to be followed in determining whether a case is suitable for mediation. His principal criticism of POL in that letter was that "*the original concept of actually seeking the truth*" had been abandoned and that POL was overly

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defensive. Mr Bates, in the final paragraph then concludes: "*The question now has to be asked, is there any point in continuing with the Scheme which is just being turned into a sham by the actions of the Post Office?*"

325 Given the passage of time, it is now hard to recollect with any certainty what my views were, then, of the criticisms made of POL in that letter. What can be said is that the terms of reference of the WGR make it clear that its role did extend to approving which cases were to go to mediation, and which did not. Absent any other documentation that might prompt my recollection in this regard it is likely that I was slightly perplexed as to why this issue was being raised now (although I appreciated that JFSA was not happy with the decisions of the WGR, which was essentially how Sir Anthony Hooper exercised his casting vote, in practice). Similarly, I do not believe that at the time, I had been made aware of concerns that Second Sight was "*concentrating purely on where the money went*" as the sole deciding factor in considering whether a case was suitable for mediation. I do not recall that this was the test, but on reading the documents again, it seems to me that this focus on "*where the money went*" was an issue initially raised by the WGR and Sir Anthony Hooper. I think the point the WGR and Sir Anthony Hooper were trying to get at was whether any loss shown in the accounts was "real", that is, if there was an apparent shortfall of £1,000 in a branch's accounts was it really that POL did not have £1,000 that it should have and, if that was the case, who in fact likely did have that £1,000? I think that Sir Anthony Hooper was trying to draw a distinction between inadvertent false accounting cases (where errors may have been made that led to a loss) and those where there had, perhaps, been a theft.

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326 This idea seems to have first been raised on 1 April 2014 (top of page 2, **[POL00026633]**) at a WGR meeting discussion a specific case (M054) in the context of POL's investigation report when it is recorded that the "*starting point should be to follow the money*" and the Part 1 report prepared by Second Sight outlines ways in which other parties could be beneficiaries of any shortfalls. Similarly, on 16 September 2014, it was suggested at a WGR meeting (**[POL00026685]**) that "*the case should be mediated to explain to the applicant where the money had gone*". It seems that Mr Bates thought that Second Sight was using the approach of "*where the money went*" as the "*sole deciding factor*" as to whether a case was suitable for mediation. I do not really recall this being the case, but I can see there was increasing interest/ focus on this by Sir Anthony in the WGR minutes as time went on. I think I read this particular aspect as more of a disagreement with Second Sight / Sir Anthony Hooper / the WGR as a whole on this issue, rather than an issue with POL's approach.

WGR Meeting of 14 November 2014

327 Mr Bates's letter was discussed at a meeting of the WGR on 14 November 2014 held at Matrix Chambers (**[POL00043630]**). That is not a meeting I have a specific recollection of, but it would appear from the minutes that Mr. Bates had sent the letter "*for the record*", and that a somewhat constructive discussion was held at that WGR meeting about the scheme and its operations. Two points of note stand out from those minutes. The first is a repetition of the point that JFSA felt that insufficient weight had been given to wider issues "*relative to the cause of losses in branch and where the money went*" (**[POL00043630]**). Secondly, it was agreed that "*if the final CRR is likely to make reference to the*

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Part Two Report, the CRR should not be released until completion of the Part Two Report".

328 At that meeting POL "*confirmed that it fulfilled all its duties relating to prosecutions*" and Sir Anthony Hooper said it was hard to know the utility of the mediation process until feedback received, which would not be until after 25 cases. It was agreed Second Sight should continue to produce CRRs, but inform the secretariat and applicants if it looked like they would want to hold a CRR back in any individual case until the Part 2 report was finalised.

329 A timeline was put forward to finalise Part 2 report – Second Sight were to submit outstanding questions to POL by 9 December 2014. POL was to respond by 6 January 2015, with a meeting between POL and Second Sight to be scheduled for early January. The draft report Part 2 report should be with the WGR by end February and the completed report released by the end of March 2015.

WGR Meeting of 8 December 2014

330 This timetable was reiterated at the meeting of 8 December 2014 (**[POL00043631]**), at which point Second Sight said they had 110 questions for POL to answer. Having released a report in August 2014 to some of the applicants within the Scheme (and that report having subsequently been made public), the fact they still had this number of questions outstanding did make me question Second Sight's initial thoroughness. At that meeting the Chair also said "*that reading through a number of cases had left him with the impression that a number of people appointed as Subpostmasters were unable to cope with the role"* (page 2 of **[POL00043631]**). This was consistent with my

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understanding of the broad tenor of the cases in the Scheme and POL's then understanding of the issues - that there may well have been wider issues with POL's recruitment and support of SPMs which were being looked at for the future by the Business Improvement Team, rather than the issues being experienced by SPMs as being caused by BEDs. I note that there is reference in this meeting to POL providing "*legal documents*" to Second Sight. Unfortunately, I cannot now remember what documents those were nor how this fitted into POL's previous position on legal files.

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Paper of 8 January 2015 to Sparrow Board Advisory Subcommittee

331 By January 2015 Jane MacLeod had been recruited (I believe that this had been known since early December 2014 although her start date had not yet been confirmed) and it was known I would be leaving POL shortly. It was also becoming increasingly clear that POL was receiving significant adverse publicity as regards the operation of the Scheme and the operation of the Horizon IT system and there was a concern that this was a result of focused efforts by JFSA to solicit both media interest and support from MPs. Furthermore, it came to POL's attention that JFSA had engaged a law firm, Edwin Coe LLP to explore legal options should the scheme not be able to resolve applicants' complaints. The firm described itself as "*the UK's leading class action firm*" and indicated on its website that litigation, as regards the Scheme, "*appears inevitable*" (see pages 2 and 12 of **[POL00022293]**).

332 My recollection is that POL was also concerned that Second Sight had not displayed the degree of impartiality that would be expected from independent

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advisers to the WGR. It appeared to POL that their lengthy list of questions to inform a further draft of their so-called (and now very delayed) Part 2 report may have been an attempt to broaden the remit of the scheme (from recollection, a number of the questions did not appear to relate to cases within the Scheme, either directly or in a thematic sense). Any wider remit for Second Sight, as I have indicated at paragraph 133 had been an issue which had been raised earlier in the history of the scheme but which POL by this time considered the matter settled as a result of (a) the WGR's agreed terms of reference and (b) Second Sight engagement letter dated 1 July 2014 (which Second Sight had agreed – see for instance paragraph 319 above - superseded any previous basis on which they had been acting).

333 It was on that basis that POL was therefore firmly of the view that any broader review of the Horizon IT system, unless specifically required in order to prepare a particular CRR for an application to the Scheme, was a matter outside the scope of Second Sight's contractual terms of engagement. Indeed, there was also a concern about Second Sight's approach to the Part 2 report (which was intended to address thematic issues raised in more than one applicant's cases).

334 This was the context in which a paper dated 8 January 2015 was submitted to the Sparrow Board Advisory Subcommittee, (**[POL00022293]**) containing a detailed analysis of the current situation, commentary on the challenges then facing POL and suggestions and a recommendation for a way forward. That paper, which would have been prepared by multiple individuals within POL and with the benefit of significant external legal advice (see for example Annex 5 which contained a summary of advice provided by Tom Weisselberg KC, on

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the public law implications of bringing the Scheme in-house), was submitted to the subcommittee by myself and Mark Davies. The paper contained recommendations to get the Scheme 'back on track' namely *"acceptance and adherence to:*

- *the scheme and its processes as originally designed (by all);*
- *the Scheme's proper scope (Horizon and associated issues only);*
- *the need to respect obligations of confidentiality and actively to promote this to individual applicants; and*
- *(crucially) the principle that evidence must drive its recommendations and conclusions*".

335 In the paper it was also stated that "*…it now seems clear that key stakeholders are now seeking to distort the Scheme to an extent which Post Office cannot tolerate*" (page 4 of **[POL00022293]**). My recollection upon re-reading the paper is that the reference to "*key stakeholders*" is a reference to JFSA and to a lesser extent Second Sight. Although JFSA were clearly a campaign group, and were seeking to further a cause which they considered important, their actions (in generating media and parliamentary pressure, and the pending group action) at that time appeared to be damaging the activities of the WGR itself and the likelihood of the Scheme resolving any particular cases. It seemed that JFSA and Second Sight wanted to expand Second Sight's remit from that agreed by all parties in Second Sight's engagement letter of 1 July 2014 and to conduct a wide-ranging investigation of other matters, which POL was not happy to agree to.

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336 As set out in that paper, by that time costs of over £5,000,000 had been incurred by POL in connection with the Scheme, with POL having investigated all but 2 cases by that point. Given there had originally been 150 applicants to the Scheme, that was over £33,000 in costs per case in circumstances where the 22 cases which had settled during the course of the Scheme had done so at a total cost of around £60,000 (i.e. less than £3,000 per case).

337 My understanding of POL's perspective was that, although some of the cases had revealed that POL could or should have done more to assist applicants, the Programme Team had reported that there was nothing to suggest there were issues with the Horizon software and the issues were principally to do with how POL had engaged with SPMs (and POL was dealing with that on a forward looking basis). Indeed, as I recall it, both JFSA and Sir Anthony Hooper had suggested that some of the applicants to the Scheme had been wholly unsuited to being a SPM and (implicitly) poor recruitment, and support, by POL of SPMs in the past had led to some of these issues.

338 Had I had any idea of the issues that have now become clear, obviously my approach to all of these matters would have been very different. At the time I did not know the issues with Horizon and I had no reason to believe that the information that I was being given was not an accurate assessment of the position.

339 At the Sparrow Board Advisory Subcommittee meeting on 12 January 2015 (**[POL00006575]**), the Subcommittee agreed with the recommendations in that paper and asked for an Options paper to be prepared for the Board to bring the Scheme to an end.

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340 I have been asked to set out my recollection of any discussions on bringing the Scheme, the WGR and/or Second Sight's involvement to an end. I have discussed my recollections on those discussions above. I cannot now recall specifically any such discussions after this meeting of 12 January 2015. I am aware that POL did ultimately close down the WGR (and, I believe, agree to mediate all cases) but this did not happen until after my departure and I do not think I had much, if any, involvement in progressing either an Options paper or the making of this decision between that January 2015 paper and my departure around the end of February 2015. However, I am almost certain that by the time I commenced my handover with Jane MacLeod, at the end of January 2015, there was a general expectation that the WGR would be wound down and Second Sight's engagement terminated but I cannot now recall if all the detail had been finalised and, if so, by who.

WGR Meeting of 14 January 2015

341 The only other relevant issue (other than in relation to criminal matters, which I deal with below) on which I have been provided documents in this time is the finalisation of the Part 2 report and in particular on the "suspense account issue". I note again that the Part 2 report was not finalised until after my departure. However, as mentioned above, in December 2014 Second Sight had raised various questions of POL, which POL largely answered in early January and which were discussed at a meeting on 9 January 2015 between POL, Second Sight and Bond Dickinson (**[POL00022296]**). However, POL was still planning to decline around a third of these questions as they had either already been answered or had no direct relevance to the complaints within the Scheme.

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POL was concerned that providing information on matters unconnected to the cases in hand (or the themes arising from them) would delay the Part 2 report still further. This was in turn delaying the mediation of a number of cases that had been held pending production of the Part 2 report. There was also a very real concern within POL that this was in reality a 'fishing expedition' by Second Sight for purposes outside of the remit of the Scheme.

342 Evidence of Second Sight's "wide-ranging questioning" can be seen in the minutes of the working group of 14 January 2015 (minutes at **[POL00043633]**) in which it is noted that the Chair agreed that, of the three major themes identified by Ian Henderson of Second Sight in the questions to which POL was objecting, the "*first two questions were too wide*", and Sir Anthony Hooper asked Second Sight "*to narrow their questions*". The Chair did, however, did not think that "*the provision of evidence of any criticism of [POL] in any prosecutions*" was too wide (I cannot now recall what this was about). He did also ask POL to address the suspense account issue as a matter of urgency. I do not believe that I had been actively involved in this matter prior to that point and whilst I was not particularly involved after this point I set out my involvement as far as I can below.

Finalisation of Second Sight's Part 2 Report and Suspense Account Issue

343 I cannot now recall exactly what then happened, but it appears that the following day Belinda Crowe approached Alisdair Cameron (the then newly appointed CFO) for someone in his team to deal with suspense accounts with Second Sight (**[POL00040805]**). My recollection is that I was, at the time, rather concerned that Alisdair, being new to the organisation, would treat such the

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request from Second Sight in such a way as would lead him to disclose information unconnected to the Scheme. I was not sure whether he, at that stage, had knowledge of the fact that Second Sight had, in POL's view, previously tried to use questions asked in connection with the so-called Part 2 report to undertake a wider (and unsolicited) review of the Horizon system.

344 In the event, I think that my concerns were misplaced as his team was, I believe, able to provide the information that Second Sight needed to their satisfaction without delving into other aspects of the system. I think my involvement was mainly in setting out the parameters around the brief which had been outlined by Belinda. Those parameters were that: "*I am concerned that we give Second Sight no more information than is necessary to address the narrow proposition that money that is "missing" from an SPMR account is somehow taken into our suspense account and then appropriated to our P&L"* (page 3 of **[POL00040805]**).

345 I can see that in his response to me and Belinda, Alisdair writes, "*Rod Ismay is the right person to do this. He will fill in any blanks on the attached document and send it back to us. I suggest that you and I review the final draft before it goes back. As ever, I may be more inclined to be open, while recognising the desire not to set more hares running. Talking to Rod he is comfortable that we work systematically to stop branches being disadvantaged and where we have worked through client suspense accounts and released monies back to credit the p/l account, this operates independently of branch accounting and the branches have not been disadvantaged*".

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346 I then seem to drop out of copy and no longer be included emails relating to this matter, but it appears a meeting between Angela van den Bogerd, Andy Parsons and Rod Ismay was set up on 16 January 2015. I do not particularly recall having any further involvement and I can see that when Alisdair emailed me again (as well as my successor, Jane MacLeod, and Belinda Crowe) on 27 January 2015 (**[POL00025787]**) I seem to have very little idea what he is talking about and forward the email to a number of people in the Sparrow Programme Team, as well as Angela van den Bogerd, Rod Williams, Andy Parsons at Bond Dickinson for comment.

347 Andy Parsons replied to me, filling in the answers to Alisdair and offering to talk through his points. I understand from the Inquiry that the documents **[POL00025783]** and **[POL00025784]** were attached to this email although it is not clear to me exactly how they relate to each other. I cannot now recall if I looked at these documents, I suspect not as it seems from the papers that this matter was being dealt with by the Sparrow Programme Team, the finance team and Bond Dickinson and that I only became re-involved because the new CFO (probably mistakenly) directed a query to me. Overall, therefore I am fairly certain I had no substantive involvement in drafting the response to Second Sight on this issue.

My thoughts regarding the success of the Scheme

348 I have been asked to what extent, if at all, the Scheme achieved its purpose. As set out at the paper of 8 January 2015 (**[POL00022293]**) referred to at paragraph 334 above, and as set out above, the aims of the scheme as initially conceived by POL were to "*provide a mechanism to investigate*

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Subpostmaster's concerns proportionately and effectively" and to "*try to achieve a mutual and final resolution of Subpostmaster's legitimate concerns about Horizon and any associated issues, whether through mediation or direct discussions*" (**[POL00146797]**). As noted in that 8 January 2015 paper (**[POL00022293]**) of the 146 cases accepted onto the scheme, 16 cases had settled outside of the mediation process, and 10 cases had been mediated – of which 4 had been resolved, 5 closed without resolution and 1 was ongoing. The paper noted that of the 22 cases which had been resolved (I cannot work out what this figure is comprised of as only 20 cases are referred to as having been resolved – 16 outside of mediation and 4 in mediation) the total compensation paid had been around £60,000.

349 Whilst 104 investigations had been completed by POL, but Second Sight had only completed 26 CRRs to the point where the WGR had been able to make a recommendation as to whether or not to mediate. Furthermore, significant management time and expense had been incurred (paragraph 4.2 records this as around £5,000,000). Relationships between POL and the JFSA had also deteriorated with trust having been eroded. As indicated elsewhere in this witness statement, there are a number of clear reasons why events turned out as they did. These include very different and almost irreconcilable perspectives (as between POL and JFSA) about the scheme, and what it had initially been designed to achieve, and markedly differing expectations as to the amounts of compensation that could or should be paid as part of the mediation process. In addition, it would appear that all parties significantly underestimated the very significant administrative burden such a scheme would impose on POL, the

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WGR and Second Sight, whilst significantly overestimating the benefits of mediation as opposed to some form of binding adjudication.

350 In these circumstances, it would be very challenging to argue that the Scheme had achieved its purposes other than to the most limited extent. It is, of course, a separate matter to identify the lessons that can be learned from this episode to prevent something similar occurring in the future. I have set up my thoughts on this matter in paragraphs 391 and 392 below.

CRIMINAL LAW ASPECTS

351 As explained in paragraphs 9 and 10 above, my legal expertise extends to financial services, company commercial and corporate matters, not to criminal law matters. Indeed, during the interview process there was no mention of the need to have had experience of criminal law. Possibly the reason for this was that POL, historically, had relied heavily on advice from external advisers, in particular Cartwright King, who I understood had been carrying out prosecutions on behalf of POL for some years with the involvement of Jarnail Singh, POL's in-house criminal lawyer. Furthermore, when I joined POL there was an effective moratorium on issuing criminal summonses against SPMs so possibly it was considered that this type of expertise would not be needed in an Interim GC.

352 It is fair to say that during my period at POL the pre-existing practice of relying on Cartwright King and Brian Altman KC in relation to criminal matters continued. To some extent, I also relied on Bond Dickinson, who whilst not providing advice on criminal matters, provided background information, colour and context which would otherwise have been missing. To some extent, albeit

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limited, this 'colour and context' was augmented by information provided from internal resources, such as Jarnail Singh.

353 As can be seen from paragraphs 354 to 387 below, my recollection on reviewing the documents provided to me is that there were, broadly speaking, five separate times during my 17-month tenure at POL during which external advice on criminal matters was sought and/or obtained by me and the internal legal team in an intensive manner. They are:

353.1 within the first month or so immediately upon my arrival at POL (including Cartwright King Solicitors' briefing note dated 16 October 2013 (**[POL00108136]**) and Brian Altman's advice of 15 October 2013 (**[POL00006581]**)) and Brian Altman's subsequent advice of 21 October 2013 in relation to POL's prosecutorial role (**[POL00123009]**);

353.2 in December 2013 when Cartwright King gave an update on their review (**[POL00040194]**);

353.3 around the time Brian Altman KC had prepared a draft policy in July 2014 the second review of the draft policy on or around 30 June 2014 (**[POL00125208]**);

353.4 when Brian Altman KC's advice was sought on including criminal cases within the Scheme in August / September 2014 as referred to above; and

353.5 when I met with Brian Altman KC to discuss POL's draft prosecutions policy.

There may well have been other occasions on which I was involved in specific questions being asked of Cartwright King and Brian Altman KC but nothing in the papers provided to me has triggered any clear recollections in that regard.

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As above I am sure Cartwright King had some involvement in the Scheme for cases where there had been a conviction, but I was not really involved in that.

Review of Past Convictions

354 I have provided my recollection of the materials that I was provided with on my arrival and my knowledge of these issues in paragraphs 88 to 91. My personal involvement in the review process was essentially limited to being briefed as to the ongoing review, and to making enquiries as to whether it was proceeding in a timely manner and whether any further issues had been identified or raised in the process. In addition, I would have no doubt have assured myself that channels of communication were open such that if Cartwright King, Bond Dickinson, or any member of the internal legal team had concerns over matters that they escalated them to me. I can see I received further advice from Cartwright King on 5 December 2013 (**[POL00040194]**) which referred to an "*in-depth Review of over three hundred cases. Some of these cases have been reviewed by three separate solicitors and barristers. Of the cases that have been recommended for disclosure we have yet to hear of any application made to the Court of Appeal*" (pages 12 to 13 of **[POL00040194]**).

355 As a lawyer with no specific expertise in criminal law matters, it seemed to me appropriate for POL to rely on external advice that the scope of the historic review of non-disclosure matters was adequate and carried out appropriately. My recollection is that at the time I had no reason to doubt either that advice or the adequacy of the review.

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Disclosure in Criminal Cases

356 I have been asked to what extent, if at all, did I consider that POL should conduct further searches for documentation that might be relevant to the existence of BEDs or might otherwise cast doubt on the safety of convictions on the basis of data generated by the Horizon IT System. My approach and thinking on the breadth and depth of the disclosure exercise with respect to historic convictions was informed almost entirely by the advice I, and POL more generally, received from Cartwright King, Brian Altman KC, and, to a lesser extent, Bond Dickinson. To the best of my recollection, no advice was received from any of them that further searches for documentation should be undertaken in order to ascertain whether additional disclosures should be made. Had such advice been received, then I have no doubt that I would have taken steps to ensure that searches for further documentation were carried out. However, in the absence of such advice, and given my limited knowledge as to what had been done previously, I think that I would have taken comfort from (a) the fact that a weekly hub call had been established the purpose of which was to collate disclosable material on an ongoing basis and (b) there were within POL and its external legal advisors others with criminal prosecution expertise who had been considering the matter.

357 Other than in relation to the briefing I received on the review exercise that was in train at the time I joined POL, during my limited time there, I had little or no involvement in any ongoing disclosure matters. The only exception to this was in connection with the Scheme. As explained, above, as part of the mediation process, POL carried out an investigation into each individual applicant's case

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and prepared an investigation report that was then provided to Second Sight who in turn prepared a CRR. Bond Dickinson provided legal review of POL's investigation reports. This process was the same for applicants within the Scheme who had a criminal conviction (albeit as explained above, mediation of these cases was deferred), which I think was around a quarter of the applicants to the Scheme, and I believe the legal review of investigation reports in those cases involved Cartwright King. I was not personally involved in the day-to-day investigation and therefore do not think I was involved in any particular decision to disclose/ not disclose any particular material to individual applicants, and I dealt only with the general position as regards (a) Second Sight's access legal files (see paragraph 203), and (b) how to deal with applicant's raising Helen Rose Report (see paragraphs 287 to 288). I also discuss the Deloitte report in this context at paragraph 265 above.

POL's Prosecutorial Role and Policy

358 My first substantive involvement with reviewing the prosecutorial policy was several weeks after starting at POL. Brian Altman KC had provided advice (I only have a draft at **[POL00123009]**) within my first week or so, which I broadly understood to say (a) there were good reasons for POL to retain a prosecutorial role, but (b) its policies were a bit of a mess and needed revision. My recollection is that I was asked to draft a paper for the November meeting of the ARC, and I submitted that paper on 8 November 2013 (which in my documents appears in the agenda and papers for an ExCo meeting on 12 November 2013 (**[POL00027150]**)). Brian Altman KC's advice seems to have

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prompted a draft policy by Cartwright King (**[POL00030686]**) apparently dated 1 November 2013 but I think this was just a draft and was not ever adopted.

359 As referred to in paragraph 86, I was very surprised to discover that POL did not have any special prosecutorial powers or duties. Coming from a commercial background, the notion of using criminal law in such a manner was entirely alien to me. My experience elsewhere had been that, when faced with a loss caused by an employee or agent, the organisation concerned would (at most) pursue the matter through the civil courts or if there was a suspected theft or fraud, refer the matter to the police. Usually, however, such losses would be dealt with by making process improvements. It seemed to me, therefore, that POL was at risk of being seen to be out of step with other organisations and should be cognisant of that fact, which is something that I tried to convey in my paper to the ARC.

360 I expressed doubts about the merits of the business case that had been put forward by POL's Head of Corporate Finance to Brian Altman KC for POL retaining a prosecutorial role (as set out in pages 16 to 17 of the draft advice (**[POL00123009]**)), particularly the idea that the terms on which insurance could be obtained would be materially affected by the existence of a prosecutorial capability. I also highlighted in my own words that, although it could be said to be more efficient to recover debts via the criminal process "*it is a fairly blunt and sometimes brutal process*", and that "*most companies when faced with theft from employees, or agents, would simply contact the police, and if fraud were a persistent problem, develop processes for engaging with them*" (**[POL00027150]**).

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361 I then set out four options – (a) preserving the status quo, (b) retaining a prosecutorial capability but focussed only on high value cases/ cases involving vulnerable members of society, (c) ceasing all prosecutorial activities and (d) ceasing all prosecutorial activities but coupled this with other work to improve overall control around the branch network and provide more support to SPMs. I flagged that option (d) was "*perhaps the closest to that adopted by banks and other organisations facing serious losses through fraud and criminal activity*" and set out that that was my recommended option (see page 5 of **[POL00027150]**). I asked the ARC and ExCo to give their approval to take that option forward.

362 I can see that the Prosecution Policy was on ExCo's agenda for 12 November 2013 (**[POL00027150]**) and my note of 8 November 2013 was in its papers. From the papers I have it seems the ExCo meeting likely did not take place on that date but rather on 19 November 2013 (see the running list of ExCo actions (**[POL00027423]**) and a subsequent reference in **[POL00199360]**; it would have been very unusual to have a meeting on both 12 and 19 November). The actions from ExCo's 19 November meeting did not involve anything apparently to do with the Prosecution Policy. I do have a vague recollection that ExCo agreed with adopting option '(d)', subject to the approval of the Board, but I cannot find anything in the documents to support that recollection.

363 My note of 8 November 2013 was then discussed at a meeting of the ARC on 19 November 2013. ARC (see pages 3 to 4 of the minutes at **[POL00038678]**) is reported as being concerned that a change in prosecutions policy might affect the progress of mediations by *"raising questions on previous*

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prosecutions", and there was an obvious reluctance to cease prosecutions as "*in their view this acted as a deterrent*" (page 4 of **[POL00038678]**). I do have some (very limited) recollection of this meeting, and of Paula Vennells resiling from what I recall ExCo's view to have been in the face of ARC's views, saying that the proposal was not that POL would "*never bring prosecutions, but that [POL] would be more circumspect in the cases it chose to take*" (page 4 of **[POL00038678]**) (that is more like my option (b)).

364 In the event, it was suggested to take the policy to the January Board, presumably as revised to reflect the desire expressed by ARC, that prosecutions did not cease in their entirety. Other than as mentioned above, I have no specific recollection of the challenges raised by the members of the committee present at that meeting in connection with my recommendation that POL should cease "*all prosecutorial activities*". I would however have probably been somewhat surprised by ARC's recommendation given the arguments I had put forward in favour of discontinuing the practice and, as I recall, ExCo's approval of that.

365 I have been asked to what extent, if at all, my or others' views of POL's prosecutorial policy were influenced by the prospects of recovering alleged losses from SPMs. As should be evident from my comments above, my own views on POL's prosecutorial policy (i.e. that it should cease conducting its own prosecutions) were not in any way influenced by the prospect of recovering alleged losses from SPMs. I was not in favour of POL using the criminal legal system in relation to what to me, seemed to be a civil law matter. On a forward looking basis I also suspect that focussing on process improvements would

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have led to fewer losses occurring in the first place and therefore less need to try to recoup such losses from SPMs. Indeed, my recollection is that the Business Improvement Programme had quite quickly had an impact on levels of losses and investigations. That obviously did not affect the position in relation to losses which had already occurred.

366 During my time at POL, I was made aware of 'office rumours' to the effect that 'in some quarters' it was believed that criminal proceedings were a quicker way of recovering alleged losses and therefore were to be considered advantageous. I do not believe that such rumours referred to the Board or its members, nor indeed was it ever explained to me who exactly held these beliefs. I am unable to say, therefore, to what extent the recovery of losses was a factor, in the minds of others, when setting or applying the prosecutorial policy in place at POL prior to my arrival. That said, it is evident from ARC's meeting minutes from 19 November 2013 (at paragraph (c) on page 4 of **[POL00038678]**) that members of that committee asked "*whether the business would still be able to recover branch losses through the Civil Courts*" to which I answered yes albeit it might be slower and recover less.

367 I believe that is why, in my subsequent February 2014 note referred to below, I gave some detail about debt recovery timescales (i.e. to show I had considered this point). However, I have no recollection of any matter that suggests my note influenced their decision one way or the other. I should also note in this context, that whilst the draft policy prepared by Mr Altman KC that I discuss at paragraphs 375 and 376 below referred to itself as an "*Enforcement and Prosecution*" policy, this was not in the sense of a policy to enforce recovery of

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losses – it is plain from the policy itself that it was intended to refer to the suite of measures open to POL in cases where there had been potentially criminal behaviour by SPMs escalating from informal action right up to criminal action.

368 In my note to the Board of 21 November 2013 (**[POL00027482]**), I indicated that a verbal update on the review of the prosecutions policy would be given at the next Board meeting, scheduled for 27 November. The matter was duly discussed at the meeting of 27 November 2013 (**[POL00021520]**) though I cannot now remember whether my paper of 8 November 2013 was presented.

369 At that meeting of 27 November 2013, the Board appeared to decide to defer any further consideration of POL's future approach to prosecutions until such time as it was able to consider proposals for improving the business support processes available to SPMs (i.e. further information on the Business Improvement Programme).

370 I presume as a result of a request from the Board, or management, it appears in early February 2014 I submitted another paper to ARC on POL's prosecution policy. I have two similar documents, both headed "*Post Office Audit, Risk and Compliance Committee Prosecutions Policy*" papers. **[POL00125090]** is a version apparently dated 4 February 2014 and **[POL00030716]** a version dated 7 February 2014. I have almost no recollection of these papers, nor do I know which is the final document. The copy at **[POL00030716]** seems to have had a different Appendix A and a few other changes, in particular: (1) a suggestion that the prosecutions policy makes it clear prosecutions will not be started on the basis of Horizon only evidence is removed, and (2) a suggestion the policy be published on POL's website in full is changed to a suggestion the policy is

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published as far as possible on POL's intranet. For reasons that are apparent from my earlier "*recommendation (d)*" in my paper of 6 November 2013, I would have been in favour of stopping any prosecutions started on the basis of Horizon only evidence (and indeed all prosecutions). Others will undoubtedly have taken a different view. In any event, at that time, prosecutions were not being brought at all by POL.

371 In any event these papers again set out that POL's role in prosecuting SPMs was anachronistic and contained data in terms of recoveries (both criminal, and civil), as that went to ARC's query as to "*whether the business would still be able to recover branch losses through the Civil Courts*". Nonetheless it also made it clear in both versions at paragraph 3.3, that "*the principal purpose of criminal prosecutions is to punish and deter wrongdoing, **not** to recover financial loss*" (emphasis in the original). By the time that I prepared this paper it was, as far as I am able to recall, becoming increasingly apparent that my earlier proposed option (option(d): cease all prosecutorial activities coupled with the Business Improvement Programme) had little support from either the ARC or the Board and accordingly it was dropped as a recommendation. As part of the work done in preparing this paper, it had also become apparent that many SPMs were prosecuted for false accounting, and that (as I say in the paper) in some cases POL may "*have only secured evidence that the Defendant covered up losses by falsely recording the branch's financial position (e.g., to avoid paying losses back and/or to keep their branch)*" (para 3.1 in both versions).

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372 The 4 February 2014 version of this note (**[POL00125090]**) contained a number of points within the Appendix:

372.1 "*It is however questionable how much the fear of apprehension and prosecution deters false recording of branch financial data, which a subpostmaster may not perceive to be criminal conduct, especially when s/he may not accept responsibility for the actual financial loss. It is for this reason we recommend that in the future, we only prosecute cases involving the "higher level" of criminal conduct*" (paragraph 2).

372.2 I flagged that some government clients (e.g., UKBA) obliged POL to maintain a criminal law team (paragraph 3).

372.3 I also suggested that the prosecutions policy made it clear that for the time being prosecutions based solely on evidence from the Horizon system would not be pursued (paragraph 4 and 5).

373 I think it is clear from both versions of the paper that my (fall-back) recommendation was essentially that, should prosecutions ever re-commence, POL should not continue to prosecute as it had done previously and prosecutorial activities should in the future be severely restricted. It is plain from my 8 November 2013 paper that I thought that focussing only on, for instance, high value cases and/or those involving vulnerable people was potentially problematic because there was a risk that "*any residual prosecutions undertaken by [POL] would be conducted so infrequently* […] *as to mean that it was not efficient to maintain an internal team to handle them*" (page 5 of **[POL00027150]**). Despite my own reservations, given the views of the Board, I considered the option put forward in my February 2014 paper of POL deciding

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to prosecute "*egregious*" cases only as a positive move away from POL's prosecutorial activities in the past and towards the more usual approach of, for example, banks I have mentioned above. In the meantime, it ensured POL had a policy in place governing their approach, which seemed to me important if POL wished to maintain this prosecutorial function.

374 I cannot now recall in any detail exactly what happened after that February meeting of the ARC, nor have I been provided with any papers that would assist me in that regard. However, I think it was the case that POL decided (albeit I do not remember whether it was ARC, ExCo or the Board specifically) to move forward with drafting a prosecutions policy on the basis of the February 2014 paper (i.e., for more "*egregious*" conduct only). Clearly, this was an approach lawfully open to it, regardless of any proposals (or views) I may have put (or had) to the contrary. Furthermore, as can be seen from the advice from Mr Altman KC of 21 October 2013, albeit I only have a version marked draft (**[POL00123009]**), there were thought to be good reasons from a criminal law perspective for POL to continue its prosecutorial functions, and indeed POL had decided that there was a good business case to do so. In these circumstances, and despite my own personal views (which had been relayed to ARC and the Board), I considered that my role was to ensure that any prosecutorial activity, when undertaken, was undertaken properly and to that end it made sense to reflect the Board's preferred approach in a formal policy document.

375 I do not recall being particularly involved in the actual drafting of the prosecutions policy thereafter. As I have said, I do not have any specialist knowledge on criminal prosecutions although I can see from the papers that I

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attended a conference with Brian Altman KC and others on 25 April 2014 to discuss the ambitions for the policy and this obviously prompted a draft by Brian Altman KC, and comments by Cartwright King (**[POL00125208]**) to which Brian Altman KC responded on 14 July 2014 (**[POL00123314]**). I can see I am noted in various documents as wanting the policy to be "*real world*", meaning giving guidance as to the kinds of issues encountered in practice and a policy people could easily apply.

376 I believe the draft version of the policy at **[POL00123376]** was probably that drafted by Brian Altman KC in July 2014 and the version at **[POL00123377]** had POL staff's amendments to it - the document name shows it as seeming to include the comments of "*JM, JS, BC and JMC*". I assume this is Jessica Madron, Jarnail Singh and Belinda Crowe (I cannot think who JMC was). Those amendments were ultimately discussed at a conference with Brian Altman KC and Bond Dickinson on 22 October 2014. I attended with Jessica Madron and Jarnail Singh and we discussed the amendments that POL had proposed to the policy and both Jarnail and Mr Altman KC were left with actions in relation to the policy.

377 From the papers this seems my last significant involvement in the development of POL's prosecutorial policy, and I do not recall anything material subsequently. I am fairly certain that at the time of my departure a new policy had not been adopted (it does not even appear from the papers I have been provided with, and I cannot recall, that any of the drafts were submitted to the Board). It may well be the case that the POL Board did, in fact, formally approve

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a revised policy in that period, but absent such papers I have no recollection of the Board meeting to discuss the matter.

378 I suspect the prosecutorial policy was not progressed with more speed because prosecutions were on held. Certainly, I did not feel it a priority (either coming from the Board or my own perspective) to have a policy in place to allow POL to recommence prosecutions. Early on, I think there was more desire to finalise a prosecutions policy as that was seen as necessary to deal with the so called "*stacked cases*" (which I discuss further below) but I think a decision was ultimately taken on the "*stacked cases*" before a policy was finalised, which meant the finalisation of the policy was (in the context of all the other work of POL at the time) not a priority.

ONGOING PROSECUTIONS

379 As already mentioned, during my time at POL there was an effective moratorium on bringing new prosecutions and to the best of my recollection no new summons were issued, nor cases brought to trial, by POL during my tenure (although some confiscation proceedings on the basis of existing convictions may have taken place as I explain further below). I cannot now recall if this was an explicit decision of the Board, or the ExCo, or if this was a de facto moratorium because POL had not yet (a) identified a suitable expert to use in future criminal proceedings nor (b) settled its prosecutorial policies.

380 As above, work was being undertaken on POL's prosecutorial policy and it is apparent from the papers that some work was being undertaken to identify a suitable expert: Cartwright King mentioned it at the outset and I can see that Jarnail Singh sent an email to me, and others (including Rod Williams, Andy

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Parsons and Martin Smith of Cartwright King), on 4 July 2014, with an initial proposal from Professor Kramer and Dr Dulay as to the work required (**[POL00125568]** and **[POL00125569]**). I see that they had been identified as potential experts by Cartwright King in their briefing to me of 16 October 2013 (page 9 of **[POL00108136]**). I have little, if any, recollection of these documents now. Indeed, it is unclear to me at this stage why Jarnail should have approached these consultants otherwise than in connection with his search for an expert, or in an attempt to be helpful in terms of a further examination of the Horizon software, following receipt of the Deloitte Board Briefing. My recollection is that this proposal was not progressed, possibly because in between Cartwright King's recommendation in October 2013 and this proposal, Deloitte had been instructed. Whilst, as I say above, I am virtually certain Jarnail was aware of the Deloitte report throughout, given this I think he must have known about the Deloitte report following this email and Professor Kramer and Dr Dulay's appointment not being progressed.

381 I do not recall authorising the commencement of any prosecutions during my tenure at POL (nor was I aware of anyone else authorising private prosecutions by POL). At the point I joined, I think there were a handful of prosecutions still technically ongoing as well as ongoing criminal investigations, although in the absence of the papers provided to me, I would have struggled to remember the detail.

382 In my draft note to the Board of 6 December 2013 (**[POL00038633]**) there is a pie chart at page 4 and some detail which appears to show that 48 cases were within some form of criminal process (whether getting advice on investigating,

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up to prosecution) at that point. This information is presented in a slightly different way in the final draft **[POL00100003]** which refers to there having been 18 "*in flight*" cases at the point of the Second Sight Interim report (which included any case where a summons had been issued right through to cases where a conviction had been obtained and POCA confiscation proceedings were ongoing). The paper notes that 3 of the "*in flight*" cases were cases which had not reached trial and it was unlikely they would do now so. It also noted that no new summons had been issued since the Second Sight Interim Report and no new summons would be issued "*until future policy in this regard is determined*" and "*without first obtaining the opinion of an independent expert witness in relation to the integrity of the Horizon system*".

383 This figure of 18 "*in flight*" cases seems higher than I had remembered. There is, within a report to ExCo reference (at page 67 of **[POL00092172]**), to there being five ongoing criminal cases as at 19 February 2014, three of which related to criminal confiscation proceedings. Even that seems higher than I remember. I cannot now recall what the other two were as from recollection all Horizon related cases, even post-charging stage, were effectively suspended. In terms of the criminal confiscation proceedings the paper of 6 December (**[POL00100003]**) broadly sets out what may well have continued to be the case as regards POCA proceedings (I cannot now remember). In practice it seems that POL was not opposing any applications for extensions made by defendants in such proceedings, albeit that, as set out at page 4 in **[POL00038633]**, POL would not itself apply generally for delays, other than for cases within the Scheme. Certainly, I do recall John Scott (Head of Security) at some point in my tenure informing me of some sort of ongoing criminal related proceedings

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and I asked him whether it was in breach of the moratorium on prosecutions. He assured me it was not. I think, but cannot be sure, that this related to enforcement of a confiscation order (i.e. POCA proceedings) that had been made before my time.

384 I recall there were also some so called "*stacked*" cases, which were those cases where a SPM had been interviewed under caution, prior to Second Sight's Interim Report but where no charging decision had been taken and a summons had not yet been brought. As mentioned at paragraph 378 above, I believe it was initially anticipated that a charging decision would be taken once the prosecutorial policy was finalised, and in my February 2014 papers (paragraph 5.5 of **[POL00030716]** and paragraph 5.4 of **[POL00030716]** I flagged that a decision should be made about these cases as soon as possible. (Both Paula Vennells and I agreed later in February 2014 that we were uncomfortable keeping these people waiting - see the penultimate bullet point on page 2 of **[POL00116285]** – as it would be very stressful for them).

385 My February 2014 papers do note however that there is a separate paper on the "*stacked cases*" would be considered at the next Board / ARC meeting and I assume that is what happened, although I do not have the minutes of either meeting. From memory, I think it likely a decision not to charge was made in all cases. There were within the Scheme initially handful of cases involving an ongoing criminal investigation (**[POL00026634]**) refers to five: cases M025, M102, M134, M141 and M145), which I think were probably "stacked" cases. They were not fully admitted to the Scheme until the criminal investigation concluded. I can though see from the WGR minutes that ultimately all of these

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were accepted onto the Scheme, presumably when as no further criminal action was taken, and four of these progressed to the point of investigation reports being prepared by Second Sight (with one withdrawing following POL's scheme investigation).

386 I can see on 12 January 2015 at a Sparrow Subcommittee meeting I am noted as saying "*CA reported that changes to business processes had resulted in a reduction in current litigation cases. Post Office was not bringing a material number of new prosecutions, but in blatant cases of theft where large amounts had been stolen the police continued to prosecute the cases. The Committee was assured that cases were being prosecuted where appropriate*", (paragraph (d) of **[POL00006575]**) which is consistent with my recollection that POL was not bringing prosecutions and indeed with my advice that other organisations would involve the police if there was suspected criminal conduct. Whilst the phrasing is a bit unclear, I do not think it was that POL was not bringing a material number of prosecutions – I do not think it was bringing <u>any</u> prosecutions itself though there may have been some matters which were referred to the police.

387 I understand from the Request, that no convicted SPMs, whose conviction was based upon data derived from the Horizon IT system, had their convictions overturned until 2021, some six years after I left POL. I am asked to comment on why I think this is. I am not able to assist with this request as the information in relation to these issues radically changed since 2015 when I left. The information that I had when I was in post indicated (wrongly) that very few if any SPMs were likely to have their convictions overturned.

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GENERAL

388 I have been asked whether there is anything from my time at POL that I would have handled differently in hindsight in relation to the issues the Inquiry is considering.

389 During my time at POL, amongst other issues, the organisation was trying to deal with the matters of concern that had been raised by the SPMs with the Horizon IT system and the Scheme. Although there are many different, and distressing, aspects to this matter, at its heart it is now clear was the problem that the Horizon IT system was not operating as it should. At the time of joining POL there was an axiomatic belief that the Horizon system was essentially fit for purpose and worked appropriately.

390 To my mind, therefore, a more appropriate response by POL, when initially faced with challenges by SPMs, would have been one that was more data driven and therefore more cognizant of the concerns raised by the SPMs rather than starting from the assumption that the system worked. While I can see why it was that the organisation started from that position, ultimately it has been shown to be the wrong way around.

391 When those initial complaints were received, well before the Scheme was conceived and publicity first generated, I believe a more holistic response by POL would have been to collect data on where and in what circumstances these complaints were being generated across the whole network, rather than dealing with them on an ad hoc basis as raised by individual SPMs in the Scheme. This no doubt would have required the establishment of some form of central function to collect in that data, and analyse it. To some extent, the Scheme

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could have performed this function, although in my view the datasets it was looking at were far too limited and skills of those involved not appropriate to undertake this activity, which required more of an IT and data expertise. In reality some form of much wider survey would have been required involving soliciting feedback from all SPMs across the network. This would have picked up on "the wider user experience" and have given very valuable feedback as to issues facing SPMs on a day-to-day basis. This is what I refer to above in paragraph 105 above as taking a more 'commercial' approach.

392 Absent that data set and that analysis, POL's responses were reactive and clearly informed by only a partial understanding of the size of the problem. Indeed as mentioned in paragraphs 156 and 157, as 'only' some 150 individuals applied to enter the Scheme, this may in some ways have sent a 'false signal' to the Board that any problem with Horizon was limited in scope and the number of those affected small relative to the total population of SPMs and users of Horizon over the period in question.

393 The overall misunderstanding of the size of the issue led to the approach taken by POL, when challenged, which was that 'there is no problem here', a comment that was, in retrospect, made by way of assertion and possibly in reliance on the presumption that a computer operates correctly unless shown otherwise, rather than by reference to more exhaustive investigations. This inevitably led to a situation that was more adversarial and less cooperative than it perhaps needed to have been as well as one that did not identify the problem quickly enough.

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394 In my short period at POL, the Board and subcommittee either directly or indirectly commissioned external legal advice in great volume. This in some measure gave the Board comfort that it was doing the correct thing and was being seen to safeguard the public purse, which from a legal perspective was correct, but that is not necessarily the same as doing the most commercially sensible thing. There can of course be some tension between the two. Adopting a less legalistic approach could in my view have led to a different series of decisions by the key decision makers, with potentially markedly different outcomes.

395 With the benefit of hindsight, I acknowledge I may have been able to do more to encourage the Board to take a less legalistic approach. Whether or not it would have made a difference, I don't know. Nonetheless, of all the different things that could have been done differently with hindsight, that is probably the one which I believe that I could have done that would have had the greatest chance of making the most impact in the medium term.

396 A further issue which could have been handled differently is the disclosure of the Deloitte report. As explained above, with the benefit of what is now known about issues with Horizon, I can see that potentially the Deloitte report raised a red flag. In the circumstances as I thought them to be at the time, I did not recognise it as such and neither did anyone with a better understanding of IT systems than me alert me to any concern. I was part of a team that recommended further actions as a result of the Deloitte report which would have looked further into the issues raised but I do not now know what happened to

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the progress of that work and I have not been provided with any documents as part of this process to assist with my recollection on that issue.

397 I was reasonably satisfied during my time at POL that appropriate processes had been put in place, and were being followed, to ensure that any concerns about the safety of past convictions of SPMs were being disclosed to those SPMs. That said, one feature of my time at POL was that, in addition to POL's in-house criminal lawyer, there were a number of external lawyers involved in reviewing the material that should be disclosed in relation to historic convictions (for example, Cartwright King, Brian Altman KC and, to some extent, Bond Dickinson). Although in some ways this should have provided more comfort, not less, it did give rise to the possibility that a matter could fall between two stools. I have not been made aware of any evidence that this has in fact occurred, but nonetheless it remained a possibility.

398 I have been asked if there are any other matters that I consider of relevance to the Inquiry that I would like to draw to the attention of the Chair. I confirm I have nothing to add to my statement above.

STATEMENT OF TRUTH

I believe the content of this statement to be true.

Signed: GRO

CHRISTOPHER CHARLES AUJARD

Dated: 15 March 2024

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SCHEDULE 1

No.	URNs	Document Description	Control number
1.	**POL00029650**	POL Interim Report into alleged problems with the Horizon system	**POL-0026132**
2.	**POL00092172**	Post Office Executive Committee - Meeting of 13 March 2014 - Agenda & Update Papers	**POL-0091750**
3.	**POL00038678**	Minutes of the ARC Sub-Committee on 19 Nov 13	**POL-0027989**
4.	**POL00021523**	Meeting Minutes: Minutes for Board meeting held on 26th March 2014	**POL0000056**
5.	**POL00105528**	Project Sparrow Subcommittee ToR and discussion documents: Options for the future of the Scheme; Update on Horizon Assurance Work; public statements made re ICMRS and overview of ICRMS.	**POL-0105095**
6.	**POL00006565**	Project Sparrow Sub-Committee Minutes	**POL-0017844**
7.	**POL00006566**	Project Sparrow Sub-Committee Minutes 30 April 2014	**POL-0017845**
8.	**POL00006571**	Project Sparrow Sub-Committee Minutes 6 June 2014	**POL-0017847**
9.	**POL00006575**	Sparrow Sub-Committee Minutes 12 Jan 2015	**POL-0017849**
10.	**POL00027491**	Post Office Current Actions and Decisions Log RE: ExCo Meetings from 23/4/2013- 8/1/2014	**POL-0024132**
11.	**POL00027423**	Post Office Current Actions and Decisions Log ExCo Meetings from 23/4/2013- 13/3/2014	**POL-0024064**
12.	**POL00027479**	Post Office Ltd Risk and Compliance Committee meeting 20th January 2014 Agenda	**POL-0024120**

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13.	**POL00027483**	Post Office Board Risk Management Update November 2013 dated 21 November 2013	**POL-0024124**
14.	**POL00027431**	Post Office Limited - Initial Complaint Review and Mediation Scheme – Paper to the Board on advice from Linklaters about POL's legal exposure in relation to claims made by applicants to the Scheme and planned next steps in relation to the Scheme	**POL-0024072**
15.	**POL00027482**	Post Office Limited - Board Paper - Project Sparrow Update by Chris Aujard dated 21 November 2013	**POL-0024123**
16.	**POL00139000**	Sparrow Steering Group - Key Points and Actions from Meeting of 5 November 2013	**POL-BSFF-0001220**
17.	**POL00137911**	Email of 22 November 2013 from Sophie Bialaszewski to Chris Aujard cc'ing Glenda C Hansen, Belinda Crowe RE: Project Sparrow Steering Group Agenda and Minutes.doc	**POL-BSFF-0000305**
18.	**POL00138077**	Post Office; Initial Complaint Review and Mediation Scheme Programme Board Slides dated 17 January 2014	**POL-BSFF-0000313**
19.	**POL00041564**	Bankruptcy, prosecution and disrupted livelihoods - Postmasters tell their story; reported by Rebecca Thomson – Article dated 11 May 2009	**POL-0038046**
20.	**POL00100124**	Letter from Belinda Crowe to Chairman and Chief Executive, Post Office Limited cc: Chris Aujard RE: Briefing for Meeting with RT Hon James Arbuthnot MP dated 27 January 2014	**POL-0099707**
21.	**POL00040093**	Bond Dickinson Note of Conference with Brian Altman KC	**POL-0036575**
22.	**POL00040096**	Post Office Ltd Initial Complaint Review and Mediation Scheme WBD report	**POL-0036578**

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23.	**POL00108136**	Briefing Note Post Office Ltd General Counsel	**POL-0106274**
24.	**POL00123008**	Email chain from Chris Aujard to Rodric Williams and Jarnail A Singh re: Meeting with Brian Altman KC	**POL-0129232**
25.	**POL00006583**	Interim Review of CK Processes by Brian Altman KC	**POL-0017668**
26.	**POL00006581**	Review of PO prosecutions by Brian Altman KC	**POL-0017666**
27.	**POL00066807**	Response To The Interim Review Of Cartwright King's Current Process By Brian Altman KC	**POL-0063286**
28.	**POL00123009**	Draft Review of Post Office Ltd Prosecution Role	**POL-0129233**
29.	**POL00125442**	Bond Dickinson - Personal attendance note re: POL's policy including enforcement policy to prosecute SPMs	**POL-0131222**
30.	**POL00030686**	Post Office Prosecution Policy England and Wales (effective from 1/11/13, review 1/11/14)	**POL-0027168**
31.	**POL00028062**	Report: Horizon Desktop Review of Assurance Sources and Key Control Features - draft for discussion, Deloitte	**POL-0023065**
32.	**POL00116285**	Email from Chris Aujard to Paula Vennells, Chris M Day, Martin Edwards and others re Board papers – Questions	**POL-0117278**
33.	**POL00027505**	Initial Complaint Review and Mediation Scheme - [Draft] Settlement Policy dated November 2013	**POL-0024146**
34.	**POL00022128**	Minutes of the Sparrow sub-committee held on the 6 June 2014	**POL-0018607**
35.	**POL00107317**	Legally privileged report prepared by Linklaters on behalf of Post Office into initial complaint review and mediation scheme legal issues	**POL-0105625**

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36.	**POL00040254**	Email chain between Gavin Matthews, Rodric Williams, Andrew Parsons and others RE: Advice from Brian Altman KC on Suggested Approach to Criminal Case Mediation	**POL-0036736**
37.	**POL00130651**	Advice to POL on suggested approach to criminal case mediation, by Mr Altman KC	**POL-0120673**
38.	**POL00021528**	Minute meetings: minutes for Board meeting held on 25th September 2014	**POL0000061**
39.	**POL00027400**	POL Board Minutes on 21/05/2014 – Alice Perkins, Neil McCausland, Tim Franklin and Others present.	**POL-0024041**
40.	**POL00043631**	Working Group for the Initial Complaint Review and Case Mediation Scheme, 8th December 2014, MATRIX CHAMBERS	**POL-0040134**
41.	**POL00026656**	Face to face meeting of the working group - Initial complaint review and mediation scheme- 7 March 2014	**POL-0023297**
42.	**POL00138101**	Initial Complaints Review and Case Mediation Scheme Programme Board dated 17 January 2014	**POL-BSFF-0000337**
43.	**POL00026672**	Minute - Working Group for the Initial Complaint Review and Case Mediation Scheme - 10th July 2014	**POL-0023313**
44.	**POL00021791**	Final Briefing Report Part Two (Second Sight)	**POL-0018270**
45.	**POL00026634**	Key points and actions of the Working Group for the Initial Complaint Review and Case Mediation Scheme from 19/12/2013	**POL-0023275**
46.	**POL00026641**	Initial Complaint Review and Mediation Scheme - Working Group - Minutes - 30 January 2014	**POL-0023282**

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47.	**POL00026637**	Working Group for the Initial Complaint Review and Case Mediation Scheme Standing Agenda for 27/02/2014	**POL-0023278**
48.	**POL00026644**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Minutes for 27/03/2014.	**POL-0023285**
49.	**POL00116540**	Letter to Jenny Willott MP from Sir Anthony Hooper Re: response to letter following working group meeting	**POL-0117468**
50.	**POL00026671**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Minutes of the Working Group Call 17 July 2014	**POL-0023312**
51.	**POL00027363**	Strictly Confidential Post Office Ltd Board Initial Complaints Review and Mediation Scheme: Update Paper by Chris Aujard and Belinda Crowe.	**POL-0024004**
52.	**POL00093696**	Briefing Email from Belinda Crowe to Chairman and Chief Executive of Post Office re: Briefing for meeting with RT Hon James Arbuthnot MP dated 21 January 2014	**POL-0093818**
53.	**POL00026673**	Minute - Initial Complaint Review and Mediation Scheme - Working Group 16 June 2014	**POL-0023314**
54.	**POL00022293**	Agenda for Sparrow sub-committee meeting to be held on the 12 Jan 2015 to discuss the initial compliant and mediation scheme.	**POL-0018772**
55.	**POL00140431**	Agenda and Briefing Notes - Working Group for the Initial Complaint Review and Case Mediation Scheme	**POL-0141990**
56.	**POL00108507**	Email chain from Belinda Crowe to Andy Holt, RE: Requests to Fujitsu to retain data relating to	**POL-0106604**

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		mediation scheme (CRO1370/ROM3170).	
57.	**POL00043640**	Working Group for the Initial Complaint Review and Mediation Scheme, Key points and actions from teleconference on 17 October 2013	**POL-0040143**
58.	**POL00026625**	Working Group for the Initial Complaint Review and Mediation Scheme – Key Points and Actions from Meeting at 11am on 25 October 2013	**POL-0023266**
59.	**POL00146797**	Post Office Executive Committee: Horizon - Initial Complaint Review and Mediation Scheme Settlement Policy dated 13 November 2013	**POL-BSFF-0005924**
60.	**POL00199361**	Initial Complaint Review and Mediation Scheme Draft Settlement Policy	**POL-BSFF-0037424**
61.	**POL00021520**	Meeting Minutes: Board meeting minutes for meeting held on 27th November 2013	**POL0000053**
62.	**POL00040092**	Womble Bond Dickinson report, re "Post Office Ltd Horizon Risks".	**POL-0036574**
63.	**POL00040090**	Email from Andrew Parsons to David Oliver, Chris Aujard, RE: Advice for Linklaters	**POL-0036572**
64.	**POL00100003**	Post Office Limited, Project Sparrow - UPDATE, 2013 dated 6 December 2013	**POL-0099586**
65.	**POL00026638**	Working Group for the Initial Complaint Review and Case Mediation Scheme Amended Minutes of 03/01/2014	**POL-0023279**
66.	**POL00026682**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Key points and actions from the conference call at 1pm on 9th January 2014.	**POL-0023323**
67.	**POL00043626**	Working Group for the Initial Complaint Review and Case Mediation Scheme	**POL-0040129**

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68.	**POL00137703**	Mediation Scheme - Draft Terms of Reference for the Working Group to apply until 31 March 2014	**POL-BSFF-0000254**
69.	**POL00147219**	Draft Terms of Reference for Working Group (undated)	**POL-BSFF-0006342**
70.	**POL00147220**	Document comparison produced on 15 January 2014 of Draft Terms of Reference for Working Group in track changes (document versions 7 and 8)	**POL-BSFF-0006343**
71.	**POL00147321**	Document comparison produced on 27 January 2014 at 09:51am of Draft Terms of Reference for Working Group in track changes (document versions 7 and 8)	**POL-BSFF-0006444**
72.	**POL00196404**	Draft Terms of Reference for Working Group (undated)	**POL-BSFF-0034467**
73.	**POL00198020**	Draft Terms of Reference for Working Group	**POL-BSFF-0036083**
74.	**POL00201594**	Document comparison produced on 5 March 2014 of Draft Terms of Reference for Working Group in track changes (document versions 8 and 9)	**POL-BSFF-0039657**
75.	**POL00201652**	Document comparison produced on 6 March 2014 of Draft Terms of Reference for Working Group in track changes (document versions 8 and 9)	**POL-BSFF-0039715**
76.	**POL00302529**	Document comparison produced on 27 January 2014 at 09.51am of Draft Terms of Reference for Working Group in track changes (document versions 7 and 8)	**POL-BSFF-0140579**
77.	**POL00022307**	Mediation Scheme - Terms of Reference for the Working Group	**POL-0018786**
78.	**POL00199360**	Email from Belinda Crowe to Alwen Lyons cc Chris Aujard, Belinda Crowe RE: Draft Settlement Policy	**POL-BSFF-0037423**
79.	**POL00026640**	Meeting Minutes for Working Group for the Initial Complaint	**POL-0023281**

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		Review and Case Mediation Scheme on 23 January	
80.	**POL00100135**	Letter from Chris Aujard to Chair and Chief Executive re: Further Briefing for James Arbuthnot Meeting dated 27 January 2014	**POL-0099718**
81.	**POL00026743**	Final Note by David Oliver of Meeting held on 28/01/2014 between Post Office and James Arbuthnot MP	**POL-0023384**
82.	**POL00158669**	Email from Belinda Crowe to Paula Vennells cc'ing David Oliver, Chris Aujard, Martin Edwards and others re Papers for tomorrow- our pre-meeting, and meetings with Second Sight and Tony Hooper	**POL-0147245**
83.	**POL00158675**	Annotated Agenda - Sir Anthony Hooper	**POL-0147251**
84.	**POL00158672**	Memorandum from Belinda Crowe to Paula Vennells, Copying In Chris Aujard and others re Briefing for the meetings with Second Sight and Sir Anthony Hooper on Monday 24 February	**POL-0147248**
85.	**POL00100337**	File Notes for a meeting with Second Sight on Monday 24th February at 1:00pm.	**POL-0099920**
86.	**POL00100335**	File Notes for a meeting with Tony Hooper, Monday 24th February at 2:30pm. Paula Vennells and Chris Aujard also in attendance.	**POL-0099918**
87.	**POL00116313**	Board meeting 26 February - Speaking note for Paula.	**POL-0117306**
88.	**POL00116317**	Email from Paula Vennells to Chris Aujard, Belinda Crowe and Martin Edwards RE: The mediation process	**POL-0117310**
89.	**POL00026674**	Minute - Working Group for the Initial Complaint Review and Case Mediation Scheme - 31st July 2014	**POL-0023315**

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90.	**POL00040095**	Bond Dickinson, Civil claims by SPMs	**POL-0036577**
91.	**POL00040091**	Horizon Mediation Scheme, Non-Pecuniary Losses	**POL-0036573**
92.	**POL00061304**	Email chain from Rodric Williams to Chris Aujard and Andrew Parsons cc. Belinda Crowe re: Access to legal files	**POL-0057783**
93.	**POL00026664**	Working Group for the Initial Complaint Review and Case Mediation Scheme Meeting Minutes - 12th June.	**POL-0023305**
94.	**POL00022029**	Email chain between Chris Aujard, Jonathan Swil, Christa Band and others, re: Draft Report.	**POL-0018508**
95.	**POL00040094**	Summary of Conference at Maitland Chambers	**POL-0036576**
96.	**POL00116392**	Email from Chris Aujard to Paula Vennells cc Martin Edwards re SS engagement letter	**POL-0117385**
97.	**POL00105634**	'Meeting with MPs - Mediation Scheme and Branch Improvement Programme' Minutes, undated.	**POL-0104622**
98.	**POL00031410**	Report: Horizon review by Deloitte	**POL-0028312**
99.	**POL00108395**	Email from Gareth James to Rodric Williams, Belinda Crowe, cc'd Chris Aujard and others re: Strictly Private & Confidential - Subject to Legal Privilege	**POL-0106500**
100	**POL00138282**	Initial Complaints Review & Case Mediation Scheme Programme Board	**POL-BSFF-0000508**
101	**POL00026633**	Initial Complaint and Mediation Scheme Working Group Minutes of 01/04/2014.	**POL-0023274**
102	**POL00108462**	Letter from Deloitte LLP to Chris Aujard re: assisting Post Office Ltd litigation	**POL-0106560**
103	**POL00031391**	Deloitte's HNG-X Review of Assurance Sources: Phase 1- Board Update AT 13/05/2014	**POL-0028293**

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104	**POL00028069**	Deloitte Draft Board Briefing document further to report on Horizon desktop review of assurance sources and key control features	**POL-0023072**
105	**POL00022683**	Letter from Alan Bates to Jo Swinson re: Justice for Subpostmasters Alliance, Initial Case Review & Mediation Scheme	**POL-0019162**
106	**POL00105635**	Project Zebra - Phase 1 Report - HNG-X: Review of Assurance Sources	**POL-0104595**
107	**POL00021524**	Meeting Minutes: minutes for Board meeting held on 30th April 2014	**POL-0000057**
108	**POL00117612**	Letter from Mr Gareth James to Mr Chris Aujard re: Change Order to the Contract between Deloitte LLP and Post Office Ltd	**POL-0115229**
109	**POL00029726**	Deloitte HNG-X: Review of Assurance Sources Report v2	**POL-0026208**
110	**POL00031384**	HNG-X Review of Assurance Source concerning: Phase 2 Drafted by Deloitte.	**POL-0028286**
111	**POL00031400**	Email from Chris Aujard to Paula Vennells, Martin Edwards, Alwen Lyons and others re FW: Project Zebra	**POL-0028302**
112	**POL00029728**	Email from Mark Westbrook to Rodric Williams: re Follow Up to Board Update - Legal Privilege	**POL-0026210**
113	**POL00116554**	Email chain from Martin Edwards to Paula Vennells re: Sparrow: draft letters and next steps	**POL-0117482**
114	**POL00031402**	Email sent from Chris Aujard to James Gareth and others re: Project Zebra	**POL-0028304**
115	**POL00108634**	Email from Alwen Lyons to Paula Vennells, Chris Aujard, Re: Deloitte Briefing-Message from Chris Aujard and Lesley Sewell	**POL-0106726**

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116	**POL00029733**	Email from Alwen Lyons to Rodric Williams Re: FWD -Deloitte Briefing – Message from Chris Aujard and Lesley Sewell – Strictly Private and Confidential – Subject to Legal Privilege	**POL-0026215**
117	**POL00043627**	Initial Complaint Review and Mediation Scheme Working Group - Minute of meeting dated 6 May 2014.	**POL-0040130**
118	**POL00026657**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Minutes of case conference call 15 May 2014.	**POL-0023298**
119	**POL00026659**	Minute of Initial Complaint Review and Mediation Scheme - Working Group 20 May 2014	**POL-0023300**
120	**POL00022622**	Email from Rodric Williams to Stephen Hocking, Chris Aujard and Belinda Crowe re: Strictly Private & Confidential - subject to Legal Privilege	**POL-0019101**
121	**POL00124444**	Memo from Stephen Hocking to Rodric Williams and Chris Aujard re Complaints review and mediation	**POL-0126747**
122	**POL00021526**	Post Office Limited: Minutes of a Board meeting held on June 2014	**POL0000059**
123	**POL00129392**	Email from Allison Drake to Shirley Hailstones and others re Helen Rose Report and CQRs	**POL-0134995**
124	**UKGI00002392**	Post Office Ltd Board - Initial Complaints Review and Mediation Scheme: Update Paper	**UKGI013206-001**
125	**POL00000213**	Engagement letter of Ron Warmington & Ian Henderson in relation to Initial Complaint Review & Mediation Scheme	**VIS00001187**
126	**UKGI00002397**	Initial Complaints Review and Mediation Scheme: July Update Paper	**UKGI013211-001**

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127	**POL00031411**	POL Risk and Compliance Committee Horizon review by Deloitte (Project Zebra) - Paper 2	**POL-0028313**
128	**POL00021527**	Meeting minutes: minutes of board meeting held on 16th July 2014	**POL0000060**
129	**POL00075178**	Initial Complaint Review and Mediation Scheme Briefing Report Part One	**POL-0071741**
130	**POL00022238**	Letter from Chris Day to Ron Warrington & Ian Harrington re Second Sight's Engagement.	**POL-0018717**
131	**POL00022168**	Email from Belinda Crowe to Chris Aujard and Angela Van Den Bogerd regarding project sparrow	**POL-0018647**
132	**UKGI00002443**	Email chain from Richard Callard to Mark R Davies Re: FW: Sparrow Update from Chris Aujard	**UKGI013257-001**
133	**POL00022237**	Email from Belinda Crowe to Chris Aujard soft copy of second sight letter regarding quality of work	**POL-0018716**
134	**POL00026676**	Minute - Working Group for the Initial Complaint Review and Case Mediation Scheme - 28 August 2014	**POL-0023317**
135	**POL00026680**	Minutes - Working Group for the Initial Complaint Review and Mediation Scheme - 11 September 2014	**POL-0023321**
136	**POL00026685**	Working Group for the Initial Complaint Review and Case Mediation Scheme Meeting Minutes - 16.09.14.	**POL-0023326**
137	**POL00043628**	Standing Agenda for Thursdays calls - Working Group for the Initial Complaint Review and Case Mediation Scheme (25/09/14).	**POL-0040131**
138	**POL00002444**	Letter from Chris Aujard Post Office Ltd General Counsel to Ron Warmington & Ian Henderson of Second Sight Support Services Limited re Second Sights engagement.	**VIS00003458**

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139	**POL00040290**	File Note from Second Sight meeting with POL. Records discussions including work rate and cost per case.	**POL-0036772**
140	**POL00021889**	Letter from Ronald Warmington to Chris Aujard re: Second Sight's Engagement	**POL-0018368**
141	**POL00040475**	Working Group for the Initial Complaint Review and Case Mediation Scheme meeting minutes of 17/10/2014	**POL-0036957**
142	**POL00107151**	Letter from JFSA (Alan Bates) to Sir Anthony Hooper, RE: Raising concerns about the position and direction of the Initial Case Review & Mediation Scheme.	**POL-0105459**
143	**POL00043630**	Meeting Minutes - Working Group for the Initial Complaint Review and Case Mediation Scheme - 14 November 2014	**POL-0040133**
144	**POL00022296**	Notes on meeting held with Second Sight on the 9th of Jan 2015	**POL-0018775**
145	**POL00043633**	Meeting Minutes - Working Group for the Initial Complaint Review and Case Mediation Scheme - 14 January 2015	**POL-0040136**
146	**POL00040805**	Email sent from Mark Underwood to Belinda Crowe and others, re Suspense Accounts	**POL-0037287**
147	**POL00025787**	Email from Andrew Parsons to Chris Aujard and others, re: Suspense Accounts	**POL-0022266**
148	**POL00025783**	Initial Complaint Review and Mediation Scheme - Suspense Account - Second Response	**POL-0022262**
149	**POL00025784**	Initial Complaint Review and Mediation Scheme	**POL-0022263**
150	**POL00040194**	Observations and analysis of the Cartwright King Prosecution Review Process	**POL-0036676**
151	**POL00125208**	Post Office Enforcement and Prosecution Policy for England	**POL-0131179**

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		and Wales - Comments on BAQC draft Policy - Simon Clarke	
152	**POL00027150**	PO Executive Committee Agenda dated 2 November 2013	**POL-0023791**
153	**POL00125090**	Post Office Audit, Risk and Compliance Committee Prosecution Policy from Chris Aujard	**POL-0131090**
154	**POL00030716**	Post Office Audit, Risk and Compliance Committee, Prosecutions Policy Appendix A, Chris Aujard, February 2014	**POL-0027198**
155	**POL00123314**	Note On CK's Comments On Draft Enforcement And Prosecution Policy Document v.1.0, by Brian Altman KC	**POL-0129513**
156	**POL00123376**	Draft POL Enforcement and Prosecution Policy Version 1.0	**POL-0129566**
157	**POL00123377**	Draft Post Office Limited Prosecution Policy for England and Wales Version 2.0	**POL-0129567**
158	**POL00125568**	Email from Jarnail Singh to Chris Aujard, Jessica Madron, Rodric Williams and others re: Expert - Initial Review - Proposal for investigation into the integrity of the Post Office Horizon Online accounting system	**POL-0130686**
159	**POL00125569**	Initial Review: Proposal for investigation into the integrity of the Post Office Horizon Online accounting system	**POL-0130687**
160	**POL00038633**	Draft note from Chris Aujard (GC) to Post Office Board Ltd dated 6 December 2013	**POL-0027944**

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SCHEDULE 2

No.	URNs	Document Description	Control number
1.	**POL00043622**	Working Group for the Initial Complaint Review and Mediation Scheme – Key Points and Actions from conference call - Working Group applications to be accepted onto Scheme of 7 November 2013	**POL-0040125**
2.	**POL00043635**	Working Group for the Initial Complaint Review and Mediation Scheme, Agenda for meeting at 11:30am on 22 November 2013 @ Bond Dickinson, London	**POL-0040138**
3.	**POL00099976**	Email of 29 November 2013 from Alwen Lyons to Alice Perkins, Neil McCausland, Virginia Holmes re: Follow - up after the Board meeting	**POL-0099559**
4.	**POL00099977**	Minutes for meeting on 27 November re: Costs, Second Sight	**POL-0099560**
5.	**POL00043624**	Working Group for the Initial Complaint Review and Mediation Scheme – Key points and actions from the conference call at 1pm on 28 November 2013	**POL-0040127**
6.	**POL00043625**	Working Group for the Initial Complaint Review and Mediation Scheme Key points and actions from the conference call at 1pm on 5 December 2013	**POL-0040128**
7.	**POL00026639**	Working Group for the Initial Complaint Review and Case Mediation Scheme Standing Agenda for 16/01/2014.	**POL-0023280**

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8.	**POL00100142**	Email of 28 January 2014 from Chris Aujard to Angela Van-Den-Bogerd cc: Paula Vennells re: URGENT	**POL-0099725**
9.	**POL00026635**	Working Group for the Initial Complaint Review and Case Mediation Scheme Standing Agenda for Thursday Calls of 6 February 2014	**POL-0023276**
10.	**POL00108268**	Email from Belinda Crowe to Theresa Iles, Amanda A Brown, cc Martin Edwards and others re Meeting between Paula and Sir Anthony Hooper about progress on the Mediation Scheme the Working Group	**POL-0110967**
11.	**POL00116312**	Email chain from Paula Vennells to Belinda Crowe re: Speaking note for the Board	**POL-0117305**
12.	**POL00026642**	Working Group for the Initial Complaint Review and Case Mediation Scheme Standing Agenda	**POL-0023283**
13.	**POL00026668**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Working Group Minute - 5th June	**POL-0023309**
14.	**POL00124437**	Email from Rodric Williams to Stephen Hocking cc Chris Aujard, Belinda Crowe RE: Strictly Private & Confidential - Subject to Legal Privilege	**POL-0126740**
15.	**POL00026661**	Email chain from Stephen Hocking to Rodric Williams re: JR risks for Option 2.	**POL-0023302**
16.	**POL00026665**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Minute of Working Group Call 26 June 2014	**POL-0023306**
17.	**POL00061548**	Seema Misra case study: Email from Chris Aujard to Rodric Williams, CC Belinda Crowe,	**POL-0058027**

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		David Oliver and Jarnail Singh re Call with Brian Altman KC	
18.	**POL00026683**	Working Group for the Initial Complaint Review and Case Mediation Scheme Meeting Minutes of 24 July 2014	**POL-0023324**
19.	**POL00026679**	Working Group for the Initial Complaint Review and Case Mediation Scheme - Meeting Minutes (04/09/14).	**POL-0023320**
20.	**POL00026684**	Minute - Working Group for the Initial Complaint Review and Case Mediation Scheme - 02 October 2014	**POL-0023325**
21.	**POL00116814**	Email to Chris Aujard, Rodric Williams, Mark R Davies and others from Patrick Bourke Re: Scheme - Con with Counsel	**POL-0114611**
22.	**POL00040806**	Complaint Review and Mediation Scheme - A paper prepared by Post Office to assist Second Sight with the finalisation of their Briefing Report – Part Two (Version: 2)	**POL-0037288**
23.	**POL00043634**	Agenda for the Working Group for the Initial Complaint Review and Case Mediation Scheme - 13 February 2015	**POL-0040137**
24.	**POL00102245**	Email from Chris Aujard to Belinda Crowe, Alisdair Cameron, Mark Davies and others. Re: "Catch up call with Second Sight: Confidential and Privileged".	**POL-0101828**
25.	**POL00117551**	Email from Belinda Crowe to Rodric Williams, Gareth James, Chris Aujard and others re: Strictly private and Confidential- Subject to legal privilege- Documents in relation to Horizon and Information Security	**POL-0115168**
26.	**POL00125760**	Email chain from Rodric Williams to James Gareth CC Belinda	**POL-0130729**

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		Crowe, Chris Aujard and others re: Strictly Private & Confidential - Subject to legal Privilege - Horizon Anomalies and Data Integrity Reports	
27.	**POL00123323**	Email from Jessica Madron to Jarnail Singh Re: Prosecution Policy and Reactivating Prosecutions - On 25th July 2014 at 9.30am in Room 505	**POL-0129522**
28.	**POL00123375**	Email from Tiffany Readhead to Chris Aujard and Jarnail Singh re: Enforcement and Prosecution Policy	**POL-0129565**
29.	**POL00158670**	Agenda for the Pre-Brief with Paula Vennells	**POL-0147246**
30.	**POL00158671**	Note re Meeting with Second Sight and Anthony Hooper	**POL-0147247**
31.	**POL00158673**	Note re Annotated Agendas for the Meetings with Second Sight and Anthony Hooper	**POL-0147249**
32.	**POL00158674**	Annotated Agenda - Meeting with Second Sight	**POL-0147250**
33.	**POL00158676**	Note from Belinda Crowe re Pack of Background Documents to Bring to the Meetings	**POL-0147252**
34.	**POL00116555**	Draft Letter to Jenny Willott.RE: Justice for Sub postmasters Alliance	**POL-0117483**
35.	**POL00116556**	Draft Letter to James Arbuthnot Re: Initial Complaint Review and Mediation Scheme	**POL-0117484**
36.	**POL00125211**	Email from Gavin Matthews to Brian Altman RE: Draft Prosecution Policy [BD-4A.FID20472253]	**POL-0131182**
37.	**POL00207651**	Outlook calendar Invitation for meeting on 28 August 2014 at 2.30-3.30pm. Subject is M079 Draft CRR response. Organiser: Jess Barker.	**POL-BSFF-0045714**
38.	**POL00345071**	Email chain between Jonathan Swil, Chris Aujard, Belinda	**POL-BSFF-0170792**

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		Crowe, David Oliver, and Christa Band dated 19-20 March 2014	
39.	**POL00148515**	Outlook calendar Invitation for meeting on 16 June 2014 at 10.30am-3.00pm. Subject is The Scheme: Face-to-Face Working Group. Organiser: Caroline Culver.	**POL-BSFF-0007636**