

## Message

**From:** Jonathan Swift [GRO]  
**on behalf of** Jonathan Swift [GRO]  
**Sent:** 13/10/2015 05:46:15  
**To:** Jane MacLeod [GRO]  
**CC:** Rodric Williams [GRO]; Mark Underwood [GRO]; Patrick Bourke [GRO]  
**Subject:** Re: draft terms of reference

Dear Jane,

Thank you for this. All noted. I am in court today, but will have a more detailed look at this, this evening.

Regards,

Jonathan

Jonathan Swift QC  
11KBW

Sent from my iPhone. May contain fat finger typos

On 12 Oct 2015, at 23:10, Jane MacLeod [GRO] wrote:

Dear Jonathan

Further to my email over the weekend, I set out below a provisional set of answers to the first 5 of the 7 questions you raised in the context of your settling of the appropriate scope for Tim's enquiries.

As we considered these, we came to the conclusion that it would be helpful to take your question 4 first, given that answering it provides some of the context for the answers to questions 1-3, and 5

***To establish the steps taken to investigate complaints by subpostmasters about the computerised accounting system (arising following cash shortfalls). What steps have been taken and with what outcome. What steps (if any) realistically now remain to be taken to investigate the complaints.***

There were broadly, two distinguishable sets of investigations into Horizon as a result of these complaints. The first, described at Annex A, represents a set of attempts to look at whether the system, from a purely technical standpoint, suffered from faults generally and, as a result, made accounting errors .

In total, 3 investigations were planned to investigate this question, although only 2 were concluded, these being those conducted by Second Sight Support Services Ltd (a firm of forensic accountants), and Deloitte. The third, which the Post Office had been scoping with Imperial College London to support future prosecutions, did not proceed on the basis that the costs, complexity and time required would have been disproportionate having regard to the marginal utility of the exercise, not least since the Horizon system is soon to be de-commissioned. .

As part of Second Sight's enquiries, the Post Office disclosed, proactively, the only 2 instances of which it (and Fujitsu who supply the system) were aware where an error attributable to the system was responsible for discrepancies in branch accounts. On both occasions, the issue was resolved without any branch being held accountable for any discrepancy and with the full co-operation of the relevant staff in branch.

In so far as these enquiries can be said to have produced an answer to the question regarding Horizon's integrity as a system from a purely technical perspective, the conclusion reached was that the system did not and does not suffer from systemic flaws. However, while the tests which were carried out did not reveal the existence of systemic errors, they were unable to provide categorical proof of the absence of errors. As a result, the value of this line of enquiry was judged to be questionable in terms of providing a means to resolve the concerns of complainants.

As a consequence, a separate set of investigations was launched, this time in the context of the Complaint and Mediation Scheme. The process for these investigations is described at Annex B. This investigation addressed whether technical faults in the Horizon system were responsible for the particular losses incurred in complaints' individual branches (i.e. the performance of the system in a specific set of circumstances). The additional benefit in adopting this case-specific approach was that the investigations could be broadened so as to address other issues now being raised by complainants, either as additional failings beyond allegations of technical faults in the system, or simply as a wholesale alternative explanation for the losses incurred in their branches. In part, this broadening of complaints was reflective of the absence of evidence to support a finding that the system as a whole was technically flawed.

The case specific investigations in each of the 136 individual cases were completed earlier this year and none produced any evidence that Horizon was responsible for the cash shortfalls experienced in these branches. Operator error, whether accidental or as a result of deliberate dishonesty, was established as the most frequent explanation for the losses.

However, it is again true that the Post Office is not in a position to prove (categorically and in every case) that the system was not at fault. All that we are able to say is that there is no proof at all that it was and, in those cases where we cannot conclusively establish the cause of the loss, we have identified more probable explanations for the loss. The answers to your first 3 questions are, then, as follows.

***To establish whether the cash shortfalls identified in the complaints made by sub-postmasters were caused by accounting system errors.***

Over a period of 3 years, and multiple investigations, no evidence has emerged to suggest that the Horizon system has failed to work as it should in faithfully and accurately recording branch transactions in any of the 136 cases investigated through the Scheme.

***To establish whether, if such accounting system errors did exist, they have now been resolved.***

The only 2 accounting systems errors of which the Post Office (and its supplier Fujitsu) were aware did result in discrepancies in branch accounts were disclosed to Second Sight as part of their investigations. In both cases, the issue was immediately acted upon and resolved. No subpostmaster suffered a loss or was otherwise held accountable.

***To establish that no such accounting system errors are now present in the computerised accounting system.***

So far as the Post Office and its supplier Fujitsu are aware, the system works robustly, supported by regular industry-standard certification procedures, and effective business-as-usual processes and procedures to address any issues which may arise in the operation of any complex IT system.

***Should the Post Office now take any further action in respect of complaints made by sub-postmasters that errors in the computerised accounts system have caused cash shortfalls.***

This question overlaps the work scoped with Imperial College London in relation to the development of subject matter expertise to support prosecutions. However, the age and complexity of the system, the time and cost required, and its marginal utility given Horizon's limited shelf life were all factors which led the Post Office to conclude that this further investigation would ultimately not deliver sufficient advantages to be justifiable.

However, and as noted earlier, throughout all the investigations which have taken place, no evidence has emerged that Horizon is actually responsible for the losses incurred by those with complaints in the Scheme.

***The responses to the remaining questions will follow tomorrow.***

#### **Annex A: Technical Review of Horizon**

- 1 Work performed by Second Sight
  - a. "Spot Reviews" - Key issues as identified by Second Sight that formed the basis for their initial 'top down' analysis of Horizon and the production of the 08 July 2013 "Interim Report".
  - b. Scheme Related Work:
    - i. Part One Report, 22 May 2014
    - ii. Part Two Report Version 1, 21 August 2014
    - iii. Part Two Report Version 2, 9 April 2015
- 2 Work performed by Deloitte
  - a. Initial Instructions (commencing 2 April 2014)
  - b. "Horizon: Desktop Review of Assurance Sources and Key Control Features" dated 23 May 2014
  - c. "Board Briefing" dated 4 June 2014
- 3 Work performed by Imperial College London
  - a. Instructed as potential expert witnesses to support criminal prosecutions
  - b. Preliminary review of "Architecture and Process Documents of Horizon System"

#### **Annex B: Investigations of Complaints made by Applicants to the Scheme**

1. Applicants were asked to set out the detail of their complaint in a Case Questionnaire Response (CQR). £1,500 + VAT of funding, payable by Post office, was available to applicants so that they could appoint a professional advisor to help

them complete their CQRs. Once completed, the CQR was submitted to Post Office for Investigation.

2. Upon receipt of a completed CQR, the Post Office appointed a 'Mediation Case Advisor' to each case. It was their role to make the necessary inquiries for the complaint to be comprehensively re-investigated.

3. For complaints which centred on allegations that branch losses resulted from a fault in Horizon, the 'Mediation Case Advisor' would correspond with Fujitsu, the Network Business Support Centre (NBSC) and the Finance Service Centre (FSC) to investigate each of the complaints being made.

4. Fujitsu would be asked to provide, for the time period in question:

- a. Branch Audit Revival Query (ARQ) data;
- b. Horizon Service Desk (HSD) call logs;
- c. details of any engineer visits to the branch; and
- d. answers to any technical points raised by the applicant.

5. NBSC would be asked to provide, for the time period in question:

- a. Call logs. These detail the broad nature of the question(s) raised and whether or not it/they were resolved on the call and, for example, if Knowledge Base was accessed etc.

6. FSC would be asked to provide, for the time period in question:

- a. details of outstanding debt;
- b. any repayment of losses;
- c. a record of losses/gains and information relating to Transaction Corrections; and
- d. any prior correspondence with FSC .

7. This information and all other supporting evidence (e.g. security reports, interview transcripts etc) would then be collated into a 'Post Office Investigation Report' (POIR).

8. The POIR, together with all supporting documents, were then passed to Second Sight. It was then for Second Sight to complete their own review and analysis of all the material before completing a draft report which included a preliminary recommendation to the Working Group on that individual case's suitability for mediation.

9. The applicant was provided with the Post Office and Second Sight reports to comment on before Second Sight completed its final report which was considered by the Working Group to decide whether it should be recommended for mediation.

10. In cases where the Working Group recommended mediation, the case details were then passed to the Centre for Effective Dispute Resolution (CEDR), the independent organisation administering the mediations. Mediation is a voluntary process, so it was then a matter for the parties to decide whether they wish to mediate.

I trust these are of some use to you.

Kind regards,

Jane

Jane MacLeod  
General Counsel  
The Post Office

**GRO**

Sent from my iPad

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