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Terms of Reference for Independent Expert

Background

Horizon is the electronic point of sale IT system used in all Post Office branches. Each branch is responsible for logging the transactions conducted within that branch onto the Horizon system.

On occasions, there may be discrepancies between the actual cash and stock levels in branch and the recorded cash and stock levels in Horizon. These discrepancies can be either shortages or surpluses.

There are nearly 12,000 branches in the Post Office network. The majority of these are run by subpostmasters. Under the standard subpostmaster's contract, a subpostmaster is liable for any shortages in cash or stock in his/her branch caused by his/her (or their employees') carelessness, negligence or error.

Over the last few years, there have been a growing number of complaints from subpostmasters that the Horizon system is unreliable. They allege that errors in the Horizon system have falsely created losses that do not actually exist.

This ultimately led to the formation of a group called the Justice for Subpostmasters Alliance (**JFSA**). A group of MPs lead by the Rt Hon James Arbuthnot MP also became interested in this issue after receiving letters from subpostmasters in their constituencies.

In response, Post Office set up an independent inquiry into the Horizon system led by Second Sight (who are independent forensic accountants and fraud examiners). Second Sight was tasked with investigating whether there are any systemic issues and/or concerns with the Horizon system, including its training and support processes.

Second Sight rendered its Interim Report on 8 July 2013. Its preliminary conclusion was that it had so far found no evidence of system wide (systemic) problems with the Horizon software. However it did highlight a number of areas in relation to wider support and training around the Horizon system that required further investigation.

Post Office is now extending the Second Sight Inquiry into a Mediation Scheme so that individual Subpostmasters have an opportunity to raise their concerns direct to Post Office. The Mediation Scheme will be supervised by a Working Group comprising of Post Office, Second Sight and JFSA.

ROLE 1: CHAIRMAN OF THE MEDIATION SCHEME

Overview

Post Office wishes to engage the Independent Expert to chair the Mediation Scheme.

Role of the Independent Expert

1   To advise on the efficacy of the Mediation Scheme.

2   To chair discussions of the Working Group.

3   To provide summary reports on the progress of the Mediation Scheme.

Status

The Independent Expert's work will be confidential but may be discussed with Second Sight, JFSA and interested MPs.

The summary reports may be made public with the consent of the Working Group.

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Timing

It is anticipated that this role will last for 6-12 months.

The Independent Expert will be required to attend at least monthly Working Group meetings.

ROLE 2: ADVISORY SUPPORT OF FUTURE METHODS OF RESOLUTION

Overview

Post Office wishes to engage the Independent Expert to advise on its approach to managing branch losses in the future.

Scope of work

1   To review the efficacy and results of the Mediation Scheme.

2   To review Post Office's internal operating processes for investigating and recovering subpostmaster debts.

3   To advise on whether an external / independent dispute resolution process (such as mediation or adjudication) should be established for hearing cases where an alleged debt is disputed by subpostmasters (before such a dispute is brought before the Courts).

4   If requested, draw up the terms of reference for that dispute resolution process.

5   If requested, produce a public report into the above matters.

Out of scope

The Independent Expert is not to advise on Post Office's prosecution policies unless specifically requested to do so.

Status

The Independent Expert's work will be confidential and privileged unless Post Office consents to that work (or part of it) being publicly disclosed.

Timing

The Independent Expert is to aim to complete steps [1-3] by [DATE]