

**Strictly Private & Confidential: Subject to Legal Privilege****Answers to the Questions Posed in the Draft ToRs****A. 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.**

1. 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.
2. 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.
3. 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.
4. 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.
5. As a consequence, a separate set of investigations was launched, this time in the context of the Complaint Review 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.
6. 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

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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.

7. 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.

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

8. 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.

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

9. The only 2 accounting systems errors of which the Post Office (and its supplier Fujitsu) were aware that 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.

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

10. 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.

**E. 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.**

11. 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.
12. 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.

**F. To establish whether and what assistance and advice was provided by the Help Desks [is this the correct description?] when contacted in respect of cash shortfalls. To establish whether the assistance and advice provided was appropriate**

13. There are two main 'Help Desks':

- The Network Business Support Centre (NBSC) which provides subpostmasters with support in relation to the day-to-day running of their branches (including accounting issues) and, as such, is the most frequently used port of call for assistance; and
  - The Horizon Service Desk (HSD) which was, until 2014<sup>1</sup>, operated by Fujitsu and deals with technical issues relating to Horizon e.g. if the system appears to be 'off-line' or the user is having difficulty logging-in. In the event that a technical issue cannot be resolved in a telephone call, the HSD can arrange for an engineer to attend the branch to investigate the issue further.
14. As part of the investigations undertaken by Post Office in relation to the Scheme (and described in the answer provided for question 4), the Post Office automatically procured logs for each branch's calls to the NBSC for the relevant period. Records of calls made to the NBSC stretch back to 2000 and are available in most cases.
15. Records for calls to the HSD were only procured where an applicant to the Scheme specifically cited difficulties with hardware or other technical issues with computer equipment as part of their complaint. However, in addition, records of HSD calls were sometimes obtained where NSBC call logs suggested references to technical issues had been made during calls to it. Records of calls to the HSD are only retained for 7 years.
16. All calls into HSD2 are classified in one of the following four ways:
- Advice and Guidance
  - Out of Scope
  - Quality Issue
  - Incident
17. Calls falling within the first three types are referred to NBSC and those falling within the last follow Fujitsu's 'Incident Management Process' through to its resolution, the complexity of which is driven by the severity level assigned to the incident / call.
18. NBSC call logs record the following information:
- Date
  - Incident ID
  - FAD code (branch identifier code)
  - Office Name
  - Caller Name
  - Brief Description
  - Detailed Description
  - Incident Log
  - Call type
  - Activity
  - Sub Activity
  - Resolution
  - Branch

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<sup>1</sup> Therefore post-dating any applications to the Scheme. The HSD contract was awarded to ATOS in 2014.

<sup>2</sup> When it was operated by Fujitsu

19. In each case, the full NBSC log was reviewed looking at dates and times where the complainant was alleging discrepancies and/other issues occurred. It would also be reviewed to see if there were other instances on dates not mentioned in their complaint. All call logs were disclosed to complainants as part of the Post Office's Investigation Reports, along with all other relevant evidence.
20. It is not always possible to know exactly what advice was given in each case, since NBSC advisors frequently rely on a database covering details of approximately 6,000 different types of incidents to enable them to answer any query that comes into the NBSC. This is known as the Knowledge Base (KB). KB is designed to enable NBSC staff to answer questions on the wide range of queries raised by the branches swiftly, leveraging off previous experiences. Where KB has been used to resolve an issue, 'KB' is all that is recorded in the 'resolution' field on the call log excel sheet. Where the matter is not resolved satisfactorily, records should show it being raised repeatedly.
21. The NBSC always operated a two-tier escalation process. If the NBSC advisor is unable to resolve the query or issue with the caller, the call is escalated to tier two, where more expert advice will be provided. In cases where this still does not resolve the issue, the Branch Support Team will determine whether further training or face-to-face branch support is required.
22. Those working in the NBSC receive a four-week training course and two-week floor support. Ongoing training is provided to NBSC staff on new products and services as and when these are introduced. Through quality monitoring and coaching, the Post Office identifies any gaps in training and provides further support to NBSC advisors.
23. The Post Office currently employs 70 people at the NBSC to receive calls, undertake second line support (where a query cannot be addressed during the telephone call, second line support will liaise with Post Office product teams to source the answer) and carry out administration roles. The NBSC receives around 1,700 calls a day (based on data obtained for 2012/13). NBSC personnel are experienced in Horizon and how branches operate. Many of those working at the NBSC have more than 12 years' experience in the field.
24. If, during the investigation phase of the Scheme, Post Office identified deficiencies in the assistance provided through either the NBSC or HSD this was reflected in the Post Office's position in respect of the appropriate resolution of the case.
25. Following publication of Second Sight's conclusions in 2013 and in addition to setting up the Scheme, Post Office also set up a Branch Support Programme which, following discussion with the National Federation of Subpostmasters (NFSP), has introduced improvements to reduce further the risk of human error in branches by Postmasters and their staff. In terms of the NBSC, the volume of calls from branches is now assessed by the NBSC with the branches that have a higher than average call volume being proactively contacted by the Branch Support team to understand the reason for the high level of calls; establish what extra support can be offered and whether any changes need to be made to training.
26. Using a new information tool NBSC is able to review branch data when assisting a branch with an accounting problem and establish exactly what the branch has done rather than relying on what they say they have done. This assists in providing the branch with the correct advice.

27. A new system has also been developed to analyse the calls received by NBSC to identify the root cause of the issue; to identify the solution for the branch in the first instance and implement wider business changes if appropriate e.g. content of and method of delivering new product training.

**G. To establish whether, in the instances where cash shortfalls resulted in a decision to prosecute charges of theft, there was (at the time the charge was made) an appropriate evidential basis for the theft charge.**

28. Post Office has consulted external criminal law advisors to assist in responding to the concerns raised about Post Office's prosecutions of postmasters, which include allegations that charges of theft were brought without sufficient evidence, and more generally that prosecutions have resulted in miscarriages of justice.
29. The steps taken by Post Office to establish whether there is any substance to these concerns have been primarily framed by reference to:
- the policy of considering whether a case meets the tests set out in the Code for Crown Prosecutors before commencing a prosecution, which Code requires Post Office to be satisfied that there is sufficient evidence for a realistic prospect of conviction on each charge and against each defendant, and that the prosecution is in the public interest;
  - the prosecutor's duty to disclose to the defendant and/or his lawyers any information that subsequently comes to light which might undermine the prosecution case or support the defendant's case, which duty continues after the prosecution has concluded; and
  - legal advice that where an audit discloses a loss and there is also evidence of deliberate falsification of accounts over a period of time, the fact of the loss together with the false entries is often sufficient evidence on which to charge theft.
30. Against this background, Post Office has taken the following steps:
- On publication of Second Sight's July 2013 Interim Report, Post Office instructed Cartwright King LLP to review certain past prosecutions to determine whether the report raised anything new which needed to be disclosed in accordance with the prosecutor's disclosure duty.
  - Post Office then had that process reviewed by former First Senior Treasury Counsel Brian Altman QC.
  - Although the Scheme was not designed as a criminal case review but an attempt to determine whether Horizon operated as it should in specific cases (Horizon evidence being only one part of a prosecution), Post Office instructed Cartwright King LLP to review the material generated through the Scheme to determine whether further disclosure would be required, either in the specific case being reviewed or more widely.
  - Cartwright King LLP was also asked to raise with PO any issue it might identify in its review of Scheme material that could raise concerns over the manner in which Post Office conducted a prosecution or prosecutions.
  - Post Office provided to applicants the material generated through the Scheme, including the Post Office Investigation Report and Second Sight Case Review Report prepared for

their specific case. It remains open to applicants to use this material to appeal a conviction or sentence if so advised or considered appropriate.

- Post Office has responded to a number of notices issued by the Criminal Cases Review Commission pursuant to section 17 of the Criminal Appeal Act 1995. Those notices require Post Office to produce and/or preserve materials connected to 20 individual prosecutions (17 of which are connected to Scheme applications), the Scheme, and the review of past prosecutions referred to in 1. above, so as to assist the CCRC investigate whether a Post Office prosecution has resulted in a miscarriage of justice.
- In connection with the BBC Panorama programme "Trouble at the Post Office" broadcast on 17 August 2015 (which raised with specific reference to one case the allegation that there was insufficient evidence to charge theft), Post Office offered to share with the BBC (on a strictly confidential basis) documents which showed that legal advice had been sought as to the sufficiency of evidence to charge theft in a featured case so that the BBC could verify before broadcast the information provided by third parties.
- Post Office has written to individuals who claim to have information suggesting there may have been a miscarriage of justice or unsafe conviction, asking them to produce to us that information so that we may consider whether it needs to be disclosed in accordance with the prosecutor's duty of disclosure. No information has been supplied in response to those requests.

**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
    - iv. Individual Case Reports
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

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administering the mediations. Mediation is a voluntary process, so it was then a matter for the parties to decide whether they wish to mediate.