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Parliamentary Under Secretary of State

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31/05/2023

Dear Henry,

Thank you for your letter of 26 May and for sight of Amanda Burton's draft investigation report.

It was useful to see Amanda's final draft report and her analysis of the errors made. The fact that Post Office's Annual Report and Accounts for 2021/22 marked as achieved the Transformation Incentive Scheme (TIS) metric worded *'All required evidence and information supplied on time, with confirmation from Sir Wyn Williams and team that Post Office's performance supported and enabled the Inquiry to finish in line with expectations.'* when the Inquiry had not finished is a source of significant concern, not least as achievement of that metric resulted in greater bonus payments to senior Post Office executives at a time when Horizon-affected postmasters are still to receive full compensation.

After reading Amanda's review I am still left with two important, but unanswered, questions: first, why was an incorrect statement included in the Annual Report; and secondly, assuming it was included because RemCo determined that the relevant criteria were satisfied, how did RemCo reach that decision?

Amanda's report contains no information about the role that the Post Office Board and management played in overseeing verification and approval of the annual report and accounts (ARA), and little information about the evidence base that was used by RemCo to determine that the target had been achieved.

I would expect to see further information about these matters. As you know, my department will undertake a review of this matter and these will be areas which I will ask to be covered. I would be grateful if Post Office could provide all necessary assistance to that review. I plan to announce that review later this week.

Amanda's report lacks clarity about the engagement of "Government" in the form of the Shareholder Non-Executive Director (SNED), UKGI and BEIS/DBT. For example, it states (in Finding 3) "numerous people saw the wording [of the TIS metric] over many months, including in Government". However, the report refers to Government (in the form of BEIS) only having received an outline of the TIS in July 2021 (after which the formatting and descriptors of the scheme metrics were changed) and BEIS/DBT approved neither Post Office's ARA nor the award of the TIS.

I note Amanda's observations in relation to the ability of Post Office to clawback payments made under the TIS by reference to the unsatisfied metric. As the statement that the Inquiry had finished was manifestly an 'error or inaccurate or misleading information', I am glad that

Board has asked the CEO to seek similar repayment from all those who received an award under the TIS. I would hope that all recipients will repay voluntarily but encourage you to consider further action in relation to any who do not.

My officials will be in touch with some more detailed observations on Amanda's report, including specifically around:

- the external validation of the TIS metrics as correctly requested by the SNED – for example, whether internal audit verified, and Deloitte provided final sign off to validate, the findings of paper tabled at the September 2021 RemCo meeting;
- the procedures followed by RemCo in relation to the award of the TIS, including why the RemCo 'discretion' which Amanda refers to in her report is not referred to in the final ARA statement;
- how RemCo felt able to exercise a discretion to deem satisfied a metric which explicitly contemplated the Inquiry having finished;
- the extent to which changes to the TIS were approved by BEIS/DBT or RemCo after being presented to BEIS's Permanent Secretary in July 2021 and the consequent propriety of those changes; and
- the role of Post Office management in the preparation of reports provided to RemCo and an assessment of the cause of the issues with them.

I understand that Amanda's report is going to be shown to those who are named in the report. I welcome this step. I have seen some concerns expressed by Tom Cooper about the accuracy of parts of the report. I would be grateful if Amanda could address those and the comments of other named parties before sending the final version to me as soon as possible this week. I intend to publish Amanda's report by the end of this week and so, in the interests of expediency, I am copying this letter to her.

Yours ever,

A large, bold, black signature 'GRO' is enclosed within a dashed rectangular border.

**KEVIN HOLLINRAKE MP**

Parliamentary Under Secretary of State – Department for Business and Trade