

Witness Name: Anthony Oppenheim

Statement No.: WITN0377_01

Exhibits: WITN0377_01/1 to WITN0377_01/104

Dated: 7 September 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF *ANTHONY OPPENHEIM*

I, *MR ANTHONY OPPENHEIM*, will say as follows:

INTRODUCTION

1. I am a former employee of Fujitsu Services Limited ("**Fujitsu**"), having retired in October 2018.
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 provided to me on 1 July 2022 (the "**Request**"), to the extent I have or had direct knowledge of such matters.
3. I note that the topics set out in the Request relate to events that took place over 20 years ago. In this statement, I have set out my best recollection of those events, which relate to procurement, contractual matters, rollout, technical issues, and bugs, errors and defects, in relation to the Horizon IT system ("**Horizon**"), as well as the relationship between Fujitsu and Post Office Limited

(“POL”) (including their predecessors). As I mention below, my involvement with matters relating to Horizon ended in December 2002.

4. As requested by the Inquiry, I have refreshed my memory by reviewing the contemporaneous documents brought to my attention by the Inquiry in the Request. Where relevant, I have also drawn on other contemporaneous material in the public domain or made available to me by Fujitsu at my request. Where my recollection has been either supported by or prompted by such documents, they are referred to using references WITN0377_01/1 to WITN0377_01/104 and are listed in the index accompanying this statement.

PROFESSIONAL BACKGROUND

5. At the suggestion of the Inquiry, in preparing this section on my professional background, I reviewed variations of Schedule A14 of the Codified Agreement signed between ICL Pathway Limited (“**Pathway**”) and Post Office Counters Limited (“**POCL**”) on 28 July 1999 (the “**Codified Agreement**”) (WITN0377_01/1 and WITN0377_01/2), a chart of Pathway Directors from the year 2000 (WITN0377_01/3) and the minutes of a Pathway Group Limited (Pathway’s previous name) Board meeting on 15 June 1995 (WITN0377_01/4).
6. Prior to being assigned by ICL PLC (“**ICL**”) to Pathway, I had served in a number of senior Finance and Commercial roles within ICL: as Controller of ICL Mainframes; VP of Finance of ICL North America and Board member of ICL Systems Inc. (2-year secondment to the US); and most recently as VP of Finance of ICL Retail Systems (a global business with its headquarters in the UK).

7. By training I am an engineer and an economist (BSc BCom from Birmingham University).
8. I joined ICL in 1979 having previously worked in various Marketing and Finance roles for Shell Chemicals, British Leyland and Rank Xerox.

MY ROLE IN RELATION TO PATHWAY / HORIZON

9. I was one of the first to join the bid team in around October 1994. I was appointed Pathway's Commercial and Finance Director when it was first set up during the first half of 1995 and, on 15 June 1995, a member of the Pathway Board. I left Pathway in February 2001 having been invited to take up a more senior Commercial and Finance role in ICL.
10. As Pathway's Commercial and Finance Director, I had CFO responsibilities for the commercial and contractual arrangements between Pathway and its customers and sub-contractors, and for Pathway's finances and funding arrangements, until February 2001.
11. By way of background, Pathway was initially set up as a joint venture company between ICL (controlling share), De La Rue PLC (to assist with the payment card element of the project) ("**DLR**"), and Girobank (to assist with secure banking operations, and a POCL client). Pathway's sole purpose was to bid for and operate the BA/POCL agreements ("**BA**" being the Department of Social Security's Benefits Agency), which consisted of three agreements variously entered into by the BA, POCL and Pathway: these agreements are described in more detail below (the "**BA/POCL Agreements**").

12. Each of the Pathway shareholders would also be principal sub-contractors, along with An Post (Irish Post Office) and Escher (Irish Post Office solution provider), Energis (network), Oracle (database), CISCO (routers) and Hambros (funding).
13. As I recall, Fujitsu Limited provided funding support to Pathway in the form of an equity injection to ICL, bank guarantees and a Parent Company Guarantee (“**PCG**”) (via a deed) to BA/POCL.
14. I was involved in setting up all of the above arrangements, the management of Contract Changes between 1996 and 1999, and then, in 1999, unwinding the BA Benefits Payment Card part of the contract. This included negotiations with HM Treasury to settle how much Pathway should accept as its share of the wasted costs and to change the payment terms for the POCL part of the contract going forward, leading to the Codified Agreement with POCL and, later, Acceptance and then Rollout of Horizon.
15. In my role, I also worked closely with the National Audit Office (“**NAO**”) to assist them in writing their report of 18 August 2000 entitled “*The Cancellation of the Benefits Payment Card project*” (the “**NAO Report**”) (WITN0377_01/5), and represented Pathway as CFO at a Public Accounts Committee hearing in February 2001 (see the Committee’s Third Report of the 2001–2002 session, WITN0377_01/6).
16. I was designated one of a number of “Key Personnel” (WITN0377_01/1 and WITN0377_01/2).

17. My resignation from the Pathway Board was recorded at the January 2002 AGM.
18. Following on from my direct involvement in Pathway, my new role in ICL (by then branded Fujitsu) as Commercial and Finance Director for Large Projects (a newly formed division comprised of ICL's recently won Private Finance Initiative ("**PFI**") contracts) included commercial oversight of Pathway. In that capacity, in 2002, I engaged with POL (as POCL had then become known) to negotiate an extension to the Codified Agreement, referred to as CCN 1100 dated 31 December 2002 ("**CCN 1100**") (WITN0377_01/7), which would significantly reduce the price of the services provided by Pathway through the introduction of new technology and certain changes to the services provided.

PROCUREMENT AND CONTRACTING

19. At the suggestion of the Inquiry, in preparing this section on the procurement and contracting of the Horizon system, I have considered the following documents: WITN0377_01/8 to WITN0377_01/61.

Involvement in the procurement process

20. I was involved from the early stages of the bid after ICL decided to respond to BA/POCL Notice 94/S 165.58937/EN advertised in the Official Journal of the European Community in August 1994 ("**OJEC Notice**") (WITN0377_01/62). The OJEC Notice sought a PFI proposal to "Bring technology to the Post Office and Benefits Payments". Following an extensive period of demonstrations of the proposed solution, clarification of Requirements and contractual negotiations, Pathway was shortlisted and invited to tender in February 1996

(“ITT”). It submitted a final tender in April 1996 and was awarded the contract jointly by BA and POCL in May 1996.

Aims and objectives of the Horizon project

21. There were two distinct phases in relation to the procurement and contracting of the Horizon system:

21.1. initially as set out in the 1994 OJEC Notice and ITT of February 1996, and then

21.2. POCL’s objectives after the BA dropped out in May 1999.

22. These phases are addressed separately below.

Phase 1: BA/POCL

23. BA’s primary business objective for the project was to radically reduce encashment fraud. As I recall, this was variously put at between £100m and £400m per annum at the time the contract was awarded. Paragraph 18 of the NAO Report (WITN0377_01/5) quotes a figure of £100m net of a £50m saving already delivered within the M25 through use of the ALPS system (referred to as the “Electronic Stop Notices System” in the NAO Report) that had been procured in 1994 from ICL.

24. POCL’s business objectives were (i) to retain as much of BA’s business as possible (the BA could also pay its beneficiaries via Automated Cash Transfer or “ACT” (bank to bank transfer)) and (ii) to bring automation to its branch network (previously 80% paper based – only Crown Offices and a small

number of large franchises had been (partially) automated using a system known as "ECCO+").

25. The technical objectives were to (a) replace BA books and Girocheques with a Benefits Payment Card system and (b) automate all transactions (including Benefits Payment Card transactions) across POCL's branch network, enabling new and smarter services to be introduced and increasing the robustness of POCL's accounting with their clients (BA, Driver and Vehicle Licensing Agency "DVLA", and National Savings & Investments ("NS&I"), by way of example).
26. After extensive delays, the BA terminated their part of the BA/POCL Agreements in May 1999.
27. To quote from paragraph 9 of the NAO Report (WITN0377_01/5), which accords with my recollection:

"In May 1999 the government decided that removing the payment card from the project offered better value for money than complete cancellation, would better protect the early automation of the Post Office, and was preferable to continuation. They devised a new strategy with the following key features:

- *the Benefits Payment Card element of the project would be dropped, simplifying and assuring post office automation;*
- *automation of the Post Office would proceed, for completion by 2001;*
- *benefits payments would be made by automated transfers to claimants' bank accounts; starting in 2003 and completing by 2005. Until 2003 existing arrangements would continue;*

- *people who wished to continue to collect their cash at post offices would continue to be able to do so. The Post Office would introduce suitable banking technology and commercial arrangements with banks to allow this to happen; and*
- *for the relatively few people for whom a bank account may remain an unsuitable option, special arrangements would be made.”*

Phase 2: Horizon

28. When the BA dropped out, the goals with regards to the Benefits Payment Card fell away.
29. POCL's Requirements, Solutions and Rollout plan were carried forward into the Codified Agreement essentially unchanged from the BA/POCL Agreements as modified by Change Control during the period May 1996 to July 1999.
30. To these was added a new Agreement to Agree (an “**A2A**”) in relation to Network Banking. This was to cater for the new BA requirement that POCL offer suitable banking technology to enable their BA customers to encash their benefits in post offices. Network Banking was otherwise referred to as Universal Banking, aimed at those who would not normally have qualified for bank accounts (hence the name).

Alignment of aims and objectives

31. The alignment of aims and objectives between the parties again fell into 2 parts:
 - 31.1. while BA were a stakeholder and the contract was a “pure” PFI; and

31.2. after cancellation of the Benefits Payment Card when the BA ceased to be a direct customer of Pathway (they remained a customer of POCL and hence indirectly of Pathway) and the contract terms were changed to more conventional project payment terms.

Part 1: PFI

32. The key goal for the BA was to radically reduce the high levels of encashment fraud to which the paper-based system was subject. This had been a running sore for years and the government had instructed the BA to address it. To do so, the BA had two options: tighten the controls over encashments made in Post Offices or make ACT payments directly into beneficiaries' bank accounts. ACT largely eliminates encashment fraud and is considerably cheaper to administer.

33. POCL's primary business driver was very different from BA's. It was to retain as many BA transactions as possible across its branch network. To encourage its customers to stay with POCL rather than move to ACT, POCL's goal was to have the encashment process be as quick and straightforward for its customers as possible, retaining the (considerable) flexibility that had been provided with the paper-based system. POCL were not incentivised to be concerned about the encashment fraud risk.

34. The arguments against ACT historically had been that many BA beneficiaries did not have bank accounts (although that proportion was gradually reducing) and that rural and small urban post offices were heavily dependent on BA transactions for their survival (which was still very much the case).

35. The Benefits Payment Card was intended to satisfy both objectives: eliminate encashment fraud and continue to support POCL's branch network.
36. The conflict between BA's and POCL's business objectives manifested itself in the "rules" associated with security checks. The Benefits Payment Card solution would only eliminate encashment fraud (or come close to eliminating it) if payments to benefits recipients were tightly controlled. Historically, POCL had afforded their customers considerable flexibility over the encashment of their benefits through the use of alternates, proxies and "casual payees". Tightening controls went against POCL's business goal of making the customer experience as frictionless as possible in order to encourage usage. Furthermore, introducing checks to confirm the credentials of benefits recipients went against POCL's goal of maintaining fast transaction times. Pathway was caught in the middle of these conflicting objectives.
37. These conflicting objectives were reflected in the A2As and the difficulties experienced in resolving them. The A2As were there precisely because the BA and POCL could not agree on how to resolve them. For example, a Requirement would state that the identity of an alternate payee had to be verified but that the method for doing so had to be agreed. Without that agreement, it would be impossible for Pathway to complete process design, development and testing – and would never be able to secure Acceptance. The need to agree such detail post-contract was expressly identified in 289 A2As (as noted in the NAO Report at paragraph 22, WITN0377_01/5) and, from memory, was implied in approximately 100 further places in the BA/POCL

Agreements. Many of the BA related A2As went unresolved until they fell away when the Benefits Payment Card was cancelled.

38. As noted at paragraph 16 of the NAO Report (WITN0377_01/5):

“The objectives of the Department of Social Security and Post Office Counters Ltd in undertaking the project were different, reflecting their different business drivers. They rightly agreed a memorandum of understanding between themselves before signing the contract with Pathway, which addressed their commercial relationship. But this did not prevent later disputes on matters of detail. For example, arrangements that the Department wanted to ensure security for payments to people temporarily collecting benefits on behalf of claimants proved difficult to balance against Post Office Counters Ltd’s commercial interests in maximising the flow of customers through its outlets.”

39. A key PFI principle was that the service provider (i.e. Pathway) should be paid on outcomes, in this case pence per transaction. Nothing was to be paid until the service was up and running. The idea was to incentivise the service provider to deliver the contracted services on time and to specification. Fine in principle. But that could only work if the specifications had been set clearly and in good time.

40. Given the obvious risks to timescales, Pathway had negotiated into the BA/POCL Agreement, as a condition for entering into it, a commitment that, within 90 days of contract signature, BA and POCL would complete the so-called “**Drop Down**” of their Requirements. Drop Down was supposed to expand the detail behind the high level Requirements set out in the contract to the level necessary to define them fully. It was expected that, in the process,

the majority of the A2As would be settled. If the deadline was not met, Pathway would be free to cancel the contract and walk away (WITN0377_01/63).

41. The 90 day deadline was not met. At the end of it, many key Drop Down Requirements (and A2As) remained undefined. Pathway was contractually entitled to terminate the contract and walk away at that point but chose not to. It chose not to (i) believing that the Government was 100% invested in the project such that it would not allow it to fail and (ii) because, if it did, it would not be able to recover the considerable costs already sunk into the project (tens of £m).
42. When the BA terminated its part of the contract in May 1999, a large number (I do not recall how many, but I do recall that it was a large number) of Benefits Payment Card related A2As remained unresolved and, similarly, a large number of pending CCNs were outstanding. The number of A2As relating to POCL was much smaller, as I recall, but they included important gaps in relation to the operation of POCL Reference Data ("**Reference Data**") (as explained further below), the TIP interface ("**TIP**") and reconciliations, in particular (TIP being POCL's client-facing reporting system that accounted for the transactions and money flows in relation to each client, e.g. BA, DVLA, NS&I, Girobank, etc.). Reference Data issues would prove to be problematic later on.

Part 2: Post-BA's withdrawal

43. The removal of the Benefits Payment Card element of the service eliminated (i) a great deal of complexity and (ii) the conflict in business objectives that had

existed between the BA and POCL. Cancellation therefore reduced the project risk of the remaining POCL element of the contract.

44. However, BA's cancellation of the Benefits Payment Card went directly against POCL's key objective of preserving BA customer transaction volumes: it was in fact an existential threat to its business. As noted in paragraph 1.29 of the NAO Report (WITN0377_01/5), BA's declared strategy was now to move to ACT by 2005, starting in 2003. The ability of POCL to continue to serve its BA customers, using Network Banking in place of paper, would depend critically on the completion of the roll out of counter automation and the introduction of Network Banking before BA started to migrate its beneficiaries to ACT in 2003.
45. In addition, POCL would need to introduce new revenue streams to replace the BA transactions that would be lost to ACT notwithstanding the introduction of Network Banking. These new revenue streams would depend on new, smart products which would again require counter automation.
46. Both imperatives increased the pressure on POCL to move fast. The incentives on POCL and Pathway were well aligned – both wanted to move ahead quickly.
47. At the time BA walked away, the Pathway Electronic Point of Sale System ("**EPOSS**") / Transactional Management System ("**TMS**") solution was in an advanced state. However, it contained deficiencies that both parties agreed had to be closed out before starting volume Rollout. These were highlighted by Acceptance Incidents ("**AIs**", each an "**AI**"), as described in the action points from the Acceptance Workshop attended by Pathway and POCL on 17 September 1999 (WITN0377_01/64).

48. The immediate challenge in the summer of 1999 was to complete the work needed to fix the deficiencies and to confirm through an AI Acceptance process that the fixes had indeed resolved the deficiencies before triggering volume Rollout in January 2000. Meanwhile, sufficient mitigations needed to be put in place before a proving phase of 1,800 branches was implemented in October/November 1999.
49. My understanding was that Pathway disclosed all relevant known defects and issues to POCL together with their status to enable POCL to make informed decisions as to their resolution. As evidenced by the AI Workshops minutes and actions referred to above (WITN0377_01/64), there was a great deal of close dialogue between the two teams on each of the AIs. Individuals on both sides were held responsible for the outcomes.
50. My recollection is that the two teams worked well together: the shared goal being to ensure that the AIs were all resolved such that a joint determination could be made that Rollout should proceed.
51. By way of illustration, Pathway agreed to pay POCL to carry out reconciliation checks in the TIP domain to ensure that any AI376 imbalances that occurred before approval of the new 3-way reconciliation process (otherwise referred to as the new integrity controls) would be flagged up for attention.
52. POCL's satisfaction with the outcome of the AI resolution process is evidenced by the minutes of the Special Delivery Meeting held on 14 January 2000 (WITN0377_01/65) which closed the AIs and approved the start of volume Rollout on 24 January 2000.

History of the procurement process

53. Most of the events set out below are taken from either the varied and restated codified agreement entered into between Pathway and POL on 31 December 2002 (WITN0377_01/7) or the NAO Report (WITN0377_01/5). I have added some further events that I recall as significant in the run up to the Codified Agreement:

- 53.1. August 1994: OJEC Notice (WITN0377_01/62).
- 53.2. 1H 1995: Teaming Agreements signed with An Post and Escher, Girobank, De La Rue and Hambros.
- 53.3. 1H 1995: Pathway joint venture company agreed between ICL, Girobank and DLR, ICL having the largest shareholding.
- 53.4. 1H 1995: Key Personnel assigned to Pathway from each of the shareholders.
- 53.5. June 1995: Response to OJEC Notice (WITN0377_01/8).
- 53.6. July 1995 to February 1996: Demonstrations, negotiations and attempts to better define BA's and POCL's Requirements.
- 53.7. February 1996: BA/POCL issue ITT to shortlisted bidders.
- 53.8. April 1996: Pathway submits updated proposal.
- 53.9. May 1996: Pathway Group Limited changes its name to ICL Pathway Limited, ICL having bought out DLR and Girobank – driven by

BA/POCL's requirement, otherwise, for joint and several guarantees from all 3 shareholders (WITN0377_01/67).

- 53.10. May 1996: BA/POCL award contract to Pathway.
- 53.11. 15 May 1996: Pathway entered the BA/POCL Agreements, which comprised the "**DSS Agreement**", "**Post Office Agreement**" and the "**Authorities Agreement**", as set out in the preamble to CCN 1100 (WITN0377_01/7).
- 53.12. February 1997: Contract reset in relation to the BA/POCL Agreements pushing all planning dates back following failure to complete Drop Down within the contracted 90 days of contract signature.
- 53.13. 1997: As referred to in the NAO report (WITN0377_01/5), PA Consulting recommended doing away with the Programme Delivery Authority ("**PDA**") – an intermediary organisation not contemplated in the contract but which BA and POCL had set up to manage Pathway on their joint behalves – and replacing it with direct control by POCL.
- 53.14. 1998: POCL takes over contract control from the PDA.
- 53.15. July 1998: Horizon Programme Replan (the "**July 1998 Replan**") (WITN0377_01/9).
- 53.16. 24 May 1999: Pathway and the DSS agreed to terminate the DSS Agreement, and POCL and Pathway entered into the "**Letter Agreement**", as set out in the preamble to CCN 1100 (WITN0377_01/7).

53.17. July 1999: Pursuant to the Letter Agreement, the Codified Agreement came into effect on 28 July 1999, as set out in the preamble to CCN 1100 (WITN0377_01/7).

Main challenges during the procurement process

54. The main challenges and concerns that I recall the Pathway bid team having during the procurement process were:

54.1. The need to produce a fully operational Demonstration system to qualify for shortlisting. Making the An Post solution meet BA's Requirements called for significant effort in relation to Payment Authorisation Service ("**PAS**") and Card Management System ("**CMS**"). Likewise, EPOSS for POCL.

54.2. Teaming Agreements needed to be put in place quickly with our Principal Subcontractors for them to deliver their components in time for Pathway to integrate them all together.

54.3. BA/POCL's aggressive timescales for delivery - requiring a fast start and a strict limit to the amount of new development on top of the existing An Post baseline solution – was this realistic?

54.4. Lack of precision over Requirements definition – the ITT contained a large number of A2As – and it was far from clear how or when these would be resolved post-contract.

54.5. Differing business drivers as between BA and POCL – would there be sufficient will on the part of all three parties to find ways through the conflicts?

- 54.6. The tripartite nature of the contract and the fact that BA was a customer of POCL, creating conflicting interests and objectives.
- 54.7. PFI encouraged innovation. A letter from Sir Peter Mathison (Chief Executive of the BA) to Sir Michael Butler (Chairman of Pathway) dated 7 November 1995 refers to the heavy emphasis on innovation at the time (WITN0377_01/10). But how much scope would we really have to do things differently - would we be constrained by existing rules and procedures yet to be defined in Drop Down and A2As?
- 54.8. PFI risk transfer beyond what we were best placed to manage (another PFI principle) – and containing BA/POCL’s attempts to transfer more risk through Drop Down.
- 54.9. Responsibilities still to be defined at the boundary of Pathway and BA/POCL: dependencies on BA and POCL to provide quality information on time – to what extent would the Contracting Authority Responsibilities set out in the contract actually protect us?
- 54.10. The need to ramp up resources and make commitments to suppliers before knowing if we would be selected in order to meet the contract delivery dates.
- 54.11. Unduly tight Service Level Agreements (“**SLAs**”) being imposed on us.
- 54.12. Not knowing what we didn’t know.

Horizon project achievability

55. Notwithstanding all of the above, Pathway believed in its strategy of re-use of the Eire solution augmented by teaming with the best in the industry for its technology and service delivery.
56. My recollection is that the Pathway Board took the view that, given a collective will on the part of all three parties to make the contract work (for which it assessed there to be a political imperative), the project was achievable.
57. Ultimately, I would say that the internal conflicts within the combined BA/POCL programme proved too much for the Benefits Payment Card but that the same did not apply to the Horizon (POCL) part of the contract that became the Codified Agreement. At the time I left the project in February 2001, I felt confident that Pathway would deliver its elements of the Horizon programme successfully and that it was approaching an operational steady state following the intense period of Rollout.
58. When referring to “Horizon”, it should be noted that the term encompassed significant elements of activity within the POCL domain in addition to those elements undertaken by Pathway, notably in relation to Reference Data and TIP.
59. My confidence was supported by a statement made by John Roberts (then CEO of Post Office) at a hearing in front of the Select Committee on Public Accounts on 26 February 2001 (the “**PAC Hearing**”), which I attended in my role as CFO of Pathway. Mr Roberts stated at paragraph 145 (WITN0377_01/6):

“It has been a success in my terms, in the sense that we have got a product which is working extremely well, we have managed to automate, which was obviously one of our aims, the whole network of post offices, we will have done by the due date, which is June of this year at the latest, we will probably complete it by March/April rather than June. In a very limited sense we have an automation project, we have moved, as many other countries have done, the network of post offices, which is probably bigger than most other countries, into one which is now fully automated and on which we can build the kind of technological future that the performance innovation in the report wanted us to do.....”

Pathway perceived risks

60. My recollection is that, at the outset, the greatest risks were perceived to lie with:

60.1. the Benefits Payment Card (in particular, resolving the associated A2As and minimising additional development work) on the one hand and

60.2. the Rollout to 18,500 post offices on the other (sustaining the flow of preparation work, ISDN provisioning, training and equipment supply over almost two years with few breaks).

61. Risks in relation to the Benefits Payment Card (so far as I can recall) were as follows:

61.1. determining the detailed Requirements via Drop Down and, in the process, the many A2As - within 90 days of contract signature;

- 61.2. “requirements creep” whereby Drop Down and A2A resolution would seek to introduce new Requirements;
 - 61.3. agreeing the fraud risk attribution in relation to each fraud scenario, matched to what it was possible for the system to control (Pathway responsibility) versus where it was not possible for it to do so with the information provided (not to count as a Pathway failure). It is worth noting that the indemnity was in relation to encashment fraud: it did not extend to BA entitlement fraud nor to any fraud in relation to POCL’s sub-postmasters;
 - 61.4. the CAPS interface and the timely provision of beneficiary data by BA;
and
 - 61.5. the impact of the above on timescales (leading to potential breach of contract by Pathway), and on costs and lost revenue (any delay would lead to a shorter revenue earning life for the project).
62. On the POCL side (so far as I can recall), the perceived risks were as follows:
- 62.1. rolling out 40,000 sets of Counter equipment to 18,500 Post Office branches at a rate of hundreds a week, having first connected each branch to the network via ISDN (or otherwise satellite);
 - 62.2. modifying the branches to accept the installation of PCs and printers;
 - 62.3. training 67,000 sub-postmasters and counter staff (just) before their respective implementation dates (these statistics are set out in Figure 2 of the NAO Report, WITN0377_01/5);

- 62.4. managing procurement lead times and last time buys of equipment to ensure compatibility across the branch network;
- 62.5. resolving A2As – those that had to be agreed with both BA and POCL and those affecting POCL alone, viz.:
 - Reference Data;
 - the interface between Pathway's TMS and POCL's TIP systems; and
- 62.6. resourcing up fast enough to carry out additional development and testing and to meet rapidly growing demand for e.g. Help Desk services.

My involvement in relation to the Codified Agreement

- 63. I was involved throughout the process of getting to the Codified Agreement as described in paragraph 53 above and then working to implement that contract with POCL until the time I left Pathway in February 2001.
- 64. Following BA's notification of its intent to cancel the Benefits Payment Card, I led the negotiations on behalf of Pathway to replace the three BA/POCL Agreements with a single Codified Agreement between Pathway and POCL. Those negotiations included HM Treasury.

Main challenges in agreeing the original BA/POCL contract

- 65. The foremost challenges as I recall them were:
 - 65.1. the many Requirements and A2As that would be subject to "Drop Down" – how to ensure that they would be resolved quickly and how to protect Pathway from delays resulting from a failure to do that;

- 65.2. Drop Down – protecting Pathway from the introduction of greater complexity and/ or risk transfer (Requirements “creep”);
- 65.3. dependencies on BA and POCL – making sure that appropriate Contracting Authority Responsibilities (“**CARs**”) were included in the BA/POCL Agreements in relation to, notably:
- BA providing accurate, complete and timely streams of beneficiary data from its CAPS system (a new system to be developed by them);
and
 - POCL providing accurate, complete and timely streams of Reference Data;
- 65.4. SLAs – trying to avoid unduly stringent SLAs and potential breach conditions;
- 65.5. encashment fraud indemnity – ensuring that the contract limited our exposure to only those things that Pathway would be able to control;
and
- 65.6. Change Control – trying to make sure there would be an effective process in place from day one given the tripartite nature of the contract and the inherent conflicts as between our two customers, one of which was a customer of the other.

Reasons why the contract changed in 1999

66. The BA/POCL Agreements were replaced by the Codified Agreement following BA's cancellation of the Benefits Payment Card. The change was necessary to:

- 66.1. Remove BA as a party to the agreements;
- 66.2. Strip out all references to the Benefits Payment Card and associated services (CMS, PAS and Benefits Encashment Service, or "**BES**");
- 66.3. Add the intention to develop and provide a Network Banking service to replace the Benefits Payment Card services;
- 66.4. Reset the timetable for Rollout; and
- 66.5. Change the payment terms, replacing the original PFI structure with a combination of milestone payments related to rollout and annual service charge payments related to the ongoing provision of services following Rollout. A fuller explanation of the changes is set out in a memorandum dated 29 July 1999 from John Bennett to the Pathway Board and senior management team (WITN0377_01/11).

Main challenges in amending the contract

- 67. The main challenge in amending the contract was financial.
- 68. As I recall, by mid-1999, Pathway had spent around £300m on the project, of which it had to write-off £180m in relation to the Benefits Payment Card. The cost of development and of all the preparation work to get to that point, over 3 years, had used up funds that had been earmarked for Rollout. In addition, the

elimination of the Benefits Payment Card rendered transaction volumes and therefore revenues less certain. Under the BA/POCL Agreements, revenue was to be derived by multiplying the volumes of each type of transaction by the unit price (in pence) for that type of transaction. Agreeing a change to more conventional project-based payment terms was key to being able to proceed with the project.

69. For POCL to be able to accommodate such a change necessitated the intervention of HM Treasury.

70. None of this was easy for either Pathway or POCL.

Different positions between the parties

71. BA had been on the hook for all of the Benefits Payment Card costs and a significant share of the Post Office automation costs.

72. With the BA contribution likely to be significantly reduced, POCL would be unable to cover all the costs of Rollout and counter operations unless HM Treasury agreed to grant POCL financial relief. For its part, Pathway could not afford to carry on with the programme unless all the Rollout and on-going operational costs of the branch network were covered.

73. Both parties needed help from HM Treasury to bridge the gap. HM Treasury were able to fund the gap by using the cost savings that the BA would make by moving to ACT.

74. My recollection is that, once the change in commercial terms had been agreed with HM Treasury, agreeing the Codified Agreement with POCL was relatively straightforward. Apart from the commercials, and the introduction of a new

Acceptance process founded on an Operational Trial, much of the rest of the POCL part of the BA/POCL Agreements carried forward, largely unchanged. Both parties were incentivised to proceed as quickly as possible.

Joint workshops and their successes and failures

75. The joint workshops were set up to go through and manage the AIs which had been identified as a result of the Operational Trial. It was attended by the technical experts from both sides who had lead responsibility for the resolution of the AIs (WITN0377_01/64) and by Keith Baines of POCL and myself as joint Chairs.
76. My recollection is that the joint workshops were successful in achieving the objectives set for them, even though it took significantly longer for the AIs to be resolved than was called for by the Codified Agreement. They set actions on both parties and held both parties to account for seeing those actions through to completion. The majority of the actions were on Pathway but it was very much a joint endeavour.
77. New information was produced overnight in response to actions placed each day.
78. Individual AIs were managed through to closure where the information supported closure. Where it did not, Keith Baines and I worked together to identify and agree the actions that would enable a resolution to be found. I believe we did that in a spirit of mutual goodwill and that between us we were able to come up with and agree solutions that were appropriate to the risks.

Political dynamics in respect of the procurement and contracting process

79. As before, this needs to be considered in two parts (i) the original BA/POCL joint procurement and (ii) the replacement of the BA/POCL Agreements by the Codified Agreement, with POCL only.

Part A: The original procurement

80. I would summarise the political dynamics as follows:

80.1. POCL, the Department for Trade and Industry, Cabinet Office and HM Treasury all wanted the Benefits Payment Card solution to succeed;

80.2. DSS and BA were, I believe, were far less enthusiastic, always favouring ACT over POCL.

81. There are invariably problems to deal with in any large complex project (with faults typically on both sides). In my experience, overcoming these problems invariably depends on there being the will on both sides to find and agree solutions. In this case, there were three sides, not two, and in my opinion, the will was lacking on the part of the BA, partly because ACT was more attractive to them than the Benefits Payment Card and partly because their CAPS development was running late, which is illustrated by the July 1998 Replan discussed in more detail below.

82. The immaturity of PFIs in the Information Technology industry did not help any of the parties (this was only the second IT PFI contract to be awarded). The concept was that the Public Sector would look to the Private Sector to innovate – to come up with new and smarter ways to do things. The reality was that we were constrained in our ability to innovate by a multiplicity of rules and

processes (some of them enshrined in government regulations) some of which only became apparent a long time after the BA/POCL Agreements were signed.

83. As I understood it, the decision to go down the Benefits Payment Card route via a complex set of three-way agreements was driven by Government policy to underpin the rural and small urban post office – their viability depended to a large extent on BA transactions. To crack down on encashment fraud (a political embarrassment as well as being a waste of money) and at the same time maintain the viability of rural and small urban post offices, the Government decided that: (i) the BA should switch from their fraud-prone paper-based systems to a secure benefits card-based system still using post office branches; and (ii) the post office network should, in essence, be modernised through counter automation on the back of the Benefits Payment Card programme.
84. In my opinion, the BA always favoured ACT and was never fully committed to the Benefits Payment Card. ACT was a lot simpler and cheaper for them to administer and it largely did away with encashment fraud. Problem solved as far as the BA were concerned.
85. This was a PFI, so apart from having to spend money developing CAPS, the BA had little investment “skin in the game”. It could afford to play it long with A2As until Ministers and HM Treasury lost patience with the Benefits Payment Card solution and called time on it.

Part B: Moving to the Codified Agreement

86. Pathway and POCL were well aligned in their objectives except for cost and cash flow. Withdrawal of the BA would create a sizeable revenue gap for POCL. Following 3 years of cash drain, Pathway was looking for milestone payments to cover the cash costs of rollout, instead of all payments coming from transactions.
87. Solving this required the involvement of HM Treasury. When faced with a choice between enabling POCL to modernise its branch network through counter automation or continue to decline with increasing numbers of branch closures, HM Treasury chose to provide the additional funds needed to complete the project.

The relationship between Pathway and POCL prior to the rollout of Horizon

88. During the first two years of the BA/POCL Agreements being in operation, the existence of the PDA as “front man” to the BA and POCL inhibited the creation of direct relationships with BA and POCL. My recollection is that the PDA spent a lot of time attempting to tie-break between BA and POCL – a task rendered extremely difficult, if not impossible, by the inherent conflicts between BA and POCL, and lack of BA motivation. Inevitably, the lack of progress led to tensions in the relationships.
89. The situation was so bad that PA Consulting were asked to review the reasons for the lack of progress and to make proposals. They recommended in 1997 doing away with the PDA (as I recall, the PDA was not contemplated in the BA/POCL Agreements) and instead giving lead responsibility to POCL, with the BA sitting “behind” POCL as POCL’s client. From the time that the PDA was

disbanded in 1998 it became possible to develop a working relationship with POCL. The problem of conflicted business objectives remained, however. It was clear from our interactions and discussions with POCL at the time that, behind the scenes, a lot of back and forth was still going on between POCL and BA. Resolving A2As and CCNs continued to be a slow and painful process.

90. It became increasingly clear during 1998 that development of the CAPS system (the new BA system upon which Pathway was dependent for customer and entitlement data) was running late. The July 1998 Replan referred to above and considered in more detail below was testimony to the CAPS delays. The fact that CAPS was running late gave the BA the incentive to slow down A2A resolutions and place unreasonable demands on Pathway in relation to, e.g. testing of the interface.
91. By way of illustration, I cite the formal complaint I felt compelled to register with the Chair of the Core Negotiating Team, Pat Kelsey. Pat Kelsey relayed my complaint on to Peter Crahan of BA and Dave Miller of POCL on 2 September 1998 in this memorandum: WITN0377_01/12.
92. From the point at which BA formally withdrew, I would say that the relationship between POCL and Pathway improved quickly. Notwithstanding POCL's disappointment, and to some extent perhaps resentment towards Pathway for the failed Benefits Payment Card solution, the business objectives between POCL and Pathway were now well aligned.
93. I recall what, at a personal level, I consider to have been a strong professional working relationship with my opposite number, Keith Baines, and that the inter-team working through the AI process over a period of months was likewise

strong under considerable pressure. Both sides, I believe, worked hard to resolve the critical deficiencies that had been identified to clear the way for the safe Rollout and operation of Horizon.

ROLLOUT

94. At the suggestion of the Inquiry, in preparing this section on the rollout of Horizon, I have considered documents WITN0377_01/63, WITN0377_01/65 and WITN0377_01/68 to WITN0377_01/78. They cover a wide range of topics and also timescales. I address a number of them individually to provide background and context.

The rollout of Horizon

Phase 1: Early life Live Trials / pilots – Background

95. The minutes of the Contract Negotiation Team (“**CNT**”) meeting dated 16 October 1996 (WITN0377_01/63) describe the status of Drop Down and that of the associated CARs and A2As some 5 months after contract signature. This is a good example of the weekly CNT meetings conducted at Bird and Bird’s offices, being still heavily focused on specifying the detailed requirements. At that point, completion of Drop Down was 2 months overdue. No consideration had yet been given to Rollout.

96. I have reviewed two Pathway documents entitled “*100 Trial Surveys Report*” from March 1998 (WITN0377_01/68 and WITN0377_01/69), which had to do with assessing the on-site work that would be required to make branch offices ready to accept the installation of PCs and printers at that time. To the best of my recollection, although challenging, there were no material issues arising from the preparation work or the installations themselves. After volume Rollout

was kicked off in early 2000, it was quickly possible to reach a beat rate of 300 post offices per week and to sustain it for months on end. In my experience, that would not have been possible if there had been any significant issues with the preparation work.

97. The High Level Counter Infrastructure Rollout Strategy document from June 1998 (WITN0377_01/70) sets out the Rollout strategy as it had evolved until then: designed to be incremental by BA release, it was oriented towards BA districts and subject to a series of selection criteria which were driven by BA's priorities rather than POCL's. As I recall, the pace and locations of POCL's rollout were driven by the availability of BA data and clustering of their highest risk customers (encashment fraud) more than by a coherent rollout across geographic regions to suit POCL. This strategy was replaced by the July 1998 Replan (WITN0377_01/9) which "decoupled" the two rollouts – POCL infrastructure and the Benefits Payment Card. It removed POCL's dependency on BA: instead of POCL's infrastructure Rollout having to be aligned to BA districts, POCL would now lead with infrastructure Rollout according to its priorities and BA would follow with the Card issue and conversion of payment method. The July 1998 Replan largely carried forward to the Codified agreement.

98. Prior to cancellation of the Benefits Payment Card:

98.1. Approximately 200 branches had been rolled out as a live trial/ pilot in 1997. The primary focus had been on proving the Benefits Payment Card solution (end to end operations starting with BA customer and

benefits data going from CAPS to Pathway to the POCL network and back to BA via POCL's TIP).

98.2. The live trial/ pilot was increased in size by the addition of a further 100 branches (approximately) following the July 1998 Replan: the focus shifted towards POCL functionality and processes.

Phase 2: After signature of the Codified Agreement – Background

99. Of those documents cited above at paragraph 94, WITN0377_01/65 and WITN0377_01/71 to WITN0377_01/78 all relate to the Rollout that followed the cancellation of the Benefits Payment Card, from the resolution of AIs and Acceptance to the later stages of Rollout. I refer below to those documents I consider most significant.

100. Following cancellation of the Benefits Payment Card and signature of the Pathway/POCL Letter Agreement, a formal Operational Trial was kicked off in May 1999, to run from 31 May to 16 August 1999, culminating in an Acceptance decision. It was designed to test all the functionality and end to end processes across Horizon (starting with POCL Reference Data going to Pathway, these and Pathway Reference Data going to branch counters and transaction data going back from counters to Pathway and on to TIP).

101. The Operational Trial ended with AIs identified and Acceptance denied.

102. Under the terms of the Codified Agreement, the Rollout that had been planned to start in September was put on hold while rectification actions were put in place.

103. As discussed at paragraphs 75 to 78 above, POCL and Pathway attended a series of joint Acceptance workshops in order to progress AIs as condition precedent for starting volume Rollout (WITN0377_01/64).

104. The Codified Agreement set out an extremely tight timetable for rectification. There followed an August dated Supplemental Agreement that allowed more time. On 24 September 1999, a Second Supplemental Agreement (WITN0377_01/79) further extended the deadline, to 24 November 1999. It also determined that, notwithstanding that the AIs were still being worked on, 1,800 branches would be implemented in October/November 1999 to prove the Rollout processes and increase the size of the installed base upon which to monitor live running of the Horizon service.

105. At the Special Delivery Meeting held on 14 January 2000, (WITN0377_01/65), POCL accepted the AI rectifications subject to finalising a Third Supplemental Agreement to deal further with AIs 376 and 408. POCL and Pathway jointly took the decision to start volume Rollout on 24 January 2000 on the condition that the Third Supplemental Agreement would be finalised by then. It was approved on 19 January 2000 (WITN0377_01/80).

106. Once approved, volume Rollout quickly hit a beat rate of around 300 branches per week, in accordance with the Rollout Schedule 12 in the Codified Agreement.

107. Ultimately, all four Rollout milestones were achieved on time.

Responsibility for the rollout of Horizon

108. Pathway was responsible for the Rollout of Horizon.

109. However, Pathway had dependencies on POCL to carry out each of the following activities, each being subject to a CAR as listed in Schedule G05 of the Codified Agreement:

- 109.1. ensure that postmasters would provide timely access to their post offices;
- 109.2. ensure that postmasters would permit Pathway to make physical changes to their branches so that PCs and printers could be installed;
- 109.3. ensure that postmasters would permit Pathway to arrange to have ISDN connections to be installed;
- 109.4. ensure that postmasters would get themselves and their staff (some 67,000 in all) trained in the Horizon counter system (the training courses to be provided by Pathway and scheduled to be held, as I recall, no more than a month before the planned implementation date for each individual branch);
- 109.5. provide the reference data needed to specify the characteristics and prices of POCL's products at each branch, applying the necessary quality and process controls over changes to ensure that errors are not propagated into the Post Office estate; and

109.6. operate TIP (as mentioned above, POCL's client facing back end system) such that it would interface correctly with Pathway's TMS system.

Concerns about system performance and/or targets before start of the rollout.

110. POCL's concerns were expressed through the AIs. These are covered in more detail below and in later sections of my statement.

111. For its part, Pathway had been working to resolve faults found in testing and PinICLs which had been raised as a result of incidents reported to the Help Desk. Highlights went to Management for review in a Monthly Incidents Report (see examples: WITN0377_01/81 and WITN0377_01/82). Many PinICLs could be (and were) mapped directly to an AI. POCL had visibility of those PinICLs.

112. Pathway had taken actions to deal with service quality shortcomings highlighted in Monthly Service Reviews (see example: WITN0377_01/83). The Help Desk had twice been put on "Red Alert" (the highest escalation level in Pathway's internal risk management process).

113. To assure itself that the system would scale, Pathway Programme and Risk Managers ran simulations of system performance against different volume scenarios to stress-test every component of the system. As I recall, in the run-up to Rollout there were at least a hundred individual actions running as a result of the stress tests. The outputs were consolidated into a Monthly Performance Live System Reports (for example, WITN0377_01/77).

114. The Second Supplemental Agreement dated 24 September 1999 (WITN0377_01/79) approved the implementation of 1,800 post offices as a

rollout trial in autumn 1999. It was recognised that none of the high impact AIs would have been resolved by then and that interim safeguarding arrangements would therefore be required. Pathway would fund work to be carried out by POCL to carry out AI376 related reconciliations in lieu of the automated checks to be introduced in December 1999. The decision to go ahead with the 1,800 implementations was taken (i) to provide experience of rollout and (ii) to afford an opportunity to monitor live operations on a larger estate.

115. In relation to the most critical AIs:

- 115.1. AI298 – there had been some instability issues, notably with ISDN, over the summer of 1999. These were resolved by October 1999 and the AI was closed in November 1999.
- 115.2. AI218 – concerned training. It was worked through and closed (from memory) in December 1999.
- 115.3. AI408 – Pathway had been missing Help Desk SLAs (in particular the percentage of calls answered within 20 seconds). There were also issues attributable to a lack of agreed scripts and agreed scripts not always being adhered to (resulting in potentially inappropriate/inconsistent resolutions of those calls), and to the ability of Help Desk operators to deal correctly with cash account related calls (training and resourcing). A rectification plan was agreed. Service quality improved significantly in November and December 1999.
- 115.4. New “rules” to improve the service further were enshrined in the Third Supplemental Agreement dated 19 January 2000 (WITN0377_01/80).

Some of the new rules required additional work to be carried out after date of signature. The combination of the improvements already observed and the commitments to fully implement the new rules gave both Pathway and POCL the confidence, by 14 January 2000, to justify the start of volume Rollout on 24 January 2000 (WITN0377_01/84).

115.5. That left AI376.

116. Resolution of AI376 was challenging. It had to do with detecting and correcting possible errors (of various kinds) which could arise in the system and which could cause cash imbalances. It was understood to be of critical importance. My recollection of the causes and the solutions, as comprehended in September 1999, can be summarised as follows:

116.1. Software faults: most of the software faults that had been identified had either been fixed before or in CSR or had fallen away because they had to do with the Benefits Payment Card solution.

116.2. Component failure (e.g. printer) or user error: typically causing "Incomplete Transactions", some of which would have resulted in cash imbalances. Work to reduce the scope for user error would be worked on and introduced in either an interim release, C13R, in or around March 2000 or in Core System Release + ("CSR+") in September 2000. These included the addition of "no-entry signs" and system locks to prevent the user from starting a new activity before completing the one they were in. POCL knew that incremental releases would be incompatible with Rollout and that CSR+ would not be ready before September 2000.

116.3. Mis-matches occurring within the end-to-end system: it was possible under certain exception conditions (e.g. network failure) for transaction and cash account data “harvested” from branches to get out of sync as between the branch and Pathway’s TMS system or in the process of transmission across the Pathway/POCL service boundary from TMS to POCL’s TIP system.

116.4. The agreed solution was a 3-way reconciliation mechanism (otherwise referred to as an integrity check) that would validate that (i) the branch counters, (ii) TMS (Pathway’s central system), and (iii) TIP (POCL’s central system) were all balanced and in sync. Where they were found not to be in sync, the reconciliation would enable corrections to be made by either Pathway or POCL in their respective TMS or TIP systems to bring TMS or TIP into line with the transactions logged at the counter and the cash account committed by the postmaster. Where they were found not to balance or a difference was identified between the transactions recorded in the branch and the cash account committed by the postmaster, the intention was that the reconciliation would identify the reason and enable it to be corrected.

117. The above summarises my recollection of the way A1376 was viewed as at September 1999. It changed materially over the next two months as a result of monitoring the live estate. Monitoring in October / November 1999 revealed (in PinICLs) an increasing number of cash imbalances attributable to Reference Data faults. As I understand it, Reference Data faults had been seen in the occasional PinICL previously but had not registered as a serious threat to the

integrity of Horizon until then. Following the limited Rollout of the 1,800 branches and associated generation of Reference Data needed to “drive” those branches, the Reference Data process had been exercised in earnest for the first time, and had been found wanting. Note that there are two types of Reference Data: (i) that controlled by Pathway to manage the release of new software to each branch office, and (ii) that controlled by POCL to define and manage the products it sells in each branch office. The Reference Data relevant to each branch office was down-loaded by Pathway to that branch office. In the case of product-related Reference Data, the data was first sent to Pathway by POCL, then reviewed by Pathway and approved by POCL.

118. POCL Reference Data originated with POCL product managers (e.g. increase the price of a First Class stamp from X to Y on Z date), got consolidated into updates within POCL and then issued to Pathway to push out to all branches which sold the affected products. The data needed to have landed in all affected branches before the change was due to come into effect. A change in the price resulted in a value stock revaluation at each counter. If a product was withdrawn from sale at a given branch, that branch needed to remove its stock of those items first. In short, there was considerable complexity that had to be tightly managed end-to-end by POCL and Pathway separately and jointly.

119. Whereas each instance of a component fault or use error would affect just one branch, a Reference Data error could have affected multiple branches, i.e. all branches selling the product which is subject to the Reference Data error.

120. In November 1999, John Bennett wrote to David Smith of POCL formally notifying POCL of Pathway’s serious concerns regarding Reference Data

processes and controls. With responsibilities and control processes still the subject of draft Contract Controlled Documents (also referred to as “CCDs”), A2As and at least one CAR, Pathway put it to POCL that, as an end-to-end issue spanning both organisations, this was a problem that both organisations needed to get on top of urgently but that, as originator of the product-related Reference Data, POCL needed to “own” the overall process controls (WITN0377_01/13).

121. The criticality of the Reference Data issue was discussed at the Pathway Board meeting on 24 November 1999 (WITN0377_01/72).

122. To understand better what had been going on in the run-up to the joint decision to start volume Rollout in January 2000, in preparing this witness statement, I went through PinICLs raised in late 1999 that related to AI376. I do not recall having seen any of these PinICLs at the time although (as explained above) I had been briefed on the issue.

123. PinICLs PC0032552 (WITN0377_01/85), PC0031884 (WITN0377_01/86), and PC0033363 (WITN0377_01/87) are examples of PinICLs that identified Reference Data as the cause of issues. The records show that in each case POCL were aware of what had happened and approved closure of the PinICL, as demonstrated by the quotations below:

123.1. PinICL Record PC0032552 (WITN0377_01/85)

- *“This is clearly the result of the missing Primary Mappings on the local travel ticket products in the Southend area. The error in the reference data was corrected on Friday 24th September and*

therefore transactions recorded up to that time (Caps 26 and 27) will fail to report to the Cash Account, causing a Receipts <> Payments condition.”

- *“ok to close as per martin box of pocl 16/2/00”*

123.2. PinICL Record PC0031884 (WITN0377_01/86)

- *“The differences reported on the Cash Account originated in CAP 28 when two transfers of cheques (£2252.59 and £2168.89) were corrupted due to the transfer reference data deletion during the period 1st to 4th October.”*
- *“Defect cause updated to 16: Development - Reference Data”*
- *“The only evidence presented was for FAD Code 361704 and therefore although it is probable that the other outlets referred to in the call suffered from the same problem, it has not been possible to confirm this without examination of the affected message stores.”*
- *“ok to close as per martin box of pocl 15/3/00”*

123.3. PinICL Record PC0033363 (WITN0377_01/87)

- *“This call relates to 9911120543. Cash account Customer Call reconciliation (itip) within cap 33, comparison of values within cash account Customer Call file and those derived from the transaction stream identified line 2015 declared is zero pounds, derived £1049.00, difference is -£1049.00.”*

- *“Investigation of the message store shows that at the time the stock unit balance was run for CAP 33 on 9.11.99, the reference data for Product 56 had been deleted from the message store (it was eventually re-instated on 11.11.99). As a result, the balance summary record for Product 56 was written without any 'Primary Mappings' (Primary Mappings are contained in the product reference data record) and therefore the value, £1049.00, did not appear in the stock unit balance or on the Cash Account.”*

- *“CS/PRD/065 is the document that covers the Process for Removing Products from Outlets at CSR. Section 3 refers to Pocl checking if Live Outlets have stock or done any transactions. Pathway Ref Data Team had flagged to Pocl that HR/911/003 contained ended links - the Counter Update emails of 3/11 and 5/11 showed: “HR911003 Non Core Links - 3 x Lotto Products - Links ended”.*

- *“Having spoken to Andy Corbett of Pocl OSG, the original change (HR/911/003) was introduced as Pocl identified that this office would no longer stock scratchcards (National Lottery). The XXX file was then sent to enable the office to rem out some stock that had been missed.”*

- Note that there was a gap of 3 days before that second file was received, spanning the critical cash account day. As a result, the cash account would have included the cash imbalance resulting from that stock having been written down to zero.

124. The Third Supplemental Agreement (WITN0377_01/80) sets out enhancements to the Help Desk and Reconciliation / Integrity Control processes over and above those provided for in the Codified Agreement and the previous Supplemental Agreements.

124.1. The “Enhanced Integrity Controls” introduce detailed provisions with respect to the “Accounting Integrity Controls” (the 3-way reconciliation mechanism), so-called “Defences” (new) and an “Attribute Checker” (new).

124.2. The Accounting Integrity Controls introduced new and detailed processes in relation to TIP data transfer rules which had still been subject to A2As in the Codified Agreement.

124.3. The Attribute Checker was to (among other things):

- *“detect and report on instances when the cash account payments table total does not equal the cash account receipts table total”;*
- report on those *“records that cannot be harvested for onwards transmission to TIP because they fail validation checks”;*
- detect differences between the cash account and the control figures accumulated daily at the counter; and
- carry out a *“Receipts not equal to Payments check”* to ensure that the totals for the Payments table and the Receipts table are equal.

124.4. As such, the Third Supplemental Agreement did what John Bennett had asked for in his November 1999 letter to David Smith

(WITN0377_01/13): it tightened the processes very significantly and clarified which party was responsible for doing what, notably Schedule 4's Error Matrix and the amendments to paragraph 3.6 of Schedule G01 of the Codified Agreement set out in Schedule 5 (WITN0377_01/80).

124.5. The underlying premise was that, with these new tools, it should generally be possible to identify each instance of error and to determine the correction to be applied to each one (whether by Pathway or POCL). However, Schedule 5 sets out the following amendments to paragraphs 3.6.1.1 and 3.6.12 of Schedule G01, respectively:

- *"Inaccurate Cash Account (Not Data Error) means an Inaccurate Cash Account which [...] is irrevocably committed by a User [...] notwithstanding that, prior to irrevocably committing such Inaccurate Cash Account, that User had been provided with a warning that receipts and payments did not match and that continuing might lead to an unbalanced cash account"; and*
- *"Where the Contractor is required to make an assumption in order to correct a Data Error and/or present Repaired Transaction Data or a Repaired Cash Account, the Contractor shall make such assumption and promptly inform POCL of the assumption made."*

124.6. To my mind, these provisions acknowledge that it would not always be possible to get to the root cause of an imbalance or to make the appropriate correction. In every such case, POCL should have been made aware.

Concerns about system performance and/or targets during Rollout

125. System performance was monitored continually throughout the 18 months of Rollout. I recall challenges along the way as illustrated by the February 2000 Monthly Performance Live System Report (WITN0377_01/77) but also that they were tightly managed by the Pathway Programme team. I do not recall there having been any significant outages or degradations in service in relation to system performance.

126. Pathway struggled to meet its contracted Help Desk SLAs throughout Rollout. In September 2000, Keith Baines wrote to me alleging breach, as referred to in the preamble to CCN 957b (WITN0377_01/88) and I recall that I replied citing as mitigation the elevated volumes of calls attributable to product-related Reference Data errors. A high proportion of these calls would have called for reconciliations to resolve cash account imbalances – placing heavy demands on Help Desk resources.

127. Allegation of breach gave POCL the ability to pause Rollout had they considered that desirable. POCL chose not to do that, indicating that POCL considered the Help Desk's performance to have been "good enough". (See the letter from Keith Baines to me on 26 November 1999, WITN0377/01_78). POCL and Pathway agreed with the signature of CCN 957b dated 21 June 2002 to vary the Help Desk SLAs as part of a package of changes to take effect with the introduction of Network Banking. The Help Desk service was further refined to better align incentives and value for money on 31 December 2002 by CCN 1100 (WITN0377_01/7).

128.To the best of my recollection, the issue of unexplained imbalances was not brought to my attention again as a problem after the Third Supplemental Agreement (CCN600) was finalised and signed on 19 January 2000 (WITN0377_01/80).

Success of the rollout

129.From my recollection, Rollout was considered a success by Pathway, ICL and Fujitsu Limited and, I believe, by POCL as well. All four milestones were achieved on time. As I recall, the small number of branches implemented after the 31 March 2001 target end date (mostly down to ISDN access issues) were within the exception limit allowed for in the Codified Agreement.

130.This recollection is supported by the statement of Mr Roberts in the PAC Hearing (WITN0377_01/6).

131.The Pathway Board Meeting held on 24 November 1999 (WITN0377_01/72) noted that: "*Payment was received on 22nd October for the £68m acceptance milestone and the invoice submitted for the £90m implementation milestone*" (the 1,800). This was duly paid on time on 3 December 1999.

132.As I recall, POCL paid all the milestone payments on time. If POCL had had any significant issues with either Rollout or operational performance, it would have been POCL's "style" to have highlighted them at the time and to have withheld payment pending rectification.

133.As mentioned above, POCL had opportunities (rights within the Codified Agreement) to pause Rollout but decided not to.

Lessons learnt from previous releases and their influence on rollout

134. The previous releases had been focused on deploying the Benefits Payment Card and associated payments. They were characterised by the delays in completing the Drop Down of BA Requirements and in resolving A2As. As noted above, delays had also been experienced in relation to CAPS, which BA were developing in parallel. Integration with CAPS was a dependency for Pathway to be able to issue Benefits Payment Cards and make card-based payments.

135. CAPS had been struggling, in particular, with multi-benefit entitlements. As a result, the July 1998 Replan had proposed de-coupling the Rollout of Counter infrastructure and deployment of POCL functionality from that of card-based payments: BA would go ahead with Child Benefit but defer the other benefits until CAPS was ready. POCL would be released from having to wait for BA to be ready (WITN0377_01/9). It was this Replan that formed the basis of the Rollout plan incorporated into the Codified Agreement.

136. Pathway had initially been granted more time on the basis that the delays were not Pathway's fault. But the failure to agree critical A2As in relation to the Benefits Payment Card "rules" and the CAPS integration issues both persisted, causing prolonged further delays and ultimately the decision to cancel that part of the programme.

137. Removal of the Benefits Payment Card reduced complexity in the solution and in relation to Rollout. It eliminated the inherent conflicts in business objectives as between BA and POCL and improved the alignment as between Pathway and POCL.

138. Previous releases had been very much focused on BA functionality. The number of Post Offices had been small, at around 200 (until increased to 300 following the July 1998 Reset). As I recall, lessons had been learned and applied regarding training but otherwise I would say that the influence of the early BA/POCL phase of the project on Rollout was minimal.

Factors influencing the timing and pace of the rollout

139. At the point where BA cancelled, Rollout had been re-planned to start in September 1999. This intention was carried forward into the Codified Agreement.

140. Cumulative Rollout milestones were set as follows (see Schedule A12 of the Codified Agreement: WITN0377_01/14):

140.1. 1,800 by 1 November 1999;

140.2. 5,590 by 1 May 2000;

140.3. 10,680 by 1 November 2000; and

140.4. All by 31 March 2001.

141. The Operational Trial identified a number of AIs that needed to be fixed before Rollout could start. The Joint Acceptance Workshop was created to facilitate the rectification process, with a deadline of 24 September 1999 for the Second CSR Acceptance Test to have completed. The changes to the Codified Agreement were introduced by CCN 550, the "First" Supplemental Agreement, signed on 20 August 1999 (WITN0377_01/15).

142.A Second Supplemental Agreement dated 24 September 1999 (WITN0377_01/79) introduced a further set of changes to the Codified Agreement, pushing back the deadline for Second Acceptance to 24 November 1999 and the start of volume Rollout to 24 January 2000. However, in order to (i) test the rollout processes and (ii) enable monitoring of a larger live estate, it was decided to go ahead with the implementation of 1,800 outlets in October and November 1999 subject to satisfactory safeguards being put in place.

143. The 24 November 1999 deadline was partially but not completely met. Progress on the outstanding AIs was considered by POCL to be sufficiently encouraging that they decided to defer a Go / No-Go decision on Rollout until 14 January 2000, shortly before volume Rollout was due to start on 24 January 2000, whilst reserving their rights to defer Rollout at that time (WITN0377_01/16).

144. At the Special Delivery Meeting held on 14 January 2000, POCL accepted the AI rectifications subject to finalising the Third Supplemental Agreement (it was approved on 19 January 2000) and POCL and Pathway jointly took the decision to start volume Rollout on 24 January 2000 on that basis.

The decision to rollout and associated pressures

145. In my opinion, the previous delays had very little if any bearing on the decision to roll out the POCL infrastructure and services when we did. That was all driven by the status of the AIs.

146. It is, however, fair to suggest that there was financial pressure on both Pathway and POCL. After the years of false starts and moneys spent, both sets of shareholders (and subcontractors) were looking to us to deliver.

147. After the intervention of HM Treasury, it may also be the case that POCL would have felt political pressure that, with the BA now out of the way, they should get Rollout done according to the schedule that had been agreed.

Technical issues with the system during rollout

148. I do not recall any significant technical issues being brought to my attention during Rollout. Rollout quickly achieved a regular beat rate of around 300 branches per week over an 18 month period. In my experience, that would not have been sustainable if there had been any significant technical issues.

149. I believe that all four of the Rollout milestones set out in the Codified Agreement were achieved on time, again suggesting to me that Rollout could not have been beset with difficulties and, therefore, that it was not triggered before we were ready.

150. At no time during my tenure do I recall “red flags” being raised by POCL (or anyone else) about high volumes of unexplained balances, cash account imbalances or failures in the Accounting Integrity Controls introduced by the Third Supplemental Agreement.

Knowledge of bugs, errors and defects at the time of the rollout

151. I knew that we had the following high and medium severity (Category “A” and “B”, respectively) AIs to deal with before rollout could start (WITN0377_01/64).

Category A:

151.1. AI218 - Training

151.2. AI298 – System Stability

151.3. AI376 – Data Integrity

Category B:

151.4. AI314 – Provision of Technical Documentation

151.5. AI369 – Scanner Reliability

151.6. AI372 – Systems Management

151.7. AI378 – Incomplete Cash Account Records

151.8. AI391 – Physical Security at Bootle and Wigan

151.9. AI408 – HSH (Help Desk) Performance

151.10. AI412 – Service Performance Ad Hoc Reporting

The 3 unresolved incidents that could have resulted in a delay in acceptance

152. In preparing this section, the Inquiry asked me to consider the minutes of a Pathway Board meeting on 15 September 1999 (WITN0377_01/71). These minutes refer to “*three high severity incidents not yet resolved, which could delay Acceptance*”.

153. The three AIs were:

153.1. AI218 – Training

153.2. AI298 – System stability

153.3. AI376 – Data Integrity

154. In addition to these three AIs, Help Desk performance (AI408) was viewed as important.

155. As mentioned above, of these, AI298 was dealt with and closed in November (see email from Keith Baines regarding a meeting with Pathway on 22 November 1999, WITN0377_01/17). Likewise, AI218 was, I believe, closed out in early December 1999.

156. AI376 and AI408 remained challenging right up to approval by POCL at the Special Delivery Meeting held on 14 January 2000 (WITN0377_01/65). More on both of these below.

157. Under the terms of the Second Supplemental Agreement, 24 September 1999 (WITN0377_01/79), POCL had the right to postpone the re-start of Rollout if not all Category A AIs had been resolved by 24 November 1999.

158. We knew that at least AI376 would not be resolved by then. It followed that POCL could have opted to push back the planned date for starting the main Rollout from 24 January 2000. They chose not to exercise that right, encouraged, as I understood it, by the progress being made. They decided instead to defer the Go/No-Go decision until 14 January 2000 (WITN0377_01/17), i.e. just before the 24 January 2000 planned start date.

POCL awareness of issues within the Horizon system at the time of rollout

159. POCL had conducted Acceptance reviews over the summer of 1999 as provided for in the Letter Agreement and Codified Agreement.

160. These reviews identified a number of defects and vulnerabilities referred to as Acceptance Incidents (AIs). My understanding is that POCL had access to our PinICL system and test data and that, under the aegis of the Joint AI Workshop, they were intimately involved in the AI rectification plans, the implementation

of those plans and monitoring following the application of system updates. POCL then carried out a second round of Acceptance tests in respect of each AI to confirm that the faults that had been identified had been resolved to their satisfaction. That process ran through the autumn and winter of 1999 and into 2000.

161. My understanding is that the Pathway AI resolution leads shared with their POCL counterparts the evolving status of each AI as it moved from identification to resolution. Specifically, I believe that the Pathway leads (who included John Dicks, Steve Muchow, Dave Hollingsworth, Dave Cook, John Pope and Mike Coombs, as set out in WITN0377_01/64) would have made clear which fixes would be included in the December 1999 system update, which were to be included in C13R in around March 2000 and which were to be carried forward into the larger CSR+ release planned for September 2000. In the case of AI376, part of the resolution would lie in the introduction of strengthened reconciliation / integrity controls. I believe that all of this was well known to our counterparts in POCL.

162. When POCL approved the start of volume Rollout at the Special Delivery Meeting held on 14 January 2000 (WITN0377_01/65) they did so having satisfied themselves that the AIs had passed their respective second Acceptance tests or would otherwise be resolved through the introduction of new provisions in one or other of the Supplemental Agreements. Resolutions for AI376 and AI408 were finalised in the Third Supplemental Agreement (CCN600) dated 19 January 2000 (WITN0377_01/80).

163. The minutes of the Special Delivery Meeting (WITN0377_01/65) quote David Smith as having *“identified that for each of these areas there was now an agreed way forward and that robust checks had now been put in place that addressed the original concerns. However, there were still further checks to be completed by TIP on the deployment of the integrity control.”*

164. I take the reference to “original concerns” as being an acknowledgement that the enhanced Reference Data processes had only just been introduced by the Third Supplemental Agreement on 19 January (and the Agreement acknowledged that there was still work to do to complete the work), so there would have been insufficient time to confirm that these new measures would be 100% effective in preventing Reference Data errors getting through to counters.

165. The agreement acknowledged that there was a possibility that a judgment call would need to be made from time to time as to the appropriate correction to apply when an error was identified: it followed that care would need to be exercised over any problems flagged up by sub-postmasters in relation to unexplained imbalances.

166. In my experience of large IT projects, some service quality shortcomings are to be expected in any new system. In particular, the system may function correctly when operated correctly but may not do so if operated incorrectly due to user error. It is difficult to predict all user error scenarios and therefore to guard against them. It is worth remembering that most sub-postmasters and their staff had had no experience of operating anything other than a paper-based system before going live with Horizon.

167. POCL would have known that certain measures to inhibit user error would not be delivered until CSR+ in September 2000.

168. In summary, notwithstanding the AI resolutions that had been put in place and accepted, I would say that both parties knew that they should be on the look-out for new incidents (such as those identified at paragraph 170 below) and that they should make allowances for early life user error.

Pathway's preparedness to provide customer services at the time of rollout

169. At the suggestion of the Inquiry, in preparing this section, I have considered the following documents:

169.1. The Service Review Performance Statistics for January 2000 (WITN0377_01/83); and

169.2. Two Pathway Customer Service / Business Support Monthly Incident Reviews from December 1998 and January 1999 (WITN0377_01/81 and WITN0377_01/82, respectively).

170. The Service Review at WITN0377_01/83 had reported three types of failure condition as having occurred in January 2000 (my emphasis added):

170.1. BT bills - invalid token: *"On 27th January a large number of incidents were raised because BT Bills could not be scanned. This was the result of a **Reference Data Process fail** and a subsequent over-run during the previous night. This particular problem was resolved by advising counters of a work around and transmitting the missing Reference data later that day."* The Reference Data problem could have been down to

bad data sent to Pathway by POCL or bad execution by Pathway. Either way, it points to fragility in the end to end Reference Data processes.

170.2. Blue screens - NT error: *“These occurrences of blue screens were caused by a **communication outage** to several Outlets. This resulted in a system crash at the Counters. This problem with the network connection has now been resolved and a fix delivered to all gateway Counters in all Outlets.”* Communication outages do happen but they should not cause the Counter PCs to crash: it appears there had been a software defect, corrected with a fix. This was a system error and a Pathway responsibility.

170.3. Girobank transaction report: *“A report fix was delivered on 26 January to 1,100 Counters causing the following scenario to occur in a number of Outlets. When a transaction was reversed on a lower numbered Counter node, there was no evidence on the Girobank summary that this reversal had taken place, although **the correct information did go to POCL TIP**. Some Outlets realised this to be the case and altered the Girobank summary to reflect the correct transactions. Some Outlets **however, completed the reversal again, which resulted in a discrepancy** for the value of this reversal. A fix was delivered on 31 January.”* This was a system error and a Pathway responsibility.

171. The conclusion I would draw from the above is that there had been incidents but they were not widespread and they had been quickly resolved.

172. The Monthly Incident Reviews dated December 1998 and January 1999 were historic and of no significance by the time volume Rollout started. They set out

the state of “Incomplete Transactions”, in particular, as they related to the Benefits Payment Card. Any associated software errors that had not been resolved by then would have fallen away with the withdrawal of the Card service (within 60 days of cancellation in May 1999).

173. By 14 January 2000, POCL considered the AIs to have been resolved (WITN0377_01/65), subject to finalising the Third Supplemental Agreement.

174. Those AIs included AI408 – Help Desk performance. However, with demand rising at the rate of 300 post offices a week, meeting the SLAs remained a challenge throughout Rollout:

174.1. CCN 957b dated 21 June 2002 (WITN0377_01/88) notes in the preamble that Pathway breached SLAs at least 3 times during the 24 months period up to September 2000, giving POCL the right to terminate;

174.2. however, at no stage did POCL determine that the Help Desk performance was so serious that Rollout should be halted; and

174.3. the Codified Agreement was amended by CCN 1100 on 31 December 2002 to, among other things, reduce the Help Desk SLAs in return for a price reduction, POCL having concluded that the SLAs had been unnecessarily stringent and did not represent good VFM (WITN0377_01/7).

175. Having looked again at the documents provided, I believe that, with AIs judged under control, Pathway was in good shape by January 2000 to provide a high level of customer service during Rollout. However, it is worth noting that:

- 175.1. the systems and processes were complex; and
- 175.2. many of the inter-actions with POCL, their sub-postmasters and clients and Pathway's subcontractors were new: they called for tight process and stakeholder management not all of which had yet been bedded in.

AMENDED CONTRACT

Reason for amendment in 2002

176. As suggested by the Inquiry, in preparing this section, I have considered two sets of minutes from a meeting of Fujitsu Services Holdings PLC (as ICL PLC became known in April 2002) ("FSH") on 20 December 2002 (WITN0377_01/89 and WITN0377_01/18).

177. The most significant changes that I can recall, and the reasons for these changes, are listed below.

Changes to the contract pursuant to the 2002 amendment

178. This amendment:

- 178.1. introduced Network Banking into the contract, converting an A2A into a fully defined service;
- 178.2. modified the Help Desk SLAs: it amended the charging mechanism to be a fixed charge for the provision of capacity, putting the onus on POL to predict the volume of calls it wanted the SLAs to apply to and, in return, Pathway reduced the price of the service, improving value for money for POL (as POCL later became known) (see paragraph 5.1 of CCN 1100, WITN0377_01/7);

- 178.3. introduced ADSL in place of ISDN, passing through to POL the associated (significant) cost savings (see paragraph 5.8 of CCN 1100, WITN0377_01/7);
 - 178.4. extended the term of the contract from 2005 to 2010 in return for which Pathway granted POL special discounts in 2003, 2004 and 2005 (see paragraph 9.1 of CCN 1100, WITN0377_01/7);
 - 178.5. taken together, gave POL an immediate annual price reduction of around 20%;
 - 178.6. it enabled POL to drive forward with Network Banking (essential to preserve as much of its BA business as possible) and new business based on counter automation (essential to replace lost BA revenues): a new procurement in 2003/4 would have brought both to a stop;
 - 178.7. added important interface and process rules that had been missing (resolving long-standing A2As) for Reference Data and TMS/TIP;
 - 178.8. incorporated a considerable number of CCNs that had been approved since the Codified Agreement had been signed; and
 - 178.9. introduced a two-speed CCN process to make certain CCNs easier to fast track.
179. As part of the arrangement, POL would agree to release FSH from its existing guarantee in return for a new guarantee (WITN0377_01/89).

DEED OF RELEASE

180.As suggested by the Inquiry, in preparing this section of my statement, I considered a Deed of Release dated 28 March 2003 between POL, Fujitsu Services (Pathway) Ltd (the new name for ICL Pathway Limited), Fujitsu Services (Pathway Asset Company) Ltd and Fujitsu Limited (WITN0377_01/90).

The influence on decision making in relation to Horizon

181.By way of background, Fujitsu Limited was always the parent of ICL / FSH. Following the buy-out of DLR and Girobank, ICL became sole parent of Pathway. Fujitsu Limited had agreed before being down-selected for the ITT to provide a PCG to underwrite Pathway's financing and performance, in particular with regards to the fraud indemnity offered by Pathway to the BA.

182.The Deed of Release at WITN0377_01/90 released Fujitsu Limited from the PCG. With Rollout completed, all the large investments in development, equipment, deployment, training, etc. had been made. From that point on, with the fraud indemnity gone, there was no reason to retain the PCG: the risks for POL were low at this point and were expected to remain so. POL was content to give up the Fujitsu Limited PCG as part of a package of changes that would involve a significant price reduction.

183.Dropping the PCG had not been considered at the time the Codified Agreement was entered into so did not influence Rollout decisions in any way.

THE RELATIONSHIP WITH POCL/POL

184. At the suggestion of the Inquiry, in preparing this section, I have considered minutes of a Pathway Board meeting on 7 May 1997 (WITN0377_01/91).

“Customer education”

185. My recollection in this regard is as follows:

185.1. POCL wanted to forewarn its customers about the changes they should expect from the impending switch from paper to the Benefits Payment Card and to “sell” the advantages of the changeover. POCL were concerned that, when told they were to be issued with a Benefits Payment Card, some customers might decide to go over to ACT instead.

185.2. Provision of such public relations material had not been included as a Requirement and had not been costed into our response. I suspect I drew attention to it at the Board meeting as an illustration of our intention to charge for any work that was not in scope and to resist “requirements creep”.

186. The challenge POCL faced in relation to “customer education” was, as I recall, to:

186.1. encourage its customers to see the advantages of moving over to a Card based system (single compact instrument, increased security against theft, etc.), so that customers who had the choice would opt to stay with POCL and not move over to ACT; and

186.2. make the messaging as simple and reassuring as possible for POCL's customers – many of them elderly or disadvantaged.

187.As I recall, the information was to be presented in multiple languages to address the many different customer bases.

188.The description of the change to Benefits Payment Cards would have included:

188.1. cards instead of books and Girocheques;

188.2. how they would need to identify themselves to register their card;

188.3. restrictions on who could encash on their behalves; and

188.4. restrictions on how many "foreign" encashments they would be able to make per annum.

189.The challenge was to present that set of information so that customers would view the Benefits Payment Card as a positive.

The relationship with POL as at the autumn of 2000

190.As suggested by the Inquiry, in preparing this section, I have considered CCN 957b, which concerned the variation of SLAs in relation to answering Help Desk calls WITN0377_01/88.

191.I believe Pathway's relationship with POCL at this stage was actually pretty good.

192.By late autumn of 2000, Rollout was on track with approximately 13,500 of the 18,500 branches completed and CSR+ (a key upgrade) had been implemented successfully.

193. As already considered above, the reference to the alleged Help Desk SLA breach in the CCN was a preamble to set the scene before going into the details of an agreement to amend the Codified Agreement. The amendments:

193.1. introduce Network Banking; and

193.2. reduce the Help Desk SLAs to a level that represented value for money without jeopardising quality of service.

194. In the same way as POL was content to give up the PCG, POL was content to relax the stringent Help Desk SLAs in the original agreement in return for a price reduction.

My relationship with POCL in around December 2002

195. As suggested by the Inquiry, in preparing this section, I have considered the Fujitsu Key Personnel schedule from 19 December 2002 (WITN0377_01/92), which describes one of my tasks as "*Championing new ways of working and act as a champion within Fujitsu Services for Post Office.*"

196. A key POL business objective was to develop and grow their business by leveraging counter automation. The minutes of Pathway Board meetings show that we were looking for ways to help POL do that but had had limited engagement.

197. My "USP" was "*Knowledge of the Agreement, the new Charging principles and mechanisms and the intentions of Fujitsu Services in agreeing the changes made by CCN 1100*". Behind CCN 1100 (WITN0377_01/7) lay a great deal of history and also considerable technical complexity: better for POL to deal with someone who understands the nuances than someone new.

198. The “Task” of “*Championing new ways of working and acting as a champion within Fujitsu Services for Post Office*” was, as I saw it, all about innovation and lowering barriers. CCN 1100 had used technical innovation to reduce costs. It also applied some subtle changes in incentives and working processes to better align the two businesses and reduce stress.

Relationship between Pathway / Fujitsu and the Post Office during the period of my involvement

199. Initially, the relationship with POCL was indirect via the PDA, where the PDA was resourced by BA and POCL personnel but was representing two clients who were not well aligned as between themselves: the resulting inability to get time-critical decisions taken (A2As, CCNs) created day-for-day delays and undue stress in the relationships between all three parties.

200. Direct interaction with POCL once the PDA had been dismantled in 1998 was better than dealing with the PDA, but still fraught because now POCL had to secure BA's agreement behind the scenes.

201. Following cancellation of the Benefits Payment Card, alignment between the remaining two parties (POCL and Pathway) improved almost overnight: we were now able to do business together, properly, for the first time. That newly aligned relationship carried us through Acceptance and Rollout and into Network Banking and contract extension.

202. Personally, I considered the relationships I had with my opposite number, Keith Baines, and other members of the POCL team to have been professional, respectful and straightforward. We got on well together but never got too close.

203. Which is why I was as shocked as I was to hear about the prosecutions when I first saw them reported in the press, which must have been ten plus years ago. To the best of my recollection, the fact that these prosecutions were going on was never brought to my attention at the time let alone raised as a concern: I have no recollection of having been asked to take a look at what might be going on under the covers, which is what I would have expected given my direct involvement in the Third Supplemental Agreement and, more generally, the close working relationship we were supposed to have (see for example paragraph 93 above). Neither do I recall the subject being raised during my renewed engagement with POL to work on CCN 1100. If there had been any concerns on POL's part, this was the perfect opportunity to raise them with me.

204. I discuss my understanding of the contractual obligation relating to the provision of data to POCL with regard to prosecutions at paragraph 277 below.

Post Office involvement in setting Requirements

205. POCL had been involved and had contributed to the joint BA/POCL Requirements set out in the February 1996 ITT.

206. As stated already, many of the Requirements were too high level and lacked the necessary process definitions essential for low level system design. The contract acknowledged the need to agree almost 300 A2As, with more A2As implied. Putting to one side the large number of Benefits Payment Card-related A2As, there were also A2As in relation to Rollout, the TIP interface, Reference Data, the cash account, asset management, training and Help Desk support – all in POCL's domain.

207. Some of these had been settled before the Codified Agreement was entered into but others had not been: in particular, important A2As to do with end-to-end Reference Data processes and controls, the TIP interface and Help Desk scripts.

POCL awareness of difficulties with Horizon, including in respect of bugs, errors and defects

208. I have described the process running up to the decision taken on 14 January 2000 to start volume Rollout on 24 January 2000.

209. I have noted in paragraphs 159 - 168 above that when they took that decision, POCL knew that it was likely that instances of cash imbalance would still arise under certain exception conditions, in particular Reference Data errors and user error. Specifying how to deal with those as and when they did arise was the main purpose of the Third Supplemental Agreement.

210. In addition, it should in my view go without saying that the live running at scale of any new system is likely to throw up some previously unidentified bugs notwithstanding extensive trialling and testing. And that a certain amount of time needs to be allowed to put those right.

211. Given this knowledge, I took it as a given that POCL would give sub-postmasters the "benefit of the doubt" while the new system and processes were being bedded in and the rough edges removed. To do so would be standard practice with any new system. Here we had 67,000 users most of whom had never used IT automation in their businesses before. Their entire method of working needed to be changed from paper to electronic. That would take familiarisation, support from the Help Desk, and feedback to Pathway and

POCL to effect system corrections and process improvements. All of that would take time.

212. During that bedding in period, I would have expected POCL to have reviewed the error correction reports submitted by Pathway to POCL in accordance with the Third Supplemental Agreement (see paragraphs 225 - 229 below) to ensure that Pathway was carrying out those corrections appropriately.

KNOWLEDGE OF BUGS, ERRORS AND DEFECTS

213. At the suggestion of the Inquiry, in preparing this section on knowledge of bugs, errors and defects, I have considered various examples of PinICL exports from the period 1998 to 1999 (WITN0377_01/93 to WITN0377_01/98).

214. The PinICL system was the system used by Pathway to log system defects, including incidents raised by postmasters with the Help Desk, and to track their progress through to resolution.

215. Issues would be raised with me if the technical expert or support person thought there might be contractual implications with regards to the defect or resolving the defect. That could have involved the need to take a contractual position with POCL or, by way of example, the need to escalate a particular issue to the CEO of Escher to secure fast turnaround for a fix. Other than that, I would have reviewed the Monthly Incident Reports which summarised where we stood but generally have had no day-to-day involvement.

PinICL Record PC0015152

216. The Inquiry asked that I consider PinICL record with number PC0015152 (WITN0377_01/99), which has to do with recovering BA payment transactions

lost as a result of a break in the network connection. As set out in the PinICL, the fact that it would be possible to use “BES no EPOSS” and “EPOSS no BES” error reports meant that it was not essential to have the Receipt / BESCommit message reconciled. The reason this was important was that it was now too late to add the Receipt / BESCommit message reconciliation into the upcoming release.

217.PC0015152 notes that the subject of lost transactions is a “*very sensitive area*”.

This is because the objective was to never lose a single transaction from the system or, failing that, to be able to recover any that had been lost. This was a basic integrity principle in the same vein as never amending or deleting transactions from the system.

218.I do not know whether this specific PinICL or issue was raised with POCL. What

I can say is that it was specific to BES – the counter service associated with the Benefits Payment Card. The issue would have fallen away with the cancellation of the Benefits Payment Card.

219.For the reasons set out against my name in the body of the PinICL, I believe that this issue was adequately addressed.

PinICL Record PC0010071

220.The Inquiry asked that I consider PinICL record with number PC0010071 (WITN0377_01/100) involving a request made by the BA to delete 200 customer entitlement records.

221. The PinICL sets out the position thus:

“CAPS require deletion of records from PAS CMS. CAPS have been sending us incorrect data in respect of customer details. They have requested that we delete around 200 beneficiaries/cardholders from the system.”

222. The BA/POCL Agreement specifies that no client data should be amended or deleted. Knowing that to be the case and having confirmed it with our in-house lawyer (as set out in the PinICL), the Pathway Problem Manager declined the CAPS request and gave her reason for doing so. She instead invited CAPS to send a new file containing instructions to de-activate each of those faulty records and another replacing them with new, correct customer data. BA ignored her suggestion and continued to press her to delete the records.

223. I would not normally have been involved in a PinICL but, given the contractual impasse, the Pathway Problem Manager asked me for my advice on what to do. I am quoted in the PinICL as saying:

“The CAPS request on us is to delete data from PAS/CMS files. We are not permitted under the contract to delete or amend client data. The advice given to you / position taken by Tony Hayward is correct and should not be deviated from. If CAPS do not accept it, you should explain that you are under instruction to do nothing by your contracts people, and the reason why. If still not happy, advise them to escalate the matter to their contracts people.”

224. Pathway held to its position. For its part, CAPS never did respond to Pathway's proposed solution. The issue went away when the BA cancelled their contract a few months later.

225. PinICL PC0010071 illustrates that Pathway took seriously its contractual obligation to not amend or delete client data. It does, however, leave open the question – were there other occasions when Pathway did amend or delete client data? Also, could it have lost or corrupted client data? I will attempt to answer those questions from the perspective of one who was involved in the resolution of AI376 and the resulting Third Supplemental Agreement.

226. POCL's extensive branch network was inherently vulnerable to breaks in communication, physical equipment failures and possible human error. Unfortunately, any of these can cause reporting errors to arise whether or not there were also bugs in the software. The Third Supplemental Agreement obliged Pathway to carry out reconciliation and other integrity checks to ensure that all parts of the system were in sync and reporting the correct information. Where a mis-match was identified, Pathway was required to trace the cause and to correct the error itself (in TMS or Riposte) or inform POCL as to the correction POCL should apply in TIP. POCL was to be sent the details of every correction made.

227. It is my understanding that:

227.1. Riposte (the operating system used in branches) used a distributed "messaging" architecture akin to Blockchain. The key attribute of a messaging-based system is that it should ensure that no transaction would ever be "lost", deleted or tampered with without detection. Any

change made to a transaction would show up as a new message within the audit trail for that transaction: original messages would not be overwritten.

227.2. All counters replicated their messages across all other counters. This provided resilience within branches with two or more counters, ensuring that transactions would not be lost. It meant that the cash account could be produced each Wednesday, the end of the branches' week, even if one of the counters went down and stayed down. There should have been no need to keep running totals of the cash account because all the messages remained in the branch to be aggregated when the cash account was run at the end of the week.

227.3. The solution was designed to operate mostly offline, connecting when a banking transaction required an authorisation or otherwise around every 15 minutes to allow counters to replicate messages to the central servers. The offline/online design mitigated the inherent unreliability of network communications and significantly reduced communications costs (to POCL's benefit). At the time anything other than dedicated leased lines (dial-up or ISDN, and later DSL) was prone to line failure that could result in data loss and would have required the branch to either shut or revert to manual processes for the duration of the network outage. The downside of the offline/online design was that timing differences could occur when there was a network outage. Timing differences were one of the reasons identified by AI376 and the Third

Supplemental Agreement for having to make corrections to central systems.

227.4. EPOSS was written on top of Riposte's POCL specific functionality to take instructions from POCL supplied Reference Data (inputs) and produce the transaction and cash account data required by POCL's TIP system (outputs). TIP in turn provided data to POCL's clients. My understanding was that the Reference Data supplied by POCL provided the data dictionary definitions that would normally have been set by Pathway.

227.5. Certain types of Reference Data error would have generated cash imbalances. I would have expected any such incident to have generated a call by the sub-postmaster to the Help Desk and a follow-up investigation by a Cash Account specialist. And that the result would have been an error correction to the branch records with the agreement of the sub-postmaster. Such corrections should have been made in the central Riposte servers and (as above) should have showed as discrete messages, in addition to the original transaction messages.

227.6. The Third Supplemental Agreement required Pathway to disclose the details of all error corrections to POCL.

227.7. The Third Supplemental Agreement recognised that in some circumstances it would not be possible to identify what had gone wrong and therefore what correction should be made. Such instances were to be expressly disclosed by Pathway to POCL. Although not expressly stated, the logic was that it would fall to POCL as ultimate owner of the

service and of the relationships with its clients and sub-postmasters to exercise judgement in such cases.

228. What I have described above is the layman's understanding of someone who needed to know sufficient information about the system to be able to take contractual positions on Pathway's behalf but whose technical expertise was limited. To arrive at this understanding, I was dependent on inputs provided to me by my technical colleagues in Pathway and experts in Escher in particular.

229. I should make clear that I cannot comment on the extent to which Pathway's operational support unit applied the provisions of the Third Supplemental Agreement in practice.

PinICL Record PC0059753

230. The Inquiry asked that I consider PinICL record with number PC0059753 (WITN0377_01/101) and the Peak record of the same number (WITN0377_01/102), which have to do with the incorrect classification of certain transaction types.

231. To quote the PinICL:

"On investigating this appears to be due to incorrect mapping of the APS Products that were expected to be associated with A02 namely

- *3169 Teignbridge D C N*
- *3177 North Devon Homes Ltd*
- *3178 North Devon Homes Ltd"*

232. Instead of being mapped to “02: APS Cash Payments - Tokens Handed Back” they were being mapped to “A01: APS Cash Payments - No Tokens Handed Back”.

233. If not resolved, the volumetric reporting of transactions by transaction type would have been mis-reported to POCL the following month when this new form of reporting was to be introduced for the first time. I was looking to have the error fixed before then. Mis-reporting would have damaged Pathway’s credibility.

234. However, it is important to note that neither the transaction as viewed by the customer nor the cash account balance as viewed by the sub-postmaster would have been affected by the mapping error.

235. This was known among some members of the Support and Test teams within Pathway and the Head of Customer Service but, given that it had no impact on either sub-postmasters or POCL customers, this was (rightly) not viewed as a high profile problem.

236. The discrepancy was duly corrected in time for the April 2001 invoice.

237. This is an example of product-related Reference Data error, but it is one that did not generate an unexplained imbalance.

238. In conclusion, I believe all the appropriate actions were taken with regard to this particular PinICL. However, it does illustrate that there were issues to address within the end to end Reference Data processes.

UNEXPLAINED BALANCES

239. In order to prepare this section, the Inquiry asked that I consider a memorandum containing emails between Keith Baines (POCL), Ruth Holleran (POCL), David Smith (POCL) and others with subject 'High AI Re-classification Tactics' (WITN0377_01/103). I would not have been aware of POCL's internal correspondence at the time.

AI376

240. "Unexplained balances" were the subject of AI376 and then a large part of the Third Supplemental Agreement. It is a complex subject.

241. To determine fault, consideration needs to be given to exactly why those unexplained balances could have occurred. In the following section I will do my best, as a non-technical person casting his mind back some 20 years, to describe possible causes based on my recollection of the Horizon system as it was in 1999/2000.

242. As I see it, an unexplained balance could have occurred for any one of the following reasons:

- Software coding error (bug);
- Operational (component) failure;
- User error; and / or
- Reference Data error (product).

243. It was important to distinguish between these possible causes in order to determine (i) what needed to be done to stop / prevent the imbalances from

occurring, (ii) who needed to do what to correct them if they did occur, and
(iii) accountability and/or fault.

Software coding error:

244. An error in the software code will cause the system to produce an outcome that differs from what had been intended under a particular circumstance. The system will always produce the same (bad) outcome under the same circumstance.

245. In my view, software coding errors would always be Pathway's fault.

Operational (component) failure:

246. A component of the physical infrastructure fails causing the transaction to break in the middle of its execution and not complete correctly, resulting in an "Incomplete Transaction".

247. Components that can fail and so result in this happening include:

- Printer (including paper outage);
- Counter (PC freeze); and / or
- Network communications (network down).

248. It is a fact of life that component failures will occur from time to time: the question is how the system behaves when that happens, how it recovers, who needs to do what to correct an incomplete (broken) transaction if that is the outcome and what happens if it is not possible to determine what the correction should be. Attribution of fault depends on the answers to those questions.

User error:

249. The Horizon system is complex from the user's perspective, with some 3,000 different products on sale on behalf of multiple clients (e.g. BA, DVLA) and many different functions to perform on a single device.

250. Complexity brings with it considerable scope for user error. That is especially the case where users have previously done everything manually.

251. Examples of user error include where the clerk:

- initiates a transaction on one Counter, then does so a second time on another Counter because, say, the first Counter is running slow;
- starts another transaction before completing the current transaction (on the same Counter);
- starts a transaction and makes a payment but then does not complete the transaction in the system;
- starts a transaction and makes a payment but then voids the transaction;
- starts an admin activity before completing the current transaction; or
- pulls the paper out of the printer before it has finished printing.

252. In the real world, notwithstanding training and operating instructions, user error will happen from time to time. The questions are then how the system behaves when it does happen, how it recovers and who needs to do what to correct an Incomplete Transaction, an Uncommitted (voided) Transaction or one left in an "open state" if that is the outcome.

253. The question of fault is a difficult one to determine as it involves consideration of whether the user has operated the system correctly and whether the service provider should have done more to make the system harder to “break”.

254. An example of making the system harder to break was implementing a utility that automatically completed an open transaction after 74 seconds. Doing that roughly halved the number of instances of Imbalances in relation to BA payments.

Reference Data error:

255. As already described above, product-related Reference Data are instructions provided by POCL that define the products that POCL sells across the branch network. Not all products are sold everywhere. A change starts with POCL’s product manager, is transferred to Pathway as a set of instructions for Pathway to act on and is then downloaded to the affected branch counters (not necessarily all branches are affected). The change must have a pre-set implementation date and the data must have been downloaded to every affected counter before that implementation date.

256. Ensuring that Reference Data is always 100% correct calls for strong controls to be designed in and applied at every stage in the data’s “lifecycle”, “end-to-end”: starting with data definition by POCL, checks by POCL, transmission by POCL to Pathway, checks by Pathway, transmission by Pathway to branches, and ending when the data has been (correctly) applied at every branch counter where that product is to be sold. Failure to do so can (and will) result in transaction errors. These may be a failure to categorise the transaction

correctly (as above) or, far worse, Incomplete Transactions resulting in cash imbalances.

257. To illustrate by reference to PinICL PC0028734 (WITN0377_01/104):

“The particular circumstance which has been highlighted is the possibility of removing a non-core link for a value-stock product (or removing the product) where there is some stock in the outlet. Currently the counter takes no action to avoid this..... A routine should be introduced, similar to the warning about stock revaluation, which would prompt the counter clerk to tidy the system a few days before the end date. This routine should enforce the rem-out of products on the last day to ensure that the system is left tidy.”

258. On 4 November 1999, John Bennett wrote to David Smith of POCL to escalate Pathway’s concerns about the end-to-end controls then in place and to warn him that *“significant changes are necessary if the national rollout is to be conducted safely”*. He sought *“an urgent workshop to review end to end reference data management”* (WITN0377_01/13).

259. On 5 November 1999, John Dicks (Pathway’s Solution lead) wrote to his POCL opposite number John Meagher to make clear that Pathway attributed multiple incidents experienced during the monitoring period for AI376 to incomplete Reference Data - and to highlight his concerns. He notes that Pathway had *“identified the problem and formally notified POCL of the need to rectify it in June (1999) but that POCL had not acted on that warning”* (WITN0377_01/19).

260. I believe that POCL had taken the position that it was up to Pathway to identify and filter out any errors passed to them and to correct them. On 18 November

1999, I wrote to Keith Baines (WITN0377_01/20) reminding him that, under CAR 891 (in addition to the associated Contract Controlled Document (CCD) and rules set out in the Interface Specification Document), POCL had the following responsibilities:

- The POCL RDS Operational Team (POCL's Reference Data Systems team) was to ensure that Reference Data was "*forwarded to ICL Pathway in an accurate and timely fashion*", and
- The POCL "Change Authorisers" were to ensure "*that the change information ultimately passed to the RDS Team is accurate, complete and timely*" and that was required to be confirmed to Pathway.

261. The Third Supplemental Agreement addressed the question of who was to be responsible for what with regards to accounting integrity within the Horizon system, end-to-end. It specified the correction processes to be applied from 19 January 2000 in relation to every known type of error.

262. But some of the provisions were still a work in progress. For example, paragraph 5.2.3 of the Third Supplemental Agreement states:

"in connection with that referred to in item B5 in the table at Schedule 4, relating to reference data leading to the incorrect summarisation of products 196 and 197 in the cash account, the Contractor will co-operate with POCL and assist POCL to prevent recurrence of similar unintended effects of reference data changes by:-

- (i) developing a diagnostic tool (the "attribute checker"), which will accurately predict the effect of applying all reference data changes;*

*(ii) assisting POCL to put in place appropriate authorisation processes;
and*

*(iii) co-operating with POCL to define business rules and procedures for
applying the attribute checker and authorisation processes referred
to in sub-paragraphs 5.2.3(i) and (ii) above..."*

263. As comprehensive as it was, the Third Supplemental Agreement could not guarantee success in preventing further Reference Data errors which in turn could cause cash imbalances in branches. It envisaged that the new "attribute checker" tool could be made to work so as to help POCL avoid further product-related Reference Data errors generating cash imbalances. But it still had to be proved.

264. Pathway would undertake certain checks and put in place certain defensive measures but ultimate responsibility for the accuracy of product-related Reference Data lay with POCL.

265. As I understand it, Help Desk data continued throughout 2000 to show elevated volumes of calls associated with cash account imbalances caused by product-related Reference Data errors.

266. It follows that any determination that fraud had been committed (that the missing cash had been taken by the clerk, not paid to the customer) should only have been arrived at after thorough consideration of the audit trails and that, until all the enhancements had been put in place and been proved to work effectively, due allowance should have been made for user error, system

failures and Reference Data quality issues (whether caused by POCL or Pathway).

267. In summary:

267.1. in order for the Horizon system to function correctly, there needed to be an absence of software bugs in the system that could cause incorrect outcomes (not all bugs cause incorrect outcomes), *but*

267.2. the absence of any such bugs would not have guaranteed that every outcome would be correct – because there were factors other than software bugs which would have generated incorrect outcomes (notably bad Reference Data and user error).

Matters other than AI376

268. The correspondence I was asked to review for the purposes of giving this statement included references to AI298.

269. As already noted, AI298 had to do with system stability. Concerns had been raised over the summer of 1999 in relation to the number of re-boots needed and so-called “hour glass” instances of slow running. There had also been a number of communication breaks. By the start of 2000, AI298 had been signed off as resolved in respect of all these issues and, to the best of my knowledge, there were no significant system stability issues subsequently.

GENERAL

My resignation in 2002

270. After six years working on the bid and for Pathway, having overseen the contract reset, Acceptance and the first three tranches of Rollout, I was asked

to step into a new role as Commercial and Finance Director for ICL's newly formed Large Projects Division. This comprised all of ICL's recently won PFI contracts, including Pathway. I began my new role in February 2001, handing over my Pathway responsibilities to my successor Colin Lenton-Smith.

271. My resignation from the Pathway Board was formally submitted to the next Board meeting in January 2002.

Impact of financial / contractual arrangements or financial pressures on the issues which the Inquiry is addressing

272. Firstly, I want to say that I have been shocked and deeply saddened by the revelations being examined in this Inquiry and the damage done to innocent individuals.

273. Was Pathway driven to take shortcuts and to encourage POCL to commence Rollout sooner than was safe? It is undeniable that the financial incentives to roll out quickly were strong. But having already taken a reputation hit over the cancelled Benefits Payment Card (notwithstanding that the NAO Report and PAC Hearing to a significant extent exonerated us for that failure – WITN0377_01/5 and WITN0377_01/6, respectively) we were acutely aware that we could not afford another set-back such as Rollout going badly.

274. We had applied fixes to address the AIs that had been identified, monitored the system between October and December 1999 across a large-scale live trial and had passed POCL's Acceptance tests. We had put in place rigorous integrity controls to address the cash imbalances issue. POCL had declared their satisfaction with the outcome.

275. POCL wanted to roll out Horizon for their own business reasons.

276. There is only so much simulation one can do in a test environment or even in a live trial. At some point the system has to be taken live to find out how it operates at scale. While issues are being identified and fixed, it is, in my experience, generally accepted practice that allowances should be made for early life operational issues. That would have been especially appropriate in this case where most users had had no experience of automation before Horizon and where there were known vulnerabilities to user error.

277. I was aware of POCL's facility to mount private prosecutions against sub-postmasters determined to be acting fraudulently and that the Codified Agreement required Pathway to provide audit trails when requested to do so to support such prosecutions. My expectation was that each case would be properly investigated before concluding that the cause of a cash shortfall was indeed fraud rather than some kind of mis-match in the system. To the best of my recollection, I was never asked to look into any of these cases – indeed, I was completely unaware at the time that the prosecutions were going on.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 7 September 2022

INDEX TO THE FIRST WITNESS STATEMENT OF MR ANTHONY OPPENHEIM

Exhibit No.	Description	Date	Control Number	URN
BACKGROUND				
WITN0377_01/1	Schedule A14 to the Codified Agreement – Contractor's Key Personnel V1.0	Undated	POINQ0006231F	FUJ00000060
WITN0377_01/2	Schedule A14 to the Codified Agreement – ICL Key Personnel V1.4.	21 July 2000	POINQ0006233F	FUJ00000062
WITN0377_01/3	Chart of ICL Pathway's Directors	Undated (2000)	POINQ0006232F	FUJ00000061
WITN0377_01/4	Minutes of a Board Meeting (Pathway Group Limited).	15 June 1995	POINQ0104418F	FUJ00098247
WITN0377_01/5	NAO Report into Cancellation of the Benefits Payment Card	18 August 2000	VIS00001819	POL00000805
WITN0377_01/6	House of Commons, Public Accounts Committee – Third Report, Session 2001-2002	12 November 2001	POINQ0124378F	WITN03770103
WITN0377_01/7	CCN 1100	31 December 2002	POINQ0124376F	WITN03770101
PROCUREMENT AND CONTRACTING				
WITN0377_01/8	Pathway Response to OJEC Notice 94/S 165-58937/EN	8 June 1995	POINQ0104403F	FUJ00098232
WITN0377_01/9	Letter from Masons Solicitors to S. Sweetman (POCL) with subject 'Pathway Project' regarding ICL's Acceptance Procedures paper. Attached are other documents including the Horizon Programme Replan	3 December 1998	POL-0025169	POL00028687

Exhibit No.	Description	Date	Control Number	URN
	Summary and related correspondence involving the Benefits Agency and POCL			
WITN0377_01/10	Letter from Sir Peter Mathison to Sir Michael Butler discussing specifications of requirements and services, further concerns previously raised	7 November 1995	POINQ0104404F	FUJ00098233
WITN0377_01/11	Memo from John Bennett to ICL Pathway Senior Management Team re "Update and introduction to the new POCL/ICL Pathway contract (the Codified Agreement)"	29 July 1999	POINQ0068711F	FUJ00079123
WITN0377_01/12	Letter from Pat Kelsey to Peter Crahan and Dave Miller re Pathway Complaint	2 September 1998	POL-0025123	POL00028641
WITN0377_01/13	Letter from John Bennett to Dave Smith re End-to-End Review of Reference Data Management	4 November 1999	POL-0025044	POL00028562
WITN0377_01/14	Information Technology Services Agreement for bringing Technology to Post Offices – Codified Agreement made between Post Office Counters Ltd and ICL Pathway Limited.	28 July 1999	POINQ0006242F	FUJ00000071
WITN0377_01/15	Supplemental Agreement between POCL and ICL Pathway containing provisions under	20 August 1999	POINQ0006656F	FUJ00000485

Exhibit No.	Description	Date	Control Number	URN
	Change Control Note 550			
WITN0377_01/16	Letter from Keith Baines to Tony Oppenheim re "Second Supplemental Agreement dated 24 th September, 1999 (the "Second Supplemental Agreement" 24 th November, 1999: Review of Decision on Suspension of Rollout")	24 December 1999	POINQ0068718F	FUJ00079130
WITN0377_01/17	Email from Keith Baines to Dave Miller, David Smith and Min Burdett, re Briefing for Meeting with ICL Pathway to be held on 22 November 1999	18 November 1999	POL-0025032	POL00028550
WITN0377_01/18	Minutes of a Board Meeting (Fujitsu Services Holdings PLC)	20 December 2002	POINQ0009900F	FUJ00003729
WITN0377_01/19	Letter from John Dicks to John Meagher, re acceptance criteria and issues with AI376 (Lack of Data Integrity on the Data Stream Across the TIP Interface)	5 November 1999	POL-0025043	POL00028561
WITN0377_01/20	Letter from Tony Oppenheim to Keith Baines re Acceptance Incident 376	18 November 1999	POL-0025031	POL00028549
WITN0377_01/21	Minutes of a Board Meeting (ICL Pathway Limited).	20 July 1999	POINQ0009902F	FUJ00003731
WITN0377_01/22	Minutes of a Board Meeting (ICL Pathway Limited).	20 July 1999	POINQ0064320F	FUJ00058149
WITN0377_01/23	Fax from Myles Blewett (Masons Solicitors) to Tony	17 February 2000	POINQ0064681F	FUJ00058510

Exhibit No.	Description	Date	Control Number	URN
	Oppenheim re "Service Levels"			
WITN0377_01/24	Fax from Myles Blewett (Masons Solicitors) to Tony Oppenheim re "ICL Pathway", attaching letter from Robert Chaplin to Iain Monaghan re "Outstanding matters"	1 March 2000	POINQ0064682F	FUJ00058511
WITN0377_01/25	Minutes of a Board Meeting (Pathway Group Limited).	3 October 1995	POINQ0067420F	FUJ00077832
WITN0377_01/26	Minutes of a Board Meeting (Pathway Group Limited).	6 December 1995	POINQ0067425F	FUJ00077837
WITN0377_01/27	Agenda of a Board Meeting (Pathway Group Limited).	15 March 1996	POINQ0067426F	FUJ00077838
WITN0377_01/28	Agenda of a Board Meeting (Pathway Group Limited).	21 February 1996	POINQ0067427F	FUJ00077839
WITN0377_01/29	Finance Director's Report (Pathway Group Limited)	21 February 1996	POINQ0067428F	FUJ00077840
WITN0377_01/30	Agenda of a Board Meeting (Pathway Group Limited).	6 December 1995	POINQ0067429F	FUJ00077841
WITN0377_01/31	Minutes of a Board Meeting (Pathway Group Limited).	25 April 1996	POINQ0067430F	FUJ00077842
WITN0377_01/32	Minutes of a Board Meeting (ICL Pathway Limited).	25 November 1996	POINQ0067432F	FUJ00077844
WITN0377_01/33	Minutes of a Board Meeting (ICL Pathway Limited).	14 March 1997	POINQ0067436F	FUJ00077848
WITN0377_01/34	Minutes of a Board Meeting (ICL Pathway Limited).	2 September 1996	POINQ0067437F	FUJ00077849
WITN0377_01/35	Minutes of a Board Meeting (ICL Pathway Limited).	30 January 1997	POINQ0067438F	FUJ00077850

Exhibit No.	Description	Date	Control Number	URN
WITN0377_01/36	Memo by Tony Oppenheim regarding the October 1995 Finance Director's Report	24 October 1995	POINQ0067600F	FUJ00078012
WITN0377_01/37	Letter from Pat Kelsey to Tony Oppenheim re "Pathway's Financial Structure"	5 December 1995	POINQ0067607F	FUJ00078019
WITN0377_01/38	Minutes of a meeting between BA/POCL and Pathway	10 August 1995	POINQ0067644F	FUJ00078056
WITN0377_01/39	Memo from John Bennett to Rod Scott re "ICL Pathway – ISC Progress Report"	24 February 1997	POINQ0067650F	FUJ00078062
WITN0377_01/40	Fax from Bird & Bird to ICL Pathway, attaching notes of the CNT Meeting held on 12 September 1996.	18 September 1996	POINQ0067655F	FUJ00078067
WITN0377_01/41	Notes of the CNT Meeting attended by personnel from the BA/POCL Programme, Pathway and Bird & Bird	19 September 1996	POINQ0067753F	FUJ00078165
WITN0377_01/42	Email from Tony Oppenheim to LM Furnell, S Riesenfeld, Keith Todd, RF Scott re "ICL Pathway ISC status report", attaching ICL Pathway Status Report	12 May 1997	POINQ0067756F	FUJ00078168
WITN0377_01/43	Faxed letter from Keith Baines to Tony Oppenheim re CCN556 (OBCS development).	12 November 1999	POINQ0068469F	FUJ00078881
WITN0377_01/44	Letter from Tony Oppenheim to Keith Baines re POCL's rejection of CCN556 (OBCS development)	12 November 1999	POINQ0068470F	FUJ00078882

Exhibit No.	Description	Date	Control Number	URN
WITN0377_01/45	Fax from Pat Kelsey to Tony Oppenheim re "Proposed revisions to the schedule structure of the related agreements and clarification of the various types of 'acceptance'", attaching letter with the same parties and title	13 September 1996	POINQ0068558F	FUJ00078970
WITN0377_01/46	Letter from Tony Oppenheim to Pat Kelsey re "Terms for the '2000 OBCS' offices – Remedies and Payment"	24 February 1997	POINQ0068563F	FUJ00078975
WITN0377_01/47	Letter from Tony Oppenheim to Pat Kelsey re "Migration Activities at Post Offices"	6 March 1997	POINQ0068564F	FUJ00078976
WITN0377_01/48	Notes of the PDA/Pathway Progress Review Meeting	6 November 1996	POINQ0068588F	FUJ00079000
WITN0377_01/49	Letter from Tony Oppenheim to Ross Newby re Extension of Contract Term	2 June 1998	POINQ0068642F	FUJ00079054
WITN0377_01/50	Faxed letter from David Miller to Tony Oppenheim re Post Office Estate/Space Issue	3 March 1998	POINQ0068652F	FUJ00079064
WITN0377_01/51	Letter from Tony Oppenheim to David Miller re Post Office Estate/Space Issue	17 February 1998	POINQ0068653F	FUJ00079065
WITN0377_01/52	Fax from Bird & Bird to Pathway Group Limited, attaching minutes of the CNT Meeting held on 20 May 1998	1 June 1998	POINQ0068656F	FUJ00079068

Exhibit No.	Description	Date	Control Number	URN
WITN0377_01/53	Letter from Tony Oppenheim to David Miller re replan of Horizon	18 September 1998	POINQ0068659F	FUJ00079071
WITN0377_01/54	Letter from Steve Reed to David Anders re "ICL Pathway / POCL Draft Agreement POC001"	1 June 1999	POINQ0068699F	FUJ00079111
WITN0377_01/55	Fax from Tony Oppenheim to Myles Brewett re "PSA from Keith Baines", attaching letter from Keith Baines to Tony Oppenheim	17 November 1999	POINQ0068717F	FUJ00079129
WITN0377_01/56	Diary Note from John Bennett to Tony Oppenheim, Mike Coombs and Liam Foley, detailing Minutes of a Meeting held between ICL Pathway and George McCorkell (BA) on 13 August 1998	14 August 1998	POINQ0085333F	FUJ00075724
WITN0377_01/57	Agenda of a Board Meeting (Pathway Group Limited)	15 June 1995	POINQ0104406F	FUJ00098235
WITN0377_01/58	Letter from Tony Oppenheim to Keith Baines re ICL Pathway Response to POCL Requirements for Rollout Decision	26 November 1999	POL-0025023	POL00028541
WITN0377_01/59	Letter from Jeff Triggs, Slaughter & May to Keith Baines re Acceptance Incident 376	22 November 1999	POL-0025030	POL00028548
WITN0377_01/60	Letter from Dave Miller to John Bennett re BA/POCL Project, Letter from Keith Baines to Richard Christou, Letter from	20 – 21 May 1999	POL-0025212	POL00028730

Exhibit No.	Description	Date	Control Number	URN
	Vince Gaskell to Bruce McNiven, Letter from Bruce McNiven to Vince Gaskell re Treasury Discussions			
WITN0377_01/61	Letter from Tony Oppenheim to David Miller (Horizon Project Director, BA & POCL), responding to a letter dated 17 August 1998 concerning the Replan and contractual matters	18 September 1998	POL-0027590	POL00031106
WITN0377_01/62	OJEC Tender Notice	30 August 1994	POINQ0124377F	WITN03770102
WITN0377_01/63	Fax from Hazel Grant (Bird & Bird) to Jim Morley (ICL), attaching draft minutes of the CNT meeting held on 10 October 1996	16 October 1996	POINQ0064653F	FUJ00058482
WITN0377_01/64	Action Points from Acceptance Workshop (7)	17 September 1999	POINQ0068764F	FUJ00079176
WITN0377_01/65	Memorandum from Dick Brazear (Head of Programme Office for Post Office Network) to multiple POCL and ICL employees. The memo attaches a note of the Special Delivery Meeting held on 14 January 2000	20 January 2000	POL-0024991	POL00028509
WITN0377_01/66	Varied and Restated Codified Agreement	31 December 2002	POINQ0006245F	FUJ00000074
WITN0377_01/67	Letter from Dave Miller to Tony Oppenheim re Pathway Financing Structure	5 January 1996	POL-0024760	POL00028278
ROLLOUT				
WITN0377_01/68	ICL Pathway document titled '100 Trial Surveys Report'	2 March 1998	POINQ0064665F	FUJ00058494

Exhibit No.	Description	Date	Control Number	URN
	(V1.0) under reference IM/REP/029 concerning preparation of Post Offices for national roll-out			
WITN0377_01/69	ICL Pathway document titled '100 Trial Surveys Report' (V2.0) under reference IM/REP/029 concerning preparation of Post Offices for national roll out	4 March 1998	POINQ0064666F	FUJ00058495
WITN0377_01/70	High Level Counter Infrastructure Rollout Strategy – V2	16 June 1998	POINQ0067750F	FUJ00078162
WITN0377_01/71	Minutes of a Board Meeting (ICL PLC)	15 September 1999	POINQ0009802F	FUJ00003631
WITN0377_01/72	Minutes of a Board Meeting (ICL Pathway Limited)	24 November 1999	POINQ0009831F	FUJ00003660
WITN0377_01/73	Minutes of a Board Meeting (ICL Pathway Limited)	23 February 2000	POINQ0009842F	FUJ00003671
WITN0377_01/74	Minutes of a Board Meeting (ICL Pathway Limited)	9 May 2000	POINQ0009853F	FUJ00003682
WITN0377_01/75	Minutes of a Board Meeting (ICL Pathway Limited)	15 August 2000	POINQ0009864F	FUJ00003693
WITN0377_01/76	ICL Pathway Monthly Report – August 2000	13 September 2000	POINQ0067641F	FUJ00078053
WITN0377_01/77	ICL Pathway document titled 'Live System Performance Report for February 2000' under reference CS/PER/043 (V4.0)	29 March 2000	POINQ0085521F	FUJ00079350
WITN0377_01/78	Letter from Keith Baines to Tony Oppenheim re Rollout Review	26 November 1999	POL-0025022	POL00028540

Exhibit No.	Description	Date	Control Number	URN
WITN0377_01/79	Second Supplemental Agreement	24 September 1999	POINQ0124313F	FUJ00118149
WITN0377_01/80	Third Supplemental Agreement	19 January 2000	POINQ0124350F	FUJ00118186
WITN0377_01/81	ICL Pathway CS / Business Support Monthly Incident Review (December 1998)	1 January 1999	POINQ0064534F	FUJ00058363
WITN0377_01/82	ICL Pathway Customer Service / Business Support Monthly Incident Review (January 1999)	1 February 1999	POINQ0064533F	FUJ00058362
WITN0377_01/83	Service Review – Performance Statistics (January 2000)	7 February 2000	POINQ0064392F	FUJ00058221
WITN0377_01/84	Resolution Plan for AI408 - Horizon System Helpdesk (V.1.1)	8 September 1999	POL-0024950	POL00028468
WITN0377_01/85	PinICL PC0032552	1 November 1999	POINQ0044136F	FUJ00037965
WITN0377_01/86	PinICL PC0031884	22 October 1999	POINQ0044784F	FUJ00038613
WITN0377_01/87	PinICL PC0033363	15 November 1999	POINQ0039445F	FUJ00033274
WITN0377_01/88	ICL Pathway Change Control Note (CCN 957b) concerning the variation of Service Levels Agreements in relation answering Help Desk calls	21 June 2002	POINQ0006998F	FUJ00000827
AMENDED CONTRACT AND DEED OF RELEASE				
WITN0377_01/89	Minutes of a Board Meeting (Fujitsu Services Holdings PLC), attaching Schedule 8 (“Form of Parent Company Guarantees”)	20 December 2002	POINQ0009816F	FUJ00003645

Exhibit No.	Description	Date	Control Number	URN
WITN0377_01/90	Deed of Release between Post Office Ltd, Fujitsu Services (Pathway) Ltd, Fujitsu Services (Pathway Asset Company) Ltd and Fujitsu Services Holdings PLC	28 March 2003	POINQ0009818F	FUJ00003647
THE RELATIONSHIP WITH POCL/POL				
WITN0377_01/91	Minutes of a Board Meeting (ICL Pathway Limited)	7 May 1997	POINQ0064319F	FUJ00058148
WITN0377_01/92	Fujitsu Services Key Personnel – V0.1	19 December 2002	POINQ0006214F	FUJ00000043
KNOWLEDGE OF BUGS, ERRORS AND DEFECTS				
WITN0377_01/93	PinICL Export (PC0012010)	12 June 1998 – 9 October 1998	POINQ0118954F	FUJ00112783
WITN0377_01/94	PinICL Export (PC0011122)	20 May 1998 – 12 October 1998	POINQ0119003F	FUJ00112832
WITN0377_01/95	PinICL Export (PC0012920)	7 July 1998 – 23 December 1998	POINQ0121941F	FUJ00115770
WITN0377_01/96	PinICL Export (PC0014787)	21 August 1998 – 16 February 1999	POINQ0028533F	FUJ00022362
WITN0377_01/97	PinICL Export (PC0020970)	29 January 1999 – 12 March 1999	POINQ0029475F	FUJ00023304
WITN0377_01/98	PinICL Export (PC0017398)	23 October 1998 – 18 March 1999	POINQ0029720F	FUJ00023549
WITN0377_01/99	PinICL Export (PC0015152)	27 August 1998 – 14 June 1999	POINQ0032832F	FUJ00026661
WITN0377_01/100	PinICL Export (PC0010071)	23 April 1998 – 7 June 1999	POINQ0032435F	FUJ00026264
WITN0377_01/101	PinICL Export (PC0059753)	13 December 2000 – 11 July 2001	POINQ0067109F	FUJ00077521

Exhibit No.	Description	Date	Control Number	URN
WITN0377_01/102	Peak Incident Management System (Call Ref. PC0059753)	20 December 2000	POINQ0084957F	FUJ00075368
WITN0377_01/103	Memorandum containing e-mails between Keith Baines (POL), Ruth Holleran (POL), David Smith (POL) and others with subject 'High AI Re-classification Tactics'	1 September 1999	POL-0024953	POL00028471
WITN0377_01/104	PinICL Export (PC0028734)	18 August 1999 - 1 September 1999	POINQ0035142F	FUJ00028971