

## **Meeting between MPs and 2<sup>nd</sup> Sight Forensic Accountants 4<sup>th</sup> July 2012**

### **Attending**

#### MPs

James Arbuthnot MP  
Andrew Bridgen MP  
Mary Glendon MP  
Tessa Munt MP  
Mike Wood MP

#### Representatives from offices of:

Edward Garnier MP

#### 2<sup>nd</sup> Sight

Ron Warmington  
Ian Henderson

#### Introduction

James Arbuthnot introduced the meeting, the purpose of which was to ascertain whether or not Ron Warmington and Ian Henderson were the right people to conduct the investigations into SubPostmasters / mistresses accused of fraud. He mentioned that Alan Bates from the Justice for SubPostmasters Alliance had contacted himself and Oliver Letwin, asking to attend this meeting but were unable to do so at short notice. Said that if the SubPostmasters believed the investigation was a whitewash for the Post Office, it was a waste of time. Mr Bates was worried about the independence of the 2<sup>nd</sup> Sight investigators. James Arbuthnot worried whether 2<sup>nd</sup> Sight were appropriately independent and qualified. Were they prepared to be tough on the Post office and Horizon?

Ron Warmington said he was sorry Mr Bates wasn't at the meeting. Said that the Post Office was ready to decide against 2<sup>nd</sup> Sight conducting the investigations.

Ian Henderson said that the scope and terms of reference for the investigation rested with the Post office, and that it didn't matter whether or not 2<sup>nd</sup> Sight was given the contract.

Andrew Bridgen pointed out that the investigation should be able to look at anything it chose, anywhere.

RW introduced 2<sup>nd</sup> Sight. The connection was via the Post Office's legal counsel, Susan Crichton. She had worked with Ron at GE Capital many years ago, and when this matter came up, thought of Ron. She had asked him whether he could take these cases on – the scope being to look at 10 or so cases only and draw some conclusions. Ron's background – global head of investigations at Citibank. Looked at alleged misconduct of employees, many turned out to be false allegations. Investigations started with presumption of innocence, but investigators formed hypotheses on where money

disappeared to, and tested each one. RW has himself been investigated, so knows what it is like. Said the Post Office keen to get to the bottom of the matter.

Mike Wood raised the point that the Post Office believes emphatically that their Horizon system is without problems. The PO is happy to have individual cases dealt with, but MW wants to know that once resolved, will investigators be able to form an opinion on whether or not Horizon might have faults?

RW talked in general terms about prosecution for false accounting. Individuals will often fall into this, and then say 'what else could I do?'

AB said that the post office had said that they had never found an individual not guilty.

RW said that the real concern and question to be asked is – what happened to the money? In his opinion, there are four possibilities:

- Theft
- Inefficient business – PO money being siphoned off to support retail business
- Incompetence – incorrect adding up
- Ghost in the machine

Said that the scope of the investigation does not embrace a complete overhaul of the Horizon system.

Ian Henderson – was head of investigations at Lloyds of London. He said that with the volume of transactions going through Horizon, if there was a major system flaw, he would expect a greater rate of loss over a longer time. No system is 100% accurate, and most likely there have been random errors, and that cases may fall into this bracket.

JNA said that there was a worrying story at the February meeting, whereby an operator closed the system noting the balance, and when opened again, the balance was completely different. If the scope of investigation did not include Horizon, the SubPostmasters would not be satisfied.

IH said that a systems-based approach (code review etc.) would take over 6 months and cost over £500k. This further complicated by the fact that Horizon is now in new iteration, and is old code available?

JNA said that individual case examination would surely give an indication of whether a systems investigation would be necessary.

AB asked if PO would commit to larger scope?

IH – every transaction is kept by the PO for 7 years. They would be looking at reconstructing each transaction in every case.

RW said that he will be reporting directly to Susan Crichton and the PO Board in this matter.

AB – said MPs want to see everything. PO has a great deal at stake to prove Horizon is OK as a system.

JNA – said he was prepared to be convinced that individuals might be criminals; that the charge of false accounting is really a nonsense, and that theft and fraud are much more serious and he would be prepared to be convinced of these charges.

IH mentioned one ought to be prepared also for negligence and incompetence.

JNA said his major concern was that people were protesting their innocence. PO will have seen background circumstances which influence them in their thinking about given individuals – and that this needs to be set aside.

IH said the most efficient way to investigation is to look at a manageable number of cases, examine them, and draw conclusions.

AB said he was happy for 2<sup>nd</sup> Sight to proceed, but that SubPostmasters must buy into the process.

MW said he was happy for 2<sup>nd</sup> Sight to proceed, but not happy looking at 10-12 cases only. He was worried that the PO will select the group to be examined. Said ghost-in-the-machine theory must be investigated, and said MPs must see unedited report of results.

Tessa Munt agreed.

Mary Glendon agreed.

JNA – echoed MW. Said MPs must see unedited report, and that the resulting report MUST NOT identify individuals.

AB asked that 2<sup>nd</sup> Sight travel to individuals to interview them on their homeground.

IH agreed. Said each case would take about 2-3 weeks to investigate.

RW said that media interest would be difficult to handle. JNA said his office would help.

MPs satisfied. JNA said Mr Bates must meet 2<sup>nd</sup> Sight, but ought not to have power of veto.