

## Attendance Note

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| <b>Client:</b>             | Post Office Limited                      |
| <b>Matter:</b>             | Horizon - Second Sight Interim Report    |
| <b>File Number:</b>        | 111850.00038                             |
| <b>Fee-Earner:</b>         | SCB                                      |
| <b>Type of Attendance:</b> | External meeting at Houses of Parliament |
| <b>Date</b>                | 8 July 2013                              |

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### Attending

James Arbuthnot (“**JAMP**”) began by saying that the way he proposed the meeting should go would be:

1. a summary from Second Sight of the report done;
2. brief comments from Alan Bates JFSA and Kay Linnell [JFSA’s appointed forensic accountant] on the report; and
3. then open up for questions.

JAMP said that in this meeting there are also observers from various bodies, including: Mike Whitehead from BIS, two observers from POL. JAMP said that the observers were not here to be battered with questions. They were here to make sure that those who are in positions of authority are fully apprised as to the various discussions.

Also in attendance were Ian Henderson and Ron Warmington from Second Sight, Tadge Channer from Shoosmiths, and Janet Walker, who is working with JAMP.

Four MPs and six researchers attended.

JAMP first began the meeting by saying that he would like to thank POL very much for supporting and funding the review. Thanks also to POL for being open and for finding a light to shine on the issues. He also issued thanks, particularly, to Second Sight, to Ian Henderson and Ron Warmington, for their interim report. He also thanked Alan Bates and Kay Linnell for keeping an eye on Second Sight. Thanks also to Tadge Channer and Shoosmiths for the contribution to keep light burning where things were going dark.

Second Sight began their report. They explained the structure of the report and explained that they began by discussing what was meant by the term “Horizon”, and whether it was just the software and the code being reviewed or the totality of the system, including the training and the operational processes. It soon

became clear that they needed to look at the totality of the user experience. They also looked at how POL investigated cases which were brought to their attention.

In section 2 they explained their approach to consider 29 cases which came to them through the MP route, and 18 through the JFSA.

Section 3 – As soon as they started a fact tracking review, it became clear that it would be important to adopt the approach of a Spot Review, an investigation within an investigation. This was designed to be self-contained and to focus on an issue in scope and the relevant remit. Some cases would require multiple reviews and some single.

Second Sight were pleased at the relationship and the involvement with the JFSA (section 4).

Comments on the Spot Review and responses from POL – section 5. It was made clear that POL were extremely supportive of the investigation. This is probably something they were not used to, particularly the volume and the range of questions. There were, however, some criticisms of the POL responses. In particular, Second Sight were given answers based on Standard Operating Procedures and Controls, rather than evidence of what actually happened.

Section 6 – This section identifies whether defects in Horizon caused some of the losses about which the SPMRs made complaint. There was still much work left, although Second Sight have broadly concluded with regard to the wider aspects of Horizon.

Out of the four Spot Reviews, two involved concerns about the operation of Horizon in the sense of the wider user experience. These are SR1 and SR22.

There was a potentially significant finding or rather disclosure by POL, relating to defects in the software which are described in section 6. However, it seems that this was quite narrowly contained in the sense that it impacted a relatively small number of branches, but took time to discover and correct.

Section 7 – There are a number themes involving common issues from multiple SPMRs. The last item listed, item (j), does not feature in the preliminary conclusion because it is outside the scope of the terms of reference. However, Second Sight did feel that the contract between SPMRs and POL transferred commercial risk to the SPMRs, including in relation to changes, which would result in a benefit to POL, but increased the likelihood of increased risk for the SPMRs. Second Sight felt that the balance between the two of risk and reward should be looked into, although not by Second Sight.

Section 8, preliminary conclusions – Second Sight identified potential problems in the way in which POL deals with problems which arise and which are set out in section 8.2(a)-(f). Two of these were highlighted in particular. The first identified in (d) relating to the difficulty for SPMRs in contacting POL, other than through a help desk, which inevitably was designed to address technical help, rather than provide a forum to raise broader issues, which highlighted the need for a user type forum or the “voice of the customer”.

Also, in relation to (e) [relating to the lack of an affective “outreach” investigations function within POL, resulting in POL failing to identify the root cause of problems and missing opportunities for process improvements], they considered practice was constrained by virtue of the contract between POL and the SPMRs.

Alan Bates made a few comments. However, he said that the report was quite new and that JFSA needed time to reflect. He was also aware that POL were present and was therefore restricted in what he could say. However, he said that the interim report [and investigation] helped in opening a dialogue between POL and JFSA. Indeed, they had just come from a meeting with POL, and were looking at the way in which they can investigate cases to see what can be done in the more open environment. They are prepared to consider whether there are ways in which things could have been done better. However, in terms of

comments on the report in detail, it is still early days. JAMP said that although it is an interim report, it is quite detailed.

JAMP then opened the meeting up for comments from those attending, and in particular the other MPs. First, Mike Wood MP (MWMP) said that they had finally got POL to accept that they did not have a system that never makes mistakes or causes problems. He asked whether, in relation to the Spot Reviews and to the concern which Second Sight made reference to, whether each Spot Review shows some cause for concern.

Second Sight said that at least two of the Spot Reviews were very much work in progress. However, in relation to SR1 and SR22, they had been able to reach preliminary conclusions.

In relation to SR1, there was a lack of timely, accurate and complete information and that this in their opinion was a significant factor. This was based on a wider definition of Horizon, not just the software, so it included the processes and the information made available to the SPMRs.

MWMP said again that Second Sight has spot checked for and in each one had found a problem, so concluded POL had some responsibility.

Second Sight reiterated that in relation to SR1 and SR22 they had reached a tentative conclusion on the issues. In relation to SR22 POL had already made changes, however, the individual SPMR may not have experienced problems had the process change taken place before. However, these are still preliminary conclusions.

In relation to SR5, which relates to the issue of remote access, they had recent new information which was potentially significant. MWMP asked where this information had come from and Second Sight said it had come from the relevant SPMR, who identified an email proving that a meeting had taken place. However, this was very much late breaking information and in order to do this justice, they need to bottom this out.

Second Sight also referred to SR21, which they said was still in the air relating to mysterious transactions.

However, the Spot Review that the MPs are probably most interested in, is SR22, relating to scratch cards and the air gap between Camelot and Horizon.

In this particular case there was a huge disparity in relation to the open all day shop and the Post Office counter. The shop hours were out of sync compared to the branch. The problem has been fixed in two stages. First, a procedural change, but the real fix came in February 2012 with an automation joining the two systems together.

MWMP commented that after all the work done by Second Sight, they have spot checked four problems. Second Sight said they were reporting on four, but that work had been done on more than four. MWMP said that his comment was not intended to be a criticism.

It was asked whether we can now know if these issues are being resolved and in this new spirit of transparency.

MWMP said that if it is for POL to address, he would be far less happy about that.

Second Sight said that the POL issue of defects or bugs did not relate to the four spot reviews.

Andrew Bridgen MP (ABMP) asked Second Sight if they believed the issues that they had identified had an impact in relation to the historic convictions.

Second Sight said that was a legal question which they were not qualified to answer and they did not consider it was appropriate to express an opinion. They have to present facts and it is for others to consider the impact on any historic cases.

However, one of the Second Sight individuals said that he considered that SR22 makes a reference to something that is germane to this.

JAMP said that this was a very good question to put to the Minister or POL or both.

JAMP said that it strikes him that because POL has produced some changes in processes as a result of investigation, and three more have been announced today, if these had been in place before those prosecutions took place, it is unlikely that all of those prosecutions would have taken place.

Oliver Letwin MP said that this was an issue as to the status of the work. Second Sight had been asked to present an interim report today. The other Spot Reviews are work in progress. However, POL was concerned about the length of time being taken and the cost. Second Sight are not sure what POL will allow them to do going forward. There is much to be done. They do not know how this will fit in to the regime that POL announced today. All Spot Reviews have elements which are complicated. They hoped that the Spot Review process would streamline the processes. However, the difficulty is getting information from departments within POL or from contractors. There are, or can be, complex issues involved, and where they are dealing with conflicts of evidence, for example in SR2. In SR2, POL have been very clear about certain matters, but the SPMR is equally clear they were told something to the contrary. Where there is a conflict of evidence, they need to step back and look for other evidence (e.g the email in relation to relevant people from 2008). However, last week, the name of the relevant POL person was identified. Before that, POL had said they had no record of any meeting. This is a potentially significant discovery for SR2. That is just one example of the possible complexities which may arise.

Second Sight also said that the SRs are a good deal more current than the MP's cases. Those relate to multiple issues and go back a long way in terms of date. However, there is one big issue which they would like to progress which is one as to user identity and Horizon logs and the XML data. There are a number of SPMRs who it is claimed were making transactions linked to their user ID and Second Sight want to explore whether there is any alternative explanation other than that the user ID definitely relates to that user.

Researcher for Mark Prisk MP referred to a case which is out of time for submitting for review and asked whether it could be submitted now. JAMP said that to achieve this meeting there was an agreement with POL and Second Sight that there needed to be some cut off point. POL wishes to have a special but different procedure for other cases, possibly with the company secretary, so that cases go to a different route other than a help desk. There was then reference to the POL response, identifying three solutions, including the creation of a working party in relation to the Second Sight review, with the implication that they want to get through these cases.

MW MP asked whether the working party would include Second Sight and JAMP said that he did not know. MW MP expressed concerns about this group, if Second Sight were not allowed to pursue their investigation and the team was dissipated, so that work would be done by a collaborative working party with people decided on by POL, then he thought any progress made to date would be lost. Although it might take much longer, he considered that Second Sight should go through the issues and should not let go and certainly not for some "airy fairy" working party.

JAMP said that there may well be an early parliamentary opportunity to make that point.



Tessa Munt MP (TM MP) referred to the POL press statement and asked if it was considered that the statement was accurate and whether it was equally true of two years ago.

Second Sight referred to page 8 of their report and to conclusion (a), but although they had found no evidence of system-wide problems with the Horizon software, they have found concerns with the Horizon system using the wider definition, which includes the associated processes. So in relation to the POL statement, there are concerns with regard to the Horizon supporting processes.

There was further reference to the POL statement and the regret in relation to the SPMRs (“...if any SPMR...”). TM MP said A slightly more fulsome apology might have been more appropriate, bearing in mind what the SPMRs have suffered. This falls short of what might have been expected, particularly for SPMRs whose lives have been decimated and it would have preferred to see a more fulsome apology. Second Sight reported frequent criticisms relating to training and support which they do not consider were adequately covered and would like cover in the remaining 22 work in progress Spot Reviews.

JAMP will be issuing a statement and would work on solutions. There was reference to both civil and criminal claims. There are two issues there. One that needs to sort out the lives of those whose lives have been decimated and also to look at the issue of independence and how this has been dealt with in the past and how it might be dealt with in the future.

Particular reference was made to Alan Bates who was referred to as “legendary”, “valuable” and emphasis on his work being unpaid. The hope was expressed that he would play a part moving forwards.

MW MP asked whether POL would attend any further meeting to speak and to be available to answer questions.

JAMP said that they would be returning in the Autumn and would reconvene then and that at that meeting they would ask POL to attend to speak.