

Draft – Post Office Limited – Strictly Confidential

Terms of Reference

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Cc:

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Post Office Ltd – proposal for an independent review of past cases

Background

Post Office Limited has decided to conduct an independent review of a number of closed, and possibly some open fraud and theft cases. The background is that the Post Office has, in accordance with its statutorily-authorised powers, pursued cases involving fraud, theft and false accounting principally in the criminal courts. This has resulted in a large number of prosecutions and restitution of stolen funds. In recent years, a number of defendants have asserted that there are issues with the Post Office's National Computer System, 'Horizon'. The defendants claim that the system has been throwing up mysterious differences (shortages) for which they have taken the blame. Some of these cases have been taken up by Members of Parliament and this has resulted in heightened publicity attaching to individual cases and to the issue as a whole. This involvement and publicity has also lent support to assertions that Horizon really is the root cause of the problem and that some of those convicted only made false accounting entries because there seemed at the time to be no other viable course of action. They claim, in effect, that they have been unfairly convicted and financially ruined.

Objectives & Scope

The Post Office has instructed an independent third party organisation, 2nd Sight Limited provide a proposal to conduct a review which would include the following tasks:

Select a representative sample of cases that have led to prosecutions/court-appointed restitution.

The sample needs to cover cases:

- where defendants claim they didn't take any cash
- where assertions have been made that 'The System' (i.e. Horizon) caused the shortage (include old and new versions of Horizon if possible)
- which have been taken up by MPs

Carefully review all company-held documentation focussing heavily on probable reasons why shortfalls occurred or built up

Interview company investigators to gain insights and to verify fairness of findings

Review defence submissions focussing on evidence of innocence (consider separately False Accounting and Theft)

Try to establish why the shortages arose (assign each case to a Probability Category such as: Skill shortfall; Diversion to Failing Business; Straightforward Theft (by whom?); Mysterious Disappearance; etc.)

Review all materials from the viewpoint of the Defence (seek Proof of Innocence and test evidence indicative of guilt)

Study and selectively test, the 'Horizon' system in order to find any 'Black Hole', Program Bug; etc. that might have caused mysterious shortages

Reach conclusions on each case and identify any systemic issues/concerns

Information re independent investigators

2nd Sight Limited investigators have extensive knowledge of complex financial computer systems; Ron Warmington, one of the directors and investigators is a Fellow of the Institute of Chartered Accountants and a member of the Association of Certified Fraud Examiners. He spent 35 years working for two of the world's largest banks in a number of positions including heading up Global Banking Investigations

and European Director of Fraud Management. His fellow Director is Ian Henderson, is also a Chartered Accountant, IT Auditor and a Forensic Computer Examiner. His previous roles have included Head of Investigations at the Personal Investment Authority and prior to that he held a number of roles with Lloyds of London.

Timescales and Costs

It is anticipated that the review will commence in late June or early July, at present the costings that have been provided are on a time and material basis, it may be possible to move from this once a small number of cases have been reviewed and it is easier to assess how much time is required for each review.

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