

Notes for Board update on Second Sight investigation, 1 July 2013

- Second Sight due to present initial findings at a meeting with James Arbuthnot, MPs and JFSA next Monday (8 April).
- Report will focus on four “best” cases in detail – following an initial review of nearly 50 cases overall
- Key point to emphasise is that we understand Second Sight have not identified any systemic issues with Horizon itself
- However, the report still presents significant reputational risks for PO. Second Sight nervous about perceptions of a ‘white wash’, and so may draw attention to two points:
 - a) Issues with PO’s wider support, training and investigation processes in relation to Horizon issues.
 - *We accept there are lessons to be learnt here, and have a proposal on how we can be seen to be addressing such issues at the same time as closing down the SS investigation.*
 - b) The fact that we have disclosed two previous ‘anomalies’ with the Horizon system, which they may suggest means we cannot be confident there are not more widespread problems with the system.
 - *This is a red herring. In both cases the errors were picked up and either have been or are in the process of being addressed with the affected sub-postmasters; a comprehensive audit has been performed to check there weren’t further cases we weren’t aware of; and new procedures are being put in place to ensure such anomalies are spotted at an early stage in the future.*
- We also have other concerns around Second Sight’s handling of the investigation:
 - They haven’t (yet) reviewed all the evidence we have given them, and hence may not be in a position to set out definitive conclusion on all four cases
 - It appears that they are not focussing on empirical evidence (i.e. the transactions data) in the way we would expect forensic accountants to – instead have a tendency to rely on the sub-postmasters’ interpretation/recollection of events (and in some cases they appear to have ‘led the witness’).

- To manage these risks and issues we're taking the following steps:
 1. Meeting with SS this afternoon to: a) emphasise the importance of ensuring headline statements are not misleading; b) reiterate importance of them reaching final conclusions next week wherever possible, based on the evidence that has been submitted to them (should be possible for at least 3 out of the 4 cases) – and not relying on sub-postmasters to reach the conclusions on their behalf.
 2. Meeting with James Arbuthnot on Wednesday morning, to update him on progress and answer any questions, alert him to reputational risks and discuss handling plan (he will have heard preliminary headlines from SS on Tuesday).
 3. Will propose that it is now appropriate for the Second Sight investigation to be brought to a conclusion (rather than continuing until October or beyond) – no evidence of systemic issues with computer system, but we will appoint an independent firm to review our wider management processes to learn the lessons from the investigation.
 4. Also developing comprehensive stakeholder and communications plan:
 - Detailed Q&A pack being prepared (jointly agreed with SS, Fujitsu and JA), to ensure we're ready with accurate lines to explain the situation
 - Will prepare media statement (and share drafts with SS/James Arbuthnot). *Important to emphasise wider context: we process over 6m transactions a day across 11,800 branches.*
 - Will offer face-to-face briefing meetings with affected MPs (and may seek additional support from Oliver Letwin)
- We'll keep the Board closely updated over the next week.