

[POST OFFICE LETTERHEAD]

**PRIVATE AND CONFIDENTIAL**

Ron Warrington & Ian Harrington  
Second Sight Support Services Limited  
(By email)

[ ] August 2014

Dear Sirs

**Second Sight's Part Two Mediation Briefing Report ("the Report")**

I refer to the first draft of the Report and our letter of 14 August 2014.

The draft Report gives Post Office cause for concern. It falls well below the standard Post Office would expect from a firm of forensic accountants engaged to prepare an independent evidence-based report into questions of fact. We have explained the bases for that concern in our letter of 14 August and in the table of comments it enclosed. However, the Report reflects more general concerns Post Office has with Second Sight's work to date, its relationship with Post Office and the Working Group and Second Sight's role within the Scheme. We therefore wish to take this opportunity to set out in this letter what those broader concerns are and to invite Second Sight now to take meaningful steps to allay them.

Second Sight's role and the work product it is expected to produce are clearly set out in the letter of engagement dated 1 July 2014 between Post Office and Second Sight. That letter provides that:

- the Scheme has been set up to resolve Subpostmasters' concerns about "Horizon and associated issues" (clause 2.1);
- Second Sight is a member of the Working Group whose role it is to oversee the Scheme and assist investigating individual complaints (clause 2.2);
- Post Office has engaged Second Sight to provide Services to the Working Group in relation to the Scheme (clause 2.3);
- the Services Second Sight has been engaged to provide are serving as a Member of the Working Group, advising, as requested by Post Office or the Working Group, on the format style and content of documents submitted by Post Office and/or Subpostmasters during the Scheme, investigating specific complaints raised by each Subpostmaster and assisting with reasonable requests made by the Working Group or Post Office (paragraph 1 of Schedule 1);

- Second Sight is to act independently in providing the Services and assessments or opinions it gives shall be without bias and based on the facts and evidence available (Paragraph 4 of Schedule 1); and
- Second Sight shall act with the skill and care of qualified experienced accountants and it is acknowledged that matters relating to criminal law and procedure are outside SS's scope of expertise and accordingly SS shall not be required to give an opinion in relation to such matters (Paragraph 5.1 of Schedule 1).

In short, Second Sight are engaged by Post Office and are paid by Post Office to provide services to the Working Group and Post Office only in respect of and in furtherance of the Scheme and its objectives. You are engaged to provide quality and independent professional forensic accounting services based on your apparent expertise in that field only. Yet, much of Second Sight's conduct to date, and in particular its provision of the draft Report, appears in several respects to be at odds with those requirements. We wish to explain in more detail the nature of Post Office's concerns.

### **Second Sight is engaged by Post Office to provide services to the Working Group**

First, Second Sight must understand that while you have been engaged to provide independent fact-finding and analytic services, you are engaged and paid by Post Office in order to assist the Working Group. Accordingly, on matters of process, you should ordinarily follow Post Office's and the Working Group's reasonable directions. On matters of substance, you should genuinely give Post Office an opportunity to provide, and take into account and reflect, its point of view and comments. For example, Second Sight promised to provide the Working Group with the draft Report in [March 2014]. You only then did so in August 2014 and expected comments from Post Office within 24 hours. Post Office wishes to see a speedy resolution of applications through the Scheme, but on any view, such an expectation is simply unacceptable. Given the importance of the Report within the Scheme as a whole, the number of parties (not just Post Office) potentially relying on or affected by it and the need for the Scheme now to progress as swiftly as possible, such delay cannot be repeated in future. It is also inappropriate in any circumstances for Second Sight, as Post Office's service provider, to seek to impose unreasonable and unrealistic deadlines on Post Office, but especially not in respect of such an important and lengthy document. We expect Second Sight not to repeat such conduct in future.

### **Second Sight's work has not been satisfactory**

Secondly, as we pointed out in our letter of 14 August, the draft Report strays into areas beyond the subject matter of the Scheme and well beyond Second Sight's professed area of expertise. It also suffers from the various other deficiencies outlined in that letter. This is also plainly unacceptable. Not only do those deficiencies mean that the draft Report falls well below the standard required by the letter of engagement and expected by Post Office (and, for that matter, that would reasonably be expected by any person engaging reasonably competent accountants), it was provided after considerable delay and in a modified form that was specifically requested by Second Sight to enable it to meet deadlines and properly carry out its role. Post Office does not consider it unreasonable therefore to take the view that Second Sight has had more than sufficient time, opportunity, information and evidence available to it to

produce a comprehensive, balanced, evidence-based analysis of the issues it seeks to address in the Report but has seriously failed to do so.

We would like to be able to say the draft Report and the manner in which it was provided are anomalous and do not reflect the quality and timeliness of the other work Second Sight has produced to date. Unfortunately, we cannot. Second Sight has in the past repeatedly missed deadlines and produced unsatisfactory work product suffering from several of the same deficiencies we have pointed out in respect of the draft Report. We ask you to explain how you intend to rectify such failings in future.

### **Second Sight's independence is in doubt**

Thirdly, Post Office is concerned about Second Sight's role within the Scheme as an impartial and independent fact-finder. As I have said, we have several times in the past given similar comments on Second Sight's work to those we gave in our letter of 14 August in respect of the draft Report. It is disappointing that Post Office finds itself compelled again to explain various factual issues to Second Sight which have previously been raised with you. No mention is made in the draft Report of the fact Post Office has previously explained its position to you on several of the issues nor, indeed, any mention of what those positions are. This suggests to us that Post Office's point of view and its explanations for various factual issues are not being fairly reflected in Second Sight's work, if at all. Post Office expects (and, indeed, the engagement letter requires) that Second Sight, as a professional, independent fact-finder, would set out both sides' points of view, and the facts each of them puts forward to support their view, and draw conclusions on that basis. The Report does neither. Post Office is concerned that Second Sight may no longer be acting impartially and independently and representing the interests of the Working Group and the Scheme as a whole. If Second Sight is not prepared to consider all sides' views equally, it risks creating a perception that it is not impartial and, consequently, it risks jeopardising the integrity of the Scheme. We invite you to comment and explain why, if you think it be the case, Post Office's concerns are misplaced in this regard.

### **Second Sight has not provided value for money**

Fourthly, Post Office has serious concerns about the value for money it (and, in turn, taxpayers) have received from Second Sight's services. Second Sight has been engaged continuously by Post Office since [month?] 2012 to assist Post Office and the Working Group to operate the Scheme. During that time, Post Office has invested a considerable amount of valuable time and resource to provide Second Sight with a significant amount of information, in some instances on more than one occasion, to assist your investigation into Horizon. However, since [month?] 2012, aside from attending Working Group meetings, Second Sight has only produced [two, unsatisfactory "thematic reports"] and investigated and reported on [x] applications. Second Sight has billed Post Office over [£750,000]. Post Office does not consider that either the quality or volume of the work Second Sight has produced to date justifies such an amount. Accordingly, we also invite you to explain the value you believe Post Office has received for its money and what steps you intend to take to ensure that it will receive value for money in future.

Despite the issues I have raised above, Post Office remains of the view and stresses that Second Sight's status as a credible, independent investigator is key to the success of the

Scheme. Post Office is not looking to fetter that independence or to undermine Second Sight's position. However, in the first instance, Post Office expects that the numerous concerns we have raised in our letter of 14 August will be given full consideration by Second Sight and properly reflected in the final version of the Report. Should that not occur, Post Office will be compelled to take further steps to ensure that all of the facts and Post Office's position are properly communicated to all stakeholders in the Scheme. [It may also find itself compelled to take other steps directly with Second Sight, whether under the engagement terms or otherwise.]

I look forward to hearing from you.

Yours sincerely

[Chris Aujard  
General Counsel/

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Solicitor]