

Chairman's Meeting with Second Sight: Horizon Complaints - Briefing

Positioning

- You are meeting with Ron Warmington and Ian Henderson of Second Sight Support Services Ltd in the context of the review you are undertaking into the Post Office's handling of the Horizon-related complaints made against it.
- The meeting provides you with the opportunity to explore their views and conclusions from the two separate and distinct pieces of work they were engaged by Post Office to perform, during which they produced three reports, as well as individual reviews of all cases accepted into the Post Office Scheme.
- You should note that, at various times during the process, the Post Office raised concerns with Second Sight in respect of slow delivery, quality/rigour of output, and repeated commentary on matters outside of the scope of their terms of engagement, the Scheme and their expertise as a firm of forensic accountants.
- Nonetheless, it is the case that Second Sight has had the greatest and most in-depth exposure to the issues than anyone other than the Post Office, and it is clearly necessary to hear from them directly in taking forward your enquiries.
- With that in mind, we suggest that you open the meeting as follows:

Opening

- *Thank you for making the time to meet with me. As you know, the Minister asked that I take a fresh look at the Post Office's handling of the Horizon-related complaints against it so that I might form a judgment as to whether the organisation's response has been appropriate to the task and, in particular, to assess whether anything further needs to be done*
- *I am, of course, aware of your significant involvement in this matter and of the main conclusions of your investigations, as well as the criticisms you have of the Post Office generally and the process undertaken to address complaints in particular.*
- *Accordingly, I am very keen to listen to and understand your concerns with an entirely open mind and with the benefit of having had no prior involvement in the issue*

Background

- In response to the complaints it received from a small number of (largely former Subpostmasters) in 2012, the Post Office appointed Second Sight, as independent forensic accountants, to perform a 'top down' examination of Horizon. After a year's work, Second Sight had neither completed its investigations into the cases brought to their attention, nor had they been able to reach any definitive conclusions in respect of any of the concerns raised, save that they had found no "system wide (systemic) problems with the Horizon software". They did, however, point to areas such as training where Post Office might have done more to support Subpostmasters in some cases. They produced an Interim Report in August 2013 to conclude this phase of their work.

- Prompted in part by that conclusion, the Post Office, along with MPs and the Justice for Subpostmasters Alliance, subsequently jointly designed the Scheme as an avenue for both former and serving Postmasters to raise individual concerns and to demonstrate its determination to get to the bottom of the issues raised. Second Sight was, at this stage, re-engaged with a new brief and on different terms, to review each of the complaints made by the applicants accepted into the Scheme.
- In this phase of their engagement, and to facilitate the mediation process, it was agreed that, in addition to individual case reviews, Second Sight would also produce a report covering common 'thematic' issues raised by multiple applicants. This is composed of 'Briefing Report – Part I and Part II', the first of which simply described relevant Post Office systems and process. Part II was intended to focus on what Second Sight termed as 'thematic issues' arising from the complaints and was designed to help applicants at mediation.
- The Part II Report is viewed by some applicants, their professional advisors, sections of the media and certain politicians as representing expert and authoritative evidence of failings on behalf of the Post Office, its systems and processes. For its part, the Post Office strongly disagrees on much of the substance due to:
 - the lack of any real thematic link between the cases, and
 - Second Sight expressing opinion and comments on matters beyond their professional expertise, such as on matters of criminal law and procedure.
- This report found no evidence of systemic flaws in Horizon and that, instead, the majority of losses complained of were caused by errors made at the counter. This headline finding was reported by George Freeman MP (BIS Commons spokesman on Post Office issues) during a debate on Horizon secured by Andrew Bridgen MP on 29 June 2015. The report has, nonetheless, continued to be promoted as evidence of faults in Post Office systems or wrong-doing by the business.
- Second Sight wrote to George Freeman, and indeed David Cameron, to complain the report had been misrepresented in Parliament, asserting that systemic flaws in Horizon do exist. However, the Post Office commissioned its external lawyers to undertake a line by line assessment of the report in the light of these claims and holds the view that the errors reported in the Second Sight report are operational nature, and do not represent systemic flaws.
- It therefore continues to be the Post Office's view that none of Second Sight's reports have, in fact, identified any link between Horizon and the losses which form the basis of the complaints made to it in the Scheme, nor has any transaction been caused by a technical fault in Horizon which has resulted in a Subpostmaster wrongly being held responsible for a loss.
- A particular worry for the Post Office has been Second Sight's reporting on issues of criminal law and procedure, which are specifically excluded from the scope of their work, and are objectively beyond the boundaries of their professional knowledge and competence.
- Some of Second Sight's principal points about their findings and conclusions, together with high level Post Office replies, are at Annex A.

- Biographies are at Annex B.

Annex A

Although Second Sight has made clear that Horizon generally 'works well' and has additionally acknowledged the thoroughness of the Post Office investigations into the cases put forward into the Scheme, it has also made some key criticisms of the Post Office, both in its reports and when commenting publicly and it is likely the following will be raised:

- **Post Office suffers from “institutional blindness” and has failed “to investigate properly and in detail cases where IT problems occurred”**
 - *Post Office’s position is that, in terms of the Scheme, it is difficult to understand this assertion given Second Sight, in their Part Two report, placed on record its “appreciation for the hard work and professionalism of Post Office’s in-house team of investigators” and the “high quality work carried out by this team”.*
 - *In respect of investigations that take place at the time of a shortfall being discovered in branch, this task is frustrated when the branch accounts have been deliberately falsified, an act which precedes any Post Office investigation. False accounting prevents Post Office from being able to identify the transactions that may have caused discrepancies and losses. It is the Subpostmaster's (or their assistant's) false accounting that prevents Post Office from investigating the underlying losses, not the attitude of Post Office investigators. This is acknowledged by Second Sight in its individual case reviews, though is a point missing from their Part Two Report.*
 - *The Post Office Chief Executive initiated the entire Scheme and has directed that no effort be spared in seeking to achieve a fair and responsible outcome*
- **Post Office has misrepresented Second Sight’s findings**
 - *Post Office disputes the suggestion that it has misrepresented their findings. After more than three years of work, neither Second Sight, nor Post Office, has uncovered any evidence of a systemic flaw with Horizon which gave rise to the discrepancies at the heart of these complaints. The principal finding, by both Post Office and Second Sight, is that human error in branch is at the root of the majority of the problems experienced by applicants to the Scheme.*
- **Post Office has adopted an overly legalistic approach to these issues**
 - *Post Office argues it is not the case that its approach to the Scheme has been overly legalistic. It is true that the Post Office has requested that those making allegations should substantiate them and argues that this is necessary given many applicants have made multi-million pound claims for compensation. The Post Office has approached these complaints in a genuine spirit of readiness to accept where it might have fallen short and continues to recognise this through the settlements it is*

reaching at mediation.

- **Post Office has obstructed Second Sight's investigations in a number of areas - notably by breaking a commitment to provide whatever information Second Sight feel they needed, including privileged material**
 - *Post Office is of the view that it has acted transparently throughout this process. A huge amount of information (relevant to the scope of their work) has been shared with Second Sight and the Post Office did not withhold information from Second Sight.*
 - *The exception to this is legally privileged material relating to prosecutions which, apart from falling outside the scope of the Scheme and the terms of Second's Sight's engagement, are not even required to be disclosed in Court.*
- **Matters such as contracts and prosecutions should have been in scope of Second Work's work**
 - *The Post Office has accepted and investigated complaints and claims raised as part of the Scheme which stray considerably beyond the initially agreed scope of that Scheme. These cover a multitude of issues which do not directly relate to Horizon.*
 - *The Post Office argues that the scope of the Scheme was clearly established at the outset and, indeed, this was reflected in the selection of Second Sight and their terms of engagement.*
 - *Second Sight has no expertise in legal matters and is therefore, in the view of the Post Office, ill-equipped to be purporting to offer professional views and advice in these areas. Further, in their individual Case Reviews, Second Sight go as far as to say "Issues relating to Post Office's prosecution Policy, and the conduct of any prosecution, fall outside of our terms of reference".*

Annexe B

Ron Warmington FCA CFE, Managing Director of Second Sight Support Services



"A Chartered Accountant and a Certified Fraud Examiner, Ron has held leading positions as a Board Director and Chief Financial Officer of a Global Fund Management Company; Head of Internal Audit and a Member of the Audit Committee, and later as Global Banking Investigations Head, of one of the world's largest international banks. In these positions, he has designed and implemented changes that have transformed business profitability, turning hugely loss-making business into sustained profit-generators".

Ian R Henderson CCE CISA FCS, Director of Second Sight Support Services



"Ian R Henderson CCE CISA FCA specialises in providing support to organisations dealing with the challenges of digital evidence, IT Security and the disclosure of electronic documents. Ian qualified as a Chartered Accountant in 1984 and then specialised in corporate investigations and computer audit. He subsequently qualified as an Information Systems Audit & Control Association ("ISACA") Certified Information Systems Auditor. He is also a member of the International Society of Forensic Computer Examiners ("ISFCE") and is an ISFCE Certified Computer Examiner. He has been trained in forensic computer procedures and has extensive knowledge of the criminal justice system and the civil procedure rules relating to the disclosure of electronic documents. He has been invited to speak at over 20 conferences world-wide in the last 5 years on a variety of security related topics and has given evidence as a forensic computer expert in numerous civil and criminal cases, including a major terrorism trial at the Old Bailey. Prior to moving into the private sector in 1998, Ian was Head of Investigations at the UK's largest Financial Services Regulator. Immediately before this, he was Manager of the Investigations Department at Lloyd's of London, with responsibility for investigating fraud and misconduct world-wide".