Witness Name: Philip Kevin Boardman

Statement No.: WITN0479_01

Exhibits: WITN0479_01/1 – WITN0479_01/4

Dated: 4th August 2022

POST OFFICE HORIZON IT INQUIRY

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FIRST WITNESS STATEMENT OF *PHILIP KEVIN BOARDMAN*

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I, *MR PHILIP KEVIN BOARDMAN*, will say as follows:

INTRODUCTION

1. I am the Service Architect for Post Office Account at Fujitsu Services Limited (**Fujitsu**), a position that I have held since 1 April 2014.

2. This witness statement is made on behalf of Fujitsu to assist the Post Office Horizon IT Inquiry with the matters set out in the Rule 9 Request provided to Fujitsu on 11 March 2022 and a series of further questions provided to me by the Inquiry on 1 July 2022 (**Request**), to the extent I have direct knowledge of such matters.

3. The topics set out in the Request concern events that occurred many years ago. I have tried to remember these events to the best of my ability. However, given the time that has passed, my recollection of certain matters is limited.

4. In preparing this statement, I have refreshed my memory by reviewing contemporaneous documents relating to the questions asked by the Inquiry in the Request. Where I have seen documents relevant to the Request, these documents are referred to using references WITN0479_01/1 – WITN0479_01/4 and are listed in

the index accompanying this statement. To the extent that these documents have not already been provided to the Inquiry, they are exhibited to this statement.

BACKGROUND

5. I joined ICL PLC as a Business Analyst in November 1989.

6. I have reviewed the questions listed in Appendix 1 of the Request. Many of these questions relate to matters that occurred before I started working on the Post Office Account at Fujitsu, or concern matters that are unrelated to my current or previous roles and responsibilities at Fujitsu.

7. I can provide information relating to the Inquiry's questions concerning 'Modifications', due to my involvement and work with Post Office Limited (**Post Office**) on the IMPACT Programme (**Programme**) as a Business Process Consultant.

THE IMPACT PROGRAMME

The Programme and the nature of Fujitsu's involvement

8. The Programme was initiated, managed and led by Post Office, and it was concerned with Post Office replacing and improving its cash flow management and back-end accounting system processes to make them more efficient and automated.

9. In the Autumn of 2002, Fujitsu was engaged by Post Office to provide consulting services in relation to the Programme, and deliver any changes to the Horizon IT System (**Horizon**) that were required as part of the Programme. The consultancy services provided by Fujitsu included the requirements analysis and elaboration consultancy, that I provided, and specialist technical consultancy on the feasibility and relative complexity of developing solutions to meet those requirements, provided

by solution architects Gareth Jenkins (for Horizon) and Luxmi Selvarajah (for software designed by the company, SAP). My role was limited to assisting Post Office to identify and elaborate its requirements, which were documented, as described at paragraph [12] of my statement below. The consulting services that I provided are further described at paragraphs [14]–[17] of my statement below, and the changes that were delivered to Horizon, as far as I can recall, are described within paragraphs [24]–[36] of my statement below.

10. Initial activities within the Programme, at this stage known as the 'End to End Re-Architecting Programme', included performing a series of workshops and analyses to produce a feasibility study document identifying a series of opportunities for Post Office to develop and implement. The document was titled, 'End to End Re-Architecture Feasibility Study Business Requirements' dated 21 February 2003 (**Feasibility Study**) (WITN0479_01/1).

11. I also assisted in preparing a proposal by Fujitsu to Post Office titled, 'Fujitsu Services input to Feasibility Study for End to End re-Architecting of Post Office Systems' dated 24 March 2003 (**Fujitsu Proposal**) (WITN0479_01/2). This proposal was Fujitsu's response to the requirements identified in the Feasibility Study, and it set out a number of transformation projects and 'End to End releases'. My recollection is that I worked on an earlier draft of this proposal document, where I am named as an author.

12. To progress these opportunities through the Programme, then re-labelled IMPACT, Post Office developed two conceptual designs, to my knowledge, which then became the drivers for the Programme:

a. The first conceptual design was for Post Office's new back-end accounting system to be known as the Post Office Limited Financials System (**POL-FS**). This conceptual design was known as 'PO Ltd Financial Systems Release 3 Conceptual Design' dated 1 June 2004 (**POL-FS Conceptual Design**) (WITN0479_01/3).

b. The second conceptual design concerned the changes that Post Office required Fujitsu to make to the existing Horizon system to enable the interactions with this POL-FS system and with Post Office's cash management and distribution system, the SAP Advanced Distribution System (**SAPADS**), that Post Office was also developing at the time. This conceptual design was known as the 'Branch Trading Reporting, Management and Control and Transaction Management Conceptual Design' document dated 3 March 2004 (**Branch Trading Conceptual Design**) (WITN0479_01/4).

(together, the **Conceptual Design Documents**)

13. Fujitsu was not involved in the development of POL-FS or SAPADS, which were delivered by the Prism Alliance. SAPADS was being developed by the Prism Alliance before my involvement with Post Office Account, and I have no direct knowledge of the procurement relating to SAPADS. I recall there was a form of competitive tendering process for the work to develop POL-FS and I assisted in preparing Fujitsu's proposal into that process (i.e., the Fujitsu Proposal), however I have no direct knowledge as to the basis upon which Post Office selected Prism Alliance to perform the work relating to POL-FS, rather than Fujitsu.

My role and involvement with the Programme

14. At the relevant time, I was part of the Requirements, Architecture and Systems Design team (known as RASD), reporting into the Post Office Account Chief Architect. I had a good working relationship with both Post Office and Fujitsu colleagues and collectively we had good interactions with colleagues more widely across both Post Office and Fujitsu.

15. I became involved in the Programme in my capacity as a Business Process Consultant to help Post Office improve its cash flow management and back-end accounting processes and understand the resulting changes that would be required to Horizon. The particular skills I provided were in relation to business process analysis, workshop facilitation and requirements identification and elaboration, and supporting Post Office business analysts (in particular, Dave Parnell) in defining and documenting Post Office's requirements in the Conceptual Design Documents.

16. I initially assisted Post Office to conduct a business process flow analysis to understand its business requirements, predominantly for improved cash flow management and back-end accounting.

17. Much of my involvement in the Programme and the business process analysis was concerned with providing advice and guidance to help Post Office understand what could be done to improve the flow of information to then improve Post Office's cash flows. Post Office's requirements to change the cash accounting process were identified and developed as part of this process. The Programme was driven and shaped by Post Office's business needs, as were documented in section 3 of each of the Conceptual Design Documents. My work on the Programme included:

a. determining the current data flows and preferred data flows to improve its cash and stock management;

b. facilitating workshops;

c. advising Post Office on how to approach business process improvement;

d. preparing the process flow diagrams relating to cash flow management and back-end accounting systems, which appear in the Conceptual Design Documents;

e. suggesting and advising on the approach of documenting the cash accounting and management processes; and

f. providing advice and training on how to use these tools to document Post Office's requirements.

18. Below I explain the changes that were made as a result of the Programme to the cash flow management and back-end accounting systems, and the key drivers for these changes.

Post Office's cash flow management processes

19. At the time I was engaged to work on the Programme, it was explained to me that the key driver for the Programme was Post Office's business needs following a decision by the Department for Work and Pensions (**DWP**) concerning the payment of benefits. These drivers were explained by Stephen Hirst, Post Office's Finance Director/Chief Financial Officer and Sue Harding, Post Office's overall manager for the Programme, in initial meetings.

20. The DWP paid benefits by issuing weekly Giro cheques to benefits recipients, which could be retrieved at Post Office branches. The DWP would also advance the funds that were required for Post Office to pay out the Giro cheques issued to benefits

recipients, which provided Post Office with a source of cash flow. Post Office also relied in part on the footfall of these customers for its business.

21. The DWP had decided to stop paying benefits by issuing Giro cheques to benefits recipients, and would instead pay benefits directly into recipients' bank accounts. The DWP had also decided to cease its practice of pre-paying Post Office the funds needed to pay benefits recipients. Instead, the DWP would allow Post Office to take out loans from the DWP on commercial terms and at commercial interest rates.

22. As a result of these decisions, there was a drive within Post Office to improve and implement changes to its cash flow management processes, to reduce the amount of cash held by Post Office and minimise any interest paid on loans taken out by Post Office.

23. As can be seen from the 'Business Proposition' statements in section 3 of each of the Conceptual Design Documents, the scope of business needs under consideration were broad and considerations for flexibility were included.

Changes to the cash flow management process

24. As a result of the Programme, one of the changes to the cash flow management process included Post Office providing benefits recipients with facilities to withdraw money out of their bank accounts at Post Office branches, to allow these customers to continue retrieving their benefits at Post Office. This change required Horizon to then support network banking, which it did not at the time. As the scope of my role was limited to supporting Post Office in its business process analysis to identify and elaborate their requirements, I have no direct knowledge, nor am I qualified, to describe the impact that the switch to support network banking had upon Horizon.

Due to the limited scope of my role, I am also unable to comment on the scale, achievability and risks of the tasks or changes that were brought about by the Programme at the time, and I do not recall being involved in any discussions between Fujitsu and Post Office concerning these matters at the time.

25. Another change involved Post Office encouraging local retailers to bank through Post Office, so that the overall money deposits would assist Post Office to offset cash required for withdrawals. It was understood that this would allow Post Office to locally recycle cash rather than having to source cash elsewhere, for example, through a loan.

Post Office's back-end accounting system

26. In addition to the changes to Post Office's cash flow management processes, another key change was made to Post Office's back-end accounting system.

27. The key driver of this change was that Post Office's overnight batch accounting system, which had been developed by Post Office in-house, was old and in need of replacement. Post Office documented other considerations that were relevant to the development of POL-FS in the POL-FS Conceptual Design, as summarised in section 3 of the document and further defined in subsequent sections.

28. Consequently, another requirement that was identified as part of Post Office's business analysis was to develop a modern back-end accounting system.

Changes to the cash accounting process

29. It was explained to me that prior to the implementation of Horizon, Post Office's accounting system involved a cash flow statement (also known as the 'cash account form') being manually produced (i.e. by hand) at the Post Office branch. This cash

account form was then physically signed and sent to Post Office's administration offices in Chesterfield (**Chesterfield**) for the relevant reconciliation and accounting processes to take place.

30. These aspects of Post Office's back-end accounting processes were not updated when Horizon was implemented. Horizon simply automated the production of Post Office's existing 'cash account form'. The format and information contained in the cash account produced by Horizon was not different from the previous cash account form. This cash account form was generated by Horizon and printed at the Post Office branch for the sub-postmaster to physically sign and send to Chesterfield.

31. As a result, Post Office received electronic transaction data via Horizon, while continuing its pre-existing processes of entering physical cash account data that was sent by Post Office branches to Chesterfield.

32. Once received at Chesterfield, Post Office would reconcile the accounting data received via Horizon and the physically received cash account data. If Post Office identified discrepancies or other issues as part of the reconciliation process, it would issue changes and updates back to the relevant Post Office branch, which would take time to correct.

33. At the time that Horizon was implemented, I was not involved with Post Office Account and have no knowledge as to the reasons for the decisions that were made in relation to Post Office's back-end accounting processes. Post Office's back-end accounting processes were updated as a result of the Programme and subsequent development projects. The various changes identified as required by the Programme were to be implemented at different times in accordance with Horizon software releases that

were known as 'Release S60', 'Release S70' and 'Release S80', as proposed in the Conceptual Design Documents.

34. As a result of the Programme, the branch trading statement was developed as part of Horizon, as a replacement to the cash account form. One of the principal differences was that branch trading statements were no longer to be printed out and physically sent to Chesterfield, instead the data would be electronically sent to POL-FS. These processes are described in the Branch Trading Conceptual Design, including in sections 9.1.10 and 10.1.6.6. Horizon was to be changed so that sub-postmasters performing the accounting process at their branch would receive a 'confirmation' screen to record that the accounts had been finalised for that accounting period, with the options: 'OK' or 'Cancel'. If accepted by the sub-postmaster, the branch trading statement would be electronically sent to Chesterfield. I do not recall why the decision was made to only provide sub-postmasters the options of 'OK' or 'Cancel', and I do not know if other options were considered. Having reviewed the Conceptual Design Documents, however, I note that section 8.1.17 of the Branch Trading Conceptual Design contains a flow diagram noting the process for confirming the branch trading statement, including the 'Confirm Trading Statement Accuracy' decision point (i.e., the 'confirmation' screen) and two options: 'Yes' and 'No'. It is my understanding that selecting the 'negative' option (whether it was 'No' or 'Cancel') allowed the sub-postmaster to make adjustments before confirming the branch trading statement was accurate. Due to the nature of my role and involvement with the Programme, however, I have no knowledge concerning how the

'confirmation' screen and any associated options were presented in the Horizon user interface that was subsequently developed as a result of the Programme.

35. I am also aware that as a result of the Programme, the cash accounting period was changed from weekly to monthly. This change is noted in the Conceptual Design Documents. However, I cannot recall why the cash accounting period was changed.

THE LOCAL SUSPENSE ACCOUNT FUNCTION

36. As part of my work on the Programme, I can see that there were a number of requirements around suspense accounts documented in the Branch Trading Conceptual Design. It is likely that I had several detailed conversations about suspense accounts in the context of the changes made as part of the Programme, however as these conversations occurred 18 to 19 years ago, I cannot recall what was said or any actions that may have followed directly as a result of those conversations. Having reviewed the Conceptual Design Documents, however, I am reminded that the changes to be made to the usage of the local suspense account function as a result of the Programme are documented in section 3.2.1, in particular in sub-paragraphs 11, 12, 18 and 21, and in section 6.7 of the Branch Trading Conceptual Design. It is documented that these changes included a new facility of 'Transaction Corrections', which were to be created centrally by Chesterfield staff in POL-FS, before being transferred to Horizon to be transacted in the Post Office branch. The 'Transaction Corrections' facility was implemented to correct discrepancies in Post Office branch accounts in a more timely manner than the process that was in use before the facility was implemented, which involved transmittance of physical 'Error Notice' documents or vouchers. It is also documented

in section 8.3.5.1 of the POL-FS Conceptual Design how POL-FS would be used to reconcile, investigate and resolve discrepancies identified against cash remittances from cash centres to branches, or vice versa, which I recall had been identified as significant drivers of values in suspense accounts.

CONSULTATION WITH END USERS

37. As I mentioned earlier in this statement at paragraph [8], the Programme was Post Office's programme, so all consultation with end users of Horizon and any training were Post Office's responsibility. 'Requirement BT-052' in the Requirements Catalogue in Appendix A of the Branch Trading Conceptual Design identifies training as a Post Office responsibility: "Training will be required at the Branches in support of the new business processes, it is currently assumed that this will be provided by POL."

38. As the Programme involved changes being made to Horizon, it is likely that Fujitsu provided educational material to assist Post Office with any training, and I recall Fujitsu providing some support guide materials. However, I was not involved in the works to deploy the changes resulting from the Programme, and I do not recall what these support guide materials were, nor their contents.

Statement of Truth

I believe the content of this statement to be true.

Signed: ___ GRO ___

Dated: ___ 4th August 2022 ___

INDEX TO FIRST WITNESS STATEMENT OF PHILIP BOARDMAN

Exhibit Number	Description	Date	Inquiry Reference / Control Number	URN
WITN 0479_01/1	End to End Re-Architecture Feasibility Study Business Requirements	21 February 2003	POINQ0104369F	FUJ00098198
WITN 0479_01/2	Fujitsu Services input to Feasibility Study for End to End re-Architecting of Post Office Systems	24 March 2003	POINQ0104340F	FUJ00098169
WITN 0479_01/3	PO Ltd Financial Systems Release 3 Conceptual Design	1 June 2004	POINQ0096319F	FUJ00090148
WITN 0479_01/4	Branch Trading Reporting, Management and Control and Transaction Conceptual Design	3 March 2004	POL-0035360	POL00038878