

Witness Name: Susan Harding
WITN 0398
Statement No.: 1

Exhibits: None

Dated: 23rd September 2022

POST OFFICE HORIZON IT INQUIRY

First Witness Statement of Susan Harding

I, Susan Harding, will say as follows...

Background

1. I was employed by the Post Office/Royal Mail for 40 years from 1976 until 2017. I started as a Postal Assistant and ended my career as a Senior Manager (Corporate Personal Contract).
2. I trained as an accountant with the Post Office in the 1980s and worked in various departments where my finance skills were utilised.
3. Over time I became, more specifically, involved in work which was related to the core operation of the Post Office, whose primary business was to move monies between customers and clients. A customer would undertake a transaction in a post office which would either be an inpayment (eg pay a bill) or an outpayment (eg receive their pension). This transaction would be recorded in Horizon and the branches "cash" balance would increase or decrease. The transactions would be transmitted to the Centre and the value would be paid to or received from Clients. Depending on the branches overall transactions within a period the branch would be "funded" or "defunded" ie they

would receive a remittance of money from the cash centre or they would send money to the cash centre

4. I became an expert in this area and was highly regarded in the business for my knowledge of the "end to end" business accounting process.
5. I was promoted several times and held a number of key roles which reflected my knowledge of this core business process. These included Head of the Operating Process and Business Process Architect. Both of these roles involved me looking at how to improve this core business process.
6. As a result of undertaking these roles I got involved in the initial implementation of the Horizon System as an expert "customer" and was asked to represent the Post Office in "accepting" the system from an accounting perspective. This involved my team and myself specifying the criteria by which the efficacy of the accounting processes would be judged and formally undertaking a process to evaluate this part of the system
7. When Horizon was initially implemented it was built to replicate the accounting processes that were historically in place. This meant that a "cash account" was still produced by horizon as this was needed to feed the "back office" accounting systems and processes in place in Chesterfield.

8. Many of the pre-horizon processes and terminology were initially retained which helped to reduce the impact on post offices of what was a very significant change.

IMPACT Programme

9. Subsequent to my role in the initial Horizon Implementation and in my role as the Business Process Architect I was asked to design a new end to end process that would radically transform the accounting processes in branches and the back office and bring them into line with standard financial practices
10. The principle business objectives were to design a solution that utilised industry standard accounting processes, procedures and systems as far as was practicable and possible. Thereby reducing the overall costs to the business, increasing accounting efficacy and reducing losses
11. The business drivers were to reduce the overall cost and complexity of the solution based on utilising off the shelf accounting solutions , specifically in the back office systems, while recognising the unique operation of the front office processes in branches
12. The objectives were to replace the antiquated bespoke systems in Head Office which had limited integration and to remove non-standard accounting practises

13. The programme was sponsored by the incumbent Post Office Finance Director, Peter Corbett and the IT Director, David Smith.
14. The design was developed between the Post Office and Fujitsu and required a redesign of some of the accounting procedures in Horizon and the implementation of a standard SAP accounting system in the "back office", plus decommissioning of several legacy systems
15. After the design was signed off and agreed a business case was prepared by myself and ultimately agreed by the Business. Given my role in the design and the Business Case I was asked to take on the role of Programme Manager to implement the solution
16. My role involved:
- a. Managing the programme team and external suppliers
 - b. Engaging with key stakeholders
 - c. Reporting progress
 - d. Managing risks and issues
 - e. Managing costs against the Business Case
 - f. Ensuring that the design was implemented as specified
17. The principle objectives of IMPACT were to

18. Deliver an integrated automated solution utilising industry standard packages where possible.
 - a) Reduce the IT operating costs
 - b) Reduce losses and improve debt recovery
19. The initial concept and high level designs were developed through a series of workshops involving Fujitsu and Post Office experts and user representatives.
20. The design of the new end to end process and systems was radical and complex, involving the implementation of new (off the shelf) standard accounting packages and the decommissioning of many "legacy" systems.
21. Users representing both Post Office employees and Subpostmasters were engaged throughout the Programme through the Business Change Team which was managed by Steve Grayston (my Business Change Manager)
22. The programme took 3 years from conception to implementation and was a radical change for both branches and back/head office staff
23. The redesign included the removal of the local suspense account.
24. This decision was based on the core principle that branches (specifically agency branches) were accountable for the financial integrity of their accounts. The "suspense account", had historically been used to "balance" any discrepancies which covered up losses in their accounts. The processes for

raising a dispute regarding a discrepancy were not changed by the Programme. Branches were supported by the helpdesk and/or the Network team and would raise any concerns through those channels. As I have stated agency branches were responsible for making good losses. This principle was not changed by the Impact Programme

25. This decision was based on the core design principle that, contractually, agency branches were accountable for the cash and transactions in their branch and liable to make good any and all shortfalls

26. Consultation on the design and implementation was undertaken by the design team and the business change team and involved stakeholders from both Head Office branches and agency branches throughout the Programme timeline

Accounting Principles

27. Prior to IMPACT branches were required to “balance” their accounts weekly which involved verifying the transaction data against supporting documents and confirming stock and cash balances.

28. In Crown Offices (owned and managed by Post Office employees) any resulting shortfall in cash was declared as a loss.

29. In Sub Post Office the owners were required under their contract to make good any shortfall. The majority of post office branches were operated on this basis ie the owners of the branches were not employees of the Post Office

30. The accounting period was changed as part of the Impact Programme to monthly in line with standard accounting practise. However branches were able to, and encouraged to, “balance” more frequently in order to identify any discrepancies as soon as possible and resolve them.
31. It was agreed during the design of Impact that the suspense account would be removed, as historically it was used by Subpostmasters to “hide” discrepancies in their accounts, rather than resolve them.
32. In contractual terms, they were liable, contractually, for any shortfalls which had to be made good.
33. All design principles were agreed by key stakeholders and the detailed designs were developed with significant user involvement through workshops and document reviews.
34. Users were also involved in the various testing stages and sign-off.

Other questions

35. The majority of post office branches were operated on a “franchise” basis ie the owners of the branches were not employees of the Post Office .

36. User involvement in the Impact programme was significant and managed by the Business Change Team. Focus groups were developed and used to engage representatives of all impacted areas within the Business. I believe that this engagement was sufficient.

37. A number of other techniques were used to engage all branches including conferences, newsletters and videos.

38. The "robustness" of Horizon was not considered to be an issue and there was no evidence to suggest there were any "bugs" affecting the efficacy of the system.

39. IMPACT did not significantly impact on the useability or user functionality of the Horizon system. It was primarily a "back office" system implementation to replace old bespoke systems with package accountancy solutions. The revised system was thoroughly tested before it was implemented into the live environment. The testing strategy and plan was signed off by experts and user representatives and they were all involved in the different test phases.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated:

4th October 2022