

Witness Name: STEPHEN ROBERT GRAYSTON

Statement No.: WITN0392_01

Exhibits: WITN0392_01/1 - WITN0392_01/48

Dated: 14th September 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF STEPHEN ROBERT GRAYSTON

I, Stephen Robert Grayston, in response to the Rule 9 request from the Post Office Horizon IT Inquiry, dated 05 August 2022, will say as follows:

1. I was employed by Royal Mail Group (RMG), Post Office Counters Limited (POCL), from January 1986 until the formal separation of Post Office Ltd from Royal Mail Group in April 2012 whereupon I moved to the Royal Mail Group IT function. In 2018 I left Royal Mail Group. Since leaving Royal Mail Group, I have worked as IT Director and Chief Information Officer for a non-UK postal services provider and I am currently an IT Advisor working outside of the UK.
2. During my career with RMG I undertook various roles. From 1989 to 1995, I was an Investigation Office with RMG, which involved investigating irregularities deemed significant in operations within the RMG companies. In 1995, I was appointed as a manager in the BA/POCL Programme that was in the process of being established in Terminal House, Grosvenor Gardens, London.

3. My initial work on the BA/POCL Programme was as part of the evaluation team reviewing supplier proposals for the provision of an integrated point of sale postal retail system and also (originally) scoped to replace the legacy paper token based payment of benefits with a Smart Card based encashment system. My initial area of work was to assess the supplier capability for the provision of end user help desk and support services. The result of the sourcing process identified ICL Pathway as the contracted partner for the delivery of the Programme and subsequent maintenance in steady state operations.
4. As the Inquiry will already know the scope of the contract for services with ICL Pathway changed and the Programme was restructured when the Benefits Agency withdrew. It was during this period that the Programme was renamed from BA / POCL to Horizon.
5. As the Programme moved forwards the nature of my role changed. I undertook the role of in-office migration manager, which required the assurance of the supplier solutions to migrate stock and accounting data to the new Horizon system in each Post Office. I was then part of the central team that managed the Horizon implementation plan working with ICL Pathway and the 4 POCL Horizon implementation teams. Following rollout of Horizon, I was appointed to work as a Change Manager for the upgrade Programme that I believe was called IMPACT.
6. Within the IMPACT Programme, as Change Manager, my role was to understand the nature of the changes to front and back office processes, the nature of the cutover to the upgraded services, and developing people engagement, communications and training with support from POCL functional representatives.

As part of the team effort, the role also required support in the provision of end users in User Acceptance Testing.

7. The early stages of the BA/POCL Programme had many challenges such as the supplier ramping up with sufficient capable resources and the various programme teams becoming established. Work was conducted in ICL Pathway's Feltham facility and Terminal House and meetings were undertaken with POCL and Benefits Agency business function representatives. Change management was established and engagement with staff and various representative bodies was developed. The scope and scale of the Programme was significant, I believe that it was sometimes referred to as the largest infrastructure Programme in Europe, outside of military contracts.

8. Software Releases and the effects of such releases

(Referring to FUJ00058348, FUJ00058333, FUJ00058331, FUJ00078114.)

The first Release of the BA/POCL Programme was, in my view, part of the confidence building exercise for stakeholders. The Initial Go-Live (IGL) Release was to 10 offices located in the South Wales / South West of England and provided a standalone Benefits Encashment Service (BES). From memory the BES was based on a small number of volunteer Child Benefit recipients agreeing to use a Smart Card to enable them to access their benefits in 10 selected post offices. The BES ran alongside legacy services with an appropriate adjustment to the end of week accounting process to reflect both BES transactions and legacy paper token benefits transactions. This Release was known as Initial Go-Live (IGL) and as Release 1a.

9. The Programme developed a solution for the validation of paper-based tokens; this was known as the Order Book Control Service (OBCS). Whilst IGL continued in live operation a group of offices was identified, approximately 200 in total, to undertake the OBCS as part of a Release 1b. From memory, the OBCS also ran in parallel to legacy services and so there was no in-office migration or decommissioning of other systems.
10. I cannot recall the background details however, a decision was made to bring all IGL and Release 1b offices on to the same operating baseline and this was the scope of Release 1c. This impacted approximately 210 offices only. The migration to Release 1c (as with all Releases) required a careful co-ordination of activities that involved multiple partners both internal to POCL and external with supplier teams.
11. The experiences of the IGL, Release 1b and Release 1c provided input to the design of the implementation plan. One of the critical areas within the plan was how to optimise support to branch managers and staff at the point of Horizon implementation and go-live. Under the contract with ICL Pathway, the obligation for support of offices through transition and into Live lay with ICL Pathway. Due to the extensive knowledge of regional operational staff in respect of POCL culture, processes and general operations a contract change was agreed with ICL Pathway whereby POCL would provide Horizon Field Support Officers (HFSO's), managed through each of the 4 national implementation teams (IP1 to IP4), to support the agreed Horizon rollout plan. Effectively POCL were sub contracted to provide support to the rollout of Horizon to meet ICL Pathway

contractual obligations to POCL. The result of the change was that a stream of work was developed to define the role of the HFSO, define relevant service metrics and management information / reporting, to recruit and train field teams and field management, to provide support and to manage field teams and implementation performance.

12. Due to the many dependencies, and extensive lead times, associated with ensuring that installation of Horizon hardware, migration from legacy to Horizon and movement of the office to Live was achieved in a short window of time the start-up of national rollout had varying start dates (depending on the role of the supplier in the supply chain). The rollout at offices was ramped up over a period of weeks to achieve a steady implementation output rate of 300 offices per week, across 4 IP areas, resulting in a targeted 15-18 month rollout plan to the approximate 18,500 offices
13. The challenges to rollout planning were extensive and included areas such as availability / support of the post office management and staff (end users), availability of HFSO's, development of a migration process that was acceptable to POCL, successful completion of training, preparation of office infrastructure, dealing with unforeseen events (weather, robbery, illness, etc), arrival of hardware and hardware failures, Christmas and national holidays, POCL regional implementation views and requirements, etc. As explained in the strategy papers a pipeline of offices was created in a split implementation programme to ensure that infrastructure changes were made to create offices that were 'ready for install' and then through a second phase to installation and go-live. Due to the

long lead-time of activities and the anticipated office dropout rate a larger number of offices entered the pipeline to ensure the maintenance of the required weekly implementation output beat rate.

14. To make an office Live on Horizon required the successful installation and activation of hardware, the recognition of the office at the ICL Pathway Data Centre, the successful completion of training by the office manager and staff, and the migration of stock / accounting data from the legacy process to create a known and agreed starting position for the office on the Horizon System. To facilitate this process ICL Pathway developed 2 solutions, known as MiMan and MiECCO.
15. MiMan was the process to be used for an office that did not have the legacy point of sale computer system; the vast majority of offices were required to utilise the MiMan data migration process. In simple terms, the MiMan migration required the manual preparation of stock unit and office balances and the manual entry of relevant stock and value data to the Horizon system. The establishment of Horizon through MiMan was to create the equivalent number of stock units in Horizon as had operated before Horizon. The overall stock, value, and accounting position once created in Horizon by the HFSO was validated with the office manager and formally agreed.
16. MiECCO was a system deployed in a relatively small number of larger directly managed Post Offices, approximately 700. Due to the fact that these offices already had an in office integrated point of sale system that managed transactions through to stock unit and office balancing; and the fact that these

were larger offices with multiple stock units, it was agreed that ICL Pathway would develop and automated solution to extract relevant data from the ECCO system and populate the Horizon system. As with MiMan, validation processes were required with office management to confirm successful migration of data.

17. Whilst MiMan and MiECCO dealt with the process to migrate stock and account data to Horizon there were other potential challenges in offices. There were approximately 26 different 'systems', mostly counter but some back office that could be found in a Post Office. The 26 systems reflected the history of POCL in not having an integrated point of sale system and therefore, where there was a commercial benefit, implementing product specific solutions, for example an Automated Payment System. As part of the development of the in-office migration procedures a solution was developed for each of the 26 different systems; this solution led to processes that also formed part of the work of the HFSO. Whilst 26 systems may sound significant, the reality was that data had to be extracted from many of the systems to create the end of day or end of week account in offices and so the process was well understood. The multiple legacy systems became redundant.

18. Pilot and Testing of the Horizon System

(Referring to Exhibits WITN0392_01/5 - WITN0392_01/25, respectively:

FUJ00058333, FUJ00058348, FUJ00078162, FUJ00078391, FUJ00078559,
FUJ00078560, FUJ00078572, FUJ00078573, FUJ00078581, FUJ00078582,
FUJ00078587, FUJ00078588, FUJ00078592, FUJ00078593, FUJ00078606,

FUJ00078612, FUJ00078616, FUJ00078617, FUJ00078623, FUJ00078635,
FUJ00078636.)

19. The design of the Horizon system was documented in various high and low level design specifications and these were reviewed by POCL programme subject matter experts as well as POCL business subject matter experts. For me this is the first level of 'testing' that what is being built meets the contractual requirements. In my experience it is relatively straight forward to develop solutions that reflect the 'happy path' of system processing, it is critical to look at what happens when things go wrong, the 'unhappy path', and determine what steps need to be taken either manually or in system. Although I was not regularly involved I recall there being scenario workshops to assess the 'what if' positions that might arise (e.g. a Horizon system goes down mid transaction).
20. I have no direct knowledge of unit testing, end to end testing, integration testing, assurance walkthroughs but I understood that this was covered within the POCL team working with ICL Pathway
21. As the decision whether to proceed with implementation approached the Model Office / User Acceptance Testing became the point where end users and Business subject matter experts became involved. Obviously, the scope of services provided by POCL needed to be tested in a Model Office environment with real office staff involved. I believe that subpostmasters and staff from directly managed branches were involved.
22. The Model Office was created in Borough High Street, South London. The setup of the Model Office was I believe to create a number of different Post Office

- branch configurations that represented the different branch types in the Network. The Model Office was also the place where MiMan and MiECCO was tested and so was not purely focussed on Horizon business as usual.
23. The Model Office ran through agreed testing scripts that each had defined expected outcomes. The scope of testing covered the business day transactions, to end of day processing, to end of week or accounting period processing. To enable a faster testing cycle logical days were used so that an accounting week could effectively be completed in 1-2 days.
24. One significant benefit of the Model Office was that the users represented 'real people' who worked in branches and who were therefore non-technical and unpredictable. Users hitting keys in unexpected sequences or not following the expected process to system flow would identify additional defects.
25. Of course, the effectiveness of the Model Office was also dependent on a very clear understanding of the environments being used and their version number. In scenarios that tested integrations the reports highlight defects that were attributed to environment version incompatibility; I would expect that all such instances would have been resolved by re-running tests with environments running the appropriate versions.
26. In terms of test reports, it was critical that the test management team led by ICL Pathway (with POCL test management involvement) produced updated reports showing progress made in testing with number of test scripts run, tests passed and failed and a list of defects. Analysis and agreement needed to be made of the severity of test incidents and root cause analysis of incidents was

undertaken. All significant incidents needed to be resolved through re-test and agreed clearance. Some minor defects would have deferred fixes agreed to be implemented post go-live, e.g. spelling errors or colour changes.

27. At the conclusion of the Model Office test phase a Business decision has to be made as to whether the system is sufficiently stable to allow a release into an operational environment. Safeguards should exist in the form of soft launch to small numbers of offices to ensure confidence before ramping up software rollout. There should also be a rollback plan available for an agreed period of time.

28. Ahead of the soft launch or Live Trial of Horizon ICL Pathway had to demonstrate that all defects that were agreed to be a priority had been fixed. There would have been a list of deferred fixes and these should have had details of when they would be fixed

29. Summer of 1999

(Referring to POL00028475, POL00028478, POL00039646)

By the Summer of 1999 ICL Pathway were pushing for contractual acceptance as this would trigger the commencement of Horizon national rollout; POCL were conscious that contractual acceptance was a major step and the granting of acceptance would remove significant leverage for changes and improvements ahead of a national rollout of Horizon. The number and categorisation of the significant defects had been the subject of continuous debate between the POCL and ICL Pathway management teams. The offices that were already live, the live proving offices, continued on Horizon and whilst there were early life challenges I

have no knowledge of any incident or incidents that either on its own or in consideration with other incident suggested that the Horizon system was fundamentally flawed and / or throwing out erroneous accounting data.

30. From a POCL management perspective the quality of the training being provided by Peritas needed to be improved as subpostmasters and staff needed additional training time on the system. Additionally, the POCL national network of Retail Network Managers (RNM) also required a thorough understanding of the Horizon system and how it operated and so Horizon training for this group became a requirement. From a commercial perspective ICL Pathway were looking to minimise their exposure to any further additional costs. POCL required an improvement in the training and this was partly through an additional pre-training event, provision of training to RNMs, and improvements to the Horizon System Helpdesk (HSH).

31. In respect of the training course for both Counter Managers and Counter Assistants POCL requested that ICL Pathway amend course structure to improve the overall quality of both courses. From a commercial perspective POCL noted that ICL Pathway were saving cost on previously agreed course content because BES had been withdrawn from Programme scope and therefore time originally costed for BES training could be diverted to support changes to training course content.

32. In terms of contractual acceptance the number of outstanding incidents that required agreement with ICL Pathway had been reduced over time (POL00028478 references 9) to 9. Continuous monitoring was being undertaken

on the offices live with Horizon and there was a caveat that any new and significant arising from the live trial offices could be added to the acceptance incident list if it was sufficiently significant. As a result of calls to the HSH tickets were being raised and these were under scrutiny by POCL and in fact acceptance incident 408 shows that the analysis of incidents had resulted in POCL requiring improvements to HSH support to end users.

33. POCL and ICL Pathway had a significantly different view of the severity of the 9 contractual acceptance incidents. Owners were assigned to each incident and whilst I can only comment on the closure of incident 218 I can say that POCL senior management would have needed to formally accept that rectification of all the incidents had either been achieved or that an acceptable rectification plan was in place.

34. With regard to the 3 acceptance incidents that POCL deemed to be high severity it was my understanding that these needed to be resolved by ICL Pathway before POCL would consider the commencement of the national rollout of the Horizon system.

35. Action Taken By ICL

(Reference FUJ00078607, FUJ00078728, FUJ00023989, FUJ00024674, POL00028342, POL00028478)

During the period of Model Office testing and Live Proving (offices operating Releases IGL and 1b, and subsequently 1c) there was joint working to record testing defects, through the Model Office testing process, and incidents arising at Live offices, through the HSHD process. ICL Pathway had appointed relevant

managers and subject matter experts to analyse incidents to determine root cause. Incident severity was generally jointly agreed however there were instances where POCL had a view that incidents were more severe. As I understood the process ICL Pathway would develop fixes and these would be incorporated into testing; these could be software fixes or procedural fixes. POCL was involved, through Programme subject matter experts, in assuring the nature of the fix and closing defects via agreed test closure criteria. Given the number of tests and defects it was important to have a single point where all incidents, defects and progress to fix was held and maintained. The POCL programme team was also responsible for ensuring that POCL head office senior management and regional management was updated on progress.

36. In terms of unique number referencing for defects I believe that ICL Pathway utilised their in-house unique referencing system for defects and that this was, for joint test management and reporting purposes cross-referenced to a Model Office testing unique reference number system. In effect a defect could have 2 unique reference numbers.

37. The development of the MiECCO automated migration tool was undertaken by ICL Pathway to avoid a lengthy manual in-office data migration process for larger Post Offices that operated the ECCO point of sale system. From a POCL operational perspective it was critical that data from ECCO was correctly mapped to the Horizon data tables such that the closing accounting position at each stock unit, and for the branch as a whole, could clearly be recognised in the opening position in Horizon stock units and overall for the office in Horizon. I was

responsible within the POCL programme team for ensuring that ICL Pathway produced an effective and accurate migration tools and processes. To achieve this POCL provided subject matter experts for ECCO and from areas such as Finance and Operations and the Reference Data Team to support ICL Pathway development and provide assurance that the migration tool was fit for purpose. Once ICL Pathway had developed a version of MiECCO the tool was then reviewed and tested to ensure that MiECCO was capable of delivering the required outcome to support the national rollout of Horizon. ICL Pathway worked with POCL subject matter experts on defects and were responsible for implementing the changes in the MiECCO tool that would then be retested to confirm incident closure.

38. As with MiECCO, ICL Pathway undertook the development of the MiMan migration process, the difference is that this was a manual data migration process that required manual input of data into the Horizon system to create an opening operational and accounting position for a Horizon office. The vast majority of offices in the POCL network would follow the MiMan migration process. As with MiECCO it was critical that data from offices operating manual transaction management and accounting processes was correctly mapped and keyed into the Horizon data tables such that the closing office position could clearly be recognised and reconciled in the opening position in the Horizon office. Once ICL Pathway had developed the MiMan process it was then reviewed and tested to ensure that MiMan was capable of delivering the required outcome to support the national rollout of Horizon. ICL Pathway worked with POCL subject

- matter experts on defects and were responsible for implementing the changes in the MiMan process that would then be retested to confirm incident closure. I believe that it is also worth highlighting that the POCL subject matter experts provided guidance to ICL Pathway on the mapping of data.
39. As MiMan was a migration process that required manual input of data into the Horizon system it was recognised that data keying errors were a risk. Manual validation steps were included in the migration process and the process required a positive confirmation from the HFSSO and office manager that the Horizon opening position accurately reflected the manual office closing position. To deal with instances where an error had been made in manual migration a process was developed for HFSSOs to follow.
40. In respect of defects identified and where the defects appear to suggest that the system is not following an appropriate workflow, for example where a user incorrectly entered their password and the system did not present a 'retry password entry', ICL Pathway needed to update their detailed design specification and the development team then needed to make the appropriate changes to the system. To enable the management of changes ICL Pathway followed their internal software management processes and sometimes referred to Fagan reviews as part of their process.
41. As part of the Model Office testing reporting process there were instances where defects have been referred to as 'HOT issues'. My understanding of this term is that they highlighted areas of particular POCL programme team concern.
42. Acceptance Criteria

(Reference FUJ00078728, FUJ00079176, POL00028470, POL00028472)

The Acceptance Workshops undertaken in August and September continued to focus on resolution to the 9 outstanding acceptance incidents. As the 'Champion' for Incident 218 the focus was on improvement to training for office staff and managers and support staff. Through multiple meeting and discussions a rectification plan was developed to facilitate the closure of the Acceptance Incident 218. With regard to the rectification plan (referenced at page 1, FUJ00079176) I believe that the plan included changes to ensure training was provided to POCL Retail Network Managers; the introduction of a Pre assessment training (that I believe focussed on improving office manager training success rates); improved processes for monitoring and reporting training delivery; ways of encouraging the use of the Horizon training mode facility; processes for managing office managers who did not demonstrate the required level of competency.

43. With regard to the Acceptance Criteria and the decision to commence the national rollout of Horizon, my understanding is that the 9 Acceptance Incidents highlighted in acceptance meeting notes were the focus of senior management oversight and that the delivery of agreed rectification plans for each incident would facilitate a positive decision on the Horizon rollout. I cannot recall any changes made to the acceptance criteria ahead of the decision to rollout Horizon nationally.

44. At the time that POCL and ICL Pathway agreed to the national rollout of the Horizon system I believe that there was a general understanding, in the POCL

central programme team and in the 4 national POCL IP implementation teams that the Horizon system was stable and operated with data integrity; that the major defects had been resolved; and, that the remaining known defects had fix resolution paths that were acceptable to business experts and stakeholders and taken either individually or collectively did not represent a risk to POCL operations, reputation or risk to any of the system users.

45. Rollout

(Reference FUJ00001284, FUJ00001327, FUJ00001514, FUJ00001515, FUJ00058358, FUJ00001516, FUJ00058267, FUJ00058272)

The development of the ICL Pathway strategy for the rollout of the Horizon system, including the split implementation approach covering infrastructure and then installation / migration, was a joint effort between ICL Pathway and the POCL Horizon programme team. The strategy was designed to find an optimum balance between a number of conflicting requirements; for example the ability of POCL regional operations to cope with change volume; the ability of support services to support change volume; the requirements for Christmas and Bank Holiday cessation; the cost of maintaining field teams; the availability of hardware; etc. To reach an agreed and documented implementation strategy involved the engagement of multiple stakeholders across POCL and the iterative refinement of the strategy over a long period of time leading to an agreed position.

46. Whilst, in isolation, every activity relating to the implementation of the Horizon system was relatively straightforward the complexity came with the logistical

challenges associated with managing 18,000+ offices, 40,000 counter positions and 60,000 people through the process. The ICL Pathway implementation strategy was effective; there was a recognition of the scale of the challenges and there was a high degree of commitment from ICL Pathway and the POCL Horizon programme team to analyse and design processes that ensured a regular Horizon weekly rollout beat-rate, recognising in the implementation pipeline the many variables that could adversely impact the weekly implementation beat rate.

47. During the national Horizon rollout the POCL IP implementation teams deployed HFSSOs to support individual offices and their staff through the cutover to the new system and were also there to provide initial on-site support for the first 2 days of operational use of the system and the production of the first Cash Account. As a result of this on site presence the implementation teams and implementation management were aware of issues that arose in some offices. The issues were recorded and directed through the HSHD to enable incident analysis and closure. I do not believe that there was any sense that there were fundamental flaws with the Horizon system; issues / incidents were raised but my understanding was that these were either single incidents, or if common to a number of offices, that they were relatively minor and did not suggest problems with data integrity or system stability. Everyone in the POCL implementation team was aware that successful implementation was dependent on the Horizon system operating as expected and was mindful to ensure that all issues were raised for investigation.

48. Once an office passed through its' implementation and early HFSSO support phase it entered operational business as usual. Once in business as usual the Horizon system support teams would be involved in incident analysis and appropriate follow up. Whilst I am sure that the POCL implementation team continued to be aware of issues within offices, I do not believe there was any sense that the issues were highlighting fundamental system flaws. All issues raised by users were taken seriously by the POCL implementation team; there was no advantage to anyone in the POCL implementation team in ignoring or misrepresenting any issue.
49. POCL senior management and the POCL Horizon team were obviously aware of the nature of the incidents that had been discussed at length as part of the contractual acceptance process. That national rollout of the Horizon system commenced was dependent on POCL senior management being satisfied that any outstanding Horizon issues were known and under control. During the rollout of the Horizon system senior POCL head office and regional management would have been updated on rollout progress and issues encountered through implementation and in business as usual operation. Whilst I believe that there must have been indicators of more fundamental issues with the Horizon system I find it difficult to believe that such indicators could all have been masked by the general noise associated with a large scale and complex system rollout.
50. The original objectives of the BA/POCL programme included the implementation of a benefits encashment system and the removal of this functionality, in line with

the Benefits Agency decision to move towards direct bank transfer as a preferred method of benefit payment represented an adverse commercial impact to POCL.

51. The implementation of an integrated IT system that managed transactions and accounting from offices through to back end systems represented an achieved objective for POCL. An implementation of such scale and one that represented such a significant step change in the ways of working for so many people was always going to take time to embed into a new business as usual state however there was an understanding that change was required and a there was a positive view of the change across all stakeholder groups. As customers were starting to demand services that were more varied and faster and easier and more convenient to transact the implementation of the Horizon platform was an essential enabler for POCL/POL to develop such new products and services.

52. The IMPACT Programme

(Reference POL00038881, FUJ00090315, FUJ00091077, POL00038909, POL00038937, POL00038986)

I believe that the IMPACT Programme was driven by the need to simplify and update the many backend legacy systems to improve efficiency, accuracy, and lower operational costs. At the front end, in offices, the Programme also introduced the capability for Smart Card transactions and changed the Suspense Account process from manual to an automated process. The Releases also introduced various other changes to the Horizon System that were related to either products or service improvements.

53. My role in the IMPACT Programme was as the Change Management lead.

Within the change management team were team members who represented different POCL business functions such as Operations. I believe that the change manager role for IMPACT included defining the change that users, in all POCL Functions, would have to make in their roles and providing training and support for this to happen. Change management would also be involved in ensuring that revised operational process documents were developed and distributed (in support of user training). It was also important that change management understood what, if any, one off migration or implementation activities might need to be undertaken to enable the changes to business as usual (again, the aim was to ensure that impacted system users were trained, had processes, and were supported). The change role also covered communications and the need to ensure that POCL management, and system users (whichever function they were in, or system that they used) had an understandable view, non-technical, of the changes that would be introduced. In support of other areas of the Programme the business change workstream would support user acceptance testing / Model Office testing and the development of functional acceptance criteria (used to validate functional readiness for implementation). Business change would help ensure that subject matter experts and stakeholders from business functions were involved in relevant reviews, for example design reviews. I believe that there was also an element of organisational design review involved in the IMPACT programme and business change would have been involved in ensuring that this process was followed through with organisational

planning aligned to Programme milestones (for example managing people released from roles that no longer existed; or recruitment to new roles).

54. The IMPACT Programme changed the way that users interacted with the Horizon system in respect of changes to the Cash Account process and move to Branch Trading; the change to an automated process for the management of office discrepancies. I believe there were some enhancements to other areas of the Horizon system that would be noticeable by users (recognition beeps in the EMV card slot, British Forces Post Office [BFPO] selection in SmartPost) however not all changes involved a change of process and some changes related to creating enablers for future transactions (handling bank Smart cards for payments).

55. With regard to CR272 I am unable to provide an explanation of the background to the specified changes; this would have been developed by the POCL design team as part of the process associated with developing the Change Work Package 0290 (reference FUJ00090315). I can confirm that the nature of the changes would have been evaluated by the business change team to confirm any people or process impacts.

56. With regard to CR276 I am unable to provide an explanation of the background to the specified changes; this would have been developed by the POCL design team as part of the process associated with developing the Change Work Package 0290 (reference FUJ00090315). I confirm that the nature of the changes would have been evaluated by the business change team to confirm any people or process impacts.

57. Within the scope of the S80 Release changes were introduced that moved office accounting away from weekly Cash Account production to Trading Periods and also introduced an automated process to manage Unclaimed Payments and Uncharged Receipts that existed as the office level Suspense Account. Up until the S80 Release errors made by office in transacting business had been dealt with through a paper process that required office managers to post details (enter details) of the Error Notices into the Suspense Account; S80 introduced an automated posting process. This improvement meant that the risk of office errors relating to amounts manually posted to Suspense Accounts was mitigated and the overall time taken for error notice processing was reduced.
58. The introduction of Trading Periods in offices did not change the concept of producing a formal statement of activity within an agreed time period however it was a new process to be followed.
59. In terms of engagement with end users in any business function impacted by the IMPACT Programme I am unable to list and specify the details of engagement however the role of the change manager, and the change management functional representatives, was to ensure that end users were engaged and supporting management staff were engaged in the design and testing of the changes. The Programme, and POL management recognised, that user input was an important element of ensuring a good user interface and user experience.
60. Whilst I am unable to reference specific notes, or documents, I can confirm that user feedback was important to the IMPACT Programme team and that feedback would have been taken on board and acted upon where appropriate. The

feedback would have included comment on User Interface such as screen workflow, colours, positioning on screen, understanding of language used in instructions. There would also have been feedback gleaned from users interacting with the testing team with the aim of reducing the risk of errors. Whilst I cannot provide any specific example I am sure that not all user feedback was accepted; for example if a user disagreed with a fundamental aspect of the concept, the business design, I believe that the overall business benefit to POL would have been the over-riding necessity.

61. General

Reflecting on the testing, trial, and formal acceptance of the Horizon system I can say that a significant amount of effort was put in by staff in the BA/POCL Programme, staff in POCL regions, and office staff to support testing and trials. The development phase of the programme spanned years and this reflected the complexity of the scope of work as well as changes of sponsorship structure when the Benefits Agency withdrew. The formal acceptance of Horizon was also an extensive process with input from many Programme subject matter experts. I have reflected on the question of the effectiveness of the assurance and scrutiny that was undertaken in the Programme and, obviously, in light of the flaws that have been exposed in the Horizon System it was not sufficient. Being involved in the Programme from the Request for Proposal (RfP) stage through to implementation I worked with many capable people who were fully committed to delivering a robust system and, whilst not ignorant of the cost impacts of the time

taken, were not discouraged from raising challenges where issues were identified.

62. During the Horizon Programme processes were executed across workstreams to capture and manage issues as they arose. I believe that there was recognition across the Programme that issue management was an important process and I have no sense that there was any conscious effort to hide issues. In a complex programme many issues will arise and, whilst there was, in my opinion, a robust process for issues management I now question whether there was a focus on managing the many individual issues at the expense of some level of deeper analysis of root cause and potential relationship between issues.

63. At the point that formal Acceptance was discussed between POCL and ICL Pathway in 1999 there pressure was being applied by ICL Pathway management to close all the outstanding Incidents. From my involvement in the Acceptance Process I always felt confident that the POCL acceptance managers were prepared to move to acceptance only if the Acceptance Incidents had been closed, or had plans to close, in an appropriate and acceptable way, a way that did not represent risk to POCL as a business or to users of the system. On reflection, looking back to the 9 Acceptance Incidents that were the focus of attention in Summer 1999 it seems that perhaps we did not fully understand the critical issues.

64. In terms of interaction with key stakeholders who would use or be directly impacted by the introduction of the Horizon System there was extensive interaction. ICL Pathway also recruited at least one sub postmaster to support

their understanding of user needs. Input and ongoing engagement was undertaken with all POCL business functions, and whilst they were involved in the BA / POCL Programme, the Benefits Agency, National Federation of Subpostmasters (NFSP), Communication Managers Association, Communication Workers Union were also involved as key stakeholders with regular interaction. There was great support for the concept that the BA/POCL Programme represented.

65. Changes were made to the Horizon System for various reasons; for example to fix identified defects, to implement deferred fixes, to introduce new products, to deliver POCL / POL strategic imperatives such as new capabilities or business efficiencies. In the Horizon Programme there was significant engagement with, and feedback from, end users. The IMPACT Programme also had engagement and interaction with end users. I believe that business as usual fixes would have involved less end user participation (but would still go through rigorous testing).
66. On reflection it appears that (perhaps) there was a weakness in the depth and breadth of the analysis of incidents that end users were reporting to the HSHD. POL Audit were also identifying apparent office discrepancies but it is unclear to me whether there was any trend data that might have suggested unusual patterns associated with the increased number of such discrepancies post the implementation of the Horizon System or post any Horizon Release. From a different perspective POCL / POL regional operational management would have had long term relationships with subpostmasters and some of the discrepancies would, I expect, have caused questions to be raised about legitimacy. In

summary, I feel that there should have been threads of data / information that might have resulted in earlier identification of fundamental issues but such threads were not, to my knowledge recognised or brought together.

67. The scope of the Horizon Programme was significant and at the time of the contract award it was suggested to be the largest infrastructure project in Europe outside of military initiatives. In terms of reflection on the original scope it was clear at the time that the Benefits Agency and POCL had differing strategic aims; for POCL the delivery of an integrated point of sale system that secured benefits encashment business through BES functionality was the desired outcome; it seemed that the Benefits Agency had a desired strategic outcome that moved benefit payment to direct credit transfer to recipients bank accounts. For a Programme of this scale, with 2 different sponsoring organisations (BA and POCL), it seemed unfortunate desired strategic outcomes of the sponsors were incompatible.

68. In terms of the sourcing process the sponsor is seeking the optimum outcome from a commercial and technical perspective in the appointment of a partner / supplier. In the sourcing process it was not clear to me how the financial evaluation weighting was given such priority over the technical evaluation as to lead to the contract being offered to ICL Pathway. I acknowledge that there has to be a balance between commercial and technical evaluation outcomes and ultimately, perhaps, the appointment of a different partner may have led to the same outcome.

69. In terms of the Horizon Programme and reflecting on the scope and risk involved, and the number of years effort invested in the change, I now wonder whether the risk analysis associated with the ICL Pathway approach to development and implementation might have driven a different approach. I have no doubt that POCL management at the time considered the risks associated with the proposed development and implementation path however one possibility would have been to find a way to decompose the scope of the Programme into smaller projects that might have carried less risk.

70. In preparing this statement I feel that I am actually no wiser in understanding the root causes of the system instability or lack of data integrity. It seems likely that there were multiple causes and it is important to try and understand the detail to help avoid such outcomes in the future. The adverse impacts on people who used and trusted the Horizon System are shocking and something for which I am deeply sorry. Nobody in the Horizon Programme, or the IMPACT Programme, had any intention of designing or implementing a system that had fundamental flaws.

Statement of Truth

I believe the content of this statement to be true.

Signed.. **GRO**

Dated... *14th September 2022*

INDEX FIRST WITNESS STATEMENT OF STEPHEN ROBERT GRAYSTON

Exhibit number	Document Description	Control Number	URN
WITN0392_01/1	Phase 1c Post Implementation Report (version 1.0).	POINQ0064519F	FUJ00058348
WITN0392_01/2	ICL Pathway Implementation Strategy Release 1c (version 1.0).	POINQ0064504F	FUJ00058333
WITN0392_01/3	Post Office establishment Process Release 1c (version 1.1).	POINQ0064502F	FUJ00058331
WITN0392_01/4	ICL Pathway Implementation Strategy for Release 1b	POINQ0067702F	FUJ00078114
WITN0392_01/5	High Level Counter Infrastructure Rollout Strategy	POINQ0067750F	FUJ00078162
WITN0392_01/6	Collated NR2 Progress Reports - Week ending 13 November 1998	POINQ0067979F	FUJ00078391
WITN0392_01/7	Progress Report for Model Office Testing - Day 3 on 19/02/1999	POINQ0068147F	FUJ00078559
WITN0392_01/8	Incident Log for Model Office Testing as at Day 3.	POINQ0068148F	FUJ00078560
WITN0392_01/9	Progress report for Model Office Testing - Day 6.	POINQ0068160F	FUJ00078572
WITN0392_01/10	Model Office Testing Incident Log Final Pass - As at Day 6 of Testing	POINQ0068161F	FUJ00078573
WITN0392_01/11	Progress report for Model Office Testing - Day 7.®	POINQ0068169F	FUJ00078581
WITN0392_01/12	Incident Log for Model Office Testing - As at Day 7 Report	POINQ0068170F	FUJ00078582
WITN0392_01/13	Progress report for Model Office Testing - Day 8	POINQ0068175F	FUJ00078587
WITN0392_01/14	Incident Log for Model Office Testing - As at Day 8	POINQ0068176F	FUJ00078588
WITN0392_01/15	Progress Report for Model Office Testing - Day 9	POINQ0068180F	FUJ00078592
WITN0392_01/16	Incident Log for Model Office Testing - As at Day 9	POINQ0068181F	FUJ00078593
WITN0392_01/17	Progress Report for Model Testing - Day 10	POINQ0068194F	FUJ00078606
WITN0392_01/18	Incident Log for Model Office Testing - As at Day 13	POINQ0068200F	FUJ00078612

WITN0392_01/19	Progress Report for Model Office Testing - Day 14 Tuesday 2 March 1999	POINQ0068204F	FUJ00078616
WITN0392_01/20	Model Office Testing Incident Log Final Pass - As at Day 14 of Testing	POINQ0068205F	FUJ00078617
WITN0392_01/21	Model Office Testing Incident Log Final Pass - As at Day 15 of Testing	POINQ0068211F	FUJ00078623
WITN0392_01/22	Progress Report for Model Office Testing - day 15 & 16 Wednesday 3 and Thursday 4 March 1999	POINQ0068223F	FUJ00078635
WITN0392_01/23	Incident Log for Model Office Testing - As at Day 16	POINQ0068224F	FUJ00078636
WITN0392_01/24	Internal POCL email from Ruth Holleran, re Incident 218 (The Training Experience) Success Criteria	POL-0024957	POL00028475
WITN0392_01/25	Email from Jeff Austin to POCL employees, re Continued Acceptance Incident Monitoring and Acceptance Incident Workshop, 25/26 August 1999 (emails, agenda and Incident List)	POL-0024960	POL00028478
WITN0392_01/26	Report: Programme Impact Assessment Form	POL-0036204	POL00039646
WITN0392_01/27	Incident Log for Model Office Testing - As at Day 10 Report for March 1999	POINQ0068195F	FUJ00078607
WITN0392_01/28	Planning document. Undated but approx April 1999.	POINQ0068316F	FUJ00078728
WITN0392_01/29	PinICL: PC0021778 re LiveMigPreProve-MiECCO-Products mapped to Cash 001	POINQ0030160F	FUJ00023989
WITN0392_01/30	PinICL: PC0021538 re LiveMigPreProve-MiMAN- No entry line for Rent Card	POINQ0030845F	FUJ00024674
WITN0392_01/31	Memo from Post Office re Acceptance Workshop Roles	POL-0024824	POL00028342
WITN0392_01/32	Acceptance Workshop (7) - Action Points, 17 Sept 1999	POINQ0068764F	FUJ00079176
WITN0392_01/33	Acceptance Workshop (3) Action Points, 2 Sept 1999 (draft)	POL-0024952	POL00028470

WITN0392_01/34	Horizon Acceptance Dispute Workshop, Outline Agenda and accompanying reports, 2 September 1999	POL-0024954	POL00028472
WITN0392_01/35	Report re: ICL Pathway Scheduling Strategy (v.1.0)	POINQ0007455F	FUJ00001284
WITN0392_01/36	Report: This document describes the requirements to provide in-office migration during National Rollout.	POINQ0007498F	FUJ00001327
WITN0392_01/37	ICL Pathway High Level Counter Infrastructure Rollout Strategy version 5.0	POINQ0007685F	FUJ00001514
WITN0392_01/38	Installation Strategy	POINQ0007686F	FUJ00001515
WITN0392_01/39	High Level Counter Infrastructure Rollout Strategy (version 2.0).	POINQ0064529F	FUJ00058358
WITN0392_01/40	Report: Documents the strategy by which the Scheduling of the Rollout Events will occur to achieve installation of Horizon counter system in the post office outlets.	POINQ0007687F	FUJ00001516
WITN0392_01/41	Installation Programme Review Meeting 10 - meeting minutes	POINQ0064438F	FUJ00058267
WITN0392_01/42	Installation Programme Review Meeting 13 - meeting minutes	POINQ0064443F	FUJ00058272
WITN0392_01/43	S70/S75 Release Testing Plan Version 0.3	POL-0035363	POL00038881
WITN0392_01/44	Report: Change Work Package providing for Fujitsu to implement a number of changes to the Host and Counter Software as requested by POL.	POINQ0096486F	FUJ00090315
WITN0392_01/45	Fujitsu Services Ltd Commercial Terms re IMPACT Release 3: Counter and Host changes (V7.0) (CT No. 0290)	POINQ0097248F	FUJ00091077
WITN0392_01/46	IMPACT Programme S80 Migration Strategy (V0.7).	POL-0035391	POL00038909
WITN0392_01/47	S80 Release Testing Plan (V1.0)	POL-0035419	POL00038937
WITN0392_01/48	Report: The purpose of this document is to provide visibility and understanding, to the Impact Programme and relevant BAU domains, of a high-level business implementation plan for BT and	POL-0035468	POL00038986

	POL FS and the main activities for the initial Pre-Implementation stage.		
--	--	--	--