

Witness Name: Mike Hannon

Statement No. WITN05600100

Date: 25 April 2023

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF MIKE HANNON

I, MIKE HANNON, will say as follows...

1. I have prepared this statement in response to the Rule 9 request of 24 August 2022 and in response to the further supplementary questions of 28 March 2023.

Overview

2. I was a Contracts and Commercial Manager within Post Office Ltd responsible for negotiation and managing contracts including with Fujitsu during my time at Post Office. This included being involved in the delivery of the Horizon Contractual Agreements with Fujitsu.
3. I had no formal qualifications at that time but later became MCIPS qualified.
4. I attended a number of development courses to support my development to perform my role within Post Office Ltd. Upon joining Post Office, like every Postal Officer, I was trained in all the transactions that could be undertaken at Post Office counters, including Benefits Agency transaction.

5. I am unable to recall the specific later development courses, or the times and dates of these, but they were aligned to my development as middle manager in Post Office and would have included Contract Law and Negotiation Skills courses.
6. I worked for Post Office from November 1986 to December 2007. I joined Post Office Ltd in 1986 as a Postal Officer working in a Branch Post Office in and around the East London area. I went onto managing Branch Post Offices in the same region until 1991 where I joined the Financial Market Team in Post Office as an Operations manager, supporting the Benefits Agency as a customer. As part of the Role, I supported the BA/POCL PFI programme and then became the Product manager for the BA Payment Card. The work I undertook as the product Manager for the BA Payment Card was to ensure the user journey for the Benefit Encashment Service was intuitive, user friendly and the process complied with the rules set out by the Benefits Agency, based on my experience as a Postal Officer and the work we undertook with the Benefits Agency. The Payment Card (Benefit Encashment Service) did not get rolled out in full onto Horizon and Benefits Agency were removed from the automation project and at that point I joined the Commercial team in Post Office.
7. Within the Commercial Team in Post Office, I was a Contract and Commercial Manager for the Fujitsu Contract. This role involved a number of activities, including providing commercial assurance for change control activities which would have included ensure none of the changes being proposed inadvertently changed the contract; the correct charging rates were applied on the Change Control Notes and changes to the contract were applied

appropriately including correct authorisation in line with delegated authorities.

I would also provide commercial support and guidance where required by the Post Office technical teams. I would review Documents such as “Communications Management Team: Service Description (version 1.0)” [FUJ00002009] and “Fujitsu End to End Reconciliation Reporting Service Description - V1.0” [FUJ00080024] to ensure it aligned with the commercial principles of the Agreement in place at that time. The Fujitsu Horizon Contract was not the only Contract I was responsible for during the time I was in the Post Office Commercial team, I also managed other suppliers such as LINK Interchange Network, IBM and Ingenico. During periods where the Contract was being negotiated or preparation for renegotiation, I would be involved in reviewing and negotiating elements of the Agreement. The documents “Email from John G Cook to Forrest Hilary regarding network banking contract meeting notes held on the 23 Aug 2001” [POL00091743]; “Introduction to the Contract with Fujitsu Services for Horizon (v1.0)” [POL00090420] and “Horizon Service Partnership Proposal of 12 September 2005 and Associated Documents (includes PP slides and email chains)” [POL00090439] are all examples of where I would review and comment, from a commercial perspective, on the structure and content of an agreement.

8. I left Post Office Ltd in December 2007 and went to work for the Royal Mail Procurement team where I continued to work until Sept 2020. At that time I joined Royal Mail, Post Office and Royal Mail were part of the same organisation and I undertook some Procurement activity for Post Office but did not get involved in managing or negotiating Horizon after joining Royal Mail. Document “Bid Approval Review - POL Application, Enrolment & Identity

(AEI) UKR&RMG-ITE-40276 v.7.8" [FUJ00116491] is not a document I have seen before or would have been shown to me. I believe it refers to a Stakeholder Account Management plan view of a project I was involved with, Application, Identity and Enrolment (AEI) Service for Post Office. Pages 19 & 21 show the Account management plan where I am a Royal Mail stakeholder in the project. Fujitsu were not awarded the Contract to Post Office for AEI.

9. For clarity I have never worked for Fujitsu.
10. From recollection, documents "Communications Management Team: Service Description (version 1.0)" [FUJ00002023]; "Fujitsu Services Reconciliation Service: Service Description HNG-X. Version 1.0" [FUJ00002031]; "Service Desk: Service Description" [FUJ00002036] and "Fujitsu Services Application Support Service (Fourth Line): Service Description. Version 1.0" [FUJ00002037] were required to be delivered contractually to set out the transition state of the services from Horizon to HNG-X and the final state contracted service of HNG-X. My role in reviewing these documents would have been to ensure they aligned with the Agreed Contract position.
11. I am led to understand Horizon Online was the later iteration of Horizon which was progressed post my move from Post Office to Royal Mail. I'm not clear on the exact timings but Horizon Online may have even been started after Post Office had split from Royal Mail Group.

Advice and Assistance

12. The only time I had contact with Sub-Postmasters was as part of Communication events where, as a Senior Manager in Post Office, I would attend and deliver a standard presentation. These presentations would be

business related, performance standards and distillation of the current Post Office Vision statements etc. I am unable to recall any specific details relating to these events.

13. "Meeting minutes of Horizon Service Review Forum" [FUJ00119979] sets out an action for someone to clarify the position regarding the creation of a Single Point of Contact (SPoC). This was looking at creating a single phone number Sub-Postmasters/users would use to engage help and guidance from Post Office helpdesks, including the Horizon Helpdesk. From recollection the reason this was being looked at was to stop any confusion about which number to call, as there was more than one, and there was a cost saving in Fujitsu not providing a separate phone line. The single line would have had an interactive choice selection for users to select the appropriate option for them. My role would have been to look at the options from a commercial perspective, approve any contractual saving and ensure the Agreement was changed to address the agreed change.
14. I was not responsible for providing any advice or guidance to Sub-Postmasters or Assistance regarding the Horizon System.
15. I cannot recall any operational issues raised with me, from these sessions if they had I would have directed to the Area Managers- Line Management.
16. I do not recall any specific difficulties being raised directly to me regarding the Horizon System.
17. I have been asked if there were any steps that I thought should have been taken in response to any concerns that I raised that were not. No.

18. I have been asked if there was anyone who I felt could have done more to assist or make things better for Sub-Postmasters. I cannot comment as I was not aware of any issues from Sub-Postmasters.

Training

19. I was not responsible for Sub-Postmasters Contracts.

20. I do not recall any specific instances of anyone not feeling confident using the Horizon System.

21. I was not involved in the development of the training for Sub-Postmasters.

22. In "HNG-X rollout: Risk Log as of 26/4/2010; Issue Log as of 6/5/2009; Decision log as of 21/5/2009" [**POL00039210**], whilst there may have been a reference to Mike Hannon against Row 21 the date of this reference to me of 01/09/08, this was approximately 9 months after I left Post Office, joining Royal Mail in December 2007, so the request would not have come to me for a decision. As per my response to Document Reference **FUJ00002036** (for the HNG-X Service Desk, Service Description) set out in Point 8 above, I would have reviewed the document ensure they aligned with the Agreed Contract position. I was not involved in any aspect of Horizon Online Contract or any training documents for the NBSC Staff for this solution.

23. I was not involved in any decision around the level of training NBSC staff received or did not receive, supporting either version of Horizon or HNG-X systems, as this would have been an operational activity not a Supplier related activity.

Issues With Horizon System

24. I was not aware of any major issues with the Horizon System. As part of the development activities for the Benefits Encashment Service, I was aware there were errors/bugs that were discovered and corrected as part of testing and there were bugs in live running, that were fixed, but I cannot provide any specific reference to these or what these were. As part of the BA/POCL programme I was responsible for the Benefits Encashment Service during the early development phase and it was not unusual to have typographical, layout or colour errors, which were picked up as part of acceptance reviews. During the short time Benefits Encashment Service was on Horizon it was an independent service and I didn't get involved into how the accounting transaction outputs fed into the cash accounts and I didn't get involved in the detailed development review of the rest of the solution.

25. Reading "PC0055303 PinICL Report" [FUJ00075375] my understanding is the Benefit Encashment Service transaction numbers were increasing and the agreed file transfer space with Benefits Agency had not been made fully available and therefore the files could not be transferred as per agreed processes because they were too large. This was a technical issue on the Benefits Agency systems and it was part of my role at the time to liaise with Benefits Agency and help resolve.

26. When I moved from my role as Benefits Encashment Service Products owner into the Commercial team and as part of the wider team in Post Office Ltd I was aware of some bugs but I wasn't part of the technical teams I wasn't provided any detail or severity about these.

27. The level of bugs I understood to be raised was not significant. I had no interaction relating to these bugs with any Postmaster, Assistant or Post Office Manager.
28. With reference to the "Email from Andrew Perkins, LFS Product Manager at Post Office Ltd, to Nicholas Samuel, POCL, re 'Change to stock unit cash on hand total time' (CCN965)" [**POL00031810**], my team's role would have been to review this CCN from a commercial perspective and ensure the appropriate authorisation had been obtained before approving. I would not be able to describe the technical change CCN0965 raised and I cannot recall any consequential knock on impact implementing the CCN caused.
29. As referenced earlier in the early part of the Project I was the product owner for the Benefits Encashment Service (BES) linking to the Benefits Agency Payment Card. Part of this work was supporting the teams completing the matching electronic records of payment with Benefits Agency. "PC0014389 PinICL Report" [**FUJ00111671**] sets out an incident raised by a Sub-Postmaster where a transaction has been voided. I cannot recall the specific incident as it was nearly 25 years ago, but we were not looking at the incident as a human or system error, this would have been passed onto another team. The Reconciliation team were not looking at how the transaction was voided just at the electronic totals that Benefits Agency had reconciled against values on the Post Office/Horizon electronic accounts. The specific acceptance of liability here was to Benefits Agency as there was no electronic file of the completed transaction back to the Benefits Agency and therefore we could only settle on the electronic evidence we had. With reference to my answer at

point 24 this incident was not referred to as a bug/malfunction of the system but a voided transaction.

30. The Benefits Encashment Service was withdrawn as an application on Horizon shortly after it was launched, and I moved away from the joint BA/POCL Programme operational aspects of the product into the Post Office Commercial team before the Service was fully closed down on Horizon. I do not recall seeing enough of these type of incident in Document **FUJ00111671** being commonplace to suggest there was a problem with the Benefits Encashment Service or Horizon. In my time in this role and having worked on a Post Office Counter I would have escalated any concern I had if I had any concern it was a system fault.

Resolution of Disputes

31. With regards to "POL Handover note: Dave King" [**POL00029136**], I cannot say for sure what the nature or purpose of the document was and it was not something I can recall seeing, but it was the point in time where it was a joint project with Benefits Agency and Post Office. It is correct in stating that while I was on the BA/POCL project I was responsible for the security related aspects of the Benefit Payment Service (Benefit Encashment Service Product). For context going into the BA/POCL project there were known Fraud issues with the paper-based payment products, that were being used at the time, and the Benefits Agency had significant Security resources invested into the Payment Card system, which was greater than the Benefits Encashment Services as it also included internally run Benefits Agency payment systems. Having been in my previous role as the Benefits Agency Account team in Post

Office we knew the paper-based system could be manipulated including overprinting docket with higher values or even printing whole batches of documents for fraudulent gain. There were also know proven cases of Post Office staff undertaking fraudulent activity. The introduction of electronic payments was an attempt to get greater control of fraudulent activity, as well as cost savings to taxpayer with cost effective systems. My role was to build in security by the design of the transactions, such as, only payments made on presentation of a Card with an associated PIN number to release payments. With regards to the statement "There is a need to ensure that the interests of POCL with regard to the investigation of any suspected dishonesty by their staff, and agents, are protected", I believe this is saying that Post Office needs to be directly involved in or own any investigation being conducted on its Staff and it should not be left to the large Benefits Agency Security Team to exclusively investigate Post Office matters.

32. Security Management Service: Service Description [FUJ00088180] was required to be delivered contractually to set out the transition state of the services from Horizon to HNG-X and the final state contracted service of HNG-X. My role in reviewing these documents would have been to ensure they aligned with the Agreed Contract position. I had left Post Office before the full transition of HNG-X happened, but this document related to the Security of the HNG-X solution and therefore should not have been used for the investigation, dismissal, and/or prosecution of Sub-Postmasters.

33. I have been asked whether I was involved in or party to any disputes between the Post Office and Sub-Postmasters regarding any alleged shortfalls of

money. I was not involved with any party relating to any alleged shortfall of money.

34. I have been asked to describe the process by which any disputes were raised and resolved. I was not involved in the process and am unable to describe the process to raise or resolve disputes.

35. I have been asked to describe whether I was aware of any contact or input from Fujitsu in the resolution of any disputes I was not aware of process with Fujitsu.

36. I have been asked to give my view on whether there could have been any improvement in this process I am unable to comment.

37. There are no other matters that I consider the Chair of the Inquiry should be aware of.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 25 April 2023

Index to First Witness Statement of Mike Hannon

No.	URN	Document Description	Control Number
1	FUJ00002009	Communications Management Team: Service Description (version 1.0)	POINQ0008180F
2	FUJ00080024	Fujitsu End to End Reconciliation Reporting Service Description - V1.0	POINQ0086195F
3	POL00091743	Email from John G Cook to Forrest Hilary regarding network banking contract meeting notes held on the 23 Aug 2001	POL-0091319
4	POL00090420	Introduction to the Contract with Fujitsu Services for Horizon (v1.0)	POL-0087389
5	POL00090439	Horizon Service Partnership Proposal of 12 September 2005 and Associated Documents (includes PP slides and email chains)	POL-0087408

6	FUJ00116491	Bid Approval Review - POL Application, Enrolment & Identity (AEI) UKR&RMG-ITE-40276 v.7.8.	POINQ0122662F
7	FUJ00002023	Communications Management Team: Service Description (version 1.0)	POINQ0008194F
8	FUJ00002031	Fujitsu Services Reconciliation Service: Service Description HNG-X. Version 1.0	POINQ0008202F
9	FUJ00002036	Service Desk: Service Description	POINQ0008207F
10	FUJ00002037	Fujitsu Services Application Support Service (Fourth Line): Service Description. Version 1.0	POINQ0008208F
11	FUJ00119979	Meeting minutes of Horizon Service Review Forum	POINQ0126171F
12	POL00039210	HNG-X rollout: Risk Log as of 26/4/2010; Issue Log as of 6/5/2009; Decision log as of 21/5/2009	POL-0035692
13	FUJ00075375	PC0055303 PinICL Report	POINQ0084964F
14	POL00031810	Email from Andrew Perkins, LFS Product Manager at Post Office Ltd, to Nicholas Samuel, POCL, re 'Change to stock unit cash on hand total time' (CCN965)	POL-0028712
15	FUJ00111671	PC0014389 PinICL Report	POINQ0086195F
16	POL00029136	POL Handover note: Dave King	POL-0025618
17	FUJ00088180	Security Management Service: Service Description	FUJ-00088180