

**Witness Name:** Alan Lusher

**Statement No:** WITN05830100

**Dated:** 10 May 2023

**POST OFFICE HORIZON IT INQUIRY**

---

**FIRST WITNESS STATEMENT OF ALAN LUSHER**

---

I, Alan Lusher, will say as follows:

1. I would like to express my support for the Horizon Inquiry and to offer my full co-operation to Sir Wyn Williams in his investigation. I would also like to express my sincere sympathy to any subpostmasters (“SPMs”) who were badly affected by the Horizon project.
2. To confirm why I am providing this statement, on 25 August 2022 I received a written request from the Post Office Horizon Inquiry for me to provide a written statement pursuant to Rule 9 of the Inquiry Rules 2006 – Request 1. This Request contained 21 questions which the Inquiry asked me to address in my statement.
3. On 06 April 2023 I received a further request from the Post Office Horizon Inquiry asking me to provide a written statement pursuant to Rule 9 of the Inquiry Rules 2006 – Request 2. This Request contained 76 questions which the Inquiry asked me to address in my statement.

4. For ease of reference I have split this statement into two sections: the first dealing with the Rule 9 Request of 25 August 2022 and the second dealing with the Rule 9 Request of 06 April 2023.

## **25 AUGUST 2022 – RULE 9 OF THE INQUIRY RULES 2006 – REQUEST 1**

### **BACKGROUND**

#### **Roles**

5. I have been asked to set out an overview of my role(s) within the Post Office. To assist me, I obtained a list of my roles held during my time at the Post Office which I understand was taken from 'Success Factors employee record'. This information did not cover my job history prior to 1 April 1999 as this information was held in a legacy HR system but I have detailed below the roles that were listed in the information provided:
  - a) 01.04.1999 – 26.09.1999: 50052561 Network Audit Manager – E
  - b) 27.09.1999 – 30.06.2001: 50059678 Audit Team Leader East
  - c) 01.07.2001 – 31.10.2001: 50059678 Audit Team Leader East
  - d) 01.11.2001 – 28.02.2002: 50059678 Audit Team Leader East
  - e) 01.03.2002 – 31.03.2002: 50059678 Audit Team Leader East
  - f) 01.04.2002 – 14.05.2002: 50057821 Security Team Manager 2
  - g) 15.05.2002 – 20.10.2002: 50086276 Operations Manager

- h) 21.10.2002 – 01.01.2003: 50089526 Commercial Security Manager
- i) 02.01.2003 – 27.03.2005: 50078190 RLM 431
- j) 28.03.2005 – 30.09.2005: 50107026 Manpower Planning Manager
- k) 01.10.2005 – 31.03.2006: 50107017 C&SM16
- l) 01.04.2006 – 24.09.2006: 50107017 C&SM16
- m) 25.09.2006 – 31.10.2007: 50124583 Contract Advisor
- n) 01.11.2007 – 29.06.2008: 50124583 Contract Advisor
- o) 30.06.2008 – 31.05.2010: 50124583 Contract Advisor
- p) 01.06.2010 – 30.09.2010: 50185430 Commercial Contract Advisor
- q) 01.10.2010 – 31.12.2010: 50185430 Commercial Contract Advisor
- r) 01.01.2011 – 31.08.2012: 50196651 Contract Advisor
- s) 01.09.2012 – 31.08.2014: 50196651 Contract Advisor
- t) 01.09.2014 – 04.01.2017: 50196651 Contract Advisor
- u) 05.01.2017 – 30.09.2017: 50196651 Contract Advisor
- v) 01.10.2017 – 31.08.2019: Contract Advisor

6. My recollection of the exact dates and roles is not clear but the following is to the best of my recollection. My employment with the Post Office commenced on 11 January 1982 and finished on 31 August 2019. My first role was to serve on Crown Office Counters. I progressed to work with sub-post offices in the counter services department.

7. When I worked in the audit team at postal officer grade (prior to Horizon) I would go into the post offices to count cash. Promotion came in approximately 1988, when I took the role of Management accountant and then I was promoted again to manage the audit team in the Norwich area in approximately 1990. As audit team leader I would mostly only attend cash centre audits and conduct audits as part of an appraisal process to check the audit teams were doing what they should.
8. The audit team were referred to as the 'checkers'. When the team went into branches, they would complete the equivalent of a weekly account check, in the same way that SPMs would. We would take the starting figure, count everything coming in and everything going out, look at the stock and then balance the accounts. We would then review various processes such as security, and check that opening hours were adhered to and properly advertised. I would be physically present at those audits when I was audit team leader approximately once a month.
9. I continued working in the audit team, but covering greater areas – North Thames and East Anglia, then the South East area and then part of the audit team which operated on a national basis, managing or conducting audits of admin centres, cash centres, branch offices and sub-post offices.
10. Between 2002 and 2003 I was in the Commercial Security team. Almost all of the work I did in this team was around cheque fraud. I used to intercept a lot of cheque fraud using data from Horizon.
11. I also had a 2 year period working in 'sales' before I moved to the position of contract manager between 2005 and 2012 working predominantly in the East, but having input to any area as needs dictated. As contract manager, I had responsibility for

interviewing prospective SPMs, dealing with contractual issues during the period of their contracts and then dealing with suspensions and terminations of contracts as required.

12. Between 2012 and 2019 I had a role as contract manager but covering a particular type of branch. Specifically, I managed the contracts of 'multiple partners' which included businesses such as McColl's, Co-ops and One-Stop. These partners managed a large number of branches, so I had contact with the partners' management teams but very little contact with individual SPMs. The partners would have had their own arrangements for supporting their own Post Office staff. As a contract manager it would not have been my responsibility to visit individual branches but, occasionally, if a post office was located near to me in my region, then I might have been asked to act as a contract advisor and interview a SPM on a more geographical basis.
13. In terms of my qualifications, I left school with 9 "O" levels and 2 "A" levels. While working at the Post Office I continued to study and achieved a Master's Degree in Business Administration (MBA) in 2004.
14. Training within the Post Office include a six-week course before serving on the counter (pre-Horizon) and a residential management course upon promotion to management. On-the-job training was given for all other roles. Besides this, I cannot recall anything more specific about my training. I requested a copy of my training record from the Post Office in the hope that this information might assist in prompting my memory. However, its only relevance to Horizon is that it shows that I completed a day's course on Horizon on 13 June 2003. I believe I would have had

additional refresher training of perhaps a few hours in circumstances where I was called on to serve on a counter, for example during strike action by counter staff. In all cases this would have been 'user training'.

15. My career progressed from a 'Postal Officer', through to 'Contract Advisor'.

### **ADVICE AND ASSISTANCE**

16. I have been asked to provide an overview of what contact I had with any SPMs or managers and assistants working in Post Offices, if any. Before Horizon was introduced and when I was working within "Counter Services" I had frequent contact with SPMs, visiting their branches and doing such tasks as calculating remuneration and allowances, performing audits, and dealing with transaction correction notices. I played a supporting role in conducting audits of Crown Offices.
17. As audit manager, the team that I managed frequently dealt with accounting difficulties experienced by SPMs. These were matters arising either as a result of them not balancing their accounts, as a result of transaction corrections being brought to account or as a result of audits. As an audit manager, I managed the audit teams but would not necessarily attend audits myself. My contact with the postmasters would therefore have been fairly minimal, unless there was an exceptionally large shortfall in the accounts. In that situation, I would be in the position to make a decision as to whether to suspend the contract pending further investigation. However, in the ordinary course of events, the contract manager would make that decision.

18. As contract manager, I engaged in SPM's appointment interviews, dealing with general contractual issues, such as opening times, complaints, cash shortages and contract suspensions and terminations. Further information on this is detailed below at paragraphs 20 – 28.
19. I have been asked to describe whether I was responsible for providing SPMs or Post Office branches with advice or assistance. Please see above for a description of my job roles. The training team was responsible for the initial training of SPMs and the helpline was almost always available for advice and assistance. Online help was also available. If the helpline or training team could not resolve a request for further assistance, then occasionally a query may have come through to the audit team. These were typically straightforward matters which were easily resolved, however, if not, the audit team could arrange for a site visit or audit to occur. Personally, I would have had very little involvement in this.
20. When accounting difficulties arose, they were in general dealt with as follows: if the discrepancy was minor, SPMs were advised to check all cash and stock on hand, along with any vouchers. If their check did not reveal any errors in balancing, then they could conclude that there must have been an error in vouchers dispatched or input into the account earlier in the accounting period. The transaction correcting system was in place so that the various agencies would check returns sent to them by SPMs and issue "transaction corrections" to rectify the error.
21. When there were unexplained accounting shortages, team members would often liaise with the accounting department at Chesterfield, or other departments to establish whether error notices were due to be issued. The system of rectifying

errors could be slow and several weeks may elapse before a discrepancy could be corrected in the account. On occasions when there were a number of errors in the system, it became complex and sometimes almost impossible to pinpoint the causes of a discrepancy.

22. Either the audit or the contract team could refer disputed errors to the accounting team based in Chesterfield who had access to the Horizon system and were very helpful in resolving errors and latterly had a champion for difficult cases – Andy Winn.
23. If a cash shortage arose because of failure to correct a discrepancy or any other reason, an audit of accounts could be conducted to establish an accurate and updated figure. Following any type of audit, SPMs were required to withdraw any surpluses or make good losses.
24. If a deficiency was significant then the contract manager would be called upon to consider suspension of the contract of the SPM pending further investigation.
25. Firstly, the contract advisor would have an initial call with the SPM to establish if further resources or training was needed or if they needed to suspend the contract. If the decision was taken that the contract should be suspended, information would be gathered together from the accounting team at Chesterfield and from the audit team who would have provided an audit report. Suspension wasn't an exercise in assigning blame, it was done simply to control risk and gather information until such time as the issues could be explained and rectified. The contract advisor would then have an interview with the SPM and, if the SPM desired, a representative of the



federation of SPMs would also be present to support them (which was normally the case).

26. The purpose of this interview was to establish whether the SPM's contract should be reinstated, reinstated with conditions, or terminated.
27. Depending on the level of the shortage or the nature of the discrepancy, the contract advisor would also inform the investigation team. Their investigation would be to establish whether there had been any criminal wrongdoing, whereas the contract advisor would be concerned with breaches of contract. I never had any direct involvement in making the decision as to whether criminality had occurred, even when I was working in the Security Team. If the investigation team became involved then any contractual decision about termination may have been delayed—If they discovered evidence which would be relevant to the contract advisor's decision, then this would be shared with the contract advisor.
28. In my role as contract advisor, I was authorized to make the decision to suspend a contract, with my line manager available to consult as required. Terminating a contract was not a decision that was taken lightly and senior management was always involved in the decision. However, over time, there came to be a number of disputed cases in the courts, which led to more senior personnel making the decisions about termination. Eventually contract termination was purely a senior management decision and not the decision of the contract advisor.
29. The Horizon system was integral to both the day-to-day transactions and the balancing procedure of SPMs. For the vast majority, the system worked well and in my own experience, challenges about the system were very rare. I was unaware of

any issues raised by “multiple partners” and cannot recall any questioning or suggestion that Horizon was at fault.

30. If there had been any questions raised subsequent to a particular termination of contract, then the whole matter would have gone to the appeal process which was conducted at a higher grade and I would not have been involved in this.
31. I cannot recall raising any concerns and therefore I cannot comment on whether there were any steps that I think should have been taken that were not.
32. I was aware of occasional complaints about the quality of training provided, but I believe that the system itself was set up to support SPMs.
33. I believe there was a very significant training programme for SPMs when the Horizon system was first commissioned. I was not part of that process and had no direct knowledge of it.
34. I would have had knowledge of the arrangements for the introductory training of newly appointed SPMs after Horizon was introduced. In general, I considered the training to be sufficient. In particular, every effort was made to ensure that they had received adequate training including follow-up training. However, after introductory training, additional training was very rarely provided for SPMs’ staff. You could therefore end up with a situation where someone could be running a branch who had received no training direct from the Post Office. SPMs would have had access to training manuals, the helpline, online resources and the ‘training mode’ of the Horizon system, in order to support the training of their own staff.

35. In the initial stages, I cannot recall being aware of any unusual evidence that might have given me the sense that the problems were not human error but something else. I cannot recall being aware of Fujitsu or any IT people coming in to sense check the issues but that does not mean it didn't happen in some cases – just that I was unaware of specific incidents of that nature.

## **TRAINING**

36. All SPMs were offered initial training. Some of the training was conducted in the classroom and some on-site as the Post Office was in operation. The training team also conducted follow-up visits to ensure new SPMs were confident using the Horizon system, particularly in the balancing procedure. In addition to this, support was available to the SPMs online using the Horizon training mode, from the Helpline and from trainers or visiting officers, who would attend the branch in person if warranted. I should point out that the entire training regime was managed by a specific team and therefore I relied on that team to monitor training, provide the training and ensure that it was sufficient. Only in unusual circumstances would a contract manager become involved in training matters, for example, to require that additional training be stipulated as a condition of contract reinstatement.
37. If anybody felt that they were not confident in using Horizon, additional training could be arranged and often the Federation of Subpostmasters and neighbouring subpostmasters would be pleased to provide support and assistance, particularly for new SPMs.
38. SPMs were offered initial on-site and classroom training. The number of training centres available for classroom training was reduced, which resulted in some

people deciding not to take up the offer of this training because of the associated travel commitment.

39. Horizon could also be switched into a 'training' mode, allowing the individual to explore the system and gain confidence in using it.
40. It would be normal that a new SPM would not only be taking on the Post Office, but also a retail business. Their retail business was often more significant to them than the Post Office, and the individual could be training for both at the same time. On such occasions, effective Horizon training time whilst the trainer was on-site could be limited. This problem could only be resolved by providing training before the transfer of the business, or additional training after. This was not always easy to arrange because of the commitments of the training team.

#### **ERRORS OR ISSUES WITH HORIZON SYSTEM**

41. My only recollection of direct involvement with an allegation that the Horizon system may have been the cause of discrepancies was in or around 2006-2008, specifically with the matters arising at the Rivenhall branch. I recall the SPM's suggestion that the discrepancies were caused by the system. These events took place many years ago and therefore my active memory of them is not comprehensive. It is possible that if I were provided with additional documentation relating to this case, that elements of it might come back to me.
42. I do recall that, following an interview with the SPM, Mr Ward, I sent out a staff member, Mandy Lawless, who had been a branch office manager and was

considered to be an expert in using the Horizon system. She attended the site to discuss the issue with the SPM but she was unable to substantiate his concerns.

43. Subsequently the local federation representative and then a neighbouring federation representative also got involved to see what they could do to help resolve things but they were also unable to substantiate his concerns.
44. As part of the investigation into Rivenhall, I referred the matter to the accounting department at Chesterfield and would have discussed the matter with my line manager. I'm aware that the head of the accounting team, Andy Wynn, was involved to help clarify the reason for the losses. It would not have been my role to understand the technical issues behind any concerns about Horizon. I believe, though I am not certain that it would have been Andy Wynn's responsibility to raise any potential technical issues either internally to the manager responsible for liaison with Fujitsu, or himself directly to Fujitsu. I was not party to these arrangements but I was aware that the case had been considered by the right people within the Post Office.
45. After the termination of the contract at Rivenhall, the entire case was considered again under the appeals procedure by a senior manager and the termination was confirmed.

## **RESOLUTION OF DISPUTES**

46. I have been asked to explain whether I was involved in or party to any disputes between the Post Office and SPMs regarding any shortfalls of money. Please see paragraphs 20 – 28 above. I could have been involved with such discussions

between 2005 and 2019, although, my only recollection of such disputes where the integrity of Horizon was at stake is in relation to the Rivenhall branch. Please see paragraphs 41 – 45 above.

47. Whilst I was aware that senior management had meetings with SPMs about the difficulties being experienced with Horizon, I remained unaware of the nature or detail of these discussions.
48. As described in paragraphs 20 – 28 above, I was involved in the resolution of various disputes, mainly about cash shortages, but also about other issues, such as customer complaints or adherence to opening hours. Disputes about the accounts would sometimes prompt an audit being carried out at the branch and a subsequent interview as described above. An appeals process was in place if the SPM was unsatisfied with the outcome. This would involve an experienced and specially trained senior manager who would hear the case afresh to arrive at an independent decision.
49. The accounting team at Chesterfield, who had access to the Horizon system, were very helpful in resolving disputes arising from accounting discrepancies and I believe that they would have had the responsibility of ensuring that technical IT issues were raised with Fujitsu-if appropriate. Disputes directly involving Horizon were dealt with by the Post Office legal team and senior managers.
50. I cannot recall ever being involved in contacting or receiving input from Fujitsu at any stage in the resolution of any disputes. This was not a direction of enquiry open to me in my role but would have been available to others involved in the process. I

believe the account team at Chesterfield could obtain historic data from Fujitsu relating to individual branch accounting disputes.

51. As far as I am aware, Horizon was thought by the Post Office to be a totally secure system. In retrospect, if there had been a more detailed analysis of IT issues, they might have discovered something at the time but this was not within my sphere or scope of responsibility.
52. In other respects, the system provided the environment for open discussion with SPMs, who often called on the Federation of Subpostmasters for support.
53. There are no other matters that I consider the Chair of the Inquiry should be aware of. However, the events took place many years ago and my active memory of them is therefore very limited.

**06 APRIL 2023 – RULE 9 OF THE INQUIRY RULES 2006 – REQUEST 2**

**APPOINTMENT OF SUBPOSTMASTERS**

54. I held the position of contract manager between 2005 and 2019 and during this time I had responsibility for interviewing prospective SPMs. I have had sight of and reviewed, the following documents:
- a) Brief summary of certain sections of the subpostmasters contract” (17 December 2004) (POL00088903);
  - b) Template letter “Assessment for the position of subpostmaster” (August 2005) (POL00088900);
  - c) “Agency Recruitment Policy” (version 0.1, October 2008) (POL00005670).
55. I have been asked to describe the process for the selection and appointment of new SPMs. I can recall that there were various changes and enhancements to the processes for the selection and appointment of SPMs. Although I was involved in these processes between 2005 and 2019, my recollection is no longer very good relating to specific processes at any point within that timeframe.
56. As an interviewer there were also changes in job title, for example, Contract and Services Manager, Contract Manager, Commercial Contracts Manager, Contracts Advisor. These are titles which all applied to the same or very similar role, so for simplicity, I will refer to all as Contracts Advisor unless there is a specific reason to differentiate.



57. I cannot recall specifically the titles of teams involved in the selection process in the timeframe specified, but in general terms, I believe there was a central team based in Chesterfield, latterly known as the Agent Recruitment Team, who would send out documents to applicants. The Contract Advisor would conduct the interview, perhaps with a note taker, or using electronic recording equipment. For larger branches, it was not unusual for two Contract Advisors to interview.
58. In terms of how vacancies were advertised, normally, applications would come from people who were in the process of buying a retail business from the incumbent SPM. If there were no applications from this source and the Post Office was facing potential closure, then a member of staff would search the area and ask for applications from suitable businesses.
59. In relation to the documentation that an individual was required to submit as part of their application, I cannot be specific to the timeframe, but in general the applicant would have to supply a completed application form and a business plan, along with the evidence of identity / right to work in the UK document as specified in the invitation to interview letter.
60. In terms of how applicants were assessed during interview, the right to work and a satisfactory criminal record was confirmed, the business plan would then be assessed for viability and a competence framework was completed by way of a formal discussion. The Contracts Advisor was responsible for conducting interviews.
61. I have been asked to confirm whether contractual issues were discussed during the interview and, if so, the details of any discussion and in particular, whether

successful applicants were given the chance to review their contract or a summary of the key points before they were appointed. In answering this question I refer to document POL0088900 which has a brief summary of certain sections of the SPMs contract which was sent out by the central team as part of the invitation to attend an interview. This summary of key points of the contract would be discussed at interview. Security, for example, would always be discussed, due to its importance for the safety of the SPM and staff as well as the protection of Post Office funds and the contractual position regarding cash or stock losses would also always be discussed.

62. The Contract Advisor was responsible for deciding whether the vacancy would be offered to the applicant.
63. The successful applicant would then receive a pack of documents either delivered at the time of the transfer by the audit team, or sent by the central administration team in Chesterfield. This pack would include key documents, for example, an inventory of Post Office property, a document for them to sign up to the Official Secrets Act and the full contract.
64. In terms of what measures were in place to ensure consistency in the selection of SPMs for appointment, Contract Advisors would be trained by sitting in on interviews with more experienced colleagues before carrying out any interviews themselves. As well as initial training, I can remember an 'away day' devoted to training using professional actors as applicants, but I cannot be sure that this was within the timeframe referred to. For larger branches, two contract advisors would sometimes conduct the interview.

## CONTRACTUAL LIABILITY OF SUBPOSTMASTER FOR SHORTFALLS

65. I have had sight of and reviewed the following documents:
- a) "Losses and gains policy within the POCL agency network" (version 1, 20 November 1998) (POL00088904) (in particular paragraph 3.1);
  - b) "Post Office Ltd – Security Policy: Accounting losses policy for agency branches" (version 1, February 2003) (POL00086845) (in particular, section 1 and section 3);
  - c) "Post Office Ltd – Security Policy: Liability for losses policy (for agency branches)" (version 1.7, September 2003) (POL00088867) (in particular, section 1 and section 3);
  - d) "Post Office Ltd Losses policy – overarching (branches)" (version 9, effective date April 2006) (POL00030562) (in particular, section 2).
66. I have been asked to confirm what my understanding was when I worked for the Post Office of the contractual position as to the responsibility of SPMs for shortfalls or 'losses' identified within their branch. My understanding is summed up in the sections of the contract which stated that *"the subpostmaster is responsible for all losses caused through his own carelessness, negligence or error and also for all losses caused by his assistants. Deficiencies due to such losses must be made good without delay."*
67. I have been asked to confirm how the Post Office policy on the responsibility of employees within the Crown Offices for shortfalls or 'losses' identified in a Crown Office differ from the policy on the responsibility of SPMs for shortfalls or 'losses'

identified within their branches. However, I did not have a role in the enforcement of losses within the Crown Office Network and therefore cannot comment on this.

## **THE AUDIT PROCESS AND THE POLICIES/PRACTICES IN PLACE**

68. From the mid-1980s, I was a member of the Audit Team, carrying out audits as a Postal Officer. This would involve me conducting audits of sub post offices either by myself or as part of a team for larger branches. I left the audit team for a time, but re-joined as manager of the team in the Anglia region, later expanded to the North Thames and East Anglia region.
69. The role then varied further as part of the team based nationally, to include, for example, the scheduling of audits. However, the main thrust of the role remained in the management of the cash centre, branch office and sub office audits.
70. I believe all activities were governed by policies, which we periodically reviewed for improvement. However, I cannot recall the names of policies or the dates of any changes.

### The audit process

71. I have been asked to review the document: document “Losses and gains policy within the POCL agency network” (version 1, 20 November 1998) (POL00088904) (in particular, “Appendix D – Process for losses and gains at Agency Outlets”). I can confirm that I have reviewed this document.

72. I have been asked to confirm whether I was familiar with this policy when I was part of the Audit Team and, despite the passage of time, I can recall some of the document. I believe that the document was produced at a time when the various regions of the post office had a degree of autonomy. However, I do not know if this was produced in North Thames, East Anglia, another region, or was a national policy.
73. I do not recall that there was any difference in the role of the audit team before or after the introduction of Horizon. Advice given, either by the audit team or the helpline, would be to re-check cash, stock and vouchers on hand and try to identify the source of the misbalance in records of documents dispatched.
74. An audit would not normally be conducted on the report of a misbalance, as the audit could prove nothing more than what was possible by a careful re-check of the balance. The audit team would also be able to make checks with Financial Accounts Department (FAD) in Chesterfield, later known as the Product and Branch Accounting section (P&BA), to find out if a recent error had been detected in the branch submissions.
75. Audits would normally be programmed to take place periodically. This was, however, dependent on the size of the branch, and generally between every one to three years. There would also be audits conducted within the first 3 months of service, following robbery or burglary incidents or at the transfer of a branch to a new SPM. A small number of random audits were included in the programme. Risk modelling was used increasingly to take into account factors such as the value of

cash held and the history of losses and errors at the branch in order to prioritise branches for audit.

76. When Horizon was introduced, the only change to the Audit's Team role was a change to the process in that, where it was necessary to use accounts information from the branch, this would be obtained from the Horizon system, rather than the previous paper-based system. After my time with the audit team, the roles of trainers and auditors were merged.
77. I have been asked to confirm whether I am aware of any other policies which were in place when I worked within the Audit Team governing the audit process. I can recall that the process of completing an audit would be documented, as would be the process for selecting branches for audit. In the earlier days of the period in question, the audit team were also responsible for the monitoring of losses and the administration of some of the error notice system as well as the administration of "former subpostmasters' accounts", which involved the resolution of discrepancies for SPMs after they left a branch. Each of these areas was covered by documented policies.
78. I have been asked to confirm what sources of information I would expect an auditor to have considered when completing an audit (pre and post the introduction of Horizon) and whether these sources varied according to the type of audit being conducted. I can recall that the basis of an audit consisted of two elements: the verification of cash, stock and vouchers, and the inspection of compliance to laid down procedures.

79. In order to verify cash, stock and vouchers, the auditor would obtain a starting figure from the office account, whether paper based, from the Horizon system or from other various systems which were in use before the introduction of Horizon. Cash, stock and vouchers would then be physically counted to arrive at a balance. After the audit, some figures from the office account could be verified, for example the value of any remittances sent from or to the branch could be checked against the records of the cash centre. Other information would always be checked by other agencies or departments in the normal error checking process.
80. Calculations would be completed to check that stock holding levels were reasonable compared to sales, and that overnight cash holdings were within target.
81. The checking of “vouchers” refers to withdrawals or deposits from or to various sources – for example the National Savings and Investments (NS&I), or one of the banks. Over time, the number of paper vouchers decreased as digital input increased. Fundamentally, nothing about the audit changed with the introduction of Horizon except for the source of some information at the branch.
82. When looking at compliance, the auditor would be looking to check a number of records in the branch, for example to ensure a record was kept of visitors to the branch and a record of alarm testing. They may check that leaflets and posters on display were current and that opening times were correctly advertised.
83. If the audit was conducted to establish a loss following an incident of robbery or burglary, then some of the checks may have been dispensed with.

84. With the exception of transfer audits and those conducted following a robbery or burglary, audits were conducted unannounced. On arrival at the branch, the auditor would obtain access to the Post Office cash, stock and records and the SPM and staff would be prevented from accessing these or the Horizon system. The expected plan for the audit would be communicated to the SPM and the person in charge if the SPM was absent. The branch would be closed to the public for the minimum amount of time and generally not for the full duration of the audit. Note that if the SPM was absent, they would, if possible, be contacted to inform them that an audit was being conducted at their branch.
85. I have been asked to confirm what further enquiries or investigations an auditor would undertake if they discovered a discrepancy or a shortfall during an audit. At the branch, provided proper records had been kept, it was normally possible to check most of the information entered into the audit account. For example, cash could be checked against the record of the previous overnight cash holding record, stock could be checked, albeit approximately, to the last stock levels recorded by the branch and many vouchers would still be on hand at the branch. The SPM or officer in charge would normally be on hand to answer questions from the auditor, especially dealing with matters of local knowledge, but a formal interview would be a part of the investigation process and not carried out by the audit team.
86. Further checks of records would take place following, or during an audit by making telephone enquiries. For example, branch records could be verified against records of cash and stock received or dispatched with the cash centre, or daily vouchers dispatched with the accounts department in Chesterfield or the various agencies.



Some of these checks could not be undertaken at the time of the audit, as some items might be in transit.

87. After the audit was completed, in the case of larger discrepancies, the case would be passed to the line manager for consideration of precautionary suspension pending investigation and to the investigation team to consider any criminal aspects.
88. If a discrepancy or shortfall was discovered, SPM's were able to provide their own information or undertake their own investigation. It would be normal practice to discuss any discrepancy with the SPM or person in charge and sometimes this would prompt their memory and result in a resolution. They should always have been invited to check the figures in the audit account.
89. In the more serious cases where a SPM's contract had been precautionarily suspended, then he or she would be invited to interview with the Contract Advisor and / or the investigator. I have never been involved with the investigation interviews conducted by the investigation team, so cannot comment on them, but when interviewed by a Contract Advisor, the SPM would usually be accompanied by an officer of the National Federation of SPMs. This interview would be conducted as soon as reasonable after the precautionary suspension to allow time for information to be gathered and at this interview, all aspects of the case would be discussed and every opportunity given for the SPM and their representative to provide any information for consideration.
90. I was aware of auditors being given instructions on taking payment from SPM's to make up any shortfalls. Payments could be taken and a receipt given. I believe it

was also made clear that this payment would be accepted without prejudice to any further action to be taken by the Post Office.

91. Any audit would be generally performed with the branch being closed to the public, and therefore with an urgency to have service resumed as soon as possible. Therefore, discussions with the SPM would normally be brief whilst the assets were checked by the auditors. Once any discrepancy had been established, then the SPM would be invited to check the account and input any local knowledge.
92. In terms of what processes were in place which allowed a SPM to raise issues or concerns during an audit, if any issues or concerns were raised by a SPM during an audit, auditors were encouraged to simply note any issues raised, but not to question. The audit report would contain a summary of any issues or concerns raised by the SPM. Any general issues or concerns would be raised with their area manager / sales manager.
93. There was no involvement with Fujitsu at any stage in the audit process.
94. In terms of whether there was any variation between the audit process in respect of Crown Office branches and other branches, broadly the process was the same for the verification of assets. However, the check of compliance to procedures differed because the Post Office employed a manager to ensure ongoing compliance, so the audit checks were less.

**MY ROLE AND THE POLICIES / PRACTICES IN PLACE RELATING TO ERROR  
NOTICES, TRANSACTION CORRECTIONS, TRANSACTION  
ACKNOWLEDGEMENTS AND BRANCH DISCREPANCIES**

95. I have been asked to confirm my involvement in and the policies / practices in place relating to error notices, transaction corrections, transaction acknowledgements and branch discrepancies. Within the audit team error notices were received from various agencies, such as NS&I, and would be sent on to the sub post office to be brought to account. These would have the effect of rectifying errors made and the resultant shortage or surplus would be made good or withdrawn as appropriate. I cannot recall whether “transaction corrections” were introduced at the same time as the Horizon system, but these had the same effect as error notices – it’s just that they were delivered electronically to the SPM’s Horizon system.
96. I do not recall what a transaction acknowledgement was.
97. When a SPM found a discrepancy in the account at some stage and depending on amount, these were reported to the audit team.

Error notices, transaction corrections, transaction acknowledgements and branch discrepancies.

98. I was asked to considered the following policies:
- a) “Losses and gains policy within the POCL agency network” (version 1, 20 November 1998) (POL00088904) (see, in particular, the table under paragraph 3.1);

- b) "Debt Recovery Processes under Branch Trading" (October 2005)  
(POL00085794);
- c) "Post Office Ltd Losses policy – overarching (branches)" (version 9,  
effective date April 2006) (POL00030562) and appendices 3 ('Process for  
awaiting TC (Transaction Correction) – Multiples' at POL00083951) and 4  
(Process for awaiting TC (Transaction Correction) – Singletons' at  
POL00083952);
- d) "Transaction Corrections Process Review for Agency Branches" (version  
6b (draft, October 2007) (POL00039024);
- e) "Operating Level Agreement: Product & Branch Accounting, Network and  
Service Delivery" (version 1.0, March 2009) (POL00039089);
- f) "Operators' In Service Debt - Operators' Lifecycle Issue - Policy issue 8" (1  
January 2012) (POL00113670);
- g) "Policy Document – Postmasters' In Service Debt" (version 2.0, 4  
December 2012) (POL00090357).

99. I can confirm that I have reviewed these documents.

100. Prior to the introduction of Branch Trading an error notice was designed to enable the SPM to make an entry in the branch account to reverse the effect of an earlier entry made in error. For example, if a deposit of one hundred pounds was entered in error into the branch accounts as one thousand pounds, then when the office account was balanced, it would be found to be short by nine hundred pounds. The error notice would reverse this effect by crediting the account with nine hundred

pounds, creating a compensating surplus at the next balance of account. An error notice was sent to the branch by post.

101. After the introduction of Branch Trading a transaction correction was the electronic equivalent of an error notice. As stated above, I do not recall what a transaction acknowledgement was.
102. Error notice or Transaction Corrections ("TC") were issued when a discrepancy was identified between the branch account and other evidence. This evidence could be, for example, a customer receipt or an entry in a bank book. It would take some investigation to establish which entry was correct, but then an error notice or TC would be issued to reverse the effect of an original error.
103. Error notices were issued by the accounts department in Chesterfield or the various agencies, such as NS&I. They were sent to the audit team so that they could be recorded and then sent out to the relevant branches. TCs were electronic versions of error notices, but would be sent directly to the branch, bypassing the audit team.
104. An error notice would normally be brought to account and the resultant discrepancy made good or withdrawn. It could be challenged and an explanation sought. The amount could also be posted to the suspense account, which would have the effect of declaring that the notice was in the account, but that the resultant discrepancy had not been dealt with.
105. In order to continue trading, TCs had to be brought to account and the resultant surplus or shortage made good or withdrawn. I note from document POL0039024 that discrepancies less than £150 should have always have been withdrawn or

made good, but a dispute process could be invoked for larger errors, giving the opportunity for further investigation and allowing the SPM to bring any new evidence. The process was dealt with by the central accounting team.

106. In terms of the process that a SPM was expected to follow if they discovered a deficiency or surplus in the amount of cash held when balancing a branch, the contractual position was that surpluses should be withdrawn and shortages made good without delay.
107. If the SPM was expecting an error notice, discrepancies could be posted to suspense. I believe permission from the retail Network Manager was required for this and that there were time limits to avoid amounts being held in suspense indefinitely. It was not considered to be good practice to simply “roll over” a discrepancy in the hope that it would come good at the next balance of accounts.
108. When Branch Trading was introduced, Document POL00085794 indicated that £150 was considered the minimum amount for a deficiency before a SPM was able to “settle centrally”. Generally, in my work, I was less concerned with smaller discrepancies, so I am not familiar with the actual position in relation to their settlement.
109. The Inquiry have informed me that they have received evidence that as part of the IMPACT programme, which involved the introduction of a new end to end accounting process via Horizon, the local suspense account which had previously been available to SPMs was removed. I have been referred to the witness statement of Susan Harding at WITN03980100, paragraphs 23 to 32 and also to the following documents:

- a) 'Losses and gains policy within the POCL agency network' (version 1, 20 November 1998) (POL00088904) (see, in particular, section 1, part 2 'Authority To Hold Losses In Unclaimed Payments');
- b) ii) 'Post Office Ltd – Security Policy: Accounting losses policy for agency branches' (version 1, February 2003) (POL00086845) (see, in particular, section 3 – 'Authority to Hold Losses');
- c) 'Post Office Ltd – Security Policy: Liability for losses policy (for agency branches)' (version 1.7, September 2003) (POL00088867) (see, in particular, section 3 – 'Authority to Hold Losses');
- d) The letter at page 2 of NFSP00000169;

110. I can confirm that I have reviewed these documents.

111. I have been asked to explain what role the local suspense account played before its removal. The role of the local suspense account was to account for any unclaimed payments or receipts uncharged to the account. The suspense facility would also enable shortages or surpluses to be declared, but not made good or withdrawn. For example, if the balance of account showed a shortage, this could be entered as an unclaimed payment, which would have the same effect as adding it to the cash on hand, negating the shortage. With permission, the facility could be used legitimately to hold discrepancies for up to 8 weeks, usually whilst awaiting an error notice. The facility was replaced by the debt resolution process.

112. By October 2005 (the date of the guidance "Debt Recovery Processes under Branch Trading" at POL00085794), it is correct that the only option open to a SPM

who received a TC which they did not understand, or wished to challenge, was to call the NSBC helpline.

113. This would result in either a satisfactory explanation being given so the TC would be brought to account; evidence that the TC was incorrectly issued resulting in a compensation; TC being issued; or the dispute process being invoked which would result in the amount being held in a separate account whilst further investigations took place. This is referred to in document POL00085794.
114. It is correct that, if the SPM could not provide information at the time of the call to the helpline to show that the TC was issued incorrectly, the SPM was required to “Accept and Settle Centrally” whilst a further investigation took place. However, I was not involved in this process.
115. It is correct that, if a SPM identified a discrepancy which they considered to have been caused by a system error, the only option available to them was to call the NSBC helpline and seek agreement of Product and Branch Accounting to “settle centrally” while the matter was investigated. This was the process in respect of any disputed discrepancy. Separate to the NSBC helpline, there was also a dedicated “Horizon Helpdesk”.
116. I have been asked whether “settling centrally” signifies acceptance of debt liability, as is suggested in the document dated 14 November 2008 entitled “TC/Debt Recovery Review” at POL00001404. My understanding of the way the process was used in practice is that settling centrally was an acceptance of debt liability, unless the dispute resolution process was invoked, which would stop the debt recovery process pending further investigation.



117. I would like to point out that the “settle centrally” facility was used routinely by branches managed by the “multiple partners”. This enabled the partner to settle the discrepancies for all the branches they managed in a single settlement to the Post Office.
118. There was not anything to distinguish a disputed debt from an undisputed debt and I cannot see that the policy or the contract made any distinction.
119. At the time, the contractual position in respect of losses was clear and the SPM was responsible for all kinds of losses whether caused by carelessness, negligence or error and losses of all kinds caused by assistants.
120. To avoid any confusion around the term “settle centrally” I would like to explain that the term was often used to describe the action of clicking on the button to accept a TC. Clicking this button then led to options of either accepting liability to pay money into the account, or to raise a dispute. If the SPM disputed a TC, then there was a process in place to investigate the error without the need for immediate settlement.
121. On that basis I found it satisfactory that SPMs were required to click the button to “settle centrally” even if a TC was disputed as immediate payment was then not required and a delay enabled time for enquiries to be made and any proof to be provided. I still consider this to be a satisfactory system of bringing to account TCs even if disputed. It is only in the light of the findings of the court case that it has been found that the process of investigating any dispute has been found inadequate in relation to finding Horizon system errors.

122. I would agree that the process for challenging TCs / TAs discrepancies meant that a deficiency or loss was assumed to be the result of carelessness, negligence or error caused by the SPM or any staff employed.

### **MY ROLE WITHIN THE COMMERCIAL SECURITY TEAM**

123. During my short time within the Commercial Security Team, my role was to reduce losses to the Post Office caused by weaknesses in product security. There may have been minor involvement with other products, the detail of which I cannot recall, but my main task was to look at cheque encashment fraud.

124. In order to do this, data was downloaded daily from the relevant system which would show the account number of all encased cheques across the Post Office network. This data must have originated from the Horizon system, but I was able to download it. I cannot clearly recall whether I has download access to Horizon, but I believe there was another computer system which came between my download and the source of the data. Multiple encashments from a single bank account could be identified, which could then be further investigated. This system enabled many fraudulent encashments to be stopped. I do not recall any fraud being perpetrated by SPMs or Post Office staff, only by dishonest members of the public.

125. I had no concerns during this time about the reliability of Horizon data. The data was verified by the counterfeit cheques which were gathered in.

**“CORRECTIVE ACTION” TAKEN AGAINST SPMs, SUSPENSION,  
TERMINATION AND APPEALS**

126. My permanent roles within the Post Office are described above, but on some occasions, I covered, without additional pay, the role of the contract advisor line manager. On occasions in this role, I would be contacted by a Contract Advisor, should they wish to discuss a potential suspension. I would always have the option of discussing any decision with another Contract Advisor line manager, or other senior manager, if necessary.

“Corrective Action” taken against SPMs

127. I can confirm that I have reviewed the memo dated 15 February 2006 entitled “Corrective Action for agents – Process, Timescales and Letters” (POL00083945).

128. Where any accounting errors which generate transactions corrections were identified, a member of staff, either a trainer or a visiting officer, would be sent out to the branch to provide training or support in the balancing process. The National Federation of Subpostmasters were often very helpful, particularly in providing coaching and support to new SPMs. On occasions full days of additional support from a trainer could be arranged.

129. It is not correct that it was assumed that SPMs who were receiving “[frequent] transactions corrections” were those “yet to embrace the changes and challenges the business faces”. I believe the corrective action process sought to reduce the cost to the Post Office of frequent errors. This was a separate issue to helping to bring about the cultural change to proactive selling of products by SPMs rather than

just providing service to customers. The support provided in cases of frequent errors are listed at point 36. Remedial action to encourage active selling was likely to be coaching and training from the Sales Account Manager, supported by the Contract Advisor (Contract and Services Manager as referred to within POL00083945.) I recall few cases coming through to the Contract Advisors, which focused on reluctance of SPMs to sell products.

130. In relation to paragraph 3.4: "Precautionary Suspension and Summary Termination", in the absence of "evidence of dishonesty", I have been asked to confirm what kind of "material breach of the contract for services would justify such action." I can recall that breaches of the contract for services which could lead to precautionary suspension or summary termination could be cases where carelessness, negligence or error were evident or where losses were caused by an assistant.

131. I do not recall having any involvement with "corrective action" against Crown Office staff. I therefore cannot recommend on how the process differed from the process applicable to SPMs.

#### Suspension, termination and appeals

132. I can confirm that I have reviewed the following documents:

a) "Managing Agents Contracts" (version 3, 1 January 2001)

(POL00089004);

b) "Outlet Support – Audit Contact Points" (version 2, September 2006)

(POL00084002);

- c) "Post Office Limited: Appeals Handbook" (19 June 2008) (POL00005856);
- d) "Subpostmaster Appeals Panel Process (version 1) (POL00005962) and associated flowchart (version 1) (POL00086107);
- e) "Company Operated Post Office branches: dealing with resignation of and applications from existing Operators" (20 May 2011) (POL00085448);
- f) "Policy and Process Amendments to ACC 12/2009 (Deployment of Post Office operating models in cases of summary termination and resignation to avoid summary termination)" (16 June 2011) (POL00086005);
- g) "Managing Shortages at Audit: Process and Policy Guidelines" (POL00086358) and the associated flowchart "Managing shortfalls at Audit" (POL00086081) (25 July 2011);
- h) "Subpostmaster Appeal Panel Process Review" (March 2012) (POL00086828);
- i) "Guidance to Post Office Ltd personnel dealing with requests from Post Office Ltd Operators to be accompanied by a friend at interview" (25 June 2012) (POL00086704);
- j) The email at POL00087258 and attachment "Horizon Challenge Process Attachment" (29 August 2012) (POL00087259);
- k) "Guiding Principles for Suspension" (2 November 2012) (POL00086116).

133. I have been asked to confirm what a contract manager's / contract advisor's role was following the discovery of a discrepancy or shortfall during an audit and what process was followed when an auditor's report was provided to them. When a

shortfall in a branch account was discovered by the audit team of over £1,000, then an auditor would make contact with a Contract Advisor who would then, in consultation with their line manager, make a decision on whether to suspend the contract to give time for further investigation, or to allow trading to continue based on information provided.

134. If the deficiency was less than £1,000 this would be highlighted in the audit report, but not brought to the immediate attention of the Contract Advisor.
135. In circumstances where a discrepancy and/ or shortfall was identified, the situation changed over time as to who was responsible for deciding whether a SPM should be suspended. For a long time, the Contract Advisor would consult with a senior manager before any decision was made. As awareness of Horizon difficulties increased, any such decision was taken at senior manager level.
136. In relation to how an individual responsible decided whether or not to suspend a SPM, I recall the "Guiding Principles for Suspension" document, ref POL00086116 and my understanding is that this was designed to be an aid memoire for Contract Advisors to assist them in their decision making. This document would be taken into consideration, along with information provided by the audit team and any other information available. Before the decision was taken, there would always be consultation between the Contract Advisor and their line manager.
137. If the precautionary suspension was due to account shortages, the SPM would normally be informed by telephone at the time of the audit, and this would be confirmed by letter shortly afterwards.

138. The decision to make a precautionary suspension pending investigation would be taken by the Post Office and I do not believe there was any process for the SPM to make representation about that decision. However, it would often be the case that the Contract Advisor would speak to the SPM at the time of audit and before the decision to suspend was taken. At that stage the SPM could bring forward any matters for consideration.
139. As to whether SPMs were remunerated for the period of their suspension, remuneration would normally be withheld. Direction for this process is outlined within the contract, but I do not recall the detail.
140. In terms of who was responsible for deciding whether a SPMs contract should be terminated where a discrepancy and / or shortfall was identified, once the decision to precautionarily suspend a contract was made, evidence would then be gathered to enable a meaningful interview to take place where all aspects of the case could be discussed. In some cases, the interview could be conducted a few days after the suspension of the contract, but this was dependent on what information needed to be gathered. As with the decision to suspend the contract, a senior manager, normally the line manager of the Contract Advisor would be consulted before a decision to reinstate or terminate the contract was made.
141. At interview, evidence would be heard from the SPM and the Contract Advisor. The SPM would usually be accompanied by a friend – often a representative of the Federation of Subpostmasters. Whilst that “friend” was not permitted to formally represent a SPM, they could be useful to both parties in helping to clarify any issues relating to day-to-day transactions in the branch. The Contract Advisor would

present the report from the auditors and any other information which was relevant to the case.

142. Prior to the interview the Contract Advisor may consult with the accounts department and the security team if a criminal investigation was being considered, as well as any other relevant agency. Before a decision was taken on whether to re-instate the contract with or without conditions, or to terminate it, a senior manager, usually the line manager of the Contract Advisor would always be consulted.
143. If the decision was made not to terminate a SPMs contract after they had been suspended, they would be informed of the decision not to terminate as soon as possible and of any conditions to the re-instatement. Provided any conditions were met, the branch contract would be reinstated. If the branch had been closed since the precautionary suspension, then it would be re-opened as soon as practicable and if it had been transferred to a temporary SPM, then a transfer back would be arranged.
144. As I recall, a SPMs contract could be terminated without notice in cases of bankruptcy, abandonment of service or death of the SPM.
145. SPMs did not have the right to appeal against the decision to suspend them. The decision to precautionarily suspend pending further investigation was made by the Post Office based on evidence available at the time.
146. The SPMs did, however, have the right to appeal a decision to terminate their contract. Appeals were heard only by specially trained senior managers. I recall



taking notes during appeals before it was common practice to record the appeal interview using an electronic device, but as I never achieved the status of senior manager, I never had input into the decision making.

147. Although I was never involved in deciding on a SPM's appeal I am aware that the appeal hearing was regarded as a completely fresh review of all the evidence and every opportunity was given for the SPM to present their case.
148. The SPM was invited to present their case and had the opportunity to make representations before the appeal was determined.
149. I cannot recall any changes to suspension, termination or appeal that were brought about by the Network Transformation Programme.
150. As a user of the policies, I may have been consulted on any revisions over a number of years. My only specific recollection is in helping to revise process to do with appeals and to provide assistance in the training of appeals managers as indicated in the document POL00086828 – "Subpostmasters Appeal Panel Process review".
151. In relation to what approach was taken to termination of contract decisions when criminal or civil proceedings had not yet been resolved, any criminal proceedings would take place independently to the contractual process. Civil proceedings would be started as part of the "Former Subpostmasters Accounts" process, so would not be commenced until after any debt was established and the termination process completed.

## RECOVERY OF AGENTS' DEBT

152. I can confirm that I have reviewed the following documents:

- a) "Losses at SPSO's: Guidelines on responsibilities and recovery arrangements" (understood to be issued in 1988) (POL00083939) (see, in particular, paragraphs 15 to 28);
- b) 'Losses and gains policy within the POCL agency network' (version 1, 20 November 1998) (POL00088904) (see, in particular, sections 3 and 4 and appendices D and K);
- c) Working agreement – "Finance Service Centre and Network" (version 2.12, undated) (POL00088897) (see, in particular, paragraph 3.7);
- d) "Fraud & Conformance Team Handover Document" (3 March 2012, revised July 2012) (POL00002086).

153. I have been asked to explain my role and that of contract managers / contract advisors more generally in relation to recovering debt from current and former SPMs. As regional audit manager, I was involved with recovery of debt from serving and former SPMs. The process was to write to SPMs explaining the contractual position and the reason for the debt. Repayment plans were offered and if recovery proved to be impossible, then the cases were passed up to more senior management for consideration of write-off or to be passed to the legal department for their input.

154. POL00088904 indicates Retail Line Managers and Heads of Retail Network took on these responsibilities when regions existed, although I believe the audit team played an administrative role in monitoring losses.
155. Although I cannot be sure of dates or their exact role, Contract Advisors also became involved in the process. I believe any write-off authority given to Contract Advisors was later withdrawn and applied only to senior managers.
156. I have been asked what involvement contract managers / contract advisors had in decision-making relating to agent debt being dealt with by the Financial Services Centre (“FSC”) after a SPM had opted to “settle centrally”. The FCS would deal with providing information and evidence of any debt. The Contract Advisor would be involved in recovery of the debt.
157. I cannot recall any detail around any other teams within the Post Office which were involved in the debt recovery and branch conformance.
158. I can confirm that I have reviewed the following documents:
- a) “Losses and gains policy within the POCL agency network” (version 1, 20 November 1998) (POL00088904) (see, in particular, section 5 and appendices J and L);
  - b) “Post Office Ltd – Security Policy: Accounting losses policy for agency branches” (version 1, February 2003) (POL00086845) (see, in particular, section 4 and section 5);

- c) "Post Office Ltd – Security Policy: Liability for losses policy (for agency branches)" (version 1.7, September 2003) (POL00088867) (see, in particular, section 4 and section 5);
- d) "Post Office Ltd Losses policy – overarching (branches)" (version 9, effective date April 2006) (POL00030562) and appendix 5 "Process for seeking relief on losses – singletons" (POL00005816),

159. It can be seen from these documents that responsibility for the recovery of losses changed over time, with audit, the retail line and Contract Advisors being involved at various times and in various ways.

160. I recall that "write-off" could have been considered for accounting losses if the SPM was within the first 6 weeks of service and in cases of exceptional hardship. The earlier document POL00088904 describes more factors which Retail Network Managers and Heads of Retail Network could consider, which included accounting cases where evidence was not conclusive. Document POL00005816 refers to distressing circumstances which an Area Performance Manager may take into account when considering write-off. I was not involved in decisions taken by these managers.

161. I am unaware of the frequency of debt write-off for SPMs.

#### **CIVIL CLAIMS AND OTHER DEBT RECOVERY PROCEEDINGS**

162. I have been asked in what circumstances were civil claims / other debt recovery proceedings brought on behalf of the Post Office to recover debt from current or former SPMs. If debt recovery had been unsuccessful, after write off criteria had

been considered and repayments plans discussed, then cases were passed to either senior managers or the legal team to decide whether to further pursue the debt.

163. I was not involved at any time with the recovery of debt from Crown Office employees and can therefore not answer any questions in relation to this.

### **CASES AGAINST SPMs**

164. I have been asked what, if any, recollection I have of the following criminal cases:

- a) Nichola Arch
- b) Susan Hazzleton
- c) Lisa Brennan
- d) David Yates
- e) Carl Page
- f) David Blakey
- g) Tahir Mahmood
- h) Oyeteju Adedayo
- i) Hughie Thomas
- j) Suzanne Palmer
- k) Janet Skinner
- l) Jo Hamilton
- m) Pauline Stonehouse
- n) Susan Rudkin
- o) Julian Wilson
- p) Peter Holmes

- q) Seema Misra
- r) Allison Henderson
- s) Alison Hall
- t) Joan Bailey
- u) Lynette Hutchings
- v) Grant Allen
- w) Khayyam Ishaq
- x) Angela Sefton
- y) Ann Neild

165. I have no recollection of any of the above listed criminal cases, with the exception of Suzanne Palmer and Allison Henderson.

Suzanne Palmer

166. The Inquiry have provided me the following documents: POL00068275; POL00068277; POL00068278; POL00068281; POL00068280; POL00068282; POL00068283; POL00068575; and POL00068581.

167. I have provided a witness statement in relation to Suzanne Palmer's bankruptcy case on 03/04/2023 and therefore my memory of the case has been at least partially refreshed. I was not involved in the criminal case against Suzanne Palmer, but would have supplied information to the security investigation team if requested to do so, but I have no specific recollection that any such request was made to me.

Allison Henderson

168. The Inquiry have provided me with the following documents: POL00025670; POL00025672; POL00044501; POL00046853; POL00044900; POL00047152; POL00047235; POL00054285; and POL00054422.

169. The documents provided remind me that an audit was carried out at the Worstead branch of which Allison Henderson was SPM revealing a shortage in the account of £11,957.78. I invited Mrs. Henderson to interview to decide on the future of the contract for services, but before that interview took place, Mrs. Henderson resigned. The security investigations team requested a witness statement from me, which I supplied and is document POL00047235 dated 20 September 2010. I had no further involvement with any criminal proceedings.

170. I have been asked whether there are any prosecutions that I had a role in that I consider are relevant to the matters being investigated by the Inquiry. I was never involved with the security investigations team and my only involvement in any criminal cases was to provide information to them, or on a very limited number of occasions, a witness statement. I was not involved in criminal cases, other than to provide statements or information.

171. I have been asked what, if any, recollection I have of the following civil actions:

a) Aslam Ramtoola

**GRO**

c) Kevin Palmer

d) Rachel Williams

- e) Frank Holt
- f) Susan McKnight
- g) Tracey Etheridge
- h) Katherine McAlerney
- i) Keith Macaldowie
- j) Lee Castleton
- k) Julie Wolstenholme

172. I was involved with deciding on the future of contracts for services, not any civil action. I take "civil action" to mean the recovery of debt. There are no civil actions that I had any role in, or that I would consider relevant for this inquiry.

#### **KNOWLEDGE OF BUGS, ERRORS AND DEFECTS IN THE HORIZON SYSTEM**

173. I have considered the correspondence at POL00073790 and POL00105278. These documents describe a situation around a discrepancy found at an audit in April 2008 at The Grange Post Office branch whilst Kevin Palmer was the SPM. It was to do with accounting for lottery scratch cards. It appears that there was confusion about the correct way of accounting for scratch cards and as a result Kevin Palmer was left with a shortage to make good. The case was sent to Andy Winn in the accounts department in Chesterfield to clarify as he had the expertise and access to the records needed. He wrote to Mr Palmer in October 2012 with an explanation POL00105278.

174. As a Contract Advisor I was aware that the system used for accounting for scratch cards was the cause of a disproportionate number of errors, but I have no reason to believe that this was caused by any bugs, errors or defects in the Horizon system.



175. At the time of the introduction of the system and consistently throughout the time when groups of SPMs were questioning the robustness of the Horizon system, my colleagues and I in the contracts team were assured of its complete reliability. I was assured that the Horizon system was not capable of causing discrepancies. I considered the system as reliable in reporting discrepancies in the account. I was also assured that if the system stopped working due to an interruption in the power supply, everything was recorded, so would be brought back when the supply was restored.

#### **OTHER MATTERS**

176. It has come to light that decisions in which I have been involved in the past may have been based on incorrect information obtained from the Horizon system. It has subsequently been found that the Horizon system, on which I relied, has been found to be less reliable than I was assured it was. I would like to express my sincere apologies to anybody who may have been affected unjustly.

#### **Statement of Truth**

I believe the content of this statement to be true.

Signed

**GRO**

Dated:

*10<sup>th</sup> May 2023*

**Index to First Witness Statement of Alan Lusher**

| <b>No</b> | <b>URN</b>   | <b>Document Description</b>   | <b>Control Number</b> |
|-----------|--------------|---|-----------------------|
| 1         | POL00088903  | Brief summary of certain sections of the subpostmasters contract  | POL-0085961           |
| 2         | POL00088900  | Template letter "Assessment for the position of subpostmaster"  | POL-0085958           |
| 3         | POL00005670  | Agency Recruitment Policy (version 0.1, October 2008)   | VIS00006738           |
| 4         | POL00088904  | Losses and gains policy within the POCL agency network (version 1, 20 November 1998)  | POL-0085962           |
| 5         | POL00086845  | Post Office Ltd – Security Policy: Accounting losses policy for agency branches (version 1, February 2003)                          | POL-0083903           |
| 6         | POL00088867  | Post Office Ltd – Security Policy: Liability for losses policy (for agency branches) (version 1.7, September 2003)                  | POL-0085925           |
| 7         | POL00030562  | Post Office Ltd Losses policy – overarching (branches) (version 9, effective date April 2006)                                       | POL-0027044           |
| 8         | POL00085794  | Debt Recovery Processes under Branch Trading (October 2005)   | POL-0082852           |
| 9         | POL00083951  | Process for awaiting TC (Transaction Correction) – Multiples  | POL-0081009           |
| 10        | POL00083952  | Process for awaiting TC (Transaction Correction) – Singletons   | POL-0081010           |
| 11        | POL00039024  | Transaction Corrections Process Review for Agency Branches (version 6b (draft, October 2007)  | POL-0035506           |
| 12        | POL00039089  | Operating Level Agreement: Product & Branch Accounting, Network and Service Delivery (version 1.0, March 2009)                      | POL-0035571           |
| 13        | POL00113670  | Operators' In Service Debt - Operators' Lifecycle Issue - Policy issue 8 (1 January 2012)   | POL-0112554           |
| 14        | POL00090357  | Policy Document – Postmasters' In Service Debt (version 2.0, 4 December 2012)   | POL-0087326           |
| 15        | WITN03980100 | First Witness Statement of Sue Harding  |                       |
| 16        | NFSP00000169 | Letter circulated to the National Executive Council enclosing correspondence regarding debt recovery process dated 17 December 2004 | VIS00007617           |
| 17        | POL00001404  | TC/Debt Recovery Review – Key feedback issues   | VIS00002418           |
| 18        | POL00083945  | Corrective Action for agents – Process, Timescales and Letters  | POL-0081003           |
| 19        | POL00089004  | Managing Agents Contracts (version 3, 1 January 2001)   | POL-0080965           |

|    |             |   |             |
|----|-------------|---|-------------|
| 20 | POL00084002 | Outlet Support – Audit Contact Points (version 2, September 2006)   | POL-0081060 |
| 21 | POL00005856 | Post Office Limited: Appeals Handbook (19 June 2008)  | VIS00006924 |
| 22 | POL00005962 | Subpostmaster Appeals Panel Process (version 1)   | VIS00007030 |
| 23 | POL00086107 | SPMR Appeal Process Flowchart v1  | POL-0083165 |
| 24 | POL00085448 | Company Operated Post Office branches: dealing with resignation of and applications from existing Operators (20 May 2011)   | POL-0082506 |
| 25 | POL00086005 | Policy and Process Amendments to ACC 12/2009 (Deployment of Post Office operating models in cases of summary termination and resignation to avoid summary termination) (16 June 2011) | POL-0083063 |
| 26 | POL00086358 | Managing Shortages at Audit: Process and Policy Guidelines  | POL-0083416 |
| 27 | POL00086081 | Managing shortfalls at Audit  | POL-0083139 |
| 28 | POL00086828 | Subpostmaster Appeal Panel Process Review (March 2012)  | POL-0083886 |
| 29 | POL00086704 | Guidance to Post Office Ltd personnel dealing with requests from Post Office Ltd Operators to be accompanied by a friend at interview (25 June 2012)                                  | POL-0083762 |
| 30 | POL00087258 | Email from Nigel Allen to Anita Bravata, Craig Tuthill and others re: FW: Horizon Challenge Cases - Process to be adopted - Take 2.   | POL-0084316 |
| 31 | POL00087259 | Horizon Challenge Process Attachment (29 August 2012)   | POL-0084317 |
| 32 | POL00086116 | Guiding Principles for Suspension (2 November 2012)   | POL-0083174 |
| 33 | POL00083939 | Losses at SPSO's: Guidelines on responsibilities and recovery arrangements (understood to be issued in 1988)  | POL-0080997 |
| 34 | POL00088897 | Finance Service Centre and Network (version 2.12, undated)  | POL-0085955 |
| 35 | POL00002086 | Fraud & Conformance Team Handover Document (3 March 2012, revised July 2012)  | VIS00003100 |
| 36 | POL00005816 | Appendix 5: Process for seeking relief on losses – singletons   | VIS00006884 |
| 37 | POL00068275 | Letter from Alan Lusher to Suzanne Palmer - terminating contract  | POL-0064754 |
| 38 | POL00068277 | Letter from Alan Lusher to Suzanne Palmer terminating contract - with annotations   | POL-0064756 |
| 39 | POL00068278 | Letter from Mr Alan Lusher to Mrs Suzanne Palmer re: Suspension of Contract for services  | POL-0064757 |

|    |             |   |             |
|----|-------------|---|-------------|
| 40 | POL00068281 | Terms to be Included in Temporary Contract for Subpostmaster for Maureen Upton of The Grange Post Office  | POL-0064760 |
| 41 | POL00068280 | Post Office Ltd Investigation Personnel Report on False Accounting Offence for Suzanne Palmer of The Grange Post Office   | POL-0064759 |
| 42 | POL00068282 | Letter from Mr Alan Lusher to Mrs Suzanne Palmer re: Suspension   | POL-0064761 |
| 43 | POL00068283 | Letter from Mr Peter Riches to Mr Alan Lusher and others re: Audit of Post Office The Grange branch, FAD 103140 and Letters from Ms Dawn Wall to Ms Claire Watts re: Error Notices cleared by Deduction from Remuneration Concurrence | POL-0064762 |
| 44 | POL00068575 | Letter from K Palmer to People and Organisational Development Services about applying to be SPM at The Grange in place of Suzanne Palmer  | POL-0065054 |
| 45 | POL00068581 | Email chain between Alan Lusher and Nicola Prady about K Palmer applying to be SPM at the Grange following termination of Suzanne Palmer's contract   | POL-0065060 |
| 46 | POL00025670 | Letter from Alan Lusher inviting Mrs Henderson for interview before final decision on contract termination  | POL-0022149 |
| 47 | POL00025672 | Letter to Mrs A. Henderson from Alan Lusher accepting resignation and termination of contract   | POL-0022151 |
| 48 | POL00044501 | Memo from Christopher G Knight to Rob Wilson re: Allison HENDERSON (response to note 25.03.2010)  | POL-0040980 |
| 49 | POL00046853 | Case Closure Reporting - Mrs Alison Henderson (Worstead branch) dated 19/01/2011.   | POL-0043332 |
| 50 | POL00044900 | Email from Ann Bailey to Christopher G Knight, cc'd Alan Lusher re: POLTD/0910/0167 Mrs Allison Henderson, FAD 226/136, Worstead Post Office  | POL-0041379 |
| 51 | POL00047152 | Investigation report of Christopher Knight re. SPM Alison Henderson   | POL-0043631 |
| 52 | POL00047235 | Royal Mail Group Witness Statement of Mr Alan Lusher dated the 20th of September 2010 re. SPM Alison Henderson  | POL-0043714 |
| 53 | POL00054285 | Letter from Allison Henderson re: Statement of intention to market the premises   | POL-0050764 |

|    |             |   |             |
|----|-------------|---|-------------|
| 54 | POL00054422 | Suspect Offender Reporting from Christopher G Knight to Post Office Security  | POL-0050901 |
| 55 | POL00073790 | Email from Carol Ballan to Alan Lusher incl email chain about the Grange Post Office  | POL-0070353 |
| 56 | POL00105278 | Letter Correspondence between Andy Winn (Post Office Limited) and Mr K Palmer (The Grange Post Office) re Lottery Scratchcards, with associated document and emails | POL-0104386 |