

Witness Name: Christopher Mark Day

Statement No.: WITN10000100

Dated: 19 April 2024

## POST OFFICE HORIZON IT INQUIRY

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### FIRST WITNESS STATEMENT OF CHRISTOPHER MARK DAY

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I, Christopher Mark Day, will say as follows:

#### I. INTRODUCTION

- 1 I held the position of Chief Financial Officer (“**CFO**”) of Post Office Ltd (“**POL**”) from August 2011 until December 2014.
- 2 This witness statement is made to assist the Post Office Horizon IT Inquiry with the matters set out in the Rule 9 Request dated 8 March 2024 (the “**Request**”).
- 3 The facts within this witness statement are either within my own knowledge or belief, or derive from the records provided by the Post Office Horizon IT Inquiry or POL. However, as it relates to events that occurred in some cases up to thirteen years ago, there are several areas that I do not recall. Where that is the case, I have said so.

4 I have had limited disclosure of documents from the Post Office Horizon IT Inquiry and POL. Unfortunately, the documents provided to me are incomplete and therefore have assisted me in only a limited manner. Nonetheless, I have endeavoured to answer all questions in the Request to the best of my ability.

5 I have been assisted in preparing this witness statement by Kingsley Napley LLP.

## II. PROFESSIONAL BACKGROUND

6 I graduated from the University of York with a degree (Upper Second Class) in Economics in 1983. In 1990, I achieved a Masters of Business Administration (“**MBA**”) in Finance from City University, London.

7 I started my career as a graduate finance trainee with Beecham Group Plc from 1985 to 1987 in their Group Treasury Department.

8 From 1987 to 1989, I worked in the trading team (marketing foreign exchange products and options strategies) of the investment banking division of Manufacturers Hanover Trust Company of New York (now JP Morgan Chase & Co).

9 After completing my MBA, I worked as a management consultant at KPMG from 1990 to 1991.

10 In 1991, I joined Grand Metropolitan Plc, as Treasury Dealing Manager. I then became Assistant Treasurer – Risk Management & Dealing Operations in 1993 and then Director of Corporate Finance & Capital Markets in 1995.

- 11 In 1997, Grand Metropolitan Plc merged with Guinness Plc to form Diageo Plc. At Diageo, I became Director of Group Treasury Services from 1997 to 1999, Finance Director UDV SJ (the Netherlands) from 1999 to 2002 and Finance Director, Germany and Austria from 2002 to 2005.
- 12 I joined the BBC in 2005 as Group Financial Controller until 2011. My role included a four-month period (in 2008) as Acting CFO, at which time I was also a member of the BBC Executive Board.
- 13 I then joined POL in August 2011 as CFO, a position I remained in until I left POL in December 2014.
- 14 After I left POL, I managed and subsequently negotiated the sale of a small family business (2015-2019). In 2020, I joined the Board of Trustees and became Chair of the Audit Risk & Finance Committee of a local almshouse and dementia care charity.
- 15 I have never been made subject to any warnings, reprimands or disciplinary action in my career. I do not have any previous criminal convictions or cautions.

### **III. ROLE AND RESPONSIBILITIES AT POL**

- 16 As CFO, I was responsible for the financial management and external financial reporting of POL. In particular, given POL was in receipt of public money, we had a duty to account for how that money was spent. A core part of my responsibilities and duties as CFO was therefore ensuring that all financial statements were true, fair and accurate, and ensuring that the yearly audit was conducted properly. Day to day, I was responsible for financial accounting, management and statutory reporting, budgeting, financial planning and

analysis and the provision of commercial finance support, business performance management and corporate finance services (tax, treasury, cash and working capital management). My role and responsibilities did not materially change during my three-year tenure as CFO.

- 17 I had around eight direct reports and was responsible for approximately 250 full time employees from the following teams: Corporate Finance, Network Finance, Commercial Finance, Financial Planning and Analysis, Change Management, Financial Reporting, and Product and Branch Accounting. All of the teams falling directly under me were based in London (except for Product and Branch Accounting, which I discuss further in para. 18 below). The heads of the teams based in London reported directly only into me as CFO. I would see them on a daily basis.
- 18 The Product and Branch Accounting division was the team responsible for the back-office accounting system. During my tenure, the team was based in Chesterfield and led by Rod Ismay. The Product and Branch Accounting Division reported into me in relation to providing aggregated data and information for the purpose of producing POL's management information and financial reports. However, the team also reported into the Chief Information Officer ("**CIO**") in relation to the ongoing management and maintenance of the core accounting systems and software. I had face to face meetings with Mr Ismay every couple of months.
- 19 In 2014, Paula Vennells, Chief Executive Officer ("**CEO**"), decided to combine the finance and IT functions to reduce her number of direct reports. Lesley Sewell (CIO) therefore also reported into me in the final months of my tenure.



- 20 I was recruited to bring a more commercial focus to the finance function in anticipation of POL's separation from Royal Mail Group ("**RMG**") on 1 April 2012. The position I succeeded previously had the title of 'Finance Director'. The repositioning of the role as 'CFO' was intended to reflect the focus of the role to: drive the financial performance of the business; provide commercial support; and help POL compete on the provision of government services, with the aim of creating a business no longer dependent on public subsidy.
- 21 I was recruited by and reported into Ms Vennells, who was CEO of POL when I joined and for the whole duration of my tenure.
- 22 I have been asked whether my salary as CFO was directly or indirectly linked to the revenue or profits made by POL. My salary was not linked to the financial performance of POL. However, my annual bonus and, from 2012 onwards, my Long Term Incentive Plan ("**LTIP**") was calculated from a 'scorecard' which comprised of targets linked to a number of qualitative and quantitative factors, including managerial, leadership, cultural and financial measures. I understand that all senior managers within POL had the same bonus structure/LTIP, although the percentage of salary targets varied within seniority.
- 23 I have been asked why I left POL. When I joined POL, I saw the role as one I would be unlikely to stay in for more than three years, consistent with most of the senior roles I had held previously in my career. In late 2013, in a conversation with Ms Vennells, I said that I could not commit to staying at POL for a further three years. By 2014, I felt that the role had run its course: I no longer enjoyed it enough to consider staying. However, the precise timing of my

departure was determined by Ms Vennells who had identified a successor CFO who would join in January 2015. Therefore, I left POL at the end of 2014.

- 24 For the avoidance of doubt, the claims and issues relating to the Horizon IT System played no part in my decision to leave POL, or the timing of my departure.

#### **IV. POL CORPORATE GOVERNANCE**

- 25 When I joined POL in August 2011, POL was still owned by RMG. On 1 April 2012, POL separated from RMG, and RMG was subsequently privatised. During my tenure, POL's ultimate shareholder was always the UK government, represented by the Shareholder Executive of the Department of Business, Innovation and Skills ("**ShEx**") which sat within the Department for Business, Innovation and Skill ("**BIS**") (as it was known then).

- 26 I was always conscious of my duties as a director throughout my time at POL. In summary, I had a duty to promote the success of the company, exercise independent judgment, reasonable care skill and diligence, and act only within my powers. I did not consider my duties and responsibilities as a director of POL to be materially different from those of a director of a publicly-owned company.

- 27 I have been asked to provide my views on the responsibilities of a Board of directors in the operation of a company solely owned by HM Government, specifically in relation to oversight of the company's criminal prosecutions, civil litigation, IT and accounting system. My view is that the Board has a collective responsibility for the oversight of the general business of POL, including over

these areas. However, individual Board members had particular oversight over the areas covered by their direct reports.

A. *Pre-separation*

28 Prior to separation from RMG, the POL Board meetings were chaired by the Royal Mail Holdings' Chair (initially Donald Brydon, then Alice Perkins from 22 September 2011), with at least one other RMG director (Moya Greene (CEO) and/or Matthew Lester (CFO)) in attendance from RMG. I cannot recall exactly who attended from POL, but I have been shown [POL00021500] (minutes for the POL Board meeting on 4 July 2011) which shows that at least at the meeting of the POL Board on 4 July 2011, Ms Vennells (Managing Director of POL at the time), Susan Crichton (Company Secretary, but resigned at the meeting), Sarah Hall (Financial Controller), Alwen Lyons (ratified as Company Secretary at the meeting) and Martin Moran (Commercial Director) attended from POL. I believe the agendas for the Board meetings were set by the Chair, Ms Greene and Ms Vennells. In preparation for POL's separation from RMG, a number of Non-Executive Directors ("NED" or "NEDs") were appointed to the POL Board in late 2011/early 2012.

29 I recall Ms Vennells would have regular meetings with Ms Greene and, from time to time, both Ms Vennells and I would be invited to RMG Board meetings to report on POL business and/or financial performance to RMG. I cannot recall if Ms Vennells was a member of the RMG Board.

B. *Post-separation*

30 After POL's separation from RMG, the POL Board comprised the CEO, CFO, Chair, one Senior Independent Director ("**SID**") and four NEDs, including a representative of ShEx. There were no RMG representatives on the Board, however we continued to work closely with our RMG counterparts for at least two years to ensure the full and effective separation of all accounting, reporting and IT interdependencies. Individual members of the Executive Committee ("**ExCo**") (see below para. 34) and other subject matter experts from the wider business would also attend POL Board meetings by invitation or agreement of the Board for specific agenda items. Board members were provided papers in hard copy and the meeting agendas were determined by the Chair and CEO.

31 Post-separation, POL reported directly into ShEx. We held monthly meetings with BIS, attended by myself, Ms Vennells and occasionally Ms Perkins from POL, and three to four representatives from BIS. We reported on the performance of the business and any current or imminent business risks. My primary role was to present on POL's financial performance. I had a good working relationship with civil servants within BIS, and we (my team and BIS) were in frequent communication by telephone and email on matters of financial management and, when required, POL's financial performance. I therefore was not involved in briefing ministers or MPs (except as set out in para. 77 below). A ShEx representative also sat on the Board. I believe the ShEx representative was responsible for briefing ministers and they may have asked Ms Vennells or Ms Perkins to attend these briefings when required.

32 I have been asked to comment on the level of technical IT expertise of those attending the Board. I do not recall. As CFO, I understood the core finance

processes and would have been able to discuss related IT issues with our auditors. Ms Sewell was CIO and therefore would have had a higher level of IT expertise, although she was not on the Board.

33 I have been asked to describe the POL Board's subcommittees, their membership and their terms of reference. I have been shown document **[POL00184703]** which is a Board pack for the meeting of the Audit Risk and Compliance Committee ("**ARC**") on 13 February 2013, which contains a document titled 'Publication of our Report and Accounts – Key Messages', which summarises the subcommittees of the Board in Annex 3. I have used this document to help formulate my response below:

33.1 ARC was a subcommittee of the Board. I have been shown **[POL00158012]** which contains the Terms of Reference for ARC dated November 2012. ARC's purpose was to assist the Board in fulfilling its fiduciary responsibilities by (i) contributing an independent view on the accounting, financial control and financial reporting practices of POL; (ii) taking all reasonable steps to ensure accurate and informative corporate financial reporting and disclosures which meet appropriate accounting and corporate governance standards; and (iii) providing oversight of the company's risk management systems, operational controls and key systems. I believe ARC met at least quarterly and meetings were chaired by Alasdair Marnoch (POL NED). As per **[POL00158012]**, standing members of the ARC were Alasdair Marnoch, Tim Franklin, Neil McCausland and Susannah Storey (all NEDs). Other permanent invitees included the HR Director or General Counsel and Head of Risk

Governance/Head of Internal Audit. The CEO and CFO were expected to attend all meetings.

33.2 The Remuneration Committee was responsible for making recommendations to ShEx on the remuneration of the Executive Directors.

33.3 The Nominations Committee was responsible for recommending to the Board any changes in Board membership and to manage the process for recruiting and replacing directors.

33.4 The Pensions Committee was responsible for working with the trustees of the Royal Mail Pensions Plan on the valuation of the funds, strategic asset allocation for POL sections and to monitor investment performance.

33.5 The Mutualisation Committee was established to consider future possible ownership models for POL.

34 While not a subcommittee, ExCo was the most senior management body below main Board level. ExCo was made up of the CEO (who would chair the meetings) and each of her ten to twelve direct reports. ExCo's purpose was to implement the strategy agreed by the Board and monitor business performance and development at the operational level. [POL00184703] says ExCo met formally at least once a month, but I also recall weekly Monday morning meetings. I was a formal member of ExCo and would chair meetings in Ms Vennells' absence.

35 The Risk and Compliance Committee ("**RCC**") was a subcommittee of ExCo. I have been shown [POL00183698] which is the Terms of Reference for the RCC



dated November 2012. This document says that the purpose of the RCC was to support ExCo in fulfilling its effective oversight of governance, risk and compliance by: (i) overseeing the coordination of governance, risk and compliance activities across the organisation; (ii) ensuring the effective establishment and application of (a) risk, internal control and policy frameworks, (b) risk appetite setting, (c) a positive risk and compliance culture; and (iii) advising the ARC and ExCo on risk and compliance matters. As per **[POL00183698]**, membership comprised at least three ExCo members, including the CFO, HR director, CIO and either the Commercial Director or Strategy Director. The CEO did not attend. The RCC met at least four times a year.

35.1 There was some overlap between the matters dealt with by the RCC and ARC. However, the RCC's remit was enterprise wide risk and compliance issues, whereas ARC was more focused on external financial reporting risk, together with material wider risk issues identified by either the Board, ExCo or RCC. The RCC reported into ExCo – ExCo monthly meetings would include an update from the RCC. ARC, on the other hand, reported directly into the Board (minutes of ARC meetings were reviewed by the Board).

35.2 I have been asked to set out my role in attending meetings of the RCC. As CFO, I attended to report on and consider financial risk, but I was also interested in enterprise wide (POL) risk.

36 I recall attending meetings of ARC, the RCC and Pensions Committee. I have been reminded by document **[POL00184703]** that I was also a member of the Mutualisation Committee.

37 I have been asked if I considered POL's corporate governance to be effective when I joined the business: I did, and this view did not change at any time. The Board had a broad range of business and commercial, together with civil service and government, experience. The ShEx NED (Susannah Storey followed by Richard Callard in 2014, during my tenure) attended every Board meeting and so there was in effect direct oversight from the Shareholder (the government), which further enhanced the corporate governance of the company, in contrast to a private company. Further, post-separation, there was a sense of a new common purpose and eager anticipation within the POL Board. There was strong enthusiasm and engagement from all directors, particularly the NEDs. The NEDs were proactive and their challenges to the executive directors were frequent, rigorous and thorough.

#### **V. KNOWLEDGE OF HORIZON**

38 When I first joined POL, I had no prior knowledge of the Horizon IT System. I cannot recall specifically, but I know I would have been briefed by Mr Ismay and/or his team about the Horizon IT System during my induction period, as I was briefed by all my direct reports in my first month. I did not have any formal training on the Horizon IT System, however, I visited both Crowns and Network branches early in my tenure and watched Crown employees using the Horizon IT System to input transactions. As CFO, I was expected to have a general understanding of how POL accounts for transactions in branches and by product type, for the purpose ultimately of ensuring the reliability of POL's financial statements. Therefore, that was the extent of my knowledge of the Horizon IT System.



- 39 I have reviewed **[POL00294836]** and **[POL00294837]**, which shows that in September 2011, Mr Ismay forwarded me a copy of a report he had written for David Smith (POL Managing Director) in August 2010 (the "**Ismay Report**"). I am sure that I read this report and spoke to Mr Ismay about it, but I cannot recall this specifically. I cannot remember when I first became aware that there had been some complaints and/or concerns raised by a number of subpostmasters ("**SPMs**") and the Justice for Subpostmasters Alliance ("**JFSA**") about the integrity of the Horizon IT System, but I certainly would have been aware of this after reading the Ismay Report. However, as the Ismay Report says, at the time, these complaints were believed by POL to be unfounded. I do not know what, if anything, the Ismay Report was being used for when I joined POL. I do not recall any discussions with Mr Ismay or anyone on the Board or ExCo about the Ismay Report.
- 40 I have been asked to describe the extent to which, if at all, I was aware of (i) bugs, errors or defects in the Horizon IT system ("**BEDs**"); (ii) a lack of integrity in the Horizon IT system; or (iii) complaints addressing BEDs or concerns with integrity.
- 41 The term 'BEDs' is extremely broad. I was, and am, aware that most large-scale IT systems will have some degree of glitches, bugs and anomalies that will need to be resolved from time to time. For example, I note that the Ismay Report does refer to some 'bugs' within the Horizon IT System. I cannot recall my reaction to this information, but I believe that I would have seen these as standard minor bugs that are present in most large computing systems.

42 The Second Sight Interim Report of 2013 [POL00099063] reported two 'defects' in Horizon online referred to as the "*Receipts and Payments Mismatch Problem*" and the "*Local Suspense Account Problem*" (para. 6.4 of the Second Sight Interim Report). I was not aware of these defects until I read this report.

43 I have been asked to describe my knowledge of the ability of Fujitsu employees to alter transaction data or data in branch accounts without the knowledge or consent of SPMs: I do not recall having this knowledge at any point during my time at POL.

#### **VI. POL'S PROSECUTORIAL FUNCTION**

44 I have been asked to set out what I knew of POL's role in prosecuting SPMs for theft, false accounting and for offences under the Fraud Act 2006 when I was appointed to the role of CFO. I did not know anything about POL's prosecution activities before I joined the company. I believe POL's prosecution policy would have been explained to me, in general terms, shortly after I joined, likely during my induction. I was aware that POL suffered losses due to theft of money by some SPMs and accordingly POL prosecuted these individuals and/or took civil action against them to recover losses. However, POL's prosecution/civil litigation policy was not a function that came within my remit or responsibilities as CFO.

45 I do not recall discussions of any individual cases at Board level. I do not recall any discussions within ARC of POL's prosecutorial activities or policy until late 2013 when Chris Aujard (General Counsel) proposed amending the prosecution policy (see para. 93 below).

46 I have been shown [POL00100003] which is a document prepared for the Board by Mr Aujard dated 6 December 2013 titled 'Project Sparrow – Update'. The document contains an Annex setting out 'prosecution numbers by date' between 2009 and 2013. I do not recall this document or seeing data on the number of prosecutions carried out by POL against SPMs before this date. I believe that up until this point (2013), I had no understanding of the scale or number of prosecutions carried out by POL.

47 I have been asked to describe what steps I took as a member of the RCC to satisfy myself that POL acted in compliance with its legal obligations in bringing prosecutions and civil proceedings against SPMs, and whether I believe these steps were adequate and/or effective. I do not recall any discussions within the RCC about POL's prosecutions/civil action against SPMs.

## VII. POL'S APPROACH TO THE PRESS

48 I have been asked to consider [POL00294973] which is an email chain (dated 28 September 2011) I was copied into regarding POL's proposed response to an article by Private Eye which challenged the reliability of the Horizon IT System. I have been asked specifically to consider the statement by Ms Vennells that "*we need to be front foot and counter anything that has a reputational impact. It's a goal of mine that all press even local press (perhaps esp local press), should be scoured for negative comments and refuted*".

49 I do not recall reviewing this email chain or the Private Eye article. However, this quote is typical of Ms Vennells' response to challenges to POL generally in the press at the time. I had no reason to question this approach, particularly when Ms Vennells had deeper knowledge and expertise about the SPM

network, having previously served as Post Office Network Director within RMG. External media and communications also did not fall within my role as CFO and there was a dedicated team, reporting to the CEO, tasked with this function.

#### VIII. The ERNST & YOUNG (“EY”) 2010/11 AUDIT

50 The EY 2010/11 audit was carried out and finalised before I arrived at POL in August 2011 (POL's year end was the end of March). I recall reading the management letter and meeting with the audit partner, Angus Grant, shortly after I joined POL to discuss the key findings. I recall the conversation with Mr Grant to be positive.

51 I have been asked to describe my views on EY's findings in relation to the Horizon IT System, Fujitsu's audit controls and POL's contractual relationship with Fujitsu. I have also been asked to describe my understanding of the importance of the audit controls described and EY's recommendation for a SAS70 audit.

52 I have refreshed my memory of the audit by reviewing **[POL00030217]**, the draft EY management letter for the year ended 27 March 2011 (I have not been provided with a final version of this letter). I note that the letter highlighted a series of recommendations primarily around improving the IT governance and control environment. EY acknowledged the very substantial financial benefits that POL had enjoyed from deploying the outsourcing model, but recommended that POL should “*take ownership of the effectiveness of the control environment with Fujitsu*” and if possible keep alive the option of requiring Fujitsu to provide an ISAE 3402 (previously SAS70) assurance report. The primary purpose of this, as expressed by EY, would be to assist and simplify future audits by

reducing the amount of compensating testing currently undertaken within the core audit in order for EY to take assurance on the quality of IT general controls around POL's critical business systems.

53 At the time, my view was that, while none of these observations gave rise to a potentially qualified audit, they would need to be addressed over the coming year.

54 I did not – and still do not - see any of these recommendations as suggesting fundamental or systemic weaknesses within the Horizon IT System. As EY stated, *“the recommendations we have made in this report should be seen as refinements rather than fundamental control deficiencies”*. The weaknesses identified by EY within the controls environment were small scale and EY did not suggest that these could lead to a qualified audit. EY's recommendation that Fujitsu should be required to carry out a SAS70 audit was motivated by efficiency rather than any suspected systemic or performance issues within the Horizon IT System. EY's rationale was that it was not efficient for EY to be carrying out controls testing on Fujitsu's system.

55 I have been asked to describe the steps POL took in response to EY's findings, and to what extent cost factored into POL's decision making.

56 I have reviewed the minutes of the POL Board meeting on 22 September 2011 **[POL00030365]** which show that I reported to the POL Board that we were exploring the possibility of requesting Fujitsu to undertake a SAS70 (or equivalent) audit. I have been shown **[POL00143065]** which is a briefing report prepared by Ms Sewell dated May 2012. The paper reported that *“Post Office have worked with Fujitsu and EY to agree an initial way forward where Fujitsu,*

*at their own cost, engage EY to produce such a report for the Fujitsu hosted Post Office systems within the scope of our annual IT General Controls audit”.*

The report says that the Fujitsu ISAE 3402 report will be introduced for FY 2012/13.

57 While I cannot recall the exact chronology of the negotiations with Fujitsu about undertaking their own SAS70 / ISAE 3402 audit (as these were IT specific recommendations, the negotiations would have been led by Mike Young, then Ms Sewell), my view from reading the documents referenced above is that we took proportionate and effective steps to address EY’s recommendations and obtain the appropriate assurance certification from Fujitsu.

58 I note the comment in the minutes for the Board Meeting dated 22 September 2011 that *“the business needed to be influenced by the cost as to which route was pursued”*. I do not believe cost was the primary consideration in our approach to carrying out a SAS70 audit. Rather, we were led by the principle that Fujitsu should lead on the audit because they had ownership of the Horizon IT System. We did not think it was appropriate or wise to instruct a third party to undertake the audit without Fujitsu’s input. With that in mind, we found it difficult to justify a significant expense (£100,000 or more) for a third party SAS70 or equivalent audit report when we believed Fujitsu should have taken responsibility for this, which they ultimately did.

59 I have been asked to comment on the background to the RMG ARC Committee seeking input on *“IT controls and the Horizon claims”* [POL00295091] (email dated 30 November 2011 from Ms Hall) and what I reported to the RMG ARC Committee. I do not recall this request or the background to it, but I believe it



may have been a response to media attention surrounding the Private Eye article [POL00294973]. I have been shown a paper drafted in my name titled 'Update on Post Office Limited Horizon Controls and Relationship with Fujitsu' dated December 2011 [POL00295092] for the RMG ARC. I have reviewed [POL00378693], an email from Ms Hall dated 30 November 2011. I believe, after reviewing these documents, that Ms Hall and Mr Ismay drafted this paper, with limited input from me, given I had been at POL for only four months at this point. I believe the paper is in my name because I have attended the earlier RMG ARC meeting and therefore the action would have been in my name. However, I cannot recall with any certainty. I cannot recall how I satisfied myself that the paper was accurate, but I believe that I would have been led by Ms Hall and Mr Ismay given their greater experience in this area relative to my own at the time.

60 I have been asked to describe the background and function of the IT Audit & Control Board. I am not aware of the IT Audit & Control Board and cannot recall its existence, background or functions. I can see from the minutes of the Board Meeting dated 4 July 2011 [POL00021500] that the Board tasks the IT Audit & Control Board to pick up issues and actions arising from the SAS70 audit, including Horizon issues. However, I note that I was not on the Board (or indeed at POL) when this meeting took place.

61 I have been asked to consider the minutes of the POL Board meeting dated 12 January 2012 [POL00021503], particularly the comment at POLB12/03(c) "*The Chairman emphasised the need for the IT Board paper to be clear with practical language and to highlight what the IT changes will mean to the Business on the*

ground. Paula Vennells suggested that the Board might benefit from an IT deep dive". I recall this discussion as relating to POL's IT Transformation Programme and Ms Sewell's plans to re-configure the entire IT estate to better address the future demands of POL's business strategy as an independent entity. I recall the Board being concerned about the scale of the proposals, which led to Ms Vennells' comment about doing a "deep dive" first.

62 I have been asked to comment on the discussion minuted at POLB12/07 from the same meeting on 12 January 2012. I have no recollection of the discussion in this section of the minutes. I do not know which "audit report" Ms Crichton was referring to, or why she suggested that it be given the status of legal professional privilege before circulating it to the Board.

#### **IX. SHOOSMITHS LITIGATION**

63 I do not recall having any involvement in POL's response to the litigation initiated by claimants represented by Shoosmiths/Access Legal. I do not recall any specific discussions with any of my direct reports or with the Board about this litigation. I would have read the Significant Litigation Report [POL00096033] in preparation for the POL Board meeting of 15 March 2012 [UKGI00016088], but I have no recollection of the POL Board discussing any litigation at that meeting. I can see that it appeared as a noting paper under AOB and is minuted as 'noted' only. I therefore think it is unlikely that any discussion of this paper took place at that Board meeting.

#### **X. SECOND SIGHT'S INTERIM REPORT**



64 I will now discuss my recollections of the background to the Second Sight Interim Report dated 8 July 2013 (the “**Interim Report**”).

A. *Second Sight's instructions*

65 My recollections of the background to the instruction of Second Sight's independent review in 2012 are limited. I recall that the Second Sight review was seen as an extremely important initiative. However, because of the sensitivity of its subject matter the review was carefully managed as a distinct, stand-alone project with participation limited to a very small number of POL senior executives/Board members.

66 I do not recall who took the decision to appoint Second Sight, the ambit of its investigation or the extent of its access to relevant information and documents. I do not believe I was directly involved in their instructions or management.

67 I have been shown **[POL00381632]** which is an email dated 29 August 2013 from myself to Ms Perkins, which says “*I have discussed this with Susan and asked her to negotiate a monthly cap of £25k with SS (their monthly costs for the interim report ranged from £25k-£43k).*” I do not recall this email but I understand from its contents that I was involved in discussing Second Sight's costs with the General Counsel.

B. *Updates before receiving Second Sight's Interim Report*

68 I have been shown the following Board meeting minutes: **[POL00027553]** (21 November 2012), **[POL00021510]** (23 January 2013) and **[POL00021515]** (1 July 2013) which summarise updates on Second Sight's reviews to the Board. I remember that the Board did have discussions about Second Sight's review,

but I do not recall the specific contents of these updates in any detail, except insofar as discussed in para. 70 below.

69 I have been asked to set out my recollection of the Board meeting on 1 July 2013. I have been shown the minutes from this meeting [POL00021515]. I recall that the Board was reassured by the CEO's update, which was that the investigation to date had found no systemic issues within the Horizon IT system. I recall that the Board's main concerns related to the form and style of the report.

70 I have been shown an email from Ms Vennells dated 4 July 2013 to the Board (with me in copy) titled 'Second Sight update 4/7/13' [POL00145189]. Ms Vennells said "*we understand that they [Second Sight] have not found any evidence of systemic issues with the Horizon system [...] However, as expected, they do intend to draw attention to wider failings in the training and support provided to sub-postmasters, with the implication that this was the root-cause of some of the problems related to Horizon*". Ms Vennells also noted that the introductory sections of the report "*give some cause for concern in relation to the overall professionalism of the drafting and the widespread use of subjective (and at times somewhat emotional) statements of opinion rather than more neutral or evidence-based insight*". I do not recall receiving this email, but this is consistent with my recollections of the tone of the updates we received prior to receiving the Interim Report - that no systemic issues with the Horizon IT System had been identified, but there had been some failings in the way that POL had trained and supported SPMs, and that the tone and style of Second Sight's drafting was at times anecdotal and emotional.

71 I do not recall being involved with reading or seeking amendments to drafts of the Interim Report. I do not recall meeting with any Second Sight representatives at any point and I do not recall being shown any early drafts of the Interim Report. I also do not recall being asked to provide any input into amendments on the Report requested by POL, as referred to in Paula Vennells' email of 6 July 2013 [POL00099121].

C. *Receipt of Second Sight's Interim Report*

72 On first reading the Interim Report, I recall thinking it was poorly written and I was surprised at the strength of its criticism of POL, particularly in relation to the lack of support provided to SPMs.

73 I also recall not being aware of the two "*known*" Horizon anomalies that had been identified and disclosed to Second Sight. I had not been made aware of these anomalies before. I understood, from the Interim Report, that they were historic and had been resolved without any detriment to SPMs.

74 On the four more substantive points (Spot Reviews SR01, SR05, SR21 and SR22), I understood that the issues identified were far from being resolved and more work was required by POL and Second Sight to reach final, definitive conclusions and recommendations.

75 I do not recall any discussions by the Board specifically about financial and reputational risks arising from the Interim Report. I have seen Ms Vennells' email dated 6 July 2013 [POL00099121] where, prior to publication of the Interim Report, she identified "*one of the main reputational and potentially financial risks arising from the review relates to possible attempts to reopen*

*past prosecutions based on the findings*". I do not remember this being discussed by the Board but I do not believe this was a significant financial concern. My recollection is that we believed only a small number of historic cases would be affected, leading to a limited number of possible compensation claims, which, from a POL financial reporting perspective, would be immaterial in quantum.

D. *Engagement with MPs about the Interim Report*

- 76 As a member of the POL Board I was aware of upcoming meetings with MPs attended by the CEO and/or the Chair, and on occasion, the Company Secretary. The outcome of these meetings would generally be reported at Board meetings. I would have taken part in Board discussions to agree the strategy being adopted in response to the questions or complaints of MPs. For the most part, I was simply sent briefs or kept updated on meetings with MPs – such as in [POL00297091] where, on 3 July 2013, Martin Edwards (Chief of Staff) forwarded a briefing note for Ms Vennells' upcoming meeting with James Arbuthnot MP to "*keep [us] in the loop*". However, I did not personally ever engage with any MPs or ministers. I was also generally not involved in preparing briefings for these meetings on (i) the Horizon IT System; (ii) POL's treatment of SPMs in connection with the same; or (iii) the Second Sight review / Interim Report.

**XI. RESPONSE TO THE SECOND SIGHT INTERIM REPORT**

A. *16 July 2013 POL Board meeting*

- 77 I have been asked to comment on the POL Board meeting on 16 July 2013 **[POL00021516]**. I recall this particular Board meeting with surprising clarity (given the passage of time), in light of the tone and contents of the meeting, as discussed further below.
- 78 I recall that at the start of the meeting we discussed the Board Effectiveness Review. This was a general review of the Board's activities and its effectiveness over the preceding year. I have been shown the Board Effectiveness Review report authored by Alice Perkins, dated July 2013 **[POL00099166]**, which was discussed at the meeting. Feedback was given as part of the review, for example "*the Chairman to sum up discussions even more clearly*". I believe the comment "*The Board also asked for earlier warning when risks and issues arise to ensure that they were not blindsided*" was another piece of feedback as part of the Board Effectiveness Review - I note it is written in the section of the minute titled 'Board Effectiveness Review'. I do not believe this comment had any connection with the Interim Report or the Horizon IT System.
- 79 When the Board discussed the Interim Report, I remember feeling a sense of unease that events had moved rapidly and unexpectedly since its publication. I had just returned from annual leave (I was away between 5 and 15 July 2013) and I recall noticing the change in tone at this Board meeting versus the one I attended before I went away (1 July 2013).
- 80 I do not recall who made the comment that led to the minute "*The Board were concerned that the review had opened the Business up to claims of wrongful prosecution*". I do not recall what the specific basis for this concern was.

81 I recall that at this meeting the Board was concerned, in particular that: the review was taking longer and costing more than expected, it was still inconclusive, and possible 'scope creep' might result in further delays and cost increases. I recall questions being asked at this meeting about how the contract with Second Sight had been awarded and managed and a short discussion on POL's failure to provide requisite material to Second Sight. This contributed to the comment in the Board minutes that the review had not been managed well by the business.

82 I have been asked what effect, if any, did the Board's challenges at this meeting have on POL's approach to the Second Sight review – I do not know. I do not recall whether we discussed at this meeting how Second Sight's review should progress going forward.

B. *Project Sparrow*

83 I do not believe I had any personal involvement in the establishment of Project Sparrow. I have no recollection or knowledge of how Project Sparrow was set up, or of its Terms of Reference or membership. I believe I had an oversight role only, as part of the Board, and received regular progress updates, such as the Horizon update paper sent to the Board on 18 September 2013 **[POL00027134]**.

84 I have been reminded by **[POL00021516]** that I was asked to review POL and RMG's insurance policies in light of the findings in the Second Sight Interim Report.

C. *Simon Clarke and Brian Altman KC legal advice*

85 I have been shown the following legal advice provided to POL:

85.1 **[POL00006798]** (Simon Clarke's advice of 15 July 2013);

85.2 **[POL00006799]** (Simon Clarke's advice of 2 August 2013);

85.3 **[POL00006583]** (Brian Altman KC's advice of 2 August 2013); and

85.4 **[POL00006581]** (Brian Altman KC's advice of 15 October 2013).

(together, the "**Advice**")

86 I have no recollection of reading any of the Advice. I do not recall any specific discussions by the Board or briefings to the Board about any of the Advice.

87 I have been asked whether I had any prior knowledge of the factual allegations set out in paragraphs 3 and 5 of the Simon Clarke advice dated 2 August 2013 **[POL00006799]**. I did not.

D. *The establishment and oversight of the Initial Complaint Review and Mediation Scheme (the "**Mediation Scheme**")*

88 I understood at the time that the objective and purpose of the Mediation Scheme was to identify any SPMs who might have claims against POL arising from the matters in the Interim Report. I can see from the Linklaters' advice dated 20 March 2014 **[POL00107317]** (discussed further in para. 96 below) that the Scheme had "*the aim of resolving various allegations that had by then been made by certain interested parties about the Horizon financial transaction and accounting system*". I have been shown the briefing note to the Board on Project Sparrow dated 18 September 2013 **[POL00027134]**. I could not recall



from memory, but I can see from **[POL00027134]** that the Mediation Scheme was launched on 27 August 2013 and initially intended to run until 31 March 2014. A Working Group (comprising of representatives from POL, Second Sight and JFSA) was set up to review applications submitted to the Mediation Scheme.

89 I have been asked about my involvement in the Mediation Scheme. I believe that my only substantive role in the Mediation Scheme beyond my supervisory/oversight role as a Board member, was to: (i) potentially deputise, if needed, for Ms Vennells; (ii) advise on insurance cover for compensation claims (as I was reminded from **[POL00021516]** – minutes for Board meeting held on 16 July 2013); and (iii) report on the costs of the Mediation Scheme (as I was reminded from **[POL00027400]** – minutes for Board meeting held on 21 May 2014). Otherwise, I played no operational or management part in the establishment or running of the Mediation Scheme. I was not involved in determining POL's methodology for responding to applicants in the Mediation Scheme. I do not recall being aware of the role that Second Sight would play in the Mediation Scheme or what their updated contractual terms were, although as discussed in paragraph 67 above, I have seen that I was involved in internal discussions about Second Sight's costs.

90 I have been asked if I recall the context to the minute of the Board meeting held on 21 January 2014 **[POL00021521]** saying "*if the Terms of Reference agreed with Second Sight precluded them from working with claimants against the Post Office*". I do not.



91 I have been asked to set out the extent to which the Board was briefed on, or maintained oversight of, POL's response to applications to the Mediation Scheme. I have been shown a number of documents which show that the Board was regularly updated on the number of submissions received, which grew rapidly to levels considerably higher than originally projected (see **[POL00027136]** (CEO report on 24 October 2013), **[POL00021519]** (minutes for Board meeting held on 31 October 2013), **[POL00026626]** (Board agenda and papers for meeting of 27 November 2013), **[POL00099977]** (briefing document by Mr Aujard and Ms Crowe (undated)) and **[POL00027400]** (minutes for Board meeting held on 21 May 2014)). I do not recall how qualified or detailed these updates to the Board were, beyond what is stated in the aforementioned documents.

92 I do recall ExCo becoming more engaged and better briefed on the Mediation Scheme from late 2013 onwards. I have been shown a note of the meeting of the RCC on 20 January 2014 **[POL00027479]** in which 'Integrity of Horizon System' was listed as an agenda item: "*it was agreed that, whilst this is more of an issue than a risk, the progress on managing Sparrow would continue to be reported to the committee*'. I do not recall this specific meeting, but having reviewed this document I believe ExCo took a more involved role in the Mediation Scheme at this point.

E. *Amendments to POL's prosecutorial policy*

93 As CFO, I was not close to the details of any specific prosecutions POL was pursuing, and nor did I ever significantly engage with POL's prosecution policy except as described in the para. below.

94 I can see from documents I have been shown that I was involved in discussions at Board, ARC and ExCo meetings in late 2013 and early 2014 with regard to changes to POL's prosecutorial policy – see for example [POL00038678] (minutes of the ARC meeting of 19 November 2013), [POL00027692] (email chain dated 10 February 2014), [POL00021424] (minutes of ARC meeting of 11 February 2014), and [POL00027337] (minutes of Board meeting held on 26 February 2014).

95 I did not have any strong views on the issue, but I was persuaded by Mr Aujard's Prosecution Policy paper dated February 2014 [POL00100193]. Looking at the paper again, now I can recall that I agreed with the proposal to pursue a prosecutions policy with a much greater focus on higher value cases involving wilful wrongdoing, possibly by setting a financial filter/threshold level for prosecutions in order to reduce the estimated average annual number of prosecutions. I believe I also agreed with the Board position that "*any communication regarding the changes in approach to prosecutions should be reactive*" (POLB 14/17(c) in [POL00027337]), because publication of the thresholds to prosecution might limit the policy's deterrent effect.

## **XII. LINKLATERS' ADVICE AND THE PROJECT SPARROW SUBCOMMITTEE**

### *A. Commissioning of Linklaters' advice*

96 I have been asked to comment on the discussion that led to the minute of the 26 February 2014 Board meeting stating "*it was acknowledged that, in light of the facts now available, and the projected level of legal claims and costs, it would be sensible to commission more generic legal advice on the overall level of legal and financial exposure...This advice should consider the steps that*

*could be taken to mitigate any exposure including considerations of alternative structures that might be available to deal with mediation cases”* **[POL00027337]**. Up until this point, the Working Group and its advisors had been looking at the cases submitted individually, which was inefficient from both a process and cost perspective. I recall, for example, discussion that one single case might require several layers of legal advice. The Board thought that a holistic view of all the cases submitted to the Mediation Scheme needed to be taken in order to understand the themes and legal issues at a macro level. I recall that this discussion was about seeking advice on the cases submitted to the Mediation Scheme as a whole.

97 To be clear, from my recollections, the purpose of seeking legal advice was not to try and limit the Mediation Scheme or reduce the size of compensation payments.

98 I do not recall having any personal involvement in the instruction of Linklaters. I recall Linklaters attending the Board meeting on 26 March 2014 **[POL00021523]** and advising the Board on the legal basis for which SPMs might be able to claim compensation from POL. I cannot recall anything else from this Board meeting, but I can see from these minutes that I was asked to advise on POL’s insurance cover for any such claims.

B. *Project Sparrow Subcommittee*

99 I have been asked to explain the background to and reasons why Project Sparrow became a formal subcommittee of the Board.

100 I can see from the POL Board minutes dated 26 March 2014 **[POL00021523]** that following receipt of the Linklaters advice, the Project Sparrow Subcommittee was set up.

101 Having reviewed **[POL00021523]**, I can now recall that the Project Sparrow Subcommittee was formed to reflect the importance of Project Sparrow, the number and size of claims that had been received by the Mediation Scheme, and observations/findings made by Linklaters in their advice. In particular, the criticism by Linklaters of Second Sight's work on the Mediation Scheme to date. Having read **[POL00021523]**, I can see that criticism had also been levied at Second Sight by Sir Anthony Hooper, Chair of the Working Group. I believe that the Board, particularly the NEDs, felt a need to be closer to the details of the Mediation Scheme, rather than receiving periodic updates from the Executive. This is reflected in the composition of the Project Sparrow Subcommittee (comprising Chair, CEO and at least two NEDs with all other NEDs invited to attend if available).

102 I attended the first Project Sparrow Subcommittee meeting of 9 April 2014. However, because the core Board representation was considered sufficient and because of my heavy operational workload, I did not attend any subsequent meetings. I continued to receive minutes, and quite possibly less formal updates.

### **XIII. PROJECT ZEBRA**

103 I have been asked to describe the extent of my knowledge of and involvement with the instruction of Deloitte and Project Zebra in 2014.

104 I do not have any detailed independent recollections, but having been shown **[POL00021523]**, I am of the belief that Project Zebra was established, and Deloitte instructed, for the following reasons: the Board was reassured by the clarity of the Linklaters' report on the legal position (that "*absent proof that Horizon is malfunctioning (either generally or in the specific case) the Post Office has a right to recover losses from SPMRs, the SPMRs have no right to compensation for such losses and the circumstances in which there will be a consequential loss claim are limited to those in which inadequate notice of termination was given, will depend on their facts and should be limited*" **[POL00107317]**, para. 1.8). However, the Board was concerned about the following comment: "*It is the reliability of the Horizon system as a matter of principle which is important....Second Sight have not done what we would have expected them to do in terms of an investigation into Horizon...[they] should have produced a report which clearly and objectively sets out what is known about Horizon at a level of detail which can then be used as a baseline in any individual case where the complaint is that Horizon was not working properly*" (**[POL00107317]**, para. 5.30-5.31). This is also reflected in **[POL00107317]** para. 2.3, "*we note that there is, so far as we understand it, no objective report which describes and addresses the use and reliability of Horizon*".

105 I do not recall the discussions in the meeting of the POL Board on 26 March 2014, but I believe the above is what motivated the Board to immediately decide to commission the Project Zebra review by Deloitte into the reliability of Horizon. We intended that this would dove-tail with Linklaters' advice on the legal position. I recall that I was supportive of this course of action, but I was not involved in the instruction of Deloitte or the establishment of Project Zebra.

- 106 I do not recall any discussions in Board meetings, except in the meeting on 30 April 2014 (discussed in para. 108 below), on Deloitte's reports. I do not recall any discussions about the scope of Deloitte's work, any caveats they would make, or their terms of reference.
- 107 My recollections of the 30 April 2014 Board meeting are limited, but I do remember Deloitte attending the meeting. I can see from the minutes of that meeting [POL00021524] that Deloitte's draft findings were discussed and the Board was assured that their "*work to date showed that the system had strong areas of control and that its testing and implementation were in line with best practice. Work was still needed to assure the controls and access at the Finance Service Centre*" (POLB 14/55).
- 108 On receipt of Deloitte's reports ('Horizon Desktop Review of Assurance Sources and Key Control Features - draft' dated 23 May 2014 [POL00028062] and 'Board Briefing document further to report on Horizon desktop review of assurance sources and key control features – draft' dated 4 June 2014 [POL00028069] (note, I have not been shown final versions of either of these reports)) I can recall a sense of general disappointment by the Board. I cannot recall my views at the time, but looking at it now I think that Deloitte's report was far too caveated and failed to reach any definitive conclusions on the reliability of the Horizon IT System.

#### **XIV. AMENDMENTS TO THE MEDIATION SCHEME**

- 109 I have been asked to explain whether, and to what extent, did the Board apply pressure to limit the scope of the Mediation Scheme and/or POL's approach to it because of costs concerns. I do not recall any pressure being applied by the



Board to limit the scope of the Mediation Scheme specifically because of cost concerns. At the start of the Scheme, the Board believed that the level of compensation to be paid out would be relatively small – we believed the claims would mostly be for issues relating to the processes adopted by POL in relation to its treatment of SPMs (e.g. poor support when SPMs encountered technical issues). However, by February 2014, the projected level of legal claims and costs had escalated greatly. This was a concern to the Board, but my recollection is that we wished to reach a point of certainty at which the final number of cases and the related quantum of legal/compensation costs involved could be known. The Board certainly did not wish to cut corners in order to keep costs low.

110 I do not recall discussions on amendments to the Mediation Scheme, but I do remember receiving and reading the briefing pack for the first meeting of the Sparrow Subcommittee which includes a document about 'Options for the future of the Scheme' ([POL00202734], dated 9 April 2014).

111 I was not present at the Project Sparrow Subcommittee meeting of 30 April 2014 at which it was agreed "*that, subject to a satisfactory outcome from the Deloitte assurance assessment, the Programme Team should develop an implementation plan...to continue to investigate cases but bring it within the control of the Post Office*" (PS 14/13) [POL00006566].

112 I do recall the Board meeting of 10 June 2014 at which consideration of several options culminated in a decision to not move governance of the Mediation Scheme in-house. We decided instead to "*continue with the Scheme but seek to refine its work within the existing Terms of Reference*" (POLB 14/85(c)),

subject to taking legal advice on the risks inherent with the changes proposed [POL00021526]. I recall that the Board was concerned that such changes may look like POL was trying to shut down the Mediation Scheme and suppress claims. I believe this was the primary consideration in deciding against bringing the Mediation Scheme in-house.

#### **XV. SECOND SIGHT - 2014**

##### *A. My observations on Second Sight's Briefing Reports*

113 I have been asked to describe my views at the time on the Second Sight briefing reports. It is difficult now to distinguish my views between the two reports, however, in aggregate, I recall thinking that they were of poor quality, contained largely anecdotal evidence and were inconclusive in their findings.

##### *B. My involvement in POL's response to the Briefing Reports*

114 I have been asked to describe the nature and extent of my involvement in POL's response to Second Sight's briefing reports. I was not personally involved in drafting POL's response dated 22 September 2014 [POL00002415]. However, I have been shown [POL00305585] and [POL00305595], which is an email chain between Ms Crowe, Mr Edwards and myself on 8 August 2014, attaching a draft letter to Second Sight regarding Briefing Report Part 2 [POL00305576]. I do not recall these emails but I can see that I was being asked to sign off on the letter in Mr Aujard's absence. Ultimately, Mr Aujard asked if he could "long-grass" the response until his return.

115 I have been shown the draft letter in my name dated August 2014 [POL00022226]. I have also been shown an email chain between Linklaters,



Ms Crowe and Mr Aujard dated 26 August 2014 [POL00022231], in which Ms Crowe attached the letter drafted by Jonathan Swill at Linklaters and forwarded it to Mr Aujard. Ms Crowe said "*Linklaters have drafted a letter for Second Sight to enable us to begin to take clear steps to control their poor quality and performance. Chris Day and Paula were (understandably keen to get something on the record about costs. Chris was even minded to write himself..*".

I am not copied on this email chain. I do not recall these emails or the draft letter. I do not know if the letter was sent to Second Sight, however, I do not believe I had any significant involvement in the drafting of this letter.

C. *Response to Second Sight on Suspense Accounts*

116 I have been asked to summarise the nature of the suspense accounts POL operated during my time as CFO. I recall that POL's suspense accounts operated in much the same way as other organisations I worked for: the purpose of suspense accounts (and, specifically, POL's suspense accounts) is to hold unidentified and/or disputed amounts pending final resolution of their accounting treatment. POL's suspense account would have been routinely reviewed by its external auditors, as misuse or misinterpretation could lead to a misstatement of the true financial position of the business. Anything anomalous or material in the suspense accounts would have been queried by the auditors. I do not recall ever discussing POL's suspense accounts with our auditors.

117 I do not recall being involved in preparing POL's response to Second Sight in relation to POL's suspense accounts. I have been shown emails dated 18 – 20 June 2014 between Ron Warmington (Second Sight) and my direct reports (Mr

Ismay, Charles Colquhoun and Ms Hall) [POL00205881]. I was copied into the first three emails of this chain so I would have been aware of some of these discussions, but I do not recall them. I believe I would have appreciated the importance and sensitive nature of the subject matter and reviewed the contributions provided by my team.

118 I have been shown [POL00022774] which is the paper submitted by Ms Crowe on behalf of POL in response to Second Sight's question "*Could any SPMRs have been charged by Post Office Ltd for amounts that become incorporated in suspense account balances that were subsequently taken into profit by POL or any of its Counterparty Companies, or that remain as credit balances on the balance sheet of POL or any of its Counterparty Companies?*" I could not initially recall the exact mechanism of POL's suspense accounts until reading this document and Mr Ismay's email dated 7 July 2014 ([POL00148669]). However, having read these documents, I agree with Mr Ismay's and Ms Crowe's description of how POL's suspense accounts worked.

119 I have been asked to explain how POL or I satisfied ourselves that any surpluses in the suspense accounts were not derived from the recovery of false shortfalls generated by the Horizon IT system. As we did not believe that the Horizon IT System generated any false shortfalls, we did not take any particular steps in this regard. I refer again to the fact that the suspense accounts were reviewed by our external auditors.

## **XVI. MY INVOLVEMENT WITH PROJECT SPARROW, ZEBRA AND SECOND SIGHT BEFORE I LEFT POL**

120 I have been asked to describe the nature and extent of any involvement I had, including discussions at Board meetings, on the following matters from 2 July 2014 to leaving POL in December 2014:

120.1 POL's approach to the Mediation Scheme, including whether to amend it – I do not recall any direct involvement in the Mediation Scheme nor any discussions on amending the Mediation Scheme.

120.2 The ambit of Second Sight's instruction, including whether it should be terminated - I recall only short, limited Board discussions about Second Sight. I do not recall the POL Board meeting of 25 September 2014 [**POL00021528**]. Having read this document, I recall now that the Board was disenchanted with the quality of Second Sight's work and the related costs. However, I do not recall whether the Board discussed terminating the instruction completely.

120.3 POL's response to MPs, SPMs or journalists challenging the integrity of the Horizon IT System - I had no involvement.

## **GENERAL**

121 I have been asked to reflect on my time at POL and set out whether there is anything I would have handled differently with hindsight, in relation to the Horizon IT System and its associated issues.

122 It is difficult to comment on what POL could have done differently in hindsight. The POL Board understood that while there were, at times, minor issues with the Horizon IT System, these were standard within a large computing system and there were no systemic problems. All management decisions stemmed

from this continued belief and I believe the Board conducted itself properly in light of that belief.

**STATEMENT OF TRUTH**

I believe the contents of this statement to be true.

Signed:  **GRO**

Dated: 19 April 2024 | 1:37 PM BST

**Index to First Witness Statement of Christopher Mark Day**

<b>No.</b>	<b>URN</b>	<b>Document Description</b>	<b>Control Number</b>
1.	POL00021500	Meeting minutes: minutes of Board meeting held on 4 July 2011	POL0000033
2.	POL00184703	Board pack for the ARC meeting on 13 February 2013	POL-BSFF-0022766
3.	POL00158012	Terms of Reference for ARC dated November 2012	POL-0146368
4.	POL00183698	Terms of Reference for the RCC dated November 2012	POL-BSFF-0021761
5.	POL00294836	Email from Rod Ismay to Chris Day attaching Ismay Report dated 08 September 2011	POL-BSFF-0132886
6.	POL00294837	Ismay Report dated 02 August 2010	POL-BSFF-0132887
7.	POL00099063	Second Sight Interim Report of 2013	POL-0098646
8.	POL00100003	Project Sparrow – Update for the Board dated 6 December 2013	POL-BSFF-0006699
9.	POL00294973	Email chain regarding POL's response to Private Eye article dated 28 September 2011	POL-BSFF-0133023
10.	POL00030217	EY draft management letter for Year End 27 March 2011	POL-0026699

11.	POL00030365	Board meeting minutes of 22 September 2011	POL-0026847
12.	POL00143065	Noting paper titled Post Office IT General Controls E&Y Audit 2011/12 dated May 2012	POL-BSFF-0002230
13.	POL00295091	Email from Rod Ismay to Sarah Hall, Chris Day, Mike Granville and others re RMG ARC paper draft re Horizon – urgent for review by Thurs midday	POL-BSFF-0133141
14.	POL00295092	Royal Mail Holdings Plc Audit and Risk Committee update on Post Office Limited Horizon Controls and Relationship with Fujitsu dated 30 December 2011	POL-BSFF-0133142
15.	POL00378693	Email from Sarah Hall dated 30 November 2011	POL-BSFF-0205580
16.	POL00021503	Meeting minutes: minutes of Board meeting held on 12 January 2012	POL0000036
17.	POL00096033	Significant Litigation Report	POL-0095616
18.	UKGI00016088	Meeting minutes: minutes of Board meeting held on 15 March 2012	UKGI026881-001
19.	POL00381632	Email dated 29 August 2013 between Chris Day, Alice Perkins and others	POL-BSFF-0208519



20.	POL00027553	Meeting minutes: minutes of Board meeting held on 21 November 2012	POL-0024194
21.	POL00021510	Meeting minutes: minutes of Board meeting held on 23 January 2013	POL0000043
22.	POL00021515	Meeting minutes: minutes of Board meeting held on 1 July 2013	POL0000048
23.	POL00145189	Email from Paula Vennells dated 4 July 2013 – 'Second Sight update 4/7/13'	POL-BSFF-0004316
24.	POL00099121	Email from Sarah Paddison to Paula Vennells, Alice Perkins, Neil McCausland and others re Update on SS review - 6 July 2013	POL-0098704
25.	POL00297091	Email from Martin Edwards forwarding briefing note for Paula Vennells meeting with James Arbuthnot MP	POL-BSFF-0135141
26.	POL00021516	Meeting minutes: minutes of Board meeting held on 16 July 2013	POL0000049
27.	POL00099166	Board Effectiveness Review dated July 2013	POL-0098749
28.	POL00027134	Post Office Ltd Board, update on Project Sparrow and progress on	POL-0023775

		list of actions dated 18 September 2013	
29.	POL00006798	Simon Clarke's advice dated 15 July 2013	POL-0017590
30.	POL00006799	Simon Clarke's advice dated 2 August 2013	POL-0017591
31.	POL00006583	Brian Altman KC's advice of 2 August 2013	POL-0017668
32.	POL00006581	Brian Altman KC's advice of 15 October 2013	POL-0017666
33.	POL00107317	Legally privileged report prepared by Linklaters on behalf of Post Office into initial complaint review and mediation scheme legal issues dated 20 March 2014	POL-0105625
34.	POL00027400	Meeting minutes: minutes of Board meeting held on 21 May 2014	POL-0024041
35.	POL00021521	Meeting minutes: minutes of Board meeting held on 21 January 2014	POL0000054
36.	POL00027136	CEO report of 24 October 2013	POL-0023777
37.	POL00021519	Meeting minutes: minutes of Board meeting held on 31 October 2013	POL0000052
38.	POL00026626	Board agenda and papers for meeting of 27 November 2013	POL-0023267

39.	POL00099977	Briefing document by Chris Aujard and Belinda Crowe regarding costs of Project Sparrow and Second Sight's contract	POL-0099560
40.	POL00027479	Note of the meeting of the RCC on 20 January 2014	POL-0024120
41.	POL00038678	Minutes of the ARC meeting of 19 November 2013	POL-0027989
42.	POL00027692	Email chain from Alwen Lyons to Paula Vennells and Chris Aujard re: ARC teleconference dated 10 February 2014	POL-0024333
43.	POL00021424	Minutes of ARC meeting of 11 February 2014	POL-0018054
44.	POL00027337	Meeting minutes: minutes of Board meeting held on 26 February 2014	POL-0023978
45.	POL00100193	Prosecutions Policy dated 4 February 2014	POL-0099776
46.	POL00021523	Meeting minutes: minutes of Board meeting held on 26 March 2014	POL0000056
47.	POL00021524	Meeting minutes: minutes of Board meeting held on 30 April 2014	POL0000057
48.	POL00028062	Horizon Desktop Review of Assurance Sources and Key Control Features – draft for	POL-0023065

		discussion, Deloitte dated 23 May 2014	
49.	POL00028069	Deloitte Draft Board Briefing document further to report on Horizon desktop review of assurance sources and key control features dated 4 June 2014	POL-0023072
50.	POL00202734	Project Sparrow Subcommittee Terms of Reference and discussion documents: Options for the future of the Scheme; Update on Horizon Assurance Work; public statements made re ICMRS and overview of ICRMS	POL-BSFF-0040797
51.	POL00006566	Meeting minutes: minutes of Project Sparrow Subcommittee meeting of 30 April 2014	POL-0017845
52.	POL00021526	Meeting minutes: minutes of Board meeting held on 10 June 2014	POL0000059
53.	POL00002415	Post Office, Initial Complaint Review and Mediation Scheme, POL Reply to Second Sight's Briefing Report – Part Two dated 22 September 2014	VIS00003429

54.	POL00305585	Email chain between Belinda Crowe, Martin Edwards and Chris Day on 8 August 2014, attaching a draft letter to Second Sight regarding Briefing Report Part 2	POL-BSFF-0143635
55.	POL00305595	Email chain between Belinda Crowe, Martin Edwards and Chris Day on 8 August 2014, attaching a draft letter to Second Sight regarding Briefing Report Part 2	POL-BSFF-0143645
56.	POL00305576	Draft letter to Second Sight regarding Briefing Report Part 2	POL-BSFF-0143626
57.	POL00022226	Draft letter to Second Sight regarding engagement dated August 2014	POL-0018705
58.	POL00022231	Email chain between Linklaters, Ms Crowe and Mr Aujard dated 26 August 2014	POL-0018710
59.	POL00205881	Emails from Charles Colquhoun To: Rod Ismay re Fwd: Errors that arise between POL and its clients and others dated 18 – 20 June 2014	POL-BSFF-0043944
60.	POL00022774	Paper for Second Sight regarding suspense accounts	POL-BSFF-0045039

61.	POL00148669	Email chain from Charles Colquhoun to Chris Aujard, Cc'd Belinda Crowe and David Oliver Re: Errors that arise between POL and its clients and others dated 7 July 2014	POL-BSFF-0007790
62.	POL00021528	Meeting minutes: minutes of Board meeting held on 25 September 2014	POL0000061