

Witness Name: Alice Perkins

Statement Number: WITN00740100

Dated: 26 March 2024

THE POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF MS ALICE PERKINS

I, Alice Perkins CB, will say as follows:

(A) INTRODUCTION

- 1 I was employed as Chair of the Board of The Post Office Ltd ("**The Post Office**") between September 2011 and July 2015.
- 2 This witness statement is made in order to assist the Post Office Horizon IT Inquiry (the "**Inquiry**"), further to the Rule 9 Request dated 21 September 2023.
- 3 I want to extend my deepest sympathy to all those affected by the wrongful actions of the Post Office, and say how profoundly sorry I am that during the period when I chaired the Board, we did not get to the truth about the integrity of the Horizon system. I genuinely tried to listen, understand and address the

concerns that were being raised about the Horizon system. However, reflecting on the position in 2023, I appreciate that my efforts to do so did not achieve what I had hoped for.

4 It is now indisputable that the failures by the Post Office, and the Royal Mail Group (“**RMG**”) prior to the separation of the two companies, were considerable, and devastating in their impact on the lives of many affected sub-postmasters and their families. I have reflected deeply over what occurred, and asked myself if there was more that the Board could have done during the period in which I was Chair to prevent further miscarriages of justice and to rectify those that had occurred. I am setting out my reflections as fully as possible in this statement.

5 Those whose lives have been affected deserve the opportunity to hear from me about actions and decisions that I took as Chair of the Board between 2011 and 2015. I am keen to help the Inquiry establish what happened in the 4 years I was at the Post Office. I will attend the Inquiry to give oral evidence and answer questions; I will also clarify any aspect of this statement which may be unclear. I appreciate the gravity of this situation.

6 I was truly shocked when, for the first time in 2019, upon reading Fraser J’s judgment in *Bates & others v The Post Office*¹, I found that the assurances that Fujitsu had repeatedly given to the Post Office, and that Post Office executives had given to me – including that the Horizon system was robust, and that it was

¹ [2019] EWHC 3408 (QB); Judgment (No.6) “Horizon Issues”

not possible for thousands of pounds to “disappear” from their accounts - were untrue.

- 7 During my tenure as Chair of the Board, I received repeated assurances on these issues from a wide range of senior executives in the Post Office, some of whom had been there for many years. I believed these assurances at the time, and continued to believe in them up until the point of Fraser J’s judgment.
- 8 I was dismayed to learn that these assurances were not well-founded, and that the Horizon system’s issues had led to the wrongful convictions of sub-postmasters. I was also shocked to learn that key pieces of information about the integrity of the Horizon system, and the safety of prosecutions, were never brought to the Board’s attention.
- 9 I have addressed the questions put to me by the Inquiry to the very best of my ability and my memory. The events in question occurred between 8 and 12 years ago and it has, on occasion, been challenging for me to recall certain events and information, though I have been assisted by reviewing contemporaneous documents. When I am unable to recall something, I have clearly indicated this.
- 10 I can assist the Inquiry with an answer to most of the questions that have been put to me. However, there are some questions asked of me where, quite appropriately, owing to the nature of my role as Chair of the Board I did not see certain operational information and I am therefore more limited in my ability to

assist the Inquiry. Where I am more limited in my ability to answer a question, or cannot answer a question, I have indicated this too.

- 11 I am going first to deal with the Inquiry's 'Background' questions, in which I will also set out the context to my role. I will then turn, in some detail, to the more specific questions asked by the Inquiry in relation to its matters of interest, which I hope is of assistance.

(B) BACKGROUND

Career and qualifications

- 12 I have been asked to set out a summary of my career and qualifications up until joining the Post Office. I graduated from the University of Oxford with a degree in Modern History in 1971 and immediately joined the civil service.
- 13 The first half of my civil service career was spent in the Department of Health and Social Security, and after that Department was split in 1988, in the Department of Social Security. I spent most of my time on social security issues, advising Ministers on the policy issues, and being directly involved in the operations of the Department.
- 14 In 1993, I joined the Treasury as a Director of Public Spending where I had responsibility, among other things, for the budgets for Defence, the Intelligence Agencies, the Foreign Office and Aid. In 1998, I returned to the Department of

Health as a Director General with responsibility for the operation of the Department on behalf of the Permanent Secretary. In 2001 I joined the Cabinet Office and worked for two Cabinet Secretaries as the civil service's Group HR Director. Between 1997 and 2001, I served as a non-executive director on the Board of Littlewoods.

- 15 I left the civil service in 2005 to pursue a non-executive career. I joined the Board of TNS (TaylorNelsonSofres), the global market information company in 2005, where I was also Chair of the Remuneration Committee. Donald Brydon, who was later Chair of the Royal Mail Group, became the Chair of TNS a few months after I joined the board. I left in 2008 when it was taken over by WPP. In early 2006, I joined the Board of BAA (the airports operator) until its takeover later that year.
- 16 During that period, I also trained and started practising as an executive coach in the coaching practice of the JCA Group. My clients were, in the main, CEOs and people on their top teams from large, complex organisations in the private and public sectors. While I was at JCA, Donald Brydon asked me to meet with Dave Smith, who was at that time the MD of the Post Office Division and Paula Vennells who was working for him, to give them some input on how to effectively manage relationships with government. It would have been at these meetings, that I would have first met Paula Vennells.
- 17 Later, I went on to carry out Board reviews for private sector companies, including some in the FTSE 100 and 250, and governing bodies of other large complex

organisations in the public sector including the university world. I was one of four external members of the Oxford University Council (the University's governing body) between 2006 and 2014, and a member of the Said Business School's Business Advisory Forum. In 2014, I joined the BBC's Executive Board as one of six non-executive Directors.

18 As I will come onto later in this statement, I believe I was recruited as Chair of the Post Office Board in large part because of my experience within Government alongside my Board experience in the private sector, as the Post Office was to remain wholly owned by the Government and it was envisaged that it would grow its business delivering government services to the public.

19 I had no direct experience of managing large IT systems during my civil service career – my focus was on policy, finance (at a strategic level), operations and people management.

20 I had no experience of managing an organisation involved in the prosecution of criminal offences prior to joining the Post Office. The Department of Social Security did prosecute people for benefit fraud while I was there, but I was never involved in this part of its function.

My professional career since leaving the Post Office

21 I have been asked to provide an overview of my career since leaving the Post Office Board. I left the Post Office in July 2015. At that time, I was a non-executive

member on the BBC's Executive Board and remained on that Board until my three-year term expired in 2017, and new governance arrangements were introduced. I also continued my work as an executive coach, and on Board governance, initially at the JCA Group, and after 2018 when JCA had been acquired by Heidrick and Struggles, as a sole trader.

- 22 I am 74 years of age, I will be 75 in May 2024. I am mostly retired but I am still doing some work as an executive coach.

Chair of the Post Office Board

- 23 I was appointed as the non-executive Chair of the Post Office Board in July 2011, with a commitment to work two days per week on its business.

- 24 I have exhibited to this witness statement my letter of appointment signed with Donald Brydon, who was then Chairman of RMG, dated 21 July 2011 (**WITN00740101**). This stated under "Powers and Duties", "You shall exercise such powers and perform such duties as are appropriate to your role as Non-executive director and Chairman." Under "Priorities" it stated:

"As we have discussed, the key tasks of the role will be to create the new Board of Post Office Ltd and lead it through the transition from being a subsidiary Board to becoming the Board of a sister company to Royal Mail Group and then into direct Government ownership or whatever model the Government ultimately views as appropriate for Post Office Ltd."

“At the same time as this transition taking place, Post Office Ltd is obliged to deliver the plan that it has agreed earlier this year with the Government for the future size and profitability of the Company. You will lead the Board in its role of supporting the strategy and its execution, developing future strategy and holding to account executive management through normal governance mechanisms.”

- 25 This was the role which I understood I was there to fulfil during my time as Chair of the Post Office Board (2011 – 2015). These key tasks, and particularly guiding the Post Office through its transitional period, were large, complex endeavours, not least when I was contracted to assist the Post Office for only two days per week.
- 26 When I started work there in September 2011, the Post Office was still a subsidiary of RMG and formally accountable to the Royal Mail Board. I took over the role of the Chair of the embryonic Post Office Board after its September 2011 meeting.
- 27 My main focus in the early months was to understand the Post Office’s business; to get to know its key executives; to build relations with its key stakeholders and business partners; to build the new Board; to provide oversight for the negotiations between the Post Office and RMG over the terms of their separation; to understand and drive forward the Post Office’s plans to grow its business and

transform its network; and to contribute to the Government's thinking about its intention to mutualise the Post Office.

- 28 I think that this point – about my focus in the early months – is also well illustrated by a letter that Sir Vince Cable (then Secretary of State for Business, Innovation and Skills) sent to me on 11 January 2012 (**WITN00740102**). This letter very much focuses on the separation of the Post Office from RMG and the critical importance of getting this right, as well as the importance of building the new Board. For example:

“The proposed separation of Post Office Ltd from Royal Mail Group is an important part of the process outlined during the passage of the Postal Services Act and it brings with it necessary governance changes. It is important that Post Office Ltd can flourish under a strengthened Board, providing increased levels of oversight and challenge to the company. Under your leadership as Chair, it is important that the Board's oversight of Post Office Ltd is strengthened through these changes.”

“One of your immediate priorities will be the appointment of further non-executive directors to bolster the Post Office Ltd Board. I very much welcome Neil McCausland's appointment as senior independent director. A further non-executive appointment will need to be made swiftly. I understand that you are making progress in identifying candidates. As we have discussed, and as referred to in my letter of 25 October last year, I expect a Shareholder Executive official to take a position on the Post Office Ltd Board from the point of

operational separation from Royal Mail this spring. You and Stephen Lovegrove are in touch to finalise how this change will be implemented.”

The letter also pointed out the need for the Post Office to increase its corporate capacity at the executive level. “I understand that the company's executive team has also undergone significant change in recent months, with new appointments made recently to the positions of Finance, Commercial, Human Resources and Financial Services director. It will be important to ensure a continued mix of skills and experience on the Board and executive which equips the business to meet the challenges it faces. As Post Office Ltd separates from Royal Mail, it will inevitably need to increase its corporate capacity, posing a greater leadership challenge to the executive team. Once you have completed the establishment of the Post Office Ltd Board, you should meet with the Shareholder Executive team to discuss your impressions of the current Board and executive and what, if any, further action needs to be taken.”

29 Sir Vince Cable elaborated on the Government's key expectations for the Post Office following my recent appointment as Chair:

29.1 a refreshed Post Office Board operating under my leadership;

29.2 separation from RMG, allowing both companies to focus on their core businesses;

29.3 £1.34bn of Government funding to March 2015 to maintain the Post Office network at around its then-size and coverage, to finance network transformation to reduce its future reliance on subsidy from Government and to support the Post Office's strategy to grow new revenues and manage its costs carefully; and

29.4 the potential, in time, for ownership of the Post Office to be converted to a mutual structure, giving stakeholders a greater say in the business.

30 I replied saying that I was honoured to have the role of Chair of the Post Office's Board at this important moment in its history. I made clear that we were making progress on appointing new non-executive directors ("**NEDs**"), and that while this was not as straightforward as I had hoped, I was not willing to compromise on quality.

31 From 1 April 2012, when the Post Office became a separate entity, the senior executives became accountable to the Post Office Board for executing the day-to-day running of the business. I was responsible for the running of the Board which was still very much in its infancy. I worked closely with the CEO (previously the Managing Director of the Post Office) providing support and advice on the many key issues facing the business. I also worked closely with the newly appointed Company Secretary to shape the workings of the Board, e.g. the frequency and duration of meetings, the subjects to be discussed, and attendance at the meetings.

Appointment Process

- 32 I have been asked about the background to my appointment as Chair and the application process. My recollection is that I was approached by Donald Brydon at some point in the spring or summer of 2011, to ask whether I would be interested in becoming the Chair of the Post Office, which was due to be separated from RMG in April 2012. After some thought, I agreed to apply. From memory, I was interviewed by Egon Zehnder, the executive search firm who were handling the assignment. My name was then put forward to the Shareholder Executive and I was interviewed by civil servants at the Shareholder Executive, including its then head, Stephen Lovegrove, and subsequently by the Post Office Minister at the time, Edward Davey MP. My appointment was then recommended to Sir Vince Cable who, as then-Secretary of State, approved it.
- 33 During the process I also spoke to, amongst others, civil servants in the Post Office team at the Business Department, Paula Vennells who was Managing Director of the Post Office Division of the Royal Mail at that time, and her predecessor, Dave Smith. I think I also spoke to Paul Murray who was the Chair of the Audit and Risk Committee at Royal Mail.
- 34 I wish to be absolutely clear that none of the people to whom I spoke with during that appointment process mentioned Horizon or the problems which sub-postmasters were experiencing or had experienced with it. These issues were first mentioned to me in September 2011 after I had arrived at the Post Office during my induction period, as I will come onto more fully.

35 Nor did anyone mention the fact that the Post Office, then part of Royal Mail, carried out its own prosecutions. I did not have a general understanding when joining the Post Office of risk and compliance issues arising from (i) prosecuting sub-postmasters for theft and false accounting and (ii) pursuing civil litigation against sub-postmasters to recover alleged shortfalls in branch accounts. These issues did not come up in the application process either. My understanding of these issues changed in the course of my work as Chair as more information about them came to the Board, in the Significant Litigation Reports in the Board packs for Board meetings. POL also commissioned legal advices on these topics which were sometimes shared with the Board. My understanding improved on these topics as and when the Board was asked for their input on these issues, or had advices / summaries of advices shared with them. I will come onto these in due course.

Suitability for the Role of Chair

36 The emphasis for the Post Office was all on the Government's vision for turning the Post Office around as set out in some detail in Vince Cable's letter of 11 January to which I referred in paragraph 28 above. That is, making it sustainable by developing new streams of income, modernising it and in the process, making it profitable instead of loss-making and therefore ready for mutualisation. This was the brief for which I was selected. My knowledge of Whitehall and Westminster, my experience of running operations and delivering change in social security operations, of HR with a particular emphasis on developing

capability at senior levels, together with my Board and executive coaching experience were, as I understood it, the things which made those concerned consider that I was suitable for the role.

Constitution of the Post Office Board

37 To complement my experience of the workings of Government, Donald Brydon was instrumental in finding a potential Senior Independent Director with a successful commercial track record in turning round retail businesses. This was an appointment which I welcomed and Neil McCausland was appointed at almost the same time as me.

38 My responsibility at the outset of my tenure included creating a new Board. I thought a great deal about governance and how to establish a Board that would rise to meet the task it had been set. I tried very hard to create a Board with the skills and experience to cover areas which I knew at the time were critical to the Post Office's business. Each NED had considerable experience in their area of expertise and I set out to ensure that they would complement each other in terms of the way they approached issues and contributed to Board discussions.

39 In appointing the four independent NEDs, my aim was to find experienced individuals who were committed to achieving the Government's policy for the Post Office and who had relevant expertise in the key areas on which I knew the Board needed to focus, namely retail; financial services; mutualisation; and the transformation of service delivery, including IT. I also needed to find someone

who had the qualifications to chair the Audit, Risk and Compliance Sub - Committee (the “**ARC**”). I was conscious of the need to build a board which would both challenge and support the senior executives. It was not easy to recruit people of the right calibre who were ready to commit the necessary time to this, and the fees on offer were not competitive for the degree of effort required. I was not willing to compromise my standards, as I said in my letter to Sir Vince Cable of 19 January, and so this process took time.

- 40 Individual descriptions of all the NEDs taken from the Annual Report and Accounts for 2012/13 are exhibited at (**WITN00740103**). I found all of them to be hard-working, intelligent individuals with personal integrity. We were uniformly committed to making a meaningful contribution to the key business issues and we strove to do the right things. The NEDs were, in my experience, not reluctant to challenge the senior executives where challenge was needed.

Leadership Style

- 41 I consider my leadership style to be open and inclusive, and I encouraged discussion. I shared with the Board what I thought and knew, and I encouraged challenge and debate. I saw Board members on a one-to-one basis at least once or twice a year, and outside Board meetings we would have NED only breakfasts.
- 42 The Chair’s role is to oversee the Board’s efforts to hold the senior executives to account and to safeguard the long-term health of the company – I was direct with senior executives when I felt they needed challenge, and risked falling short of

expectations. At the same time, I was committed to creating an atmosphere which encouraged people to contribute and made efforts to support their development.

43 It is also fair to say that I have high standards and I believe in the value of being direct. I expected the same levels of professionalism and honesty from the executives and Board members I worked alongside.

44 I also made it a priority to establish a culture between the Board and the senior executives which provided the right balance between support and challenge. There is always a tension between these two approaches. However, when compared to other boards that I had served on, or worked with, the senior executive team at the Post Office required a greater degree of support. Most of the senior executives who were in place on 1 April 2012 when the Post Office separated from RMG, had previously been running the subsidiary of a large organisation: they were now charged with running an independent company which was embarked on a major turnaround strategy. This was a very big step-change in their responsibilities. I took time to reach an assessment of the people on the top team. Over the first few weeks and months, I came to the view that certain of the senior executives who were in place on 1 April 2012 had the potential to make a success of their new responsibilities even though they may have lacked relevant experience; many did not. And new roles needed to be created to give the Post Office the corporate capacity it now needed (for which it had previously been able to rely on Royal Mail). Accordingly, over the four years that I was on the Post Office Board the majority of senior executives who had

been in place on 1 April 2012 left the business and were replaced by others with more relevant experience. When I left the Board in July 2015, of the senior executives who had been inherited from RMG on 1 April 2012, only Paula Vennells, Kevin Gilliland and Nick Kennett remained in post.

- 45 There were, of course, limitations to the support we could provide to the relatively inexperienced senior executive team. I was contracted to the Post Office for two days per week. Many of my NED colleagues were only contracted for two or three days a month. There could be no question therefore of the experienced NEDs taking on any of the operational responsibilities of the senior executives. Nor should we have done given the distinct roles which the Board and the executives needed to play (see paragraph 48 below). And we could not safely instigate a wholesale change of the Post Office's senior executives all at once. (It was for Paula Vennells to appoint her direct reports, taking into account the views of the Board's Nominations Committee (see paragraph 73.3 below) which would include mine and those of the other NEDs). My approach was to provide guidance to the senior executives and to ensure that where possible they had access to coaching and training that would help them deliver. Where it was concluded that a particular senior executive simply did not have the experience and/or skill-set required for their new role in the independent Post Office, or the potential to develop them, then over time they were replaced. Our ability to recruit people with the right experience and approach was constrained throughout my time at the Post Office because of very restrictive Government policies affecting the level of remuneration payable to the top executives in the Post Office. I will

come back to this point at the end of this statement, when I describe my reasons for resigning.

The role of the Post Office Board

- 46 As explained at paragraph 23, as Chair of the Board I was engaged to work two days per week in the role. In practice, I devoted more time than this to the Post Office throughout my tenure.
- 47 The clear steer which I was given by the Shareholder Executive and as I recall it, Donald Brydon, was that the Board should operate as closely as possible to the manner in which a quoted company Board would operate. As we were wholly owned by the UK Government, we were, of course, always very conscious of the need to adhere to the Government's policies for the Post Office, that the Post Office was subsidised by the tax payer and was in receipt of a large investment of public money (£1.34 billion in all over 3 years from April 2012 to April 2015) and that budgets therefore had to be spent wisely.
- 48 In all companies a clear division of responsibilities is key. The Board itself was collectively responsible for setting out the overall strategy and primary business objectives in the context of Government policy, and holding the senior executives to account for their delivery. We developed a purpose and vision for the future development of the Post Office and guided the Post Office through this transition period. The Board's responsibilities included, and were not limited to, identifying and evaluating long-term goals, present and future opportunities, risk appetite

and proper frameworks for risk management, and maintenance of proper accounting. Most importantly, we determined strategic options. As a Board we would meet as often as was required. We had scheduled meetings eight times a year and in practice would meet more frequently as required.

- 49 I used notebooks throughout my time at the Post Office – my habit was to write notes of my reflections, key events and conversations which I had in the role of Chair in these notebooks as an aide memoire. I have included reference to these entries and exhibited these to this statement at times in order to assist the Inquiry. A handwritten entry of mine, made at the turn of 2012, outlined how I saw the role of the Board at that time (**WITN00740104**).

“Role of Board to ensure the company is run in the best interests of its shareholders and wider stakeholders by: -

agreeing its strategy,

holding the executives to account in delivering the strategy,

ensuring that key risks are identified and mitigated and key decisions are made properly,

ensuring that there are proper processes in place for developing the succession pipeline to the top.”

- 50 I also made a reference to the need for “delegation limits”. These were agreed delegations that specified, for example, what levels of expenditure had to come to the Board for approval or were delegated to the senior executives. Some items

of expenditure had to be referred to the Department of Business, Innovation and Skills (“**BIS**”) for their approval.

51 To promote effective corporate governance, I and the Board needed to retain an objective view of how to achieve the long-term health and success of the company, and to support and challenge the senior executives who were the ones who dealt with the day-to-day operational management. My focus during this time was to ensure that the work undertaken by the senior executives was in line with the Post Office’s vision, direction and priorities. It would not have been appropriate for the Board to be involved in the granular day-to-day operations of the business, any more than it would have been for the Board of a large commercial company.

52 The CEO, Paula Vennells, and her senior executive team had the responsibility of running the business. The Board relied on the senior executives to provide them with regular, accurate and timely information; and updates on various topics of substance such as operations, performance, finance, risk and significant developments. Papers put to the Board prior to Board meetings were expected to be of sufficient quality to allow the Board to properly consider, guide and provide support and challenge on these matters and decide on key issues which were put to it. It was the senior executives’ role and responsibility to put forward to the Board all the relevant information that enabled the Board to deliver its strategic goals and mission. As Chair, it was my responsibility to ensure that agendas for Board meetings took account of any subject matters raised by the senior executives and by my fellow NEDs, provided sufficient time for discussion,

and encouraged contributions and debate. I am reminded of a provision in the Financial Reporting Council's Corporate Governance Code which was sent to me in an early Board pack during my tenure (**WITN00740105**): "The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties".

Responsibilities of the Board in a company owned by HM Government

53 I was aware from my experience of working in Whitehall that the civil servants and Ministers who were responsible for the Government's interests in the Post Office would take a much closer interest in the running of the company than would normally be the case with the shareholders of a quoted company. I knew they would be concerned not only about the Post Office's success in implementing their strategy but also about issues which were likely to be politically sensitive, such as any changes in the configuration of the branch network and the stance of the National Federation of Sub-postmasters (the "NFSP"), the union responsible for representing the views of sub-postmasters, which was very influential with the Government. It was also the case that the Post Office depended on both a government subsidy and government investment to enable it to reduce the former. It therefore needed to make the case for these investments and demonstrate that they were being used wisely and well. In recognition of this, one of the NEDs was nominated by the Shareholder Executive. But the fact that the Post Office was solely owned by Government did not significantly affect the way the Board went about its business.

- 54 During the period up to 1 April 2012, prosecutions were conducted by RMG, but between then and when I left in 2015, prosecutions by the Post Office were conducted by a team that reported to the General Counsel of the Post Office. During my tenure the Board was never involved in any individual prosecutorial decisions. I recall that shortly after I arrived at the Post Office, Susan Crichton, the then General Counsel, informed me that the prosecutions were conducted at “arm’s length” from the company and that the Board would have no involvement in the decision-making process. The Board trusted the senior executives, more specifically, the General Counsel, and relied on them to provide the Board with updates relating to prosecutions. I did not question the practice (which we had inherited) of fraud investigations and prosecutions being undertaken at arm’s length from the Board. I had been used to similar arrangements when I was in the Department of Social Security. From 4 July 2012 onwards, throughout my tenure, the Board received a regular report entitled “Top 10 Criminal Cases” and it recorded the most notable cases in which sub-postmasters were being prosecuted for theft and fraud. I did not have a role in selecting these cases, but they appear to have been the most sensitive / high value prosecutions. In reviewing the materials provided to the Board ahead of each meeting for the purpose of preparing this statement, I have noted that the Board did not discuss the details of individual prosecutions. However, we did consider prosecutions at a policy level (as I will discuss further below), and in particular whether or not the Post Office should continue to bring private prosecutions.
- 55 Similarly, the Board did not get involved in the detail of civil litigation. The Board understood that the oversight of civil litigation was happening at a more granular

level by the senior executives. We expected to be kept updated on issues relating to this, again by the General Counsel and their team, and consulted where appropriate. I do not recall there being a piece of litigation during my tenure where the Post Office's General Counsel escalated strategic issues to the Board for our input on the litigation strategy. I am not a lawyer but I understand that there is an added complication when involving a Board in the detail of litigation, in that there can be a challenge with retaining legal privilege, such that only a core group are involved in the decision-making process.

56 The Board did receive 'Significant Litigation Reports' for noting in our Board packs. The first such document was provided to the Board in December 2011 (**WITN00740106**). It contained a reference to Shoosmiths threatening to bring civil cases against the Post Office based on what were said to be wrongful convictions. I will explain more fully in due course that in this instance, we were advised by Susan Crichton that these claims were "weak" and were being defended. After that, these cases started to be reported to the Board for noting on a regular basis. Over time, the litigation reports became more informative than they were originally. The ARC did consider whether the Board should be making provision / setting aside money for claims against the Post Office. I was not a member of the ARC but I did sometimes attend its meetings.

57 The Board dealt with IT, accounting and legal issues broadly in the same way as one would expect a quoted company Board to deal with them. I set out below my answers to the specific questions I have been asked on this topic:

- 58 On IT issues the Board had oversight, primarily through the ARC, of the workings of the current IT systems and used both independent and internal auditors for assurance on these. It also had oversight of the future facing strategy for IT and, as this was developed, for large IT procurements.
- 59 On accounting issues, the Board again used external and internal auditors to assure it, again through the ARC, of the reliability of these systems. The external auditors attended the ARC and took the Committee's members through the financial results at end-year and half-year, as well as providing written comments on these. The Chair of the ARC introduced the Board discussion of the full-year results.
- 60 The Board was provided with legal advice by the Post Office's legal team led by its General Counsel. I do not have a specific recollection of the Board's oversight of the Post Office's compliance with the Equality Act 2010.

Board Operations – July 2011 to September 2011

- 61 I have been asked some specific questions about how the Board operated during the relevant periods.
- 62 When I joined the Post Office in the summer of 2011, it was still part of RMG, and accountable to the Royal Mail Board chaired by Donald Brydon. There were clear existing reporting lines between the Post Office executives and the Royal Mail, with the Post Office subsidiary being accountable to the CEO of RMG, and

through her to the Royal Mail Board. Paula Vennells, then the Managing Director of the Post Office subsidiary and CEO designate of the Post Office, reported direct to Moya Greene, the CEO of Royal Mail. My recollection is that Paula Vennells was a Director on the Royal Mail Board. She and Moya Greene had one-to-one meetings and I believe that prior to my appointment, she also had one-to-one meetings with the Chairman of the RMG Board. The Post Office was supported by the corporate centre of the Royal Mail Group in areas such as finance, including audit, HR, communications, IT and procurement. There were other lines of accountability within Royal Mail, for example between the Post Office's Finance Director and the Royal Mail's Group Finance Director. These reporting lines continued to operate until separation the following April but I was not part of them. I was focussed on learning about the business, building the new Board and steering the negotiations with Royal Mail over the separation issues and other major issues affecting the Post Office's future such as its objective to build its government business. One of the key issues in the separation of the Post Office from RMG was, as I have said, how to build its own corporate capability to enable it to stand on its own two feet.

- 63 There were also well-established reporting lines between the Post Office executives and the Post Office team in BIS. I did not participate in those meetings but my impression was that there were good working relationships between the people concerned. I had meetings from time to time with officials in the BIS Post Office team, in the Shareholder Executive, with the Chair of the Shareholder Executive and occasionally with Ministers over issues connected with separation,

mutualisation, the Post Office's future streams of income and its funding. I had good relations with them all.

64 At the time I joined the company, the Post Office's corporate governance was in transition. I had no reason to think that the Royal Mail Board was anything other than effective in its governance of its Post Office subsidiary but it was unable to give the Post Office the attention which its own Board would give it after April 2012 because of the scale of the Royal Mail's overall business of which the Post Office was only a relatively small part.

65 I have been asked about what internal Post Office resources were available to the senior executives for expert advice on technical IT matters when I joined the Post Office. Until its separation from Royal Mail, as I recall, the Post Office was able to draw on the expertise of colleagues in the Royal Mail's IT department, and the internal audit function in Royal Mail as well. The Post Office also had its own IT team headed up by Lesley Sewell.

Board Operations – September 2011 – April 2012

66 Donald Brydon had set up an embryonic Post Office Board before I arrived. He chaired it. As I recall, it consisted of Les Owen who was one of the NEDs on the Royal Mail Board, the Group Finance Director of the Royal Mail Group, Paula Vennells and the newly appointed Post Office Finance Director. I and Neil McCausland, the new Senior Independent Director for the Post Office attended the Board meeting on 22 September 2011 which Donald Brydon chaired. After

that, I took over the role of Chair and Donald Brydon did not attend the Post Office Board again.

67 At this time, the embryonic Post Office Board was focussing heavily on what needed to be done before separation. There were two main issues – what the terms of trade should be following separation between RMG and the Post Office (the latter's largest stream of income) and what should be transferred to the Post Office in terms of people, functions, accommodation and systems. These were complex and important questions. When I arrived, less progress had been made on those than I would have expected so they were urgent. These negotiations were made more challenging by the fact that very often the responsible senior executive at the Post Office was negotiating directly with a senior executive at RMG, who up until the separation, was either senior to them, or their direct boss. The Board was also considering other very important issues, such as Project Eagle, which was a major negotiation about the terms of the Post Office's joint venture with the Bank of Ireland; the Network Transformation Programme, which was part of the government funding package, designed to maintain the size of the Post Office network, modernise it and improve its financial sustainability.

68 In that period, I was working with Paula Vennells, the General Counsel and the Company Secretary to develop the Board's Terms of Reference and the way in which it would work, and the roles of its Sub-Committees as well as overseeing the process to select additional non-executive Directors. The non-executive Directors were all appointed between September 2011 and September 2012.

- 69 Between September 2011 and April 2012, the Post Office Board met 8 times.
- 70 The agendas for Board meetings were developed in collaboration between me, Paula Vennells and the Company Secretary. The NEDs were also invited to contribute their views about what should be discussed.
- 71 The then-Directors of the Board attended the meetings as did the Company Secretary. After I took over the Chair role from Donald Brydon, these were Neil McCausland, the SID, Les Owen who was a NED on the Royal Mail Board, Paula Vennells, then Managing Director of the Post Office, and Chris Day, the Post Office's Finance Director. Over the following months, Les Owen resigned and new NEDs joined the Board as they were appointed. I do not recall any executives from the rest of the Royal Mail Group attending the Board meetings but senior executives in the Post Office attended meetings when their areas of responsibility were being discussed substantively.
- 72 In the period before separation, the Board appointed a Sub-Committee on Audit and Risk, Remuneration and Nominations. An embryo Audit and Risk Committee ("**ARC**") had been appointed before I arrived at the Post Office. The first meeting of the ARC under the new Board took place on 23 May 2012. Alastair Marnoch was the Chair. The Remuneration and Nominations Committees (I chaired the latter) were appointed after I had arrived with the first meetings taking place on 4 October 2012 and 7 November 2012 respectively. (In the period before May 2012, the senior executives were employed by RMG who managed their remuneration.)

73 The Inquiry has asked for details about the Post Office Board's subcommittees, membership and Terms of Reference. In respect of the key subcommittees:

73.1 The Remuneration Committee was made up of at least two independent non-executive directors and required to meet at least three times each year. The Committee was established to recommend to the Board the remuneration strategy and any changes to individual elements of the remuneration package for the Post Office's executive directors, members of the Group Executive who report directly to the Chief Executive, other significant senior level appointments with comparable remuneration and to provide an oversight function for remuneration of the directors of the Post Office Management Services Limited (POMS) board. I exhibit various versions of the Terms of Reference for the Remuneration Committee which have been made available to me: the Terms of reference adopted in 2012 (**WITN00740107**), reviewed by the Board in February 2015 (**WITN00740108**), reviewed by the Board in February 2014 (and a version with no date (**WITN00740109**)).

73.2 The ARC was made up of at least three members, all of whom were NEDs. At least one of the members was required to have recent and relevant financial experience, ideally with a professional qualification from a professional accountancy body. During my time as Chair, the Chairman of the Committee was Alasdair Marnoch and the members included Tim Franklin and Neil McCausland. The Committee were

required to meet at least three times a year at appropriate intervals in the financial reporting and audit cycle. The Committee was established to assist the Board in fulfilling its fiduciary responsibilities which included providing an independent view on accounting, financial control and financial reporting practices; taking all reasonable steps to ensure accurate and informative corporate financial reporting and disclosures; oversight of the Post Office's risk management systems, operational controls and key systems; and ensuring compliance with FCA standards. I exhibit various versions of the Terms of Reference for the ARC which have been made available to me. This includes a version approved by the Board on 23 January 2013 (**WITN00740110**), approved by the Board on 26 March 2014 (**WITN00740111**), approved by the Board on 27 April 2015 (**WITN00740112**), dated September 2015 (**WITN00740113**) (and a version with no date (**WITN00740114**)).

73.3 The Nominations Committee was made up of three members, including at least two independent NEDs who were required to meet at least twice each year. The Committee was established to recommend the appointment of individuals to the Post Office Board, to its sub-committees and to Executive Committee positions which report directly to the Chief Executive, the Company Secretary and to the POMS Board. The Committee would also consider / recommend to the Board any proposals to remove or replace individuals holding office as a Director or reporting directly to the Chief Executive and the Company Secretary. I exhibit a version of the Terms of Reference for the Nominations

Committee reviewed by the Board on 25 March 2015 (**WITN00740115**) and a version reviewed by the Board in February 2014 (**WITN00740116**).

73.4 The Pensions Committee was made up of three members, including at least two independent NEDs who were required to meet at least three times each year. The Committee was established to provide guidance on, oversight of and authorisation in respect of pensions and pre-retirement risk benefits provision within the Post Office and to put into effect appropriate investment strategies for the Post Office Pension Fund on behalf of the Board. I append a version of the Terms of Reference for the Pensions Committee approved by the Board on 16 July 2014 (**WITN00740117**).

73.5 The Project Sparrow Sub-Committee was made up of three members, including at least one independent NED and the Chair, and was to meet as often as required. The Committee was established to make recommendations to the Board in respect of Project Sparrow and provide strategic oversight of the delivery of the project and the development of the Initial Complaints Review and Mediation Scheme, which I will come onto in due course. I exhibit a draft version of the Terms of Reference for the Project Sparrow Committee, which was included in the 9 April 2014 Project Sparrow meeting pack (**WITN00740118**).

- 74 At the time that I joined, the Board received regular reports on the Post Office's financial performance, on separation issues, mutualisation, health & safety, and the Post Office governance and network transformation.
- 75 The IT Director would attend Board meetings when there were substantive discussions of IT issues. I do not recall the level of IT expertise amongst the other senior executives.
- 76 Members of the executive team who had substantive items of Board business attended the relevant meeting(s) to present the issues and to participate in the Board discussion. Issues that were for noting and not for discussion at the Board were presented in papers written by the responsible executives but they would not attend the meeting unless their item was to be discussed.
- 77 I have considered **POL00021431** (minutes of the meeting of the Audit, Risk and Compliance Committee on 23 May 2012). The work undertaken to assess the risks and compliance issues for the Post Office following the separation from RMG, including POL's prosecutions involvement, would have been led by the Post Office's legal function and particularly Susan Crichton. I do not recall any particular issues on prosecutions involvement in the context of the separation being escalated to the Board.
- 78 Over the following months, the Post Office Board grew as the additional non-executive Directors joined and themselves learned about the business. The Board was complete in September 2012 when the last NED joined the Board with

experience of the financial services sector. Over that time, the Board developed its ways of working with the senior executives, a pattern of Board and Board Committee meetings, and a clear focus for its agendas.

Other Matters

79 As I stated earlier, there are some matters raised in the section of the Rule 9 notice pertaining to corporate governance at the Post Office on which regrettably I am unable to help the Inquiry, as they did not fall within my responsibilities as Chair of the Board and were not escalated for Board discussion. In particular:

79.1 I was not aware of the existence of the Second and Third Supplemental Agreements between the Post Office and Fujitsu which dated from 1999 and 2000 respectively; I do not recall these clauses ever being raised for Board business.

79.2 I was aware that the Post Office operated suspense accounts but did not know any detail of the nature of any unattributed surpluses. For completeness the Board's knowledge of the suspense accounts was (as far as I can track) as follows, and did not extend to the nature of unattributed surpluses. I cannot expand upon this subject further, but I provide this detail below in order to be helpful to the Inquiry:

79.2.1 Following the publication of Second Sight's interim report in July 2013, the Board was updated on the technical considerations

review undertaken by the IT team on key matters such as processes around communication and hardware failures, including the possibility of introducing a Suspense account at Branch level (**POL00099218**).

79.2.2 In an update paper to the Project Sparrow Sub-Committee for the meeting of 18 February 2015, it became clear that Second Sight had raised concerns on the policy over suspense accounts (**POL00040911**).

79.2.3 The Board also received a paper on supplementary evidence which the Post Office was giving as part of the BIS Select Committee investigation, in which the issue of suspense accounts was discussed (**WITN00740119**). I understand from this paper that the BIS Select Committee was informed that the Post Office was denying Second Sight access to information about movements into and out of the suspense account. I understand that in June 2014 Second Sight asked the Post Office to explain the operation of its suspense account and the Post Office replied in July 2014. In response to Second Sight requesting for some data on accounting entries posted to the suspense account, the Post Office sent a paper to Second Sight explaining the aspect of the operation of its suspense account that it understood to be of specific interest in more detail. I have not seen this paper

explaining the operation of the suspense account. I do not recall this issue ever being raised for Board business either.

(C) THE HORIZON SYSTEM

80 The Inquiry seeks to gather a clear account of the implementation and failings of the Horizon IT system over its lifetime. The Inquiry is necessarily looking back at the events concerning Horizon from the perspective of knowing the flaws that were uncovered with the system years after my departure from the Post Office. A huge amount is known now that the Board did not know then. Before I go on to answer the questions asked about my conduct, I think it might be helpful to explain in broad terms the nature of the information that was presented to me about the Horizon system during the period when I was Chair of the Board, and the views I and my fellow Board members formed on the back of that information.

81 In that period, we mistakenly believed that the Horizon system was robust, and that the Post Office was safe to rely on it in the course of its prosecutions. We formed that belief on the basis of the information that was provided to us. As I have previously explained, I am not an expert on large IT systems nor do I have any expertise in the field of criminal prosecutions. In forming a view on these matters, I was largely reliant on the expertise of those who advised the Board. The following factors are relevant to the understanding that the Board had about Horizon during the relevant period.

81.1 Firstly, we were repeatedly assured by the senior executives that there had been internal and external audits of the system which had sufficiently tested its integrity; and that it was not possible for thousands of pounds to “disappear” from sub-postmasters’ accounts without their knowledge. These assurances were made to us from the start to the end of my tenure, by a range of individuals, both internal and external advisors.

81.2 Secondly, that same assurance was provided by the company that developed and sold the Horizon software, Fujitsu. I believed Fujitsu’s repeated assurances at the time, and continued to believe in them up until the point of Fraser J’s judgment. I was horrified to read in Fraser J’s judgment that he found evidence from key Fujitsu witnesses to be “misleading”, as “[un]interested in accuracy in any...evidential exercises”, and “[not] remotely accurate”. This evidence was absolutely crucial in getting to the bottom of the Horizon issues in order to start the process of delivering justice for affected sub-postmasters but only became available at the insistence of Fraser J, presiding over a High Court which was able to cross-examine Fujitsu’s witnesses. I note that Fraser J announced that he had “grave concerns” about the evidence of Fujitsu employees in a number of the prosecutions against sub-postmasters; so much so that he intended to refer his concerns to the Director of Public Prosecutions for further investigation.

81.3 Thirdly, the independent investigations into the integrity of Horizon during my tenure; both the investigation which I personally ensured occurred, and the investigations commissioned by the senior executives following discussion with the Board, also failed to uncover the issues that Fraser J uncovered at trial.

81.4 Fourthly, the body responsible for representing the views of sub-postmasters, the NFSP, and in particular the then general secretary, George Thomson, repeatedly made assertions about his confidence in the Horizon system.

81.5 Fifthly, at that time I was of the view that if sub-postmasters had been convicted in a criminal court then it was reasonable to assume that they were in fact guilty of a crime. I took comfort from the fact that the criminal justice system was designed to ensure that there was a fair and rigorous assessment of a prosecutor's case. As I was informed in a briefing paper on March 2012 (**POL00179470**, **POL00107701**), which I will come onto, in the case of *Post Office Ltd v. Lee Castleton*, the Court ruled that the losses claimed were real deficiencies and that data from the Horizon system was reliable evidence.

81.6 Sixthly, the Horizon software facilitated over 1,500 transactions per second and 6 million per day across 11,800 branches (**POL00115924**). It seemed unlikely to me that a system that was in such regular use could

contain within it systematic faults that created erroneous accounting data, without that being plain to everyone using the system.

81.7 Seventhly, and in my view most importantly, I have now learnt that during the relevant period the Board was given an incomplete picture of Horizon's integrity. Important documents and advices were written on the Horizon issues that were not brought to my or the wider Board's attention. To be clear, I was never provided with the following key pieces of information:

81.7.1 Gareth Jenkins' note entitled Local Suspense Problem (**FUJ00083375**). I was never made aware of the Local Suspense Problem and it was never escalated to the Board.

81.7.2 The draft report by Helen Rose dated 12 June 2013 (**FUJ00086811**) that raised issues with Horizon's integrity. Nor did I receive any summary of this report's significance, any briefing about it, or any passing reference to it in any papers I received. I cannot say what actions the Post Office took in response to this report. I never saw it during my tenure and it was never escalated to the Board. I have since learned from the Inquiry's evidence that a member of the Post Office's senior executive team, Susan Crichton, was aware of the Helen Rose report (**POL00139690**).

81.7.3 Simon Clarke's advice on expert evidence dated 15 July 2013 (**POL00006798**) which found that the credibility of the Post Office's key prosecution witness in respect of the Horizon system (Gareth Jenkins) was "fatally undermined". I was aware that Cartwright King was involved in a disclosure review in respect of the Post Office's past criminal cases after the Second Sight Interim Report (which I will cover in more detail later). But I was not informed about this advice. I had not heard of Simon Clarke until I received a media enquiry about his advice in late November 2020 after the High Court cases in 2019. I will come onto the fact that, looking back at the chronology, I am astonished that the Board received no notification whatsoever about this advice. It referred to the Helen Rose report and found that Dr Jenkins, the Post Office's key Horizon expert relied on for prosecutions, "had not complied with his duties to the court, the prosecution or the defence", by failing to disclose material known to him which undermined his expert opinion in Horizon's robustness. This advice came at a crucial time when we were considering Second Sight's review of Horizon-based prosecutions (the Interim Report) but was never shown to the Board.

81.7.4 Simon Clarke's advice on the duty to record and retain material dated 2 August 2013 (**POL00006799**). This advice raised fundamental issues to the effect that the Post Office had abrogated its disclosure obligations as a prosecutor. Because it

was never brought to my attention, I cannot say what steps the Post Office took in response to it. Again, I am astonished that this document was never provided to the Board. The context to part of this advice, which I saw for the first time in preparing this witness statement, was that Simon Clarke understood that someone within the Post Office ordered the “shredding” of a note recording a conference call where Horizon-related issues and possible defects may have been discussed. He understood that some within the Post Office did not want to minute / retain future notes of this nature. Simon Clarke advised that this was an abrogation of the Post Office’s disclosure duties and the “shredding” allegation if true could amount to a conspiracy to pervert the course of justice. I had no idea, whatsoever, of allegations of such serious misconduct in the Post Office’s prosecutions function, nor that we had received legal advice that the Post Office may have breached its duties so fundamentally.

81.7.5 Brian Altman KC’s advice of 2 August 2013 in which he considered Cartwright King’s disclosure review (**POL00006583**). Among other matters, I now know that this advice drew attention to the limited nature (by time and scope) of the Cartwright King review and Mr Altman KC’s own view that Mr Jenkins was tainted and his position as an expert witness untenable. I only received incomplete briefings about this advice in Board packs and meetings. We were simply told that Mr Altman KC’s view was that

the approach being taken by Cartwright King in reviewing disclosure was “fundamentally sound” and that no “systemic or fundamental flaws in the review process” were detected. I was never told that our key expert witness on Horizon issues was tainted and his position untenable. I have no doubt that learning this information would have alarmed me, and caused me and other Board members to ask questions. We were merely informed in Significant Litigation Reports (see those between September – November 2013, the latter being **POL00026626**) in identical terms that “POL is not issuing any new criminal summons pending the instruction of a new, independent expert who can give evidence to support the Horizon system. The process of identifying this expert is underway”. The crucially important reason as to why a replacement was needed was omitted. It was not unreasonable to infer that this was for some prosaic reason.

- 82 I find it extraordinary and highly regrettable that these pieces of information were not provided to the Board (or, that where identified, they were only summarised in an incomplete way). I do not know the reasons for this, but it of course meant that important Board scrutiny was avoided. I look back at these omissions and I feel very badly let down by them. They meant that the Board did not ask questions which might have got to the truth of the matter – which was that Horizon was unsafe and should not have been relied upon for prosecutions. In the absence of these pieces of information, I also now see that the Board made

the ill-informed decisions at some critical junctures as I will explain at the relevant points in this statement.

83 I want to be very clear that I never engaged in any form of “cover up” nor did I observe any culture of “cover-up” on the Board. My career was mainly in the civil service and I am a strong believer in transparency and accountability. I always sought to communicate openly and candidly – especially with the MPs, who were the main third-party stakeholders with whom I dealt over the Horizon issue. The Board and I believed in sharing information. If information was ever kept at Board level and not more widely disseminated, there were always good reasons for this, which I will come onto when these issues arise in the chronology of events.

84 And finally, it is, of course, the case that during the relevant period the Board was presented on a number of occasions with a contrasting view that the Horizon system could produce erroneous transaction data and therefore the convictions based on this data were unsafe. I wish to assure those affected by the actions of the Post Office and Fujitsu that the Board did try to address the concerns that were being raised about the Horizon system, and I did challenge the senior executives particularly when they resisted my suggestion to commission an independent investigation and over its terms of reference. During my tenure the Board (like any other board) had a reasonable expectation that we should be able to rely on the information we were provided by the senior executive team. I now realise that the briefings that we were given by senior executives on Horizon issues were, at critical points, incomplete, and sometimes misleading. This is the

context in which the Board's failure to get to the truth about the Horizon system should be understood.

(D) KEY EVENTS - SEPTEMBER 2011 TO MAY 2012

85 In the next section of this statement, I will turn to the key issues with which I was involved in my early days on the Board: the Ernst & Young audit findings, the Shoosmiths litigation, my interactions with Members of Parliament advocating for sub-postmasters and the instruction of Second Sight.

Ernst & Young's Audit Findings

86 I have been referred to a draft document produced by Ernst & Young and entitled "Management letter for the year ended 27 March 2011" (**POL00030217**). I have no recollection of this document. I was not at the Post Office for the financial year ended 27 March 2011 and having reviewed the documents made available to the Board ahead of its 22 September 2011 meeting, which was the first I attended, this document does not appear to have been circulated to the Board. I note that in the 'management comments' section of the relevant excerpt from this report there is reference to actions being undertaken with a completion date of July 2011 (**POL00030217/0023 & 0024**). This further suggests the report was prepared before I commenced my tenure at the Post Office.

87 In the minutes of the first Board meeting I attended on 22 September 2011 (**POL00030365**) there is a record of a comment I made under the sub-heading

“IT Audit (SAS70)”. According to the minutes, I “stressed that the Business needed to be influenced by the cost as to which route was pursued. Further clarification is required as to POL’s recommendation and a noting paper needs to go to the next board”. Before this observation is a record in the minutes as follows: “Les Owen clarified that.... The ARC was not suggesting we should push Fujitsu to do a SAS70 audit if it meant POL would pick up the costs; Chris Day emphasised that Fujitsu do not undertake a SAS70 audit but they recognise customers, including POL, would expect it. He explained that POL were looking at any costs which would be passed on from Fujitsu before going down this route”. That provides context to my observation on cost, which I expand on further in paragraph 90 below.

- 88 I cannot recall this remark or the discussion which occurred at the Board meeting on this topic. However, I note from my review of the minutes that it was made in the context of a discussion on a paper prepared by Mike Young, the Post Office’s Chief Operating Officer, entitled “the Post Office IT Audit Update (SAS70)” **(WITN00740120)**. I have re-read this paper, which included (i) a detailed update on the audit work undertaken by Ernst & Young, (ii) an account of the work being undertaken with Fujitsu to execute Ernst & Young’s recommendations, and (iii) an update on the work being undertaken by the senior executive team to determine whether or not to insist that Fujitsu adopt SAS70. It is clear from reviewing Mike Young’s note that, as I would have expected, he and the rest of the senior executive team were working to implement Ernst & Young’s recommendations and these efforts were being monitored by Ernst & Young and would be assessed during the course of the next audit.

89 While I am on the topic of the “the Post Office IT Audit Update (SAS70)”, I note that I have been asked the question in the context of the 22 September 2011 board meeting: “Please describe your understanding of the importance of the audit controls described and EY’s recommendation for SAS70 audit”. On a point of accuracy, I am not sure it is correct to say that Ernst & Young made a “recommendation for SAS70 audit”. Mike Young’s note stated that “the Ernst & Young audit management letter recommended that POL should keep SAS70 as an option and under consideration as a framework for its service management controls” (emphasis added). This description accords with my reading of the “Management letter for the year ended 27 March 2011” (**POL00030217**) which (as I note above), I do not believe I saw at the time but I have reviewed in preparing this statement.

90 Returning to the Board meeting on 22 September 2011, and the record in the minutes of me stating “that the Business needed to be influenced by the cost as to which route was pursued”, I can only think that by this comment I was addressing a concern that Fujitsu may seek to pass the cost of the SAS70 audit on to the Post Office on which Les Owen had commented (see para 86 above) (**POL00030365**). I recall that from my earliest days with the Post Office, I had concerns about the Post Office’s relationship with Fujitsu and whether or not it was an equal relationship. I felt that the Post Office’s reliance on Fujitsu was not healthy and that Fujitsu had the upper hand in relations with the Post Office. It may be that my comment at the Board meeting on 22 September reflected a concern that Fujitsu would find a way to make the Post Office pick up the bill for

the SAS70 audit, or as a more general signalling to the senior executive team to take a commercial approach to its discussions with Fujitsu.

91 I also note that at the 22 September 2011 Board meeting, we were provided with another note by Mike Young entitled “Technology Update – Tactical and Strategic Relationship with Fujitsu”, which informed the Board of discussions with Fujitsu about extending elements of the Post Office’s existing contract with Fujitsu beyond the 2015 termination date (**WITN00740121**). It may be, but I cannot say for certain, that my comments as to the cost implications of Fujitsu completing a SAS70 interview were connected with our discussions about broadening the range of suppliers available to the Post Office and reducing the business’s reliance on Fujitsu. The minutes record that Donald Brydon asked the senior executive team to present “an integrated Network & IT strategy” at a future Board meeting (**POL00030365**). It would appear that there was an appetite to take a step back and consider the Post Office’s IT strategy in its entirety.

92 In my notebook I have a contemporaneous note of an introductory meeting I had with Angus Grant, the audit partner at Ernst & Young responsible for the Post Office, that took place a few days after the 22 September 2011 board meeting (**WITN00740122**). It provides further context for my views at this time on the relationship between the Post Office and Fujitsu.

93 My note (which was handwritten) reads as follows:

“27/9

Angus Grant E+Y [partner assigned to PO]

.....

With Fujitsu, PO drove a hard bargain on price but they took back on quality/assurance.

*Chris's [newly appointed FD for PO.] role in relat. to procurement.

v. close relat. with Mike Young.

RMG good procurement – Cath Harmiston.

IT – have made progress

getting documentation + process better

Horizon – is a real risk for us.

does it capture data accurately

cases of fraud – suspects suggest it's a systems problem.

POL v. Fujitsu – naïve/too nice.

Lesley Sewell [PO's IT Director] “knows what good looks like”.

Over dependence on Fujitsu? POL + Fujitsu know what they need to do re the audit.

E+Y to come to Board/Audit Ctee by end of 2011.

*AP to help put pressure on Fujitsu?”

- 94 I do not have a detailed recollection of this meeting, but it is clear from my notes that Angus Grant wished to raise a number of concerns he had regarding Fujitsu in general and Horizon in particular. This included the fact that the Post Office was “naïve/too nice” in its commercial dealings with Fujitsu as well as drawing to my attention the fact that when charged with fraud, suspects suggested it was in fact a problem with the Horizon system. My note of the meeting would suggest

that Angus Grant had identified Horizon as “a real risk” for his audit team and that they had to provide assurance that the system was capturing data correctly.

95 The first Board meeting that I chaired took place on 10 November 2011 (**POL00021502**). I have been asked if there was any discussion of the “Fujitsu – Viability of introducing a SAS70 or Equivalent audit report” at the Board meeting (**POL00362957**). This is the noting paper that I requested at the September 2011 Board meeting, as discussed at paragraph 87 above.

96 The minutes do not record any discussion of the contents of the noting paper but it is stated the paper was “duly noted” by the Board. On reviewing the paper now, I am not surprised that it did not lead to a discussion at the Board meeting. The purpose of “noting papers” was to provide the Board with a concise update on an issue rather than put a decision to the Board. This noting paper was drafted by Mike Young, the Post Office’s Chief Operating Officer. It informed the Board that the Post Office, Ernst & Young and Fujitsu were continuing to discuss how best to establish a SAS70 report or equivalent audit approach as had been foreshadowed in Mike Young’s note to the Board ahead of the 22 September 2011 meeting.

97 I cannot recall the discussions that took place on this issue over twelve years ago. However, it is clear from the contemporaneous documents that consideration was given at this time as to whether Fujitsu should introduce a SAS70 audit, or something akin to it, and an awareness that should that route be pursued, Fujitsu might seek to pass the cost of doing so onto the Post Office. It

is also apparent that there were a number of other issues being considered as part of our wider IT strategy, to which I have referred in the preceding paragraphs. Reviewing the contemporaneous records it seems very unlikely that we would not pursue the SAS70 audit simply out of a concern regarding cost. Instead the contemporaneous records suggest we were focusing on what actions needed to take priority and the SAS70 audit was just one of a number of possible actions that the Post Office was considering at that time. Indeed at the 23 May 2012 ARC meeting which I will come onto the SAS70 audit was eventually recommended: “It was recommended that the business insist that Fujitsu provide a SAS70/ISA402 certificate to provide a transparent audit of their controls” **(POL00021431)**.

- 98 On 23 May 2012, I attended the first formal meeting of the ARC, which was attended by (amongst others) Angus Grant from Ernst & Young **(POL00021431)**. I do not have a detailed recollection of this meeting. I note, however, from reviewing these minutes that the meeting considered a report from Ernst & Young setting out their “preliminary conclusions on the financial position and results of operations of POL for the financial year ended 25 March 2012”. I note that “the auditors found that the IT systems were insufficiently effective to be fully relied upon for audit control purposes”, but the minutes go onto record that Ernst & Young had adopted “mitigating procedures” and “had been able to rely on the IT systems supporting the POL financial statements”. It was also noted that: “the POL and Ernst & Young IT teams were working closely on an agreed plan of further improvements in FY13”. This was, as mentioned, my first ARC meeting and I was not an ARC member, though I attended a number of the meetings. I

would have expected the then-Finance Director, Chris Day, and Lesley Sewell, IT Director, to take forward the actions required under Alastair Marnoch's guidance.

- 99 I have sought disclosure from the Post Office's lawyers and have exhibited to this statement what I am informed is the EY audit report discussed at the ARC meeting (**WITN00740124**), though I do not remember this document. This document deals with the audit and accounting picture for the Post Office at the time. On IT, its content is consistent with the note in the ARC meeting minutes that "the IT controls in the business had improved" and though "the IT systems were insufficiently effective to be fully relied upon for audit control purposes...through adopting mitigating procedures, Ernst & Young had been able to rely on the IT systems supporting the POL financial statements". As someone who does not have IT expertise, Angus Grant's appearance at the ARC would have been what I relied on (as well as commentary by my colleagues who were members of the ARC) in order to understand the risk to the business (if any) of the audit assessment. I can see, with hindsight, that this document mentions the issue of "control over privileged users" to Horizon. This is something that Fraser J found was an important issue with the system in his judgment. I did not appreciate and was not informed at the time that this technical IT issue could have a bearing on the safety of the Post Office's prosecutions against sub-postmasters – it is not all clear that this is the case from the face of the document. Ernst & Young do also note in respect of the IT audit, "we should note that there were improvements from the prior year, notably in the two highest risk areas identified. We ultimately obtained mitigating audit evidence to rely on the IT

control environment". By the time of 23 May 2012, as I will shortly come onto, I was already engaging with Lord Arbuthnot and other MPs about a new review of Horizon, and had sought and received numerous and detailed assurances from Post Office executives about Horizon's integrity and told that it could be robustly relied on for prosecutions.

100 For example, I received an important briefing from Susan Crichton dated 12 March 2012 (**POL00179470**, **POL00107701**) that I will come onto below at paragraph 121, stating categorically that "There are no reported cases where data stored on the Horizon [sic] has been found to be an inaccurate record of actions taken in branch" and that "the Horizon system...has been found to be robust". If the existence of the Ernst & Young audit affected the assessments that I had been given, meaning that Horizon was unsafe for prosecutions, I certainly expected to be told this. I believe that I would have come away from these reports noting their headline: that though improvements were to be made (and the Post Office and Ernst & Young were "working closely" on these), with additional testing Ernst & Young had ultimately been able to rely on the IT systems supporting the Post Office's financial statements. In any case, around the time of this meeting, I was commissioning the independent review of Horizon cases with Second Sight and the MPs.

Shoosmiths Litigation

101 I chaired the meeting of the Board on 13 December 2011. Prior to the meeting the Board was provided with a one-page document drafted by Susan Crichton,

entitled “Significant Litigation Report” (**WITN00740125**). This was the first time that the Board had received such a report. In line with best practice, they would become a regular feature of the “board packs” provided to directors in advance of meetings.

102 In this first Significant Litigation Report Susan provided a brief summary of the claims being brought against the Post Office and advised the Board that she considered “the legal claims to be weak and the damages claims to be inflated”. She went on to state that the “considered legal view is that the claimants are unlikely to succeed” (**WITN00740125**). In the paper, Susan referenced advice received from Richard Morgan KC that some cases might go against the Post Office, but it would appear that it was his view that this had more to do with “the quality of the judges” than the merits of the claims.

103 The Board was not provided with a copy of the correspondence from the sub-postmasters’ lawyers nor any written advice from Richard Morgan KC. It would have been wholly unusual for the Board to be provided with documents of this nature. I have explained at paragraph 55 above, the approach that the Board took during my tenure to the management of litigation. In summary, the Board needed to be made aware of any significant risks faced by the business, including litigation, but it was for the Post Office’s in-house lawyers, and the external lawyers they engaged, to manage this litigation to achieve the best outcome for the Post Office.

- 104 The minutes for the Board meeting on 13 December 2011 record that the “Significant Litigation Report” was “noted” and that “Susan Crichton was asked to give an oral update at the January Board” (**POL00027270**).
- 105 I chaired the meeting of the Post Office Board on 12 January 2012. the Post Office has provided me with a copy of the “board pack” for this meeting. We were again provided with a document entitled “Significant Litigation Report” (**POL00095587**). This document is dated “January 2012”, however, it appears to me to be exactly the same as the document with the same title that was noted by the Board at the December meeting.
- 106 The minutes of the meeting (**POL00021503**) record a discussion of the Significant Litigation Report. According to the minutes, Les Owen who was a non-executive director of RMG and had temporarily been appointed to the Board by Donald Brydon, asked “for assurance that there was no substance to the claims brought by sub-postmasters which had featured in Private Eye”. It seems to me that Les’ question was exactly the right one to ask of Susan Crichton. According to the minutes, Susan provided a clear assurance as to the integrity of the Horizon system which was being challenged by the sub-postmasters. Susan said that the “[Horizon] system had been audited by RMG Internal Audit with the reports reviewed by Deloitte [sic]. The audit report was very positive”. Susan also noted that “the business has also won every criminal prosecution in which it has used evidence based on the Horizon system’s integrity”.

107 Whilst I cannot recall Susan Crichton making these assurances or my reaction to them at the meeting, on reviewing the minutes I feel sure that I would have taken comfort from the fact that Deloitte, an extremely well regarded third party firm of professionals, had reviewed the Internal Audit reports.

108 I have been asked why Susan Crichton was “given the task” of clearing “the audit report with the external lawyers and if it is possible to give the report privileged status it would be circulated it to the board [sic]” (**POL00021503**). I have no recollection of any discussions on this at the Board meeting. However, it is not clear to me on reviewing the minutes that this task was “given” to Susan by the Board. The minutes state that “Susan Crichton suggested” that she clear the audit report with the external lawyers. It would seem more likely to me that Susan, as the Post Office’s most senior lawyer, advised the Board that these steps should be taken before the Internal Audit report was provided to the Board. As for why Susan considered it necessary for the report to be reviewed by the external lawyers, as a non-lawyer I can only assume that there was a process that had to be gone through with the lawyers handling the sub-postmasters litigation before the document could be shared with us.

109 Putting aside whatever process the lawyers advised us to follow, I do think it was right that the Board wanted to see the Internal Audit report for itself. From the minutes of the meeting, it appears that the Internal Audit report was central to Susan Crichton’s confidence in the integrity of the Horizon system.

110 The Board met again on 5 February 2012. Ahead of this meeting we were provided with a three-page table entitled “POST OFFICE LIMITED LITIGATION MATTERS – COMMERCIAL LITIGATION PRIVILEGED AND CONFIDENTIAL – CLAIMS IN EXCESS OF £500K AND/OR CLAIMS WITH WIDER SIGNIFICANCE FOR THE BUSINESS” (**POL00095835**). The document provided greater detail regarding the litigation being brought by Shoosmiths than Susan had covered at the previous Board meeting in January. From this point onwards, the litigation reports provided to the Board tended to be in tabular format. The minutes of the 9 February 2012 Board meeting record that the table was “noted” by the Board (**POL00027579**).

111 Ahead of the 9 February 2012 meeting the Board was also provided with a “Board Status Report” table (**POL00096036**). Row “9b” of the “Status Report” addressed the Deloitte report that the Board had requested at its January meeting. It is recorded that the “final amendments to report awaited”.

112 The same status is recorded in the “Board Status Report” provided to the Board ahead of the Board meeting on 15 March 2012 (**POL00096371**).

113 The Board pack for the following meeting of the Board on 18 April 2012, contained a document entitled “Review of Key System Controls in Horizon” (**POL00107127**). I assume that this is the Internal Audit report reviewed by Deloitte to which Susan Crichton referred at our 12 January 2012 meeting. The minutes of the meeting of the Board on 18 April 2012 do not record any discussion of this document.

114 The Board continued to receive the “Significant Litigation Report” on a regular basis and its contents were noted at its meetings. From the 4 July 2012, the “Significant Litigation Report” included a summary of criminal cases as well as civil cases.

115 On reflection, I think that the creation of the “Significant Litigation Report” was a sensible development. It ensured that the Board was aware of litigation involving the Post Office and could, should it wish, ask further questions of the responsible executives. In my experience of sitting on a board, it would be very unusual for a board to provide detailed in-put on litigation strategy. From a corporate governance perspective, it is essential for a board to understand (i) the potential cost of any litigation so that it can consider the effect it may have on the financial health of the company and the need for provisioning and (ii) that the litigation is being handled by the appropriate professionals in a cost-effective manner.

Initial engagement with Parliamentarians

116 I have been asked specific questions by the Inquiry in respect of the commissioning of Second Sight and my initial engagement with Parliamentarians including Lord Arbuthnot² and Oliver Letwin MP. I will address these questions in this section. I will then turn to the later developments with Second Sight.

² For completeness, Lord Arbuthnot was James Arbuthnot MP at the time of these events. I will refer to him in this statement as Lord Arbuthnot.

117 The starting point is that, as mentioned above, prior to joining the Post Office in September 2011 I was not made aware that issues had been raised in respect of the Horizon system. This did not come up in the application process, nor in any of the conversations which I initiated to help me understand the challenges of the role. The first time that the Horizon issue arose for me was on 26 September 2011 – there was an email from Donald Brydon to Paula Vennells, copied to Moya Greene, myself and others. He referred to the Private Eye article about a class action by sub-postmasters and this raising questions about Horizon – he asked whether there had ever been an independent audit of Horizon (**WITN00740126**). Paula replied that day highlighting that each time a case had gone to court, the Post Office’s position about the safety of the Horizon system had been upheld. She also raised that: “to avoid future doubt, the Post Office took a decision several months ago to have Horizon and the newer HNGx (Horizon online) independently verified by an external systems auditor. This is currently in process and we should have the results at the end of next month.” As discussed in paragraph 92 above, the issue was raised again with me the following day when I had an induction meeting with Angus Grant, the Ernst and Young partner who audited the Post Office’s accounts.

118 As referenced at paragraph 106 above, Les Owen raised the Private Eye allegations at the 12 January 2012 Board meeting (**POL00021503**). Susan Crichton assured the Board as to the integrity of the Horizon system based on an internal audit by Royal Mail whose “very positive” report had been “reviewed” by Deloitte.

119 As discussed at paragraph 113 above, the Board requested a copy of the Internal Audit Report and I believe that it is document (**POL00107127**). The handwriting on that document is mine. I cannot recall whether I reviewed this document as part of my preparation for meeting with MPs to discuss Horizon (which I will shortly come onto), but it is likely that I did.

120 On 23 February 2012, I received an email from Lord Arbuthnot asking me to meet him to discuss the issue of Horizon, in the context of the convictions of a number of affected sub-postmasters (**POL00095973**). He referred in that email to a previous meeting between me and him: I cannot remember when that was, but I recall him then saying something to the effect that he had felt he had not had the hearing he should have had from the Post Office and Royal Mail Group on the issue. In the email, he asked if I would meet him to talk about Horizon and naturally I agreed to do so, replying to him that day (**POL00105470**). I had a professional relationship with Lord Arbuthnot from my time in the Treasury, when he worked as the Minister of State for Defence Procurement. I was very receptive to hearing his concerns, and the tone of my email and prompt response demonstrate my attitude at that time. I forwarded Lord Arbuthnot's email to Paula Vennells and Susan Crichton saying that I would reply to Lord Arbuthnot that day. When Susan indicated that the meeting would need to be "carefully handled" because of Lord Arbuthnot's links with the JFSA, that there would be risks to it and it would be good to have an internal word, I replied that I had already responded to Lord Arbuthnot agreeing to meet. I did not think for one minute that

I could or should avoid a meeting with him, notwithstanding the warning given by Susan.

121 I asked for a briefing before my meeting with Lord Arbuthnot, which I received from Susan Crichton on 12 March 2012 (**POL00179470, POL00107701**). This summarised some of the assurances which I had received, and believed, about Horizon's integrity at the time. These included:

121.1 "There are no reported cases where data stored on the Horizon [sic] has been found to be an inaccurate record of actions taken in branch."

121.2 "POL has rigorously tested the Horizon system, using independently assured processes and it has been found to be robust."

121.3 "Horizon has been in successful operation for in excess of 10 years across the Post Office network (upgraded in 2010) and during that time in excess of 20,000 subpostmasters have used it to successfully perform millions of financial reconciliations."

121.4 "The National Federation of Subpostmasters has also expressed its full confidence in the accuracy and robustness of Horizon."

121.5 "The integrity of Horizon has been the subject of legal challenge. In the case of Post Office Ltd v. Lee Castleton, the Court ruled that the losses claimed were real deficiencies and that the Horizon system provided

irrefutable evidence that Mr Castleton had failed to properly manage the branch.”

122 The Inquiry has asked me what assurance I took and communicated to Lord Arbuthnot in respect of the RMG internal audit and review by Deloitte. The note of my meeting with Lord Arbuthnot records that I said: “AP explained that the system had been independently reviewed by several people including RM Internal audit and Deloittes (who had no relationship with the Business or Fujitsu)” (**POL00105481**). I would have felt positive going into the meeting about the assurances I had received to date, including those summarised in the briefing note, and the fact that Deloitte – external and reputable auditors – had reviewed the internal audit report (see paragraph 113).

123 I met Lord Arbuthnot on 13 March 2012, accompanied by Alwen Lyons who was the Company Secretary. To my best recollection, I think that the meeting note at (**POL00105481**) reflects the content of the meeting. The handwritten note on page 3 under “Horizon & the balancing of accounts” is mine; the handwriting on the blank page at the end of the document is not mine. At that meeting Lord Arbuthnot explained the details of the prosecution of one of his constituents and said that he believed her to be innocent of her convictions and to have been the victim of errors in the Horizon system. He also mentioned that there were eight other MPs who took a similar position to his own, and that recently he and these eight other MPs had met some of the affected sub-postmasters and Shoosmiths, their legal representatives. Lord Arbuthnot was concerned too about the support that sub-postmasters received from the Post Office when they were faced with a

discrepancy in their accounts. On this, I agreed to look at the support we gave to sub-postmasters especially around balancing, to see if it could be made more effective. It was clear that Lord Arbuthnot had been trying to gain traction with RMG and the Post Office senior executives before I arrived. My previous exchanges with him showed that he was very worried, and he did not think that his concerns had been taken seriously by RMG or the Post Office. I mentioned this exchange to Paula Vennells before the meeting.

124 During the meeting I invited Lord Arbuthnot to visit our Head Office to see how Horizon worked. He offered to bring with him a computer expert, possibly someone from Computer Weekly, who had been 'sceptical about Horizon'. I highlighted, as I had been told at the time, that Horizon had been independently reviewed. However as the meeting note records, I nonetheless offered to consider "a further review of the system by an IT expert specifically looking at the integrity of the data and discrepancy errors thrown up in sub-postmaster's balances" (**POL00105481**).

125 By now the integrity of the Horizon system had been raised with me directly on a few occasions: my induction meeting with Angus Grant who mentioned the views of some 'suspects' about it, the email-exchange in September 2011 between Paula Vennells and Donald Brydon in which the Private Eye allegations were raised and assurances provided, and the Board Meeting on 12 January 2012 where Les Owen asked for assurance that there was no substance to allegations made in Private Eye. The combination of these instances together with Lord

Arbuthnot's concerns made me aware that it was an issue we needed to address.

I was keen to get to the truth of the matter.

126 At this time, I thought that we needed a fresh pair of eyes to look into it. I felt sure the new Board would want to get to the bottom of the allegations being made against the business and to be transparent in the process. If the allegations against the Post Office were untrue, it would be essential to take Lord Arbuthnot and his Parliamentary colleagues with us, by which I mean addressing their concerns, demonstrating to their satisfaction that we had addressed these properly, and ensuring they understood why the Post Office had a different view on the integrity of the Horizon system.

127 I have been asked to explain the Post Office's purpose and strategy in engaging with MPs. I would not say that I had a "strategy" to deal with MPs - I have always sought to be honest with MPs and to take their views and concerns seriously. I did so on this occasion. My intention in dealing with Lord Arbuthnot, then an MP, about this issue (and later other MPs, including Oliver Letwin) was to listen to them, understand the issues they raised and help to deal with any concerns they had. This is evidenced from the notes detailed in my journal entry from around this time which stated (**WITN00740127**):

"Sub Postmasters"

1) Substance

2) Handling

1) How far are the external reports we've had really (underlined) relevant to the issues in question? They seem to be about other things.

?? May 2007 Gartner Report. What exactly are they How far are the issues ones [about]. related matters eg contracts, training, support.

Have we talked abt. the cases we decided not to pursue? + benchmarking with equiv. retailers.

Are we truly happy that we are doing everything we should to support them?

"Is it really the case that we are stymied from doing any independent review?"

Page 10 of ISMAY Report. How else do we convince reasonable people that we are not afraid and what if something is wrong?"

128 As the meeting note records, Lord Arbuthnot then returned to the training of sub-postmasters which he did not think was adequate (**POL00105481**). He introduced the issue that the sub-postmasters' contract was over 100 pages long and was written in 1994 when the Horizon system was not in place - it did not explain the process for 'making good' errors clearly enough. He also suggested that sub-postmasters did not get a copy of their contract until they had taken up their appointment by which time it was too late to understand the full commitment they were making. I then asked if the issues being discussed were wider than Horizon. I promised to reflect on the meeting we had just had, and invited him to another meeting.

129 I sent an email to Paula Vennells, Susan Crichton and Alwen Lyons that evening (**POL00107702**). I said that Lord Arbuthnot in my view genuinely wanted to find

a resolution and was willing to believe that we would do the right things. I wrote in this email “There is a real prize for us in finding an effective way of convincing him and his fellow MPs that things are as they should be”. This statement reflected my belief based on the assurances that I had been given, that the concerns that were being reported by Lord Arbuthnot were not well-founded, and this was an opportunity for the Post Office to convince him otherwise. I proposed to the executives in this email “my thought” of a “new independent review” of the integrity of the Horizon system.

130 The Inquiry has asked me about the steps that I took to investigate the concerns raised by sub-postmasters and MPs concerning the Horizon IT system around this time. In summary, having listened to Lord Arbuthnot’s concerns, I proposed and in due course was successful in commissioning a new independent review of the Horizon system (the Second Sight review), despite considerable opposition to this idea from within the Post Office. I will come onto the commissioning of Second Sight more fully in due course.

131 Two days later, there was a Post Office Board meeting on 15 March 2012 (the minutes of which are **POL00021505**). I reported that I had met Lord Arbuthnot and that I hoped we could find a way to convince him and other MPs with similar cases that the Horizon system was not at fault – since that was the position that I believed, based on the assurances that I had received at the time and the recent Deloitte review. I said that this might mean looking at a further independent study of the issues; my approach at the time was therefore to listen to and investigate the concerns raised by MPs. The purpose of commissioning an independent

study was to take a fresh look at the issues, and get to the truth. If it was found, as I had been assured was the case, that the Horizon system was robust, this approach would (I hoped) allay the concerns that had been raised.

132 The Inquiry has asked me why Lord Arbuthnot's enquiries led to the discussion about the new independent study. As I have explained, it led me, as the new Chair of the Board, to decide that this issue needed looking at afresh to add to the previous investigations made by the Post Office. I am also asked to explain why such a study was not implemented following: (a) numerous complaints that had been made by sub-postmasters and MPs; (b) the May 2009 Computer Weekly article; and (c) the identification of significant BEDs, such as the Receipts and Payments mismatch. Since (a) and (b) pre-dated my time at the Post Office, and I was not made aware of (c) until the Second Sight Interim Report, I am unable to assist the Inquiry with this.

133 In my email to Alwen Lyons of 27 March 2012 (**POL00105592**) I referred to the Post Office's Ismay report of 2 August 2010 (**POL00026572**), which was a report by the Post Office's then Head of IT, Rod Ismay, responding to the challenges that had been made about the integrity of the Horizon system. Though the Ismay report pre-dated my arrival at the Post Office, I clearly had read this report by March 2012 and had also referred to it in my notebook (see entry referred to in paragraph 127 above), so I was aware that it formed part of the previous investigations that the Post Office had made in response to allegations against the Horizon system. I cannot recall having any knowledge of Rod Ismay's Terms of Reference. These are not included in the report nor in its covering email, which

described the paper “as an objective, internal review”. This report testified strongly to Horizon’s integrity: it contained further important assurances about the integrity of the Horizon system, including that:

133.1 “The allegations to which we are responding follow on from cases where thousands of pounds were missing at audit. We remain satisfied that this money was missing due to theft in the branch – we do not believe the account balances against which the audits were conducted were corrupt.”

133.2 “The integrity of Horizon is founded on its tamper proof logs, its real time back ups and the absence of “backdoors” so that all data entry or acceptance is at branch level and is tagged against the log on ID of the user. This means that ownership of the accounting is truly at branch level.”

133.3 “There are several improvement opportunities for POL They do not undermine POL’s assertion regarding the integrity of Horizon, but they would tackle some of the other noise which complainants feed on. They may also help when POL does take action.”

133.4 Appendix 3 was a Fujitsu Report on Horizon’s Data Integrity authored by Gareth Jenkins, testifying to the data integrity and controls system of the Horizon system.

134 The report summarised previous and current legal challenges to the Horizon system, and explained why these did not change the Post Office’s view of

Horizon's robustness. When I referred to the "good points" in the Ismay report in my email to Alwen, I cannot recall which points I would have been referring to, but I imagine they would have included some of the assurances referred to above (**POL00105592**). From the context of the email (when I say "eg.") it appears that I was also referring to the three strengths identified by the Ismay Report in relation to Horizon which are key to the allegations being made. This included reference to Horizon infrastructure being robust from a security and access perspective, resilient in continuing customer service and in holding data in queue in the event of incidents and strong back up and integrity features with data backed up in branch and centrally. From the report, I can see that apart from two cases, the Post Office had been able to rebut assertions by focusing on the facts of the Horizon transaction logs and a request for the defence to be specific about which transactions they considered to be "ghost" with an explanation. In relation to the point I make in the email, (when I say "have we benchmarked ourselves against other comparable retailers"), I may have been prompted by the report where it is mentioned that for a balance of firmness and compassion, "Benchmark the Post Office suspension and prosecution rates against other retailers" – it would have been prudent to compare ourselves against other companies in a comparable position, such as banks and retailers facing internal theft.

135 The report also gave reasons as to why further independent reviews of Horizon and audits had been discounted in the past in relation to giving external stakeholders assurance in the system (**POL00026572**). For example it highlighted that "people will always ask "what if"" i.e. it may not fully satisfy the

questions of the outside world; the report would only be valid as at the date of creation, and might be deemed quickly to go out of date; Ernst & Young and Deloitte had said that their reports would have significant caveats and would not stand-up in court; and any investigation would need to be disclosed in court, potentially leading to a stay of criminal prosecutions if it caused the Post Office to doubt its systems. My email to Alwen shows that I was not persuaded by these arguments against commissioning a new independent report; I said **(POL00105592)**:

“I have noted Ismay's arguments against an independent review. But if we follow this line, how will we ever satisfy reasonable critics that we are unafraid to look at this. Yes, a report would have to be disclosed – there would be no point doing it otherwise – but if we are so confident of our ground what are we afraid of? We would need to handle it carefully of course but we could get help with that, perhaps with [Lord Arbuthnot's] help.”

136 I continued to push within the Post Office for a further independent review. My email to Alwen refers to a meeting the next day, however I cannot recall with whom I met. It may well have been with Lord Arbuthnot given the context **(POL00105592)**.

137 I do not have notes of my conversations with the Post Office's senior executives about commissioning the independent review. However, I do recall some of these conversations. The Inquiry has asked me about (i) my interactions with Paula Vennells, the Board and other senior Post Office managers about Lord Arbuthnot

and the proposed independent investigation and (ii) in my view, the extent to which the Post Office Board and members of senior management wanted to investigate thoroughly whether the Horizon IT system had caused shortfalls in branch accounts. When following the meeting with Lord Arbuthnot on 13 March I proposed a new independent review of the Horizon system, starting with my email that day to the executives discussed above, I received a negative response from two members of the Post Office's executive team; Susan Crichton and Mike Young. I cannot remember the details. I do remember having a conversation with them about it and being told that it was a bad idea, given the volume of investigations that there had already been into the Horizon system which had not uncovered any errors. I was also informed that the Post Office senior management had so much to deal with at the time, that they did not have the capacity effectively to deal with a new independent review. I recall explaining that I did not think we had any choice. I saw no alternative to this course, in order to satisfy ourselves of the truth and restore, if justified, confidence in the Horizon system after the complaints by MPs.

138 After I had made my position clear, I recall hearing nothing from within the Post Office about pursuing an independent review. I cannot recall how long I allowed this silence to persist, but I did raise the issue again to ensure that progress was being made. I think that I raised the issue with Susan Crichton. I was told again that she and Mike Young did not think it was a good idea to have a further review, and that they therefore proposed not to do anything about it.

139 I was angry and considered this response unacceptable, especially as no-one had come back to me to explain the position. At that point or possibly earlier, I recall that I spoke to Paula Vennells who advised me to listen to Susan Crichton's and Mike Young's concerns. When I had emailed her immediately after the meeting with Lord Arbuthnot on 13 March (**POL00107702**) and had first mentioned my proposal for commissioning a new independent review, she replied "Sounds a good way forward". But following the resistance from Susan Crichton and Mike Young, it seemed to me that Paula Vennells did not take a position one way or the other; but she did support my view after I continued to push for the independent review, and the business agreed to commission it.

140 I had to be persistent to ensure that a new independent review was pursued. I note a line of Alwen Lyons' email of 9 June 2012 (**POL00096606**) in this regard: "Alice feels this is the business pushing back unnecessarily and she feels this has happened throughout the process and she is having to keep pushing us!".

141 So far as the Board was concerned, I believe I mentioned the meeting and my proposal to Neil McCausland, but I cannot say when that was. I am confident that as new non-executive Directors were appointed to the Board, they shared my view and the reasons for it.

142 The Inquiry has asked me to consider the email chain (**POL00105597**) of 3 April 2012. I do not recall my conversation with Paula Vennells that is referenced in the email. I cannot therefore be sure why it is said that I agreed that Moya Greene's agreement to brief Oliver Letwin MP with Paula Vennells about the

security of the Horizon system, after he raised issues about an affected sub-postmistress who was being prosecuted, was “inappropriate”. But I am reasonably sure that this was because the Post Office was no longer part of Royal Mail Group – the separation occurred on 1 April 2012 – and therefore it was inappropriate for the CEO of Royal Mail to be involved in such a meeting which was likely to lead to action that the Post Office alone would be taking. I thought that the Post Office should handle Oliver Letwin’s enquiry by itself and as I was in the process of planning a further meeting with Lord Arbuthnot on the issue at the time, it made sense to treat both Parliamentarians in the same way. I note that in Paula’s letter to Oliver Letwin of the following day, she extended to him my invitation to Lord Arbuthnot to visit the Post Office’s Head Office for a demonstration of the Horizon system, either with Lord Arbuthnot or independently (**POL00115849**). I am also asked whether I agree with Paula’s statement in that letter about the rigorous testing of Horizon and that certain checks and procedures in respect of keying and balancing errors “resolve virtually all [Horizon] discrepancies satisfactorily”. I cannot recall whether I had any visibility over that letter and the specific statement about the resolution of discrepancies; however, on the basis of the assurances that I have referred to above, I believed at the time in the robustness and safety of Horizon and its previous testing.

143 The Inquiry has asked about my recollection of the meeting between me, Paula Vennells and Duncan Tait (CEO) and Rod Vawdry (Vice Chairman) of Fujitsu referred to in the 18 April 2012 Board minutes (**POL00021506**). The minutes record “Paula Venells reported that she and the chairman had met with Duncan

Tait (CEO) and Rod Vawdry (Vice Chairman) of Fujitsu and that **she** [emphasis added] had a further follow up meeting on 19th April". The minutes suggest I did not attend the meeting on 19 April 2012 and that accords with the fact that I have no recollection of such a meeting. On 15 March 2012 I did attend a dinner with Fujitsu executives (referred to in the 18 April 2012 Board minutes (**POL00021505**) and it is possible that there was a follow-up meeting that Paula Vennells attended, which I did not. I do recall that the purpose of the dinner was to explain to Fujitsu what the strategy was for the Post Office now that it was independent, as part of a series of meetings with a number of key stakeholders, including the Bank of Ireland and with Ministers and senior officials around Whitehall. I do not remember whether the integrity of Horizon came up during this meeting; the meeting was to get Fujitsu to understand the new position of the Post Office.

- 144 The Inquiry has asked me to consider Angela van den Bogerd's email to Craig Tuthill (to which I was not a party) on 1 May 2012 (**POL00085836**), where she says that I asked Simon Baker of the Post Office "to find a way of demonstrating that the Horizon system [was] robust and not subject to "glitches" as claimed by the JFSA former spmrs". I do not recall using those words. I would have wanted to prepare thoroughly for the meeting with the MPs; I note that Craig was asked to "provide an easy to understand walk through document of [the Post Office's] appointments and training approach" for the MPs, in Alwen's email. We had a Model Branch in our office and I thought that it would be an informative experience for MPs to be taken through an interactive demonstration.

145 By the time of Angela van den Bogerd's email I recall that we had resolved at the Post Office to commit to a further independent investigation of Horizon, after my persistence, to be discussed with the MPs. I – and, I assumed, others - were aiming to help MPs to understand at the meeting the basis for our belief in the integrity of the Horizon system, based on the assurances that we had received about its safety.

146 The meeting with Lord Arbuthnot and Oliver Letwin MP took place on 17 May 2012. I have been asked about my preparations for this meeting alongside my interactions with others at the Post Office. I cannot recall any details to add to Angela van den Bogerd's email discussed above (**POL00085836**), which shows that different teams around the Post Office were assisting with the preparations; my email to Paula Vennells and others on 13 May 2012 about the first draft of the briefing pack, in which I said (among other things) that we needed a more open and constructive tone in the meeting (**POL00105601**); and the eventual briefing pack for the 17 May 2012 meeting (**POL00105479**), which has my handwriting on it. This briefing pack showed that there had been preparations around the business for the meeting, including presentations in respect of the background to Horizon and its use within the Post Office, a run-through of specific cases and case studies where prosecutions had been made on the basis of Horizon data; and background from the Post Office's then-Head of IT, Lesley Sewell. The briefing pack details some of the assurances that the latter presentation would give attendees about the safety of Horizon:

“Although we recognize that Horizon is not perfect, no computer systems is, it has been audited by internal and external teams, it has also been tested in the courts and no evidence of problems found (of the nature suggested by JFSA)”

“Horizon was designed with integrity in mind from the very beginning. An upgraded version of Horizon was deployed 2 years ago. Both versions of Horizon were built on the same principles of reliability and integrity:

- o An audit trail is created for each transaction.
- o Each transaction is protected with a digital signature to prevent change or tampering
- o Reconciliation processes automatically detects any problems”

“As I said I'm fairly new to the Post Office from the evidence I've seen I believe our computer system is sound.”

147 I cannot recall specifically to what extent the Post Office's IT and problem management teams were involved in preparing for the meeting; however, I note that the executives (as shown by Angela van den Bogerd's email above) would have been heavily involved in preparing for the meeting and delegating preparations around the business.

148 I think my email of 13 May 2012, demonstrates clearly my approach to handling Lord Arbuthnot's concerns (**POL00105601**). I was keen for us to be open, constructive, and put forward the independent investigation which we had

discussed. This was both because I thought it was the right thing to do and also the most effective way to command the confidence of the MPs, who were clearly genuinely concerned for their constituents. On that basis I gave Paula Vennells and the other recipients of my email my view that their first draft of the briefing pack came across as too defensive, and counter-productive. I was keen to engage fully with Lord Arbuthnot and the other MPs in the meeting, hence I suggested that we factor in time to listen to them, and for them to contribute and interrupt the schedule of the meeting.

149 On my account of the meeting, I cannot add to the briefing pack, and I do not recall if I said anything about Ernst & Young's audit. I would not have said anything about BEDs as I was not aware of these or of this term. I was due to introduce the meeting according to the briefing pack and so I would have been speaking there to Horizon's integrity based on the assurances that I had received. The briefing pack suggested that I spoke at the meeting's introduction and its conclusion and explained that we were considering an independent audit of the system (**POL00105479**). In the same briefing pack, it is noted that we proposed that Deloitte could conduct the review. My recollection is that at some point Lord Arbuthnot made it clear that he did not favour of one of the Big Four accountancy firms conducting the review.

150 In this meeting, as the briefing pack states, we were to discuss the specific cases of some affected sub-postmasters in greater detail with the MPs. Angela van den Bogerd, who was familiar with the details of some of these cases, took the meeting through a very detailed demonstration of the Post Office's understanding

of the cases (**POL00105479**). At the time, I do recall thinking that her demonstration was convincing; she presented stroke by stroke, as though she was operating a computer terminal. Angela appeared to me to be really knowledgeable about the details of the operations, and she struck me as being a very down-to-earth and straightforward person.

151 My recollection is that at that meeting, Lord Arbuthnot seemed persuaded of the arguments made, as I was. A timeline document that I have reviewed states that he agreed with the idea of appointing forensic accountants (**POL00116795**). From an email note of the meeting (albeit drafted on 24 May) it is suggested that Lord Arbuthnot proposed a forensic accountant to conduct the independent review, to which we agreed (**POL00027707**).

152 Lord Arbuthnot subsequently wrote to me on 21 May 2012 as follows (**POL00142368**):

“I was very pleased indeed with our meeting last week. Thank you for seeing me, and for being so willing to hear things from this side of the fence.

What we agreed regarding how we proceed sounds very good indeed. I have asked Janet Walker in my office to contact Paula Vennells to discuss the details about the initial meeting with other MPs. I would like to propose something for the week starting 18 June. Until Janet speaks to Paula, I am not divulging details of our meeting to anyone. It strikes me that we ought to talk to MPs first before briefing any wider, and I hope you might agree.

Thank you again. It was good to see you, and I am sure what is proposed is exactly what ought to be done.”

153 I replied on 23 May 2012 stating that we agreed to this meeting and Paula Vennells, Angela van den Bogerd and I would come to the next meeting with a proposal about the way forward – including having found someone suitable to carry out the task identified with a Terms of Reference and a timescale (**POL00105486**). That same day, the Board minutes record that Paula and I updated the Board that the meeting with Lord Arbuthnot and Oliver Letwin MP had been a success: the Post Office team had taken them through their constituency cases, and we had agreed to use a forensic accountant to investigate the system and give further comfort to those concerned about the cases (**POL00021507**).

(E) KEY EVENTS - JUNE 2012 TO JUNE 2013

154 In the next section of this statement, I will turn to the key events in the period June 2012 to June 2013, which includes the instruction of Second Sight and the issuing of their Interim Report.

Instruction of Second Sight and engagement with the JFSA

155 I have been asked by the Inquiry whether I and the other members of the Board were briefed about a note of a conference with Richard Morgan KC on 4 July

2012, that was attended by Susan Crichton and Hugh Flemington on the Post Office's side (**POL00006484**). I have reviewed this note and the Board pack and minutes in respect of the 19 September 2012 meeting (**POL00027558**, **POL00021509**). I do not recall this advice and the Board pack and minutes do not appear to refer to it; nor does the additional disclosure that I have received from the Post Office say that I was sent or briefed on the advice, and so I cannot assist the Inquiry with this set of questions. To the best of my recollection, I was not informed about this conference or the fact it had taken place.

156 There is an email of 18 September 2012 when I updated Paula Vennells and Alwen Lyons (among others) after meeting with Lord Arbuthnot that day (**POL000096971**). In that meeting (as the email records) I said that the Post Office was disappointed that we had had no JFSA cases to date in the Second Sight review, as we wanted the JFSA team to engage. Lord Arbuthnot outlined that the JFSA wanted 'total immunity' so that more cases could come forwards but he saw that the Post Office could not do that; I agreed with him that it would be so much better if we could work with the JFSA. Though I had encouraged Paula Vennells and Susan Crichton to take ownership of the Second Sight project, I continued to contribute to the dialogue with Lord Arbuthnot and I was able to assist when matters got difficult, as they appeared to have become here in respect of JFSA's lack of engagement. In a follow-up email, I arranged to speak to Paula and Alwen to give them a "bit more colour", but I cannot recall what I meant by that phrase (nor, that further meeting, of which there does not appear to be a note).

157 I have been asked about the background to the appointment of Second Sight, including how Second Sight was identified to lead the review; who at the Post Office was responsible for the decision to appoint Second Sight; and whether the Post Office received or relied on any legal advice when appointing Second Sight.

158 On the first point, of how Second Sight were identified to lead the review, I feel confident recalling that Susan Crichton identified and suggested Second Sight. She had either come across their work before or worked with them in a previous capacity. I remember asking Susan whether they had significant experience in this area and on how to operate in a political environment. I recall being reassured about that. I note that on 21 June 2012, Paula Vennells met with Ron Warmington of Second Sight and was impressed with him (updating Susan and me afterwards) (**POL00105477**): "I have just met Ron Warmington and want to put on record that he would do an excellent job for us: exactly the right quality level of engagement, etc., we're looking for. I made it very clear to Ron that our primary objective of this exercise is to be transparent and to deal with whatever outcomes and conclusions he comes to."

159 I remember meeting the Second Sight team around the time they were appointed and making it clear to them that I wanted them to pursue a rigorous investigation and telling them that if they needed to they could ask to see me at any point in their work. I do not recall them ever asking for this.

160 I have been reminded about Second Sight's proposal for the project, which was dated 1 June 2012 (**POL00096576**). This spoke about determining conclusions

from sample cases and how the review would seek to determine whether the Post Office had “thoroughly investigated the facts, including the alleged perpetrator’s claims about Post Office systems and other inadequacies”. This document refers to the fact that Second Sight would need powerful access rights to Post Office data and Post Office employees and agents. I do not recall the specifics of what happened in the days which followed between this proposal document and 6 June 2012. I also note that the proposal document said: “We are delighted that, in our initial meeting, there was not the slightest suggestion that the Post Office is calling for anything less than the sort of comprehensive, thorough, independent Review that we would be delighted to undertake”; and “We will be better able to forecast over-all costs once we have completed the initial review of some of the selected cases and that will give you an opportunity to maintain control over costs”.

161 On 6 June (**POL00096574** and **POL00096575**) and 7 June 2012 (**POL00105472**) Susan Crichton sent Paula Vennells and me drafts of the Terms of Reference for Second Sight’s work. I do recall thinking that these early drafts were quite imprecise. On the 7 June 2012 email Susan refers to comments that Paula and I had given her that morning (I assume in person). She also said in that email that she had given thought to the cases in which sub-postmasters had been criminally prosecuted – she thought that we did not want to be seen to re-open these cases, but should position this as a more limited review of the existing evidence, while for those who had not been prosecuted POL should offer a full and independent investigation.

162 On 8 June 2012 I replied to Susan Crichton (and others) about Susan's draft of the Terms of Reference for Second Sight (**POL00113792**) and attached a revised draft to this email. My first overarching comment was about including wording as to what the review was about, in order to improve clarity. Then I addressed what I saw as the 'imprecise' nature of some of the drafting in the initial draft, by taking out some unnecessary words and clarifying some matters. I made a comment that it "would be a good idea if someone on the team could put on a JFSPmasters hat on and see whether that uncovers any hostages to fortune" – meaning that I was keen for us to think about how the Terms of Reference would read from the point of view of sub-postmasters, and whether it was properly addressing the concerns of them and their representatives. I also said:

"I have 3 outstanding thoughts –

First, as I signal in my [Drafting Note], I don't get the emphasis on the defence material – won't the investigators want to look at all the relevant material whether defence or prosecution? If we focus too much on the defence in the [Terms of Reference], does this suggest that we think there is something we've overlooked in the past?

Second, and connected, should we say that the reviewers will have access to any relevant material which the Post Office holds so that we can't be accused of being selective in what we give them? If so, that should come in the same place as the reference to MPs/[Sub-Postmasters]. (I took out the reference to the

lawyers in this connection because I didn't want to encourage them, but that may be wrong – I don't feel strongly about this.)

Third, should we say for the avoidance of doubt, that we will publish the findings in full?"

163 The following day (9 June 2012), I sent a further follow-up to Susan Crichton, Paula Vennells and Alwen Lyons in respect of the Terms of Reference **(POL00096604)**:

"I am clear that we should include ALL the MPs' cases, irrespective of whether they have been decided in Court. If we try to draw a distinction here we will be accused of picking cases to suit ourselves and being vulnerable on the ones we omit. We'll have a row about that instead of moving the issue on.

On reflection, I don't buy the argument that we would somehow undermine the Court process by doing this. There are plenty of ways in which people go over ground which has been settled in Court and if there weren't, no-one would ever be able to get a conviction overturned. And if (which we don't believe) there were new evidence in a case which had been decided, we would want to do, and be seen to do, the right thing by that.

So I stick by the TOR as drafted yesterday on this important point.

Where I think there may be an issue is the line between Shoosmith's cases which have been declared to us and those (many more) which they have merely hinted at. I suggest the way to deal with those may be by time, ie we'll include those we know about as of Monday week but not those which come after. As we said at our meeting, it would be open to the independent reviewers to say in their findings that they think we should extend the review.

I am sorry to be bothering you with this on a Saturday but time is against us, especially as Paula is seeing James Arbuthnot on Monday afternoon and I feel very strongly about this.”

164 I have been asked about what objectives I pursued when advising on the Terms of Reference. I think that the email exchanges above showed my objectives well. I was keen to be transparent and open and conduct the review in a way which would get to the truth. That is why I was keen for there to be clarity in the draft Terms of Reference and also why I aimed to expand its scope, by making clear that the investigators would have access to all of the relevant material and that the review should apply to all affected sub-postmasters - including those who had been convicted by the criminal courts. I thought this was the right thing to do in the circumstances: if there was new evidence in a case which had been decided by the courts, POL needed to do the right thing. And it was right from a perception point of view – I did not feel that people would trust us if the Terms of Reference had a limited scope and was selective in this respect.

165 I have been shown an email between Alwen Lyons and Paula Vennells which forwards my email above of the same day and discusses it (**POL00096606**). Alwen refers to the case of Ms Seema Misra. Ms Misra worked as a sub-postmistress (and is also a witness to this Inquiry). At the time she had recently been convicted in particularly difficult personal circumstances. Her case had understandably received publicity because she had gone to prison where she had given birth to her baby. Alwen says: “Susan's anxiety and she raised this at the meeting with Alice before [Paula] joined was whether now contacting [Ms Misra] to tell her we review the case would be a red rag to a bull”, given the circumstances of the case. I have been asked what discussion I had on this issue with Susan Crichton; I do not remember this discussion and I am unaware of any meeting note between me and Susan about this. In the next line of the email Alwen highlights that there had been tensions between primarily Susan and me, in respect of this and its implications for the scope of the review: “Alice feels this is the business pushing back unnecessarily and she feels this has happened throughout the process and she is having to keep pushing us!”.

166 My involvement with how the Post Office handled Second Sight and complaints against the IT system would have been very limited – it was handled by the executives. Aside from my involvement in Second Sight’s Terms of Reference which I have already described, (and, as I will come onto, some high-level points about POL’s handling of them later in their engagement) I was not involved in this level of operational detail. It was appropriate that the executives led by Paula and Susan should deal with the Second Sight project operationally. However, I

was available if they ever wanted my input or guidance, and as I will explain later, they did turn to me when things became more difficult.

167 On 18 June 2012, there was a further meeting with James Arbuthnot and the other MPs. I cannot remember the extent to which I was involved in preparing for the meeting. Briefing was always provided for such meetings from the relevant areas in the Post Office and I would have reviewed it carefully but trusted the accuracy of the work I was given by the business. I recall that there was a private meeting before the main meeting, which was between Lord Arbuthnot, me and the executives from the Post Office who accompanied me. I do not remember the specifics of this private meeting. In terms of the main meeting, my recollections reflect the briefing document (**POL00058004**). The meeting I recall was straightforward because we were well aligned with the MPs – the key point of the meeting was that we were suggesting a new independent review of the Horizon system, which was of course what they had been pressing for

168 I have been asked about document **POL00096667** which is my email to Paula on 19 June 2012. She forwards me an email that Lord Arbuthnot had sent earlier that day to Shoosmiths, in which he spoke positively about the meeting of the day before:

“As you know, prior to yesterday's meeting, I met privately with the Chairman of Post Office Ltd and members of her staff. On each occasion, the meeting was cordial and productive. From these meetings, we have come up with a plan for the Post Office to appoint an independent forensic accountant (to be chosen in

consultation with me) who will examine each case individually in order to establish exactly what has happened. The individual SubPostmaster / mistress concerned will be given the opportunity to be involved, as will his or her MP. Interviews will be conducted, data investigated, and in this way it is hoped that an explanation can be arrived at that will put to rest any question over what exactly has occurred.

I must put to you here that all this is extremely sensitive. This you know, but the Post Office has told me and the other MPs who are interested in this matter that in every situation where an individual has been prosecuted for alleged fraud or theft involving the Horizon system, the courts have found in favour of the Post Office. The question was asked repeatedly of the Post Office staff yesterday whether there had been any case upheld where the discrepancy reported or found had been found to be the fault of the system. We were assured this was not the case.

The MPs at the meeting were happy with the solution offered. I believe it is the best possible way to proceed, and am satisfied with what detail I have seen thus far. I have sent a press release to this effect to The Times.”

169 Paula Vennells forwarded this to me and I commented that I “[just wanted] to be sure that he feels happy with our choice of 2nd Sight – am assuming Alwen [Lyons] has run that past [Lord Arbuthnot] and will pick that up with her in the morning” (POL00096667). I cannot recall precisely what my views were at this time on the proposal to instruct Second Sight and Lord Arbuthnot’s stance. I

would have been pleased that Lord Arbuthnot had found the meeting the day before productive, and that we were taking steps to conduct a proposed review which at that stage was commanding the trust of Lord Arbuthnot and other stakeholders. I imagine that is why I commented that I wanted to be sure that Lord Arbuthnot was happy with the Post Office's choice of Second Sight – it was very important that he trusted the way forward. As previously mentioned, the day after this Paula met with Ron Warmington of Second Sight and was very impressed by him: she thought that he would do “an excellent job for [the Post Office]” (**POL00105477**).

170 I did not have any interactions with Alan Bates and the JFSA insofar as they related to the Horizon system or the Post Office's treatment of sub-postmasters, managers and counter assistants. To be very clear, in response to the Inquiry's question, at no point before meeting with Lord Arbuthnot and the other MPs did I ever (a) become aware of any BEDs or (b) understand that there were any actual or potential problems with the integrity of the Horizon IT system that could compromise its safety from the perspective of prosecutions. Before meetings with the MPs and other important stakeholders, I would have expected the executives to prepare briefing packs effectively with input from around the business, and I would have trusted the accuracy of work they did.

171 On 4 July 2012 there was a Board meeting and I updated the Board that Lord Arbuthnot and Second Sight were to meet that day and that I promised to keep the Board informed (**POL00021508**). This indicates that Second Sight had been appointed by this time.

172 I am asked about a further meeting with James Arbuthnot in respect of Horizon and Second Sight (among other things) on 4 October 2012 which is referred to in an email of mine (**POL00107805**). I cannot recall this meeting and there does not appear to be a note of it.

173 It is worth noting that once the Second Sight investigation started, the Post Office stopped pursuing criminal convictions which relied solely on Horizon data and also put on hold civil recovery proceedings while the report was awaited (**POL00115924**).

174 The Inquiry also asks me about my working relationship with Paula Vennells, in October 2012 and the level of confidence that I had in her management of complaints made by sub-postmasters regarding Horizon. In order to provide the necessary context, I shall address my working relationship with Paula throughout my time at the Post Office.

175 When I arrived in September 2011, Paula Vennells was the incumbent Managing Director of the Post Office and had been appointed to be the CEO-designate of the Post Office on its separation from Royal Mail. I understand that she joined the organisation in 2007 (as a Group Network Director). I was not involved in the decision about her appointment as CEO-designate; it pre-dated my appointment. When joining, I was struck by the wide range of challenges which faced her in the Managing Director and then CEO role. Throughout my tenure it remained an extremely demanding job.

176 My working relationship with Paula Vennells changed over time. Initially, I focussed on giving her the support which I thought she needed to make the transition from being a Managing Director to being a Chief Executive, which included encouraging her to work with a top class executive coach. I also sought to support her and build her confidence in the difficult negotiations which she and her team were having with the people who were effectively their bosses in Royal Mail.

177 Throughout my chairmanship, including the period in the Autumn of 2012, we met at least once a week and often spoke in between. I worked hard to support her, to provide a sounding board on the wide variety of issues which she and the business were tackling and help her grow her team. The early feedback that I received was that she was growing into the job. I found her to be hard-working, energetic, resilient and good at building and sustaining relationships with people both inside and outside the Post Office. I thought she was very committed to the demanding remit which we had been given by the Government to transform the Post Office and to its values.

178 Over time the challenges facing the Post Office became tougher. I did have concerns about her and her team's overall ability to deliver on some of the key objectives for the organisation. I continued to support her and to encourage her to find ways of strengthening her team to take some of the pressure off her.

179 In relation to the handling of Horizon issues, once I had had the early meetings with Lord Arbuthnot and had secured the Post Office's agreement to the establishment of an independent review, I thought it right for Paula Vennells, as the CEO, to become directly involved in the relationship with Lord Arbuthnot and other MPs and generally to take the centre stage. She agreed to this. As I explain elsewhere in this statement, I had no reason to doubt the views which she and other Post Office executives were expressing to me about the Horizon system.

180 Later I did have doubts as to her personal grip on Horizon issues and the level of attention that she was giving them. At the start of the 2014/5 financial year, I set her a specific personal objective in respect of the priority to give to Horizon issues (**WITN00740128**), as follows: "Project Sparrow. Personally lead programme to ensure risks and issues are being tightly managed, keeping the board updated on progress". This objective was set by me as a result of my concerns initially dating from the lead-up to the publication of Second Sight's Interim Report in July 2013 and later, the mounting difficulties arising from the delivery of the Mediation Scheme and the deteriorating relationship between the Post Office and the MPs campaigning on behalf of the sub-postmasters.

181 Returning to the key events of this period, I am asked about a summary of a meeting between Paula Vennells and Martin Edwards of the Post Office, Alan Bates and Lord Arbuthnot that was held on 4 October 2012 (**POL00097030**). I was not at this meeting but it appears from the note that it was a "reasonably cordial" meeting which focused on how to encourage sub-postmasters to submit current cases of alleged Horizon errors to the Second Sight investigation. On 9

October 2012, Paula forwarded the email saying “PPo Alice 121” which likely meant that she was asking for this meeting summary to be printed for one of our one-to-one meetings. I do not remember this one-to-one meeting and these meetings were not minuted. I do note that on 13 November 2012, I attended an ARC meeting (**POL00021430**). In the pack for this meeting, the ARC briefing book provided an update about the Horizon litigation being brought by Shoosmiths. It was noted that: “POL Ltd is also actively considering proposals from Justice for Subpostmasters Alliance, an organisation “established to raise awareness of the issues within the Post Office Horizon system”, to develop a system by which individual subpostmasters can raise concerns with Horizon within a “no blame” framework” (**WITN00740129**). Subsequently a joint paper agreed between the Post Office and the JFSA was issued in December 2012, giving guidance to sub-postmasters as to the process by which they could raise concerns about Horizon – essentially through the JFSA or alternatively directly to Second Sight – with a deadline of 28 February 2013. Ultimately, the 47 cases examined by Second Sight came either through the JFSA or from MPs; so eventually we did receive some cases from the JFSA. There was then on 21 November 2012 another Board meeting; in response to the Inquiry’s question, I cannot recall the substance of the Second Sight and Horizon update that the minutes say Alwen Lyons provided.

182 There was a Board meeting on 23 January 2013 in which I provided an update to the Board (**POL00021510**):

“The Chairman updated the Board on the work being undertaken by 2nd Sight to investigate the claims made against the Horizon system. A cut-off date of the end of February had been given to JFSA (Justice For Subpostmasters Alliance) and individual subpostmasters to send in any cases, with 2nd Sight aiming to complete their work in the summer. To date there was no evidence to suggest fault.”

183 In terms of this update, my recollections and notes do not add anything to the summary above. I am asked who reported to me that “To date there was no evidence to suggest fault” and on what basis I made that comment. This would have been reported to me through the executives: either from Paula, Susan Crichton or another senior executive. I was provided briefings for these meetings by Alwen Lyons and the information may have been in one of those briefings.

184 On 7 March 2013 Lord Arbuthnot wrote to me (**POL00097588**), stating that he was going to host a meeting on 25 March 2013 at Westminster to receive an update from Ron Warmington and Ian Henderson of Second Sight on the progress of the investigation. Lord Arbuthnot invited me to attend, alongside all other MPs and constituents who had raised this matter with them, and Alan Bates and Kay Linnell of the JFSA. Lord Arbuthnot was very keen that I attended, as were Ron Warmington and Ian Henderson.

185 Lord Arbuthnot also raised with me two further points in this letter. First, that Second Sight’s investigations had raised questions “over the absolute integrity of Horizon, though without their being so fundamental as to say that the system

is not fit for purpose” (**POL00097588**). He raised the risk that issues could arise with existing sub-postmasters as well as those currently being investigated and said he hoped “the Post Office would be ready to address this issue”. Secondly, that MPs were likely to voice strong defences of their constituents at the meeting, and so he recommended that the Post Office came prepared accordingly.

186 Lord Arbuthnot also expressed his gratitude (**POL00097588**):

“They tell me that investigations are proceeding well, and that your ongoing support and willingness to continue funding their efforts is enormously appreciated. I am writing to MPs this week letting them know this, so that they are not under any illusion of your commitment to this process. It is very important that they see this, and I shall do my utmost to bring it to their attention...

I would like to say in conclusion that I am impressed beyond my expectations with not only how the investigations are proceeding, but of your continuing support. I cannot recall a more important campaign, nor one where the end result has been so consistently supported by all parties involved. You have my gratitude and admiration for how the Post Office is handling this.”

187 I am asked about what my views were on the progress of the Second Sight investigation at this stage. I was naturally very pleased to have Lord Arbuthnot’s trust and gratitude for the progress of the investigation – I had wanted him and the other MPs, and ideally the sub-postmasters that they were supporting, to trust

the review and our intentions. I always wanted the review to be a collaborative process with Lord Arbuthnot and it looked as though we were on course to achieve that.

188 However, I did also want to understand what was meant by the somewhat ambiguous phrasing of “questions have been raised over the absolute integrity of Horizon, though not without their being so fundamental as to say that the system is not fit for purpose” (**POL00097588**). It was unclear what this phrasing meant, and particularly whether it could mean there were possible findings of systemic issues with Horizon that had made any prosecutions unsafe. I will come onto Second Sight’s further comment about this phrasing shortly, in a meeting that they held with Paula Vennells and Alwen Lyons. A few months later, however, the Second Sight Interim Report (as I will also come onto) stated that they had found “no systemic issues” with Horizon from the review that they had conducted to date, an important finding which is inconsistent with this phrasing.

189 As noted in the Post Office’s update sent to me on 11 March 2013 (**POL00097589**), Second Sight were set to receive substantial fees - £250,000 – though their initial estimate of £100,000 was based on a small number of cases being reviewed (6 – 12). I wanted to ensure that the investigation was rigorous, professional and got to the truth, but that at the same it represented value for money, as I was always conscious that the Post Office was in receipt of a large amount of public funds. The investigation had also slipped in timetable – the Post Office had requested that it was completed before the summer recess, but it had been delayed until mid-autumn. The Post Office had not imposed budgetary or

time constraints on the investigation in order to ensure investigative independence (see the briefing note sent to me on 19 March 2013, **POL00097670**), but we were bound to consider the question of costs. I also note, as mentioned above, that Second Sight had undertaken in their proposal document to give a more detailed costs estimate: "We will be better able to forecast overall costs once we have completed the initial review of some of the selected cases and that will give you an opportunity to maintain control over costs" (**POL00096576**).

190 The same update document (**POL00097589**) at paragraph 4 described 8 'Common Problem Themes' that Second Sight were identifying in the course of their work. This paragraph said that these themes "warrant[ed] further investigation". As these findings were provisional, the Post Office had not yet submitted its evidence in reply, which is a point that I raised to Lord Arbuthnot in my letter to him of 22 March 2013 (that I will come onto); as their investigation was not complete, I imagine that I would have wanted to wait to see what Second Sight's eventual findings were before taking any further action about them.

191 I am asked what I did about Lord Arbuthnot's letter of 7 March 2013. I replied a fortnight later, and in the meanwhile I received an update from Alwen Lyons and Paula Vennells about their further meeting with Second Sight from 19 March 2013, to try to understand the position (**POL00097723**). Alwen and Paula met with Ron Warmington and Ian Henderson of Second Sight that day and Alwen updated me that:

“At the meeting this afternoon 2nd Sight were surprised that [Lord Arbuthnot] now felt there was harder evidence against the system. They used the phrases; no evidence of widespread systemic failure; the number of cases we are seeing is small; the pattern aligns with the themes which are already in the public domain.

They assured Susan and I that they intend to make it very clear on Monday that they have been ‘consolidating and distilling allegations and that the Post Office have not had the opportunity to respond’.

Some of the evidence is plausible but is as yet untested.

They are nervous about Monday, especially as it now emerges that Shoosmiths are attending the meeting. They know that loose language will be very unhelpful, and realise that they may end up in the press, which will not help the investigation.”

192 I think I started to have doubts at this point. I was concerned that we might be being given a different picture from the one Lord Arbuthnot was being given by Second Sight. Lord Arbuthnot had written to us on 7 March 2013 saying that after speaking with Second Sight, he was worried that there was harder evidence against the system (**POL00097588**). Here, Alwen Lyons and Paula Vennells were being assured that Second Sight did not think that there were issues; I would have been reassured by this report from Second Sight. However, I would have wondered why Lord Arbuthnot had a different view after speaking to Second

Sight. Indeed I wrote to Alwen and Paula later that day (also **POL00097723**) saying that I was worried about the gap between what Second Sight had said to Alwen and what they had said to Lord Arbuthnot. Alwen and I agreed that we needed to consider how to continue to engage with Lord Arbuthnot going forwards and not leave it solely to Second Sight. In terms of my view as to whether the communications between the Post Office, Second Sight, JFSA and the MPs at the time were being well managed, I think my actions above suggest that I was not convinced they were at this point. I imagine that I would have seen my agreement with Alwen, to keep this point on our radar, as a prudent step because of my concern about this discrepancy in perceptions.

193 I can see from the correspondence that I wrote to Lord Arbuthnot in advance of the meeting he had organised for 25 March 2013 (**WITN00740130**). The first point that I made is that we were absolutely committed to supporting the investigation, and would continue to do everything we could to help Second Sight gather the evidence they needed to arrive at a robust set of conclusions. I thanked him for his collaborative approach and said I was pleased by the strong working relationships between the stakeholders. I said that I understood that the purpose of the upcoming meeting was for Second Sight to provide an update on the process and outline how they proposed to marshal the complex evidence base to arrive at a set of conclusions by summer recess. I said:

“I know that you and Second Sight share my concern that it would be premature to attempt to draw conclusions from the evidence gathered to date, particularly given that the sequencing of the investigation means that we have not yet had

an opportunity to submit our own evidence on the reported issues. Clearly this needs to be a facts-based investigation that allows all relevant parties to submit information on the matters under review”.

194 On 27 March 2013 Alwen Lyons forwarded me an email from Lord Arbuthnot in which he said that Ian Henderson’s (of Second Sight) note of the meeting with MPs was different from his own recollection of the meeting, in some important ways (**POL00097887**). Alwen recognised that the disparity might be explained by the fact that Lord Arbuthnot left the meeting earlier than Second Sight and they continued the discussion with MPs without him. However, Lord Arbuthnot stated clearly in this email that he disagreed with the recollection and characterisation of the meeting by Ian Henderson:

194.1 Lord Arbuthnot disagreed that there was any “desire” from MPs to report on a wider range of issues than was planned in the Second Sight report;

194.2 When Ian Henderson said that there was broad support to run a series of tests in the Model Office, Lord Arbuthnot said that this was “not really discussed”;

194.3 Lord Arbuthnot disagreed with Ian that there was any expression of views from MPs about internal communications within the Post Office, and disagreed that a suspension of all prosecutions activity by the Post Office was discussed at the meeting. This added to my concerns about Second Sight.

194.4 Lord Arbuthnot also said that Ian Henderson's opinion that "extensive concern" was expressed about the Post Office's investigation and prosecution processes was "stretching things a bit".

195 It was hard to see how Lord Arbuthnot and Second Sight's recollection of a meeting could be so different – particularly when Second Sight were sometimes asserting that MPs were raising certain issues, or expressed broad support for certain issues, that Lord Arbuthnot did not remember being discussed. Though Alwen had explained that Lord Arbuthnot left the meeting earlier than Second Sight had, this did not appear fully to explain the disparities in their respective memories of the meeting. Lord Arbuthnot appeared to be giving his recollection of the matters that he was privy to at the meeting. I did not hear afterwards that Second Sight challenged his account of the meeting setting out his disagreements clearly.

196 On 8 May 2013, Paula wrote to me and thanked me for my "challenge" that morning (**POL00098158**), however I cannot remember what that challenge was about and my notes do not help me with this. Paula's email was about "a suggestion which could wrap this up for [the Post Office] and [Lord Arbuthnot]"; again, I do not recall what this is referring to.

197 There was a Board meeting on 21 May 2013 (**POL00021513**) and I am asked why the Board felt the need to request an update on the Horizon position with the Second Sight review at this meeting. I do not recall there being a specific

reason for the note being requested; I think it would have been good corporate governance for the Board to leave the operational conduct of the review to the senior executives, but ask for periodic updates in order to stay informed and hold the senior executives to account about their handling of the project. It is likely that the Board thought this was an appropriate juncture for an update.

198 I am asked also whether there was any change in approach by the Post Office to the existence of BEDs since the instruction of Second Sight. As previously explained, I did not understand that Horizon was subject to BEDs nor had I heard of that acronym until many years after I had left the Post Office.

BED 3 Suspense Account Bug and Helen Rose Report

199 I have been asked to consider a note drafted by Gareth Jenkins of Fujitsu entitled "Local Suspense Problem" (**FUJ00083375**) dated 15 May 2013 and a draft report drafted by Helen Rose a month later (dated 12 June 2013) entitled "Horizon data Lepton SPSO 191320" (**FUJ00086811**). As noted at paragraphs 81.7.1 and 81.7.2 above, I have no recollection of ever being shown either of these documents during my time at the Post Office, nor do I recall their contents being discussed with me.

200 The minutes for the meeting of the Board on 1 July 2013 record that Paula Vennells provided an update on Horizon in which she informed the Board that Second Sight's interim report had concluded that there were "no systemic issues

with the Horizon computer system but had highlighted areas for improvement in support areas such as training” (**POL00021515**).

201 Paula Vennells went on to note that “Horizon, like any large computer system, would occasionally have anomalies and two were know of over recent years [sic]”. I would assume that this is a reference to the issues identified in Gareth Jenkins’ note of 15 May 2013 and Helen Rose’s report of 12 June 2013, but I cannot be sure. Paula provided comfort to the Board that “these anomalies had not affected any of the cases which Second Sight had reviewed” and confirmed that Second Sight were aware of the “anomalies” and would cover them off in their next report (**POL00021515**).

Second Sight’s Interim Report

202 I have been asked about my involvement as Chair of the Board with the preparations for the receipt of Second Sight’s first interim report and the Post Office’s response to this.

203 The responsibility for these preparations and the Post Office’s response ultimately rested with Paula Vennells and Susan Crichton. The Board requested an update in May 2013 about the progress of the investigation. I do not recall if this update was ever provided and have found no supporting documents to indicate that it was.

204 I am largely reliant on contemporaneous documents as to what my involvement was on these matters.

205 On 24 May 2013, Paula Vennells emailed me to say that she was organising weekly updates with Alwen Lyons (30-minute weekly conversations) in the run-up to the receipt of the first Interim Report (**POL00098376**)

206 On 28 June 2013, there were further emails between Paula Vennells and me on this topic. By this time, Paula was aware of the gist of the draft findings that Second Sight were going to make. First, Paula updated me about a meeting that must have taken place the previous day, presumably internally within the Post Office, about preparing for the draft report which, at that point, she expected to arrive on 1 July 2013 (**POL00098798**). In fact, as we will come onto, the full draft did not arrive until 5 July 2013. She updated me that Alwen Lyons was going to be in touch on who was responsible for next steps within the business; that Susan Crichton had cancelled the last day of her holiday, in order to meet Second Sight on 1 July; and that the Post Office was getting the “best brains” on the subject. Paula then forwarded Alwen Lyons’ notes on next steps to me (**POL00098782**).

207 Around this time, I must have started to have concerns about Second Sight’s work in light of what Paula Vennells was reporting to me. The only concerns I recall having about Second Sight before this had been earlier in the year when it seemed to me that Second Sight had been giving ‘mixed messages’ to the Post Office when compared to what they were saying to Lord Arbuthnot and other MPs at the recent meeting on 25 March 2013.

208 I do not believe that I or other Board members saw the draft report. There were I think, two reasons for this. First, the full interim draft report was not received from Second Sight until Friday 5 July. This was several days after the Board discussion on 1 July and only three days (including a weekend) before the meeting with Lord Arbuthnot and MPs at which Second Sight were due to present their findings. Second, I am not sure whether, even if there had been plenty of time to review the draft, it would have been appropriate for the Board to have seen it at this stage given the factual and technical parts of the report which fell to the senior executives to consider. We did receive summaries and updates about the report and the Post Office's reactions from the senior executives. I was sent a copy of the final version of the report on Sunday 7 July and asked the senior executives to circulate it to the full Board, as I will come onto.

209 By 28 June 2013 I think the broad views expressed about Second Sight's work, as set out in the 1 July 2013 Board update (**POL00098878**), had also been communicated to me directly by Paula Vennells. I understood those to be:

209.1 Second Sight had not identified any systemic issues with Horizon, however there appeared to be 'loose language' in the draft report which could cause people unwarranted concern.

209.2 The Post Office was concerned about the way Second Sight had dealt with the issue of two 'anomalies' in the system. In both cases, the Post Office had themselves identified these. They had put in place measures

to address the anomalies with the affected sub-postmasters, comprehensive audits had been performed, and procedures put in place to catch future 'anomalies' earlier. The Post Office had drawn these to the attention of Second Sight but the latter were giving the impression that they had found these themselves (as identified in said Board update).

209.3 Second Sight had not yet reviewed all the evidence the Post Office had given them. It was very hard to see in those circumstances that their interim conclusions would be sound. I felt that the Post Office was entitled to sound and evidence-based conclusions from Second Sight.

209.4 There was a concern that Second Sight were not focusing on empirical evidence and sometimes relied on recollections of events; there was another concern that they 'led the witness' in some cases.

210 To be very clear, my concern was never that Second Sight might reach adverse findings against the Horizon system. That was the whole point of having an independent investigation – to get to the bottom of the issue. But I was concerned to ensure that any findings they did reach were properly evidenced and supported. From the Post Office's reports, it seemed that Second Sight were concluding that there were "no systemic issues" with Horizon, whilst in other parts of the report they were using loose language which could undermine confidence in Horizon. I also could not see how they could come to very significant findings without hearing all the available evidence.

211 The Horizon system was critically important to the Post Office. The sub-postmasters and people in the Crown offices and members of the public around the country relied on it daily for transactions. If there was any suggestion that it could not be relied upon, it could make the public think that their money was not safe with us and worry the people using the system. I was not at any point trying to bury information that might reveal that there was something wrong with Horizon. If something was wrong, we needed to know, to be open about it and act on it. If the findings were not evidence-based however, it was going to cause serious damage for no reason – and it did not appear that all of Second Sight’s criticisms were going to be properly evidenced.

212 The email from Martin Edwards to Paula Vennells refers to a reputational risk for the Post Office if legal action was pursued against Second Sight (**POL00098782**). I do not know where that idea came from. The Board and I were certainly not considering legal action against Second Sight. I cannot remember others in the Post Office mentioning this.

213 As Chair, I was in a position to stand back from the immediacy of certain issues and crises and think more broadly, drawing on my past experience. I asked whether the lawyers were “thinking about implications for [the Post Office] and the people in it” on 28 June 2013 in the context (as I say in that email) of the “Maxwellisation/Salmon letters angle” – this is the legal process by which organisations and people are given a right of reply to draft findings in an investigation (**POL00098798**). I think that such representations are important out of fairness and to make sure that investigations get to the truth.

214 I cannot recall what I meant when I said in the email, “Keep aiming high here!” (**POL00098798**). That is, for the goal of no interim/no meeting. But I recognise that is not within our control”. Other emails around that time do not shed light on this phrase. We may have been considering whether interim findings could be avoided, so that Second Sight would produce a full report once they had in fact reviewed all the evidence provided by the Post Office – but that involves speculation on my part.

215 On 30 June 2013, I said to Paula Vennells that we needed to update the Board about the Second Sight investigation, because there was a danger that we could be in a “difficult situation” (my emphasis) after the draft report was provided and there might not be another opportunity to get the Board’s involvement (**POL00098817**). Clearly, I thought that the Board should be properly briefed by the senior executives about the fast-moving developments on this issue. The “difficult situation” that I was referring to would have been the concerns which I have expressed in paragraph 209 above, notwithstanding the important conclusion that Second Sight had found “no systemic issues” with Horizon.

216 The Board had a meeting by telephone the following day, 1 July 2013, (minutes at **POL00021515**). Martin Edwards sent me speaking notes in advance for the update to give to the Board (**POL00098877** and **POL00098878**). I could not have been provided with a draft of the Interim Report before the Board meeting because the Post Office itself did not receive the draft until the Friday of that week (5 July). I relied on the briefing pack. In respect of the two ‘anomalies’

discussed by Second Sight, I have already mentioned above that I had not heard of the term 'BED' until many years after leaving the Post Office. The briefing gave the assurance that these were a "red herring" and explained what the Post Office had done both about these and any future anomalies which came to light:

"In both cases the errors were picked up and either have been or are in the process of being addressed with the affected sub-postmasters; a comprehensive audit has been performed to check there weren't further cases we weren't aware of; and new procedures are being put in place to ensure such anomalies are spotted at an early stage in the future."

217 I am asked whether I was confident that the Post Office was aware of all potential BEDs with the capability of affecting accounting data. I believed in this assurance about the Post Office's identification and rectification of 'anomalies' and its improved processes for dealing with any which might arise in future. In a system as complicated as Horizon, I would not have ruled out the possibility that further anomalies might be identified in future.

218 In terms of my recollection of the discussions of Second Sight at the Board meeting on 1 July 2013, I cannot add to the minutes (**POL00021515**):

"The CEO apologised for the short notice in keeping the Board updated but explained that issues had arisen over the last couple of days. She gave an update on the Horizon review which was being undertaken by Second Sight and their interim report which was to be presented at a meeting of MPs on the

8th July. The investigation to date had found no systemic issues with the Horizon computer system but had highlighted areas for improvement in support areas such as training.

The CEO explained that the Horizon, like any large computer system, would occasionally have anomalies and two were known of over recent years. The Business had dealt with these anomalies to ensure no sub postmaster was out of pocket and these anomalies had not affected any of the cases which Second Sight had reviewed. Second Sight had been told of these anomalies and they would include them in their report.

The CEO was concerned that the report from the independent forensic accountants was not as factual as expected and could lead to loose language at the MP meeting.

The Board asked the Business to challenge Second Sight to ensure changes were made to the report where possible and asked the Business to prepare their communication to combat any inaccuracies.”

219 I had no reason to doubt the briefing that “The investigation to date had found no systemic issues with the Horizon computer system but had highlighted areas for improvement in support areas such as training.” It had been reported to me that Second Sight had told the senior executives this previously in person. I think that I understood a “systemic issue” to be a fundamental flaw with the system that could jeopardise its accuracy and therefore the safety of prosecutions that relied

on Horizon data. As I will explain, the Post Office accepted Second Sight's view that some important improvements needed to be made in the training and support to sub-postmasters, and planned a programme of work to deliver these. I did not see those training and support issues as "systemic issues" with the computer system (and indeed, Second Sight made that distinction). Paula Vennells wrote to Lord Arbutnot later (**POL00029649** as I will come onto): "We also discussed the vital importance of drawing a clear distinction between (i) systemic issues with the Horizon computer system – of which it is our understanding that none have been found and (ii) the wider support systems". It appears that both Second Sight and the Post Office were drawing this distinction, as Second Sight referred to "systemic issues" and training issues separately.

220 I also had no reason to doubt Paula Vennells' update that "the report...was not as factual as expected and could lead to lose language at the MP meeting." That was consistent with what I had been told over the previous days i.e. that Second Sight had not yet reviewed all the evidence that the Post Office had provided them, and were not sufficiently focusing on empirical evidence.

221 Paula Vennells and I exchanged emails on 1 and 2 July 2013 about next steps (**POL00098887**). Paula's email reported that Second Sight had spoken with Susan Crichton. On reflection they were happy to make clear that the report would be more balanced; that there was no evidence of systemic computer issues, but improvements could be made in support and training; that the Post Office had already corrected a number of issues; and that their work was not finished and therefore inconclusive. We referred here to a "Lessons Learned"

exercise, as we were concerned about the quality of Second Sight's work, and wanted to see if there were lessons the Post Office could learn for future investigations and the procurement of external expertise. I do not recall the meeting between us later on 2 July 2013. I did have concerns about how Paula Vennells and Susan Crichton - though principally Susan who was leading the project - had handled Second Sight. These concerns crystallised more clearly with the subsequent Board discussion of the Interim Report on 16 July 2013. I will come onto them more fully in due course.

222 On 3 July 2013, I met Lord Arbuthnot: the briefing that I was provided by Martin Edwards is at **(POL00115924)**. I have no recollection or notes which add to this briefing note about that meeting with Lord Arbuthnot. The briefing note outlines that my headline messages were: that we took sub-postmasters' concerns very seriously, hence setting up the Second Sight review; that though Second Sight had found no systemic issues, there were some important lessons for the Post Office in respect of training and support which we were going to act on with a new user forum; and that it was important to see the Second Sight review in the context of the Horizon system which dealt with 6 million transactions daily and 1,500 per second – some issues were bound to arise on a system of this scale. A key point I wanted to convey was that that the Post Office was too important for confidence in it to be undermined unfairly, without properly evidenced findings. I was to say that the Post Office and Fujitsu would be checking the draft report carefully for factual accuracy over the weekend of 6 and 7 July so that the report could be shared on Monday 8 July, and that we wanted to attend Lord Arbuthnot's meeting that day with Second Sight as observers, in order to be clear

about exactly what was being said and to avoid the kind of discrepancies which Lord Arbuthnot had reported to the Post Office in relation to the previous meeting held on 25 March 2013. I was to reassure Lord Arbuthnot that since the start of the Second Sight investigation, the Post Office had not pursued criminal convictions relying solely on Horizon data, and had also put on hold some civil recovery proceedings, but that there was a duty to protect public money in other cases. I was also to assure Lord Arbuthnot about the two 'anomalies' and the improved processes.

223 In response to the Inquiry's question as to why my briefing note did not refer to the Callendar Square bug. I did not write the briefing note. I would not have raised this with Lord Arbuthnot in our meeting because I did not know about it.

224 Paula Vennells and I had an email exchange before the meeting with Lord Arbuthnot on 3 July 2013 about the approach to be taken (**POL00098921**). I wanted to start the meeting collaboratively and hear Lord Arbuthnot's thoughts on what he was thinking – I noted that the "Position with [Second Sight was] not where we would like it to be - interim report not complete and what there is will be delivered [very] late for a meeting on Monday". Paula preferred that we go more on the "front foot" with raising our issues with the report with Lord Arbuthnot at the very start, but it appears that I was clear that I did not want us to "go on the attack from the start", saying that we could raise our points later if needed. As mentioned above, I do not remember the meeting itself. In response to the Inquiry's question, I am not sure what Paula meant by: "This isn't just about [Second Sight] – don't want to make them central. It is about no system issues,

some improvements to be made, and keeping perspective so that our brand reputation is protected". My reply does not deal with this part of her email.

225 I am asked about my understanding of Fujitsu's remote access rights at this point. For completeness, I have mentioned above that the Ernst & Young audit presented to the ARC on 23 May 2012 did refer to the issue of "control of privileged users" though it said that the picture for this was improving, and ultimately Ernst & Young had been able to rely on the IT system (**WITN00740124**). As I mentioned I was not aware that this was an issue that could threaten the integrity of prosecutions, and would have expected to be advised if this was the case so that the Board could act in the light of all the relevant information. The Ismay Report had said that Horizon had "no backdoors" (**POL00026572**). I note that an email from Alwen Lyons to Paula Vennells on 24 May 2013 (which I was later forwarded) about action points following a call with Lord Arbuthnot said: "Lesley [Sewell] and I had a discussion yesterday and she is taking this forward with Fujitsu today to ensure we get high level support for the review, and clear evidence about any central system which can adjust sub postmaster accounts if it exists, and its controls" (**POL00098376**). I do not recall and the disclosure that I have requested from the Post Office does not show this issue being raised again in the run-up to the publication of the Interim Report. At the time, from Alwen's email, I would have thought that this issue (if it was relevant) was being raised between Lesley Sewell and Fujitsu, who would raise it as appropriate with Second Sight if needed.

226 I cannot remember precisely what I understood at the time as the difference between “system exceptions” and “systemic issues with the Horizon computer system”, which is a distinction drawn in my briefing pack. The key points I noted about the ‘anomalies’ identified were that they had been identified by the Post Office itself; they had been rectified, and the sub-postmasters who could have been affected did not face any disciplinary action. It seemed to me that meant that the controls in place were working, and I was assured that we did not need to worry about these two ‘anomalies’. The Post Office, I had been told, then improved processes and mitigations so that any future ‘anomalies’ would be caught even earlier. I do not have technical IT expertise, and so I relied on the output of Second Sight’s Interim Report and the Post Office’s and Fujitsu’s assurances about IT. If these anomalies were a problem going to Horizon’s integrity, and the safety of prosecutions, I expected to be told this. The key points that I think struck me at the time were:

226.1 We commissioned Second Sight to undertake a case-based review of problematic cases in the context of the complaints made about Horizon, and they found that there were “no systemic issues”.

226.2 I was assured that the two ‘anomalies’ were isolated, rectified by the Post Office and no sub-postmaster was out of pocket.

227 Second Sight did not conclude in the Interim Report that Horizon was not fit for purpose or could not be safely relied on. Indeed, as I will come onto, Lord

Arbuthnot's reaction to the Interim Report was also that it indicated "that the Horizon software itself is working as it was meant to".

228 I mentioned above that the value a Chair can add is thinking beyond the immediacy of a crisis. I emailed Paula on 4 July 2013 to say that it would be "helpful" not to commit ourselves too firmly to arrangements after the Interim Report with Second Sight's involvement "when everyone is tired and up to their ears trying to handle the immediate issues" (**POL00098990**). I thought it was prudent that we kept our options open. My concerns at this point arose from the meeting with Lord Arbuthnot and other MPs, when Lord Arbuthnot recalled important aspects of the meeting very differently from how Ian Henderson did; and the handling of the Interim Report. Second Sight were significantly behind schedule and over budget; I was assured that a number of their findings were not based on firm evidence (the briefing I had received on 1 July 2013 said that Second Sight had not yet reviewed all the evidence that POL had provided them, and appeared sometimes to rely on subjective interpretations of events as opposed to empirical evidence **POL00098878**); and the handling of this important report had been made unnecessarily difficult because of the very tight timescale. The Post Office were to be given the report on Friday 5 July, with the Post Office and Fujitsu having to work intensively over the weekend to correct any errors, before it was shared with MPs the following Monday and published on 8 July. I did not want to commit to dealing with Horizon investigations in this way in future, and I think that any other responsible Chair would have taken the same view. Second Sight's actions, I felt, did not command the confidence of the Post Office and also risked the confidence of MPs, given Lord Arbuthnot's

different account of the meeting with Ian Henderson. In the event, Second Sight were retained and played an important part in the Mediation Scheme.

229 I said that the Post Office needed “a totally different approach to managing and rewarding” Second Sight, because of the concerns I have described (**POL00098990**). To be clear, I did not use the word “managing” in any kind of loaded way, seeking to control Second Sight or influence them to come to any particular conclusions. In the civil service, I was used to a practice where independent reviewers or consultants would have had an individual or team of people in the relevant Department who would work closely with them, not in any way to interfere with their work or findings, but to manage the process in a professional way so that there was a clear understanding on timescales and costs and no surprises in terms of process. I did not think this had happened with Second Sight despite the fact that in their original proposal (**POL00096576**), they had volunteered that “no final report [would] be issued until a draft has been verbally agreed and approved by the Post Office”. Further work needed to be structured in a way that allowed time for the Post Office to provide its evidence and for the Post Office’s representations in relation to a draft report to be considered, so that properly evidenced, rigorous findings could be made. I may also have meant that communications needed better handling, for example, by having an observer from the Post Office at Second Sight’s meetings with MPs, to ensure that important differences in recollections of meetings did not happen again.

230 I said that the Post Office needed a different approach to “rewarding” Second Sight because I thought that their day-rate compensation structure was no longer appropriate. Their own proposal document had said that Second Sight would be able to “forecast overall costs” after a scoping exercise “and that will give you [ie the Post Office] an opportunity to maintain control over costs” (**POL00096576**) but that had not happened. The review was significantly behind schedule, and over budget, and as a responsible Chair I needed to have regard to that. I would have had further concerns about this remuneration structure given my perception of the quality of their work and service. I am absolutely clear that I was not suggesting that the Post Office used remuneration to influence Second Sight’s conclusions on Horizon. I did nothing at any point to jeopardise the independence of the review that the Post Office had commissioned. I intended throughout and in good faith to get to the bottom of this issue, while commanding the confidence of the different stakeholders. As I will explain fully, I later supported the commissioning of Linklaters and Deloitte to look at Horizon issues in 2014. I was not at all afraid of or averse to proper scrutiny of the Horizon system, or the reality that we would need to spend significant sums for this. I was clear, though, that any scrutiny would need to be high-quality, rigorous and evidenced, and in my view Second Sight’s work fell short of this standard.

231 In that same email chain Paula Vennells and I arranged a call later that day (on 4 July 2013); I cannot remember this call and I do not have a note of it.

232 The Second Sight Interim Report was dated 8 July 2013 (**POL00099063**). I have been reminded of the Post Office’s commentary on it (**POL00029651**). It details

the corrections the Post Office asked Second Sight to make in advance of the publication of the interim report. The document contained three pages of rebuttal, which were also included in the Board pack for the upcoming Board meeting on 16 July 2013, which I will come onto.

233 The document made the following general point:

“Generally

a. So as to avoid any suggestion that we tried to “rewrite” the report or compromise its independence, our comments on earlier drafts were focussed on correcting inaccuracies and attempting to make the report clearer.

b. To stress the proportionality of these issues to Horizon as a whole, we asked SS to specify hard numbers instead of using phrases like “in almost all of the cases” (para. 1.7), “in a number of cases” (para. 2.6), or “multiple SPMRs” (para. 7.2). SS has not always done this.”

234 It then had a list of factual rebuttals against the Second Sight Interim Report. I have already set out my views on the Interim Report. That said, I thought that the report made some important points about the training and support for sub-postmasters, which needed addressing and to which the Post Office responded seriously.

235 I cannot recall all the steps that I took after reading the Interim Report. There was of course extensive Board discussion about it which I will come onto. Alongside publication of the Second Sight report, the Post Office issued a statement in

which it said that it would set up a working party to complete the review of cases started by Second Sight, and would consider all 47 cases brought forward by the Justice for Subpostmasters Alliance — the JFSA — and MPs (**POL00168704**). The JFSA had been invited to join the working party. Secondly, an independent figure would chair a review to determine how best to adjudicate disputed cases in future. The JFSA and other stakeholders would also be invited to take part in this process. Finally, a new branch user forum would provide a channel for sub-postmasters and others to raise issues on business processes, training and support. The company would take forward the proposals as an urgent priority. Paula raised some of these points in an email on 6 July to the Board (**POL00099026**). We were involved in overseeing the significant programme of work post-Second Sight, which I will come onto.

236 Lord Arbuthnot's statement about the Interim Report noted that "At the moment the evidence seems to be that the Horizon software itself is working as it was meant to" (**POL00105633**):

"I am impressed with the way the Post Office has behaved on this matter. Since the first approach from our group of MPs, it has acted with forthrightness and transparency and has agreed both to support and fund the investigations. It clearly wants to get to the bottom of what has gone wrong. I want to put on record my thanks to senior staff who have made this happen.

'At the moment the evidence seems to be that the Horizon software itself is working as it was meant to. I hope Sub Post-Masters will welcome this news.

However, the problems investigators have discovered point to the need for further work. These problems involve:

The way the Post Office has previously investigated concerns

Instances of unreliable hardware, although this needs bottoming out

Processes for training and support that have found to be inadequate in some cases

An exceptionally complicated system used within the Sub Post Office

A business model which might be seen as unfair towards the Sub Post-Master in that any faults or issues with the system give rise to a liability on the Sub Post-Master rather than being a risk to be carried by the Post Office

An unresolved question about alterations by the Post Office of cash balances in the back-office accounting system and the consequences of such alterations”

237 I am asked to consider the following passage of the Second Sight Interim Report **(POL00099063)**:

“There is still much work to be done on the cases Second Sight has been asked to investigate...

It has become clear that whereas the Horizon system appears to achieve its intended purpose almost all of the time and operates smoothly for most SPMRs and their staff, some combinations of events can trigger situations where problems occur...

We have so far found no evidence of system wide (systemic) problems with the Horizon software”

238 On this passage, I took the point that Second Sight were issuing an Interim Report and intended to complete their investigations. The second paragraph appeared to me to refer to the two ‘anomalies’, which I was assured had been resolved without detriment to the subpostmasters affected, and were not indicative of wider problems. I was certainly reassured by the third part of the passage, as were most stakeholders including Lord Arbuthnot. Until then, I and the Board had relied on assurances from within the Post Office that Horizon was working as it should and now, that view was being supported by independent reviewers. This was therefore very significant.

(F) JULY 2013 TO DECEMBER 2013

239 I have discussed the Board’s reaction to Second Sight’s Interim Report, I shall now turn to Project Sparrow, which was set-up by the business in response to the Interim Report.

240 As I have already discussed above, a good deal of the meeting of the Board on 16 July 2013 was devoted to Horizon and the Second Sight Interim Report. Ahead of the meeting, the Board was provided with five papers that dealt with Horizon issues alongside a copy of the Interim Report itself.

241 The purpose of one of these papers drafted by Susan Crichton and entitled “Update following the publication of the Interim Report on Horizon” was to consider the “options / propose a course of conduct for Post Office” following the publication of the Interim Report (**POL00099218**). The paper provided the Board with more detail on the three “new initiatives” outlined in the Post Office’s 8th July 2013 press release: (i) the creation of a working party to complete the review process started by Second Sight, (ii) consider an “independent safety net” to adjudicate in disputed cases in the future, and (iii) to establish a “Branch User Forum”.

242 Of these three “new initiatives” it was the first – the setting-up of a Working Party – that came to be known as Project Sparrow. It is important to understand that “Project Sparrow” was a term of art, and over time it came to be used as an internal short-hand for the file review undertaken by Cartwright King, the Working Group and mediation process overseen by Sir Anthony Hooper and, more broadly, the management of the Post Office’s relationship with Second Sight. While I was aware of Cartwright King’s file review from briefings at the time I was not involved in the instruction, which was instigated by the legal team.

243 I have been asked in particular to consider paragraphs 3.7 and Annex A of Susan Crichton’s report to the Board (**POL00099218**). Paragraph 3.7 of the report stated that “on the advice of our external criminal lawyers we have immediately begun a review of our criminal cases conducted since Separation on 1st April 2012”. Annex A provided further detail regarding this review. It would appear that there is a discrepancy between paragraph 3.7 and Annex A in the start date of

this review. Paragraph 3.7 provided a start date of 1st April 2012, being the date on which the Post Office separated from RMG, and paragraph 1 of Annex A provided a start date of 1 January 2010, being the date on which the business began to use Horizon Online. It is my understanding that the start date of the review was in fact 1 January 2010.

244 I cannot recall my reaction to Susan Crichton's note, but I am sure that I would have been of the view then, as I am now, that if there was any question that the Interim Report might need to be disclosed to defendants in previous criminal cases, then an effective review system needed to be established quickly. Susan's note informed the Board that this was underway.

245 As to the appropriateness of the start date of the review, I cannot recall any particular discussion on this point.

246 Staying with the Board meeting on 16 July 2013, I have already addressed the Board's reaction to the Second Sight report and its concerns with how the process had been managed by the business (**POL00021516**). I have been asked in particular to consider my views of Susan Crichton at this point in time. After the publication of Second Sight's Interim Report, I felt that the Board, and indeed, the Post Office, had not been well served by Susan Crichton in terms of the handling of Second Sight. By this I mean, that the Board should not have been caught unawares by the timing of the publication of the report or given so little opportunity to discuss it on the basis of advice from the senior executives. For the avoidance of doubt, I do not mean that Susan Crichton or anyone else in the

Post Office should have sought to influence the content of the report but it is normal for an organisation which is the subject of a review to have a clear timeline during which it may consider the findings in draft and have time to reflect on these, comment on them and have their views taken into account in an even-handed way. We felt “bounced” by the unexpected Board discussion for which we had had no time to prepare and for which the senior executives themselves were not fully prepared. I thought that either Susan Crichton herself, or someone accountable to her should have had a much better handle on all of this, including a good, professional relationship with Second Sight throughout their tenure. But I did not “consider Susan Crichton to be responsible for perceived deficiencies” in the drafting of the report.

247 More generally, I think that I had a good working relationship with Susan Crichton prior to the handling of the Interim Report despite what had happened over my initial suggestion that we needed to set up an independent review into Horizon. For some time, we were located close to each other in the office and we would bump into each other quite often and pass the time of day as well as discussing relevant work matters. I describe at paragraph 264 below the meeting I had with Susan to discuss the way forward in the light of what had happened.

248 I have also been asked to consider an email exchange between me and Paula Vennells on 14 July 2013 (**POL00099223**), two days before the Board meeting. This email exchange was about the relationship between me and Susan Crichton following the events which I have described in this section surrounding the publication of the Interim Report, my belief that Susan Crichton had not

adequately managed the process leading up to that, and how we could find a way to work together following that.

249 I have been provided with copies of an email exchange between Susan Crichton and Andrew Parsons dated 23 July 2013 and a copy of a document that was attached to the email (**POL00040001** and **POL00040002**). I was not party to this email exchange and have never seen it before. I note that I am referenced on the final page of the attached note: "Add piece from AP re: potential personal liability for the Post Office's failure to disclose something in a prosecution case".

250 In the minutes of the Board meeting on 16 July 2013, there is a reference to the Board expressing a general concern that the review could open up the Business to claims of wrongful prosecution and a particular concern as to whether or not Susan Crichton was "implicated in the prosecutions" (**POL00021516**). I expect that references to a "piece" regarding "potential personal liability" arises from these discussions at the Board meeting on 16 July. I have been through the "board packs" provided to me by the Post Office and I cannot locate a final version of the note.

251 I now know, but had no idea at the time, that Simon Clarke of Cartwright King authored an important advice note on 15 July 2013, the day before this Board meeting. I have mentioned above that Simon Clarke's advice on expert evidence dated 15 July 2013 (**POL00006798**) found that the credibility of the Post Office's key prosecution witness in respect of the Horizon system, Gareth Jenkins, was "fatally undermined". Simon Clarke's advice referred to the Helen Rose report,

another document about which I knew nothing. He found that Dr Jenkins “had not complied with his duties to the court, the prosecution or the defence” by failing to disclose material known to him which undermined his expert opinion in Horizon’s integrity.

252 I find it inexplicable that this advice was not provided to the Board given its obvious importance. It should have been provided to us under any circumstances given its very serious conclusion. But to withhold it from the Board at this critical juncture, where we were discussing the aftermath of Second Sight’s Interim Report and any possible liability arising from previous prosecutions seems extraordinary. I believe that seeing this advice would have caused me, and other Board members, to (i) demand answers about the safety of previous prosecutions where Gareth Jenkins was used as an expert and (ii) ask about the significance of the Helen Rose report.

253 I cannot see a proper reason as to why the Board would be kept in the dark about this.

254 I have been asked to consider a letter from the Criminal Cases Review Commission (“**CCRC**”) that was sent to Paula Vennells on 12 July 2013 and the response sent by Susan Crichton on 24 July 2013 (**POL00039994** and **POL00040012**). I have no recollection of having seen this letter at the time. I can see that the Post Office’s engagement with the CCRC was referenced briefly in an update paper that I received on 27 July 2013 (**POL00298004**, **POL00192976**). Had I seen this letter at the time, I am sure I would have considered it to be an

important communication from a statutory body that needed to be taken seriously by the senior management team. The thrust of CCRC's concern – that the Interim Report may need to be disclosed to defendants in previous prosecutions – was what I understood as the reason for the file review being undertaken by Cartwright King under the supervision of Brian Altman KC (as discussed further below).

255 The Inquiry has asked me to consider an email from Paula Vennells to me on 26 July 2013 (**POL00118496**). I do not recall this email but it appears to be a note prepared by Paula of a meeting she had with Susan Crichton on 24 July 2013. At paragraph 248 above, I have discussed an email exchange between Paula Vennells and me on 14 July about my concerns with Susan Crichton's handling of the Interim Report and the suggestion that the two of us should sit down together. The second bullet point in this email appears to cover the same ground. The email noted my concerns with Susan's performance and it would appear that Susan informed Paula that we had arranged to speak on 31 July. As is discussed further at paragraph 264 below, it would appear that this meeting between me and Susan Crichton did in fact take place on 31 July 2013.

256 I note the concluding paragraph of Paula's email in which she wrote (**POL00118496**): "I remain concerned as Susan is not organised or structured nor is she a leader. These gaps in her capability are risks to the business. They are being dealt with by supporting her with individuals who are organised and structured, and by a process to monitor. She remains a good advisor. I will review the longer decision in September". As I have already discussed, I too had

concerns as to Susan Crichton's performance at this time. I should be clear that my concerns were of a similar nature to those expressed here by Paula. I felt that Susan's handling of the Interim Report had not been sufficiently organised and structured. I did not doubt her competence as a legal advisor. I was of the view then, as I am now, that for a CEO to be effective they must have the ability to choose their own senior leadership team. It was therefore a matter for Paula Vennells as to how she managed Susan Crichton, but I think at this point in July 2013 I too was of the view that Susan's performance could be improved by way of support and effective monitoring.

257 On 27 July 2013, the Board was sent by email a note dated 26 July 2013 and entitled "Update on the work programme arising from the Horizon report" (**POL00298004**). The purpose of the note was to update the Board on the "programme of work" that the Post Office was undertaking in response to Second Sight's Interim Report.

258 The update divided the work programme into "four broad categories":

- "i. completing the review of cases started as part of the Second Sight investigation, with the aim of seeking some form of resolution;
- ii. meeting our duty to review cases that have been subject to criminal prosecution;
- iii. identifying improvements in the training, support and other processes related to the Horizon system and branches; and

- iv. meeting our commitment to review how an independent safety net could be introduced to help resolve disputed cases with sub-postmasters in the future.”

259 At this stage the nomenclature was not settled, but I would have considered categories i. and ii. to constitute Project Sparrow.

260 The update informed the Board that the Post Office was considering appointing a “senior, independent lawyer, with specific experience and expertise in mediation” (**POL00298004**). The mediation process would be overseen by a working group including representatives of the Post Office, JFSA and Second Sight.

261 The Board was also updated on the progress of the prosecution case review. The note informed the Board that “as a prosecuting authority we have a continuing duty to act properly and fairly, and that requires us to disclose to the defence any information which undermines the prosecution ... through our criminal law solicitors, Cartwright King, we are complying with this duty by reviewing past and present prosecutions to identify any cases where the Second Sight report ought to be disclosed” (**POL00298004**). The Board was advised that it would be up to the defendant to decide whether to apply to the Court of Appeal for permission to appeal their conviction.

262 The update went on to inform the Board that so far Cartwright King had reviewed 124 cases in total and provided additional disclosure in six of the cases. In all

cases, the “recommendation is that we oppose any attempted appeal; and it is not believed that any of the cases would satisfy the test for compensation from the Government for a miscarriage of justice under the Criminal Justice Act” **(POL00298004)**.

263 The Board was given additional comfort that the review process conducted by Cartwright King was to be overseen by Brian Altman KC a “leading barrister and former First Treasury Counsel” **(POL00298004)**. I cannot recall my reaction to this update on the legal review process but I am sure that I would have felt reassured that the review was being undertaken by experienced external lawyers and that the entire process was being overseen by a leading member of the criminal bar. As a non-executive director with oversight, but not operational control, of these issues, one of the things you are keen to determine is that that critical issues are being appropriately resourced and that the right external advisors and experts are being engaged to ensure that the company is receiving the best advice. I think that at this point in July 2013, I would have felt confident that this was happening with regard to the legal review.

264 I followed up on the email to the Board attaching the “Update on the work programme arising from the Horizon report” note on 31 July 2013 to report on a discussion I had had that day with Susan Crichton **(POL00116114)**. I informed the Board that I thought the note of 27 July was “clear and helpful” and expressed my pleasure that Alasdair Marnoch “thought that the right immediate issues were being tackled in the right way at speed”.

265 In the email I raised four points with my Board colleagues. The first was the need to “cap” Second Sight’s involvement in the review process so that we had the option to end the Post Office’s relationship with them (**POL00116114**). I have described above in paragraph 209 my concerns with Second Sight’s performance and the quality of the Interim Report. At this point, in late July 2013, I was of the view that the Post Office had to be open to considering whether there were other professionals and firms better able to investigate Horizon than Second Sight. As I have discussed above at paragraphs 257 to 258, the update emailed to the Board on 27 July 2013 expressed concerns as to Second Sight’s capacity to conduct these reviews at sufficient pace to ensure that the Working Group could operate effectively. It must be remembered that Second Sight was a two-person operation and the Post Office was establishing a Working Group that would require these two individuals to consider each claim brought forward by a sub-postmaster. There was a real risk of Second Sight creating gridlock (I discuss at paragraphs 396 onwards how these issues developed) that would serve no one well.

266 The second point I raised had to do with Second Sight’s costs. I have discussed at paragraph 230, my concern that Second Sight’s costs were greatly exceeding their estimate (**POL00116114**). The Board had a duty to ensure that Second Sight was representing good value for money. Given my concerns with the quality of their work, I am sure that by late July 2013 I thought it was important that the senior executives managed Second Sight’s costs. I discuss further at paragraph 286 below how I encouraged the senior executives to do this.

267 I have been asked on what basis did the Post Office expect Second Sight to carry out further work “pro bono”. I was not party to the details of the commercial discussions with Second Sight at this time, other than being aware that they had significantly exceeded their original cost estimate. Given that, there may well have been some expectation that they would undertake at least some part of the next programme of work at no charge to the Post Office.

268 The third point I raised with my Board colleagues was the need to have a “proper process” for appointing the independent Chair of the Working Group (**POL00116114**). The Post Office was committed to making a success of the Working Group and therefore we had to make sure that we found absolutely the right person to take the role of Chair. As I noted in the email: “we cannot afford to make the wrong choice here”.

269 Finally, I informed my colleagues that at my meeting with Susan Crichton that day I had asked her “to keep the Board fully informed of future developments and to alert me to anything which she is unable to resolve which could get in the way of getting the job done in the way it needs to be done” (**POL00116114**). I felt that this was a very important message to get across to Susan Crichton. It was not for the Board to actively manage the day-to-day affairs of the company, but it was our role to set strategic objectives and inform the senior executive team of the company’s priorities. I wanted Susan Crichton to understand that these issues were absolutely critical and of great interest to the Board and we would therefore be following them closely. I also wanted to ensure that she felt able to contact

me if there was any way in which I, or the Board, could assist, in ensuring that she had the right resources available to get the work done.

270 I have been asked by the Inquiry in connection with my email to the Board on 31 July 2013 to “please explain to what extent, you placed pressure on the Post Office’s executive management team to terminate the Second Sight investigation”. I wish to be completely clear that whilst I had serious concerns as to the quality of Second Sight’s work, I did not place “pressure on the executives to terminate the Second Sight investigation”. I signalled my wish to keep our options open as to their involvement after the publication of the Interim Report because of my concerns but this is not the same thing. Nor did I ever contemplate a situation in which the Post Office would not engage an independent firm of professional experts to investigate the Horizon system. As I explain below at paragraph 327, in 2014 I strongly supported the move to engage Deloitte to conduct a comprehensive review of Horizon. In the end, of course, Second Sight continued its work and issued its final report. Any suggestion that I wished to “terminate” the investigation of Horizon is entirely without foundation.

271 The following day, 1 August 2013, I sent Paula Vennells’ assistant a document I had drafted following my meeting with Susan Crichton (**POL00108058**). On 2 August, Paula Vennells replied to thank me for my note and to provide her thoughts on it. We both agreed that we were concerned that Susan Crichton saw so much as being “beyond her control”. These comments accord with the views expressed at paragraph 256, that Susan Crichton had struggled to actively manage the process leading up to the publication of Second Sight Interim Report.

272 I have repeated above that I never saw Simon Clarke's advice of 15 July 2013 in respect of Gareth Jenkins, the Post Office's expert witness. Nor did I ever see, or know of the existence of, Simon Clarke's advice on the duty to record and retain material dated 2 August 2013.

273 I am not a lawyer, but reading this advice now it reads very starkly indeed. I saw it for the first time in preparing this witness statement. Simon Clarke understood that someone within the Post Office ordered the "shredding" of a note recording a conference call where Horizon-related issues and possible defects may have been discussed (**POL00006798**). He understood that some within the Post Office did not want to minute / retain future notes of conference calls of this nature despite their legal obligation to do so. The suggestion for these weekly conference calls came from Simon Clarke himself. He advised that the Post Office should have and keep a record of weekly calls discussing any possible issues with Horizon, to ensure the integrity of future expert evidence.

274 Simon Clarke advised that if it was true that the Post Office was "shredding", destroying or otherwise failing to record such information, the Post Office was acting in abrogation of its disclosure duties and that this could amount to a (criminal) conspiracy to pervert the course of justice (**POL00006798**).

275 I had no idea, whatsoever, of allegations of such serious misconduct in the Post Office's prosecutions function. This is another instance where I simply cannot understand why the Board was informed about neither the substance, nor the

subject matter, of important advice. As with Simon Clarke's earlier advice, my view is that this advice should have been provided to the Board. It plainly raised serious issues which would have provoked new questions from me and the rest of the Board about the Post Office's conduct of its responsibilities. It should not have been kept from us in any circumstances. But it is particularly shocking that it was kept from us in the circumstances of early August 2013. This could have been a turning point in our understanding of what was really happening.

275.1 I wrote above that on 27 July 2013, the Board was sent by email a note dated 26 July 2013 entitled "Update on the work programme arising from the Horizon report" (**POL00298004**). In it we were assured that "as a prosecuting authority we have a continuing duty to act properly and fairly, and that requires us to disclose to the defence any information which undermines the prosecution ... Through our criminal law solicitors, Cartwright King, we are complying with this duty by reviewing past and present prosecutions to identify any cases where the Second Sight report ought to be disclosed". It is unfathomable to me that we were left with this assurance that the Post Office was complying with its disclosure duties, when the true position – advised to the Post Office's executives shortly afterwards on 2 August 2013 by Simon Clarke – may have been extremely far from this.

275.2 The Post Office was starting to re-consider its conduct of private prosecutions. From November 2013 and particularly in January and February 2014 the ARC and the Board considered the private

prosecutions function. One of the options on the table was to cease prosecutions in-house and refer them all to the CPS. I was in favour of that option. I have mentioned before that I considered my Board to be a group of Directors with great integrity. I think now that had we known about Simon Clarke's advice by this juncture, the Board would have asked for advice and investigations into possible past misconduct by our prosecutors. I also think that the ARC and the Board would have viewed the future differently and would have agreed that the Post Office should stop carrying out its own prosecutions, given how clearly flawed their execution of these had been.

276 The Board was not provided by Brian Altman KC's advice either, also of 2 August 2013 (**POL00006583**). I have mentioned above that among other matters, I now know that this advice drew attention to the limited nature (by time and scope) of the Cartwright King review and Mr Altman KC's own view that Gareth Jenkins was tainted and his position as an expert witness untenable. We received only incomplete briefings in Board packs and meetings. We were simply told that Mr Altman KC's view was that the approach being taken by Cartwright King in reviewing disclosure was "fundamentally sound" and that no "systemic or fundamental flaws in the review process" were detected". We were informed in Significant Litigation Reports (see those between September – November 2013, the latter being **POL00026626**) in identical terms that "POL is not issuing any new criminal summons pending the instruction of a new, independent expert who can give evidence to support the Horizon system. The process of identifying this expert is underway". The crucially important reason as to why the Post Office's

expert witness needed to be replaced was omitted. It was not unreasonable to infer that this was for some prosaic reason. It is clear that the Board were not provided with three critical pieces of external legal advice dating to July and August 2013. It seems to me that the Post Office's legal function failed to carry out its responsibilities to provide the Board with accurate information about fundamental criticisms from independent legal experts about the conduct of the Post Office's prosecutions function. I find this shocking.

277 Had we been informed of Simon Clarke's and Brian Altman KC's views on Gareth Jenkins' unfitness as an expert witness, and had the significance of the Helen Rose report been explained to us, we might have been in a position to begin to piece together the evidence that suggested that the assurances that the Post Office was receiving from Fujitsu were inaccurate. One of the most sobering aspects of reading Fraser J's judgment, was learning about the pieces of the puzzle that were available to some within the Post Office in 2013 and realising that had those pieces been put together, the sub-postmasters affected might have received some measure of justice far sooner.

278 I have been asked a series of questions by the Inquiry which in essence concern a different point about whether or not the disclosure of the Interim Report and Helen Rose's report to all sub-postmasters convicted on the basis of Horizon data would have led to the overturning of their unsafe convictions in 2013. I am also asked whether if Cartwright King or Brian Altman KC had advised the Post Office to disclose the Interim Report and the Helen Rose report to all affected sub-postmasters, we could have cut short their agony. I cannot answer these

questions; I am not an expert on criminal law and the rules of criminal disclosure and appeals, which I would need to be to make such judgments. I can only say that I sincerely wish that the review process which was undertaken by Cartwright King had led to the overturning of unsafe convictions. This would have spared those sub-postmasters the misery of having to continue their fight. I understand that Cartwright King advised the Post Office to provide the Interim Report to 10 affected sub-postmasters, but I understand that this in itself did not lead to successful overturning of convictions.

279 At the time I felt that the Post Office was doing the right thing by establishing a review process that ensured that disclosure decisions were being taken by expert criminal lawyers who were independent of the Post Office. It seemed to me that this was the best way of ensuring that the correct decisions were being made in each case.

280 I have been asked to comment on my involvement in the "Lessons Learned Review", and directed to email communications in September 2013, some of which I was not party to. I do not have a clear recollection of this process and it would appear from my email exchange with Paula Vennells on 6 September 2013 (**POL00116123**) that I was of the view that a "Lessons Learned" review was still worth doing.

Continuing investigation and the establishment of the Initial Complaint Review and Mediation Scheme (the "Mediation Scheme")

281 I shall now turn to the establishment of the Mediation Scheme which was also covered by the term Project Sparrow within the Post Office. The idea behind the scheme was to create a mechanism that allowed sub-postmasters to apply to enter into mediation with the Post Office with the hope of finding a mutually agreed resolution in their individual cases. The Mediation Scheme was to be overseen by a Working Group that was to be chaired by an independent, experienced professional and was to include representatives of the Post Office, Second Sight and the JFSA. The Mediation Scheme was to begin by examining all of the cases that had been raised by MPs and the JFSA for the Second Sight review.

282 I have been asked to consider an email from Alwen Lyons to me and a number of other members of the Board on 28 August 2013 that contained an update from Paula Vennells on a number of issues (**POL00027792**). The first issue that Paula addressed was the Mediation Scheme. The Inquiry has directed me in particular to Paula's comment "that there is a range of outcomes, from an acceptance that the sub-postmaster was at fault and that no specific redress should will be required; to recognition that the Business could have more effective support which will feed in to the process reengineering work now underway [sic]". I have been asked if I agreed with this assessment and whether or not I considered that there was an additional possible outcome: an acceptance that "BEDs" in Horizon had given rise to the complaint against the sub-postmaster?

283 In summer 2013, following the publication of the Interim Report, the Post Office Board was of the view that the sub-postmasters had been treated poorly. There were clear shortcomings in the way in which they had been trained and subsequently supported by the Post Office. We were committed to continuing the investigation of the Horizon system, but given the repeated assurances we were receiving both internally from executives and externally from professionals such as Second Sight, we did not consider it likely that there were systemic issues in Horizon that rendered sub-postmasters convictions to be unsafe.

284 As I have already explained, the term “BEDs” was not one that I ever heard when at the Post Office. I do not think I had ever heard it until I read the judgment of Fraser J.

285 I have been asked to describe Paula Vennells’ views on the Mediation Scheme and its terms of reference. The Inquiry will, of course, be hearing from Paula directly. I do not recall these in detail but I remember that Paula was committed to the success of the Mediation Scheme and in summer 2013 was going to great lengths to ensure that it was put in the best possible position to succeed. It appeared that at this point there was support for the Mediation Scheme from many people involved. I think this is demonstrated by Lord Arbutnot’s comments (reported in Paula’s note of 28 August 2013 (**POL00027792**)) that “I am very pleased indeed with the working group’s proposed process. To my mind, it represents the very best chance all parties – individual sub-postmasters and

mistresses, and the Post Office have of ensuring the best outcome for everyone. It is fair, thorough, and independent."

286 On 29 August 2013 I was engaged in email exchanges with Paula Vennells, Susan Crichton and Chris Day about Second Sight's costs (**POL00099510** and **POL00099513**). I have addressed at paragraph 230 above, the reasons for my view that Second Sight's costs needed to be closely managed. Their work had not been to the standard I had expected and they significantly overrun their existing cost estimates. As is so often the case with projects like this, cost management is an essential element of ensuring effective management of the project as a whole. If there are no cost controls in place, then all too often engagements become open-ended and key deadlines are missed or delayed. By staying on top of Second Sight's costs we had, in my mind, the best opportunity of ensuring that they were working effectively and reviewing cases at the pace that was required to ensure that the Mediation Scheme made good progress.

287 I have been asked to comment on an email from Martin Smith to Susan Crichton on 26 September 2013 (**POL00066817**). I was not copied to this email chain and I had not seen it before it was provided to me by the Inquiry. I do not know who Martin Smith is and his email address is redacted.

288 On 4 October 2013 I received an email from Paula Vennells attaching a selection of cases that were to be referred to the Mediation Scheme (**POL00099711**). I have no clear recollection of reviewing these cases, but as it was suggested to me by Paula that I should, then I feel confident that I would have read these

documents. Paula said to me that reading the cases will “depress and distress you”, which I think is indicative of the fact that the senior executives at the Post Office were very much of the view in Summer 2013 that the Post Office had failed to support sub-postmasters as it should have done. In her email to me, Paula sets out the steps that her team were taking to ensure that the support system was improved.

289 The Inquiry has asked me to comment in particular on Paula Vennells comments in her email to me of 4 October 2013 that Ron Warmington can be “fickle with his loyalties” and whether or not I consider that Ron Warmington “owed the Post Office loyalty”? I cannot speak for Paula as to what she meant by this particular phrase and whether or not it bears the gloss being put on it by the question. However, in my mind it was critical that Second Sight had to be independent of all stakeholders, including the Post Office and the JFSA. I should expect that Paula felt very much the same. In the course of their work with us, the Post Office had some reasons for wondering whether Second Sight were keeping to a completely independent view in the way they tackled their work.

290 On 29 October 2013, I responded to an email from Alwen Lyons (**POL00099833**) to request an explanation from her as to why the decision on the Post Office’s role as a prosecutor had “slipped” to the end of December. I do not recall having a fixed view on the question at this point in time, but I do think that Lord Arbuthnot had questioned whether it was appropriate for the Post Office to bring prosecutions. I thought this was a good question and I was eager to get on and understand the issues and discuss them with my Board colleagues. More

broadly, it was my role as Chair of the Board to ensure that executives were putting issues to the Board in a timely manner.

291 The Board met again on 31 October 2013. Ahead of the meeting we were provided with a written update from Paula Vennells (**POL00027136**), which covered a number of issues including Project Sparrow. Paula informed the board that Sir Anthony Hooper had been appointed as the Chair of the Working Group and that the intention was to begin the mediation process for some cases before the end of 2013, with the majority happening between January and March of 2014.

292 Paula Vennells also informed us that Cartwright King had completed its review of 301 previous prosecutions and had determined that disclosure of the Interim Report and “associated issues” was appropriate in 10 cases. Letters had been sent to these sub-postmasters or their lawyers alerting them to the issue. I have been asked by the Inquiry what I understood “associated issues” to be a reference to. Given that this report was provided to me ten years ago, I am afraid, that I have no recollection as to how I interpreted this particular phrase at that time. I have assumed from the Inquiry’s questions on this document, that it may be of the view that “associated issues” was a reference to the Helen Rose report. As I had not seen the Helen Rose report, I do not think it was possible for me to have interpreted the phrase “associated issues” in this way.

293 In this update, Paula Vennells referred to “the interest from the CCRC” and the fact that Brian Altman KC had been asked to conduct an independent review of

the current prosecutions approach and that he had reached the “conclusion that our approach is “fundamentally sound” (**POL00027136**). In hindsight, this was a wholly inadequate summary of the full advice, for reasons which I will come onto when I deal with the General Counsel’s summary of this advice on 19 November 2013. Paula also addressed the issue of whether the Post Office should continue to bring private prosecutions. Paula informed the Board that Brian Altman KC was to provide further advice on the Post Office’s approach to prosecutions and that this issue would be discussed at a forthcoming meeting of the ARC. Finally, on Project Sparrow, Paula updated the Board on the work being undertaken to improve the training and support provided to sub-postmasters.

294 I was not able to attend the meeting of the ARC on 19 November 2013. The ARC was provided with a note from the new General Counsel, Chris Aujard, in which he posited several options for the future of the Post Office’s prosecutions policy (**WITN00740131**). In this note, Chris Aujard summarised the advice that the Post Office had received from Brian Altman KC. I assume that the “backward looking report” is a reference to Brian Altman KC’s advice of 15 October 2013. As discussed at paragraph 81.7 I was not provided with a copy of this advice at the time, and had not seen it before a copy was provided to me by the Inquiry.

295 In his note Chris Aujard provided the following summary of the “backward looking report” (**WITN00740131**):

“The headline conclusion of the backward-looking report is that the ‘...review [of the cases that had been prosecuted over the last few years] is

“fundamentally sound” and that no “systemic or fundamental flaws in the review process” were detected. In addition, a number of relatively small procedural recommendations were made regarding matters such as document retention etc.”

296 As a description of a report from the Post Office’s most senior legal counsel, I expected this to be an accurate summary of the risk and the subject matter of Brian Altman KC’s advice. In hindsight, now that I have seen the full advice, I regret to say that the summary does not come close to this standard.

296.1 It is a positive-sounding summary. However, it fails to mention that Brian Altman KC agreed with Simon Clarke’s view that Dr Gareth Jenkins’ status as an expert witness was fundamentally undermined, and that he found that witness statements that Dr Gareth Jenkins had submitted to the criminal courts where he had omitted key information were “[of] grave concern”.

296.2 Brian Altman KC’s advice refers to the Helen Rose report. This could have been yet another opportunity to inform the Board about this report and explain its significance.

296.3 Brian Altman KC also refers to Simon Clarke’s second advice of August 2013. In this advice, Simon Clarke laid out his concerns that the Post Office had breached its obligations as a prosecutor and referred to the “shredding” allegation within the Post Office’s criminal function. Brian

Altman KC does not go through these parts of the advice in much detail, but he does refer to it. This was another missed opportunity for the Board to be told about these very important issues. The summary did not provide us with a complete picture of advice: warts and all. It was the job of the General Counsel to manage the Post Office's legal risk; this required the General Counsel to provide the Board with a full and frank assessment of this risk. The summaries that we were given gave us the entirely false picture that recent advices had found nothing seriously wrong with the Post Office's past prosecutions.

297 I have been asked by the Inquiry for my views on Brian Altman KC's advice that the start date of the file review should be the 1 January 2010 and comments that he made about the Callendar Square bug. As I was never shown this advice I did not have any views on these matters.

298 In his note to the Sub-Committee, Chris Aujard reported that Brian Altman KC's "forward-looking report" was "similarly positive in tone" and that he had seen nothing to suggest that the Post Office had conducted its investigations and prosecutions in anything other than a "well-organised, structured and efficient manner" (**WITN00740131**). Chris Aujard reported that Brian Altman KC had noted that the Post Office's role as a prosecutor was "anachronistic" and not in line with the approach taken by other commercial organisations. Again, the overall picture that the Board and I were left with was that there was nothing to be concerned about with respect to the Post Office's past prosecutions. In fact, the Post Office's independent legal advisors had raised issues which appear to

me to be very serious, and they were kept from us. This impeded the Board from properly discharging its functions.

299 The Sub-Committee was presented with four options and informed that the executive team at the Post Office favoured the fourth option which was to cease prosecutions and to increase the support provided to sub-postmasters. The minutes of the meeting of the Sub-Committee record that those in attendance discussed Chris Aujard's paper and it was decided that further work needed to be undertaken before a decision could be made (**WITN00740132**).

300 On 25 November 2023, I met Sir Anthony Hooper, the Chair of the Working Group. Ahead of the meeting I received an email from Alwen Lyons (**POL00099940**) attaching a briefing note on the Mediation Scheme (**POL00099941**). I have been asked for my recollection of any discussions I had with Sir Anthony at our meeting about the Working Group's approach to convicted applicants. I am afraid, that I do not have any distinct recollections of this meeting and cannot recall whether or not we discussed this particular point.

301 I have also been asked to comment, with regard to this meeting, on whether or not I believed it was appropriate to replace Second Sight with an investigation team from the Post Office. I have already discussed my concerns about the quality of Second Sight's work and its capacity to undertake such a large volume of work at pace. It was also, at this point, felt that the Mediation Scheme, or some variation of it, should become a permanent part of the system that was to be put in place to better support sub-postmasters. The idea being that if, in future,

accounting discrepancies were identified, sub-postmasters and the Post Office could attempt to resolve their differences via mediation. If this was to be successful, it was necessary for a team at the Post Office to be able to collate the underlying documents and information. The Post Office could not rely on Second Sight ad infinitum.

302 The Board continued its discussions on the Post Office's prosecution policy at a meeting on 27 November 2013. Ahead of the meeting Chris Aujard provided the Board with an update on Project Sparrow in which he informed the Board that more applications had been made to the Working Group than had been expected and this would naturally have some effect on both the timescales for the Mediation Scheme and its cost (**POL00026626**). The minutes of the Board meeting report that Alasdair Marnoch, the chair of the ARC updated the board on the Sub-Committee discussions on the prosecution policy at its 19 November meeting (**POL00021520**).

303 I have been asked a series of detailed questions about the 27 November 2013 Board meeting that I shall address below:

303.1 I have been asked with regard to paragraph 3.2 of Chris Aujard's written update to the Board on Project Sparrow (**POL00026626**), why the Steering Group decided that the Post Office's "interests would be better served" by having Belinda Crowe appointed as Programme Director for the Mediation Scheme and Angela van den Bogerd acting as Programme

Director for the Business Improvement Project. I was not a member of the Steering Group so I cannot comment on why it reached this decision.

303.2 In terms of what factors were taken into account when increasing the budget from £1.3m to £2.2m, I cannot add to Chris Aujard's paper which accompanied the 27 November 2013 Board meeting. In this he stated that the budget increase was agreed because the scheme received more applications than originally anticipated – 140 instead of the original estimate of 75 – and these applications were also generally more complex to mediate than had been anticipated.

303.3 I have mentioned that throughout my tenure at the Post Office, and up until the point of Fraser J's judgement, I believed in the safety of the Horizon system and the assurances that I was given. We did not ask for a note from the General Counsel (**POL00021520**) "*explaining who was named in past prosecutions and the liability for the Business and individual Board members*" because I thought that there was a risk that the Post Office had inappropriately prosecuted sub-postmasters. I did not think that there was a real risk of this at the time. I have mentioned that the Second Sight Interim Report added to our confidence in the system; as did the reports that we had received about the Cartwright King and Brian Altman KC advices. I think that we asked for this note as part of good corporate governance: at this point we were taking stock of the prosecutions policy, and it would have been prudent to get a holistic view on the risks and options. I cannot see an obvious explanation for the reference to

“individual Board members” here, as the Board were kept at arms-length from prosecutions. My notes do not add to this issue. The Board and I did not want to avoid liability from past prosecutions if these prosecutions were unsafe and we took steps to assure ourselves of the safety of past prosecutions. We had engaged Second Sight and as I will shortly come onto, we also engaged Linklaters and Deloitte to investigate this issue. However, as is evident from the discussions going on at this time about the Post Office’s prosecution policy, many people at the Post Office, including me, were concerned that in the past Royal Mail Group’s decisions to bring private prosecutions against sub-postmasters were disproportionate and not in line with the approach taken by other commercial retail organisations.

303.4 I have been asked if I considered it to be more important to avoid liability arising from past prosecutions or seeing that the Post Office took all steps to ensure that past convictions were safe. I have described above my thinking at the time on the questions of whether convictions were safe. As to the suggestion, that I, or my Board colleagues, were more concerned with some perceived legal risk to ourselves than establishing the truth about Horizon, I reject this entirely. I have already discussed the fact that I believe that requests for advice on where liability might arise in these circumstances were prudent and in no way at odds with attempts to properly investigate Horizon and to adopt a far more supportive approach to sub-postmasters.

303.5 I have been asked if the Altman or Clarke advices were discussed or provided to the Board. As I noted at paragraph 81.7 these advices were never provided to the Board. It is evident from Board papers and minutes of Board meetings that the Board and its Sub-Committees received brief and I think misleading summaries of elements of the advice provided to the Post Office by the external lawyers it had retained but Simon Clarke's advice was never mentioned, nor was his name.

304 I am asked to what extent, if it all, I or members of the Board applied pressure to limit the scope of the Mediation Scheme and / or the Post Office's approach to it because of costs concerns. I will come on in detail to the Post Office's change of approach to the Mediation Scheme from late 2014, at which point it was becoming increasingly clear that the Mediation Scheme was not going to deliver on its objectives for the key stakeholders.

305 On 11 February 2014 the ARC were to discuss the way forward in respect of the Post Office's prosecutions policy at a teleconference. As already mentioned at paragraph 299 above, at its 19 November 2013 meeting (**WITN00740132**) the ARC had considered whether or not the policy should be amended, but agreed that before any further decisions could be taken on the policy: (a) further work needed to be done to understand the financial and other consequences of amending the policy, so that fewer cases would be referred to the criminal courts; (b) the ARC should understand better the work being done as part of the Business Improvement Programme, and the impact this would have on preventing (and detecting) losses at an earlier stage; and (c) the ARC should

understand better how banks and other large companies dealt with criminal loss caused by employees. Chris Aujard led on this work and produced a paper (**POL00100193**) which was circulated to me and the ARC members on 7 February 2014, so that we had time to consider this before the meeting. As the paper notes, the options that the ARC was considering were:

305.1 Option A: “Preserving the status quo - i.e. retaining prosecutorial capability and continuing with a prosecutions policy which is substantially the same as that which has been used in the past”;

305.2 Option B: “Pursuing a prosecutions policy more focussed on more egregious misconduct - e.g. higher value cases/cases involving vulnerable members of society/cases involving particularly wilful wrongdoing, and engaging with the police in relation to other matters”;
and

305.3 Option C: “Ceasing all prosecutorial activities but instead actively involving the police/CPS etc where it is felt that they are likely to take matters forward”.

305.4 Option A was not supported and the ARC were choosing between Options B and C. For option B, the proposal being put forward was that we imposed a financial ‘filter’ so that higher value cases would be prosecuted, and also that the following factors would be considered so that more egregious misconduct, which the Post Office would think more

appropriate to intervene in and deter, was caught by the policy
(POL00100193):

- “• whether the losses in question have been repaid;
- the nature of the alleged misconduct;
- whether there is evidence that the Defendant took money directly from us/others;
- whether the facts disclose a pattern of deliberate conduct designed to materially benefit him/her, or whether the fact pattern discloses inadvertence/poor book-keeping skills or "muddle-headedness";
- the degree of sophistication of the alleged wrongdoing;
- the number of incidents;
- the extent to which any members of the public suffered loss, and if so whether they were from vulnerable groups in society;
- the period of the alleged offending;
- the cost of bringing the prosecution; and
- whether there are any alternative, more suitable, remedies available to POL.”

306 I am asked to set out the different views about the proposed changes amongst some Board members and senior management. These are evident from the emails in the disclosure:

306.1 I set out my view in an email on Saturday 8 February: I was leaning towards option C and felt that it should be explored further
(POL00027692). Brian Altman KC had highlighted that the Post Office

was in an almost unique situation as a prosecutor. I was unclear on why we should be in a different position from other comparable institutions such as banks and financial institutions who did not conduct such prosecutions in-house and relied on the CPS. I did not feel that I had seen sufficient justification “in principle” for why the Post Office should act differently and exercise extensive private prosecution powers. For further information, I asked (i) how much money would potentially be at risk were we to pursue Option C; and (ii) what the relative costs were of giving the work to external lawyers rather than doing it in-house under Option B. Susannah Storey replied to say that she had a similar view to me: she wished to explore option C further and thought it was “hard to imagine in 2014 POL is so different from other organisations to necessitate this approach” (**POL00027687**). I am asked why I took the Mediation Scheme into account when considering whether the Post Office should continue to bring prosecutions; looking back at my email on this subject, I do not recall that I in fact did so.

306.2 Neil McCausland was, I recall, in favour of option B. In an email of 9 February 2014 he stated that his primary focus was on how to continue to deter sub-postmasters from attempting to commit fraud (**POL00100224**). He asked whether the civil recovery process should be explored further because it appeared from Chris Aujard’s paper to be more effective in recovering monies than criminal prosecutions were.

306.3 Paula Vennells was also in favour of option B. She emailed us on 11 February 2014 in advance of the ARC teleconference (**POL00100223**). She highlighted that she thought that there were a number of factors which distinguished the Post Office from other financial institutions who were content not to do their own prosecutions: “[the Post Office’s] scale, our unique relationship with sub-postmasters, the amount of cash that is handled by our branches (and in many cases by individuals who are not employees), our large number of vulnerable customers who are more easily defrauded, and the fact that public money is at stake”. She favoured option B over option C primarily because:

306.3.1 With the Mediation Scheme underway and the extensive media interest in the Post Office’s prosecutions, she felt that changing the Post Office’s policy drastically by referring all cases to the CPS would be misinterpreted as an admission that we were wrong to pursue prosecutions in the past. (As an aside here, I am asked about the extent to which individuals took into account the Post Office’s “corporate brand” when considering whether to change its prosecutorial function. This is the comment which probably most closely relates to the Post Office’s brand).

306.3.2 Paula Vennells was concerned that the CPS were overstretched and that there was a need for a deterrent effect and for the Post Office to protect its vulnerable customers. She thought that by reducing the number of cases being prosecuted

under option B and outsourcing the investigative activity, this need could be met while also “extracting the PR and operating cost benefits of option C”.

307 Given that Paula Vennells, Neil McCausland and Alastair Marnoch (Chair of the ARC) were in favour of option B, I was in a minority arguing for option C. Although I was uneasy about continuing with a policy of bringing our own prosecutions, and voiced my opinion, in the end it was not entirely down to me. As a Chair I needed to reflect the views of the Board as a whole.

308 As I have already commented, in hindsight, it is clear that we should have known and been able to take into account Simon Clarke’s advices and all aspects of Brian Altman KC’s advices when we had this discussion.

309 The ARC recommended to pursue option B and this was approved at the next Board meeting on 26 February 2014 (**POL00027337**).

310 I have been asked to consider **POL00116241** (briefing for Paula Vennells for 1-2-1 with me on 6 January 2014), **POL00021521** (minutes of POL Board Meeting on 21 January 2014), **POL00100321** (email from Belinda Crowe to me on 23 February 2014), **POL00116313** (speaking note for Board meeting on 26 February 2014) and **POL00027337** (minutes of POL Board meeting on 26 February 2014).

311 I was not involved with the Initial Complaints Review and Case Mediation Steering Group. Instead, I was involved with the Project Sparrow Sub-Committee which I chaired. My best recollection is that the Steering Group was comprised of the executives, but the Project Sparrow Sub-Committee was of course a Board Sub-Committee. I was briefed by Paula Vennells about the progress of the Second Sight investigation and the work of the Working Group in our weekly one-to-one meetings – an example of this is the briefing for her for our meeting on 6 January 2014 (**POL00116241**). Additionally I would receive updates about the progress of the Second Sight investigation and the Working Group at Project Sparrow Sub-Committee meetings and during Board meetings where Project Sparrow was tabled for discussion. I am asked what, if anything, I did to test the views expressed that progress with the scheme was slowed by the capacity of third parties, such as Second Sight and Howe & Co. On this I trusted the assurances that I was given, not least because they came both from the Post Office and Sir Anthony Hooper, who was of course independent. The Inquiry has also asked me why Second Sight's role changed from it writing reports to reviewing work produced by Angela van den Bogerd. I am unclear on this question as my understanding is that in February 2014 Second Sight were producing reports, as Paula Vennells mentioned at the Board meeting on 26 February 2014 (speaking note at **POL00116313**).

312 I do not think that I had concerns with the ambit of Second Sight's investigation at this stage, however I did still have concerns about their professionalism and resourcing. I am asked about the discussion at the Board on 21 January 2014 that led to the minute "The Board asked if the Terms of Reference agreed with

2nd Sight precluded them from working with claimants against the Post Office” (**POL00021521**). I do not specifically remember this discussion but it does not surprise me to read it now. I think it was good corporate governance for the Board to check there were safeguards in place in relation to Second Sight’s independence. Our concerns started in March 2013 when Second Sight appeared to be giving different messages to Lord Arbuthnot and the Post Office on key issues, at the meeting to which I refer in paragraph 194 above, and these concerns continued with Second Sight’s handling of the Interim Report, as well as further reports we received that Second Sight might be ‘briefing’ against the Post Office. An example of this was contained in my briefing pack authored by Belinda Crowe for the meeting that I had with Lord Arbuthnot on 28 January 2014, which I will shortly come onto in more detail (**POL00100124**). I was informed that:

“During a wider discussion with Second Sight they mentioned to me that they thought that James Arbuthnot might raise the issue of their broader work and in particular when they might produce a further report. It is not clear whether or not they have briefed James’ office to raise this or that it is their view that he might do so of his own volition. They are also proving difficult to pin down on the issue of Post Office funding work outside of the Working Group at the behest of MPs. As we discussed in the pre brief we currently have no visibility of the extent of contact between James’ office and Second Sight and how engaged they are or indeed James’ own views”.

313 Chris Aujard also updated us on 27 January 2014 following a call with Ian Henderson of Second Sight (**POL00116247**). One of Chris’ bullet points was: “Ian

said that James will push for a further report within the next few weeks. Ian proposed using the generic report that Second Sight are already working on to fulfil this role. I pushed back on this, pointing out that the report Ian was proposing to publish had been produced under the auspices of the Working Group and could not just be published. Further I questioned whether producing a report such as that in the midst of attempting to resolve the mediation cases risked prejudicing their handling”.

314 I was concerned about Second Sight briefing Lord Arbuthnot and thought this was out of step with their engagement. They were engaged by the Post Office alone, and they were not strictly accountable to Lord Arbuthnot. Chris Aujard’s update indicated that Second Sight were not taking very seriously their agreement with the Working Group, and the running of the Mediation Scheme (**POL00116247**). To me this reflected my concern at the time that they felt that they had different groups to satisfy, as opposed to conducting an independent report. All this did make me (and other Board members) question their independence and professionalism, I think reasonably.

315 I am also asked to expand on the discussion leading to the minute of the 26 February 2014 Board meeting (**POL00027337**) 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”. I do

not specifically remember this discussion. My view on the increasing costs and possible legal exposure is not something that I recall in any detail. There was growing awareness of the complexity of the Mediation Scheme and of the possibility, in accordance with our briefings, that it might be a challenge for us to get it to work (although, in the end, a small number of cases did succeed). We were concerned about whether some of the past cases might need to be reviewed in light of some of the detail that had now been described. We wanted to know what the implications of all of this were and that the Post Office and its lawyers were doing the right thing. I think this was the right thing to do – to assess the legal situation, the risks and the right next steps.

316 I have considered **POL00100124** (briefing for meeting with Lord Arbuthnot), **POL00100128** (email from David Oliver to me on 27 January 2014), **POL00100129** (attachment to former email), **POL00116245** (email from David Oliver to you and Paula Vennells on 27 January 2014), **POL00116246** (agenda attached to former email), **POL00116247** (further briefing for meeting with Lord Arbuthnot), **POL00100142** (email chain on 27/28 January 2014), **POL00100141** (email chain on 27/28 January 2014), **POL00026743** (note of meeting with Lord Arbuthnot on 28 January 2014) and **POL00100210** (email from Belinda Crowe to me and others on 7 February 2014) .

317 After receiving the briefing pack for my meeting with Lord Arbuthnot I asked: “If we have changed our policies so dramatically on suspensions etc, isn't that an admission that we got it wrong in the past and should therefore automatically pay compensation to all affected?” (**POL00100142**). Paula Vennells forwarded this

email to different executives to source the answer (taking me out of copy) and I assume that either (i) these responses were forwarded to me or (ii) I was briefed orally about them before my meeting with Lord Arbuthnot. Rodric Williams (in-house litigation lawyer) said (**POL00100141**):

“1. Legally, changing the way you act does not amount to an admission that what you did in the past was wrong.

2. We have a contractual right to suspend subpostmasters, which we can choose to exercise depending on the facts of a case.

3. We can use a policy to help us decide if we should exercise that right, e.g. for consistency in application.

4. We can change that policy., or how we apply it, if it is in our interest to do so, e.g. to improve the way we do business.”

318 Angela van den Bogerd responded (**POL00100142**):

“There are still cases today that we precautionary suspend as detailed on the example page that you have so not all of the 147 cases would fall into the no precautionary suspension category. Each case would need to be assessed on the facts and to put this in to context we have 147 cases over a period of 13 years.

From reviewing the 147 cases there are a few that if we were dealing with that case today we would probably have not precautionary suspended but for the majority these are probably at the other end of the spectrum”.

319 Chris Aujard responded (**POL00100142**):

“...picking up on that part of Alice's question that relates to paying compensation, I think that it is fair to say that we acted within our contractual powers previously (under the "old" policy), and that we will continue to act within our contractual powers under the "new" policy. I think that any claim for compensation that is based on the notion that once we have set a policy, then it must be fixed in stone for all time (as otherwise it is an admission of liability) is flawed, and would arguably lead to very strange policy setting behaviour. It strikes me that it is also fair to say that our world has changed a lot in the last few years, and one would therefore expect our policies to change as well...”

320 Looking at these responses now, I cannot recall exactly if I was satisfied with them at the time, but I do note that Chris Aujard's response to my question looks reasonable.

321 I have been asked to describe my meeting with Lord Arbuthnot on 28 January 2014. On this, I cannot add to the official note of the meeting (**POL00026743**). Myself, Lord Arbuthnot, Paula Vennells, Janet Walker and David Oliver of the Post Office were present. The note states that:

321.1 I started the meeting giving an update about the Mediation Scheme, explaining that the Scheme was going slower than had been anticipated, in part because the Post Office was doing a very thorough job on the

case reports which was an important area for Sir Anthony Hooper (he had praised their thoroughness).

321.2 Lord Arbuthnot thanked me for those comments and said that he received feedback that Sir Anthony Hooper was “a really good man doing a good job”. We then moved to the topic of communications: Lord Arbuthnot asked that an October meeting between the Post Office and the MPs was reinstated as the MPs had not been updated on their constituents’ cases for some time.

321.3 I said that communications with MPs were a good thing but we did also need to ensure that the Mediation Scheme was allowed to progress – in the end, a further meeting was agreed with MPs at this meeting, before the first cases had exited mediation, to update on the progress and the process that was underway.

321.4 Lord Arbuthnot said that he was very impressed with the general approach that the Post Office were taking. Paula Vennells said that the “Post Office were taking the issue very seriously and that was why they had committed 22 investigators, funded professional advisors for the applicants and funded the provision of an independent mediator”.

321.5 Another important point, among others, in this meeting was that it was confirmed that Lord Arbuthnot did not engage Second Sight – Paula Vennells explained to Lord Arbuthnot that Second Sight were engaged

(rather than employed) by the Post Office in the way that any independent professional service might be and were accountable to the Working Group. Lord Arbuthnot accepted that position.

322 I am asked whether I set out any of my concerns about Second Sight. From the meeting note it does not look as though I did. It could well be that because we clarified the independence of Second Sight with Lord Arbuthnot (and the fact that he did not engage them), and later in the meeting discussed how to focus their work (“PV also commented that Second Sight would not be advising Post Office on Criminal Cases or their Prosecution Policy as they were forensic accountants and not lawyers”), I was hopeful that things could improve (particularly as Lord Arbuthnot was an influential figure for Second Sight). I may well have wanted to focus on making the meeting constructive.

323 I note that the Board received an update paper dated 20 February 2014 about the Mediation Scheme authored by Belinda Crowe (**POL00030712**). This raised a number of serious concerns about the progress of the Scheme:

323.1 That the scheme was progressing slower than was expected.

323.2 That there was a very significant ‘expectations gap’ between the claims in the Scheme and what the Scheme would deliver by way of compensation. We were told that we were likely to receive claims in the region of £100 million, but that Bond Dickinson had informed us that in practice, the claims were likely to be to the value of around £6 million.

323.3 That there were very high resource demands.

323.4 That the engagement letter with Second Sight still was not agreed:

Second Sight wanted to water down the clause restricting their ability to act against the Post Office in the future. This led the Post Office to engage in efforts to ensure that “Second Sight remain engaged in the Scheme and that the Scheme completes in a timely manner”.

323.5 There was a concern about the professional advisors to some of the sub-

postmasters: “The professional advisors are also proving difficult to manage and there are signs that at least some are attempting to act as a collective to challenge the timelines and fee levels imposed by the Scheme although we do not know whether that will materialise”.

323.6 Belinda Crowe was concerned about the extent to which the Second

Sight Reports would be evidenced in their criticisms of the Post Office.

324 On 10 March 2014 I wrote to Paula Vennells as follows (**POL00105552**):

“Following our helpful conversation, I am setting out what I would like on this for a further substantive discussion at the March Board meeting.

The definitive view on all aspects of insurance ie organisational and personal.
What policies do we have; what in practice, do we believe they will cover us for; and what have we been doing to fulfill our obligations under our policies?

Are we safe from legal challenge in what we are/have been doing? What is the position both since we became independent and before?

What is the worst case in relation to costs which could result from this (both admin and settlements)?

The position in relation to SS's costs and the absence of an engagement letter - what is the recommended action and what are the potential consequences?

The position on the lessons learned review - timing.

What options do we have to mitigate 3) above?

As I mentioned, I think someone should write to the NEDs this week and explain what we are planning for the 26th, list the questions which we expect to answer more precisely than I have here (taking into account the ARC discussions last week) and ask them whether we have understood their questions accurately and if not, what else they would like to see covered. That way we can be sure to cover the right ground.

Finally, I am going to propose a Board Sub-C'tee chaired by me with you and at least one other NED on it.-

I hope that's clear. Please come back to me on anything that isn't".

325 I am asked to summarise what my main concerns in respect of complaints made by sub-postmasters about Horizon were at this stage. At this stage I still of course believed in Horizon's integrity. The briefings however did say that the Post Office's conduct towards sub-postmasters in the past, for example in respect of training and support, may have meant that the Post Office owed sub-postmasters compensation. My role as Chair would be to ask for work assessing the Post Office's full liabilities, and possible risks from the Post Office's past conduct, to inform the best next steps. And as I have already noted, I accepted the Second Sight findings about the training and support and fully supported the work which the executives were doing to address these.

(G) JANUARY 2014 TO JULY 2015

326 In this section I shall address the instruction of Linklaters and Deloitte, the changes that were made to the operation of the Mediation Scheme and my decision to leave the Post Office Board in July 2015.

Instruction of Linklaters and Deloitte

327 I have been asked to describe my knowledge of and involvement with the instruction of Linklaters and Deloitte in 2014, and any steps taken by the Post Office following their reporting. I have considered **UKGI00002213** (email from Alwen Lyons to you and others on 11 March 2014), **POL00107317** (Linklaters' Report into Initial Complaint Review and Mediation Scheme dated 20 March 2014), **POL00021523** (minutes of the Post Office Board meeting on 26 March 2014), **POL00105529** (Chris Aujard note of 19 March 2014 with attachments) and **POL00022093** (outline of Linklaters report).

328 I first note that on 6 March 2014, there was an ARC meeting (the minutes of which would have been circulated to the full Board) at which further assurances were provided by the Post Office's external auditors, Ernst and Young, about Horizon on the basis of Fujitsu's IT controls report: "Angus Grant noted that the Fujitsu IT controls report had been received and had no issues of concern. The Committee discussed the independence of the report on Fujitsu's controls. It was noted that EY prepared the report against defined standards, and underwrote its accuracy. The Committee was advised that the audit of the Fujitsu work had improved over the last two years with higher levels of engagement and oversight, and that lessons learnt would be implemented at the start of the re-platforming process to take place in 2015" (**WITN00740133**).

329 Linklaters were commissioned after the Board meeting on 26 February 2014 (**POL00027337**). At this the Board received a report on the challenges facing the

Mediation Scheme and steps that were being taken to address them. We were concerned by the progress of the Scheme and as the minutes show, Paula Vennells agreed with our concerns. She updated us that she had met recently both with Second Sight and with Sir Anthony Hooper about how to try to address matters more quickly. We were told:

“The CEO informed the Board that Second Sight had yet to produce their first written report for the mediation scheme, and that, until such time as a number of reports had been produced, which would be over the next four weeks, Sir Anthony Hooper felt unable to form a view on the best way to manage the scheme going forward. He strongly advised against taking any precipitous action at this stage. Sir Anthony offered to meet the Board at a later date if that would be helpful.”

330 We discussed the Mediation Scheme and possible support for Second Sight to enable a more efficient process. We decided to commission generic legal advice about:

330.1 The overall level of legal and financial exposure (taking account of the possibility of class actions); and

330.2 The steps that could be taken to mitigate any exposure including considerations of alternative structures that might be available to deal with the mediation cases (including regard to alternative dispute resolution mechanisms, such as the Financial Ombudsman Service).

331 As a Board we had been considering the situation as a whole and thought that it was an appropriate time to obtain a reputable, external view about these issues. I remember that I agreed with the suggestion to commission further legal advice; I was not involved in the specific choice of Linklaters, but after they were instructed I was content that a reputable law firm was on-board. It is very unlikely that I was involved in a more granular level on instructing Linklaters and posing questions to them which would have been the remit of the senior executives (particularly the General Counsel). I cannot see that I replied to Alwen Lyons' email of 11 March 2014 (**UKGI00002213**) asking the Board whether they had further, specific questions for Linklaters to address in the scoping document prepared for them, which likely means that I was satisfied with this document. I cannot recall why Linklaters were provided four spot reviews and were not instructed to contact Fujitsu.

332 I cannot see that I was briefed on Linklaters' advice before Christa Band appeared before the Board on 26 March 2014 (**POL00021523**). The long-form advice was provided in the Board pack for this meeting and so I would have read it in full (**POL00107317**). I am asked about my "initial views" on Linklaters' advice – I remember trusting it. I do also recall being struck by their criticisms of Second Sight's work. These included:

"5.31 Second Sight have not done what we would have expected them to do in terms of an investigation into Horizon. The logical and obvious start for their work would have been a thorough review and description of how Horizon is

supposed to work, its day to day use by the SPMRs and an in principle identification of any weaknesses and likely points of malfunction. This should be done without reference to the facts of any particular case and must be done in conjunction both with the Post Office and Fujitsu. Second Sight 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.

5.32 We understand that Second Sight are due to produce a generic report which will set out and describe themes and the types of loss that they have identified from the Applications that have been submitted to the Scheme. Such a report would not fulfil the objectives we here describe. Nor does the work Second Sight seem to have done so far fulfil those objectives either. They have descended into the detail of individual cases and commented on the particular issues of which complaint is made. They have done so without reference to any robust evidence as to how and why there may have been malfunctions with Horizon or how any such malfunctions could have caused the losses in the particular case. The views which Second Sight have expressed in individual cases are not supported by the sort of detail or evidence which would enable any conclusions to be safely drawn from them. There may be a question as to whether Second Sight have the expertise which would allow them to do the work required to a satisfactory standard.

5.33 We would, further, have expected Second Sight to have discussed its work in progress with the Working Group. Drafts should be available and the parties

should have an opportunity to comment. Second Sight seem to have relied on concerns raised by the JFSA⁷ to prepare their report which they have used to challenge the Post Office, but they do not address any fundamental questions about the problems with Horizon. These factors further illustrate the idiosyncratic nature of Second Sight's approach...

5.35 We find it surprising that, against such a conclusion as to Horizon's general reliability, Second Sight find it possible to make comments in individual cases that it is likely that it is a difficulty with Horizon which has led to the losses. The reasons for such a view are not explained nor is there any general evidence on which to draw which could provide further illumination."

333 The Inquiry has asked me to consider paragraph 2.3 of the report **(POL00107317)**:

"We note that there is, so far as we understand it, no objective report which describes and addresses the use and reliability of Horizon. We do think that such a report would be helpful, though there is a decision to be made about how broad and/or thorough it needs to be."

334 I am asked what steps if any the Post Office took to address this suggestion. In short, we engaged Deloitte to scope out such a review. I think that I would have been led by Linklaters as to what information they needed to advise on legal risk about Horizon prosecutions. Here Linklaters were clearly indicating what they

thought would be “helpful” by way of a report into Horizon and we accepted that recommendation.

335 On 26 March 2014, Christa Band of Linklaters presented her advice to the Board.

I do not recall more about the detail of this meeting than the minutes of this meeting show (**POL00021523**). I do recall that Christa came across very well – authoritative, clear and she left a strong impression on the Board. Christa explained that because of the terms of the contract between the sub-postmasters and the Post Office, the Post Office would not be required to pay compensation under the Scheme, and that if compensation were given this would not give sub-postmasters outside the Scheme any legal right to demand such compensation although it may lead to claims of 'unfairness'. She also explained that English Law did not allow for compensation for distress as claimed by many of those participating in the Scheme.

336 Christa Band also questioned the approach taken by Second Sight with respect to their work to date. In particular (as mentioned in her longer-form advice) she said that she would have expected Second Sight: (i) to produce a review of the system as a 'baseline' before considering any specific complaints; and (ii) cite hard evidence to back up any conclusions made (**POL00021523**). The latter criticism of Second Sight was entirely consistent with what we on the Board had been led to believe by the executives. I have mentioned that the Post Office's view had been that claims were sometimes being made by Second Sight without citing sufficiently grounded evidence, and we now had a Partner from a highly reputable law firm agreeing with that view, who carried the Board's confidence at

the meeting. Additionally, Paula Vennells updated the Board in that meeting that “the quality of the work undertaken by Second Sight had been challenged by Sir Anthony Hooper, Chairman of the Working Group, who was now insisting on more evidence-based reports” (**POL00021523**).

337 Christa Band’s suggestion of a ‘baseline’ review of the system appeared to me to be sensible (**POL00021523**). The idea behind Second Sight’s review was that they were to investigate a number of problematic cases for which Horizon complaints had been made and then conclude, from this review, whether “systemic issues” in Horizon were evident. This case-led approach had been partly led by our desire to collaborate with the MPs to investigate specific cases. But the rest of the Board and I now agreed that commissioning a ‘baseline’ review of the Horizon system would be a useful step.

338 The minutes (**POL00021523**) record that:

“The Board agreed that they needed to commission a piece of work, to complement that undertaken by Linklaters, to give them and those concerned outside the Business, comfort about the Horizon system.

The Business was asked to revert with the terms of reference and timescale for the work which should cover:

- The work undertaken by Angela van den Bogerd explaining how the system works

- A review of the data integrity aspects of the system
- A reference to all audits and tests carried out on the system
- A response to the most significant thematic issues raised by Second Sight.

339 The Terms of Reference were to be tested with Linklaters to ensure that the work would satisfy them as evidence that Horizon was reliable.

340 I do not recall whether I or another Post Office individual advised the Mediation Scheme Working Group and/or Lord Arbuthnot about the instruction of Linklaters and/or Deloitte at the time. I had no direct dealings with the Working Group, who were intended to operate independently and at arms-length from the Post Office, but there was a flow of communication between the Working Group and the senior executives and it is possible that one of them informed the Working Group. Additionally, I note that around that time I was less in contact with Lord Arbuthnot than I was around the time of the commissioning of Second Sight. The 26 March 2014 Board minutes refer to an MPs meeting recently attended by Chris Aujard, Paula Vennells and Angela van den Bogerd, at which I was not present (**POL00021523**). I think that in any case it would have been premature to advise the Mediation Scheme Working Group and/or Lord Arbuthnot about these instructions; at this stage, the Board was seeking advice on an issue in order, eventually, to make its informed opinion on the way forward.

341 I have also been asked to consider **POL00116439** (document pack for meeting of the Project Sparrow Sub-Committee meeting on 9 April 2014), **POL00006565**

(minutes of Project Sparrow Sub- Committee meeting on 9 April 2019) and **POL00006571** (minutes of Project Sparrow Sub-Committee meeting on 6 June 2014). The Project Sparrow Committee was set up as a sub-committee of the Board in order to give regular and specific Board level scrutiny to Project Sparrow issues, which were becoming increasingly difficult as the Mediation Scheme progressed. As the Terms of Reference document stated, the intended purpose of the Sub-Committee was “to make recommendations to the Board in respect of Project Sparrow and provide strategic oversight of the delivery of the project and the development of the Initial Complaints Review and Mediation Scheme (the Scheme)” (**POL00116439**). I knew that the Project Sparrow Sub-Committee was going to involve difficult and additional work, and I thought that it was right that I took it upon myself to chair it, given how significant this issue had become.

342 I think that overall the stated purpose of the Project Sparrow Sub-Committee, to make recommendations to the Board and provide strategic oversight on the project, was appropriate and fulfilled. I think that it was appropriate for the Board to operate at arms-length from the Mediation Scheme, the independence of which was very important to command the confidence of stakeholders like the JFSA. The Project Sparrow Sub-committee was proactive in directing the Post Office to explore alternatives, when it became apparent in late 2014/early 2015 that the Scheme was not working. I note that this structure gave a Committee of the Board additional, and focused time to consider questions that came up with Project Sparrow and the future of the Scheme. Of course, the Mediation Scheme was being operated independently so it would not have been right for the Board or its Sub-Committee to get involved with the mediation process itself, Sir

Anthony Hooper's deliberations and/or the operation of the Working Group. We were reliant as ever on the briefings and assurances provided to us about the progress of the Scheme, which I will come onto.

343 A slide pack for the Sparrow Sub-committee giving the options for the future of the Scheme say that it (the Scheme) was established "on the basis that there were no systemic problems with Horizon" (**POL00116439**). Second Sight's report had of course found that there was no evidence to suggest systemic issues with Horizon, and previous investigations into Horizon came to the same conclusion. We all believed that to be true and were proceeding on that assumption. This did not however stop us from supporting further investigations into Horizon, including Linklaters and Deloitte's work, and later, the CCRC's involvement which I fully supported.

344 I am asked whether by the point of 9 April 2014 and 6 June 2014 any members of the Project Sparrow Sub-Committee were considering termination of the Mediation Scheme. On 9 April 2014, the Sub-Committee received a paper (**POL00116439**) which set out a number of options, one of which was to "Close the Scheme". On page 4 of that paper, 5 options were mentioned, later reduced to 3. I can't remember whether I or any other member of the Sub-Committee was independently considering that option before receiving the paper although we were already concerned about the Scheme, and that was in our minds in setting up the Sub-Committee. Some members, including me, by the point of 6 June 2014 were considering the option (alongside two others) of completing the Post Office's investigations in the remaining cases and moving the governance and

management of the Scheme in-house, ending Second Sight's engagement and dissolving the Working Group. We did not eventually opt for this. I will come onto these options in more detail in due course. On 28 April 2014 Chris Aujard provided the Project Sparrow Sub-Committee with an options paper for the closure / accelerated completion of the Scheme (**WITN00740134**). By that time I think that a number of Board members were concerned that the Scheme was unworkable and not delivering on its aims.

345 I have considered **POL00116515** (email from Alwen Lyons to me and others on 28 April 2014), **POL00116516**, **POL00116517** (attachments). I would have read Alan Bates' letter of 16 April 2014 as it was sent to me. At the time I would have had doubts as to whether the criticisms contained within the letter were fair, based on the assurances that we had received at Board level about the operation of the Scheme. Alan Bates' letter implied that the Post Office were responsible for significant delays in the Scheme. But the assurances that the Board had heard by this point indicated different reasons for delays in the progress of the Scheme.

346 On 20 February 2014, Belinda Crowe authored a Board paper citing issues with the Scheme including the extent to which Second Sight's reports would be "evidenced" (**POL00030712**); and I have mentioned Paula Vennells' update to the Board on 26 March 2014 where we were told that "the quality of the work undertaken by Second Sight had been challenged by Sir Anthony Hooper, Chairman of the Working Group, who was now insisting on more evidence-based reports" (**POL00021523**). Later that month Chris Aujard authored an update

paper to the Project Sparrow Sub-Committee which was also critical of the quality and objectivity of Second Sight's work, also noting that "[Second Sight's] resource is limited to three people and it is unlikely that they could process the c.140 cases in the Scheme within a reasonable timeframe" (**POL00022125**).

These gave a different explanation for any delays in the Scheme. I do not think that I sought to investigate Alan Bates' claim that the Post Office was responsible for the delays because we saw the progress and conduct of the Scheme as Sir Anthony Hooper's responsibility. If he had suggested to us that the Post Office was responsible for delays, I do not doubt that we would have taken action in the Project Sparrow Sub-Committee. But he had not, and had instead indicated issues with the quality of Second Sight's work. At the Project Sparrow Sub-Committee meeting on 30 April 2014 (**POL00006566**), we were informed that Sir Anthony Hooper would be discussing Alan Bates' letter at the next meeting of the Working Group. A reactive statement had been prepared by the Post Office in case the letter was published, and it was agreed that the Post Office would update Lord Arbuthnot. It was also noted that the Post Office would have the opportunity to respond to any erroneous comments in the letter at the Working Group meeting and that Paula Vennells would consider whether to respond to the letter after that meeting. There is no reference in the minutes of the meeting to any discussion of the substance of the complaints. My recollection is that we felt that it was for Sir Anthony Hooper in the first place to deal with these, as he was in charge of the Working Group. Indeed, we asked for a brief update following the Working Group of the next day, and Sir Antony Hooper was noted as saying that he would write to the Minister rectifying any factual inaccuracies

(after the JFSA letter was discussed) – I think we therefore saw this issue as being in-hand (**UKGI00002308**).

347 On this topic I also note that the Post Office raised the issue with Sir Anthony Hooper in the following month. On 19 May 2014 I received Paula's note of her meeting with Sir Anthony Hooper (**POL00116572**) In this note Paula asked him to comment on the Post Office's performance, and Sir Anthony Hooper "replied that really [the Post Office's reports] had been good and he had only asked us to be clearer in calling out where there was evidence of 'hands in tills'. He said the PO reports are thorough and name checked Angela but made the point it had taken everyone by surprise how much work was involved – he said the detail was necessary and that has taken the Post Office much more time than envisaged". Sir Anthony Hooper agreed the need to keep Second Sight focused on the narrow issue of loss and not allow wider ranging comment in the case reports – he agreed to raise this at the next meeting. The picture that I gleaned from this discussion was that some of the delays may also been attributable to the Post Office, but that the independent head of the Scheme was saying that the "thorough" work leading to these delays was "necessary".

348 I am asked about Alan Bates' comment that "POL in practice seems not only to be hardening its corporate defence, but now seems to be prepared to invoke the protection of the public purse as their last line of justification for not righting the wrongs they have inflicted on so many". I did not at the time think that this was fair. As I saw it at the time, the Post Office had commissioned the independent Second Sight review, which had concluded that Horizon had no systemic issues,

and then entered into the Mediation Scheme in good faith to address some of the wider concerns about Horizon.

349 I have considered **POL00117519** (email from Rodric Williams to Gareth James on 2 April 2014), **POL00105635** (Deloitte Project Zebra – Phase 1 Report (Draft – For validation in advance of Board discussion on Wednesday 30th April), **POL00021524** (minutes of the Post Office Board meeting on 30 April 2014), and **POL00006566** (minutes of Project Sparrow Sub-Committee meeting on 30 April 2014). I cannot recall why the Post Office initially only instructed Deloitte in respect of Horizon Online and not Legacy Horizon; the detailed decisions on instructing Deloitte were delegated to the senior executives. My understanding at the time was that we were commissioning a piece of work to give us comfort about the Horizon system, pursuant to Linklaters' instructions.

350 Gareth James, a Partner at Deloitte, presented Deloitte's work to date to the Board on 30 April 2014. In terms of what I recall of his presentation, I cannot add to the minutes of this meeting (**POL00021524**). At the meeting, I explained to Gareth James that the Board was concerned to know the truth about the reliability of the Horizon system, and that Deloitte's views would need to be expressed in such a way that would persuade reasonable lay people, by which I meant that it would need to help non-IT experts to understand his findings. Gareth James was very reassuring about the work that Deloitte had done so far. The minutes for the meeting record that he reported that all the work to date showed that the Horizon 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. Chris Aujard referenced allegations made by sub-postmasters that “phantom” transactions which were non-traceable were possible, and he said that assurance from Deloitte about the integrity of the system record logs would be very valuable. It was agreed that Gareth James would produce and cost a proposal for additional work to enable assurance for the wider system, including pre-2010 when a different version of Horizon was in use.

351 I do remember being reassured that a Deloitte Partner had informed us that, to date, the indications were that important aspects of Horizon’s systems were “in line with best practice”. This added weight to the internal and external assurances that we had received to date about the reliability, and safety, of Horizon.

352 On the discussion of Gareth James’ work in the Project Sparrow Sub-Committee, I cannot recall further details than those in the minutes of that meeting (**POL00006566**). These state that Chris Aujard reported on a conversation that he had had with Gareth James after the Board meeting, in which Gareth James said that a technical aspect of the transaction log meant his assurance work could be completed more quickly. Chris Aujard was asked to liaise with Deloitte to ascertain the level of assurance that could be obtained at different timescales and different costs. The Committee also understood that pre-2010 assurance might be more difficult and take longer to obtain, and discussed the use of the detailed logs provided for the Court cases as evidence for Deloitte. I do not recall the details of this discussion.

353 I am asked what concerns I or other Board members had about Deloitte's work at this point. I cannot recall any concerns about this. On the contrary, I remember that I felt very reassured by their involvement. Deloitte were a highly reputable firm. I also felt reassured that we were following Linklaters' advice to commission a further report into the overall workings of the Horizon system.

354 I am also asked on what basis I thought it was appropriate not to disseminate either the Deloitte or Linklaters reports further. I am clear that this was a provisional decision, as the minutes say that the reports "would not be disseminated at this point but the Business would consider And return to the committee on this issue" (**POL00006566**). I remember, as the minutes of the meeting note, that the Linklaters report was especially long.

355 There was an ARC meeting on 15 May 2014 (with the minutes at **POL00021426**). I am asked what I recall about the Project Sparrow discussion for which I cannot add to the minutes:

"(b) The Committee received a report on lessons learned from the handling of the commissioning of the Second Sight investigation into Horizon and subsequent events.

(c) It was noted that there was a need for a formal protocol for enterprise wide response to enable the Business to respond quickly and effectively to any crisis, high risk or high-profile issue. The Committee also discussed whether there was a need for an identified in-house team ready to deal with such issues.

(d) It was agreed that establishing such a team (or teams) would be sensible action, and that appropriate oversight by the CEO and/or the Board was important. The Committee also suggested that scenario planning should be considered, and a virtual crisis management team and support (lawyers, accountants, internal and external resources) be put together.

(e) Chris Aujard was asked to raise the matter at the Executive Committee, with a view to bringing a recommendation to the Board in due course. The Committee asked that the matter be considered as quickly as possible.”

356 In the accompanying papers, there was the “Lessons Learned” review about the commissioning and handling of Second Sight, which the Business agreed to pursue after the Interim Report (**POL00104259**). On reflection, I think that this is an example of good governance: the Board was keen on proactively learning from mistakes and I have explained that we did not think that this whole episode had been well- handled. I completely accept that the commissioning of Second Sight could have been handled better, and agree with the conclusions from this lessons learned review, as I will explain in due course.

357 In response to the Inquiry’s question, I do not recall the Project Sparrow Sub-Committee discussing the risk of unsafe convictions.

358 I have considered (**POL00031391**) Deloitte HNG-X: review of Assurance Sources – Phase 1 – Board Update at 13 May 2014 and (**POL00021525**) the

minutes of the Post Office Board meeting on 21 May 2014. I cannot see that **POL00031391** was in the Board pack for the 21 May 2014 meeting. However the minutes say that it had been circulated to the Board. In terms of the discussion of the Deloitte draft executive summary at this meeting, I cannot add to the minutes.

“The General Counsel advised that the full Review should be available to the Business on Friday 23rd May. He would circulate it to the full Board as soon as possible, once he was satisfied with its drafting and the clarity of expression. It was agreed that he would escalate within Deloitte if he had concerns about the quality of the product. The Chairman stressed the importance of this Review and the need for it to give the Board assurance that there were (if that be the case) no issues with the system. She also stressed the need for the Review to be written clearly so that it could be used to give assurance to a wider audience. The Review would be considered at the next Board Sparrow Sub Committee (BSSC).”

359 I do recall this part of the minutes which refers to me. I was very clear that the Deloitte review was important to the Post Office both in getting to the truth about the Horizon system, and in explaining its findings publicly.

360 I am asked what changes to the Mediation Scheme I sought at this point; the minutes say that I asked the Project Sparrow Sub-Committee “to decide whether there was an option to change the scheme, before the first case was mediated, which could be as early as the next 4-8 weeks” (**POL00021525**). I cannot recall

what change I was contemplating specifically at this point as numerous proposals were being considered to alter the Scheme, because of our views about its unworkability. Paula Vennells had reported that she and Chris Aujard had met with Sir Anthony Hooper to understand his appetite for changing the Scheme. He had stressed that given the Post Office's agreement to the Scheme, they needed to let it run over the next 12-18 months.

361 The Board asked the Business to prepare a paper for the Sub-Committee analysing mediation claims including "the number of criminal cases which Post Office is unlikely to agree to mediate" (**POL00021525**). Because of the advice we had received about the Scheme's seeming increasing 'unviability', other Board members and I did want to understand the scope for potential changes to the Scheme. I asked that the next meeting of the Sparrow sub-committee consider:

361.1 the options available for the Scheme;

361.2 how cases could be removed from the Scheme into business as usual, based on a narrow definition of Horizon, and how this would be explained to the sub-postmasters and other stakeholders;

361.3 the likely response from Sir Anthony Hooper, JFSA and Second Sight to any change; and

361.4 PR scenario planning for all the options being considered.

362 I have considered (**POL00028062**) Deloitte – Horizon Desktop Review of Assurance Sources and Key Control Features report dated 23 May 2014. I cannot see that this was sent to me or other members of the Board at the time and I do not recall seeing it.

363 I note Chris Aujard’s email to various executives on 29 May 2014 of which I was not a recipient (**POL00031400**). This said that he was disappointed with Deloitte’s report not answering “the exam questions they had been set” and they had agreed to re-work the document to a more succinct “Board Briefing” note “addressing head-on the alleged failings in the system”. Chris also said: “I should add that there is no suggestion from Deloitte that there is somehow something “wrong” with the system, or that it is not fit for purpose”.

364 On 4 June 2014, Alwen Lyons sent an email to the Board in which she said that she “attached the Deloitte’s briefing” (**POL00029733**). The version of the email that was provided to me by the Inquiry does not include the attachment. However, given the date, I can only assume that the document provided by Alwen was the document produced by Deloitte, entitled “Board Briefing” and dated 4 June 2014, a copy of which has been provided to me as (**POL00028069**). However, to be clear I do not recollect receiving or reading the Board Briefing dated 4 June 2014 at that time.

365 Alwen’s email of 4 June 2014 also included a short cover note to the Deloitte “Board Briefing” from Lesley Sewell and Chris Aujard. The executives noted that the briefing is “somewhat technical” and directed the Board to the limitations and

assumptions which “underpin [Deloitte’s] findings”. The note went on to summarise what the executives considered to be Deloitte’s “key findings”, which were as follows:-

“Deloitte has “not become aware of anything to suggest that the system as designed would not deliver the objectives of processing of baskets of transactions and keeping copies of them in the Audit Store with integrity”; Deloitte’ s review of “extensive operational documentation” identified features in Horizon “which, if implemented, would support the robust operation of the system”;

Those features would operate to protect transaction data integrity from when it enters the system in a Branch until stored in the Audit Store, and provide visibility to subpostmasters of any centrally generated (i.e. non-Branch) transactions;

Those features were not impacted by the 2010 upgrade to the current day Horizon “On-Line” system (and hence were not independently tested at that time);

POL has in place key controls over the day to day IT management of Horizon. These have been independently tested and assured by Ernst & Young since 2012.”

366 The executives assured the Board that the “briefing has been the subject of intensive discussions between Post Office and Deloitte and has been escalated to, and reviewed and approved by a number of senior partners, all of whom are independent of the engagement team.”

367 I was provided with a copy of **(POL00029733)** by the Inquiry in March 2024. Before I was provided with a copy of this email, I had no recollection that the Board had been sent the Board Briefing document dated 4 June 2024. If, indeed, it was provided to the Board, then I am sure that in accordance with my normal practice I would have reviewed the Board Briefing, but I cannot now recall having done so. Any reflections I may now have on the content of the report are unavoidably shaped by what I now know to be the issues with the Horizon system. On reviewing the document, for the purpose of preparing this statement, I did agree with Lesley Sewell and Chris Aujard's assessment that it is "somewhat technical"; not just in terms of the Horizon software itself but also in terms of how assurance reviews are conducted. However, the document makes it clear that Deloitte had been asked to assess the assurance evidence that was available to POL and which formed the basis for POL's confidence in the integrity of the Horizon system. Deloitte were candid that on certain key issues there was little documentary assurance evidence available and that in places they had relied on oral representations from POL and Fujitsu. In the summary of their work, Deloitte stated "we have not become aware of anything to suggest that the system as designed would not deliver the objectives of processing of baskets and transactions and keeping copies of them in the Audit Store with integrity".

368 Chris Aujard's update paper to the Board about Project Sparrow on 10 June 2014 **(WITN00740135)** provided the following, quite reassuring, update on Deloitte's work:

“The Deloitte report raises two types of issues: the first relates to Sparrow, the second to wider business learnings. This second set of issues will be dealt with through the Risk and Compliance Committee and the business assurance functions.

As regards the Sparrow-related issues it is believed that given the limited scope of the work Deloitte were able to undertake it is highly unlikely that we will be able to extract any further comfort or assurance without their doing substantially more work. Furthermore, it is also clear that Deloitte will not consent to the publication of their report or the use of their name to publicly assert that the system is working with integrity unless they undertake specific testing. That said, the report does give some comfort for the Board on the design for processing and storing transaction data with integrity...

For the avoidance of doubt Deloitte are not recommending that any further “backward looking” review of the Horizon system would be appropriate. In fact they have said ‘One could thus do a lot of work and not be any further forward’. They have however gone on to say that, if Post Office were looking to get a greater degree of assurance over the Horizon system there are approaches that could be considered - none of which could be delivered in the near term. These will be brought to the ARC (or Board) via the R&CC.”

369 The footnote for paragraph 5.2 said: “Subject to the limitations and assumptions expressed in their report, Deloitte ‘have not become aware of anything to suggest that the system as designed would not deliver the objectives of processing of

baskets of transactions and keeping copies of them in the Audit Store with integrity” (WITN00740135).

370 I have reflected on whether the Board should have requested the full Deloitte paper. On this issue I think because we had had the positive oral briefing from Gareth James, and no indications from the summaries given by the executive team that Deloitte had uncovered any information casting doubt on the Horizon system, it was reasonable for the Board not to have insisted that it receive the full Deloitte report. We were entitled to assume that it had been accurately summarised in the executives’ summaries.

371 I have considered (POL00108607) Chairman briefing session Sparrow – 2 June 2014 – I cannot remember this document, or my views on it, but I assume that I was briefed on these lines as the document is clearly addressed to me. I am asked whether I thought it was appropriate at the time that in the “What does success look like” section of the scheme it includes “In run up to election the Horizon issue does not cause the minister any problems”. Though this was not my choice of words, as a career civil servant, I understood the importance of the election cycle for the timetables of Government stakeholders. However I do not recall the election cycle influencing my dealings on the Horizon issue and I cannot see references to the election influencing these dealings in my emails at the time.

372 The Project Sparrow Sub-Committee met on 6 June 2014. There was only one item on the agenda, which was an update from Chris Aujard (as General

Counsel) and Mark Davies (as Communications Director) on the Mediation Scheme. Ahead of the meeting, the Sub-Committee was provided with a note dated 3 June 2014 from Chris Aujard and Mark Davies entitled “Initial Complaints Review and Mediation Scheme : The way forward” (**POL00022128**).

373 The note set out the current position of the Mediation Scheme (**POL00022128**).

Of the 136 cases still in the scheme only three applicants had received a report from Second Sight and the report expressed concerns about Second Sight’s ability to produce the reports at the required speed. It was now estimated that the scheme could run until November 2015.

374 The note also anticipated future “tensions” within the Working Group as it was expected that Second Sight would recommend mediation in most, if not all, cases (**POL00022128**). The JFSA was expected to agree with this assessment, putting it at odds with the Post Office who did not believe that all cases were suitable for mediation.

375 The note set-out three options for the future of the Mediation Scheme (**POL00022128**):

375.1 Keep the status quo.

375.2 Amend the Scheme’s Terms of Reference “with Post Office taking a firmer more proactive line to defend its position and ensure a greater degree of transparency around our approach to the Scheme with mediation being

based on our understanding of the legal position and desire to control programme costs and timescales”.

375.3 Completing the Post Office investigation in each case and moving the governance and management of the Scheme in-house – this option would involve ending Second Sight’s engagement and dissolving the Working Group.

376 Chris Aujard and Mark Davies set out their own views on the most suitable option **(POL00022128)**:

“It is the view of the Programme, Legal and Communications and Corporate Affairs teams that the third option - where the Scheme is effectively moved in-house – is the one which is in the best interest of the business in a pure "commercial" sense. There is a weight of evidence to support this view, including value for money, time scales, concerns around the cost and quality of the Second Sight output, the diversion of senior management time and the critically important point that in two years of investigation nothing has been uncovered to raise doubts about the issue at the heart of this debate - the operation of the Horizon computer system.”

377 However, they noted that to bring the scheme in-house, the business would first need the views of the Government given the commitments the Minister had made in the House of Commons.

378 The minutes of the Project Sparrow Sub-Committee meeting on 6 June 2014 (**POL00006571**) record that the sub-committee agreed that moving the management of the Scheme in-house would be its preferred option “subject to the Minister’s support and there being a low probability of a successful application for a Judicial Review”.

379 The same note was provided to the Board ahead of its meeting on 10 June 2014. The minutes for this meeting record that the Board agreed that neither the status quo nor the moving of the scheme in-house were tenable and endorsed the approach of seeking to refine the workings of the Scheme (**POL00021526**).

380 The Inquiry has provided me with a copy of a note from Chris Aujard dated 18 June 2014 entitled “Initial Complaints Review and Mediation Scheme: Update Paper” (**UKGI00002392**). I assume that this paper was provided to the Board. The note contained an update on legal advice that had been received that there was a “very low” risk of a judicial review if the Post Office pursued the option of continuing with the Scheme but seeking to refine its work within the existing Terms of Reference.

381 The note stated that the Post Office had been advised that (**UKGI00002392**):

“from a public law perspective it is reasonable to refuse to mediate while an appeal to the Criminal Courts remains possible. To further reduce the risk Post Office should communicate this approach in a way which make it clear that:-

-it will investigate criminal cases;

- it will immediately share anything that might suggest a conviction was unsafe;
but
- the criminal position will need to be resolved in the Criminal Courts before Post Office can take things further”.

382 The Inquiry has provided me with a further update document from Chris Aujard dated 7 July 2014. Again, I assume that this document was provided to the Board (**UKGI00002397**). The note updated the Board on the progress of the Mediation Scheme and brought to the Board’s attention that the JFSA were “increasingly uncomfortable” with the role being played by the Working Group and wanted a position whereby all cases proceeded to mediation. The note also informed the Board that Second Sight had signed an engagement letter and steps had been put in place to try and monitor their productivity, including “fortnightly case scheduling and review meetings” and a request that they “account for their time at a more granular level”.

383 The Post Office Board met again on 25 September 2014. Ahead of the meeting Chris Aujard and Belinda Crowe provided the Board with a note entitled “Initial Complaints Review and Mediation Scheme: Update Paper” (**WITN00740136**). The note provided the Board with an update on the “mechanics of case progression through the scheme” and assured the Board that “we have found nothing in the 73 cases investigated which has raised concerns about faults with the Horizon system, the safety of convictions or Post Office’s liability for the losses being claimed by applicants”.

384 The note also updated the Board on the most recent meeting of the Working Group on 16 September 2014 (**WITN00740136**). It was explained that “the Chair [of the Working Group] was doing all he could to avoid a situation which might cause the Working Group to fracture” and that the Post Office had made it clear at the meeting that “overturning a criminal conviction is a matter for the Courts and not mediation. Our approach to consequential loss claims will be informed by reference to legal principles”. According to the note, “asserting our position on these points unsurprisingly provoked a response from other members of the Working Group and JFSA announced that they would leave the meeting at two points, but, in the end, did not do so”. The question of Second Sight’s productivity was also raised at the Working Group meeting with the note recording that “we took the opportunity at the Working Group meeting to expose and express more publicly our concerns at Second Sight’s unacceptably low productivity levels which, despite repeatedly assuring the Working Group has been three cases a week, has in fact been less than half that”.

385 The minutes of the Board meeting on 25 September 2014 record an oral update from Chris Aujard and Belinda Crowe on Project Sparrow. The minutes stated that “the Board was encouraged by the recent progress and the fact that all the Post Office investigations should be finished by December (**POL00021528**). The Board members understood that the next few weeks could be controversial as the Business was about to refuse to put cases involving criminal convictions into mediation”.

386 I have been asked to describe the Post Office's approach to the Mediation Scheme from this point onwards, which I do in Section G above. I have also been asked to explain to what extent I communicated with the Board, ShEx/UKGI or BEIS about "complaints" from sub-postmasters. The Opening Statement from the UKGI to the Inquiry sets out in some detail how the Post Office interacted with the ShEx and BIS/BEIS. I had very little involvement in this process. I note that according to the minutes the ShEx Director, Richard Callard, attended both the Project Sparrow Sub-Committee on 6 June 2014 and the meetings of the full Board on 10 June 2014 and 25 September 2014. The minutes for the latter meeting record that "the Board asked the Business to work with ShEx to update the Minister on the Post Office position regarding the investigations, the Scheme and Second Sight" (**POL00021528**).

387 As to my communications with the Board on these issues, I would discuss them with my Board colleagues at Board meetings and Sub-Committee meetings, as is recorded in the minutes.

388 In response to the Inquiry's question, I think I recall that Susan Crichton left the Post Office in order to take up a new position elsewhere.

Second Sight's thematic reports

389 I have considered (**POL00004439**) Briefing Report Part 1 by Second Sight dated 25 July 2014, (**POL00030160**) Briefing Report Part 2 by Second Sight dated 21 August 2014 and (**POL00002415**) the Post Office's Reply to Second Sight's

Briefing Report Part 2 dated 22 September 2014. However, I am regrettably unable to assist the Inquiry with its questions about Second Sight's thematic reports. I was not involved at all in seeking to influence Second Sight's thematic reports, or in the Post Office's reply to the Briefing Report Part 2. Second Sight's thematic reports do not appear to ever have been provided to the Board, likely because they were being prepared for the purposes of the independently administered Mediation Scheme, run by Sir Anthony Hooper. The work programme and replies to the thematic reports were very much being run by the senior executives. I note that Paula Vennells gave us an update on 16 August 2014 (**WITN00740137**) - we would not have scheduled a Board meeting in August, but Paula Vennells would send out updates on important current matters to keep the Board updated. This referred to the Post Office's view of Second Sight's Part Two draft report being very low quality: "Second Sight have produced a Draft Part Two report (essentially a briefing report for Applicants and mediators on 'thematic' issues arising from Scheme applications) which we believe is of a very poor quality. It lacks evidence and analysis and is therefore unhelpful in terms of assisting a resolution of applications. We have provided detailed comments to Second Sight along with a letter for the record setting out why we consider the Report to be lacking. We are working through our next steps and will provide a detailed update at the Board in September". The update paper about the Mediation Scheme that the Board received for its 25 September 2014 briefly mentioned media activity following Second Sight's Part Two report (**WITN00740136**). The Board was not therefore invited to engage with the Second Sight thematic reports (and, as a result, I also cannot comment on the impact if any of Second Sight's thematic reports on the Mediation Scheme).

390 I have been asked to explain the extent to which the Second Sight Thematic Reports caused a change in mine or the Post Office's approach to the Mediation Scheme. As I have discussed above, I did not see the Thematic Reports. I shall come onto the discussions that led to the disbanding of the Working Group but, as far as I am aware, the Second Sight Thematic Reports did not form a part of those discussions or the resulting decisions.

End of the Working Group

391 On 23 October 2014 I received an email from Lord Arbuthnot to my personal email account (**POL00101477**). In his email Lord Arbuthnot expressed concern about the Mediation Scheme and said that he was receiving lots of requests to talk to the media about the Mediation Scheme but that he would prefer to speak with Paula before talking to the press. Lord Arbuthnot appeared to suggest in his email that he was considering calling the Post Office's "good faith" into question. I cannot recall my reaction to this email (other than being surprised that it was sent to my personal email address) but I do recall that at this time in late 2014 there was a feeling from amongst those involved in the Mediation Scheme that it was not fulfilling the purpose for which it was established. I certainly would not have agreed with Lord Arbuthnot's suggestion that the Post Office may not have been operating in "good faith".

392 The following day I exchanged emails with executives at the Post Office about how best to respond to Lord Arbuthnot (**POL00101481**). It is clear from Chris

Aujard's email to me and others at 9.18am on 23 October 2014 that Lord Arbuthnot had made repeated attempts to contact Paula Vennells, however, she was on annual leave. As I noted in my response to Chris Aujard, on 24 October, Lord Arbuthnot was providing us with an opportunity to tell our side of the story and it was important therefore that we engaged with him. I was always of the view that the Post Office had to do everything it reasonably could to engage with the MPs who were campaigning on this issue.

393 The Board met on 26 November 2014. The Inquiry has directed me to a document that appears to have been prepared by Paula Vennells and is entitled "Update for Board/Alice" (**POL00116824**). It does not appear in the Board papers for the 26 November meeting so I assume it was provided to the Board via email or in some other way. In her note Paula updated us on her meeting with Lord Arbuthnot and his parliamentary colleagues. Paula stated that "the meeting with the MPs was at times difficult and unpleasant. The behaviour of JA, Andrew Bridgen and Mike Wood was at times rude and certainly inappropriate". I do recall being disappointed at hearing Paula's account of the meeting which I recall being supported by other executives who attended it. The MPs present wanted to change the mechanics of the Mediation Scheme such that the Working Group no longer sifted cases and instead all cases proceeded to mediation. It is hard for me to recall the details of our discussions on this point in the Autumn and Winter of 2014, but this was certainly an issue that was at the forefront of our discussions on Horizon issues. Our concern with putting every case straight into mediation was that it would undermine Sir Anthony Hooper's independent process; and, as Paula also referenced in her note, we had received legal advice to the effect that

cases that had been concluded in the criminal courts should not be submitted for mediation.

394 It is evident from Paula Vennells' note that by this point in 2014, the Post Office feared that the Working Group could collapse. As I have already noted, Lord Arbuthnot's frustrations with the scheme were not news to us. The JFSA were similarly frustrated with the Scheme and as Paula mentions in her note were not participating in the business of the Working Group (**POL00116824**). I was also concerned that, despite the best of intentions when it was established, the Mediation Scheme was not going to be able to bridge the significant gaps in expectations between the Post Office and the sub-postmasters in individual cases.

395 The minutes of the Board meeting on 26 November (**POL00021530**) record that Paula Vennells updated the Board on her meeting with Lord Arbuthnot and colleagues and her proposal to write a letter setting out the Post Office's position on the expectation that the letter would become public. I have been asked to what extent the Board "challenged" Paula with regard to the Post Office's position on the Mediation Scheme. I cannot remember the discussion at this meeting, but the Mediation Scheme was a frequent topic of discussion between Board members and between me and the senior executives throughout this period. It would not appear from the minutes that any of my colleagues expressed a view that the Post Office should accept the position of Lord Arbuthnot and his colleagues to allow all cases, including those that had been determined in a criminal court, to proceed to mediation.

396 On the same day that the Board met, Lord Arbuthnot issued a public statement in which he withdrew his support for the Mediation Scheme (**POL00101690**). He complained that the Scheme had “ended up mired in legal wrangling”. As I have noted above, by this point there was an expectation at the Post Office that the Mediation Scheme would collapse very soon. This was, of course, a gravely disappointing prospect. At the Post Office we considered that we had devoted a considerable amount of resources, not just in terms of the money spent administering the Scheme, funding Second Sight, and providing the applicants with funding for their own support in the process, but also the time of numerous Post Office employees in investigating the cases submitted. However, the Scheme had moved too slowly and it was becoming clear that the MPs campaigning on this issue expected that all of their constituents would enter the mediation process, whereas we had always understood that this was a matter for determination by the independent Working Group.

397 To some extent, I saw the force in Lord Arbuthnot’s statement that “the scheme was set up to help our constituents seek redress and to maintain the Post Office's good reputation. It is doing neither” (**POL00101690**). It was clear that the Scheme was satisfying nobody. Where I profoundly disagreed with Lord Arbuthnot was on his assertion that the Post Office had acted in bad faith, albeit that he made no reference to this in his public statement. The Inquiry will, of course, be investigating the Scheme and how it was managed, but I feel confident in saying that I was never aware of any attempt by the Post Office to undermine its success. I recall there being a real sense of hope when it was established; a view

that was clearly shared by Lord Arbuthnot at the time. And I was also made aware of the efforts to which the Post Office team were going to make sure it functioned as well as possible.

398 Paula Vennells sent a letter to Lord Arbuthnot on 28 November 2014 setting out the Post Office's view on the Mediation Scheme (**POL00101596**). I cannot recall being involved in the drafting of this letter, but I broadly agreed with its contents. Lord Arbuthnot's suggestion would have robbed the Working Group of any purpose. I had always understood that the process of mediation was not suitable for every type of dispute. The purpose of the Working Group was to ensure that only those cases that stood a chance of resolution through mediation were submitted to the process. I could not see at this point how a resolution could be reached in every case through mediation.

399 A few days later I met Lord Arbuthnot at a conference in Turkey that we were both attending. In my email to Paula Vennells on 1 December 2013, I recounted my brief encounter with Lord Arbuthnot (**POL00101606**). I had raised with Lord Arbuthnot the behaviour of his colleagues at their meeting with Paula – she and her colleagues had found them to be rude and unpleasant – however, Lord Arbuthnot told me that that they had been more “restrained” than he had expected. As I said to Paula in my email, the main thrust of Lord Arbuthnot's argument was that there were “big wrongs which we were not acknowledging”. At the time, I had no reason to accept this assertion. From my first meetings with Lord Arbuthnot in my earliest days on the Post Office Board, I had consistently wanted the Post Office to acknowledge the concerns being raised by MPs on

behalf of their constituents and to create processes that would address those concerns. That had been the original intention of the Mediation Scheme which was established with Lord Arbuthnot's blessing and the active participation of the JFSA. Nothing I had seen over the previous two and a half years gave me grounds for believing that there were "big wrongs".

400 I have reflected on this relatively brief discussion with Lord Arbuthnot and my account of it to Paula Vennells. By 2014 I was even more confident about the integrity of the Horizon system than I had been in 2012 not long after I first joined the Post Office. When I had first met with Lord Arbuthnot in March 2012 the issues he raised were relatively new to me. I did find it hard to believe that an organisation such as Royal Mail Group, and a computer system that conducted millions of transactions a day could be responsible for miscarriages of justice especially given my faith in the processes of the Courts, and the view of the General Secretary of the NFSP that there was no truth in the allegations. However, notwithstanding my initial view, serious concerns were being raised, so I was determined to set up a process that would allow us to get to the truth of the situation. By 2014, I was of the view – which I now know to be mistaken – that these processes had demonstrated that no such issues existed. Second Sight's Interim Report had, as I understood it, concluded that there were no systemic issues with the Horizon system (even though it had raised very serious issues relating to training and support that we had sought to address), as to the best of my knowledge, at that time, had the work completed by Deloitte. Nor had the Second Sight reports into the cases that had been put to the Working Group identified any issues that called into question the security of the Horizon system.

As I said to Lord Arbuthnot: “we had found nothing of any significance” (POL00101606). This was my honestly held belief right up until I read the judgment of Fraser J.

401 As sincere as my belief was, it was incorrect. There were indeed “big wrongs” and the processes that the Post Office had established failed to identify these “big wrongs” and perhaps even served to provide a false sense of security to the Board. ‘Big wrongs’ were also concealed from the Board – major issues with our prosecutions conduct were flagged by the Brian Altman KC and Simon Clarke advices of July and August 2013, but never shown to the Board.

402 In my email of 1 December to Paula Vennells (POL00101606) I noted that Lord Arbuthnot had said that he thought Paula and I “believed what we were saying”; which we did. As I noted then, the obvious implication of Lord Arbuthnot’s comments was that we were being “hoodwinked by others”. When I wrote those words in 2014, I did not believe that we had been “hoodwinked”. I now realise that briefings that we were given by senior executives on Horizon issues were, at critical points, incomplete, and sometimes misleading. I also now know, thanks to the tenacity of the sub-postmasters and the indefatigability of Fraser J, that the Post Office was being provided with inaccurate information by Fujitsu. We were a committed and pro-active Board, acting with integrity, which understood that part of our oversight role was to bring a degree of professional scepticism to the assurances that we were receiving from the senior executives, which we did on a number of occasions. I expected to receive detailed and accurate written and oral briefings on the key issues and through mechanisms such as the Project

Sparrow Sub-Committee, I and my fellow Directors wanted to engage fully in the challenges that the Post Office faced. We always pushed the executive team to appoint the best professionals and as such we had the benefit of advice from Deloitte, Linklaters and leading barristers. However, it would seem now that the Board was indeed not given the full picture on many different occasions.

403 On 8 December 2014 Lord Arbuthnot responded to Paula Vennells' letter of 28 November 2014 (**POL00101700**). All I can recall of my reaction to this letter at the time was the surprise within the Post Office that Lord Arbuthnot was suggesting that the company was seeking to prevent 90 per cent of cases from proceeding to mediation. This was not the case. As the Post Office's evidence to the BIS Select Committee stated (in respect of the 3 February 2015 evidence sessions): "the Post Office has declined to mediate just 5 of the 41 cases passed to the Centre for Effective Dispute Resolution (CEDR) for mediation"; and "In relation to the erroneous 90% statistic, Post Office agrees with the explanation provided by Second Sight in their evidence that the 90% figure may reflect the number of cases that Post Office wished to discuss with the Working Group at one particular meeting. What it does not reflect is the number of cases Post Office has declined to mediate - this is much lower at only 12% of cases so far recommended as suitable for mediation by the Working Group. Nor does it reflect the number of cases that Post Office passed directly to CEDR for mediation without the need for discussion at the Working Group" (**WITN00740119**).

404 However, this one eye catching but erroneous statistic became totemic of what was beginning to feel like an irreconcilable difference between the Post Office and the sub-postmasters that Lord Arbuthnot represented.

405 I note an email that I was forward by Paula Vennells on 2 December 2014 from a mediator who had been involved in trying to resolve a case involving one of Oliver Letwin MP's constituents (**POL00101611**). The mediator acknowledged that the Post Office had considered this case to be one which did not seem suitable for mediation, and the mediator could see why, but notwithstanding that, the Post Office team "put in a great deal of effort in trying to resolve the case through mediation and I don't see how they could have done anything more given the circumstances." Such positive reports of the Post Office's engagement with and commitment to the mediation process, seemed entirely at odds with the picture being presented by Lord Arbuthnot in his letter.

406 As I have re-read the letter in preparing this statement, I am struck by the fact that much of Lord Arbuthnot's focus is on the training and support provided to sub-postmasters not on alleged technical and security flaws in the Horizon software. At paragraph 4 of his letter (**POL00101700**), Lord Arbuthnot wrote: "your assertion that 'no fault with the system has been found in any of the 119 cases' incorrectly limits the meaning of the word 'system' to the software ... And as the Minister said in the Statement 'what it has found to be lacking in the system is not the software but the support and other issues around the software". These issues of support and training had been raised by Second Sight in the Interim Report and I found them to be compelling as I knew the executives did.

407 It is also apparent to me now as I have re-visited this exchange of correspondence between Paula Vennells and Lord Arbuthnot that it was highly regrettable that such mistrust had developed between the leader of the Post Office and the leader of the group of MPs campaigning on the Horizon issues. Lord Arbuthnot's letter of 8 December 2014 contains several allegations of bad faith towards Paula and I know that Paula felt aggrieved at the manner in which MPs had challenged her at the meeting in paragraph 393.

408 I have been asked whether any action was taken in response to Lord Arbuthnot's letter of 8 December 2014. As far as I am aware, no particular action was taken. I think his letter was seen simply as a public statement of the views that he had shared with Paula Vennells on 17 November 2014 and very briefly with me in Turkey. As I note above, by this stage Paula Vennells and Lord Arbuthnot appeared to have become entrenched in their contrasting views of the situation.

409 On 12 January 2015 the Project Sparrow Sub-Committee of the Post Office Board met. Prior to the meeting on 8 January 2015 the Sub-Committee received a detailed paper from Chris Aujard and Mark Davies on the current status of the Mediation Scheme (**WITN00740138**). The thrust of the note was that the Working Group should be provided with one last chance to get the Mediation Scheme back on track but should that fail the Scheme should be bought "in-house", by which it was meant that it would be administered directly by the Post Office.

410 In the note Chris Aujard and Mark Davies informed the Sub-Committee that:

“To date we have found no evidence, nor has any been advanced by either an Applicant or Second Sight, of either faults with the Horizon system or unsafe convictions (on the latter point, every case investigated has been scrutinised by our external criminal lawyers), and no convictions have been appealed”.

“Now all cases in the Scheme have been comprehensively re-investigated, PO can be satisfied that the real basis of the Applicants’ complaints is not the reliability of the Horizon platform, but the Applicants’ dissatisfaction with how the PO engaged with them in their specific case. Further, there is still no evidence whatever of a systemic flaw in the Horizon system, which is critical to PO’s entire operation across the network.”

411 These assurances were the foundation for the discussion around how best to position the Mediation Scheme for the future. The Board Sub-Committee was told that we were not dealing with a flawed IT system, but rather with complaints about how sub-postmasters were trained and supported. As I have noted elsewhere, I had a lot of sympathy with these complaints and felt that sub-postmasters had been investigated in a heavy-handed manner.

412 I have been asked for my recollections of the discussions that led to the minute: “the Committee discussed Second Sight and their ‘Part Two’ report due to be finalised in April. The Committee agreed that the Business was unlikely to be able stop this report from being produced but should press Second Sight to complete the individual case reviews by the end of March i.e. give the cases priority” (POL00006575). The note from Chris Aujard and Mark Davies that was provided

to the Sub-Committee ahead of the meeting expressed frustration with Second Sight as it was felt that the firm was not always acting in an even-handed manner and had recommended nearly all cases for mediation without explanation (**WITN00740138**). Despite these frustrations, I have no recollection of there being any suggestion that Second Sight should not produce their final report. Chris Aujard and Mark Davies informed the Sub-Committee in their note that the Post Office had responded on 7 January 2015 to a set of questions prepared by Second Sight for the purpose of producing their final report and that a meeting had taken place on 9 January 2015 between the Post Office and Second Sight to discuss the responses in more detail. What we wanted Second Sight to do, however, was prioritise their Mediation Scheme work and the expectation of the Sub-Committee would have been that this message would have been communicated to Second Sight via the senior executives.

413 I have also been asked why the Sub-Committee considered it “appropriate” to write to the BBC’s lawyers. I recall that there was a concern that certain BBC programmes were only airing the JFSA’s account of the Mediation Scheme and the Post Office wanted to ensure - primarily by engaging with programme editors - that its account was also taken into consideration. I understood that lawyers engaging in respect of editorial accuracy in such circumstances was normal.

414 On 16 January 2015, a few days after the Project Sparrow Sub-Committee meeting, I was informed by Mark Davies that the Houses of Commons Business, Innovation and Skills Select Committee had scheduled short hearings on the Mediation Scheme. In my email to Mark Davies, I described this as “unwelcome”

(**POL00101999**). I am sure that, based on my own experience as a civil servant preparing for Select Committee hearings, I was commiserating with Mark who would bear the brunt of preparing for the hearings, which would be a very time-consuming task. As I went on to note, I thought that the hearings should provide the Post Office with an opportunity to get its “position across”.

415 The Post Office Board met again on 28 January 2015 (**POL00021531**). By the time of this meeting, I had informed my colleagues that I would be leaving the Post Office. (I explain below my reasons for this decision). Mark Davies explained that the business would be giving evidence to the BIS Select Committee from 3 February 2015. Paula Vennells was going to be representing the Post Office with JFSA, NFSP, CWU and Second Sight all participating too. He also informed the Board that the Post Office had received a letter from the CCRC asking for information on the criminal cases involved in Sparrow. The Post Office had 28 days in which to respond.

416 I welcomed the CCRC’s intervention. I believed that the Horizon system was safe, but I couldn’t see how the Post Office on its own could bring closure to this issue. So I thought it was helpful that another well respected independent agency was getting involved, and if – despite all the assurances we had been given, both internal and external - there was something wrong, the CCRC would be in a good position to find it.

417 The Project Sparrow Sub-Committee met again on 18 February 2015. The Sub-Committee was provided with a paper addressing CCRC’s review

(**POL00102169**), supplementary evidence that was to be provided to the BIS Select Committee (**WITN00740119**) and a note from Jane MacLeod and Mark Davies on the Mediation Scheme (**POL00040911**). The paper on the CCRC informed the Sub-Committee that: "POL's external criminal solicitors have reviewed all relevant Crown Court and Magistrate Court cases going back to 2010 in which the primary evidence was Horizon data, including those with suggested problems with Horizon training or support. Once these were identified they were reviewed thoroughly to assess whether any of the material should have been provided had they been aware of information contained within the Second Sight Interim report. This also included considering information for disclosure. We have not received any applications for permission to appeal to the Court of Appeal."

418 The supplementary evidence to the BIS Select Committee (**WITN00740119**) stated that:

"Horizon is audited and accredited in the following ways:

Ernst & Young produce an annual ISAE3402 service auditor report over the Horizon processing environment;

each year Bureau Veritas perform ISO27001 certification - this is the industry standard security accreditation;

Information Risk Management (IRM) accredit Horizon to Payment Card Industry Data Security Standards on an annual basis;

Fujitsu undertake regular industry standard testing on the system; and

the Post Office audit team perform risk based reviews."

“Suggestions that Horizon suffered from system-wide flaws triggered both Second Sight’s initial investigation and the Scheme itself. After two and a half years of investigations it is now evident that the Horizon system is robust and works as it should. This is also the broad consensus of those who have given evidence to this Inquiry.”

419 The update paper on the Mediation Scheme informed the Sub-Committee that Second Sight were increasingly willing to speak publicly about their work and that one of their directors was making disparaging comments about the Scheme on social media (**POL00040911**). The Sub-Committee was also informed that JFSA no longer wished to take part in the business of the Working Group. Against this background, the note suggested to the Sub-Committee that the work of the Mediation Scheme should be expedited by removing the Working Group and allowing all “non-criminal” cases to proceed to mediation. It was noted that by adopting this approach the Post Office would “meet our commitment made to applicants at the outset of the Scheme: providing them with a thorough re-investigation of their case by Post Office, the opportunity of an independent review by Second Sight and, where appropriate, mediation.”

420 As the minutes of the Sub-Committee meeting on 18 February make clear (**POL00006574**), there was a lot of discussion as to the future of the Mediation Scheme. It is clear from the minutes that the intention was always for Second Sight to remain involved in the process and that the Post Office would continue to offer their services to applicants who wished to have their case reviewed by

the firm. The Sub-Committee concluded that it could support Jane MacLeod's and Mark Davies' proposal in principle and asked the executives to clarify a number of important points.

421 I recall being unsure as to how Sir Anthony Hooper would respond to the proposed changes. These would render the Working Group redundant as its primary function – a point which the JFSA denied – was to decide which cases should proceed to mediation. Given that the JFSA and the MPs were not happy with how the Working Group was proceeding, it did seem illogical to me that they objected to the Working Group being disbanded. The idea was to continue with mediation (which would still be overseen by the CEDR) to try and resolve some of the cases, without the filter of the Working Group. Some conflated the winding up of the Working Group with the winding up of the Scheme, which was wrong.

422 The CCRC's review was also discussed at the Sub-Committee. The minutes of the meeting stated that the Sub-Committee asked the executives to "engage constructively with the CCRC" and to consider how they might be able to provide Brian Altman KC's advice to the CCRC (**POL00006574**). These instructions were entirely consistent with my view that the business should be doing all it could to assist the CCRC with its inquiries. As I have discussed above at paragraph 416, I welcomed the CCRC's involvement as I now felt that it was best equipped to deal with the most important of the JFSA's claims – that there had been miscarriages of justice as a result of the Horizon system.

423 I have been asked to explain why Brian Altman KC was instructed to provide advice on the differences between the criminal offence of theft and false accounting. I had not seen the advice, dated 8 March 2015, before preparing this witness statement. I do not know why the advice was sought or what was done with it.

424 On 9 March 2015, Paula Vennells wrote to Jo Swinson MP, the Parliamentary Under-Secretary-of-State for the Department of Business, Innovation and Skills, to inform her that from now on there would be a presumption in favour of mediation for all non-criminal cases (**UKGI00003789**). In the letter, Paula stated that “I am pleased to confirm that no evidence has been found through the investigations of any system wide issues with Horizon”. As Paula noted in her letter, the reason for this change of approach was to accelerate the workings of the Scheme.

425 The letter also stated that Second Sight would be producing their final report and that the Post Office would ensure that the firm’s services remained available to any applicant who wished to avail themselves of an investigation by an independent firm of forensic accountants (**UKGI00003789**).

426 I have been asked a series of detailed questions regarding this letter, which I shall address below:

426.1 I have been asked to explain the reasons for “terminating” Second Sight’s instructions. This question is premised on a mis-understanding of the

facts. As is noted in Paula Vennells letter of 8 March, Second Sight were retained to complete their final report and were available to any sub-postmaster who wished to use them as part of the Mediation Scheme.

426.2 To what extent, if at all, was the timing of this decision influenced by the impending General Election. I am not aware that the decision, which had been a long time in the making, was in any way influenced by the upcoming General Election.

426.3 To what extent, if at all, did the Post Office rely on legal advice in making its decisions. As the documents show, the decision to alter the mechanisms for entry into the Mediation Scheme were discussed at length by the Project Sparrow Sub-Committee and the Post Office Board. I cannot recall any written legal advice being provided to the members of the Board ahead of those discussions, and no such advice appears in the documents I have been provided. I note, however, that Jane MacLeod, the Post Office's General Counsel, was involved in developing the proposals put to the Sub-Committee and the Board.

426.4 To what extent, if at all, did the end of the Working Group remove independent and centralised oversight of the Mediation Scheme as a whole. I had taken comfort from the fact that a figure such as Sir Anthony Hooper was overseeing the overall operation of the Mediation Scheme. However, the process of mediation in individual cases remained

unchanged and they were still to be undertaken by the independent CEDR.

426.5 Did the Post Office intend to mediate the outstanding cases without further investigation into alleged BEDs in the Horizon System. No. At the time the decision was made to bring the Working Group to an end, Second Sight was working on their final report into the Horizon system. Additionally, as the letter makes clear, Second Sight were still available to review individual cases as part of the mediation process.

427 On reflection, I am not sure that the Mediation Scheme – which was established with high hopes and the full support of the JFSA and the MPs campaigning on their behalf – could have been a success. With the benefit of hindsight, the issues at its heart do not appear to have been amenable to mediation and I note that in the minutes of the 18 February 2015 meeting of the Project Sparrow Sub-Committee, it is recorded that according to the CEDR the Mediation Scheme had below average rates of settlement (**POL00006574**). Nor were the processes of the Mediation Scheme able to uncover the issues that form the basis of Fraser J's judgment. Despite the involvement of Second Sight and the CEDR, the issues with the Horizon system that Fujitsu had worked so hard to mask were not uncovered.

428 The minutes of the next meeting of the Post Office Board on 25 March 2015, record a “verbal update” from Mark Davies on Project Sparrow (**POL00027279**).

I have been asked what was the content of that update, but I am afraid that I cannot recall it.

429 I have been asked with reference to the 2 July 2015 Post Office Board meeting, if the changes to the Mediation Scheme announced in early March were influenced by commercial negotiations with Fujitsu about extending the firm's contract with the Post Office. As far as I was aware, there was no connection at all between the two. The minutes of the 2 July 2015 meeting demonstrate, to my mind, how the Board grappled with critical issues such as the one-year option to extend the existing Fujitsu Horizon contract prior to it being replaced by other IT providers (**WITN00740139**). The minutes record a lively discussion and a good deal of scepticism about extending the Post Office's relationship with Fujitsu.

430 The final meeting of the Post Office Board that I chaired took place on 15 July 2015 (**WITN00740140**). I had given careful thought to when would be the best time to leave the Post Office Board. Unusually my contract made no mention of my period of office and no-one from BIS had discussed these with me, so it was something that I had to consider for myself. The other NEDs on the Board had been appointed for terms of between 3 and 4 years.³ When I had taken the role, I had thought that I would most likely serve for five years, and then step aside for somebody else to take the Board through the next phase of the Post Office's strategic plan. However, in late 2014 I was involved in the process of recruiting a new Chief Financial Officer, which unfortunately was an extremely frustrating and

³ Information taken from 2013 Annual Report

demoralising process. The Post Office needed a senior and highly experienced CFO to lead its drive to profitability and potentially, someone who could act as a successor to the CEO. The Board felt that it had found such a candidate in Alisdair Cameron, who had held a number of senior finance roles at British Gas. Given that the Post Office is a state-owned private company, all Board hires (which would include the CFO role) and the remuneration to be offered had to be approved by the Department of Business, Innovation and Skills. Despite the Board having found a highly competent individual – who is still in his role at the Post Office – it took sixteen-weeks of wrangling with government ministers and civil servants over Alisdair Cameron’s remuneration before his appointment was approved. This was a disheartening experience for me and the other Directors and it made me reflect on how much energy and enthusiasm I had left for the role of Board Chair. After a lot of thought, I decided that a four-year term was sufficient.

431 As with all career decisions there was a personal element to my decision to retire from the Post Office Board. My husband was retiring from his demanding role in May 2015 and we had two grandchildren with another two on the way. At 66 years-of-age, I felt that it was an appropriate time to retire and was very much looking forward to spending more time with my husband and young grandchildren.

432 I am exhibiting my journal entry in respect of why I chose to leave the Post Office as it shows my thought process at the time (**WITN00740141**). The entry was written in preparation for my meeting with the then head of the Shareholder

Executive to tell him about my decision. Though it is in shorthand, I wondered if it might be useful to show it at this point.

433 I first noted what I saw as my achievements during my tenure as Chair (and I include some italicised text in square brackets to explain my notes at times) **(WITN00740141)**:

- “ Separation [*from RMG*]
- High quality board and governance
- Strengths exec team
- All diff (apart from Paula) all much better, as is underpinning layer
- Results stuck to our bottom line target
- The income line was sticky
- Completely different attitude to subsidy / profit
- Changed the image of the PO – Sharon White

I then noted the ‘difficult issues’ which I had dealt with during my tenure. I included the “Horizon issue” on this list:

“V diffic. [*difficult*] Issues

- Modernisation [*The various initiatives to modernise the Post Office and its functions*]
- Crowns – IA [*This was a piece of industrial action which we had dealt with*]

- Franchising including Witney [*this was an intensive project where we changed the contractual terms with sub-postmaster and converted some Crown offices into franchised offices*]
- [Horizon issue]
- Mutualisation”

The notes then read:

→ “Real sense of satisfaction

but the price for this

taken brain space / heavy lifting

knew it would be difficult – like a challenge

but diffics. [*difficulties*] greater than anyone could have anticipated - frustration

Exog. [*exogenous*] Change in market

Digital

Partly PO – too slow

- too unfit for the purpose

Partly partners – RM [*Royal Mail*] + BoI [*Bank of Ireland*]

Partly shareholder – not you [*This was referring to Mark Russell*]

- a) Gvt. business– done everything required of us including my lobbying
- b) Respect + support

Fully aware of implications of being Gvt owned but can't achieve this turnaround in this context with hands tied behind our backs

Diffic. to find finance director within the salary range but we did so – 16 weeks to agree it is unacceptable. Unnecessary paralysis.

Saps energy

+ The Board felt second guessed – what is the point of being here?

I am clear that 4 years is enough for me. Will have given it everything I can. Time for someone else to have a go with fresh energy.”

434 I was anxious to ensure that my exit from the Post Office was orderly and allowed the Government enough time to find a replacement, so despite starting discussions about my desire to retire in October 2014, I continued to serve as Chair for a further eight months.

435 I would like to be clear that, if there is any suggestion that I left the Post Office because the going was getting too tough with Horizon, that is absolutely not the

case. Horizon was not the reason for my leaving, as I have set out. When I reflect on my time at the Post Office, it is in fact right to say that my confidence in Horizon only grew during my time. At the end of my tenure, it was stronger than it was at the start. Second Sight's Interim Report, the assurances that I received from executives arising from the findings of the Mediation Scheme, and the oral briefing that the Board received from Gareth James also made me feel reassured that the system was safe. The latter was probably the 'high-water' mark of my confidence in the system.

436 I have been asked to summarise the position of the Mediation Scheme at the point at which I left the Post Office Board. My understanding was that the Scheme was proceeding on the basis set out in Paula Vennells letter to Jo Swinson MP on 8 March 2015. I have also been asked for my knowledge of BEDs in the Horizon system at the time I resigned. It is a source of the profoundest regret that I left the Post Office Board in July 2015 without understanding of the issues with the Horizon system that are so devastatingly detailed in Fraser J's judgment. My understanding was that the work undertaken during my time on the Post Office Board had repeatedly demonstrated that there were no such issues with Horizon. I had understood that the assurances as to the operation of the Horizon system - most recently provided to Jo Swinson MP (as the responsible Minister) and the BIS Select Committee - were well founded and entirely accurate.

CONCLUSION

437 The Inquiry is rightly placing under a microscope the conduct of those individuals who were the senior decision-makers at RMG and the Post Office during the period the Horizon IT system was in use, including mine and that of the Board, during the period of my tenure from 2011 to 2015. I have reflected deeply on the events of those four years and I fully understand that the people who were wrongly pursued and convicted by RMG and the Post Office have had their lives and their families' lives wrecked by this over many years. I am profoundly sorry for this. I sincerely regret that I was unable to get to the truth of what had happened despite the actions I took to do so and that those people were not given the justice they deserved earlier. I am glad to have this opportunity to stand right back and consider what happened in the light of everything I know now (and there is still a great deal that I do not know). I have come to realise that although I was well-equipped to deal with the role for which I was recruited (and was in large part successful in achieving the challenges set out in Vince Cable's letter to me a few months after I was appointed), I was not as well equipped to deal with what turned out to be an issue which required both legal and technical IT expertise.

438 Because my awareness of the sub-postmasters' concerns about the Horizon system developed slowly and incompletely during my tenure, I did not fully realise the scale of the issue until after I had left the Post Office. Had I realised fully at the outset, or soon after I arrived at the Post Office what was at stake here, and taking account of my lack of deep relevant IT and legal experience, I think this was a situation in which it could have been right to appoint external experts to give me and the Board direct relevant advice, independent of the

executives in the Post Office. (This is not a course which I would normally advocate because of the risk of damaging constructive working relationships between a board and its key executives.) This could have led us to understand better the full picture, or at least, the full picture which was available within the Post Office. However, given the difficulty which Fraser J experienced in getting the full picture from Fujitsu in the High Court, I cannot be sure as to whether in these circumstances we would have uncovered what he eventually uncovered.

439 I did not have the benefit of hindsight at the time. I was working very hard to the best of my ability to fulfil the remit which I had been given. The Horizon issues emerged in a fragmented way over many months while I was Chair. I approached them with a genuinely open mind and sought to put in place mechanisms which would get to the truth but for all the reasons which I have explained, that was not the outcome achieved and I bitterly regret that.

440 I turn now to my more detailed reflections. Firstly, on the appointment of Second Sight, with the benefit of hindsight, I now think that I should have involved my fellow Director, Neil McCausland, more explicitly in my developing thinking from the time when Lord Arbuthnot first raised these issues with me. As the later lessons learned exercise concluded, I also think that I should have insisted that a proper procurement exercise was undertaken with real clarity about what we wanted the independent review to achieve, a clear methodology for achieving that, and a rigorous choice made about which organisation was best placed to deliver that. It is clear that, as highlighted by Linklaters in March 2014 (**POL00107317**), a baseline review of the system (such as the one we then

commissioned from Deloitte) should have been undertaken before any individual case reviews took place. At the time, I thought that a case-based review by forensic accountants of 'problematic' cases in which complaints had been raised against the system would be appropriate to get to the root of the problem, as did Lord Arbuthnot, and other MPs and representatives who were supportive of the Second Sight review. But in hindsight, I see that a baseline review at the outset would have been better.

441 Secondly, when appointing Board members, I did not seek out Board members with specialist expertise in the field of criminal prosecutions or technical knowledge around large IT solutions, nor did anyone else suggest that these were skill sets which would be helpful to the Board. Those areas of expertise would have been unusual for a Board member, and of course at the time I was making these appointments, I did not know that experts in those fields might be a useful addition to the Board. Had such expertise been available to inform our Board discussions we might have been better equipped to test the information being presented to us regarding the integrity of the Horizon software and the safety of the prosecutions of sub-postmasters.

442 Thirdly, and in common with the practice of the Board of any large organisation, we were entitled to rely on the information provided to us by the executives and to trust what we were being told. I am reminded of a provision in the FRC's Corporate Governance Code which was sent to me in an early Board pack during my tenure: "The Board should be supplied in a timely manner with

information in a form and of a quality appropriate to enable it to discharge its duties” (WITN00740105).

443 During my tenure we were also presented with alternative information, primarily from MPs and sub-postmasters, which suggested the system was unreliable. However, at all times, the executives impressed upon the Board that the Horizon system was reliable, and during my tenure the external auditors told us that the controls were only improving. At no point was the Board informed of or aware of the scale of the issue overall. I was completely unaware of this issue before I arrived in post in the Autumn of 2011 – no mention of it was made during my appointment process. And though soon after that, issues were raised by people outside of the Post Office concerning the integrity of the Horizon system, my understanding was that it only affected a small number of cases. At a later date when the mediation scheme was launched, 150 applications were lodged seeking civil compensation for financial loss, but in terms of criminal convictions that were being challenged at that time, I had understood the numbers were small. Sadly, I now realise that briefings that we were given by senior executives on Horizon issues were, at critical points, incomplete, ambiguous and sometimes misleading. As I set out below, we did take a number of significant steps to test the information we were provided.

444 Fourthly, as a Board we had many significant issues, outside Horizon, that we had to deal with during the period 2011 to 2015. At the outset of my tenure the Post Office was engaged in important negotiations with Royal Mail Group over the terms of its separation. There were other key issues on the table of which

the most significant was the level of annual subsidy which the Government was willing to pay and the level of investment it was willing to make in the modernisation of the branches. Delivering the transformation of the network, the policy of “mutualisation”, Post Office’s relationship with the Bank of Ireland over its growing financial services offer, and the future of the pensions scheme for Post Office employees were other issues that required serious attention. On reflection, I am not convinced that in 2012 the Post Office was ready to become an independent organisation embarking on a turnaround of this scale. I knew it was going to be difficult. It turned out to be more difficult and far more time-consuming than I ever expected. I do not of course wish to minimise the importance of the Horizon issues against that background, but that context is vitally important when the Inquiry considers the actions of the Board in relation to Horizon.

445 Fifthly, the role of Chair of the Board, during my tenure, was a part-time role, and as explained in the paragraph above with a specific and challenging mandate. In that context I used my time to focus on what I perceived were the issues of the greatest strategic importance to the success of the organisation. My focus was primarily to make the Post Office a free-standing Government owned company, to oversee the investment of £1.34bn in its modernisation so as to turn it from a loss making to a profit-making business and reduce its dependence on taxpayers’ money, and to secure its funding for the period after 2015. That was an enormous task in respect of which we were largely successful.

446 However, I did take significant steps to address the concerns that were brought to the Board's attention about Horizon. Though I trusted the assurances that I was given throughout my tenure about the safety of the system, I had open and transparent dealings with people representing the interests of sub-postmasters, and was involved in serious attempts to try to get to the truth about the system. As I detailed earlier in this statement:

446.1 I met Lord Arbuthnot in March 2012 and insisted on commissioning the independent Second Sight review after hearing about his concern for his constituent and other subpostmasters. I made sure that the Second Sight review proceeded after I experienced resistance from some senior executives within the Post Office, and after reading an internal report (the Ismay Report) which said that a further review of the system was inadvisable. I note a line of Alwen Lyons' email of 9 June 2012 (**POL00096606**): "Alice feels this is the business pushing back unnecessarily and she feels this has happened throughout the [Second Sight set-up] process and she is having to keep pushing us".

446.2 It is worth noting that once the Second Sight investigation started, the Post Office stopped pursuing criminal convictions which relied solely on Horizon data and also put on hold civil recovery proceedings while the report was awaited (**POL00115924**).

446.3 Once the Second Sight review was commissioned, I wanted to make sure that it commanded the trust of the sub-postmasters' MPs and

representatives which it did at the outset. For instance, I made sure when advising on the Terms of Reference for the Second Sight review that cases were included where sub-postmasters had received criminal convictions that had been decided in court, notwithstanding the internal legal advice at the Post Office. I said in an email of 9 June 2012 that I did not buy the argument that we would be undermining the court process by doing this, and that “if...there were new evidence in a case which had been decided, we would want to do, and be seen to do, the right thing by that” (**POL00096604**). I note an email of Belinda Crowe’s to Chris Aujard on 26 September 2014, to which I am not in copy, where she says that this email from me was “the genesis for having allowed criminal cases into the Scheme” (**POL00209785**).

446.4 I was fully supportive of the programme of work initiated by the executives following the publishing of Second Sight’s Interim Report pushing for better training and support for sub-postmasters. The Interim Report confirmed to me that the Post Office’s offering for sub-postmasters was inadequate.

446.5 After the receipt of the Interim Report, prosecutions dramatically reduced and a decision was taken by the Board in February 2014 on the recommendation of the ARC to make significant changes to the criteria for pursuing prosecutions, such that this would only happen in the most egregious cases. Prosecutions had been brought from 1999. I believe that the changes under my tenure seriously mitigated further issues.

446.6 In February 2014, when the Board was considering the future of the Post Office's prosecutions, I argued that the Post Office should further explore ceasing its private prosecution function and referring all of its criminal cases to the Crown Prosecution Service. Had I known of the Simon Clarke advice at the time, I am sure that I would have pushed harder in favour of this and I think my fellow Directors who argued that the Post Office should continue with private prosecutions would have seen the issues differently.

446.7 The Post Office developed serious concerns about the rigour of Second Sight's work and relations between them and the Post Office deteriorated but they continued their work to finish their role in supporting cases going through the mediation scheme and to complete their final report.

446.8 I was also fully supportive of the Post Office's commissioning further investigations and arrangements that were designed (i) to assist sub-postmasters with their concerns and (ii) to get to the truth about the Horizon system and the safety of prosecutions. These included:

446.8.1 The setting up of the Mediation Scheme and the selection of Sir Anthony Hooper as a senior independent figure to preside over it.

446.8.2 The commissioning of Deloitte to investigate the Horizon IT system, leading to Gareth James (Deloitte Partner) providing oral reassurances about the investigations of the system to the Board on 30 April 2014.

446.9 And, far from being concerned about the involvement of the CCRC, I welcomed its intervention in February 2015 to investigate further the safety of convictions that were based on Horizon data. Although, I appreciate my view of that process had no practical impact on either the instigation of it or it running its course. My support of it is nevertheless reflective of the mindset I had at that time.

447 I have set out in this statement the numerous factors which influenced my mistaken belief in the integrity of the Horizon system. I have also set out in this statement the actions that I took, such as the insistence on an independent review, which genuinely went further than others in Post Office considered were necessary at that time. But, on reflection, I wish that I had asked to see the full advice which Brian Altman KC wrote and of which the Board were aware. This would have revealed the existence of the Simon Clarke advice and would have led us to ask more questions. But at the time, I had no reason to ask for this. I also cannot be certain about the difference it would have made to the eventual outcome: it would have alerted us to serious issues within the Post Office's prosecutions function, but, as we now know, Fujitsu were concealing flaws in their software, including in the High Court.

448 I hope that my evidence is useful in helping the Inquiry to gather a clear account of what happened during my period as Chair at the Post Office over the period 2011 to 2015. I recognise that it is in the nature of the chairmanship role that unexpected and difficult issues will arise, and that you have to face into such issues and deal with them. That I tried to do, throughout my chairmanship. I repeat again, I am truly sorry that during the period when I chaired the Board we did not get to the truth about the problems affecting the integrity of the Horizon system, and that this prolonged the suffering of those who were wrongly convicted.

449 I have answered this statement in light of the facts known to me and information made available to me at the date of 26 March 2024. I understand that I will continue to receive disclosure from the Post Office and other facts and information may become known to me. I may submit a supplementary statement to assist the Inquiry if I have disclosed to me new information that is relevant to my assistance to the Inquiry.

Statement of Truth

I believe the content of this statement to be true.

Signed: **GRO**

Dated: 26 March 2024

Index to First Witness Statement of Alice Perkins

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
1.	WITN00740101	Signed letter of appointment, Alice Perkins and Donald Brydon, 21 July 2011	VIS00014027
2.	WITN00740102	Letter from Vince Cable to Alice Perkins, 11 January 2012	VIS00014026
3.	WITN00740103	Post Office Annual Report and Financial Statements 2012-13	VIS00013998
4.	WITN00740104	Manuscript of Alice Perkins notebook entry on role of the Board, 2012	VIS00014004
5.	WITN00740105	FRC Corporate Code of Governance	VIS00014010
6.	WITN00740106	Significant Litigation Report, December 2011	VIS00014000
7.	WITN00740107	Remuneration Committee Terms of Reference version adopted in 2012	VIS00014011
8.	WITN00740108	Remuneration Committee Terms of Reference version reviewed by the Board in February 2014	VIS00014007
9.	WITN00740109	Remuneration Committee Terms of Reference, version with no date	VIS00014014
10.	WITN00740110	Audit & Risk Committee Terms of Reference version approved by the Board on 23 January 2013	VIS00014009
11.	WITN00740111	Audit & Risk Committee Terms of Reference version approved by the Board on 26 March 2014	VIS00013996
12.	WITN00740112	Audit & Risk Committee Terms of Reference version approved by the Board on 27 April 2015	VIS00014018
13.	WITN00740113	Audit & Risk Committee Terms of Reference version dated September 2015	VIS00014005
14.	WITN00740114	Audit & Risk Committee Terms of Reference version with no date	VIS00014017
15.	WITN00740115	Nominations Committee Terms of Reference reviewed by the Board on 25 March 2015	VIS00013999

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
16.	WITN00740116	Nominations Committee Terms of Reference reviewed by the Board on February 2014	VIS00014008
17.	WITN00740117	Pensions Committee Terms of Reference approved by the Board on 16 July 2014	VIS00013994
18.	WITN00740118	Project Sparrow Sub-Committee Terms of Reference	VIS00014003
19.	POL00021431	Audit & Risk Committee Meeting Minutes, 23 May 2012	POL-0018061
20.	POL00099218	Update following the publication of the Interim Report on Horizon, July 2015	POL-0098801
21.	POL00040911	Project Sparrow Sub-Committee Update and options, 11 February 2015	POL-0037393
22.	WITN00740119	Business, Innovation and Skills Committee: Inquiry into Post Office Mediation: Supplementary evidence from Post Office Limited	VIS00014006
23.	POL00179470	Email from Susan Crichton to Alice Perkins CC Glenda Hansen and Alwen Lyons, attaching briefing paper for Alice Perkins' meeting with James Arbuthnot, 12 March 2012	POL-BSFF-0017533
24.	POL00107701	Briefing Note on the Current Status of Claims involving Horizon for meeting with JA, 12 March 2012	POL-BSFF-0017534
25.	POL00115924	Briefing for meeting with James Arbuthnot, 3 July 2013	POL-0116926
26.	FUJ00083375	Note authored by Gareth Jenkins titled 'Local Suspense Problem', 15 May 2013	POINQ0089546F
27.	FUJ00086811	Horizon data, Lepton SPSO 191320, Draft Report by Helen Rose, 12 June 2016	POINQ0092982F
28.	POL00139690	Email from John Scott to Susan Crichton CC John Scott re Weds Call – Integrity of the Horizon System and Branch Support Programme, 14 August 2013	POL00139690
29.	POL00006798	Legal advice on the use of expert evidence by Simon Clarke, 15 July 2013	POL-0017590

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
30.	POL00006799	Advice on Disclosure and the Duty to Record and Retain Material by Simon Clarke, 2 August 2013	POL-0017591
31.	POL00006583	Interim Review of CK Processes by Brian Altman KC, 2 August 2013	POL-0017668
32.	POL00026626	POL Board - Agenda for 27 November 2013 and corresponding papers & Various Meeting Minutes from 2013	POL-0023267
33.	POL00030217	POL Draft Management Letter for the Year ended 27 March 2011 by Ernst & Young from Angus Grant to Sarah Hall.	POL-0026699
34.	POL00030365	Board Meeting Minutes, 22 September 2011	POL-0026847
35.	WITN00740120	POL IT Audit Update (SAS70), September 2011	VIS00014002
36.	WITN00740121	POL Technology Update - Tactical and Strategic Relationship with Fujitsu, September 2011	VIS00014001
37.	WITN00740122	Manuscript of Alice Perkins notebook entry on the induction meeting with Angus Grant, 27 September 2011	VIS00014016
38.	POL00021502	Board Meeting Minutes, 10 November 2011	POL0000035
39.	POL00362957	Noting Paper – Viability of introducing a SAS70 or equivalent audit report	POL-0185272
40.	WITN00740124	EY Audit Results Report for the 52 weeks ended 25 March 2012	VIS00014013
41.	WITN00740125	Significant Litigation Report, December 2011	VIS00014015
42.	POL00027270	Board Meeting Minutes, 13 December 2011	POL-0023911
43.	POL00095587	Significant Litigation Report, January 2012	POL-0095170
44.	POL00021503	Board Meeting Minutes, 12 January 2012	POL0000036
45.	POL00095835	Post Office Limited Litigation Matters - Commercial Litigation - Claims in Excess of £5000K and/or claims with wider significance for business, 1 January 2012	POL-0095418
46.	POL00027579	Board Meeting Minutes, 9 February 2012	POL-0024220

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
47.	POL00096036	Board Status Report, November 11 - February 12	POL-0095619
48.	POL00096371	Board Status Report, November 2011 - March 2012	POL-0095954
49.	POL00107127	Review of Key System Controls in Horizon, from 18 April 2012 Board Pack	POL-0105435
50.	WITN00740126	Email exchange between Donald Brydon and Paula Vennells CC Moya Greene, Paul Murray and Alice Perkins re Private Eye reference, 29 September 2011	VIS00013993
51.	POL00021503	Board Meeting Minutes, 12 January 2012	POL-0024226
52.	POL00095973	Email exchange between Alice Perkins and Susan Crichton, forwarding email from James Arbuthnot MP re Sub-postmasters and the Post Office, 24 February 2012	POL-0095556
53.	POL00105470	Email exchange between Alice Perkins and James Arbuthnot MP re Sub-postmasters and the Post Office, 24 February 2012	POL-0104650
54.	POL00105481	Notes of the Meeting with James Arbuthnot, Alice Perkins and Alwen Lyons, 13 March 2012	POL-0104661
55.	WITN00740127	Manuscript of Alice Perkins notebook entry on external reports, cases and independent review, March 2012	VIS00013995
56.	POL00107702	Email from Alice Perkins to Paula Vennells, Susan Crichton, Alwen Lyons and Lesley Sewell re meeting with James Arbuthnot MP, 13 March 2012	POL-0110803
57.	POL00021505	Board Meeting Minutes, 15 March 2012	POL0000038
58.	POL00105592	Email from Alice Perkins to Alwen Lyons re: material for meeting on 28 March – Issues of substance and handling, 27 March 2012	POL-0104609
59.	POL00026572	Horizon – Response to Challenges Regarding Systems Integrity, Ismay Report, 2 August 2012	POL-0023213
60.	POL00096606	Email from Paula Vennells to Alwen Lyons re: 2 nd Sight TOR, 9 June 2012	POL-0096189

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
61.	POL00105597	Email from Paula Vennells to Susan Crichton and Alwen Lyons, RE: telephone call with Oliver Letwin MP expressing concerns regarding Horizon, 3 April 2012	POL-0104597
62.	POL00115849	Letter from Paula Vennells to Oliver Letwin MP re: Robustness of the Post Office Horizon System, 4 April 2012	POL-0114586
63.	POL00021506	Board Meeting Minutes, 18 April 2012	POL0000039
64.	POL00085836	Email from Craig Tuthill to Angela-Van-Den-Bogerd cc: Sue Richardson RE: IN STRICTEST CONFIDENCE - Urgent Request Please, 2 May 2012	POL-0082894
65.	POL00105601	Email from Susan Crichton to Alwen Lyons and Simon Baker forwarding Alice Perkins thoughts, 14 May 2012	POL-0104599
66.	POL00105479	Meeting Pack for James Arbuthnot and Oliver Letwin, 17 May 2012	POL-0104659
67.	POL00116795	Second Sight Timeline document	POL-BSFF-0031505
68.	POL00027707	Email from Paula Vennells to Alwen Lyons and Susan Crichton re note of meeting with James Arbuthnot and Oliver Letwin, 22 May 2012	POL-0117659
69.	POL00142368	Letter from James Arbuthnot to Alice Perkins re happy with progress and initial meeting with other MPs, 21 May 2012	POL-0141971
70.	POL00105486	Letter from Alice Perkins to James Arbuthnot re meeting with MPs, 23 May 2012	POL-0104666
71.	POL00021507	Board Meeting Minutes, 23 May 2012	POL0000040
72.	POL00006484	Summary of Conference with Counsel at Maitland Chambers about Horizon, 12 June 2012	POL-0017789
73.	POL00027558	Post Office Significant Litigation Report: Civil Claims (Claims for Judicial Review and Horizon Claims) and Principal Criminal Cases brought by POL, 12 September 2012	POL-0024199
74.	POL00021509	Board Meeting Minutes, 19 September 2012	POL0000042

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
75.	POL00096971	Email from Alice Perkins to Alwen Lyons, Paula Vennells, Jorja Preston and Theresa Iles, re James Arbuthnot, 18 September 2012	POL-0096554
76.	POL00105477	Email from Theresa Iles on behalf of Paula Vennells to Susan Crichton re 2nd Sight Consultants, 21 June 2012	POL-0104657
77.	POL00096576	Second Sight: Proposal to carry out an Independent Review of Past Fraud and Theft Cases, 1 June 2012	POL-0096159
78.	POL00096574	Email from Susan Crichton to Alice Perkins, Paula Vennells, Simon Baker and others re: Horizon- Terms of reference.doc; 2nd Sight - Horizon Matters - Proposal.ppt, 6 June 2012	POL-0096157
79.	POL00096575	Draft - POL, Terms of Reference from Susan Crichton, 6 June 2012	POL-0096158
80.	POL00105472	Email from Susan Crichton to Alice Perkins and Paula Vennells re: Horizon Version 2 & Draft Terms of Reference attached, 7 June 2012	POL-0104652
81.	POL00113792	Email from Alice Perkins to Susan Crichton and Paula Vennells re: Horizon investigation, 8 June 2012	POL-0112900
82.	POL00096604	Email from Paula Vennells to Susan Crichton and Alwen Lyons re: 2nd Sight TOR, 9 June 2012	POL-0096187
83.	POL00058004	Pack for Meeting with James Arbuthnot and Other MPs, 18 June 2012	POL-0054483
84.	POL00096667	Email from Alice Perkins to Paula Vennells re: Message from James Arbuthnot to Tadge Channer at Shoosmiths - Post Office / Horizon, 19 June 2012	POL-0096250
85.	POL00105477	Email from Theresa Iles on behalf of Paula Vennells to Susan Crichton re 2nd Sight Consultants, 21 June 2012	POL-0104657
86.	POL00021508	Board Meeting Minutes, 4 July 2012	POL0000041
87.	POL00107805	Email from Paula Vennells to Theresa Iles re: Fwd: our 1:1, 3 October 2012	POL-0110842

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
88.	WITN00740128	Post Office Short Term Incentive Plan (STIP) Outturn and Payments for 2014/2015, May 2015	VIS00013997
89.	POL00097030	Email from Paula Vennells to Theresa Iles RE: Fwd: Read out of James Arbuthnot / JFSA meeting, 9 October 2012	POL-0096613
90.	POL00021430	Audit & Risk Committee Meeting Minutes, 13 November 2012	POL-0018060
91.	WITN00740129	Audit & Risk Committee Briefing Book Half Year ended 23 September 2012	VIS00013991
92.	POL00021510	Board Meeting Minutes, 23 January 2013	POL0000043
93.	POL00097588	Letter from James Arbuthnot MP to Alice Perkins re Meeting with Second Sight, 7 March 2013	POL-0097171
94.	POL00097589	MP Cases Review of Horizon Update, 11 March 2013	POL-0097172
95.	POL00097670	Email from Simon Baker to Alice Perkins, RE Notes for James Arbuthnot / Alice Perkins Pre-meeting, 19 March 2013	POL-0097253
96.	POL00097723	Email from Alwen Lyons to Alice Perkins re: James Arbuthnot and 2nd Sight, 19 March 2013	POL-0097306
97.	WITN00740130	Letter from Alice Perkins to James Arbuthnot re attending MP meeting and drawing conclusions relating to SS, 22 March 2013	VIS00013992
98.	POL00097887	Alwen Lyons forwarding to Alice Perkins email from SS and James' annotation and reply, 27 March 2013	POL-0097470
99.	POL00098158	Email from Alice Perkins to Paula Vennells, JA meeting, 8 May 2013	POL-0097741
100.	POL00021513	Board Meeting Minutes, 21 May 2013	POL0000046
101.	POL00021515	Board Meeting Minutes, 1 July 2013	POL0000048
102.	POL00098376	Paula Vennells forwarding emails to Alice Perkins re weekly update with Alwen in the run up to SS interim report, 24 May 2013	POL-0097959

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
103.	POL00098798	Email chain between Martin Edwards and Paula Vennells Re: next steps on Horizon issues, 28 June 2013	POL-0098381
104.	POL00098782	Email from Paula Vennells to Alice Perkins re Fwd: JA?, 28 June 2013	POL-0098365
105.	POL00098878	Notes for Board update on Second Sight Investigation, 1 July 2013	POL-0098461
106.	POL00098817	Email chain from Paula Vennells to Theresa Iles re Board Call and SS, 30 June 2013	POL-0098400
107.	POL00098877	Email from Martin Edwards to Alice Perkins re: Discussion notes for Board on Second Sight , 1 July 2013	POL-0098460
108.	POL00029649	Letter from Paula Vennells to James Arbuthnot, MP re key points discussed in the meeting on 3 July 2013 with Paula Vennells, James Arbuthnot and Alice, 4 July 2013	POL-0026131
109.	POL00098887	Email from Alice Perkins to Paula Vennells re: Latest on SS, 2 July 2013	POL-0098470
110.	POL00098921	Email from Alice Perkins to Paula Vennells RE. Briefing for meeting with James Arbuthnot. Email chain includes detailed speaking notes, 3 July 2013	POL-0098504
111.	POL00098990	Email from Alice Perkins to Paula Vennells, re SS: The Future after Monday, 4 July 2013	POL-0098573
112.	POL00099063	Signed Interim Report into alleged problems with the Horizon system, 8 July 2013	POL-0098646
113.	POL00029651	POL Commentary on Second Sight Interim Report, 7 July 2013	POL-0026133
114.	POL00168704	POL statement – working party – consider all 47 cases brought by JFSA, and MPs	POL-BSFF-0029538
115.	POL00099026	Email from Paula Vennells to the Board on developments with SS's review and conversations with Alan Bates (JFSA), 6 July 2013	POL-0098607
116.	POL00105633	JA statement at the House of Commons, Interim report welcomed – a step along the way, 8 July 2013	POL-0120587

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
117.	POL00021516	Board Meeting Minutes, 16 July 2013	POL0000049
118.	POL00099223	Email from Paula Vennells to Alice Perkins re The case for independence in the Post Office appeals system 14 July 2013	POL-0098806
119.	POL00040001	Email from Susan Crichton to Andrew Parsons, FW: Horizon Issues- draft Board Update, 23 July 2013	POL-0036483
120.	POL00040002	Update to POL Board- RE; Horizon Legal Issues. Relates to review of prosecutions, 22 July 2013	POL-0036484
121.	POL00039994	Letter from Sally Berlin, CCRC to Paula Vennells, RE: Horizon Computer System, 12 July 2013	POL-0036476
122.	POL00040012	Letter from Susan Crichton to Sally Berlin, CCRC re Horizon Computer System, 24 July 2013	POL-0036494
123.	POL00298004	Update on the work programme arising from the Horizon report, 27 July 2013	POL-BSFF-0031025
124.	POL00192976	Email from Martin Edwards to Alasdair Marnoch and Alwen Lyons cc Board re board note on Horizon, 27 July 2013	POL-BSFF-0031039
125.	POL00118496	Email from Paula Vennells to Theresa Illes CC Alice Perkins Re: File Note – SC, 26 July 2013	POL-0119613
126.	POL00116114	Email chain from Alice Perkins to Martin Edwards, Alwen Lyons and Alasdair Marnoch re: Board note on Horizon, 31 July 2013	POL-0117114
127.	POL00108058	Email from Paula Vennells to Theresa Illes re SS costs and update from Susan, 2 August 2013	POL-0110925
128.	POL00116123	Email chain from Paula Vennells to Alice Perkins re Briefing Alasdair, 6 September 2013	POL-0117122
129.	POL00027792	Email from Alwen Lyons to Alice Perkins, Neil McCausland, Virginia Holmes and others RE: Board note from Paula as promised, 28 August 2013	POL-0024433

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
130.	POL00099510	Email from Alice Perkins to Paula Vennells Re: SS and costs, 29 August 2013	POL-0099093
131.	POL00099513	Email from Alice Perkins to Chris Day, Paula Vennells and Susan Crichton Re: SS and Costs, 29 August 2013	POL-0099096
132.	POL00066817	Seema Misra Case Study. Email chain from Martin Smith to Susan Crichton RE: Note of meeting with Sir Anthony Hooper, 26 September 2013	POL-0063296
133.	POL00099711	Email from Paula Vennells to Alice Perkins Re. Example Applications, 4 October 2013	POL-0099294
134.	POL00099833	Email from Alice Perkins to Alwen Lyons cc: Paula Vennells re: brief for meeting with James Arbuthnot, 29 October 2013	POL0000052
135.	POL00027136	POL – Chief Executive's Report, 31 October 2013	POL-0023777
136.	WITN00740131	Audit & Risk Committee paper: Prosecutions Policy prepared by Chris Aujard, 13 November 2013	VIS00014019
137.	WITN00740132	Audit & Risk Committee Meeting Minutes, 19 November 2013	VIS00014022
138.	POL00099940	Email from Alwen Lyons to Alice Perkins re: Mediation Scheme Update - additional brief for your meeting with Tony Hooper, 22 November 2013	POL-0099523
139.	POL00099941	Alice Perkins meeting with Sir Anthony Hooper - Baker Street (TBC), 25 November 2013	POL-0099524
140.	POL00021520	Board Meeting Minutes, 27 November 2013	POL0000053
141.	POL00100193	Audit & Risk Committee – Prosecutions Policy paper, 4 February 2014	POL-0099776
142.	POL00027692	Email chain from Alwen Lyons to Paula Vennells and Chris Aujard re: ARC Teleconference, 8 February 2014	POL-0024333
143.	POL00027687	Email from Susannah Storey to Alice Perkins re: 2014 02 11 ARC teleconference, 10 February 2014	POL-0024328

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
144.	POL00100224	Email from Chris Aujard to Neil McCausland, RE: 2014 11 ARC Teleconference, 11 February 2014	POL-0099807
145.	POL00100223	Email from Theresa Illes (on behalf of Paula Vennells) to Alasdair Marnoc, RE: ARC Prosecutions Paper, 11 February 2014	POL-0099806
146.	POL00027337	Board Meeting Minutes, 26 February 2014	POL-0023978
147.	POL00116241	Briefing Note from Belinda Crowe to Paula Vennells cc Chris Aujard, Hugh Flemington 'and others' re: Briefing for your 1-2-1 with Alice, 6 January 2014	POL-0117235
148.	POL00021521	Board Meeting Minutes, 21 January 2014	POL0000054
149.	POL00100321	Email chain from Belinda Crowe to Paula Vennells; David Oliver; Chris Aujard; Martin Edwards, re: Papers for tomorrow - our pre-meeting, and meeting with Second Sight and Tony Hooper, 23 February 2014	POL-0099904
150.	POL00116313	Board Meeting - Speaking note for Paula, 26 February 2014	POL-0117306
151.	POL00100124	Letter from Belinda Crowe to Chairman and Chief Executive, POL cc Chris Aujard RE Briefing for Meeting with RT Hon James Arbuthnot MP, 26 February 2014	POL-0099707
152.	POL00100129	Agenda for Meeting with RT Hon James Arbuthnot MP, 28 January 2014	POL-0099712
153.	POL00100128	Email from David Oliver to Alice Perkins, Jorja Preston, Paula Vennells cc: Theresa Lles, Martin Edwards, Sarah Paddison and others re: Meeting with JA Tomorrow re: Agenda for JA Meeting, 27 January 2014	POL-0099711
154.	POL00116245	Email from David Oliver to Paula Vennells, Alice Perkins and Martin Edwards RE: Further briefing for tomorrow, 28 February 2014	POL-0117239
155.	POL00116246	Agenda for the meeting between Alice Perkins, Paula Vennells and David Oliver, 28 January 2014	POL-0117240
156.	POL00116247	Letter from Alice Perkins and Paula Vennells; Re: Further Briefing for James Arbuthnot Meeting, 27 January 2014	POL-0117241

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
157.	POL00100142	Email from Chris Aujard to Angela Van-Den- Bogerd cc: Paula Vennells re: URGENT, 28 January 2014	POL-0099725
158.	POL00100141	Email thread from Martin Edwards to Paula Vennells re: Further briefing for tomorrow, 28 January 2014	POL-0099724
159.	POL00026743	Final Note by David Oliver of Meeting between Post Office and James Arbuthnot MP, 28 January 2014	POL-0023384
160.	POL00100210	Email from Belinda Crowe to Alice Perkins, RE: Next steps following meeting with James, 7 February 2014	POL-0099793
161.	POL00030712	Initial Complaint Review and Mediation Scheme by Belinda Crowe, 20 February 2014 from 26 February 2014 Board Pack	POL-0027970
162.	POL00105552	Email from Alice Perkins to Paula Vennells, Re: Sparrow, 10 March 2014	POL-0105119
163.	UKGI00002213	Email chain from Richard Callard to Peter Batten re: Project Sparrow: Linklaters scoping paper for Board Comment, 14 March 2014	UKGI013027-001
164.	POL00107317	Legally privileged report prepared by Linklaters on behalf of Post Office into initial complaint review and mediation scheme legal issues, 20 March 2014	POL-0105625
165.	POL00021523	Board Meeting Minutes, 26 March 2014	POL0000056
166.	POL00105529	Initial Complaint and Mediation Scheme review by Chris Aujard, 36 March 2014	POL-0105096
167.	POL00022093	Outline of points produced by Linklaters to explain Horizon and form a basis for a report to respond to public criticism and individual complaints by SPMs, 28 March 2014	POL-0018572
168.	WITN00740133	Audit & Risk Committee Meeting Minutes, 6 March 2014	VIS00014028
169.	POL00116439	Project Sparrow Sub-Committee Meeting ToR and Initial Complaint Review and Mediation Scheme document, 9 April 2014	POL-0117423

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
170.	POL00006565	Project Sparrow Sub-Committee Meeting Minutes, 9 April 2014	POL-0017844
171.	POL00006571	Project Sparrow Sub-Committee Meeting Minutes, 6 June 2014	POL-0017847
172.	WITN00740134	Initial Complaints Review and Mediation Scheme: Options for the closure/accelerated completion of the Scheme, prepared by Chris Aujard, 28 April 2014	VIS00014023
173.	POL00116515	Email from Alwen Lyons to Alice Perkins, Callard Richard, Alasdair Marnoch and others re Letters from Jenny Willott & Alan Bates, 28 April 2014	POL-0017447
174.	POL00116516	Letter from Jenny Willott MP to Paula Vennells re: letter from Alan Bates regarding Initial Case Review and Mediation Scheme, 28 April 2014	POL-0017448
175.	POL00116517	Letter from Alan Bates to Jo Swinson MP re Initial Case & Mediation Scheme, 16 April 2014	POL-0017449
176.	POL00022125	Initial Complaint Review and Mediation Scheme The role of Second Sight in supporting the Scheme prepared by Chris Aujard, 28 April 2014	POL-BSFF-0041521
177.	POL00006566	Project Sparrow Sub-Committee Meeting Minutes, 30 April 2014	POL-0017845
178.	UKGI00002308	Update for the Board Sub Committee following working group, 1 May 2014	POL-0117463
179.	POL00116572	Paula Vennells' note of meeting with Anthony Hooper, 19 May 2014	POL-0117500
180.	POL00117519	Email from Rodric Williams to Gareth James, Copying in Belinda Crowe, Chris Aujard and others. Re Strictly Private & Confidential - Subject to Legal Privilege, 2 April 2014	POL-0115136
181.	POL00105635	Deloitte Project Zebra - Phase 1 Report - HNG-X: Review of Assurance Sources, 30 April 2014	POL-0104595
182.	POL00021524	Board Meeting Minutes, 30 April 2014	POL0000057

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
183.	POL00021426	Audit & Risk Committee Meeting Minutes, 15 May 2014	POL0000057
184.	POL00104259	Lessons Learned – Second Sight investigation into Horizon noting paper, 25 April 2014	POL-BSFF-0007289
185.	POL00031391	Deloitte's HNG-X Review of Assurance Sources : Phase 1- Board Update, 13 May 2014	POL-0028293
186.	POL00021525	Board Meeting Minutes, 21 May 2014	POL0000058
187.	POL00028062	Deloitte Report: Horizon Desktop Review of Assurance Sources and Key Control Features - draft for discussion, 23 May 2014	POL-0023065
188.	POL00031400	Email from Chris Aujard to Paula Vennells, Martin Edwards, Alwen Lyons and others re FW: Project Zebra, 29 May 2014	POL-0028302
189.	POL00029733	Email from Alwen Lyons to Rodric Williams Re: FWD -Deloitte Briefing - Message from Chris Aujard and Lesley Sewell - Strictly Private & Confidential - Subject to Legal Privilege	POL-0026215
190.	POL00028069	Deloitte Draft Board Briefing document further to report on Horizon desktop review of assurance sources and key control features, 4 June 2014	POL-0023072
191.	WITN00740135	Initial Complaints Review and Mediation Scheme: Sub Committee Recommendation, 6 June 2014	VIS00014020
192.	POL00108607	Chairman Briefing Session Sparrow - draft not policy, 2 June 2014	POL-0106700
193.	POL00022128	Initial Complaints Review and Mediation Scheme: The Way Forward paper, 3 June 2014	POL-0018607
194.	POL00021526	Board Meeting Minutes, 10 June 2014	POL0000059
195.	UKGI00002392	POL Board - Initial Complaints Review and Mediation Scheme: Update Paper, 18 June 2014	UKGI013206-001
196.	UKGI00002397	Initial Complaints Review and Mediation Scheme: July Update Paper, 7 July 2014	UKGI013211-001

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
197.	WITN00740136	Initial Complaints Review and Mediation Scheme: Update Paper, 17 September 2014	VIS00014030
198.	POL00021528	Board Meeting Minutes, 25 September 2014	POL0000061
199.	POL00004439	Initial Complaint Review and Mediation Scheme - Briefing Report - Part One - Prepared by Second Sight, 25 July 2014	VIS00005507
200.	POL00030160	Initial Complaint Review and Mediation Scheme Briefing Report - Part Two prepared by Second Sight, 21 August 2014	POL-0026642
201.	POL00002415	Initial Complaint Review and Mediation Scheme, Post Office Reply to Second Sight's Briefing Report –Part Two, 22 September 2014	VIS00003429
202.	WITN00740137	Email from Alwen Lyons to the Board re update note from Paula, 16 August 2014	VIS00014025
203.	POL00101477	Email from Avene O'Farrell to Belinda Crowe, Tom Wechsler, Chris Aujard re: FW: Post Office mediation process, 23 October 2014	POL-0101060
204.	POL00101481	Email from Mark Davies to Alice Perkins, cc'd Chris Aujard, Paula Vennells and others re: Re: Correspondence with James Arbuthnot's office: a quick update and next steps, 24 October 2014	POL-0101064
205.	POL00116824	Speaking Note for Paula re Update for Board/Alice following meeting with MPs, 25 November 2014	POL-0117685
206.	POL00021530	Board Meeting Minutes of 26 November 2014, 26 November 2014	POL0000063
207.	POL00101690	Post Office Press Release from the office of The Rt Hon James Arbuthnot, MP re: MPs lose faith in Post Office mediation scheme, 8 December 2014	POL-0101273
208.	POL00101596	Letter from Paula Vennells to James Arbuthnot MP re Complaint and Mediation Scheme, 26 November 2014	POL-0101179
209.	POL00101606	Email from Paula Vennells to Alice Perkins re: JA, 1 December 2013	POL-0101189

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control number</u>
210.	POL00101700	Letter from The Rt Hon James Arbuthnot to Paula Vennells re: Complaints and Mediation Scheme, 8 December 2014	POL-0101283
211.	POL00101611	Email from Paula Vennells to Alice Perkins forwarding exchange re mediation case, 2 December 2014	POL-0101194
212.	WITN00740138	Chris Aujard and Mark Davies paper on current status of the Mediation scheme, 8 January 2015	VIS00014029
213.	POL00006575	Project Sparrow Sub-Committee Meeting Minutes, 12 January 2015	POL-0017849
214.	POL00101999	Email from Alice Perkins to Mark Davies, Alasdair Marnoch, Alwen Lyons and others, re Sparrow, 16 January 2015	POL-0101582
215.	POL00021531	Board Meeting Minutes, 28 January 2015	POL0000064
216.	POL00102169	Project Sparrow – Options Assumptions and Constants Report, 17 February 2015	POL-0101752
217.	POL00006574	Project Sparrow Sub-Committee Meeting Minutes, 18 February 2015	POL-0017848
218.	UKGI00003789	Letter from Paula Vennells to Jo Swinson MP re Second Sight Mediation Scheme, 9 March 2015	UKGI014603-001
219.	POL00027279	Board Meeting Minutes, 25 March 2015	POL-0023920
220.	WITN00740139	Board Meeting Minutes, 2 July 2015	VIS00014024
221.	WITN00740140	Board Meeting Minutes, 15 July 2015	VIS00014031
222.	WITN00740141	Manuscript of Alice Perkins notebook entry on meeting with Shex re decision to resign, October 2014	VIS00014021
223.	POL00209785	Email from Belinda Crowe to Chris Aujard forwarding Alice Perkins' email re 2nd Sight TOR and review, 26 September 2014	POL-BSFF-0047848