

Witness Name: Alasdair Marnoch

Statement No.: WITN11570100

Dated: 31 October 2024

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF ALASDAIR MARNOCH

I, Alasdair Marnoch, will say as follows:

I. INTRODUCTION

- 1 I held the position of Non-Executive Director (“**NED**”) at Post Office Ltd (“**POL**”) from 23 May 2012 to 31 July 2015.
- 2 This witness statement is made to assist the Post Office Horizon IT Inquiry (the “**Inquiry**”) with the matters set out in the Rule 9 Request dated 25 September 2024 (the “**Request**”).
- 3 The facts within this witness statement are either within my own knowledge or belief, or derive from the records provided by the Post Office Horizon IT Inquiry or POL. However, as this statement relates to events that occurred in some cases up to twelve years ago, there are several areas that I do not recall. Where that is the case, I have said so.

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

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

II. PROFESSIONAL BACKGROUND

6 I graduated from the University of Dundee in 1984, with an MA in Accountancy. Following training at the Royal Military Academy, Sandhurst, I joined the Parachute Regiment as a Commissioned Officer and served from 1985 to 1990.

7 I started my finance and accounting career in 1990, as a Financial Accountant. I qualified as a Chartered Accountant (ACMA) in 1993. Over the last twenty years I have held a number of Group Chief Financial Officer (“CFO”) roles in a range of largely private equity companies, during which time I have led numerous bank re-financings, M&A projects and private equity exits.

8 From 2006 to 2008, I was a NED and Chairman of the Audit Committee at a publicly listed education company. In the same period, I was also Group Finance Director for a private equity pension group.

9 In 2012, I was headhunted to join POL as a NED. I joined POL as a NED and Chairman of the Audit, Risk and Compliance Committee on 23 May 2012. My initial term was three years, but this was extended by two months in May 2015. I left POL on 31 July 2015 because of my commitments to the CFO position I

held at another company (see below) at the time. I was reluctant to leave POL, but my other employer wanted me to focus more of my time on my CFO role.

10 During my tenure at POL, I held two CFO positions: From 2012 to 2013, I was CFO of a software group. From 2013 to 2016, I was CFO of a global IP administration company. From 2016 to 2024, I have held Group CFO roles at a range of companies in the technology and software industries. I left my latest CFO role in September 2024.

11 Since leaving POL, I have not held any other NED positions.

12 I have never been made subject to any warnings, reprimands or disciplinary action in my career. I do not have any previous criminal convictions or cautions.

III. ROLE AS A NED AT POL

13 I was head hunted by Egon Zehnder in 2011 to join POL as a NED. During the recruitment process, I met with Alice Perkins (Chair) and Neil McCausland (Senior NED). I understood that I would be joining POL in a period of transition with many challenges. POL was separating from Royal Mail Group (“**RMG**”) and required a new governance structure and processes. I understood that the objective was for POL to develop into a mutual organisation, which in due course, would be separate from the government. This would require POL to be financially sustainable and self-supporting. I believed I had relevant experience to bring to the role, having worked primarily in private equity backed companies, where I was responsible for financial reporting and compliance, internal controls, audit process oversight, financial & operational insights, crises

management & financial resilience, and stakeholder communication. I was delighted to be asked to join POL as a NED.

- 14 As a NED, I was responsible for supporting POL and the Board on strategy, holding the executive team to account, setting priorities, providing independent oversight and assessing the performance of the Board. I was also responsible for providing support and a sounding board to the executive team, and challenging and advising on decision making. I understood that I was subject to statutory directors' duties.
- 15 I was asked to Chair the Audit, Risk and Compliance Sub-Committee (the "**ARC**"). As discussed above, I had previously been Chairman of the Audit Committee at a publicly listed education company and therefore had relevant experience to bring to the role. The ARC had just commenced operating when I joined POL. As a result, when I joined, the main focus of the ARC was to support the six-monthly financial reporting and sign off the POL accounts in the published financial statements at the half year and full year. This included making decisions on accounting matters, and confirming policies, accounting questions and judgements.
- 16 When I joined the POL ARC, my main focus was ensuring the external audit function was working properly and that the internal controls were adequate. I therefore focused on ensuring that: (i) the accounting controls were sufficient; (ii) we were satisfied with our auditors; and (iii) we were satisfied with our published financial reporting. When I joined, I reviewed the Terms of Reference and scope of work and ensured that they were appropriate for POL. I also approved the members of the ARC (proposed by Ms Perkins).

- 17 I believe the Board operated effectively. When I joined POL, the Board was newly formed with clear responsibilities and direction. Board meetings were run efficiently by the Chair who would ensure that all papers were circulated and read in advance of meetings and key input and questions for each agenda items were collected from the NEDs. Ms Perkins and Paula Vennells (CEO) encouraged an open discussion at board meetings, with healthy debate, feedback and challenge to the executive team. Alwen Lyons (Company Secretary) circulated comprehensive minutes after the Board meetings with requests for comments. Feedback on the minutes was provided in a timely manner and the Chair always reviewed the prior minutes at Board meetings and sought any final comments or changes.
- 18 I observed that the NEDs were very independent in their thinking and direct in their feedback to the executive team. I also observed that the NEDs were diverse in their experience and skillset, coming from backgrounds including retail, financial services and the public sector. To my mind, this ensured that the Board had a broad range of perspectives in discussing matters.
- 19 I attended monthly Board meetings and ARC meetings during my time at POL. I was also a member of the Mutualisation Committee and, later, the Project Sparrow Sub-Committee. Preparation for the meetings would depend on the length of the agenda, but for a full Board I would spend about half a day preparing for each meeting, meaning I spent about two to three days per month, on average, in my role. For most of my tenure I was in a full time CFO role. But as I will discuss in further detail later in this statement, I had more time in the

summer of 2013 due to being between jobs, and spent more time on my NED role at POL during this period.

IV. INITIAL PERIOD OF TIME AT POL

20 Prior to my appointment as a NED, I cannot now recall any discussions about the Horizon IT system.

21 I do not recall when I first became aware of either (i) bugs, errors or defects in the Horizon IT System (“**BEDs**”); (ii) a lack of integrity in the Horizon IT System; or (iii) complaints addressing BEDs or concerns with integrity.

22 I have been shown the Board minutes dated 23 May 2012, [**POL00021507**] which contains Ms Vennells’ and Ms Perkins’ update to the Board about issues being raised by MPs and others relating to the Horizon IT system. I do not recall this discussion. I note that this Board meeting took place on my first day at POL. I can see now that the tone of the update was positive: “*the meeting* [with James Arbuthnot MP and Oliver Letwin MP] *had been a success*” and the business had “*agreed to use a forensic accountant to investigate the system and give further comfort to those concerned about these cases*”. I believe I would have been reassured that the MPs were satisfied with the meeting, and POL was addressing any remaining concerns with an independent forensic accounting investigation.

23 I have been shown the Significant Litigation Report dated May 2012 [**UKGI0044255**], and the email from Ms Vennells to me and others on 21 June 2012 [**POL00295355**]. I can see that I was told that POL had been notified of five claims from former subpostmasters (“**SPMs**”) for wrongful termination of

contract based on defects in POL's internal processes and defects within the Horizon system. I can see that Ms Vennells informed the Board that POL had agreed to set up an independent investigation into these claims. While I do not remember these specific updates, I believe I would have been content with the response by POL to these claims. Again, POL was instigating an independent review of its own volition.

24 I have been asked by the Inquiry to describe the IT issues considered by the ARC. As discussed above, the ARC was primarily responsible for the review and management of POL's financial audit. As part of this, the ARC did consider the IT audit, however, this was focused primarily on IT controls. This is evident in the minutes of the ARC meeting on 23 May 2012 **[POL00021431]**, which summarises EY's IT audit: *"It was recognised that the IT controls in the business had improved and that there had been a change in the governance and management of the Fujitsu contract."* EY's audit was controls based, meaning that EY used sample testing to establish whether the control environment was working appropriately.

25 I have no independent recollections of the ARC discussing the complaints or claims about the Horizon IT System. However, I have been shown the document pack for the ARC meeting on 13 November 2012 **[POL00158012]**. This pack contains the ARC Briefing Book for the half year ended 23 September 2012. It describes POL's approach to making a provision in relation to the potential claims regarding Horizon. While I do not remember the conversations about this, I can see we decided not to make a provision.

26 I have been asked by the Inquiry to describe my knowledge of the ability of Fujitsu employees to alter transaction data in branch accounts without the knowledge or consent of SPMs (“**Remote Access**”). I have no recollection of ever acquiring this knowledge, however, I can see now that this possibility was raised by the Deloitte reports in 2014 (see further para 75 below).

27 I do not recall taking any specific steps to increase my knowledge of the Horizon IT System. I believe this was because of the reassuring updates I received from the executive team and the understanding I had that Ms Vennells and Ms Perkins were personally dealing with the complaints/challenges in relation to the Horizon IT System.

Second Sight’s appointment and updates to the Board on the investigation

28 I do not recall the circumstances surrounding Second Sight’s appointment. I do not believe I was provided with their Terms of Reference or given any oversight over the work that they were doing, outside of periodic Board meeting updates. My understanding from the documents the Inquiry have provided is that the work towards appointing Second Sight took place before my appointment (see para 22 above regarding Ms Vennells’ update regarding instructing an independent forensic accountant, provided on my first day at POL).

29 I have been provided with the Board meeting minutes of 21 November 2012 [POL00027553], 23 January 2013 [POL00021510] and 21 May 2013 [POL00021513]. I do not recall these Board meetings, or the updates on Second Sight’s investigation contained therein. As a NED, I believe I would have been of the view that the relevant senior member of the executive team (Ms Vennells) was taking forward the Second Sight investigation, and I would

have expected her to provide updates to the Board. We were being told by the executive team that the investigation was going well and “*there was no evidence to suggest fault*” [POL0021510].

V. THE SECOND SIGHT INTERIM REPORT

30 I have no independent memory of reading the Second Sight Interim Report.

31 I have been shown the minutes of the Board meeting on 1 July 2013 [POL00021515]. I do not remember this meeting, and cannot recall what I was told about Second Sight’s work beyond what is in the minutes. I can see that the Board meeting was called at “*short notice*” and Horizon was top of the agenda, for the first time in this period. Clearly by this point, Horizon was an important issue for the Board.

32 I have been shown the emails from Ms Vennells dated 4 July 2013 [POL00145185], 6 July 2013 [POL00115961], and 8 July 2013 [POL00099121]. I do not remember receiving these emails, but I believe I would have been reassured that the executive team was taking what looked like effective actions in response to the Second Sight Interim Report: Ms Vennells was having “*constructive telephone conversations with Alan Bates*”; Ms Vennells and Ms Lyons were having meetings and calls with James Arbuthnot MP and Jo Swinson MP; POL was engaging carefully with stakeholders and preparing a media strategy; and POL was setting up three initiatives ((i) establishing a working party to complete Second Sight’s review process and to look at thematic issues; (ii) conducting a review of how to set up an independent ‘safety net’ to adjudicate in disputed cases in the future; and (iii) setting up a ‘Branch User Forum’ for SPMs and other relevant stakeholders to provide

feedback on training and support processes). I would have seen these as substantive actions being implemented at pace, to deal with a fast-moving situation. The updates also emphasised that Second Sight “*have not found any evidence yet of systemic issues with the Horizon system*” and “*the main issue is not ‘the computer’ but the human aspect*”. I believe I would have found this conclusion to be reassuring.

33 I do not now recall any one to one conversations with senior management or other Board members about or in relation to the Second Sight Interim Report.

34 I can see that the NEDs were not provided with a copy of the Second Sight Interim Report until 8 July 2013, and therefore were not provided with the opportunity to comment on the report before it was finalised. I think this was the correct process. It would not have been appropriate for the NEDs to interfere with the report at this stage until the executive team had completed their work and were able to bring the final version to the Board.

35 I can see that on 12 July 2013, Ms Lyons shared the Horizon Board Paper with the Board [POL00191985]. I do not recall this paper, but I can see that we were being updated on the latest events relating to the Second Sight Interim Report, and being asked for input on how POL should move forward with its response. Looking at this document now, I believe I would have been reassured at how swiftly the actions in section 3 (3.1 – 3.7) had been put into place.

36 I have been shown Simon Clarke’s advice of 15 July 2013 [POL00006357]. I do not recall seeing this advice or discussing it with anyone. I am surprised it was not raised at the 16 July 2013 Board meeting [POL00021516]. However, I do not recall anything about this meeting. I did not know, or do not remember,

that Susan Crichton (General Counsel) was not called to attend this Board meeting. I have since heard reports from the Inquiry and in the media as to why she was not called to attend, but I have no independent knowledge or recollection of the reasons myself.

Insurance

37 I can see that at the Board meeting on 16 July 2013 [POL00021516], “*The CFO was asked what the insurance position was. He promised the Board a note on this. He was also asked to ensure the both RMG [sic.] and the Business’ insurers were given notice of the review findings*”.

38 I can see that Chris Day (CFO) emailed the Board on 19 and 20 July 2013 with his view on the “*impact the current Horizon issues might have on our insurance*” [POL00099331]. I do not recall this discussion specifically, but I had a good understanding of insurance from my finance career and I likely felt I had the expertise to challenge and assist Mr Day on this issue. The email exchange shows that I did not think Mr Day’s response was clear enough (“*I’m afraid Chris’s answer does not address the key question as to whether or not we have got cover*”). My email to Ms Vennells shows how I believed the issue should be thought through – first, establish whether we have Professional Indemnity (“**PI**”) insurance which covers POL, and/or Directors and Officers (“**D&O**”) insurance which covers the directors of POL (my email on 28 July 2013 also presses this point [POL00192987]). Second, consider how to notify POL’s brokers. My view was that we needed to keep POL’s broker and underwriters apprised of developments to ensure we maintain cover, but this must be balanced against risks in prejudicing our position by providing incorrect or irrelevant information.

This was why I suggested that Mr Day should be discussing this with Ms Crichton.

- 39 My role in relation to considering whether POL had appropriate insurance in place to cover the matters arising from the Second Sight Interim Report was consistent with my role as a NED: to use my experience and expertise to challenge and advise the executive team. To my recollection, I was not involved in the drafting of any insurance notifications, including the one at **[POL00112856]**.

Work programme arising from the Second Sight Interim Report

- 40 I can see that on 21 July 2013, I was asked by Ms Vennells to “*cast an eye*” over the programme of work being proposed to deal with the issues following the Second Sight Interim Report **[POL00116097]**. My recollections of this are poor. However, I do recall that around this time, I had finished my current full-time role as CFO, and had a month or so before I started my new position as CFO at my next place of full-time employment. As a result, I had some spare time and I offered my assistance to POL. I cannot recall specifically what work I carried out for POL pursuant to this email. However, as Ms Vennells raised in her follow up email, my role was “*to challenge and support*” the executives. Ms Vennells used the phrase “*sufficiently vague*” so as to not compromise my role as Chair of the ARC. I take her to have meant that as Chair of the ARC, it was my role to provide independent oversight of risk issues. I could not provide this independent oversight if I was involved in the detail of designing initiatives and programmes. This interpretation of Ms Vennells words accords with my own expectation that I would have not been directing the executives on what these

initiatives should look like, but rather offering advice and challenge as to how they might best be run.

41 As Ms Vennells noted in her email of 21 July 2013, I had professional experience of managing large and complex projects. I would imagine that it was this experience that I was being asked to share with the executives responsible for running the various initiatives.

42 I cannot remember the day of 24 July 2013, which my email at **[POL00297942]** relates to. However, I can see that I spent a day at POL assisting with a range of issues, including general advice and support to the CFO function, negotiations with Fujitsu, and Second Sight. I do not recall what the “*very challenging but reassuring discussion with Susan/Alwen*” related to and I have not been provided with any documents relating to this day that could assist my memory. I cannot recall the context to any of my statements in this email.

43 Reflecting on this email now, I believe I was asked to spend some time with the executive team, to give guidance and thoughts around the way the Horizon ‘programme’ should be run. I would have given encouragement and support, and challenge, where appropriate and fed back my views to Ms Vennells afterwards. I cannot, however, recall the substance of what we discussed.

44 I can see from the email dated 27 July 2013, from me to Ms Lyons and others **[POL00192974]** that I had a discussion with Ms Crichton about the timescales for the criminal cases review. I can also see from the email dated 26 July 2013 between myself and Angela van den Bogerd (Head of Partnerships) that I attended meetings with Ms van den Bogerd, Ms Crichton and Ms Alwen relating to the Second Sight Interim Report **[POL00192969]**. However, I have no

recollections of these meetings or any other discussions about work arising from the Second Sight Interim Report.

The ARC's role in relation to the Second Sight Interim Report

45 During my first 12 – 18 months the main focus of the ARC was on the audit side of the role, as the ARC established a new governance process separate from the RMG processes. This included signing off the six-monthly financial statements and assessing the performance of the auditors. During this time POL also strengthened its Internal Audit department (including hiring a new Head of Internal audit). In the first half of my tenure, there were risk processes in place but these were owned by the CEO, Ms Vennells, and she reported on risk to the Board. During the second half of my tenure we started to develop the risk part of the ARC role. This concerned risk more generally, and, as I recall, was not in direct response or related to the Second Sight Interim Report. I believe this led to Ms Perkins' email of 10 July 2013, where she asked Board members to share their views of the top five business risks, for consideration at the ARC [POL00099164].

46 I have reviewed the minutes from the ARC meeting dated 19 November 2013 [POL00198199], where "*Allegations relating to the integrity of the Horizon systems*" is listed as one of the "*top six risks as identified by the Business*". I am reminded that Ms Vennells told the ARC that "*the Business had owners for all the risks*" and "*the Business would also be reviewing the top risks at the ExCo on a quarterly basis*". I now do not remember this discussion, but on reflection I believe that the Second Sight Interim Report and the risk issues arising from it would have been considered too serious to be discussed only at

an ARC level – which is why it was escalated to Board level for consideration directly by the CEO. Given the significance of the risks, and the potential ramifications for the business, I believe it was appropriate that these were considered by the Board rather than solely by the ARC.

Review of the Second Sight investigation

47 I have been shown the email from Malcolm Zack (Head of Internal Audit) dated 29 July 2013 [POL00298030], which says that Ms Vennells and I asked Mr Zack to provide independent assurance over the activity Ms van den Bogerd was leading “to improve the culture and change process in light of the draft *Second Sight report*”. I do not recall this email or asking Mr Zack to undertake this work.

48 I have been shown emails (dated 2 August 2013 to 7 August 2013) between me and Richard Hatfield in relation to a ‘Lessons Learned Review’ [POL00298143]. I can see that I was involved in the initial discussions with Mr Hatfield and I reviewed the earlier Terms of Reference [POL00298144]. I provided comments to Ms Vennells and Ms Perkins [POL00193835]. I can see that following discussions between myself, Ms Perkins and Ms Vennells, and a further draft Terms of Reference being prepared [POL00298437], Ms Vennells decided not to proceed with the review by Mr Hatfield [POL00108113]. I do not recall why Mr Hatfield was stood down, but I can see from the email dated 11 September 2013 that Ms Vennells decided that the review should be conducted internally. I believe, on reflection, that perhaps Ms Vennells decided that there were too many overlapping external investigations/reviews being undertaken (Second

Sight, Richard Hatfield, etc) and it would be more efficient to keep the review in house. However, I have no independent recollection of this.

Legal advice

- 49 I have been shown the following legal advice provided to POL:
- 49.1 Simon Clarke's advice dated 15 July 2013, titled 'Advice on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System' **[POL00006357]**;
- 49.2 Simon Clarke's advice dated 2 August 2013, titled 'The Duty to Record and Retain Material' **[POL00006799]**;
- 49.3 Brian Altman KC's advice dated 2 August 2013, titled 'Interim Review of Cartwright King's Current Processes' **[POL00006583]**; and
- 49.4 Brian Altman KC's advice dated 15 October 2013, titled 'General Review' **[POL00038538]**.
- 49.5 These documents are not familiar to me. I do not remember receiving, reading, or being briefed on any of these notes of advice. I have no recollection of ever being provided with any notes of advice from lawyers instructed by POL, with the exception of the Linklaters advice which I discuss later in this statement.

Susan Crichton's departure

- 50 I have been asked to comment on any discussions about Ms Crichton's departure from POL. I do not recall Ms Crichton's departure. I have been shown the emails between Ms Vennells and me dated 7 September 2013

[POL00116124] in which a reference might have been made to Ms Crichton's departure (*"in the meanwhile I hope all goes ok with Susan on Monday"*), but I do not recall the context to this comment, or my conversation with Ms Vennells that day. I may have been involved in some discussions about Ms Crichton's competence, as part of my role as NED was to challenge and support individual executive directors. However, I have no specific memories of discussions about Ms Crichton, or about her departure.

VI. THE MEDIATION SCHEME AND REVIEW OF CRIMINAL PROSECUTIONS

Establishment of the Mediation Scheme

51 I have been asked to provide an account of the nature and extent of my involvement in the establishment, running, oversight and changes to the Mediation Scheme and the Working Group.

52 I do not have a detailed recollection of the establishment of the Mediation Scheme. However, from the documents provided to me by the Inquiry, it would seem that the Mediation Scheme developed from the *"three key strands"* of POL's response to the publication of the Second Sight Interim Report that Ms Vennells set out for the Board in her email of 8 July 2013 [POL00297494]. In that email, Ms Vennells wrote that POL was intending to establish a working party *"to complete the review process and look at the thematic issues which have emerged (particularly related to training and support)"* and conduct a review of *"how we might set up an independent 'safety net' to adjudicate cases in the future."*

- 53 I have been provided with a copy of a detailed note from Ms Crichton to the Board dated by 26 July 2013, in which Ms Crichton provided an update on the “*work programme arising from the Horizon Report*” [POL00192962]. It is clear from this note that by 26 July, the executive team were of the view that the “*safety net*” announced on 8 July should be a “*process of mediation*” overseen by an “*independent adjudicator*”.
- 54 I did meet with Sir Anthony Hooper as part of the process by which he became Chair of the Working Group. A note of our meeting, which took place on 24 September 2013 and was attended by Ms Vennells and her Chief of Staff, Martin Edwards, can be found at [POL00381770]. In an email to Ms Vennells on 25 September 2013 [POL00158066], I noted that I had been “*very impressed with Tony and think he will do a really good job*” and that “*I’d certainly encourage him to come forward with his views not just on his part but the wider process*”. I cannot recall the details of the meeting on 24 September, but I do recall being of the view that Sir Anthony was a highly accomplished professional and had just the sort of experience that we needed in a chair of the Working Group.
- 55 I have been asked by the Inquiry who was responsible for strategy and/or decision making in respect of the Mediation Scheme and the Working Group. From the documents provided to me by the Inquiry, it would seem fair to conclude that other than the CEO, who would have had overall responsibility for such matters, Ms Crichton and Ms Lyons were actively involved in establishing the Mediation Scheme and ultimately the Working Group.

56 I have been asked by the Inquiry who was responsible for the strategy of responding to concerns raised about the Horizon IT system by MPs and journalists. The Board was responsible for overall strategy. Turning to communications strategy, I cannot recall for certain who had such responsibility, but I would expect that Ms Vennells as CEO, and Mark Davies as the Head of Communications, would have played the key roles in responding to enquiries from the media and members of Parliament. I am also aware that Ms Vennells and, on occasion, Ms Perkins, met with certain members of Parliament.

Review of past convictions and post-conviction disclosure

57 I have been asked by the Inquiry to describe the nature and extent of my knowledge of and/or involvement with POL's review of past convictions and post-conviction disclosure. This review was undertaken by POL's criminal solicitors, Cartwright King. It is clear from the papers provided to me by the Inquiry, that Ms Crichton and Chris Aujard (the new General Counsel) kept the Board informed of the progress of this review. However, decisions made about what documents needed to be disclosed and to whom were properly matters for Cartwright King and not for the Board.

Review of the Prosecutions Policy

58 Ms Crichton's note to the Board of 26 July 2013 also referred to the executive team developing an "*initial position on the pros and cons of continuing to bring prosecutions ourselves*" [POL00192962]. I have mentioned above the meeting I had on 24 July 2013 with Ms Crichton and Ms Lyons in which, according to

the email I sent to Ms Vennells following that meeting, we discussed the need to consider revising POL's approach to prosecutions.

59 From the papers provided by the Inquiry, I can see that the Prosecution Policy was discussed when the ARC met on 19 November 2013 [POL00198199]. Ahead of the meeting, the ARC was provided with a detailed note from Mr Aujard on POL's approach to prosecutions [POL00027143]. Mr Aujard provided a useful summary of the background to POL's practice of bringing prosecutions and then set out four options for the committee to consider. Mr Aujard advised that the preferred option was to "*cease all prosecutorial activities*" alongside a project to improve the overall control framework across the branch network. I cannot recall reviewing this paper, but I know that I would have done so, as it was included in the pre-reading for the ARC meeting that I was to chair.

60 The minutes for the meeting of the ARC on 19 November 2013 record the committee's discussion of Mr Aujard's paper [POL00198199]. I do not recall this meeting. I note that the minutes record that the ARC was "*nervous about changing the approach to prosecutions as in their view this acted as a deterrent*". I know that the Board was cognisant of the fact that POL was entrusted with a great deal of public money and therefore it was essential to ensure that there were adequate procedures in place to keep that money safe. As I now re-read the minutes for the ARC meeting on 19 November 2013, I think it likely that it was this consideration that had given the committee cause to pause before agreeing with Mr Aujard's recommendation that all prosecutions should stop. I believe the ARC also asked for further information on the likely consequences of a change in policy. POL had a very long history

of private prosecutions, so any significant departure from this policy needed to be given serious consideration. Given the gravity of the question, I am not surprised that the ARC wanted the executive team to explore the implications of the various options further. It was decided that the Board should consider the prosecutions policy at the Board meeting on 21 January 2014 [**POL00021521**]. The policy was then revisited during the ARC meeting on 11 February 2014 [**POL00038679**].

61 I have been provided with a copy of a note that Mr Aujard wrote for the ARC on 7 February 2014 ([**POL00030900**]). In this note, Mr Aujard provided the ARC with far more detail about the costs and other implications of the various proposals, which I assume was in response to the discussion at the ARC meeting on 19 November 2013 and, I believe, the ARC's request for further information. Unlike on 19 November 2013, where Mr Aujard recommended that POL stops all private prosecutions, here Mr Aujard recommended pursuing a prosecutions policy that was focussed on prosecuting "egregious" conduct. I do not know or now recall why Mr Aujard's recommendation changed.

62 The Inquiry has provided me with copies of emails that were exchanged between members of the ARC over the weekend of 8 and 9 February 2014 [**UKGI00043711, POL00104233, POL00027687, POL00100224**]. I do not recall these emails but on reviewing them now, I am reminded of the fact that directors' deliberations were not confined to meetings. We did give further thought to key issues outside of meetings and the fact that this paper gave rise to an exchange of emails over a weekend is an indication of how seriously this matter was being taken by the Board. A range of views are expressed by

various directors in these emails, but taken in the round, it is evident that nobody had any interest in maintaining the status quo. It was clear to the Board following the Second Sight Interim Report that POL's approach to prosecutions had to change. The question the directors were grappling with was should prosecutions be ceased all together (it would seem that Ms Perkins and Susannah Storey (NED) were of that view) or was there a place for prosecuting in some circumstances in order to provide a deterrent and ensure that every step was being taken to protect public money (as it would seem Mr McCausland thought).

63 The minutes for the meeting of the ARC on 11 February 2014 record that the committee agreed with Mr Aujard's suggestion that the prosecution policy should be revised such that only "egregious misconduct" would be prosecuted **[POL00038679]**. The matter was considered by the full Board when it met on 26 February 2014. The minutes for that meeting record that the Board approved Mr Aujard's proposed changes to the prosecution policy **[POL00027337]**.

64 I cannot recall in any detail the discussions that were had at either the 11 February ARC meeting or the 26 February 2014 Board meeting. However, the documents I have seen show that the ARC and the Board gave a lot of thought to this important question before ultimately deciding to end POL's long-standing practice of regularly prosecuting SPMs.

Project Sparrow sub-committee

65 I have been asked to describe the nature and extent of my involvement with the Project Sparrow sub-committee.

- 66 The Board agreed to set up the Sparrow sub-committee in the Board meeting held on 26 March 2014 [**POL00021523**]. I can see from these minutes that it was proposed that the Sparrow sub-committee would involve the CEO, Richard Callard and myself. Other NEDS were invited if they wished to join.
- 67 My memories of this are vague. On reflection now, I believe the Board felt the different workstreams and projects relating to Project Sparrow were too disparate – there were different focus areas, including legal, financial, operational, communications – which all needed to be joined in one forum, to enable proper oversight over a serious issue.
- 68 I do not recall being consulted on the formation of the Sparrow sub-committee, but I remember that Ms Perkins asked me to join the Sparrow sub-committee. I believe I was asked to join because I was Chair of the ARC and therefore could bring an audit and risk perspective to the sub-committee. On reflection, I also think I may have been asked to join because of my experience in business crisis and rescue situations. There was clearly a great deal of complexity to the Sparrow issues, particularly relating to corporate liability and insurance, and I may have been seen as someone with expertise in this area.
- 69 I have reviewed the minutes of the Project Sparrow sub-committee meetings on 9 April 2014 [**POL00006565**], 30 April 2014 [**POL00006566**], 6 June 2014 [**POL00205498**], 12 January 2015 [**POL00022293**] and 18 February 2015 [**POL00006574**]. I have also reviewed the document packs for the Project Sparrow sub-committee meetings on 30 April 2014 [**POL00414087**], 6 June 2014 [**POL00022128**] and 12 January 2015.

70 I have no independent recollections of these specific meetings. However, around the time when the Sparrow sub-committee was set up, I do recall feeling that the Initial Complaint Review and Mediation Scheme was not going well and I felt frustrated by its slow progress. This is reflected in the Project Sparrow sub-committee minutes of 9 April 2014 [POL00006565]: The Mediation Scheme was supposed to come to an end in March 2014, however, by April 2014, Second Sight had only produced three case reviews which had all been rejected by the Working Group as not sufficient for mediation. We believed that Second Sight was struggling to deal with the complexity and volume of the task. There was also a significant “*expectation gap*” between what SPMs expected to receive as compensation, and what POL was willing, and able, to pay, as a company reliant on public money. Separately, costs of the scheme had greatly exceeded expectations.

71 I do not have any independent memories of any other discussions within the Project Sparrow sub-committee.

Linklaters Advice and Deloitte’s Project Zebra reports

72 I have been asked to set out what my thoughts were on the advice provided by Linklaters [POL00107317]. I do not have a detailed recollection of how I reacted to Linklaters’ advice when I read it in March 2014. I have, however, re-read it as part of the process of preparing this statement. I am struck by Linklaters criticism of the approach adopted by Second Sight, which they described as “*idiosyncratic*”, and their recommendation that POL should obtain a “*baseline*” assessment of the Horizon system. My recollection is that the Board responded to the suggestion of a “*baseline*” review by instructing Deloitte. The minutes for

the Board meeting on 26 March 2014 support this recollection. The minutes 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”* [POL00021523].

73 Turning to the work performed by Deloitte, I recall that the partner responsible for the work attended a meeting of the Board and gave us comfort that Horizon was performing as expected. Having reviewed the documents provided by the Inquiry, I can see that this meeting took place on 30 April 2014, and that the Deloitte partner, Gareth James, told the Board *“that all work to date showed that the system had strong areas of control and its testing and implementation were in line with best practice”* [POL00021524].

74 As with the Linklaters advice, I cannot recall my reaction to Deloitte’s ‘Board Briefing’ when I first read it in June 2014 [POL00138402]. On re-reading it now, I noted the following:

74.1 It is not clear to me now that the work undertaken by Deloitte constituted the *“baseline”* review originally suggested by Linklaters. Deloitte made it clear in the Board Briefing that they had conducted a *“desktop review”* and had not conducted any testing of the system.

74.2 Deloitte had identified that, contrary to POL’s understanding, it was possible for a rogue administrator to delete data from the Audit Store.

74.3 The Balancing Transaction process did allow administrators to directly input transactions into a Branch’s ledger without the SPM knowing.

75 I have reviewed the minutes for the meeting the Project Sparrow sub-committee on 6 June 2014 and the meeting of the Board on 10 June 2014, and I am surprised to see that at neither meeting did we discuss the Deloitte 'Board Briefing'. In light of the important matters identified by Deloitte in that Briefing, this seems like a missed opportunity for the Board to press the executive team on what was being done about Deloitte's findings. Given that the Deloitte partner had attended a Board meeting following the publication of his initial report, then on reflection I think he should have attended a Board meeting following the publication of the 4 June "*Board Briefing*". Such a session would have provided the Board with an opportunity to explore the issues around remote access with Deloitte and the executives responsible for commissioning Deloitte's work.

NFSP

76 As far as I can recall, I had no direct involvement with the NFSP. This relationship would have been managed by the CEO and other executives. It is evident from the documents provided by the Inquiry that the Board was updated from time-to-time on matters relating to the NFSP.

VII. CONCLUSION

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

78 When I joined POL the Horizon IT System had been in place for over ten years and used by thousands of SPMs for millions of transactions on a daily basis. In

addition, POL's custom and practice of carrying out private prosecutions pre-dated the Horizon IT System by many years. Against this backdrop, I was persuaded by the constant reassurances to the Board that the Horizon IT System was reliable. This was further justified by external independent reporting (Second Sight) that there were 'no systemic failings' within Horizon.

79 The challenges by stakeholders and SPMs to the Horizon IT System pre-dated the separation of POL and RMG. But I believe in the circumstances, and once the POL Board understood the gravity of the situation, that the Board responded at pace. The Board commenced a series of important investigations, through the summer of 2013, which sought to address many of the key issues (this included the Second Sight review, the review of past prosecutions, the Linklaters review and the Deloitte review). This significant action took place against a backdrop of other existential operational risks and issues in the business, including network transformation, mutualisation, weak financial performance and industrial action.

80 Looking back at this period with the benefit of hindsight, I believe the approach taken by the Board may have lacked sufficient coordination and a holistic perspective. While there were numerous investigations, programmes and reviews, the Board failed to identify and resolve the key issues: (i) was the core Horizon IT System working properly; and (ii) had POL complied with its obligations and responsibilities as a prosecutor. I regret that our efforts did not reach the desired or effective outcome. I do nonetheless believe that the Board genuinely intended to establish the truth and resolve the problems related to, and arising from, the Horizon IT System.

STATEMENT OF TRUTH

I believe the contents of this statement to be true.

Signed: **GRO**

Dated: 31 October 2024

Index to First Witness Statement of Alasdair Marnoch

No.	URN	Document Description	Control Number
1.	POL00021507	Meeting minutes: minutes of Board meeting held on 23 May 2012	POL0000040
2.	UKGI00044255	Significant Litigation Report	UKGI052799-001
3.	POL00295355	Email from Paula Vennells to Neil McCausland, Virigina Holmes, Susannah Hooper and others re News coverage.	POL-BSFF-0133405
4.	POL00021431	Post Office Limited Audit, Risk and Compliance Committee Minutes of 23 May 2012	POL-0018061
5.	POL00158012	Meeting of the AUDIT, RISK AND COMPLIANCE SUB-COMMITTEE to be held at 14.00 on Tuesday 13 November 2012	POL-0146368
6.	POL00027553	Post Office Minutes: Board Meeting held on 21 November 2012	POL-0024194
7.	POL00021510	Meeting minutes: Board meeting minutes of meeting held on 23 January 2013	POL0000043
8.	POL00021513	Meeting minutes: minutes of Board meeting held on 21 May 2013	POL0000046

9.	POL00021515	Post Office Limited Board Minutes of 01 July 2013	POL0000048
10.	POL00145185	Email from Paula Vennells to Alice Perkins CB, Neil McCausland, Virginia Holmes and others RE: Second Sight update 4/7/13	POL-BSFF-0004312
11.	POL00115961	Email from Paula Vennells to Alice Perkins, Neil McCausland and others RE: SS 5 July update	POL-0116963
12.	POL00099121	Email from Sarah Paddison to Paula Vennells, Alice Perkins, Neil McCausland and others re Update on SS review - 7 July	POL-0098704
13.	POL00191985	Post Office Ltd Board - interim report on Horizon	POL-BSFF-0030048
14.	POL00006357	Advice on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System	POL-0017625
15.	POL00021516	Meeting Minutes: minutes of Board meeting held on 16 July 2013	POL0000049
16.	POL00099331	Email from Alasdair Marnoch to Paula Vennells Re: "Insurance reply".	POL-0098914

17.	POL00192987	Email chain from Chris M Day to Charles Colquhoun cc Susan Crichton, Martin Edwards RE: Board note on Horizon	POL-BSFF-0031050
18.	POL00112856	Email between Stuart Corney and Claims DO Re: New D&0 Circumstance Notice	POL-0110268
19.	POL00116097	Email from Alasdair Marnoch to Paula Vennells, Susan Crichton, Martin Edwards and others RE: JFSA/SS	POL-0117097
20.	POL00297942	Email from Alasdair Marnoch to Paula Vennells RE; Today - summary of board meeting /Second Sight thoughts	POL-BSFF-0135992
21.	POL00192974	Email from Alasdair Marnoch To: Alwen Lyons CC: Alice Perkins, Neil McCausland and others re Board note on Horizon	POL-BSFF-0031037
22.	POL00192969	Email from Alasdair Marnoch to Angela Van-Den-Bogerd re: Horizon report - review of support for agents.	POL-BSFF-0031032
23.	POL00099164	Email from Alwen Lyons to Alice Perkins, Neil McCausland, Virginia	POL-0098747

		Holmes and others re 2013 07 16 Post Office Limited Board and Mutualisation Committee Meetings	
24.	POL00198199	Post Office - Minutes of a meeting of the AUDIT, RISK AND COMPLIANCE SUB-COMMITTEE held on Tuesday 19 November 2013 by conference call	POL-BSFF-0036262
25.	POL00298030	Email from Malcom Zack to Angela Van- Den-Bogerd re: Horizon	POL-BSFF-0136080
26.	POL00298143	Email from Tracy Cox to Angela Van- Den-Bogerd CC'd Larissa Wilson RE;MEETING UP - Post Office Second Sight review	POL-BSFF-0136193
27.	POL00298144	Post Office Investigation Second Sight's Horizon review	POL-BSFF-0136194
28.	POL00193835	Email from Alisdair Marnoch to Paula Vennells cc'd Alice Perkins re: In confidence: follow up to our meeting	POL-BSFF-0031898
29.	POL00298437	PO Lessons Learned Review	POL-BSFF-0136487
30.	POL00108113	Email from Paula Vennells to Theresa Iles re Lessons learned ToR	POL-0110938

31.	POL00006357	Advice on the use of expert evidence relating to the integrity of the Fujitsu Services Ltd Horizon System	POL-0017625
32.	POL00006799	Advice on Disclosure and the Duty to Record and Retain Material	POL-0017591
33.	POL00006583	Interim Review of CK Processes by Brian Altman QC	POL-0017668
34.	POL00038538	Post Office - General Review, Brian Altman QC	POL-0027849
35.	POL00116124	Email chain from Paula Vennells to Alasdair Marnoch cc Alice Perkins CB re: Follow up	POL-0117123
36.	POL00297494	Email from Martin Edwards To: Paula Vennells re Update on SS review – 7 July	POL-BSFF-0135544
37.	POL00192962	Update on the work programme arising from the Horizon Report	POL-BSFF-0031025
38.	POL00381770	Notes from meeting between Paula Vennells and Sir Anthony Hooper MP on 24 September 2013 and next steps.	POL-BSFF-0208657
39.	POL00158066	Email thread from Alasdair Marnoch to Paula Vennells Re: Thank you	POL-0146411

40.	POL00192962	Update on the work programme arising from the Horizon Report	POL-BSFF-0031025
41.	POL00198199	Post Office - Minutes of a meeting of the AUDIT, RISK AND COMPLIANCE SUB-COMMITTEE held on Tuesday 19 November 2013 by conference call	POL-BSFF-0036262
42.	POL00027143	PO Ltd meeting of AUDIT, RISK AND COMPLIANCE SUBCOMMITTEE	POL-0023784
43.	POL00021521	Meeting Minutes: minutes of Board meeting held on 21 January 2014	POL0000054
44.	POL00038679	Post Office Limited Minutes of a meeting of the Audit, Risk and Compliance Sub-Committee held on Tuesday 11 February 2014 by conference call	POL-0027990
45.	POL00030900	Meeting Agenda for the Audit, Risk and Compliance Sub-Committee, including paper on the Post Office's Prosecuting Policy	POL-0027382
46.	UKGI00043711	Email chain from Paula Vennells to Alasdair Marnoch, CC Alice Perkins and Larissa Wilson and others re: 2014 02 11 ARC	UKGI051943-001

		teleconference - concerning the impact of BIP	
47.	POL00104233	Email chain from Neil McCausland to Alice Perkins, Larissa Wilson, Tim Franklin and others re: 2014 02 11 ARC teleconference	POL-0103816
48.	POL00027687	Email from Susannah Hooper to Alice Perkins, cc'ing Larissa Wilson, Tim Franklin, Alasdair Marnoch and others, re: ARC Teleconference	POL-0024328
49.	POL00100224	Email from Chris Aujard to Neil McCausland, RE: 2014 11 ARC Teleconference	POL-0099807
50.	POL00027337	POL Board Meeting Minutes of 26 February 2014	POL-0023978
51.	POL00021523	Meeting Minutes: minutes for Board meeting held on 26th March 2014	POL0000056
52.	POL00006565	Project Sparrow Sub-Committee Minutes 9 April 2014	POL-0017844
53.	POL00006566	Project Sparrow Sub-committee Minutes 30 April 2014	POL-0017845
54.	POL00205498	Minutes of a meeting of the Project Sparrow Sub-Committee of the	POL-BSFF-0043561

		Board held at 148 Old Street, London EC1V 9HQ on 6 June 2014	
55.	POL00022293	Agenda for Sparrow sub- committee meeting to be held on the 12 Jan 2015 to discuss the initial compliant and mediation scheme.	POL-0018772
56.	POL00006574	Sparrow Sub-Committee Minutes 18 Feb 2015	POL-0017848
57.	POL00414087	Post Office Ltd Board Meeting of the Sparrow Sub-Committee between Alice Perkins, Paula Vennells, Alasdair Marnoch and others.	POL-BSFF-0234195
58.	POL00022128	Minutes of the Sparrow sub- committee held on the 6 June 2014	POL-0018607
59.	POL00006575	Sparrow Sub-Committee Minutes 12 January 2015	POL-0017849
60.	POL00107317	Legally privileged report prepared by Linklaters on behalf of Post Office into initial complaint review and mediation scheme legal issues	POL-0105625
61.	POL00021524	POL Board Meeting Minutes: minutes	POL0000057

		for Board meeting held on 30 April 2014	
62.	POL00138402	Deloitte Board Briefing: Document, further to our report "Horizon: Desktop review of assurance sources and key control features" dated 23/5/14, responding to five specific matters identified by POL as critical to POL's legal position.	POL-BSFF-0000626