

## Whips briefing: Post Office Ltd 'Horizon' accounting system

### Issue:

The Horizon accounting system was introduced into post offices in 1999 and records every post office transaction (6 million per day) across a network of nearly 12,000 branches. The integrity of the system has been called into doubt by a very small minority of ex-subpostmasters who claimed that irregularities in the system caused losses to be recorded at their branches which have led to the termination of their contracts. Post Office Ltd (POL) has always vigorously contested these claims, but agreed to an independent review in 2012 to investigate the claims.

### The review:

In June 2012, POL appointed Second Sight (forensic accountants) to undertake an independent review of Horizon. The review has been conducted independently and POL and BIS will not see a draft of the initial report (into 4 cases) until Friday 5 July. Second Sight are preparing to make their report available to MPs on Monday 8 July at 6pm. BIS and Post Office will see a near final draft on Friday 5 July.

### James Arbuthnot's involvement:

James Arbuthnot has been informally championing ex-subpostmasters who have expressed concerns about the integrity of the Horizon system. He led calls for a review of the system, and acted as a conduit for passing cases to Second Sight (thereby preserving BIS and POL independence). Arbuthnot is not due to see a copy of the report until it is published on Monday 8 July and confirmed this when he spoke to Jo Swinson on Wednesday on 3 July.

### What the report likely to say:

BIS understands that the review *has not found issues with the integrity of Horizon*, but that the report could be critical of the training and support provided by POL to subpostmasters with respect of certain operating procedures. We do not believe that the report suggests that any convictions against subpostmasters for theft or false accounting are unsafe, as Arbuthnot has previously suggested.

Of the 49 cases referred, Second Sight has looked in depth at the four 'strongest' cases (those where it was felt there was the greatest possibility of finding evidence of system weakness). The review also looked at two specific anomalies that POL itself identified. Again, POL has reported that it is confident that the Second Sight review has not found any systemic issues with the system.

### What has happened so far:

Conversations between POL and Arbuthnot; POL and Jo Swinson and Jo Swinson and Arbuthnot took place yesterday, 3 July. In his conversation with Jo Swinson, Arbuthnot conceded that it appeared that the report was unlikely to find any

systemic failures in the Horizon system but he remained concerned that the overall picture it would paint was one of a lack of support for subpostmasters which in his view brought into question the soundness of previous convictions. BIS does not support this view.

Likely next steps:

Given his role as champion, BIS suspects that Arbutnot is seeking to achieve maximum coverage for this report, and understand that he is trying to arrange pre-recorded broadcast interviews, and has also approached the Speaker with regard to tabling an urgent question, or requesting the Minister make a statement.

BIS does not intend to make a statement on this issue as we have seen no evidence to suggest that the integrity of the Horizon system is compromised, or that any previous convictions of subpostmasters for fraud or false accounting should have been cast into doubt.

Wide impacts – Royal Mail privatisation

Vince Cable and Michael Fallon are making a statement to Parliament on Wednesday 10 July, setting out the steps towards a Royal Mail transaction. In the eyes of many MPs, the media and the public at large, Royal Mail and the Post Office are the same entity. Although not related, the adverse coverage that Arbutnot is seeking to attract is likely to have a significant and diversionary impact on the messaging of the Royal Mail statement.

Key lines to take:

"Matters relating to the operation of the Horizon accounting system are the responsibility of Post Office Ltd. The Government does not play a role in operational matters."

"POL commissioned an independent report of the Horizon system. As this is an independent review, it would not be appropriate to comment or speculate ahead of publication."