

Witness Name: Stuart Sweetman

Statement No.: WITN0399-1

Exhibits: None

Dated: 21 September 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF STUART SWEETMAN

I, Mr Stuart Sweetman, will say as follows:

1. This statement responds the Rule 9 Request 1 dated 1 June 2022 concerning Government knowledge of technical issues with Horizon prior to roll-out.
2. I have been asked to set out a brief statement of my professional background. I qualified as a Chartered Accountant with Touche Ross in 1973. Joined the Post Office in 1982 having been the audit manager responsible for the external audit of the Post Office (before the separation of the then Mails businesses (Letters and Parcels), Girobank and Telecommunications). Various roles until 14 May 1996 when I was appointed Managing Director, Post Office Counters. Ceased to be Director on 13 November 2001. Retired from Royal Mail in 2002. No subsequent full-time employment.
3. I have no access to papers or records concerning Horizon and so my responses to the questions asked by the Inquiry will be from recollections of events up to 25

years ago and I am 74 years old. I have reviewed the 4 document bundles that have been made available to me.

4. I have been asked to set out the background to my involvement in the Horizon project. I recall that my first involvement with Horizon started on the day of my appointment as Managing Director, Post Office Counters. I was required to sign an agreement/contract concerning Horizon that had been prepared by the management team lead by my predecessor Richard Dykes (who became Managing Director, Royal Mail). I cannot recall the scope of this agreement/contract. I recall that ICL/Fujitsu had been selected as the chosen contractor to supply a system to automate our network of post offices and the payment of state benefits. From then on, as Managing Director, I had overall responsibility for Horizon as a project – through normal project management processes. My personal involvement will have consisted of agreeing project objectives, receiving reports on project progress, reporting to my line manager- John Roberts, Chief Executive Officer of the Royal Mail Group, and reporting to the Board of the Royal Mail Group. I dealt with issues that required meetings with my opposite numbers in the Benefits Agency (Peter Matthison?), ICL/Fujitsu (I cannot recall their initial MD's name but he was replaced by Mr.Cristou), DTI (David Sibbick?) and occasionally the Treasury.
5. I have been asked to explain the objectives of the Post Office in procuring an automated payment system. I recall that the business strategic objectives of Post Office Counters in procuring an automated payment system included a) providing a modern computer platform to transact all customer and client business through all post offices (replacing a largely manual records-based system) b) tie in the

Benefits Agency to using the post office network to pay benefits (they represented about 30% of Post Office Counters client income).

6. I have been asked to explain my understanding, at the time, for procuring the automated payment system under the Private Finance Initiative. The PFI route was in line with the then Government policy of involving the private sector in large and expensive projects. This shifts the finance off-balance sheet for the public sector and rewards the private sector for taking on the risks involved in large and complex projects.
7. I have been asked to explain my understanding, at the time, of the risks identified in ICL Pathway's proposed technical solution I have no recollection of the risks identified in ICL Pathway's technical solution.
8. I have been asked to explain my understanding, at the time, of the reason(s) for selecting ICL Pathway as the chosen provider of the automated payment system. I was not directly involved in the selection of ICL Pathway as supplier – this had been done prior to my appointment as MD. I recall they had a prototype system developed and they were a UK company.
9. I have been asked to explain my understanding, at the time, of the risks identified in the development and delivery of the Horizon system. I cannot recall the details of the technical risk list but the general risk list must have included -scale (roll-out to c.20000 post offices, c.40000 staff and sub postmasters), technical complexity – both within Post Office Counters and our Clients (principally the Benefits Agency), financial stability of ICL, political support (DTI and DSS differing agenda's). I recall the project had a detailed risk list that was constantly monitored (timescales, work streams and financial).

10. I have been asked to describe the problems faced by the Horizon project between Autumn 1996 – Spring 1997. I do not recall the problems faced by the Horizon project between Autumn 1996 and Spring 1997.
11. I have been asked to describe and explain the reason(s) for the “no-fault” replan of the Horizon project in or around February 1997. I do not recall the reason(s) for the ‘no-fault’ replan of the Horizon project in or around February 1997.
12. I have been asked what I understood to have been the technical issues with Horizon at this time. I have no recollection of the technical issues with Horizon around February 1997.
13. I have been asked to describe the problems faced by the Horizon project between April and December 1997. I do not recall the problems faced by the Horizon project between April and December 1997.
14. I have been asked to explain the reason(s) why an independent review of the Horizon project was commissioned in or around July 1997. I do not recall the reason(s) why an independent review of the Horizon project was commissioned in or around July 1997.
15. I have been asked to explain the reason(s) for issuing to ICL Pathway a legal notice of breach of contract in November 1997. I do not recall the reason(s) for issuing ICL Pathway a legal notice of breach of contract in November 1997.
16. I have been asked to explain what I understood about technical issues with Horizon at this time. I do not recall the technical issues with Horizon at this time.
17. I have been asked to describe the feedback obtained from end users of the Horizon system at this time. I do not recall the feedback obtained from end users of the Horizon system at this time.

18. I have been asked to describe the problems faced by the Horizon project between January and May 1998. I do not recall the problems faced by the Horizon project between January and May 1998.
19. I have been asked whether there was agreement between the Post Office and the Benefits Agency about the future of the Horizon project at this time? If not, what were their respective positions as you recall them? I recall that there were tensions between the Post Office and the Benefits Agency over the future of the Horizon project. They were principally at the strategic level where Post Office Counters had doubts over the Benefits Agency commitment to a payment card solution and therefore preserving the viability of the national network of post offices. Financially approximately 30% of the income of Post Office Counters came from the Benefits Agency. If this was at risk then the ability to preserve a national network of post offices serving every community in the UK was in doubt. Without an automated front office further important client's business would be at risk. It emerged that the Benefits Agency preferred route was to make benefit payments direct into bank accounts.
20. I have been asked about I understand at this time about the technical integrity and robustness of Horizon. I do not recall the technical integrity and robustness issues of Horizon project at this time.
21. I have been asked to describe the problems faced by the Horizon project between June and December 1998. I do not recall the problems faced by the Horizon project between June and December 1998.
22. I have been asked whether there was agreement between the Post Office and the Benefits Agency about the future of the Horizon project at this time? If not, what were their respective positions as you recall them. Concerning the state of

agreement between Post Office Counters and the Benefits Agency, at this time, please refer to my answer in paragraph 19 above.

23. I have been asked what I understood at this time about the technical integrity and robustness of Horizon? I do not recall the problems with the technical integrity and robustness issues of Horizon project at this time.

24. I have been asked to describe ICL Pathway's proposed changes to the acceptance criteria for the Horizon System in November and December 1998. I do not recall the proposed changes to the acceptance criteria for the Horizon System between November and December 1998.

25. I have been asked how the Post Office responded to these proposed changes. I do not recall the Post Office response to these proposed changes.

26. I have been asked to describe the problems faced by the Horizon project between January and May 1999. I do not recall the problems faced by the Horizon project between January and May 1999.

27. I have been asked whether there was agreement between the Post Office and the Benefits Agency about the future of the Horizon project at this time? If not, what were their respective positions as I recalled them. Concerning the state of agreement between Post Office Counters and the Benefits Agency, at this time, please refer to paragraph 19 above.

28. I have been asked what I understood at this time about the technical integrity and robustness of Horizon? I do not recall the problems with the technical integrity and robustness issues of Horizon project at this time.

29. I have been asked whether there was agreement between the Post Office and the Benefits Agency, at this time, about: i. the scope and adequacy of software testing; and ii. the grant of release authorisation for live trial of the Horizon system? If not,

what were their respective positions as you recall them? I do not recall the degree of agreement between Post Office Counters and the Benefits Agency in respect of the scope and adequacy of software testing and the release authorisation for live trial.

30. I have been asked what effect did the inter-departmental negotiations over the future of the Horizon project have upon the adequacy of the preparations made by the Post Office for the implementation and roll out of the Horizon system. I do not recall the effect of inter-departmental negotiations on the adequacy of the preparations made by Post Office Counters for the implementation and roll out of the Horizon system. I do recall that there were meetings called by HM Treasury at Second Permanent Secretary level to find a financial solution and to advise Ministers – but I do not recall the outcome of these meetings.

31. I have been asked to what extent did the negotiations over the future of the Horizon project focus upon: i. the financial consequences of terminating the project; ii. wider concerns about foreign investment in the UK economy; iii. issues concerning the technical integrity and robustness of the system. I do not recall any detail of the extent that negotiations over the future of the Horizon project focussed on i) financial consequences of termination, ii) foreign investment in the UK economy and iii) technical integrity and robustness of the system. I do recall spending a lot of personal time on the financial and strategic consequences of terminating or replanning Horizon. Its continuation was at the heart of the future of Post Office Counters as a viable business offering services to existing and future clients and serving every community in the country.

32. I have been asked what was my understanding of the terms on which the Benefits Agency withdrew from the Horizon project. I do not recall any details of the terms on which the Benefits Agency withdrew from the Horizon project.
33. I have been asked what were the financial consequences for the Post Office of the cancellation of the Benefits Payment Card. The financial consequences for the Post Office of the cancellation of the benefits Payment Card were very significant. I recall that a financial write-off of c.£500m had to be taken. With the forecast loss of income from the Benefits Agency the strategic future of the Counters business had to be totally reassessed and replanned. This review resulted in, amongst other initiatives, the 'Universal Bank' proposals where the network of post offices would provide services to the customers of clearing banks and potentially a Post Office branded payment system.
34. I have been asked how (if at all) did the cancellation of the Benefits Payment Card affect the adequacy of the preparations made by the Post Office for the implementation and roll out of the Horizon system. I do not recall the extent that the cancellation of the Benefits Payment Card affected the adequacy of the implementation and roll out of Horizon – but it would have been significant.
35. I have been asked to describe the terms on which the Post Office concluded a fixed payment contract with ICL Pathway for automation of the network and how the contract was funded. I do not recall the terms on which the Post Office concluded a fixed payment contract with ICL Pathway. Nor do I recall how the contract was funded.
36. I have been asked to describe the nature of my involvement in the Horizon Working Group, what its purpose was and whether it considered issues relating to the technical integrity and robustness of Horizon? If so, was it effective in doing so. I

do not recall any details of my involvement with the Horizon Working Group nor its purpose. Again, I have no recollection on whether the Group considered the technical integrity and robustness of Horizon nor whether it was effective in doing this.

37. I have been asked - a. Please describe the nature of your involvement in the acceptance of the Horizon system. b. Please describe the conditions for acceptance of the system under the codified agreement with ICL. c. How (if at all) did these conditions differ from those agreed under the May 1996 contract? d. Did you consider the conditions under the codified agreement with ICL to be appropriate? Please explain the reasons for your answer. e. How and why were those conditions later amended? f. What were the reason(s) for the delay in the acceptance of the Horizon system? g. How (if at all) were the issues which prevented the acceptance of the Horizon system resolved? h. What did you understand about the technical integrity and robustness of Horizon at the point at which the system was accepted by the Post Office? i. Were you satisfied that the system was robust? If so, please explain why. In answer to these questions a. to i. I have no recollection of the issues raised.

38. I have been asked to a. describe the issues which were identified during the initial roll out of the Horizon system between September – December 1999. b. What action was taken to resolve these issues? c. Do you consider that the action which was taken was appropriate. I cannot describe the issues identified during the initial roll out of the Horizon system between September – December 1999. Nor can I describe the action taken to resolve the issues or the appropriateness of the actions.

39. I have been asked to a. describe the nature of your involvement in the Error Reconciliation and Accounting (“ERA”) Project. b. For what reason(s) was the ERA Project established? - 8 - c. Was the ERA Project in fact implemented? If not, please explain why. I cannot recall my involvement in the ERA project nor the reasons why the ERA project was established. I do not recall whether the recommendations of the ERA project were implemented.
40. I have been asked a. What steps were taken to obtain input or feedback from subpostmasters during the pilot, testing and roll out of the Horizon system? b. What concerns were raised by subpostmasters? c. What action was taken to address these concerns? Subpostmasters would have provided feedback during the pilot testing and rollout of Horizon but I cannot recall what concerns they expressed and what steps were taken to address these concerns. I recall having regular one to one meetings with Colin Baker, General Secretary of the NFSP – these meetings would have discussed significant business issues, such as Horizon – but I cannot recall any detail.
41. I have been asked, in looking back, do I consider that the Post Office effectively scrutinised the technical integrity and robustness of Horizon prior to its acceptance and roll out? Whilst I cannot recall any of the detail I would certainly have sought and would have been given assurance by the Post Office Counters project team as to the suitability of the Horizon for acceptance and roll out. Clearly the disturbing faults that have emerged over the subsequent years indicate that these should have been identified and corrected. I have no personal knowledge of the nature of these faults that have generated the reported cash losses by certain subpostmasters, nor when they were first discovered nor what efforts were taken to correct the problems.

42. I have been asked on reflection, do you consider that known faults in the Horizon system were appropriately discussed and communicated both within the Post Office and to the end users of the Horizon system? If these errors were known about within Post Office Counters or ICL Pathway and their impact on certain subpostmasters understood, then I cannot consider that that they were appropriately discussed and communicated both within the Post Office and to end users.

43. I have not found it easy to keep on writing ' I do not recall...' I know this is not helpful to the Chair. My personal integrity standards tell me that I would not knowingly have taken on business risks that would have given rise to the problems that have emerged. The extent of my knowledge of the problems you are investigating only comes from recent press coverage and Radio and TV programmes. I really have no memory of the details required by your questions. I am sure you will have obtained many papers in evidence from the Post Office and other parties that show details of my involvement, how complete these are, I do not know.

Statement of Truth

I believe the content of this statement to be true

Signed:

GRO

Dated: 21 September 2022