Witness Name: John Meagher

Statement No.:

Exhibits: WITN0415_01/1 -

Dated: 13 Sep 2022

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF JOHN MEAGHER

I, JOHN MEAGHER, will say as follows:

BACKGROUND

1. The Inquiry has asked me to set out a brief professional background and the background to my involvement in the Horizon project. I started my working career in the early 1970s in the upstream section of the oil and gas industry where I was involved in logistics and planning services for the construction and commissioning of off-shore platforms. Following a downturn in the energy industry in the mid-eighties I moved into project management consulting and worked on a variety of large transformational projects such as the creation of FirstDirect bank, the privatisation of the Central Electricity Generating Board (CEGB) and the creation of National Grid as a separate company. I hold a BSc in Technology [Open] and a Diploma in System Practice.

2. I joined the Post Office circa 1990 as a contractor to provide project management skills. I worked on a number of projects most notably as project manager for the

automation of the bill payments business before being invited to become a staff member. I subsequently applied in 1994 to join the Horizon programme and was accepted by the then senior Post Office person Bob King.

PROCUREMENT

3. The method of procurement was predetermined as a private finance initiative (PFI). This was novel to us participants but the project had engaged an outside consultancy, Kermon, with expertise in procurement to provide guidance. This team instructed us that the approach for PFI was for the contracting authority (CA) to describe the service it requires and not attempt to describe a system. The idea being that the CA should write output-based specifications and the supplier should be allowed to use its innovation to deliver. In other words, the CA should describe what it wanted not how it should be delivered.

4. The Inquiry has asked how prepared were POL for the automation project at the procurement stage. At the onset of the project the Post Office (PO) strategy group had envisioned a role for PO in a digital age. However, the existing PO processes were arcane and to achieve the strategic vision would require extensive business process reengineering. The PO strategy team wanted to contract for a service based on reengineered business processes but given the time that would be required to reengineer those processes and the fact that Horizon was already up and running, this would never have been possible. PO did not want to give the Benefits Agency (BA) any reason for delay which might have provided them an opportunity to move its business away from PO as the

channel for paying benefits. The need to move Horizon forward and the inability of PO to make changes to its business processes resulted in the complex legacy processes being encoded into the Horizon solution.

5. The Inquiry asked whether there was discussion about PO's requirements and if I was involved in them. PO drafted into the project staff with sufficient business knowledge and technical skills to write its requirements. This created some inherent conflict between the PFI method and the requirements as PO's requirements were in many areas, particularly accounting, unique and therefore needed to be drafted in detail. I did not draft requirements.

6. The Inquiry has asked, what technical risks were identified in ICL Pathway's proposed solution. As with the other bidders, risks against the technical solution and the competency of Pathway were identified. I don't recall specific risks although I remember that Escher – a Pathway subcontractor – was identified as a risk due to its small size. Following contract award, Pathway provided papers on how these risks were being managed and these were allocated to owners within the PDA to follow up on. However, by this time events had already superseded these risks and some had come to pass as live issues and were being managed as such.

7. The Inquiry has asked what processes were followed in order to arrive at the decision to select ICL Pathway, the outcome and my role. The process of evaluation of the bids was both quantitative and qualitative, this process was

developed by the procurement consultants. The quantitative was financial and risk transfer and the qualitative reviewed the suitability and fit of the proposed supplier and its solutions. I was part of the qualitative evaluation team. We travelled to the bidder's offices and reference sites where they described their products, their processes and their experience and how they would manage the project. Following receipt of the formal proposals I was part of a team that evaluated the proposals and marked them against criteria and weightings designed by the consultants. My recollection is that Pathway did not score as well as the other two under the qualitative markings but emerged the winner because it was prepared to accept a greater portion of risk than its competitors in the process. It's worth noting here that a large proportion of the solution being proposed was to deliver the requirements of the BA. It's possible, although one can't draw firm conclusions, that if evaluated solely on PO's requirements the outcome may have been different.

DESIGN AND DEVELOPMENT

8. The Inquiry has asked me a number of questions related to the PO's Transaction Information Processing (TIP) system. TIP was the interfacing system to receive and validate the data feed from Horizon. Technical and application interface specs therefore needed to be agreed between Fujitsu and PO. PO had established an in-house project team to develop TIP and our job in the PDA was to facilitate agreement between the parties

9. The Inquiry has asked to what extent was the feedback obtained from sub-postmasters during the development of the IT system listened to and acted upon for which I have no recollection.

10. The Inquiry has asked what caused changes to be made to the operation of the Logistics Feeder Service in 1999 and 2000. I have no clear recollection of specific changes but I do remember that Pathway was concerned with the amount of reference data that was being fed to their system much of which was not relevant to Horizon and there may have been changes to alter that. The Inquiry also asked if business needs and financial pressures affect negotiations with Pathway. I'm unclear what relevance this question has in the context of the preceding question but the Logistic Feeder System was a relatively simple system upon which both parties relied to ensure that Horizon used up-to-date business data.

RE-PLANNING EXERCISE

11. The Inquiry has asked the reason(s) for the no-fault re-plan of the project in February 1997 and what understanding I had of technical issues in February 1997. There were repeated and extensive slippages by Pathway and I can't separate this replan from others that occurred. I recall the independent review by PA Consulting later in 1997 for which I was interviewed by PA Consulting and I welcomed the report's findings which made clear the problems that existed and how these had come about but offered little in terms of improvements and no way out of the increasing difficulties. As I will mention in other parts of this statement

Pathway were opaque regarding their technical problems so I can't comment on technical problems that existed in 1997.

PILOT AND TESTING

12. The Inquiry has asked about the Initial Go Live ("IGL") Pilot and the associated testing. In technical terms the software release in 1996 was inconsequential. It was primarily a PR exercise and as such worked well. But it only paid one benefit type to a small number of recipients and utilised none of what would become the operational systems. It distracted from the primary objective and wasted valuable time and resources. I don't recall what the testing strategy was, that question is better directed at the test team.

13. The Inquiry has asked me to explain the purpose of, and the processes to be followed by, the PINICL Impact Assessment Team, how effective it was and what role I played. The purpose of the PINICL Impact Assessment Team was to judge if it were possible (i.e., was the business impact acceptable?) for fixes to known faults to be either deferred or temporarily managed through a 'work-around'. The reason for this was to allow Pathway flexibility in their workload so as to concentrate on more serious challenges such that time scales could be met. The Inquiry has additionally asked me questions regarding the Known Problem Register (KPR). Issues that were submitted to the PINICL Impact Assessment Team (see above) and accepted by that team as having sufficiently low business impact as to be manageable through a work-around would be entered on the KPR and form part of the release notes when the associated functionality was

released to testing or live environments. By definition these known problems were low impact and agreed as such by the CAs. They would have attracted little attention, given the preponderance of significant issues and I have no recollection of its subsequent use or outcome.

14. The Inquiry has asked me to explain the problems faced by the Horizon project between the spring and autumn of 1998. This is a very broad question. It was difficult to gain any concrete understanding of the causes for Pathway's slippages. I don't recall if Pathway owned up to the problems it was having internally or with its subcontractors which we only discovered anecdotally. Pathway tended to 'shut up shop' when enquiries were made about their subcontractors. The PDA were given little insight of Pathway's technical issues. This had been Pathway's default behaviour. The Inquiry has asked about the role of the PO Assurance team. The report Final Evaluation and Selection: Final Evaluation Team Report dated 28 Apr 1996 (See POL00028152, section 9.7) noted that "The group recognised that an award to Pathway would imply a need for a proactive management stance by sponsors...". As such the purpose of the Assurance team was to provide the sponsors with confidence that the emerging system was compliant with the requirements and to assist Pathway by answering all questions they may have in interpreting and understanding requirements. However, Pathway denied the Assurance team access to application design documents (See POL00028587 [WITN0415_01/1]) which we requested citing our need to provide PO with ongoing assurance and to provide Pathway with early notification of any misunderstandings or misinterpretation by them of the requirements. Pathway repeatedly blocked such requests citing inability to do so

under PFI eventually claiming that the development was a RAD (Rapid Application Development) style development and as such no design documents were created. Escalation within PO and Pathway produced no results. The consequence of this was that acceptance had to rely on output from testing which can never be totally adequate.

15. The Inquiry has asked how matters would be escalated within PO and Pathway. During the initial part of the project when we were dealing with the Pathway's Service Architecture Design Document SADD (roughly equivalent to a high-level functional specification) I dealt with Pathway through the document's author John Dicks. I chaired workshops with PDA and Post Office staff to gain input to this document and discussed the changes with John Dicks. I never had occasion to escalate any issues at this stage John was constructive and cooperative. As we progressed into the development phase proper, I dealt with Terry Austin (don't recall his title) of Pathway and it was Terry's refusal to share Pathway's design documents that I escalated to Peter Crahan within the PDA. Terry claimed that under other contractual circumstances he would support providing the visibility we requested but, in this case, he was prevented contractually from so doing. I believe that Peter Crahan (head of the PDA) and later Dave Miller attended meetings within Post Office. On Peter's behalf I attended at least one such meeting and raised the concerns that I mentioned. I believe the meeting was sponsored by Paul Rich and managed by Dave Smith.

16. The Inquiry has asked when I was first appointed as the Horizon Product Assurance Manager, I can't recall the date but I believe it was soon after award of

contract to Fujitsu. I don't recall ever having a formal job description or documented objectives but I understood the role was to verify that the emerging solution being developed by Pathway complied with the contracted requirements. To this end we worked with Pathway to provide as much assistance as needed to clarify requirements and describe the working environment. The applications assurance team included subject matter experts for EPOS, OBCS, APT (bill payments) and the other applications, it also included experts on accounting and stock management and cash account production. It included operational experts to cover ways of working and documentation. Early in the project it was suggested by Pathway that this team be based in Fujitsu's offices Feltham for proximity to Fujitsu and to facilitate direct and clear communication between the teams. We agreed and moved staff. However as helpful as this was all round this team did not perform any pro-active assurance for the reasons previously mentioned. There was also a technical assurance team led by Jeremy Folkes that addressed the technical aspects of interfaces etc.

17. The Inquiry has asked a number of questions regarding issues contained in document POL00028587 which is a list of issues being managed in April 1998. Having negotiated agreement with Pathway on the SADD we had hoped that in addition to working with Pathway by providing understanding and clarifications to be able to view how Pathway were interpreting the SADD during software development. However (as mentioned elsewhere in this statement), this was not forthcoming. We were therefore jumping from a functional description (SADD) to viewing the solution in testing. I don't recollect how each issue listed in POL00028587 was progressed but the list is a reflection of the overall situation

where the PDA were constantly pushing Pathway for further visibility and action on topics we viewed as being inadequately progressed.

18. The Inquiry has asked a number of questions regarding activities and problems during 1998. I have no recollection of specific technical issues, although that period was one of intense activity combining identification and rectification of issues arising from the various type of testing and planning for acceptance, migration and rollout. Regarding the Horizon Management Team, by 1999 the BA had exited the programme and Dave Miller formed this team the stated purpose being "To ensure the Horizon programme is fully scoped, planned and managed to deliver in all areas. To monitor the delivery of Horizon within the agreed programme timescales and ensure that issues are resolved and risks are managed." As a member of this team, I mainly continued my work on acceptance.

19. The Inquiry has asked me to confirm that I took the role of Horizon Acceptance Manager In or around April 1998. My recollection is that it was probably around that time. The Inquiry has asked about my role Horizon Acceptance Manager between January to April 1999, I was tasked with coordinating and obtaining agreement between all parties to the mechanism of acceptance. The Inquiry asked what problems we had obtaining Pathway design documents. Early in the project the assurance team attempted to gain access to Pathway's application design documents to a) provide POCL confidence that the development was proceeding in accordance with the requirements and b) to assist Pathway with

early identification of any misunderstanding or errors they were making in their interpretations. Pathway did not cooperate with this request and due to the PFI nature of the contract we were unable to insist. This was a risk that was recognised but we were only capable of mitigating through the testing and acceptance processes which is a less favourable approach due to the increased effort and risk of late-stage changes. The various tests conducted during this period identified multiple issues not just within Pathway but also on the POCL side. I would say that sentiment wavered between saying that the identification and correction of issues was what one would expect at this stage so getting on with that is positive but also a feeling of being overwhelmed.

20. The Inquiry has asked me to describe and explain my role in the negotiation and agreement of acceptance specifications. My recollection is that the format of the acceptance specs was agreed at a contractual meeting. Pathway had proposed solutions to our requirements and these had formed the basis of the specs. Agreement to the acceptance specs had been a slow burner facilitated by Mary Read (Kermon) and I have no recollection of negotiating agreement on the content of the specs.

21. The Inquiry has asked me to describe the concern I expressed in document POL00028586 re the viability of the acceptance plan. I don't specifically recall but up to the date of said document Pathway plans tended to be unrealistic in terms of there being too much to achieve in the time available and this was probably the case here.

22. The Inquiry has asked what was my understanding of the reason(s) for the Benefits Agency's decision to withdraw from the contract. The BA was always a reluctant traveller in the venture. I was frequently reminded by BA colleagues that the cost of making a benefit payment through the Post Office was multiple times more than completing the same transaction via a bank account. It was also understood on the ground, but I have no evidence for this, that the BA's interfacing system CAPS was in difficulty so rather than being cited as the reason for delaying the whole programme they exited.

ACCEPTANCE AND ROLL OUT

23. The Inquiry has asked a number of questions regarding acceptance and the robustness of the Horizon system between June and September 1999. This was a period of intense activity. Post Office continued to review the incidents that were arising both in offices and at the back end. Acceptance incidents were being raised and business severity classified. At the same time Pathway were reviewing these incidents and attempting to understand root cause and if necessary, make corrections. A complication here is that Post Office had a weekly accounting cycle in its offices so incidents that arose resulting from in-office weekly cash accounts could take a week to emerge, additional days to be identified, further days to be analysed by Pathway, yet more time to make any corrective code changes and then await a software release. So much time could elapse between an incident being identified and being resolved. I managed acceptance workshops which as I recall comprised representatives from the

business owners in Post Office, Pathway and PDA reps. Pathway would invite Post Office to accept that elements of an acceptance spec had passed or had exclusions I.e. issues that were understood and did not present a significant business impact and could therefore be parked for later attention. There was always disagreement on this impact assessment because Post Office always had correctly reviewed the business and operational impact whereas Pathway, given that acceptance was dependent of there being fewer AIs than an agreed number, tended toward lower classifications. These workshops were effective in giving Post Office leverage to force Pathway to agree to make corrections. In asking about the system being reliable and robust, I understand a system's robustness is its ability to cope with and remain operational in the face of unexpected activity and we had issues in that area where for instance unexpected user activity like reboots (operators would reboot the system when it appeared to be hung) were a major issue. Then, reliability being a system's ability or continually return expected results and consistent behaviour there were multiple issues experienced at the back end in accounting. I recall a colleague – Jeremy Folkes – took ISO standard 9126 an international standard for the evaluation of software which provided us with a model for reviewing the characteristics of Horizon and to raise acceptance incidents for broader system behaviour such as reliability and robustness.

24. The Inquiry has asked me to consider technical issues that existed as of August 1999. Technical issues existed in all areas. There were issues associated with integration between the interfacing systems of Pathway and PO such as reference data. There were issues with the operational areas such as help desk.

There were issues with accounting and these were considered very serious as they could impact downstream client settlement etc. There was disagreement between the PDA/Sponsor and Pathway as to the classified severity of acceptance issues with Pathway tending to classify lower than the PDA/Sponsor. However, by November issues were being corrected and driven down and the acceptance process had momentum as we worked toward rollout.

25. The Inquiry has asked about the help desk. My recollection is that the help desk was swamped.

26. The Inquiry has asked about the basis on which the Horizon system was accepted. POCL accepted the system on the basis of Pathway having achieved the requirements laid down in the acceptance specs. As far as I recall, and there was a contractual agreement, Pathway would be awarded acceptance once it had completed the agreed tests and a threshold regarding the number of acceptance incidents within severity classifications had not been breached. This was achieved albeit with many acceptance issues remaining which Pathway undertook to resolve. The Inquiry also asked: if I was satisfied that the Horizon system was reliable and robust at the point at which it was accepted by the Post Office? The system appeared ready to move to the next level. This level was not full rollout, in my view an incremental increase in the number of live offices as we knew the solution had to be exposed to more rigorous usage which could only come from live running. Running the same set of tests combined with a small number of outlets would not provide the payback necessary and the solution

needed to be exposed to more user activity. The Inquiry asked a number of questions regarding the performance of the Horizon system following acceptance. I resigned my employment with Post Office at the beginning of January 2000 and played no further part in the project from the end of December 1999. I resigned because I had received an offer elsewhere but also because I suspect that had I remained with the Post Office I would have continued to work on Horizon and having spent 4-5 years of frustration I needed a change. I therefore have no understanding of how it performed or was supported during rollout.

27. The Inquiry asked, looking back, do you consider that the Post Office effectively scrutinised the technical reliability and robustness of Horizon prior to its acceptance and roll out? My answer is – that Post Office scrutinised the technical reliability and robustness of Horizon to the maximum extent possible, given the constraints placed on the assurance process by the PFI contract and Pathway's reluctance to not waive their rights in that regard.

28. The Inquiry has asked me to describe and explain comments which I made in document POL00028413. The document appears to be a briefing note for input to the CAPS project. I can't recall the event although I fully recognise the sentiments I expressed. There was a belief within the PDA and Post Office that all problems would be solved by testing. This in my view was naïve and my frustration can be read between the lines. My assertion recorded here and in other documents that having been denied access by Pathway to the design of the

applications had resulted in no progressive assurance of application correctness which would result in problems later not all of which would be captured by testing. A prophetic view that was confirmed later to be correct.

29. The Inquiry has asked, to what extent (if at all) were there external and/or political pressures on you in 1998 and 1999 to prevent cancellation of the project. I can confirm that no external pressure was ever applied to me to prevent cancellation. Indeed, I recall a meeting chaired by Dave Miller sometime in 1999 probably in the early part of Dave's tenure where he canvassed views at his team meeting on whether we should persist with Horizon or cancel and I voted to cancel as did my other staff member colleagues: Jeremy Folkes and Jan Topham I recall there were others but their names now escape me. Those who were contractors, all of whose names now escape me, advised to continue. Whilst I can't recall the specific names, the outcome of the vote has persisted in my memory because of the clear distinction between staff and contractor views. I was not surprised by this vote, by definition contractors and consultants are employed to get a job done and completing the project was the job whereas staff members took a broader business perspective in terms of the future impact for the Post Office on working with Fujitsu and Horizon. I based my view not just on what I had witnessed over the preceding 4 years but on what I had been unable to gain visibility of. I understood this was Dave gaining an understanding of the views of his team to assist him in any discussions he was having with the Post Office.

30. The Inquiry has asked whether 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? In this case I understand "end users" to be a) those who worked in retail post offices throughout the country and b) users of the Horizon data that was uploaded from the Horizon system to the Post Office systems via the interfacing system TIP in the post office central processing facility in Chesterfield. In the case of the former, I do not recall any direct involvement with outlet end users but the majority of the assurance team had all worked in post office outlets and brought that knowledge and perspective with them together with relationships they retained with colleagues who remained in those end user positions. For the latter, a senior post office employee from Chesterfield - Ruth Holleran - had become deeply involved with PDA colleagues and brought the end user perspective. Furthermore, as Acceptance proceeded acceptance issues were known to the PO automation team led by Dave Smith. To what extent these issues were discussed within Post Office and with outlet end users I have no knowledge.

31. Finally, I'd like to add the following: The project suffered a number of significant shocks and was frequently chaotic, the procurement method was inappropriate for the solution being contracted and the main sponsor BA, upon whose requirements the chosen solution was partially based, withdrew toward the end of the development. There were frequent and significant slippages by Pathway and the contract was let with masses of un-scoped work (agreements to agree) to be completed on all sides. The relationship between Post Office and Benefits

Agency was strained (Post Office being conscious of an imbalance of power and suspicious of BA's intentions) and the BA's commitment to the project was half-hearted. The PDA despite enjoying an overabundance of consultants and management drawn from both sponsors struggled to make a difference. Acceptance was a prescribed contractual event; it served its purpose but it did not mean that the solution was "reliable and robust". From my experience care and serious attention would need to continue to have been applied to the system as it moved through rollout and beyond. Years later, when I learned that PO had prosecuted multiple sub-postmasters based on assurances from Fujitsu's that no explanation other than fraud was possible, I was shocked. Shocked because among other things PO would appear to have completely changed its view of Horizon since the time up to 2000 while I worked on the project. I did support cancellation of the project in early 1999 as I mentioned before and having worked on many postal automations in my subsequent career with the Escher Group, I remain of the view that cancellation would have been the correct decision for PO at the same time as the BA cancelled followed by a revised project.

Statement of Truth

I believe the content of this statement to be true

Signed: **GRO**

Dated: 13 Sept 2022

Index to First Witness Statement of John Meagher

No.	Exhibit Number	Document Description	Control Number	URN
1	WITN0415_01/	Fax from Matt Taylor, Horizon Release Management to Dave Miller, re Issues Log as of 3 April 1998 (V.1.0)	POL-0025069	POL00028587