

**Witness Name:** Peter Earnest Crahan

**Statement No.:** WITN0416-1

**Exhibits:** WITN0416-01/1 to WITN0416-01/7

**Dated:** 8 September 2022

## POST OFFICE HORIZON IT INQUIRY

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### FIRST WITNESS STATEMENT OF PETER EARNEST CRAHAN

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I, Mr Peter Ernest Crahan, will say as follows:

1. 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 8 August 2022 (the “**Request**”).
2. My professional background is that I joined the Civil Service in 1975 and moved to the Information Technology sector in DSS/DWP in 1976 (DSS IT). Prior to joining BA/POCL (The Programme), I was employed in middle and senior management positions in DSS IT for 20 years. I became a Senior Civil Servant in January 1994.
3. My DSS IT experience covered the full lifecycle of system development, countrywide operation and support, and contract and programme management. This experience was gained in a variety of roles covering specific projects or

ongoing support of Live operations. For example, I was the manager for the development and enhancement of products to enable effective support of the DWP/DSS Live IT systems such as the Change Management System and the Incident and Problem Management System. Additionally, I was the DSS Service Delivery Director with 2400 personnel supporting and operating the largest civilian computer resource in Europe.

4. Prior to joining the Programme, I was undertaking a DSS Headquarters role to establish a small team to co-ordinate and monitor activity around a change programme inspired by the Secretary of State.
5. With the Change Programme Team established and the BA/POCL moving from the procurement and contract award phases to programme delivery, I was recruited by BA/POCL directors to replace the then Director of the Programme Delivery Authority (PDA) for the BA/POCL Programme; this led me to become involved in the Horizon Project. I took up the role as Director of the PDA in July 1996. I left the PDA in April 1998 and became the BA Caps Business Director at that time, focusing on BA specific activity on Caps and the Programme. I left the Caps Project in late January 1999 for an alternative role in DWP IT.
6. I have been asked to describe and explain the objectives of DSS in procuring the Benefits Payment Card ("BPC"). The DSS had for many years used a number of methods to pay claimants, but the vast majority were paper based with instruments of payments (principally order books and giros) cashed within Post Offices. This method had proved to be prone to significant fraudulent

abuse.

7. The overall objective of DSS was to provide a virtually fraud-free automated method of paying benefits at Post Offices. This automated system would have lower end-to-end costs than the paper-based system, reduced administration costs and enhanced accounting arrangements.
8. The overall purpose of the PDA was to act as a focal and co-ordinating point for both BA and POCL to provide oversight of the Programme, and to plan, monitor and report progress to the PDA Board and BA/POCL Project Steering Committee. The PDA was also the key means of providing a business, technical and contractual interface to ICL Pathway.
9. The PDA functions and structure were as follows:
  - a. Contract management, maintenance, and oversight.
  - b. A project management office to produce and maintain plans, produce reports for steering groups, and maintain risk and issues registers.
  - c. A system design and security group to complete issues covered by agreements to agree.
  - d. A testing group for the systems delivered from Pathway and associated CAPS (BA Customer Accounting and Payment System) interfaces.
  - e. An implementation group to plan delivery, training and physical implementation within the POCL estate of some 19,000 outlets.
  - f. Implementation of maintenance releases of the Programme and ongoing

monitoring of the service from the Initial Go-Live (IGL) and operational management teams.

g. A communication team and a finance team.

10. All of the functions of the PDA and all aspects of the Programme were overseen by the PDA Board as the first level of governance. The PDA Board had director level representation from BA/POCL and an independent chair from the Northern Ireland Social Security Agency. The ICL Pathway Managing Director attended for Pathway specific agenda items only.

11. The second and senior level of governance was the Project Steering Committee (PSC) with senior level representation from BA/POCL and ICL (ICL Chief Executive, Managing Director of ICL Pathway, Chief Executive of Benefits Agency and Managing Director of POCL). Overall strategic direction and control of the Programme was the main remit of the PSC.

12. The nature of my role was Programme Management related. Whilst I have high level technical awareness, I am not a technician. Consequently, in subsequent sections, I do not feel capable of addressing detailed technical questions.

13. My role as a Programme Director of the PDA was to provide full time oversight and direction of a mixed team of BA and POCL personnel supported by external consultants. I had dual reporting lines to the POCL Finance Director and BA Caps and Card Director.

14. As Director and Chair of the PDA, I held weekly PDA Management team meetings to review progress against plans, highlight issues and risks, and agree forward priorities with the subject experts. Issues which could not be resolved, or contingency positions agreed, were escalated as necessary to POCL or BA directors, Pathway senior manager or the PDA Board.

15. I have been asked to describe the nature of my relationship with the two project sponsors; POCL and BA. One of the core aspects of my relationships with the sponsors was to demonstrate independence from both BA and POCL and to concentrate my efforts on the overall Programme objectives.

16. I attempted to achieve this by recognising the respective objectives of the sponsors and forging effective working relationships with the PDA team from both BA and POCL. I also had formal and informal discussions with director level colleagues in both sponsor organisations to cement understanding.

17. Whilst already familiar with the overall DSS, I undertook a number of induction and familiarisation sessions within POCL and the wider Post Office estate.

18. The PDA was abolished in April 1998 and I agreed with both BA and POCL that I would not head the subsequent replacement Horizon Team in POCL. I became Caps Business Director within BA at that time.

19. I subsequently worked with BA and POCL colleagues to manage the transition

of PDA functions to respective teams in BA or POCL and, against the backdrop of Programme uncertainty and doubts over the future of the benefit payment card components, the relationship with POCL became more strained.

20. Having returned to the core DWP/BA Team within Caps, I was now focussed on the BA objectives with less need to give due consideration to POCL objectives, with no requirement to demonstrate independence, hence the relationships with POCL became more strained.

21. I have been asked to provide detail about the initial go live pilot scheme, its function and any technical issues that were identified, Following sign off from the PDA Board, the IGL release of the Pathway System and associated CAPS interfaces to pay Child Benefit only was successfully implemented in one Post Office in Stroud in September 1996. This required input from all parties including PDA, Caps, POCL, Pathway and appropriate sub-postmasters for training, implementation and system delivery, but was coordinated and controlled by the PGA IGL team. The service was extended to ten Post Offices in November 1996.

22. Certain security features were not contained in this initial release (e.g., the need to bar access to Windows) but with the limited exposure and being used for Child Benefit only, the risks were deemed acceptable for use within one Post Office. I believe these issues were addressed and tested successfully prior to implementation of the system (Release 0.2) in a further 9 Post Offices in November 1996. Further functionality was delivered by Release 1c enabling

implementation of the IGL system to some 200 Post Offices by November 1997.

23. I have been asked to describe the problems faced by the Horizon project between Autumn 1996 and Spring 1997 and to explain the reasons for the 'no fault' re-plan. The Programme continued to develop during the second half of 1996, and all parties had a greater recognition of the scope and scale of the challenges they faced with the project and the need for additional resources and time required before being able to achieve a Live Trial of the end-to-end service which had been planned for early 1997. It was agreed that the Live Trial planned for early 1997 carried too much risk as the timescales were tight and the success of the Live Trial was dependant on the appropriate releases from Pathway and Caps going to plan so a replanning exercise was undertaken.

24. This recognition led to the agreement to a 'no fault' re-plan with revised dates for the Live Trial agreed for later in 1997. All parties agreed to absorb their own additional costs.

25. In addition, I have been asked to explain the problems faced by the Horizon project between April and December 1997. Following the 'no fault' re-plan, the Pathway IGL system continued to operate at a satisfactory level, but overall development of the system continued to slip with Pathway unable to deliver a Live Trial in 300 Post Offices by the agreed re-plan date in November 1997.

26. What led to all the parties agreeing to an independent review by PA Consulting in July 1997 was the uncertainty around future release dates, ongoing slippage

of delivery dates on the Programme and the need to ensure that any lessons learnt were factored into future plans. The findings required action from BA and POCL but raised particular concerns about Pathway's ability to deliver a robust solution in acceptable timescales. The recommended actions were accepted by all parties.

27. The PA Consulting review highlighted the resourcing issues facing the sponsors and Pathway to deliver this "world class" programme. The review identified that the plans for national rollout, having slipped by over 12 months in 12 months, required attention in a number of key resource areas. For BA, the need to strengthen the Caps Programme Management Office. For POCL, to ensure that suitably qualified resources were recruited to enable effective Service Management on transfer from the PDA and to develop an implementation strategy for national rollout. For Pathway, to undertake a competency assessment on all key resources and rectify any weaknesses identified.

28. At this stage (November 1997), both the BA Caps and Cards Director and the POCL Finance Director approved the issue of a legal notice of breach of contract to ICL Pathway. The main reasons would seem to have been the failure to achieve a Live Trial, leading to further erosion of the BA Business Case and legitimate concerns over the BA Chief executive's position as accounting officer within DSS for the Programme. This action was also taken to preserve rights and remedies under the contract including the right of termination.



29. I have been asked to describe the technical issues identified during the development and testing of Horizon at this time however, I find great difficulty in providing any detailed assessment of technical issues for a number of key reasons. Whilst I had undertaken a number of technical roles in the early part of my career in DWP IT I had, for several years in advance of my time on the Programme, migrated to Project and Programme management roles with no requirement for understanding low level technical detail. Additionally, all events surrounding my time on the Programme are historical in nature and I cannot recall the technical position to a sufficient level of detail. The documents also do not have the level of detail necessary for me to assist with a comprehensive analysis. As a result, I am unable to fully answer question of a technical nature.

30. I note from the documents that there had been drift of the solution offered; Pathway had declared their inability to deliver Full Extended Verification Procedures which were key for the BA in Release 2 (**Exhibit WITN0416-01/1**). Similarly, Pathway were proposing to descope Security requirements for Release 1c and incorporate those in a later release (**Exhibit WITN0416-01/2**). There is mention of a future change proposal following the Operational Service Management report in December 1997 reporting 46 lost transactions, 8 of which were duplicate payments. I have no recollection whether this was incorporated in Release 1c or proposed for Release 2 (**Exhibit WITN0416-01/3**). A structured approach to testing was being taken for all significant releases. The phases included Security testing, Integration testing, Model Office rehearsal and Model Office test. In my opinion, following this structured approach gave a good degree of assurance on the fitness for purpose of a Pathway release.

31. The main problems faced by the Programme prior to 1998 have been explained above. Between January and May 1998, the main focus of the Programme was to provide support to the Release 1c system operational in 200 Post Offices, continue to test Release 2 components and to continue with work across the Programme to agree dates for Release 2 delivery, testing and a Live trial.

32. By early 1998 I was aware that the BA were seeking to maintain their termination rights under the contract following issue of the breach notice to Pathway in November 1997. This led to a "cure notice" being issued to Pathway by the BA only in May 1998. My understanding is that this cure notice expired some 13 weeks later at which time the BA Chief Executive had to obtain Ministerial instruction to proceed with the Programme.

33. Prior to this period, formal contractual decisions had been agreed between BA and POCL ('no fault re-plan in February 1997 and issue of breach notice to Pathway in November 1997'). This position changed with the BA only decision to issue the cure notice to Pathway in May 1998 and hence preserve termination rights. As mentioned above, with the expiry of the cure notice period in August 1998 the BA Chief Executive was instructed by the Secretary of State for Social Security not to exercise his termination rights but to await the outcome of Government wide discussions on a way forward for the Programme.

34. As confirmed in my earlier responses, I do not feel qualified to answer questions relating to the technical issues identified during this period nor what the reasons

are for suspension of the data integrity testing of Horizon. This is further supported by the fact that my role as PDA Director ceased in April 1998 with functions being transferred to POCL or BA. Responsibility for Data Integrity testing and all sponsor aspects of EPOSS had been migrated to the Horizon team in POCL.

35. I have also been asked to describe the problems faced by the Horizon project between June and December 1998. At this time, the Horizon Project Team in POCL had assumed responsibility for ongoing oversight of the Programme with standard progress reports being produced for the Caps Project Board in BA (**Exhibit WITN0416-01/4**). The Programme continued to support the existing Release 1c system and to undertake structured testing of Release 2. Issues arose such as the approach to Model Office Testing covered below and the Programme continued to slip. However, in my opinion, the main issue impacting the Programme was resolution of the discussions and negotiations occurring throughout this period across Government and with input from BA, POCL and Pathway, to review the range of options available for the future of the Programme.

36. As covered earlier, I do not feel qualified or able to answer questions relating to the technical issues in any detail and I do not wish to provide incorrect information to the inquiry. However, it is apparent from examining the documents that Lost Transactions continued to be an issue and were considered by Pathway and POCL to be the top priority for rectification in the Live system. I am unsure if this was ever resolved prior to cancellation of the

Benefit Payment card contract (**Exhibit 0416-01/5**).

37. Clearly, in constructing the plans for Pathway release 2, the sponsors had differences of opinion on a number of topics prior to reaching agreement. One significant example was the approach to be taken for Model Office testing of Pathway Release 2. The BA believed the Pathway assumptions on duration were unduly optimistic, based on their experiences of release 1c testing, and wanted to see Model Office plans extended. This would have given an estimated Live Trial start date of May 1999. This was unacceptable to POCL who proposed a two-stage approach to Model Office testing with phase 1 focused on Child Benefit only. This would be followed by a Phase 2 Model Office covering multi benefits. This would have given an estimated Live Trial start date on Strand 1 of February 1999. It was this two-phase approach which was subsequently reflected in plans. (**Exhibit WITN0416-01/6 and Exhibit WITN0416-01/4**).

38. I have been asked to describe ICL Pathway's proposed changes to the acceptance criteria for the Horizon system in November and December 1998. Work to develop the acceptance specifications was progressing at a steady rate. By January 1999 3 of the 24 specifications had still to be agreed but these were not considered to be prejudicial. However, there were differences of opinion between Pathway and the sponsors about the stage of testing to have been completed prior to acceptance being achieved with the consequent loss of the sponsors' termination rights.

39. In November 1998, Pathway were proposing an acceptance approach which would see the Benefits Agency losing their termination rights prior to the start of the Live Trial. The BA position was that the service had to be tested in live operation before acceptance and loss of termination rights. The agreed position would need to reflect the two phase approach to Model Office testing and the implications on termination rights.

40. I cannot recall if overall agreement on this issue was reached between BA, POCL and Pathway.

41. I have been asked to describe the problems faced by the Horizon project in the early part of 1999. During the early part of 1999, the Programme continued to support Pathway Release 1c in Live operation and the structured testing of Pathway Release 2. The main issue remained as agreeing a forward plan which could be endorsed by all parties.

42. The latest planned start date for Model Office testing of Pathway Release 2 had been set as 14 December 1998 but this had been missed by Pathway. Replanning discussions were continuing and it became clear that Horizon/POCL had a differing planning emphasis from the BA. POCL wished to move towards the earliest date for rollout whereas the BA required a stable plan for multi benefit operation to safeguard claimants (**WITN 0416-01/7**). I have no recollection of whether a final plan was produced and agreed prior to cancellation of the Benefit payment card contract.

43. As outlined earlier in the statement, I do not feel qualified or capable of answering detailed technical questions. In any event, having left the Programme in late January 1999, I had limited visibility of, and no involvement with, the forward events on the Programme.

44. A PA Consulting review of the Programme was undertaken during the second half of 1997. The report was published in October 1997 with one recommendation being that the PDA be wound up and the functions transferred to BA or POCL.

45. This recommendation was accepted and from that time, my activity focused on ensuring that the appropriate functions of the PDA were transferred to POCL or the BA. This was achieved by April 1998 when the PDA was replaced by the Horizon Project Team in POCL, with appropriate POCL representation at the BA Caps and Card Programme Board. All transition activity was signed off in September 1998.

46. From April 1998 I became the Caps Business Director within BA and I left the Caps project in late January 1999. This is how my involvement with the Horizon project came to an end.

47. I have been asked to explain what I understood to be the factors which had caused or contributed to the decision of BA to cancel the BPC. By May 1999, when the ministerial decision was taken to cancel the Benefit Payment Card contract, I was no longer working on the programme.

48. My personal belief was that the decision of the Benefits Agency to cancel the benefit payment card was linked to the issues highlighted in the contract breach in November 1997. Briefly, these were the continued erosion of the Business Case and uncertainty of future delivery dates from Pathway but likely to be some 3 years later than originally planned. Understandably, the BA had been exploring contingency options and believed that a viable contingency of paying benefits direct to client bank accounts existed.

49. I have been asked to consider to what extent did the technical issues and robustness of the Horizon project influence the decision of BA to cancel the BPC. As a member of the Caps and Cards Project Board until late January 1999 when I moved to alternative duties within DWP IT, I was aware of the continuing discussion across government in pursuit of a way forward for the BA/POCL Programme. Similarly, I was aware that a number of solutions were being considered (e.g. continue with the current approach, overall cancellation of the Pathway contract, removal of the Benefit Payment Card aspect but with automation of Post Offices being contracted with POCL and Pathway etc.).

50. The final decision to cancel the Benefit Payment Card contract was taken after I had left the PDA and the Caps Programme and I had no input at that time. However, concerns over the technical robustness of the Pathway solution had been evident throughout the Programme re-planning cycles. The PA Consulting review in July 1997 highlighted that there would be continuing reservations around such aspects as security, scalability and performance of the Pathway



solution until the final system was realised. These aspects had not been proved in a Live Trial at the time of cancellation of the Benefit Payment Card. So, along with the Business Case issues and doubts over Pathways ability to achieve future delivery dates, I believe these technical concerns would undoubtedly have influenced the BA's position.

51. I have been asked to comment on whether the Horizon IT system was fit for purpose at the point in which my involvement came to an end. By the time I fully left the Programme, the Pathway Horizon Solution had proved to be satisfying the limited demands of paying Child Benefit in some 200 Post Offices. It had never reached the level of maturity required for use by 30 plus benefits across 19,000 locations. I therefore had limited confidence that the Pathway system was capable of supporting the Programme objectives at that time. However, I was confident that activity across Government would identify a forward approach which would provide enhanced prospects of achieving the sponsors objectives.

52. I have no other matters that I consider would assist the Chair.

**Statement of Truth**

I believe the content of this statement to be true

Signed: **GRO**

Dated: 8.09.2022



INDEX TO First Witness Statement of Mr Peter Earnest Crahan WITN 0416 dated 8  
September 2022

No.	Exhibit Number	Document Description	URN
1	WITN0416-01/1	BA/POCL Programme Development Authority Board Meeting Minutes 15 July 1997	POL00028317
2	WITN0416-01/2	BA/POCL Programme Development Authority Board Meeting Minutes 21 August 1997	POL00028311
3	WITN0416-01/3	Horizon Programme Congo 4 (ICL Pathway Release 1c), Horizon Service Report No.1, Dec 1997, by Phil Turnock	POL00028596
4	WITN0416-01/4	Post Office Horizon Programme, Brief and Documents for CAPS Board meeting on 18 September 1998	POL00028100
5	WITN0416-01/5	Input into CAPS Programme Board Report for Meeting on 15 January 1999	POL00028409
6	WITN0416-01/6	Letter from Dave Miller, Deputy Director BA/POCL Programme to	POL00028390

		Peter E Crahan, CAPS and Cards Business Delivery Director, re Assessment of Replan Options by Horizon Release Management	
7	WITN0416- 01/7	CAPS and Card Programme Board Action Notes - Issue 6 (Horizon Only), 15 January 1999	POL00028410