



IoD POLICY PAPER

The Post Office Scandal

A failure of governance

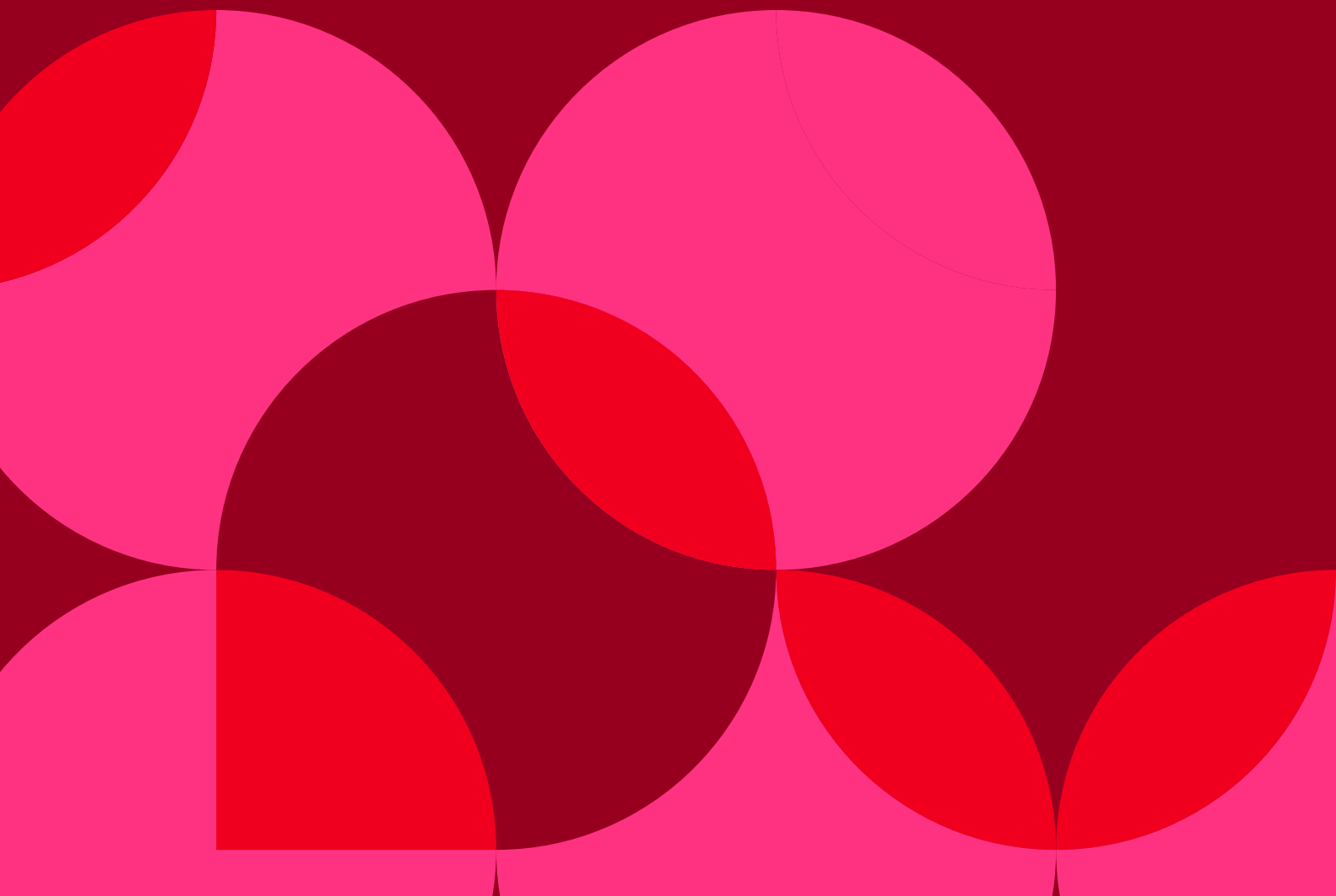
Insights for directors and policy makers from
phase 6 of the Public Inquiry

October 2024



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Executive summary

The Post Office scandal is one of the worst scandals in UK corporate and legal history. It has caused untold suffering to thousands of innocent people, and undermined trust in existing frameworks of governance and business leadership.

This report seeks to capture some key insights from phase 6 of the Post Office Horizon IT Inquiry, which has focused on issues of governance and is therefore of particular relevance to directors. The primary objective is to assist directors in learning the appropriate lessons from the scandal, helping them to become better directors. In addition, the report makes a series of policy recommendations aimed at rebuilding trust in UK corporate governance.

Although ostensibly an IT scandal, the root causes were failures in human decision-making, organisational culture and business ethics. Post Office governance proved unequal to the task of addressing these issues, and therefore did not fulfil the purpose for which it existed.

Although toxic behaviour pervaded multiple areas of the organisation, ultimate responsibility lay with the board of directors. Over a period of 20 years, numerous cohorts of directors failed to deliver adequate scrutiny of management and key business activities. There was a lack of professional curiosity and critical challenge.

Most importantly, the board did not succeed in ‘lifting the rock’ on the corporate culture of the Post Office, which was dysfunctional. Managers viewed subpostmasters (SPMs) as outsiders who were inherently vulnerable to fraudulent behaviour. The possibility that financial shortfalls arising at Post Office branches might be due to bugs, errors and defects in the Horizon IT system did not fit into the organisational narrative, and was therefore denied.

Board members failed to challenge this pervasive groupthink and, in many cases, became absorbed into a culture of mistrust. Throughout the scandal, the behaviour of the board itself was excessively passive. Directors placed undue reliance on the advice and reassurances of management and legal advisers, and failed to adopt an independent critical mindset. This resulted in a misdirection of the board’s attention. Financial and reputational issues were prioritised whereas technological and legal concerns arising from the defective Horizon IT system were ignored or downplayed. As a result, the board did not sufficiently address the key risks to which the business was exposed.

The capacity of directors to exercise meaningful scrutiny was hamstrung by the fact that some lacked training or experience in directorship, and most were ill-equipped to provide meaningful oversight of major IT projects or legal risks. The motivation of key individuals at crucial stages of the scandal remains unclear. Whether it was driven by a lack of competence, wilful ignorance or intentional misconduct is a matter for the Public Inquiry and the courts to determine.

In order to mitigate the risk of a Post Office-type scandal in the future, both in government-owned entities and elsewhere, a new approach to directorship is required. Stakeholders need better assurance that directors possess the necessary competencies and a proper understanding of their roles.

Steps should be taken to professionalise the role of the director, including defining prerequisites in terms of director training, certification, continuing professional development and commitment to ethical standards. A more professional framework for directors may not necessarily eliminate the possibility of a future scandal. But it would represent a material advance in the direction of better corporate governance.

Introduction



I'm afraid that when an incomplete curiosity ... meets a toxic culture, bad things happen.

Robert Swannell | Former Chair of UKGI and Marks & Spencer

The Post Office scandal is without question one of the worst scandals in UK corporate and legal history. For almost two decades, Post Office Limited (POL) insisted that its electronic point of sale system, Horizon, was fit for purpose when it was in fact defective. POL pursued hundreds of criminal and civil prosecutions against subpostmasters (SPMs) on the basis of alleged financial shortfalls identified by Horizon.

In 2019, the High Court determined that Horizon was riddled with “bugs, errors and defects”, and potentially vulnerable to external manipulation (‘remote access’) by the Fujitsu staff who ran the software. As a result, past convictions obtained on the basis of Horizon were unsafe. In 2024, legislation was enacted by the outgoing Conservative government which exonerated previously convicted SPMs with immediate effect.¹

The human impact of the scandal cannot be overstated. Between 1999 and 2015, more than 900 sub-postmasters and others were wrongly prosecuted on charges including false accounting and theft. Several thousand more had their contracts terminated or were ordered to hand over money they had not taken. Many were ostracised by the communities they had served. At least five took their own lives. Hundreds died before they could be exonerated or receive compensation.

How did this happen? The Post Office Horizon IT Inquiry has been established as an independent public statutory Inquiry with the objective of providing answers.² It is led by retired High Court judge Sir Wyn Williams and, since June 2021, has gathered evidence from numerous witnesses who have been either affected by, or involved in, the scandal. The Inquiry is proceeding in stages and is expected to publish its findings in 2025.

Phase 6 of the Inquiry has been of particular relevance for directors, given its focus on Post Office governance. Between April and July 2024, the Inquiry received oral and written testimonies from many of the executives, board members and politicians who played a role in that governance – either from inside or outside of POL. As such, it has provided a rare opportunity to lift the bonnet on the internal governance processes and leadership behaviours of a major organisation in the midst of a scandal.

This paper seeks to capture some of the key insights from this stage of the Inquiry. It also considers if any lessons can be learnt which may inform the practice of directorship in other organisations. Although a definitive analysis of what went wrong must await the publication of the Inquiry’s final report, we offer some preliminary thoughts which may be useful to directors and policy makers.

The paper is presented in five parts:

- 1 Evidence provided by some key witnesses during phase 6 of the Inquiry.
- 2 IoD working group discussion.
- 3 Some key lessons for directors.
- 4 Recommendations for policy makers.
- 5 Concluding thoughts.

In addition, the Appendix provides a chronological summary of the unfolding scandal. Readers who are new to the case may find this a useful place to start.

1 Legislation for England, Wales and Northern Ireland: legislation.gov.uk/ukpga/2024/14. Legislation for Scotland: legislation.gov.uk/asp/2024/6#:~:text=An%20Act%20of%20the%20Scottish,to%20such%20offences%3B%20and%20for

2 postofficehorizoninquiry.org.uk/

Part I: Evidence from phase 6 of the Public Inquiry

Over 16 weeks, the Inquiry heard oral evidence from 66 witnesses including senior Post Office and Royal Mail officials, former and current government ministers, UK Government Investment officials/representatives, Fujitsu employees, legal advisers and union representatives. The following highlights some of the key insights from these testimonies.³

Sir Michael Hodgkinson was the Chair of POL between 2003 and 2007. Typically, he dedicated one day per week to the role. In his evidence he said that the main concern of the board at that time was the shaky financial position of the organisation. There were no concerns about the integrity of the Horizon system.

SPMs were seen as separate business entities, at arm's length from the rest of the organisation. Little attempt was made to canvas their perspectives; for example, they were not included in company-wide feedback surveys. The board also paid little attention to the investigation and prosecution of SPMs, which was left up to management and the legal team of the Royal Mail Group. Hodgkinson said that, in retrospect, this was a mistake – the board should have delivered better oversight of these activities.

A similar view was expressed by **Alan Cook**, who was Managing Director of POL between 2006 and 2010. He said that he had only become aware that SPMs were being directly prosecuted by POL in 2009. He had previously assumed that cases were being taken forward via the police and the Crown Prosecution Service. He said that, if he had known about POL's direct role earlier, he would have exercised more scrutiny. This was his biggest regret during his tenure. Cook said that he was entirely unaware of any critical bugs in the Horizon system.

During the Inquiry hearing, Cook was confronted with an email that he had sent to colleagues in 2009: "My instincts tell me that, in a recession, subbies with their hand in the till choose to blame the technology when they are found to be short of cash."

Adam Crozier was the CEO of the Royal Mail Group (RMG) between 2003 and 2010. During that time, POL was a subsidiary of RMG, although it existed as a separate legal entity and had its own board of directors. Crozier said that POL enjoyed a high level of autonomy, especially compared to the group's other business entities. In most respects, it was allowed to manage its own affairs. This was justified on the grounds that POL was less commercially-oriented than the rest of RMG – given its public service obligations.

At the time, Crozier believed that mechanisms were in place to alert RMG to any significant problems that might arise at POL. These included the fact that the Managing Director and Chairman of POL both sat on the RMG board, and were therefore well placed to brief him on any material issues. POL also shared the same company secretary, and RMG's internal and external audit teams conducted reviews of POL's activities.

However, in retrospect, Crozier acknowledged that this corporate structure failed to provide RMG with sufficient oversight over POL – particularly in respect of Horizon and the prosecution of SPMs. Information about these areas did not flow upwards to himself and the RMG board as it should have. Whether this was due to a lack of transparency on behalf of POL management, or for some other reason, he could not say. As a result, he was never told about any concerns with the Horizon system.

Crozier claimed that he was unaware that prosecutions of SPMs were undertaken by RMG's legal department. He exercised no oversight over that activity, and had assumed that POL's own lawyers were responsible. In hindsight, he recognised that this was something he should have known about. When asked about Alan Cook's claim that, in his period of office as Managing Director of POL, he did not know that the POL had a prosecutorial function until 2009, Crozier replied: "I would find that surprising."

³ Video recordings and transcripts of all testimonies along with witnesses' written submissions are available here: postofficehorizoninquiry.org.uk/hearings/listing?hearing_type=550&witness=All&witness_2=All










RMG	Chair	 Allan Leighton (2002-2009)	 Sir Donald Brydon (2009-2015)
	CEO	 Adam Crozier (2003-2010)	 Dame Moya Greene (2010-2018)
POL	Chair	 Sir Michael Hodgkinson (2003-2007)	 Alice Perkins (2011-2015)
		 Tim Parker (2015-2022)	
	CEO	 Alan Cook (2006-2010)	 Paula Vennells (2012-2019)

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“Allan Leighton” by The Co-op Group, licensed under CC BY 2.0 via Wikimedia Commons.

“Adam Crozier at Nations & Regions Media Conference” by University of Salford Press Office, licensed under CC BY 2.0 via Wikimedia Commons.

“Alice Perkins, CB, is the Chairman of the Post Office Ltd.” by Financial Times, licensed under CC BY 2.0 via Wikimedia Commons.

“Tim Parker” by GOV.UK, licensed under Open Government License version 1.0 via Wikimedia Commons.

“Paula Vennells” by GOV.UK, licensed under Open Government License version 3.0 via Wikimedia Commons.

Paula Vennells became CEO of POL in 2012 (at the time of separation from Royal Mail Group), and served in that role until 2019. Vennells said that she was never informed about any significant bugs, errors and defects in the Horizon system, either on her arrival at Post Office in 2007 or in the years thereafter (“I was told multiple times ... that there had been no evidence found”). Only in 2019, following the High Court judgment, did it become clear to her that the Horizon system was unsound and that miscarriages of justice had occurred.

Vennells claimed that key information had been withheld from her due to poor governance. When questioned about who was ultimately responsible for that poor governance, Vennells said that it was a function of the historic structure of the organisation and the disappointing performance of individuals (“I was too trusting of people”). Fujitsu had not provided adequate information about the performance of Horizon. POL’s in-house legal team had not passed on to her crucial written legal advice from external counsel. She lacked oversight over the activities of the investigations team. Another contributing factor was the lack of ‘corporate memory’ concerning past Horizon problems.

Vennells said that she became aware of some specific bugs in the Horizon system in 2013. At around the same time, she was also briefed on the unreliability of Gareth Jenkins, a Fujitsu employee, who had acted as an expert witness in previous SPM prosecutions.

However, she did not see either of these developments as undermining overall confidence in Horizon or the safety of past convictions. For most SPMs, the system appeared to be working well. Her main focus during her tenure was on ‘the business (“our priority is to protect the business”). In her mind, this consisted of the protection of POL’s brand and reputation from ‘unsubstantiated’ external criticism, and the safeguarding of public money.

Vennell’s apparent ignorance concerning the defective nature of Horizon was challenged in a text from **Dame Moya Greene** (CEO of Royal Mail Group between 2010 and 2018), which was sent to her in early 2024. The two had crossed over significantly in their respective roles. In the text, Greene asked: “how could you not have known”? The problems should have been addressed much earlier and “I think you knew”. Vennell’s response to this challenge was: “I wish I had known”.

During the Inquiry hearing, Vennells was confronted with various emails which suggested that she might lack empathy for the plight of the SPMs. It was suggested to her that this reflected an underlying mistrust of the SPM community. According to **Alisdair Cameron** (CFO of POL since 2015), Vennells was emotionally unable to accept that there had been miscarriages of justice during her tenure. For her, it was much more likely that the cause of the financial shortfalls identified by Horizon was the dishonesty of SPMs rather than problems with the IT system.



The Horizon system was doing millions of transactions but there were a few people who are complaining. This was the perspective you're drawn to.

Tim Parker | Former Chair of POL

Alice Perkins served as the Chair of POL between 2011 and 2015. She was contracted to devote two days per week to the role, but often worked more. Her mandate from the Secretary of State and the Chair of RMG was to guide POL through its separation from RMG and place it on a more financially sustainable footing.

A former senior civil servant, Perkins acknowledged that she had failed to get to the bottom of the Horizon issue during her tenure. In particular, her lack of IT literacy was a problem: "I wasn't familiar with the IT language. When discussing IT issues, I didn't have the same instincts as I had when discussing issues with which I was familiar."

During her induction programme, Perkins was warned by the audit partner from Ernst and Young, Angus Grant, that the unreliability of the Horizon system posed a risk to audit integrity. However, Perkins said that she did not appreciate the significance of this advice: "I didn't know how to weight this information when I received it". She was subsequently reassured by Paula Vennells and POL management that the issues had already been investigated and no problems had been identified.

According to Perkins, this was to be a recurring pattern. Whenever red flags arose concerning the integrity of Horizon or SPM prosecutions, she relied too much on management assurances that everything was fine: "I was more reassured than I should have been. I should have asked more questions".

In her testimony, Perkins argued that she tried to "lift the rock" from Horizon on various occasions. Following meetings with James Arbuthnot and other members of parliament in 2012, she commissioned the investigation by forensic accountants Second Sight. She also pushed for a more extensive review by Deloitte (although this was never implemented).

However, the Inquiry also reviewed evidence which suggested that Perkins may not have approached the review process with an entirely open mind. Examples included her attempts to delay the publication of Second Sight's interim report in 2013; the exclusion of the General Counsel (Susan Crichton) from a key board meeting to discuss the safety of SPM prosecutions; the firing of Second Sight in 2015; and the termination of the SPM mediation scheme in the same year.

Perkins denied that concerns about achieving a successful flotation of RMG in 2013 and a post-separation funding package for POL might have affected her willingness to confront the Horizon issue.

Tim Parker was Chair of POL between 2015 and 2022. Initially he dedicated 1.5 days per week to the role, although this later reduced to 0.5 days. He saw his main role as helping the executive team address the financial crisis facing Post Office, drawing on his extensive experience in the private sector.

Shortly after his appointment, and in the light of ongoing public disquiet, Parker was asked by Post Office Minister, Baroness Neville-Rolfe, to take a look at the concerns around Horizon with "fresh eyes". Parker commissioned a report from an independent legal counsel: Jonathan Swift QC. The resulting Swift Review raised major concerns about the safety of past SPM prosecutions, including the veracity of POL's claims that they were unaware of the possibility of remote access to the Horizon system. However, Parker chose not to share this report with other board members or the government.

According to Parker, this decision was made on the basis of advice from POL's General Counsel, Jane MacLeod. She told him that sharing the report beyond a narrow circle would lead to loss of legal privilege. This could result in the report finding its way into the public arena, e.g. as a result of a freedom of information request. Reflecting on this decision, Parker agreed that it was a mistake: "I felt erroneously that legal privilege meant that the report effectively was circumscribed". He accepted that if the Swift report had been discussed at board level it could have led to a "different approach" by the Post Office when contesting the 2019 lawsuit in the High Court.

Parker said that, although he was concerned about problems with Horizon from the start of his tenure, he ultimately questioned "how big a scale is this issue?" He said the Horizon system was doing "millions of transactions" but there were "a few people who are complaining". This was "the perspective you're drawn to", he said.

In his final reflections, Parker conceded that his judgement had to some extent become compromised by actors who did not necessarily have the right motivations. The wool had been pulled over his eyes. In particular, he regretted listening too much to the advice of internal and external legal advisers.

Ken McCall served as Senior Independent Director of POL between 2016 and 2022. At the time he was Deputy CEO of Europcar and had held executive positions at logistics companies like DHL and TNT. According to McCall, his main role on the board was to develop a financially sustainable business model in partnership with the management team. His focus was on the future strategy of POL. He had not anticipated spending much of his time addressing legacy IT and legal issues.

McCall said that, for much of his tenure, he was unaware of any problems associated with Horizon or past SPM prosecutions. He contended that he was not adequately briefed on the extent of the legal risks facing POL – and was shocked when it lost its 2019 case in the High Court. When making the decision to aggressively contest the group litigation by SPMs, he relied heavily on the advice provided by in-house and external counsel. The latter had argued that the Post Office had a strong case against the SPMs, and McCall went along with that view.

In his reflections, McCall said that it was challenging for non-executive directors to get a true feel for an organisation and its culture. Board induction processes needed to be improved and the expectations of the government (as shareholder) needed to be more clearly articulated.

Richard Callard was the government's representative on the POL Board between 2014 and 2018. He was employed by the Shareholder Executive (ShEx), which became part of UKGI in 2016. Callard started the role with no previous experience or training as a director, and said that he felt overwhelmed by his responsibilities. He admitted that he lacked awareness of the role of a director in challenging groupthink or entrenched attitudes, and could not provide examples of when he had done so. He felt a conflict between his role at ShEx and being a board member. Which should come first: the government or the organisation?

Callard recognised that he had showed too much deference to POL management and found it difficult to provide effective independent oversight. He was dependent on POL for information and began to function as a mouthpiece for POL vis-à-vis ministers. As a general principle, Callard thought it was appropriate to keep ministerial involvement in arm's length entities like POL to a minimum. He helped manage that process by filtering the information that ministers received. He noted that there was a lack of meaningful documentation on how governance should function between POL and ShEx/UKGI, despite POL being the most high-profile 'asset' in the government's portfolio.

Greg Clark was Secretary of State for Business, Energy and Industrial Strategy from 2016 to 2019, with overall political responsibility for POL. Clark was critical of the role played by UKGI and its shareholder directors in the scandal. He felt they were not effective at spotting issues or communicating them to ministers. They got drawn into the company's way of thinking. This compromised their role as government representatives. It also obscured the chain of accountability between Post Office and government. Similar problems had occurred several years earlier at another government-owned entity, the Nuclear Decommissioning Authority, but UKGI had not learnt the lessons.

Clark questioned why UKGI was not simply part of the civil service rather than operating as a separate limited company. Rather than promoting good governance, UKGI created excessive governance. Going forward, government-owned companies like POL should adopt a different corporate form to that of a purely commercial entity. The directors of such companies should have a fiduciary duty to balance commercial considerations with their public interest role.

Vince Cable was Secretary of State for Business, Innovation and Skills from 2010 to 2015. He said that the board of POL had been a failure. The purpose of the POL board was to surface problems and communicate them to ministers. But this had never happened.

In his meetings with POL board members, Cable noticed that the Chair and CEO were a 'double act' – they were not operating as separate pillars of governance. He regretted not thinking about this more while he was in office, although at that time he had no reason to doubt the integrity of POL management. A useful step would have been to place SPMs on the board, and he is glad that this has now happened.

In his earlier career as a constituency MP, Cable had become aware of the hostile attitude of Post Office towards SPMs. Going forward, an independent regulator was needed to mediate the unequal power balance between these actors. In addition, all government departments and state entities should appoint a board level technology officer – analogous to the accounting officer role played by permanent secretaries. This person would be held legally accountable for IT related issues, and help counter the appalling track record of public sector entities in respect of IT implementation.

Cable argued that it should be made clear to board members of government-owned entities such as POL that their primary duty was to the public interest. This may require such entities to adopt a different corporate form, distinct from that of a private commercial company. In such companies, director's fiduciary duties would extend beyond shareholder value creation and emphasize the advancement of the public interest.

Part II: IoD working group discussion

On 12 August 2024, the IoD convened a diverse group of interested parties from across a range of disciplines to discuss the evidence generated by phase 6 of the public inquiry. The participants included governance experts, IoD members, academics, legal practitioners and business consultants. The following is a summary of the reflections that arose during the discussion, which was conducted on the basis of the Chatham House Rule.

Funding as a motivating factor

In the opinion of several of the working group participants, a key factor that may have motivated the behaviour of POL and RMG at various stages of the scandal was the need to secure an adequate level of subsidy from the government – given that POL was loss-making and effectively insolvent.

This factor became particularly important in the run-up to the privatisation of RMG. It was essential to secure a successful flotation of RMG and persuade the government to invest a substantial proportion of the proceeds into POL. As a result, there was a strong financial incentive to deny or downplay concerns around Horizon and unsafe SPM convictions.

A key example of an attempt to bury the nascent scandal occurred in summer 2013, immediately before the RMG flotation. Paula Vennells succeeded in removing a reference to the Horizon system from the Royal Mail prospectus. Public knowledge of this could have been highly damaging to the float and to POL's future funding prospects.

According to Vennells, “this was very last minute, I can't remember how it occurred, but it was flagged to me that within the IT section of the Royal Mail prospectus there was reference to risks related to the Horizon IT system. I clearly arrived at a view that that seemed the wrong place.”

Vennells contacted the company secretary and said she didn't understand why the reference was there and asked to have it removed, which it was. Vennells explained she had it removed “because I didn't believe it was helpful in any way to the Post Office, because the two businesses were separate, and the prospectus was about the flotation of Royal Mail”.

She later boasted about doing this in an email to POL chair, Alice Perkins, saying: “I have earned my keep on this one.” The Inquiry also heard that Vennells had included this in her annual performance review as a ‘key achievement’.

During the working group discussion, scepticism was expressed about Vennell's account of how easily the reference to Horizon was removed from the RMG prospectus. The prospectus was a crucial legal document, and numerous legal advisers, bankers, key employees and board members would have been involved in ensuring its accuracy. It seemed implausible that Paula Vennells could have removed mention of Horizon concerns without detailed consideration and approval from other key parties at RMG, POL and even within government.

According to one participant, “the verification process ahead of an IPO is a highly detailed and formalised process, and must be signed off at the highest level. By the time the Royal Mail prospectus was prepared, I suspect that there were dozens of people involved in that process - who knew what had gone on.”

It should be noted that the changes to the prospectus were being made at around the same time as the publication of the Second Sight Interim Report. It was also the time when POL became aware of the Clarke Advice, which cast doubt on the reliability of Gareth Davis as an expert witness in previous SPM convictions and the Horizon system more generally.

Alice Perkins, the Chair of POL, also chose that time to contact POL's insurers, and query the extent of liability cover for the company and its board members.

One participant opined: “by taking that comment out of the prospectus, they were taking a major risk. But after taking that decision, they may have crossed the Rubicon; covering up that omission may then have become a defining factor in POL's subsequent behaviour.”

“If it wasn't the government standing behind this sale, and it happened in the private sector, people would be vulnerable to significant personal consequences for taking the major risk that the organisation was facing out of the prospectus”.

An unaccountable corporate structure

Several working group participants observed that the corporate structure of RMG and POL was ideal for the blame shifting and deflection among directors and company advisors that allowed management to cover up the scandal for so long.

Prior to separation, the governance of the Royal Mail Group already appeared to be dysfunctional. Despite being a subsidiary of RMG, POL did not appear to be subject to meaningful oversight from RMG. Until 2006, the Managing Director of POL reported directly to the Chair of RMG, and not to the RMG CEO. The Managing Director of POL therefore sat outside of the governance hierarchy of the Royal Mail Group.

Although this reporting line was subsequently altered, the level of group oversight over POL did not seem to improve. Adam Crozier, CEO of RMG, only attended two POL board meetings over a period of seven years.

The working group observed that, throughout the scandal, there appears to have been remarkable confusion at senior level about who was responsible for what. Few of the people appearing at the Inquiry appeared to have a firm grip on who was responsible for investigating and prosecuting SPMs. The outsourcing relationship with Fujitsu was not properly managed or overseen. There were significant blockages to information flow between different parts of the business and upwards to government ministers. Board members and senior managers did not have clear sight of the risks to which the business was exposed.



If you had designed a structure to make sure there was no responsibility, accountability or transparency, wouldn't this have been the perfect structure? I've heard people on the Inquiry saying 'I didn't know'; 'no one told me'; 'it wasn't my responsibility'; 'I was away'. It's a perfect recipe, really, for what went wrong.

Working group participant

Lack of curiosity amongst board members

Several working group members observed that the normal critical scrutiny expected from a board of independent directors was lacking. This seemed to be a systemic problem, given that between 2000 and 2023, more than 80 people served as directors of POL.

Especially after separation in 2012, non-executives appeared to have internalised the defensive management narrative around Horizon and the questionable integrity of SPMs, without appropriate challenge or curiosity to dig a little deeper.

As one participant said: "Boards have to be in the habit of challenge. They have to be curious and persistent. That's fundamental to the role of the non-executive director."

One working group member was struck by the fact that, only days after starting her job as Chair of POL, Alice Perkins received a stark warning that alleged criminality by sub-postmasters may instead be linked to problems with Horizon.

That 'sliding doors' moment came during a meeting in 2011 between Perkins and Angus Grant, a partner at Ernst & Young. In handwritten notes describing what the auditor had said, Perkins wrote: "Horizon is a real risk for us ... does it capture data accurately ... cases of fraud – suspects suggest it's a systems problem."

Perkins told the Inquiry that she did not believe she ever discussed the meeting with her fellow board members. This proved to be significant missed opportunity – to get to the bottom of a problem that was to be existential for the organisation over the subsequent decade.

Working group members observed that a further example of an inadequate board-level curiosity was revealed in the Inquiry's questioning of Ken McCall, the senior independent director (SID) on the POL board between 2016 and 2022.

His hands off approach to the SID role was exposed on various occasions, particularly during questioning about POL's media strategy.

McCall was quizzed about an email, dated February 2019, regarding press inquiries about Horizon. Vennells told those copied in on the email, including the SID: "As before we hold the ground: the system is robust. And not comment any further during the trial. So 'aggressive' no, robust – absolutely no question."

Asked whether he was concerned about the tone of unbending denial being expressed in this communication, McCall insisted that he 'wasn't responsible' for the organisation's media strategy.

Angela Patrick, barrister from Doughty Street Chambers representing sub-postmasters during the Inquiry, was unimpressed.

“You are the senior independent non-executive director, you’ve agreed today that part of your role was to represent the interests of the shareholder, who is the taxpayer, the Government. Are you really suggesting at this point – and if I can remind you, you’ve accepted the board would have been aware that the picture on remote access was very different from that which may have been presented at an earlier stage – are you really suggesting that, if you thought that the strategy that was being presented by the executive team was out of step or might be causing some risk to the business, that you could not step in and say something?”

McCall repeated: “I’m not responsible for the communications strategy.”

The unclear role of the auditors

A working group participant observed: “The meeting between Angus Grant and Alice Perkins highlighted the fact that the external auditors were aware of the problems with Horizon by 2011. Although they did flag their concerns on this occasion to the Chair, the Inquiry has not revealed what they did after that.”

It would be normal for auditors to engage with the CFO and the audit committee on a regular basis. Presumably they would have also communicated their concerns about Horizon to them.

Another participant added: “I would be amazed if such references were only ever given verbally and were not included in audit letters addressed to the whole board. If they were, then a good number of the NEDs would have surely been put on notice when they conducted their pre-appointment due diligence or when serving on the board.”

However, the Inquiry revealed no evidence that this had happened. Furthermore, it was unclear as to whether the auditors were kept informed by the board concerning key reports such as the Second Sight Review and the Swift Report, which would have been material to their audit assessments.

More investigation is needed to clarify how the auditor-client relationship worked in this scandal, and whether both directors and auditors fulfilled their professional duties.

The governance failings of UKGI

UKGI is a company owned by the government that, since 2016, has combined the former functions of the Shareholder Executive and UK Financial Investments. It is owned by His Majesty’s Treasury and is accountable to Treasury ministers and Parliament.

UKGI manages the government’s portfolio of stakes in 17 ‘arm’s length bodies and government shareholdings, including POL, the Nuclear Decommissioning Authority, Ordnance Survey, the Royal Mint, Channel 4 and NatWest. It also advises government on corporate finance and other corporate transactions.

Several working group participants speculated that UK Government Investments (UKGI) may now be in a vulnerable position following the criticism that it received during the Inquiry from the likes of Vince Cable, Greg Clark and Margot James – the government ministers to which it was accountable.

In the words of one participant: “The people who sat on the POL board from UKGI were not well prepared as directors. Also, they were conflicted between their roles as company director and government representative. As a result, they underperformed in both roles. That’s something that UKGI needs to address if it wants to rebuild its reputation as the government’s governance champion.”

“Going forward, it might make sense for UKGI representatives to preserve some distance and avoid serving on the boards of state-owned entities. They could aim for more of an investor stewardship role, similar to that played by the institutional shareholders of most listed companies”.

UKGI’s website proclaims it combines “the best of public and private sector expertise, we are government’s centre of expertise for corporate governance and corporate finance”. However, working group participants observed that good governance did not appear to be UKGI’s priority during the POL scandal. Some witnesses, like Greg Clark, the secretary of state for business (2016-19), thought that UKGI had “gone native”.

Clark said: “I think there’s a structural problem here, in that UKGI ... is a sort of deal-making ... a private equity-type organisation. I think the people in it are ... keen to do deals and to do the things that you do in corporate finance.

He added: “One of the purposes of UKGI is to be good at governance, to improve the government’s capacity at governance. But I have to say ... the evidence is that they have not been very good at that, in important instances.”

He cited the failure of UKGI to bring to the attention of ministers some key pieces of information about Horizon, such as the Second Sight Report. Clark also revealed that he had been given no information that the board at one stage had a lack of confidence in Paula Vennells, even though UKGI did know this.

“I think that would have been very material, to know that the Board had expressed, in the past at least, a lack of confidence there... That seems to me to be a failure of corporate governance, in which UKGI was part,” he said.

One working group participant suggested that Clark’s assessment of UKGI as an organisation was supported by the Inquiry’s findings on the appointment of Susannah Storey, ShEx/UKGI’s first non-executive on the POL board.

Storey began her career as an investment banker and then joined the Shareholder Executive in 2006. She was director of ShEx’s Royal Mail and Postal Services team before becoming the first Shareholder Non-Executive Director of the Post Office between April 2012 and March 2014 – during the separation of POL from Royal Mail Group.

This was a moment when POL was undergoing huge corporate transformation, which would have tested even the most skilled and experienced non-executive. However, Storey admitted to the Inquiry that she was appointed without any prior experience of being on a board.

Asked whether she had been provided with any training before taking up the post, specific to that role of non-executive director, Storey replied: “No.” It also emerged that for Storey’s first year on the board of POL, she was on maternity leave – between March 2012 and March 2013.

Another insightful testimony came from Robert Swannell, who was Chair of ShEx/UKGI between 2014 and 2021. The former businessman and investment banker said POL had a defensive culture; it was difficult to prize information from the board.

He told the Inquiry it was tough to keep up with POL because key information had been kept from him. Asked why that was, he said: “I’m afraid that when an incomplete curiosity, if I can put it that way, meets a toxic culture, bad things happen.”

When asked to clarify whether his criticism regarding ‘curiosity’ was solely of the Post Office, or if it also referred to ShEx, Swannell replied: “Well, it’s of the Post Office, but we have to acknowledge that ShEx had a member on the Post Office board.”

The crucial role of lawyers

Several working group participants agreed that one of the standout messages from the Inquiry is that directors “shouldn’t listen to lawyers all the time”.

One said: “I think the irresponsible use of lawyers and irresponsible behaviour of lawyers ... is a central issue in the POL scandal. I think they went beyond the rules. This led to evidence being sifted and concealed and presented in misleading ways, almost routinely.”

POL’s legal team, both internal and external, appear to have fuelled the management team’s instinct to suppress key information with questionable advice about legal privilege.

Various holders of the general counsel role were involved in commissioning half a dozen reports and reviews by external auditors and consultants in the decade leading up to the 2019 High Court case. One such report, the 2016 Swift Review, called into question the strength of the evidence that POL had used to secure convictions, including their persistent denial that remote access to Horizon was possible. However, Tim Parker, Chair of POL, was advised by in-house lawyers not to share the report with the board – on the grounds that the findings of the review were legally privileged.

Parker said he believed the lawyers would take the findings forward, and the report would later be shared with some possible redactions. He dismissed suggestions that he was happy to bury the Swift review.

“I had no axe to grind on this, I had no vested interest in trying to protect the Post Office ... It was simply the advice I received, and I followed it.”

One working group participant observed that ‘legal privilege’ was routinely “used or abused” throughout the whole Post Office scandal.

“One of the lessons for directors ... would be to advise them on whether that’s ever a justifiable argument – that information can’t be shared with the board because of this issue of legal privilege.

“In most cases, it’s clearly wrong that legal advice can’t be shared with the board, because the board ... are effectively the company, and the advice is for the company.”

The toothless trade union

Several working group members observed that the National Federation of Sub-Postmasters (NFSP) had proven to be “a failure as a trade union” as it became absorbed into the management narrative on the scandal.

One participant said: “It didn’t represent its members on a fundamental issue, and it needed Alan Bates [campaigning former sub-postmaster] to take over that role for them.”

The NFSP was a trade union, set up in 1897 by a group of sub-postmasters to help their profession. It was altered to become a trade association a decade ago after the Post Office did not recognise the group for collective bargaining purposes.

During the period 2007 and 2018, it was led by George Thomson. Instead of fighting on behalf of beleaguered sub-postmasters, he instead downplayed faults with Horizon and secretly tipped off POL’s media team about journalists sniffing around the unfolding scandal.

It emerged during the Inquiry that the NFSP had received millions of pounds in payments from the Post Office. An email, from August 2013, outlined plans for a 15-year funding deal between POL and NFSP. It included annual payments starting at £500,000 in 2013-14 and reaching £2.5 million between 2017 and 2028.

Thomson said: “We worked closely with the Post Office because we both needed to have a successful franchise - that’s the reality.”

Put to him that the NFSP was financially compromised by the Post Office at a time when issues with Horizon were ongoing, Thomson insisted that the money was “replacing what used to be membership money” after losing 8,500 sub-postmasters, adding: “It was never ever tied to Horizon.”

Thomson enraged his former members when he said that the number of sub-postmasters who had been prosecuted [more than 900] was a “tiny percentage” of the 100,000 people who had used Horizon over 25 years.

Calum Greenhow, current chief executive of the NFSP, sought to distance the organisation from Thomson’s testimony, saying the union was “shocked” and that the union’s former boss “did not take seriously enough the significant warning signals about Horizon and was not willing to accept challenges to his views on it”.

One working group participant reflected that board directors and trade unions are sometimes uncomfortable bedfellows. But Thomson’s role, as a cheerleader for Horizon, is an important reminder for directors of why meaningful challenge is an essential part of good decision making and strong corporate governance.

The importance of board effectiveness reviews

Several working group members were puzzled why phase 6 of the Inquiry made no mention of POL’s board effectiveness reviews, given its focus on governance and the performance of directors.

The UK Corporate Governance Code recommends that boards conduct an internal review every year, bolstered with an external review – done by an independent body, like the IoD – every three years.

The only board review found in the Inquiry documents is an internal one from 2013, which was undertaken by Alice Perkins, the former Chair. One panellist said: “The 2013 review ... was ineffectual. There is little evidence of rigour in terms of process, and it’s an annoying tale of directors marking their own homework. That is one reason why independent external reviews were introduced in the first place, and became part of the Code.

According to one working group participant: “The 2016/17 and 2020/21 reviews should, in theory at least, reveal higher levels of probing and analysis – as they were conducted by external reviewers. And the outcomes, and subsequent recommendations, could tell us whether the reviews did the job they were supposed to.” However, these reviews have yet to be placed into the public domain.

Part III: Key lessons for directors

What lessons can be drawn from the Post Office scandal, which could be relevant to the directors of other organisations? This section offers some recommendations which directors are invited to reflect upon.

Face up to uncomfortable truths

Directors joining the Post Office board were rapidly absorbed into the false narrative of the organisation – that SPMs were not to be trusted and the Horizon system was fit for purpose. This attitude pervaded the culture and ultimately led to disaster. What are the attitudes or assumptions that are taken for granted by your board? Is there a willingness to discuss them or test them with fresh evidence? Are key issues being ignored due to wishful thinking or because they would have uncomfortable implications?

Break out of the boardroom bubble

The Post Office board was almost entirely guided by the perspectives of management. It failed to adequately test these perspectives by engaging directly with other key stakeholders, such as SPMs, MPs, Fujitsu or external experts. As a result, it was vulnerable to groupthink, and unable to gain a meaningful understanding of the organisation's underlying culture. What steps can you take to truly understand what is going on in your enterprise? Are you listening to a diversity of voices, both inside and outside of the organisation, including some that may make for uncomfortable listening?

Don't ignore red flags

Over two decades, Post Office was confronted with numerous red flags concerning the viability of the Horizon system and the safety of its prosecution strategy. Some of these were not visible at board level, but many were. When red flags arise, are you demonstrating curiosity and persistence in understanding their causes and consequences – especially if they relate to critical points of organisational failure? Are they signalling an issue that management might not want you to focus on? Even if red flags do not suggest 'material' problems in the context of the organisation's overall financial performance, are they providing insight into cultural or reputational issues that might significantly impact the enterprise?

Ensure proper governance of outsourcing

A fundamental cause of the Post Office scandal was the mismanagement of the IT outsourcing relationship with Fujitsu. Post Office relied too heavily on Fujitsu's assurances regarding the viability of the Horizon system. Fujitsu's narrative became entrenched in the organisation because it was too difficult to challenge or uproot. As a director, are you confident that you are in control of your outsourcing arrangements? Is the board receiving proper reporting from key suppliers? Have you assessed vulnerability to "supplier capture" – as outsourcing partners become too difficult to challenge or replace? What can you do to mitigate this risk?

Directorship is about more than one thing

Many of the directors recruited onto the Post Office board saw their primary role as advising management on how to transform the commercial viability of the organisation. Their focus was on future strategy rather than dealing with the problems of the present and the past. However, directorship involves a balance of activities, including holding management to account and delivering external accountability. It also requires directors to engage with the culture of the organisation. As a director, you are not merely an adviser that has been hired to focus on one thing. Everything is your responsibility. Are you appropriately balancing your efforts across all aspects of your role?

Demand full access to all relevant information

The withholding of crucial reports and information from board oversight was a key governance failure at the Post Office. Boards must have access to all information which is relevant to the success of the organisation. It is rarely acceptable to withhold information from board members on the basis of considerations such as legal privilege. Equally, directors need to actively determine the kind of information that they need to receive from management. As a board member, are you satisfied that you are receiving the right kind of information? Is the flow of information being filtered in a way which inhibits you from forming an informed and independent perspective?

Advisers advise, directors decide

Post Office board members demonstrated an excessive deference to the views of internal and external legal advisers. Although such advice, and that of other types of consultants and advisers, may be a crucial input into board decision-making, it should not be accepted without question. Directors should apply their own independent strategic judgement and moral compass to any advice that they receive. Directors rather than advisers are legally responsible for the organisation, and they are better placed to take a holistic view. As a director, are you satisfied that you are using advisers appropriately – as a useful source of insight rather than as the ultimate arbiter of decision-making?

Get properly trained as a director

Several Post Office directors joined the board without any previous experience or training as a director. Others had a significant track record as directors and executives but nonetheless demonstrated a weak understanding of what a director is actually required to do. To ensure that all directors share a common baseline of knowledge and understanding, specific director training is essential. To what extent might the appropriate training of your board enhance its ability to deliver organisational performance and good governance?

Due diligence and induction is more than a 'nice to have'

Many Post Office directors started their roles with an incomplete understanding of the issues facing the organisation. There was an absence of corporate memory, with each director seemingly starting from a blank sheet. Unresolved historical issues only became visible to board members when it was too late. Directors need to undertake rigorous due diligence of organisations before they accept board roles. Post appointment, the induction process needs to be systematic and expose them to the history and culture of the organisation. At your organisation, does the induction process for new board members provide a suitably informed basis for effective directorship?

Use board evaluation as a key governance tool

Robust board evaluation processes might have offered the Post Office board an opportunity to reflect on its functioning. In particular, an externally facilitated review would have provided an independent perspective on director behaviour. This might have helped counter excessive complacency and groupthink. However, this opportunity does not appear to have been adequately grasped. To what extent does your board seek to evaluate and improve its own performance? Why might it be resisting challenges to existing ways of doing things?

Insist on IT literacy

The Post Office failed to successfully manage a critical IT project, with catastrophic consequences for individuals and the organisation. The board was unable to provide adequate oversight of the process, partly because many board members lacked IT literacy or experience. For most organisations, IT is a critical success factor. Going forward, navigating the AI transition and managing cybersecurity threats will become ever more important issues for directors. Although every director does not need to be an IT expert, a high level of tech literacy should be seen as a prerequisite for directorship. To what extent does your board exhibit such literacy? How confident are you of its capacity to oversee the implementation of crucial IT transformations?

Maintain a moral compass

In the midst of the Post Office Horizon scandal, executives and board members lost sight of basic principles of ethical business behaviour. Many persuaded themselves that they were doing the right thing when that was palpably not the case. They became absorbed into a corporate culture which propagated a distorted vision of the best interests of the organisation. Although it is not always easy, director behaviour must remain anchored in strong ethical principles. Poor behaviour and toxic corporate culture must be scrutinised and challenged. If directors don't step up to this challenge, then who will? All directors and boards should align themselves with an explicit code of conduct, such as the IoD Code of Conduct for Directors, and use it to reflect on their own behaviour and that of the board as a whole.

Part IV: Recommendations for policy makers

This section provides some recommendations for government which respond to the issues that have been highlighted in phase 6 of the Public Inquiry.

Professionalise the boards of state-owned entities

No-one should be appointed as a director of a state-owned enterprise unless they can evidence the full range of director competencies, either from their experience or by having undertaken a comprehensive training programme in directorship, such as the Chartered Director Qualification.⁴ The Post Office scandal has demonstrated that even those with significant experience in the business world may still lack necessary expertise in certain aspects of directorship (e.g. IT literacy or legal risk management skills). They may also bring with them differing perspectives or misunderstandings of what a director is required to do. For that reason, even seasoned directors should be required to undertake an ongoing programme of professional development. This could include a commitment to acquiring the chartered director designation within three years of their appointment.

Commit directors to clear ethical standards

It is essential that directors have a clear understanding of the attitudes and behaviours that they should bring to their role. Consequently, the government should require the directors of all publicly owned entities to sign up to the IoD's Code of Conduct for Directors. This would provide individual directors and stakeholders with a widely accepted benchmark from which to challenge toxic attitudes and behaviour - which may have become entrenched in the culture of specific organisations. In addition, the directors of private sector companies providing goods and services to the public sector, or those fulfilling any kind of public interest role (including regulated entities and utilities), should be required to commit themselves to the Code.

Reform the law on computer generated evidence

Since 1999, computer-generated evidence in English law cases has been subject to a common law presumption that computers producing evidential records are working properly and that the record is admissible as evidence. However, software is inherently prone to errors. This is widely recognised by software developers and reflected in most software contracts. The Post Office scandal has illustrated the dangers of courts accepting computer-based evidence without evaluating to any significant extent whether software bugs or defects might be a causative factor. This legal approach should be reviewed by the Law Commission, especially as software risks are likely to accelerate as AI solutions become more prevalent in computer systems.

Reposition UKGI

The Post Office scandal has undermined the reputation of UKGI as the ownership steward of state-owned enterprises. In order to regain public trust, UKGI must reposition itself as a champion of good governance. This will require it to place a greater emphasis on hiring staff with corporate governance expertise – rather than those from a corporate finance background. The government should also reevaluate the value of UKGI staff serving as directors on the boards of state-owned entities. The public interest may be better served if they were to operate more of an arm length stewardship role. This would enable them to remain fully informed about board discussions but without the potentially conflicting fiduciary duties which arise when serving as a company director.

⁴ iod.com/professional-development/director-competency-framework/

Introduce a new corporate form for companies operating in the public interest

The operation of a company through the vehicle of a private company limited by shares is not well suited to the delivery of public interest objectives. Even when subject to significant external regulation, the directors of such companies still have a fiduciary duty to prioritise the interests of shareholders (as defined in section 172 of the Companies Act 2006). As a result, they are constrained in their ability to take into account the interests of other stakeholders and the wider public interest. The government should develop a new corporate form – the Public Interest Entity – which mandates directors to balance shareholder value creation with broader societal/stakeholder objectives. All commercial entities delivering important public services should be encouraged to adopt this corporate form.

Promote the tech literacy of board members and appoint a Chief Technology Officer to the boards of government-owned entities

Tech and IT literacy should be seen as a core competence for any modern director. Many directors still lack this competence, and seek to delegate oversight over IT issues to less senior members of staff. The Post Office scandal has demonstrated that this can be a fatal mistake. Technology is now an existential success factor in most organisations, and its importance will increase exponentially in future years with the adoption of AI. The government should encourage the wider community of directors to up their game in terms of tech and IT literacy, reflecting this in the UK Corporate Governance Code. In addition, the government should insist that the boards of publicly owned entities include a Chief Technology Officer in their composition.

Strengthen whistleblowing protections

Speak up mechanisms provide a key mechanism by which poor conduct or fraudulent behaviour can be surfaced. The Public Interest Disclosure Act 1998 currently protects whistleblowers from negative treatment or dismissal for raising their concerns. However, it does not encompass certain categories of stakeholder, including self-employed contractors. As a result, Post Office SPMs were not protected by the legislation. The previous government began a review of whistleblowing protections in March 2023, and the new administration should continue this process. As advocated by Protect, the UK's leading whistleblowing charity, all employers should be required to meet standards for whistleblowing and follow recognised procedures.⁵

Encourage responsible management of legal risk

The Post Office scandal highlighted the need for responsible oversight of legal risk at board level. The UK Corporate Governance Code should be amended to define an explicit legal risk responsibility for a designated board committee (e.g. the risk or audit committee, or where appropriate, a specific legal risk committee). The committee should update the board on a regular basis on matters such as litigation, disclosure exercises, investigations and regulatory responses. In financial services, this role should be mandated to a designated individual under the Senior Managers and Certification Regime. The Financial Reporting Council should develop supporting Guidance which advises directors on how to manage the advice of internal and external legal counsel, including the ability of senior legal advisers to access the Board when dealing with matters of serious concern.

5 protect-advice.org.uk/campaign-for-a-new-whistleblowing-bill/

Part V: Concluding thoughts

This report has primarily focused on issues of governance, which can seem arcane and remote to many people. However, the Post Office scandal has shown that governance failure can have disastrous human consequences.

SPMs found themselves enmeshed in a dystopian nightmare worthy of a novel by Franz Kafka or George Orwell. Denounced as criminals by a defective computer system, SPMs were stripped of their dignity and freedom by a faceless bureaucracy that could not admit that perhaps it had made a mistake.

Many have categorised the scandal as an IT disaster, given the central role played by the Horizon IT system. However, that would be a mistake. The Post Office was not unique in struggling with the challenges of digital transformation. Indeed, in any organisation, teething problems with IT systems are the rule rather than the exception. What made the Post Office scandal remarkable was the way in which that faulty information was used. Driving that misuse were human beings who made bad decisions at multiple levels of the organisation.

The roots of the scandal are hence not to be found in the lines of code in the Horizon software, but in the performance of the board, management and ownership function of the Post Office, who should have delivered better supervision and oversight. Politicians share some responsibility for the overall design of POL governance, although their distance from operations meant that it was unrealistic to expect them to surface issues when the board itself had failed.

Phase 6 of the Public Inquiry presented a fascinating picture of the board of a dysfunctional organisation. On the surface, the POL board appeared to be operating normally. Board and committee meetings were conducted in an orderly and well-documented manner. Many of those involved appeared to be well-meaning people who had convinced themselves that they were doing the right thing for the organisation. There was little evidence of tell-tale signs that have characterised other governance scandals, such as hubris, personal greed or large-scale fraud.

Perhaps for this reason, it remains challenging for an outsider to pass judgement on individual culpability, and we do not attempt to do so here. Can any of us be confident that, if we had served on the board of POL as a non-executive director, we would have been able to see through the subterfuge and done something about it? That is a question that every director should now ask themselves with respect to their current board roles.

A frustrating (but unsurprising) feature of the Public Inquiry has been the extent to which certain witnesses have attempted to manoeuvre themselves away from direct association with poor behaviour, often in subtle ways. Of course, most of the witnesses (although not all) have been alert to the dangers of self-incrimination; in many cases, Sir Wyn Williams thought it only fair to remind them of this risk before they commenced their testimonies.

Nonetheless, the various counsel to the Inquiry, led by Jason Beer KC, have done a skilful job in shining a light on underlying attitudes at crucial moments. We have unquestionably emerged from phase 6 of the Public Inquiry with more insight into what went wrong than at the start of proceedings. However, a definitive judgement on what ultimately drove the behaviour of key actors at various junctures – intentional cover up or ineffectual ignorance – must await the publication of the Inquiry's final report.

According to the Institute of Director's competency framework for directors, there are three components of successful directorship: knowledge, skills and mindset.⁶ One way to characterise the failures of Post Office governance is in terms of deficiencies in each of these areas.

Firstly, there was a material lack of knowledge on the board in respect of key areas of risk, especially around technology, IT and legal affairs. The knowledge that did exist on the board was not the right kind of knowledge to address the crisis that engulfed it.

Secondly, directors exhibited a dearth of skill in diagnosing the underlying cultural malaise of the organisation, responding to numerous red flags and providing management with the necessary challenge.

Lastly, and most importantly, the Inquiry's testimonies indicate that board level mindset often fell short in terms of independence, curiosity, commitment to ethical standards, and cognisance of the public interest – although this shortfall was more apparent in some individuals, and at certain timepoints, than others.

Looking forward, none of these potential shortcomings of directors can be regulated out of existence; it would be a mistake for policy makers to formulate any response to the scandal in those terms. What is needed are better directors with the appropriate knowledge, skills and attitudes to fulfil their crucial societal roles.

As the government seeks to rebuild confidence in the board of POL and other state-owned entities, the overriding question should be: to what extent are we confident that board members embody the personal characteristics that are required to be a successful director?

Addressing that question, both at POL and elsewhere, will require a shift away from directorship as the realm of the gifted amateur. A more professional framework for directors should be embraced, to provide stakeholders with better assurance that directors understand their role and are equipped to fulfil it. This will include defining prerequisites in terms of director training, certification, continuing professional development and commitment to ethical standards.

Such a framework may not necessarily eliminate the possibility of all future scandals. But it would represent a material advance in the direction of better corporate governance.

An appropriate way to conclude this report is to cite the words of Australian judge Neville Owen, whose comments at the end of a Royal Commission into the collapse of HIH Insurance in 2003 could equally be applied to the Post Office scandal.



Did anyone stand back and ask themselves the simple question – is this right? Did they ever apply the olfactory ['smell'] test? Did they ever go back and ask themselves, 'What would my grandmother have thought of this?'

6 [iod.com/professional-development/director-competency-framework/](https://www.iod.com/professional-development/director-competency-framework/)

Appendix: chronology of a governance scandal

1999	Horizon system is developed by ICL/Fujitsu and rolled out across 14,000 Post Office branches.	The Horizon system was intended to transform the Post Office’s paper-based branch accounting into an electronic system. However, subpostmasters (self-employed individuals running their branches on behalf of the Post Office) soon complain that bugs in the system are causing significant financial shortfalls. The validity of these claims is consistently rejected by Post Office. However, in 2020, a High Court judge concluded that Fujitsu’s IT experts knew there were problems with Horizon from day one.
1999	Post Office begins prosecuting SPMs on the basis of Horizon-generated shortfalls	Contractual agreements between Post Office and subpostmasters (SPMs) require that any accounting shortfalls are the financial responsibility of the SPMs themselves. Between 1999 and 2015, over 900 SPMs are prosecuted and 236 are sent to prison. Post Office itself privately prosecutes more than 700 people for crimes such as theft and false accounting. Many more have their contracts terminated, are subject to civil litigation or forced into personal bankruptcy. Several suicides are linked to the scandal and there are many other cases of illness caused by stress.
2009	Computer Weekly article published	In 2004, former SPM Alan Bates approaches investigative journalist Tony Collins, and informs him of his suspicions about the Horizon system. The 2009 article tells the story of seven SPMs who have experienced unexplained losses, one of whom is Alan Bates.
November 2009	Justice for Subpostmasters Alliance (JFSA) formed	Under the leadership of Alan Bates, the JFSA becomes the main campaign body seeking financial and legal redress for the victims of the Post Office Horizon scandal.
April 2012	Post Office formally separates from the Royal Mail Group and appoints Paula Vennells as CEO.	In 2011, The Postal Services Act is passed, paving the way for the separation of Royal Mail Group and Post Office Ltd ahead of the privatisation of Royal Mail.

July 2012	Second Sight begin investigation into Horizon.	As growing numbers of MPs and the JFSA raise concerns about convictions related to Horizon, Post Office is pressured into launching an independent investigation. Forensic accountants from Second Sight are hired to do the work.
July 2013	Interim Second Sight Report	Although the report does not at this stage conclude that Horizon is “systemically” defective, it finds that Post Office is aware of bugs which could have affected a significant number of branches. The report criticises Post Office’s unwillingness to investigate SPM’s complaints about Horizon.
July/August 2013	The Clarke Advice	Simon Clarke, a barrister employed by Cartwright King, Post Office’s legal firm, discovers that Fujitsu employee Gareth Jenkins is aware of bugs in the Horizon system – despite having given expert evidence in court cases attesting to Horizon’s accuracy. Clarke advises Post Office that Jenkins can no longer be regarded as a credible expert witness and that previous convictions may be unsafe.
August 2013	Post Office launches mediation scheme to investigate the complaints of SPMs	The scheme is chaired by former judge Sir Anthony Hooper. However, by December 2014, the JFSA and 140 MPs have withdrawn their support. James Arbuthnot MP accuses Post Office of rejecting 90% of applications for mediation.
October 2013	Privatisation of Royal Mail Group and flotation on the London Stock Exchange	The government decides not to privatise Post Office due to concerns about its financial viability and to protect its significant public service role. The government’s shareholding is overseen by the Shareholder Executive (later UKGI).
2014	Deloitte Review	Auditors from Deloitte find that branch accounts can be altered remotely by Fujitsu – contrary to previous Post Office claims, including those forming the basis of previous SPM prosecutions
February 2015	BEIS select committee hearing on Post Office mediation	Paula Vennells and her colleague Angela van den Bogerd tell the business select committee that there is no evidence of past miscarriages of justice or problems with the Horizon system.

March 2015	Second Sight completes its final report	The report criticises multiple aspects of both the Horizon system and Post Office's investigations of financial shortfalls. It concludes: "when looking at the totality of the 'Horizon experience' we remain concerned that in some circumstances Horizon can be systemically flawed from a user's perspective and Post Office has not necessarily provided an appropriate level of support." The findings of the report are rejected by Post Office, which continues to claim that the Horizon system is sound. Shortly before its publication, Post Office calls off the mediation scheme and terminates its Second Sight contract. However, it also halts the further prosecution of SPMs.
February 2016	The Swift Review	Baroness Neville-Rolfe, Post Office minister, instructs incoming Post Office Chairman Tim Parker to investigate ongoing concerns about Horizon. Parker commissions Jonathan Swift QC, to investigate. The Swift Review finds that secret remote access to Horizon is possible – contrary to previous Post Office claims. As a result, past prosecutions of SPMs may be unsafe. However, Parker chooses not to share the report with other board members or the government.
March 2017	Group litigation action launched against Post Office	The litigation asserts that SPMs should not have been held solely responsible for any Horizon shortfalls because third-party access to the Horizon system was possible, a claim consistently denied by Post Office. Funding for the group action is provided by litigation funders. Around 1,000 former SPMs apply to join the action, with 555 selected to take part. The case begins in the High Court in November 2018.
December 2019	High Court rules in favour of SPMs	Two trials take place – the first examining the contract between Post Office and SPMs, and the second focusing on the Horizon system. During the case, Post Office unsuccessfully tries to persuade the presiding judge, Mr Justice Fraser, to recuse himself, accusing him of bias. Following damning criticism from the court in its initial judgement, Post Office concedes the case and settles with the SPMs. The final judgement concludes that the Horizon system contains large numbers of "bugs, errors and defects" and there was a "material risk" that shortfalls in Post Office branch accounts were caused by the system. The judge also rules that the SPMs' contracts are unfair.

April 2021	Court of Appeal quashes 39 wrongful convictions	The judge rules that the original convictions are an affront to justice.
April 2021	ISPMs appointed to the Post Office board for the first time	Six pre-screened candidates take part in an independent voting process, and two are elected as non-executive directors of Post Office by SPMs.
June 2021	Statutory Inquiry into the Horizon IT scandal begins.	Although the government originally sets up an independent inquiry (following the High Court ruling), this is converted into a statutory public inquiry in 2021 - under the chairmanship of Sir Wyn Williams. The Inquiry is ongoing and expected to conclude in 2025.
January 2024	TV miniseries, 'Mr Bates vs The Post Office' is aired on ITV.	Seven days later after the broadcast, Prime Minister Rishi Sunak describes the scandal as one of the greatest miscarriages of justice in UK history. He announces that the government will introduce legislation to automatically exonerate and compensate SPMs.
May 2024	Metropolitan Police begins national fraud investigation.	The Met and the Crown Prosecution Service are likely to wait until the conclusion of the Public Inquiry (in 2025) before considering any charges against individuals. Legal commentators suggest that executives from Post Office and Fujitsu could face criminal charges such as perverting the course of justice, perjury and fraud.

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