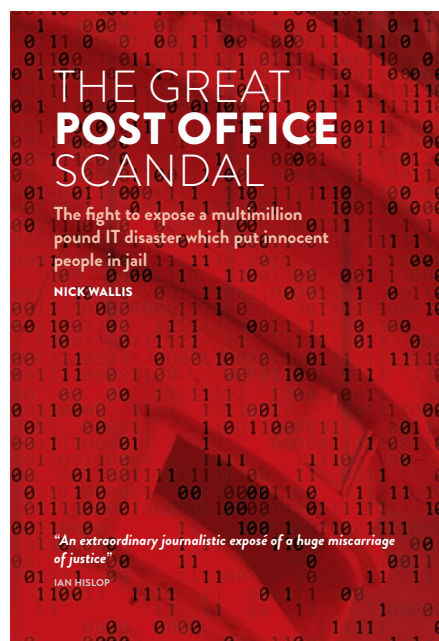


Unraveling the Post Office Scandal

A 2024 Update

BY MELISSA COGAVIN, MANAGING EDITOR, SCTE

IN 2022, AS PART OF A WIDER EXAMINATION OF WHAT HAPPENS WHEN DIGITAL UPGRADES GO WRONG, BROADBAND JOURNAL DELVED INTO THE SPRAWLING POST OFFICE SCANDAL, EXPOSING A HARROWING TALE OF INJUSTICE AND ORGANISATIONAL FAILURE TRAILING BACK OVER 20 YEARS, FURTHER TO THE PUBLICATION OF NICK WALLIS' CRITICALLY ACCLAIMED EXPOSÉ.





It took a critically acclaimed ITV drama over Christmas last year to catapult this appalling situation into the imaginations of an enraged British public; one of those rare times when everyone was talking about it at once; the collective outrage was palpable. Boris Johnson and his Partygate was probably the last time that happened. The outcry forced a red-faced government, already under intense pressure to call an election amid a flurry of scandals, into hurriedly announcing a new law that will overturn all convictions.

There is still an ongoing government inquiry that concludes next year, as well as a recently announced Metropolitan Police criminal investigation. The perilous financial position of the Post Office has also come to light, amid looming threats of legal costs and tax evasion on an epic scale. There is even feverish talk of bankruptcy, and now the Post Office are in consultation with the Royal Mail about scaling back its delivery services to 3 days a week. It may have to in order to pay those bills.

The inquiry has become a focal point for stakeholders seeking answers and justice, as it delves into the complex web of decisions, oversight, and organisational culture that allowed the Post Office Scandal to persist over decades. The findings of the inquiry are anticipated to shape the future of the Post Office and potentially lead to broader reforms within the financial and justice sectors.

In a significant escalation of legal action, the Metropolitan Police recently announced a criminal investigation into the Post Office Scandal. This move

represents a shift from civil proceedings to potential criminal charges against individuals involved in the oversight and management of the Horizon system.

The outcome of this investigation could have far-reaching consequences, further exposing the extent of wrongdoing within the Post Office.

Looking for someone to blame as emotions ran high, attention has turned to the former CEO of the Post Office, Paula Vennells, who was awarded a CBE as late as 2019 for services to the Post Office and charity. Vennells, who served as CEO from 2012 to 2019, and who is also an Anglican minister, faced intense scrutiny for her role in the scandal, with allegations of negligence, lying to Parliament and a lack of accountability during her tenure. An online petition went viral in the weeks subsequent to the drama airing on TV, leading to Vennells' bowing to pressure and relinquishing her CBE altogether, an extraordinary expression of the level of public outrage - the petition received 1.2m signatures in less than a week. She will appear before the enquiry later this year.

As investigations unfold and the legal landscape shifts, the Post Office's future hangs in the balance, with serious questions to answer as far as organisational accountability is concerned, never mind the pursuit of justice. One hopes that from the ashes of such catastrophic failure rather more than bland platitudes about lessons being learned will be achieved this time. Broadband Journal will continue to monitor and report on developments in this multifaceted story as it shapes the future of one of

Britain's most venerable institutions, but in the meantime, here is the Long Read that examined the scandal, as well as countless others, affecting upgrades from prisons to ambulances that we would prefer not to think about.

“The Fourth Industrial Revolution has the potential to empower individuals and communities, as it creates new opportunities for economic, social, and personal development. But it also could lead to the marginalisation of some groups, exacerbate inequality, create new security risks and undermine human relationships.”

BY KLAUS SCHWAB,
EXECUTIVE CHAIRMAN OF THE
WORLD ECONOMIC FORUM

The Great Post Office Scandal

ORIGINAL ARTICLE PUBLISHED IN BROADBAND FEBRUARY 2022

As revolutions go, the Digital one rolls off the tongue a little less easily than perhaps the Industrial and Agricultural Revolutions. Arguably we are still working our way through it; the vantage point of history isn't quite in view yet. It still feels too soon to comfortably give any of this unregulated chaos a name.

A curious and expensive phenomenon has occurred repeatedly over the last 20 years during this Digital Revolution and is not limited to any one nation, or any one industry. In the name of progress, billions have been wasted, lives ruined, reputations shattered and criminal investigations launched as governments, slow moving machines at best, have been variously forced, inspired or politically motivated to move with the times.

Wholesale upgrades of antiquated manual systems have been replaced by automated ones, connecting a network of remote sites to a central operating system, introducing shiny new back-up systems in the cloud, making data widely accessible and so on. The list of system failures across the board over the last 20 years is extraordinary and ongoing, and it is clear lessons are not being learned; the same mistakes occur time and time again.

This article examines the causes of some of these debacles with a look in particular at the Great Post Office Scandal and asks why those lessons aren't being learned.

"The Great Post Office Scandal" covers the story in sympathetic yet forensic detail, further to a High Court trial last year compensating the 2000 victims. More than 700 people were convicted between 2000 and 2015. 72 of these have been cleared so far by the Court of Appeal in England. There are 2,000+ compensation claims in the pipeline. £1bn has been earmarked by the government, but hardly anyone has received what they are actually owed to date.

Journalist Nick Wallis has spent the last decade covering every possible element of this injustice in exhaustive, granular detail, and his book is a compelling read. With typical modesty, Nick shuns the credit. "No - that's reserved for Alan Bates from the Justice for Subpostmasters

Alliance and his band of Subpostmaster campaigners, aided by some extraordinary politicians/experts/lawyers who got them to where they are today."

Thanks to his efforts and those of a few dedicated experts, this an overdue triumph of David and Goliath proportions, the scale of which is only just fully emerging. The inquiry into the scandal has not yet begun, but the trial has gone some way to providing overdue vindication for the victims and their families, some of whom are sadly no longer even with us.

One might think bringing the Post Office into the 21st Century is a tricky brief, but hardly impossible surely? There are multiple moving parts of course, but was that all?

"It's worth pointing out the colossal scale of the Post Office in the UK," Nick explained. "There are only just fewer post offices than banks and supermarkets altogether. It is a vast and sprawling network. The Post Office is the biggest retail network in the country by far. There are outposts in the tiniest of highlands and islands, so you might imagine correctly that connectivity issues are huge. Data dropouts are common, and they can cause different numbers to appear on your balance sheet."

WHAT WENT WRONG

The book goes into forensic detail. "Conceptually, Horizon was relatively straightforward. The front-end terminals would be custom-specced PCs running Microsoft Windows NT operating system. These would sit in a box under each Post Office counter window. Each PC would be connected to a custom keyboard, a barcode scanner, a 3.5 inch receipts printer and a touchscreen, which would sit on top of the counter. Running bespoke Horizon software, each counter PC would write both manually- and barcode-inputted transactions into the branch accounts. Every night all the information collected from the branch would be uploaded to the ISDN (or in some cases) satellite to a centrally located Post Office mainframe."



Nick Wallis

Nick added, “I have some sympathy with Fujitsu as out of the original 366 criteria for the project; 323 were changed by the government over the course of the tender process alone. However, both the government and Fujitsu massively underestimated the complexity of automating 20,000 post offices, to the extent that within months of signing the contract they had to renegotiate the terms as they just couldn’t do it.”

From the start the process was besieged with problems, not least because the government opted for the cheapest provider, not the best. The management structure and culture of the Post Office meant that money could go to waste without question and decisions made at a senior level unchallenged. The officer-class nature of senior management within the Post Office and the dim view they took of their parochial Subpostmasters up and down the country added very much to an us-and-them dynamic. This impeded the chances of Subpostmasters at trial, who were considered guilty, and it was very much up to them to prove their innocence. The nature of Horizon backed that approach up; the deficits appeared while the Subpostmasters were at work, so it was nobody’s fault but theirs.

The Horizon IT system was built on a Windows NT operating system on a PC using a database software program called Riposte. Even at the time, Nick says, it wasn’t written properly. Matters were not helped by Microsoft, who stopped providing support for NT a few years into Horizon’s existence. One can only guess at the security given such a shaky start.

Nick went on, “Then it all went really wrong, and the Benefits Agency and the Post Office served a notice of non-compliance to Fujitsu, who rejected it. The Benefits Agency walked away, leaving the Post Office to deal with it.” A slew of financial incentives and contract revisions later, Fujitsu had benefitted handsomely in order to make the project work and in 2000 a report by the NAO (National Audit Office) estimated that £500m of public money had been wasted on the project before it had even been rolled out.

CONNECTIVITY ISSUES

Contract revisions aside, how much was actually wrong with the software and the connection? At the time Internet connections were via modem, if at all. Nick explained. “Initially – between 2000-2010 most of the transactions were

stored on site and uploaded at the end of each working day by ISDN to a series of back-end servers. After 2010 Horizon Online was brought in which provided real-time ADSL connectivity to the back end.

Reconciliation issues were common as a result. “If you have electricity suppliers, banks, various other systems bolted onto the back end, well you can imagine the damage that got done. Bureau de change was a nightmare at first.” Horizon still exists today; it has limped on through various upgrades and revisions.

Given what the Post Office has experienced since, and the other digitisation projects that the government has poorly executed one might imagine the appetite to have another crack at it - with new software, across all these lines of businesses, with all these retail outlets nationwide and the potential for bad publicity - is low.

THE LANDSCAPE

With the benefit of hindsight it is perhaps too easy to assume that the lack of oversight, regulation, best practice, independent scrutiny were symptoms of a broader ‘wild west’ period in history where technology is concerned.

After all, the mid 90s were when most of us will have sent an email for the first time; the Internet was powered by forgotten browsers Netscape and Lycos, and we didn’t really know what the Internet was for anyway. Friends Reunited and MySpace were still light years away. Hotmail – the preposterous idea that you could send an email from your own address regardless of your location – blew your writer’s mind, so much so that I stuffed airmail envelopes into my backpack ahead of a round the world trip in 1999, so dubious was I at the viability of the world wide web.

Certainly as far as contractors are concerned there were, as Nick Wallis confirms, “plenty of chancers talking themselves into jobs they weren’t qualified to do. Coders, testers, systems and network engineers were all in demand, alongside the usual project managers, sales and marketing people. There were also plenty of middle-ranking execs with little understanding of what the young Turks in their charge were up to but had learned just about enough to bluff their way through.”

At corporate level however, that kind of view is at best irrelevant and at worst completely wrong.

James Christie, an IT security manager and auditor is as passionate about ensuring the victims see justice as Nick Wallis and has written a powerful and scathing blog on the subject. In his introduction he says, “It’s very rare for an internal accounting system to attract massive publicity, but this has been a special case. Many lives have been ruined by a mixture of bad software and truly dreadful management.”

Equally as passionate about ensuring the victims see justice, as an IT auditor and Information Security Manager with 20 years’ experience in blue-chip organisations, James rejected the notion that the Horizon debacle could be put down to the ‘wild west nature’ of the IT landscape at the time.

“No, that isn’t right. Fujitsu and the Post Office were doing things that more mature corporations had stamped out maybe 10 years previously. Both corporations were deeply irresponsible, doing things that would have cost me my job working for IBM on large, outsourced contracts at that time. There was a general slackness in the management of IT that was unacceptable given the size of these organisations.”

It seems surprising that chancers only appeared at contractor level; surely that attitude prevailed further up the ladder? “I think the line that people from the Post Office and Fujitsu are wanting to put out is that this happened a long time ago and people didn’t really know better then,” James answered. “I’ve seen it being argued, and that’s not so because even 20 years ago it was quite clear that the things they were doing were wrong.

He went on, “When I was an Information Security Manager working with Nokia, there was a €30,000 a week penalty if I didn’t ensure there was a proper control regime for powerful user accounts. Between the Post Office and Fujitsu, 19 years on, they’ve still not got these things sorted out. 19 years, that’s more than many people’s career in IT. They were never going to get it sorted out.”

There is of course usually the beleaguered taxpayer in between, too often unaware where increasing and eye-watering amounts of their money is being wasted. The NAO have kept grim track of every one of these disasters and offered a



withering assessment of the knowledge gap between digital leaders and senior management in a report published only last year:

‘Initiating digital change involves taking a difficult set of decisions about risk and opportunity, but these decisions often do not reflect the reality of the legacy environment and do not fit comfortably into government’s standard mechanisms for approval, procurement, funding and assurance. This report found that digital leaders understand these issues well and bring much needed expertise to the public sector, but they often struggle to get the attention, understanding and support they need from senior decision-makers who lack sufficient digital expertise.’

Last year an NAO Cross Government Report entitled ‘The Challenges in Implementing Digital Change’ even spent tax-payers money looking into why so much tax-payer’s money had been wasted, concluding that “only a small proportion of permanent secretaries and other senior officials have first-hand experience of digital business change and as a result many lack sufficient understanding of the business, technical and delivery risks for which they are responsible.”

This means that many of the problems stem from the inability of senior decision-makers to engage effectively with the difficult decisions required to implement technology-enabled business change.”

While it is tempting to work ourselves up into a froth about inefficient government departments and their collective

incompetency, that is a lazy approach and ignores the sheer number of projects that have failed and the similarities their failures share. Each of the projects over-run in the time they take to roll out, they all bloat considerably in budget, and many of them never even make it to fruition. Often the solution during the process is to terminate the contract with the service provider and start again or fire the senior manager responsible.

Neither of these options saves money or time, and usually achieves the reverse in compensation pay outs and more red faces in front of the NAO or the PAC (Public Accounts Committee). Meanwhile the approach of these committees, while well-intentioned, probably knocks the confidence of humiliated managers already out of their depth and the damning language attributed to their reports does not help: “Optimism bias and failing to set clear objectives”, “a masterclass in incompetency”, “a catastrophic waste of money” are just a few.

GOVERNMENT RESPONSE

You can’t knock the government for trying. There are white papers, strategies, committees and units all over Whitehall trying to get to grips with the problem and avoid further staggering losses, scathing reports and embarrassment.

A common response to failed public sector projects is to set up a crack response team, a task force dedicated to weeding out the rot and instilling best practice all along the supply chain. Boris Johnson announced one just last week in response to the ongoing Partygate scandal even, the new “Office of the Prime Minister”, in order to “improve the No 10 operation and deliver the change necessary to get on with the job.” It makes for good optics in the media, and voters like to see their governments “delivering for the British people.” Unfortunately, and perhaps predictably, these departments are often no more fit for purpose than the projects they are overseeing.

The Government Digital Service (GDS) is one example, founded in 2011 as a ‘Cabinet Office unit in charge of driving digital transformation within government.’ While it has achieved some of its objectives, it has seen off countless directors and at the time of writing the exact brief for the department remains unclear, despite calls from the Science

and Technology Committee in 2020 for a clear definition of its mission. The latest update on the GDS website itself is revealing: “We’ll soon be publishing the first version of the 2021/2022 roadmap so you can see more of the details of the work we’re intending to do.”

MANAGEMENT STYLES

Taking a step back, it is more likely that the application of 20th century management styles are not fit for purpose in a 21st century setting. Steve Denning is a Management Consultant and author of several books on the subject. His view is straightforward.

Management as most of us know it is characterised like this:

- The goal of the firm is to make money for the firm and its executives. Maximising shareholder value has been the catch cry of large organisations for the last 50 years and is still, despite recent language change, driving the behaviour of most large organisations.
- The architecture of work is bureaucratic with individuals reporting to bosses and filling defined roles.
- The dynamic of the firm is a top-down hierarchy of authority. The top is assumed to know best.

(Source: Forbes Magazine, Sept 2020)

We have seen this in other areas covered by Broadband Journal but the broad thrust is that technology is moving faster than large companies can keep pace with it. Apply that to public sector departments not driven by profit and the problem is even more acute. Senior management will likely not have grown up with technology as it is in 2022 (case in point: Nadine Dorries, Culture Secretary told Sky News only last week that ‘we’ve had the Internet for ten years’ to hoots of derision on social media. She also boasted on Twitter in 2017 that she and her staff, including interns on exchange programmes, routinely shared each other logins. Such poor education is endemic and not helpful to the overall IT ecosystem) and while they may certainly be computer literate, they are not pioneers.

In technology pioneers appear at a junior level, hence the tech landscape is characterised by young, dynamic

start-ups, and the world's big four tech companies are headed up by men with an average age now of just 52. When Facebook, Google, Amazon and Apple began life, their owners' lightbulb moment occurred in their late teens and 20s.

US Management Consultants McKinsey & Company have done a lot of work in this space and feel their Digital Factory approach can achieve significant change quickly via small groups of experts on the ground, effecting change as errors occur. They say their research tells them "only 16% of executives say their company's digital transformations are succeeding", so clearly something fundamental is required.

COULD THIS HAPPEN AGAIN?

Nick sighed. "Unfortunately, yes. I hope this episode will put to bed once and for all the idea that computers are glorified calculators and 2+2 will always equal 4. Modern systems are vast, sprawling ecosystems that are regularly updated by back-end inputs, to the extent that if you press 2+2 on the front end of your terminal you might nine times out of ten get four, but once in a while you'll get five. And therefore, you cannot rely on those systems."

James Christie agrees. "Nick has put his finger on the problem, although I would add that we have to rely on these systems, but we CANNOT trust them absolutely. We need very carefully designed checks and balances to help us spot and contain problems before they lead to disaster."

All the examples covered have much in common but in the case of the Post Office, the uniquely antiquated culture within the organisation served management far better than the Subpostmasters themselves. Sloppy IT security, a culture of staff openly sharing logins and terminals also served to benefit the Post Office and undermine the victims' defence.

James Christie feels strongly that such a practice "completely undermines accountability. I am amazed that convictions took place at all. A good barrister could surely have thrown a skipload of reasonable doubt onto the prosecution case if the defence had brought in a co-worker to confirm the routine sharing of IDs, and an expert witness to confirm that such sharing makes it impossible to prove who took

what action – and that is why responsible corporations try to ensure it does not happen."

Nick's book explains that while owned by the government, it had neither oversight into what was going on, nor much interest either. The organisation itself seemed answerable to nobody and in the case of the Horizon software issues, the onus was on the Subpostmasters to prove the software was faulty, rather than the Post Office to support their workers, whose contracts with the Post Office had them at a distinct disadvantage as well. It was easy to just keep prosecuting the little people than admit the software was faulty.

Several elements are at work here, preventing positive change for the better. We have looked at the problems associated with dated management styles, public sector accountability and ambitious digitisation projects. Culturally, there is an element of secrecy within digitisation; the IT industry is characterised by independent contractors who would be understandably unwilling to fall on their sword and risk never working in the industry again by speaking out about wrongdoings, cover-ups or just plain old incompetence.

Auditors are supposed to prevent issues like this from becoming huge problems but that did not happen in the case of the Post Office. External auditors must "evaluate the internal controls of the corporation, and that includes the effectiveness of the internal auditors while also assessing whether the financial position of the company," according to James Christie, and he is right of course. It is not within their remit to tackle user errors, bugs and glitches. Internal IT auditors should have been investigating whether these compromised the integrity of systems but Christie feels they were "toothless, asleep on the job and not challenging the rampant misconduct and incompetence at work." How this was allowed to happen undetected, for so long, is astonishing. "The Post Office internal audit function was a disgrace. So far, no one has actually been found accountable for any of this misconduct within the Post Office in all this time, but the long-overdue inquiry will hopefully remedy that."

Another aspect is the sheer number of parties involved along a digitisation supply chain, and the resulting margin for error that can take place at any point. Making changes in that environment is like turning a super tanker around; it is glacial in

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speed and imprecise, and there are the careers and egos of senior managers on the line, preventing progress. The more high-profile the project, the harder it is to turn the tanker, or even slow it down; people are generally not interested in turning it around and it is always politically disastrous to admit mistakes have been made. Better to continue the same path and throw money at the problem, or in the case of the Post Office, throw innocent people into jail.

As with many of today's technology problems, it seems education and the mere passage of time are possible solutions to the problems highlighted here. Certainly, a new agile approach to management is essential, given the outrageous sums of money wasted in applying yesterday's approaches to tomorrow's problems. There are cultural issues, egos to massage, optics to consider and popularity in the polls all playing a part. In the case of the Post Office, it was a catastrophic set of circumstances and an unholy cover-up that has caused decades of misery and a jail term for so many innocent victims. One would hope that The Great Post Office Scandal is the last of these books that needs writing and that lessons are actually learned; the inquiry starting this month will hopefully provide answers many have waited years for.