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POST OFFICE LTD EXECUTIVE COMMITTEE

**EXPERT WITNESSES
FOR CIVIL RECOVERY AND CRIMINAL PROSECUTION PROCEEDINGS AND TO ASSIST WITH
MEDIATION SCHEME**

1. Purpose

The purpose of this paper is to request approval for expenditure of between, £100k to £200k. This is for the appointment of an Independent Horizon expert. Once approved, we will define and confirm the scope and approach between all parties so that we have a better estimate on costs.

2. Background

The present position is that POL do not have an expert in place and thus are unable to prosecute cases OR to take Civil recovery proceedings. An Expert report would also be useful to POL in the Mediation scheme and provide greater assurances of the audit data.

In general, only three distinct offences are prosecuted by POL: Theft; False Accounting; and Fraud. Theft usually involves the direct appropriation of (usually) monies by those handling POL money. False Accounting; and Fraud may be viewed as the falsification of records so as to hide lost or stolen funds. In these cases SPMR's will assert that the Horizon Online (HOL) system has thrown up unexplained losses or shortages and, in fear of repayment or loss of contract, they have falsified their accounts so as to hide the fact from POL.

- a) Accordingly, the detection and successful prosecution of such offences is almost always dependent upon a proper analysis of HOL data and its effective presentation, both to defence representatives and to the court. Thus it is imperative that the integrity of the data in HOL is demonstrably robust. To this end POL has relied upon the statements of Dr. Gareth Jenkins, an expert witness provided by Fujitsu.
- b) In every report, and at court, Dr. Jenkins testified as to the integrity and robustness of HOL: "...I fully believe that Horizon will accurately record all data that is submitted to it and correctly account for it." Unfortunately Dr. Jenkins continued to make this assertion, in a number of cases after he became aware of the existence of defects in HOL, defects which, in a significant number of instances, had returned false balance figures.
- c) Shortly after the publication, a further report, now referred to as the Helen Rose, or Lepton P.O. Report, came to light. The effect (if not the substance) of this report was to cast a further shadow over both HOL and those who had asserted its reliability in court documents and in court.
- d) Accordingly Dr. Jenkins failure to mention the HOL defects in his expert witness statements or to POL and POL prosecutors rendered his written statements inaccurate and misleading. One effect of these reports was to render Dr. Jenkins wholly untenable as an expert witness.
- e) On the 8th July 2013, Cartwright King advised POL that there ought in future to be at least one degree of separation between any expert witness called in support of a POL prosecution and POL/Fujitsu.
- f) We have identified two experts, as the ideal candidates for this role .These are highly respected experts from internationally recognised institution of Imperial College London. These experts have the ability to call upon other expertise from relevant disciplines from the institution. Both have agreed to take on this work.

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g) This is essential piece of work and will help to resolve the concerns as to the integrity of HOL system and also demonstrate its fitness for purpose. This will help POL prosecution to demonstrate the system is working properly. This is a major piece of work, once done it should not need to be repeated.

There are three sets of costs which will need to be budgeted for to obtain the expert evidence ;

- a). Fujitsu costs to cover them to provide support in scoping and preparing the expert evidence.
- b). Cartwright King costs.
- c). Expert costs.

3. Current Situation

The present position is to agree the scope of the expert, between Fujitsu, Experts and POL. Following cooperation from Fujitsu, it is envisaged more focus instructions can be provided to the experts. Report will be limited to POL operations counter and audit function of the system and will not assess integrity of third-party interfaces, e.g. DVLA; UKBA; banks etc. This renders the task easier, more cost-effective;

- The Horizon Application has been designed to ensure that accurate and auditable records are kept of all sub-postmaster transactions
- When a transaction is conducted at a counter, an auditable mechanism has been built in to ensure these transactions are taken from the counter, stored in the Horizon main branch database and then copied to an audit database
- This mechanism can be considered a 'closed loop' where information is securely exchanged from the counter to the Horizon branch database and then on to the audit database
- Whilst copies of transaction data are provided to numerous external systems from the main Horizon database, the Core Audit Process is segregated, its records are security sealed and audit records cannot be accessed or changed through external interfaces
- Given the nature of the design, the Core Audit Process is fundamental to any examination of the integrity of transaction data
- A number of 'assertions' can be independently examined to test the robustness of the audit process
- N.B. Where necessary any external systems will need to be examined and compared to the Core Audit Data on a needs basis dependant on individual cases

4. Options Considered

There is no alternative to the instruction of an expert. Without expert evidence POL will be prevented from pursuing shortages/losses in cases where HOL is a source of evidence, *i.e.* almost every case where a shortage/loss is indicated. This is true both in cases where POL seeks to recover through Civil law process and without prosecuting (the majority of cases) and in criminal cases and would also assist the mediation scheme.

Of course, POL will also benefit from the knowledge that, independently, HOL has been certified as having the necessary degree of integrity – the public relations effect of that position, in the present climate, is both positive and far-reaching.

5. Proposal

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Cartwright King advised POL that there ought in future to be at least one degree of separation between any expert witness called in support of a POL prosecution and POL/Fujitsu. POL instructed Cartwright King to identify an alternative expert with the appropriate knowledge of HOL to provide such evidence that a new expert would deal both with those cases presently under prosecution and any future HOL-reliant prosecutions.

We have identified two experts, Professor Kramer and Dr. Dulay, both in tenure at Imperial College, London, as the ideal candidates for this role. Both have agreed to take on this work.

The proposal is that these experts be instructed to:

- Conduct a full analysis of the hardware and software making up the 'global' Horizon Online system, so as to determine whether those elements of the system are appropriate to their function;
- Where indicated, provide recommendation as to improvements;
- Provide a validated opinion as to the present integrity of the system so as to lay to rest the present concerns relating to the integrity of Horizon Online;
- Provide a platform upon which, on a case by case basis, a separately-instructed forensic analyst may found his opinion in answer to any challenges to the integrity of Horizon Online raised by a defendant in future criminal proceedings.

The ultimate purpose of Post Office Ltd. in commissioning this study is to achieve a position whereby Parliament, the courts, employees and agents of Post Office Ltd. and the general public may have complete faith in the integrity of Horizon Online. To this end it is proposed that the work, findings and conclusions be revisited on a regular (bi-annual or annual) basis so as to achieve this aim on a continuing footing.

7. Conclusion

We have identified two experts, Professor Kramer and Dr. Dulay, both in tenure at Imperial College, London as the ideal candidates for this role. Both have agreed to take on this work and we recommend that they are appointed to carry out the work and prepare a report to POL in order to confirm that the integrity of the data in HOL is demonstrably robust.

8. Recommendations

ExCo is asked to: approve expenditure **of between, £100k to £200k.**

Name of sponsor:

Chris Aujard

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17th January 2014