

**CONFIDENTIAL AND LEGALLY PRIVILEGED
POST OFFICE GROUP LITIGATION**

Steering Group Meeting: 3 November 2017



NOTING PAPER: DELOITTE REPORTS

1. BACKGROUND

- 1.1 Post Office engaged Deloitte to investigate certain of the allegations made by the Claimants in the Group Action that pertain to the reliability of Horizon.
- 1.2 Deloitte has produced two reports:-
 - 1.2.1 a "Main IT Report", which covers the following work:-
 - (a) an analysis of transaction logs to establish whether any discrepancies were caused by "bugs";
 - (b) a review of the use of Balancing Transactions to independently confirm that Horizon records the number and circumstance of their use; and
 - (c) an assessment of the Claimants' allegation that discrepancies have been caused by Post Office / Fujitsu personnel remotely accessing branch accounts and adding / deleting / changing transactions without the consent / knowledge of a postmaster.
 - 1.2.2 a report which deals with the Claimants' allegations that Post Office operated one or more suspense accounts in which it held unattributed surpluses, including those generated from branch accounts, and that after a period of 3 years such unattributed surpluses were credited to Post Office's profits, meaning that Post Office stood to benefit and/or did benefit from apparent shortfalls wrongly attributed to the Claimants which did not represent real losses to Post Office.

2. CURRENT STATUS AND NEXT STEPS: MAIN IT REPORT

- 2.1 The Main IT Report has been reviewed by Post Office (Mark Underwood) and Womble Bond Dickinson, and Deloitte is currently reviewing some amendments and comments. An updated version of the report is expected to be made available on Thursday 2 November.
- 2.2 The current draft report reaches a conclusion that it is extremely unlikely that there is a problem in the way Horizon records and stores transaction records. We note however that this is a highly technical report, subject to caveats and limitations in the way that any sophisticated report might be. It also does not cover the whole Horizon system, just that critical element around the accurate recording and storage of transaction data.
- 2.3 Once the final report is received it will then be shared with Rob Houghton, to ensure that Post Office is comfortable with Deloitte's work and conclusions from a technical perspective.

3. CURRENT STATUS AND NEXT STEPS: SUSPENSE ACCOUNTS REPORT

- 3.1 The Suspense Accounts Report has been reviewed by Post Office (Mark Underwood) and Womble Bond Dickinson, and Deloitte is currently reviewing some amendments and comments. An updated version of the Suspense Accounts Report is expected to be made available by close of business on Friday 3 November.
- 3.2 The current draft reports concludes that an unusually high number of Post Office personnel have the access rights to post entries to the relevant accounts and that the monthly probity checks that are carried out in relation to such postings are not robust. However, Deloitte has established that it should be possible to establish whether or not Post Office benefitted in the way alleged by the Claimants (paragraph 1.2.2 above) on a branch by branch basis by reviewing the relevant

transaction data. In due course and if necessary we are likely to suggest that such an exercise should be carried out in relation to a small number of Claimants for reasons of proportionality.

- 3.3 Once the final report is received, it will be shared with Al Cameron for comment.

4. NEXT STEPS

- 4.1 Once the Reports have been reviewed and approve by Post Office, they will be passed to:
- 4.1.1 Counsel on the Group Litigation to assess the impact on Post Office's legal position;
and
 - 4.1.2 Brian Altman QC, to determine whether Deloitte's work creates a sufficient legal basis to support future prosecutions.
- 4.2 Further actions will then be brought back to the Steering Group for approval.