

Message

From: Phillips Edward [/O=EXCHANGE/OU=ADMINGROUP1/CN=RECIPIENTS/CN=PHILLIPSE2]
Sent: 12/12/2011 15:44:52
To: Deaton Mike [/O=EXCHANGE/OU=ADMINGROUP1/CN=RECIPIENTS/CN=DEATONM]
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Mike

I've spoken to him. My point to him was that, for the final version of the report, it would not be an audit in the sense that they would not be warranting that the system was free from defects, rather it would be more like a "peer review" or scientific paper where they are explaining what they did, the result of what they did, and what they found (i.e. no defects) – which is a rather different statement to saying that no defects exist (which is what an audit warrants, in effect).

On that basis I said that I would expect them to allow us to show the report to whoever we liked, subject to (a) some statement that we had to show it in context (i.e. not just the line saying "it's fine" but the caveats that go with that, (b) some statements from them about what they did/didn't do and the scope of their study. On that basis I couldn't see what a third party could sue them for, other than being negligent within the scope of what they said they had done (in which case we wouldn't hold them harmless).

The point is that they would not be auditors or expert witnesses (neither of which, within our budget, I think they can do). They would be external experts providing a peer review and third party validation of the work, which we could point to in evidence. I think that is all we want, and if so I will do some words.

Ed

PS I can't make the call later but if you want to discuss, please give me a ring: GRO.

Ed

From: Deaton Mike
Sent: 12 December 2011 11:42
To: Jocson, Ervin
Cc: Phillips Edward
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Ervin,

Thanks for the reply and clarification.

Your 1.1) below appears contradictory with your proposal

"At the conclusion of Phase two, Fujitsu will have a comprehensive report to be used only for its own internal risk and commercial compliance assessment"

,but this may be my naivety in your latter comment below regarding distribution.

I would like Ed to bottom out on this point with you please. If it is possible to get a call today pre 13:30 or 15:00-16:00, that would be great.

The other areas to which we require clarity, and any subsequent amendment to your proposal, are listed below:

1. Fujitsu already complies to audits on procedure, process and policy hence it would be anticipated that these would be cross referenced and effectively out of scope from this KPMG audit. Our scope is to ensure the technical assurance of transactions. However, page 6 suggest otherwise.
2. Please can we clarify exactly what KPMG means by “transaction types” in the paragraph on document review on Page 12. Horizon supports a few thousand different types of transaction. However these fall into about half a dozen broad categories and in all cases a transaction is recorded as part of a basket and the integrity and auditing is related to the overall basket structure. If the reference to transaction type, means one of these broad categories of transactions, then that is fine, but we feel it is unnecessary to investigate all types of Horizon transaction. We would expect this to be clarified as part of the “Understanding” sessions.
3. The exact same process applies for every transaction type, hence we deem it unnecessary to test all transaction types. The integrity of the data in the audit trail is covered by the digital signature. Page 12 talks to understanding of different transaction types.
4. Documentation – is available, but whether this is in the preferred KPMG format is unlikely. We are concerned that this would grant an open licence to significantly increase the cost to Fujitsu whilst we would derive little benefit to ourselves.
5. Future proofing: would you please split this piece out as an optional extra on the basis that if your findings are merely to confirm good practice, then we might leverage little benefit from a future proofing process.

On these 5 areas, it would be useful to get a quick position/understanding from you, if possible today. We may need to set up a session with our respective teams to narrow down and can do this in coming days.

Regards,

Mike

Mike Deaton
Change & Operations Director
Business Operations

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From: Jocson, Ervin [mailto:]
Sent: 11 December 2011 23:12
To: Deaton Mike
Cc: Phillips Edward
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Hi Mike,

The reason for this clause is to support Fujitsu's requirement to undertake a proactive 'internal' risk assessment, whereby the report is used initially by Fujitsu to determine and inform its legal position, and act on any gaps, and perform remediation from the findings.

Stage 1 & 2 effectively enable Fujitsu to assert the existence of controls, and for KPMG to then test and validate these assertions based on agreed-upon procedures.

As discussed at the scoping meeting there are two options, which we understand option 1 being the Fujitsu requirement:

Option 1) Review and assess with an initial Fujitsu internal only report on 'as-is'. This gives Fujitsu the opportunity to proactively determine exposure and address issues from the findings as a restricted Fujitsu only document.

1.1) A follow-up review/test post any remediation carried out by Fujitsu over the findings. It is this second report that you could use to issue externally, per your points below, as it would reflect the assured and remediated controls – thus providing an independent perspective on the integrity of the audit-trail for the system.

Option 2) Only Review, test and report on 'as-is'. This would not reflect any Fujitsu management action taken to address any findings.

For both options, should Fujitsu want to waive its legal privileges regarding the distribution of the deliverable reports externally and to other parties, this will be subject to agreement of 'hold harmless' letters with KPMG. This is because Fujitsu's requirement in this case is bespoke compared to a SAS70 or ISA3042 equivalent certification and audit opinion, which can typically be freely distributed by Fujitsu.

Let me know what time suits you to discuss on Monday.

Regards,
Ervin

Ervin Jocson
Director

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From: Deaton Mike [mailto:[GRO]]
Sent: 09 December 2011 11:51
To: Jocson, Ervin
Cc: Phillips Edward
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Ervin,

As previously mentioned I aim to come back to you early next week in respect to our points on your proposal having briefed my stakeholders.

A key area noted, however, is the restriction on page 3 under heading "Stage Two" that "...Fujitsu will have a comprehensive report to be used only for its own internal risk and commercial compliance assessment. "

We are primarily commissioning this report in order to inform our legal team, as discussed. However, if we later choose to waive legal privilege on this document, we would be expect to be able to produce it freely in to other

auditors, Post Office, in disputes (either between us and Post Office, or where we are supporting Post Office in defending the integrity of its systems). We appreciate that you will not be expert witnesses, but that is a separate issue to not being able to use this document for any external purpose. We therefore need to understand whether this is intended to be a restriction on use of the report, and if so, we need this restriction to be relaxed and will need to discuss with you how that can be achieved.

Could we please set up a quick call on Monday morning to discuss the intent of this clause?

Thank you.

Mike Deaton
Change & Operations Director
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From: Jocson, Ervin [mailto:[GRO]]
Sent: 04 December 2011 14:06
To: Deaton Mike
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Hi Mike,

Thanks for the update.

As you would have noted, we have issued the proposal in 'draft for discussion/comment' to provide you an opportunity to refine the scope/deliverables if needed.

We've scoped a multi-dimension approach to getting assurance and comfort over the integrity of the data & audit trail of the system, based on our understanding from our discussions and the updated scoping/ToR document.

We look forward to your approval or feedback in the coming week.

My best,
Ervin

Ervin Jocson
Director

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From: Deaton Mike [mailto:[GRO](#)]
Sent: 02 December 2011 18:36
To: Jocson, Ervin
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Thanks, Ervin,

I am trying to organise a meeting with my team next week prior to making recommendations to my key stakeholders.

I aim to be in touch within the week.

Regards,

Mike

Mike Deaton
Change & Operations Director
Business Operations

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From: Jocson, Ervin [mailto:[GRO](#)]
Sent: 01 December 2011 16:59
To: Deaton Mike
Cc: Starnes, Chris
Subject: RE: Horizon OnLine Integrity Testing: Proposal

Hi Mike,

As committed please find attached our draft proposal for your comment/approval, which is in response to your revised ToR scope document issued to us on the 25th Nov 2011.

Our approach factors in your feedback below.

Please contact me should you have any questions.

My best,
Ervin

Ervin Jocson

Director

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From: Deaton Mike [mailto:[GRO]]
Sent: 01 December 2011 14:57
To: Jocson, Ervin
Cc: Rahman, Mohammed R (UK); Starnes, Chris; Edge, Lee; Morjaria, Nishad; Howard Ian; Jenkins Gareth GI
Subject: RE: Horizon OnLine Integrity Testing

Ervin,

Apologies for the delay in getting back to you.

We need KPMG to define a set of scenarios taking enough to demonstrate robustness of the overall process. This may be more than the scenarios that we have defined, but need KPMG to make this recommendation

The objective is to audit the integrity of the overall basket process. Transaction audits should not be necessary to achieve this.

Regards,

Mike

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From: Jocson, Ervin [mailto:] GRO
Sent: 28 November 2011 10:14
To: Deaton Mike
Cc: Rahman, Mohammed R (UK); Starnes, Chris; Edge, Lee; Morjaria, Nishad
Subject: RE: Horizon OnLine Integrity Testing

Hi Mike,

I hope you had a nice weekend. Just as an update – We're aiming to get the proposal back to you by this Thursday for your review.

We have a few questions in relation to your updated scoping document:

- Section 1.2 – Scope. In shaping our approach, we will define an agreed-upon procedure for the audit. To help guide and size the audit, will Fujitsu have a minimum or maximum number of prescribed transaction types to be tested?
- Section 1.3 – Deliverables: For clarity, Fujitsu have specified the delivery of an 'audit report' that may be submitted in court to demonstrate adequacy of the controls in place. As discussed at our scoping meeting, we can provide litigation support, particularly of the nature in the scope of your requirements. However as external auditors we are restricted from providing expert witness services, particularly where there is a quantum aspect that results in us actually self auditing such material values through the external audit.
- Section 3.0 – for clarity, we interpret these scenarios as the 'test scenarios' that may occur stand-alone or in combinations, in which transaction audits need to be validated against. Is this correct?

In our proposal response we will outline an approach in terms of two iterations of deliverables. This will enable us to expedite the initial findings audit report for Fujitsu 'ONLY' review and action. With the second iteration reflecting your comments/feedback that will be subject to final risk review by KPMG such that the final release can be relied-upon.

Many thanks,
Ervin

Ervin Jocson
Director

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From: Deaton Mike [<mailto:>GRO]
Sent: 25 November 2011 09:51
To: Jocson, Ervin
Subject: Horizon OnLine Integrity Testing

Ervin,

Please find attached our revised scoping document for your review. I trust this covers everything you need, but please call out if you believe there is anything missing.

I have asked Tim Healy to organise countersignature to the NDA and will have this across to you early next week.

Do you have any view of timescales as to when you think you might provide your proposal,

Regards,

Mike Deaton
Change & Operations Director
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