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Royal Mail Group

**Witness Statement**

*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

| | | |
|---|---|---|
| **Statement of** | Gareth Idris JENKINS | |
| Age if under 18 | Over 18 | (If over 18 insert 'over 18') |

This statement (consisting of 31 pages each signed by me) is true to the best of my knowledge and belief and I make it knowing that, if it is tendered in evidence, I shall be liable to prosecution if I have wilfully stated in it anything which I know to be false or do not believe true.

Dated 8th day of October 2010
the

Signature

This statement is made in addition to my statements of 2nd February, 8th February 2010 and 9th March 2010.

I have been asked by Post Office Ltd to consider the following in this statement:

- To provide some background information about the Horizon system
- To provide comments on the "Technical expert's report to the Court prepared by Charles Alastair McLachlan, a Director of Amsphere Consulting Ltd" which I received on 1st October 2010. I have subsequently received an updated version on 7th October taking into

Signatur e

Signature witnessed by

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Continuation of statement of Gareth Idris JENKINS

account some comments I made on the first draft and in particular highlighting points of difference between Professor McLachlan and myself. This statement takes that version into account.

- To carry out some analysis on the levels of Cash held in Branch 126023 during the period December 2006 to December 2007.

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

Continuation of statement of Gareth Idris JENKINS

# 1 Background Information on the Horizon system

The Horizon system was initially put together as a pilot in 1996, and following an extensive pilot was rolled out to all Post Offices between 1999 and 2002. It has recently been replaced by the Horizon Online system which was piloted at the start of 2010 and the last Horizon system was replaced in September 2010. Horizon is used in every Post Office in the United Kingdom, which currently means about 11,400 branches, but at the time that we are considering here would have been 14,000 branches or more. During that time, Horizon has processed millions of transactions each day with peak volumes of nearly 20 million transactions in a single day in the run up to Christmas.

Within Horizon, each Post Office stores details of all its transactions on the Hard disk of each PC within the Branch. There is a separate PC for each counter position. I understand that at Branch 126023 there are 3 counter positions and hence 3 PCs.

Data from the branch is transmitted from each branch to Fujitsu's Data Centres using a variety of communications mechanisms. The software used to transmit the data from the Branches to the Data Centre is specifically designed to ensure that whenever contact is made between the Branch and the Data Centre any outstanding data is exchanged between the two. In particular for many transactions there is no need for the Branch to be online.

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

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I understand that there is a suggestion that the equipment in the Branch might be faulty. I am not aware of any fundamental issues though this is being covered by Mr Dunks. Specifically, in his witness statement he states that "All the calls are of a routine nature and do not fall outside the normal working parameters of the system or would affect the working order of the counters.".

I have also been shown the witness statement of Mr Varsani who I understand took over the Branch from the defendant, which says that there have been no problems with the equipment as far as he is concerned. This suggests that there were no fundamental system issues when the defendant was sub-postmaster since it would be surprising if any hypothetical problems should stop occurring as a result of a change of sub-postmaster.

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# 2 Comments on Professor McLachlan's Report

As mentioned earlier, I have examined the "Technical expert's report to the Court prepared by Charles Alastair McLachlan, a Director of Amsphere Consulting Ltd" which I initially received on 1st October 2010, followed by an updated version on 7th October 2010.

I would like to re-iterate that my expertise relates to the Horizon system only and not to Post Office Ltd's Back End systems. However such systems are irrelevant to the Branch accounts that are produced on Horizon since any externally initiated transactions (such as Transaction Corrections and Remittances which will be discussed later) must be authorised by a User of the Horizon system in the Branch before they are included in the Branch's accounts.

## 2.1 Section 1.2 of the report: *Hypothetical issues with the Horizon system*

In Section 1.2 of his report, Professor McLachlan lists a number of "Hypothetical issues" with the Horizon system. However there doesn't appear to be any real justification as to why these might be relevant. In particular, I can see no evidence to support these hypotheses in the data I have examined.

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2.1.1 Section 1.2.1 of the report

Specifically, in section 1.2.1 he hypothesises that "The User Interface gives rise to incorrect data entry: poor user experience design and inadequately user experience testing can give rise to poor data entry quality.". Although I was not responsible for the Design and development of the Horizon User Interface, I do know that one of the key goals of the User Interface was that it would be easy to use and that it could be used by Users with no IT experience.

In order to support this, I have extracted some information from a design document Referenced SD/STD/001 version 10.1 dated 25th July 2002 Titled *Horizon Office Platform Service Style Guide*. Specifically:

- Appendix B: This appendix contains the design principles that have been followed in deriving the Human Computer Interface (HCI), and the design standards that have been applied to keyboard-to-screen mapping, panels and buttons. It also summarises the approach to designing a new application that uses the HCI.
- Chapter 2: This chapter describes briefly the main types of screens that make up the system, their function, layout and characteristics.
- Chapter 3: This shows how amounts can be entered into the system

As can be seen in Figure 2-1, the screen layout is fairly simple and consists of 3 main areas:

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- Navigation buttons at the top
- Menu buttons in the lower left hand side
- A "Stack" area in the lower right hand side

The Menu buttons are used to either select a sub menu or to transact a specific product. Each button includes both the abbreviated name of the function that it carried out and also a pictorial "icon" representing the function.

The Stack area shows what items the Customer has purchased in the current session with a running total at the bottom making it clear what money is owed either to or from the customer.

When the value of an item needs to be entered, then a screen such as that shown in Figure 3-8 allows the value to be entered. This can be done either by using the numeric keys on the keyboard or by touching the numbers on the screen. The box at the top shows exactly what has already been entered.

### 2.1.2 Section 1.2.2 of the report

In Section 1.2.2 there is the hypothesis that 'The Horizon system fails to properly process transactions: accounting systems are usually carefully designed to ensure that accounts balance after each "double entry" transaction.' Horizon is indeed designed to use "double entry" transactions. Further Professor McLachlan refers to the need

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for database systems to use "'two-phase' commit" technologies. Again, Horizon is designed using such concepts.

2.1.3 Section 1.2.3 of the report

Finally, in Section 1.2.3 there is the Hypothesis that "External systems across the wider Post Office Limited Operating Environment provide incorrect externally entered information to the Horizon accounts through system or operator error outside Horizon.". I was not quite clear what Professor McLachlan was referring to here. In the updated version of the report, Professor McLachlan has clarified this by adding "For example, incorrect transaction corrections are submitted from the central systems for acceptance by the sub post master." However in my view this is not really relevant since any transaction that is recorded on Horizon must be authorised by a User of the Horizon system who is taking responsibility for the impact that such a transaction has on the Branch's accounts. There are no cases where external systems can manipulate the Branch's accounts without the Users in the Branch being aware of what is happening and authorising the transactions.

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Continuation of statement of Gareth Idris JENKINS

## 2.2 Section 2.2 of the report

### 2.2.1 Section 2.2.1 of the report: *Independent investigation*

In Section 2.2.1 of his report, Professor McLachlan outlines a number of limitations in the scope of his investigation. In some of these cases, they are irrelevant to the processing of transactions in Horizon.

#### 2.2.1.1 First Bullet

Specifically, the report states "It was not possible to examine the process for introducing Transaction Corrections that can give rise to changes in the cash that Horizon records at the branch". As I have stated earlier in this statement, any Transaction Correction that has been generated by the external Post Office Ltd systems must be explicitly accepted into the Branch's accounts by an appropriate User. In many cases there is the opportunity to reject the Transaction Correction allowing a separate process to agree whether or not it is valid before it is accepted into the accounts. In particular there are 3 examples of this occurring: Firstly on 13th December 2006 and for two other transaction Corrections on 14th March 2007. Therefore, I would say that it is not necessary to examine the process for generating Transaction Corrections.

It may be helpful at this point to explain what a Transaction Correction is. It is a mechanism whereby staff in Post Office Ltd's Head Office can request a

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

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sub-postmaster to undertake a transaction that amends a Branch's accounts. This process is used when an error is identified by some manual means and it is necessary to correct this in the Branch's accounts. However, when such a Transaction Correction is being processed a message is shown on the screen to the User so that they are aware of what its effect would be. For example on the Transaction Correction processed on 03/07/2006 the message displayed was:

> *302117598419 Cash Centre Reference For queries/disputes you must contact the Cash Centre. 400.00 Pounds Transaction Correction is issued for a shortage you sent to the Cash Centre. Press "accept now" then "make good" (or "assign to nominee" if you are a franchise office and assign the resulting branch discrep also to nominee) If this amount is in your surplus suspense dated 28/06/07 then redeem using F1, F13, F16, F8. The date above refers to when the Cash Centre Processed the rem.*

2.2.1.2 Second Bullet

The next Bullet states "It was not possible to examine the processes for Remittances (the movement of cash and stock) into and out of the branch that changes the cash and stock that Horizon records at the branch." Again, any Remittance into the Branch has to be explicitly accepted by the User and a receipt is produced stating the amount that is being introduced into the Branch accounts. Following this, the User has the opportunity physically to count the cash. Should the amount on the

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receipt differ in any way from the amount recorded on the cash pouch or the amount of cash found inside the pouch, there are processes to query such differences. Therefore, I would say that it is not necessary to examine the process for generating Remittances.

### 2.2.1.3 Third Bullet

The third bullet states "It was not possible to examine the processes for revaluing foreign currency which could change the value of cash held at the branch.". Revaluation of currency doesn't affect the cash position. It purely affects the notional value of the Foreign Currency as it is reported in the accounts, but has no impact on the Cash (sterling) position. Its only impact might be on the liability of the postmaster for any currency that is subsequently lost (which would need to be repaid at the current value). Note that revaluation can be positive or negative.

### 2.2.1.4 Forth Bullet

Finally, the 4th bullet states "It was not possible to examine the processes of reconciliation conducted by the Post Office that could give rise to Transaction Corrections.". As stated earlier this is not really relevant since any Transaction Corrections will have been accepted by a User into the Branch accounts and should not be accepted if not understood. Accepting a Transaction Correction implicitly means taking responsibility for it in accounting terms.

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2.2.2 Section 2.2.2 of the report: Opportunities for reconciliation

Moving on to Section 2.2.2 of Professor McLachlan's report. I accept that the Horizon system has not been designed to automatically provide vouchers for every transaction. It was not a requirement for Horizon to produce such vouchers and in fact there were specific requirements from Post Office Ltd regarding transaction times that preclude printing such records. This was so as to minimise the time taken to serve each customer and so attempt to keep queue sizes down to a reasonable length. My experience as a user of Retail systems (such as supermarkets) is that such vouchers are not normally generated there either.

## 2.3 Section 2.3 of the report: *Problems of data entry at sub post office*

In Section 2.3 of his report, Professor McLachlan looks at hypothetical issues with Data Entry.

2.3.1 Section 2.3.1 of the report: Incorrectly calibrated touch screen

Section 2.3.1 looks at the calibration of the touch screen. I accept the fact that a misaligned touch screen could certainly cause confusion to the User and result in incorrect buttons being activated. However I don't understand how Professor McLachlan is suggesting that such a misalignment would

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

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cause discrepancies within the accounts. Perhaps he would like to provide an example of where such an error may have occurred?

2.3.2 Section 2.3.2 of the report: *Poor User Interface Design*

In section 2.3.2, Professor McLachlan states that "Poor user interface design can contribute to poor data entry quality and user errors.". I agree with this as a statement. However Professor McLachlan makes no attempt to explain in what way the Horizon User Interface design is "Poor". As I stated earlier one of the key goals of the User Interface was that it would be easy to use and that it could be used by Users with no IT experience. A significant amount of effort was put into designing and agreeing the User Interface with Post Office Ltd.

2.3.3 Section 2.3.3 of the report: *Use of the FASTCASH button*

In Section 2.3.3 of his report Professor McLachlan hypothesises that errors can be introduced by incorrect use of the "Fast Cash" button. In particular he challenges my analysis of unsuccessful Debit Card Transactions.

For simplicity I will repeat the summary of that analysis here (it is also in Appendix I of Professor McLachlan's report):

> What I did was to search through all transaction in the 13 month period from December 2006 to December 2007 them looking for all examples of Debit Card transactions which have not been successful,

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

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since this seems to be one of the defence's main attacks on the system.

There are 92 such failed transactions for a total value of £117,149.98. I've analysed all those with an individual value of more than £1,000 (leaving £6,113.55 worth that I've not analysed).

In all the cases I've analysed one of 3 things happened:

1. The Customer session was then settled by a Cheque (and so the failure must have been noticed by the clerk)

2. The Customer session was abandoned (ie any goods were returned and the transactions cancelled and the only item from the session is the failed Debit Card payment).

3. The Customer session was settled to Cash (which could have been accidental). However in all such cases the transaction was subsequently reversed resulting in the cash also being reversed.

There are business rules that control whether transactions can be cancelled or if they have to be committed and then reversed (which is the main difference between cases 2 and 3 above). I suspect (but can't necessarily prove) that in case 2 the sessions were for purchase of Foreign Currency. In case 3 the sessions were all for purchase of Premium Bonds.

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I think this refutes the assertion that failed Debit Card Payments are the cause of the losses.

In particular Professor McLachlan has identified a transaction for £7,000 which took place on 11th January 2007 and states that this could have been processed as Fast Cash. I have re-checked this transaction and it was actually settled by a Cheque and not Cash. This was covered by point 1 above. Therefore in this case the User must have been aware that the Debit Card transaction had failed in order to ask for a cheque. Even supposing the Cheque button was pressed in error for Fast Cash, then there would have been a discrepancy in the value of cheques and there is no evidence of such discrepancies.

Later in this section, Professor McLachlan claims "the 'Fast Cash' button is demonstrated to be a source of data entry error (the reversals confirm this).". I don't agree with that. I can see no evidence to support this statement. The fact that there are reversals following a failed Debit Card transaction is due to the fact that some transactions cannot be abandoned and need to be settled and then reversed. This was a specific requirement on Horizon from Post Office Ltd. The fact that this has been done, shows that the User was well aware of the failure of the Debit Card transaction and followed normal process when the failure occurred.

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Continuation of statement of Gareth Idris JENKINS

2.3.4 Section 2.3.4 of the report: *Insufficient training*

Professor McLachlan explores issues with training of the Users in section 2.3.4 of his report. In particular, he states: "The Declared Branch position had discrepancies vis-à-vis the Horizon totals at the end of almost every period." and "The Variance Checks conducted to reconcile the branch position vis-à-vis Horizon showed a discrepancy on the vast majority of occasions ranging from 18 pence to more than £11,000.". I agree with both these statements. However to me these seem to indicate at the least poor management within the Branch and probably something more serious.

What is meant by the first statement is that when a Stock Unit is being Balanced (which is a process that occurs at least once each month) a difference is found between the cash level as input by the User (known as a Cash Declaration) and the cash level as calculated by the system (which is calculated by taking the starting cash position at the start of the period and adding on all cash that has been received and subtracting all cash that has been taken out of the stock unit). Calculations of the system cash level are irrespective of whether the cash was passed to or from a customer or to or from some external entity such as another Stock Unit or a Remittance into or out of the Branch. The Balancing process results in the system cash position being altered to match the Cash Declaration and the difference being put into a Discrepancy account (which may be for a Surplus or a Deficit).

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The second statement is referring to Cash Declarations that are supposed to be done for each Stock Unit on every day that the Stock Unit is used. Again, when the Cash Declaration is done, the system can compare the declaration with the system calculated cash level and record a Variance if they differ. In this case, checks will not have taken place for any errors and so some Variances are to be expected, but the assumption is that the sub-postmaster would monitor these and ensure that they are dealt with prior to Balancing the Stock Unit each month.

I also did an analysis of the daily cash movements compared with the daily cash declarations and could see very little correlation between the two which indicates that the variances between the declared cash and the system cash figures were not being monitored very well within the Branch. I would agree that this could be down to Theft / Fraud, or incompetence by the Branch staff. I would have thought that seeing such variances would have alerted the sub-postmaster that there was a problem and caused her to investigate what was going on.

However there is no evidence that this is down to any sort of System failure. Further I would suggest that small discrepancies are to be expected in such an environment due to mistakes in giving change etc. My understanding is that Post Office investigators expect such small discrepancies in normal operation.

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

Continuation of statement of Gareth Idris JENKINS

## 2.4 Section 2.4 of the report: *Problems with Horizon*

Section 2.4 of Professor McLachlan's report than describes 2 possible issues with Horizon.

### 2.4.1 Section 2.4.1 of the report: The Calendar Square, Falkirk Problem

I accept that there was an issue with the Post Office in Calendar Square Falkirk as described in the email reproduced in Appendix C of the report and covered by a previous Witness statement I made on 8th February 2010. As I stated in the email, the problem was fixed in March 2006 and so is not relevant to the period of data that I have examined in this branch. Also, when the problem manifested itself it was clear from the various logs that there was a problem in the system. There is no evidence of such problems from the various logs that have been examined for this branch. Therefore I see no relevance for this problem to the period of data that is being looked at for this case. In particular, Professor McLachlan says "It demonstrates that there have been faults with the Horizon system which give rise to discrepancies that can cause losses. It is not reasonable to exclude the possibility of system problems when considering a case such as Misra. ". I would dispute that. It was clear from the Events generated at the time in Calendar Square that there was a problem. No such events have been seen in West Byfleet in the period in question and so this cannot be responsible for the losses in that period.

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*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

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To simplify matters, I've included a summary of the issue that is included in Appendix C of Professor McLachlan's report:

I've now dug back into the archives to provide the following summary:

1. The problem occurred when transferring Cash or Stock between Stock Units. Note that West Byfleet does operate multiple Stock Units so the issue could have occurred.

2. It manifests itself by the Receiving Stock Unit not being able to "see" the Transfer made by the "sending" Stock Unit and is compounded by attempting to make a further transfer. Note that such transactions usually reappear the next day.

3. It is clearly visible to the User as a "Receipts and Payments mismatch" at the time that one of the Stock Units is Balanced. This usually results in the Branch raising a call. There are no such calls in Andy Dunks' Witness Statement which summarises the calls raised by West Byfleet. Also this can be checked on any Balance Reports or Branch Trading Statements that are available from the Branch which should show that Receipts and Payments do match and that the Trading Position is zero.

4. The problem is also visible when looking at system events associated with the Branch. The System events from 30/06/2005 to 31/12/2009 for West Byfleet have been checked and no such events have been found.

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5. The problem was fixed in the S90 Release which went live in March 2006 and so would not have been relevant at the time of the detailed Transaction Logs obtained for West Byfleet between December 2006 and December 2007

Therefore I can conclude that the problems identified in Calendar Square, Falkirk are not relevant to West Byfleet.

2.4.2 Section 2.4.2 of the report: The travellers cheque stock problem

In section 2.4.2 Professor McLachlan describes a "travellers cheque stock problem". I disagree with his description of what happens in this scenario. Horizon doesn't attempt to control Travellers' Cheques at a denominational level. In other words it only manages the total value (in dollars) of Travellers' Cheques and doesn't distinguish between $1,000 being held as 10 $100 Travellers' Cheque or as 50 $20 Travellers' Cheques or any other combination. Horizon is only concerned with the fact that it holds Travellers' Cheques to a face value of $1,000. Therefore following through Professor McLachlan's scenario, the system initially has $1,000 of Travellers' Cheques. When a customer purchases one Travellers' Cheque for $100, then this will be reflected by reducing the stock of Travellers' Cheques by 100, leaving 900 Travellers' Cheques in stock. This would be reflected on the Stock Report.

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I also note that in this section Professor McLachlan states that he has discussed this scenario with me and that I "acknowledge that this is a known feature of Horizon and that the Post Office have not instructed Fujitsu to change the system to produce a meaningful stock report.". I don't recall any such discussion. I have seen such a scenario described in a separate report that Professor McLachlan has written for a separate case, and did explicitly check out the scenario and produced a report for Post Office Ltd refuting the description. The latest version of Professor McLachlan's report does include in Appendix M information I have now provided to him as a result of his draft report.

In response to the specific scenario my comments are as follows:

- Professor McLachlan says: "Take the example of 10 travellers cheques of value USD 100 at the beginning of the day. If you run a stock report it will show 10 x USD TC 100 which corresponds to a value of USD 1,000. ". This is incorrect. The stock report will show that a stock of 1000 USD Travellers Cheques are held. The stock report doesn't distinguish between the denominations of the Travellers Cheques.

- He then goes on "A customer comes in and purchases one travellers cheque at USD100 and pays for it using a debit card.". This will be reflected as selling 100 USD Travellers Cheques.

- Next he states: "If you then run a stock report it will show -90 x USD TC 100 which corresponds to a value of USD -9,000.".. This is incorrect. A Stock report at this point will show 900 USD Travellers Cheques held.

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- Finally he says: "In other words, the report has treated deducted the USD 100 from the travellers cheque item count of 10 to get -90. Clearly you can't hold a negative stock of a physical item such as a travellers cheque so the report is both meaningless and completely misleading.". This is not correct, the system is indeed reporting the correct amount of USD Travellers' Cheques.

I do accept that there are some cases where the way in which Travellers' Cheques can appear to be slightly misleading. In particular, on the Stock Unit Balance report, when Sales of Travellers Cheques are shown, then the "volume" column represents the number of Travellers' Cheque transactions and not the number of Travellers' Cheques sold. However this has no effect on the volumes of Travellers' Cheques held on the system or appearing in the stock reports.

However there is nothing as blatantly incorrect with the system as Professor McLachlan suggests.

Finally, at the end of the section Professor McLachlan states "In my opinion, this stock report could give rise to counter staff or sub post masters seeking to correct the perceived problem through manual adjustments leading to real discrepancies. ". Given that there is no problem with the reporting of Travellers Cheques, this statement is irrelevant.

Therefore I would contend that section 2.4.2 of the report is irrelevant.

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Continuation of statement of Gareth Idris JENKINS

## 2.5 Section 2.5 of the report: *System problems from beyond Horizon*

### 2.5.1 Section 2.5.1 of the report: *Transaction Corrections*

In Section 2.5.1, Professor McLachlan looks again at Transaction Corrections. Here he refers to Appendix G of his report which describes some analysis I have done concerning transaction Corrections (my email on this is actually is in Appendix D of the report). This shows that if we analyse all Transaction Corrections during the 13 month period that the net value is £1,840. I've subsequently gone over the data again and found some additional transaction corrections that have been processed and the total net value of all such Transaction Corrections is actually slightly less namely £1,619.43.

He then refers to a slightly wider scope that he has taken in Appendix J where he comes up with an absolute value of £82,918.35 (though a net value of £19,257.21). I have now had a chance to examine this data in more detail and have the following observations to make on Professor McLachlan's analysis:

- Many of the figures listed do not represent Transaction Corrections
- A number of the figures that do relate to a Transaction Correction do not affect the Cash Position, since those particular Transaction

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Corrections were used to correct the value of cash pouches that were in the branch awaiting collection or Remittance errors held in Suspense.

This results in a net total of Cash Transaction Corrections of £302.72 and even adding up the absolute values as Professor McLachlan has done (though I don't understand why) only results in a total of £5,167.28.

My findings are presented in a separate document.

Later on in the section Professor McLachlan states "There is no record of Misra requesting evidence in the transactions provided between 1 Dec 06 and 31 Dec 07. ". This is incorrect. There was one such example on 13th December 2006 and two more on 14th March 2007. I accept that I had omitted these from my initial analysis. In the later version of the report Professor McLachlan attempts to clarify this by modifying it to read "In my analysis I was unable to find evidence that Misra did 'request evidence' in the transactions provided between 1 Dec 06 and 31 Dec 07 although I understand from Jenkins that there are some such requests during her tenure at West Byfleet.". As I have stated above, there are clear examples of this in the data that Professor McLachlan and I examined. In particular they are included in his analysis in Appendix J of his report.

Finally, towards the end of the section Professor McLachlan hypothesises "There are missing Transaction Corrections which would reduce the cash balance expected by the Horizon system (i.e. be in favour of Misra).". It is not clear to me on what basis that this statement is made. There doesn't appear to be any evidence to support

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it. My understanding is that normally branches are well aware of such errors and would have contacted Post Office Ltd to enquire as to why no Transaction Correction was being made in favour of the branch.

2.5.2 Section 2.5.2 of the report: *Remittances*

Section 2.5.2 of the report discusses remittances. However I don't understand the relevance of this discussion to the case. Professor McLachlan mentions that my analysis "identified a pattern or remittance transactions which is consistent with Misra's statement that she declared cash held in remittance pouches in the safe which was not actually present.". I was very surprised to see such a statement in the Defences Expert's report. My analysis of cash movements in section 3 of this statement does confirm this pattern occurring on 2 occasions which could have been used to "hide" a cash shortage. I can't think of any legitimate reason for processing a remittance transaction telling the system that money is being put into a pouch and then putting an empty pouch into the safe.

2.5.3 Section 2.5.3 of the report: *Reproducing the problems*

Section 2.5.3 then refers to incorrect transaction processing. However there is no indication as to what types of transaction processing may be incorrect, or as to what sort of errors the users may have made. It should be noted that the Horizon counter application has recently been replaced and the last

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**Witness Statement**

*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

Continuation of statement of Gareth Idris JENKINS

Horizon Counter migrated to the new system in September 2010 and so there are no longer any Horizon counter systems to examine.

## 2.6 Section 3 of the report: *Conclusions*

Professor McLachlan's report than attempts to draw some conclusions in section 3.

### 2.6.1 Section 3.1 of the report

Section 3.1 queries why it took Post Office Ltd so long to notice the pattern of discrepancies. Much of the detailed information regarding such discrepancies is only available within the branch to assist the sub-postmaster in managing their branch and so is not routinely available to Post Office Ltd until an investigation is carried out as in this case.

### 2.6.2 Section 3.2 of the report

Section 3.2 mentions screen calibration issues. I can't see how this could account for anything like the full extent of the losses and no scenario has been presented that could account for any losses due to the miss-calibration of the screen.

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Continuation of statement of Gareth Idris JENKINS

2.6.3 Section 3.3 of the report

Section 3.3 refers to Horizon issues. As stated earlier, the Calendar Square issue is irrelevant and there is no issue with Travellers' Cheques.

2.6.4 Section 3.4 of the report

Finally in 3.4 Professor McLachlan is challenging the integrity of Post Office Ltd's back end systems. My view is that any faults in these systems are irrelevant to the Branch accounts and hence the losses. This is because, as stated earlier, any transactions generated from a Post Office Ltd back end system must be explicitly accepted onto Horizon by a User and cannot be introduced into the Branch accounts without their knowledge.

I have not examined the data in the appendices in detail. I acknowledge that any emails included there from myself are correct, but have not examined the embedded spreadsheets in detail other than where explicitly referenced in this statement. I note that many of the appendices are not referenced from the report and there is no explanation as to the basis used to construct them. I assume that they are all generated from the raw transaction and event logs that were supplied to Professor McLachlan by Fujitsu at the request of Post Office Ltd.

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Continuation of statement of Gareth Idris JENKINS

## 2.7 Section 4 of the report: *Points of difference between Charles McLachlan and Gareth Jenkins*

Following my initial feedback from the version of Professor McLachlan's report I received on 1st October, he has added in the section highlighting the points of difference between us. Much of this has been covered earlier in my statement.

In general this section accurately reflects comments I have made and differences in our views. However in section 4.15, there is the statement: "My understanding from Jenkins is that all Horizon data is passed to the Post Office central systems and to their data warehouse.". This may well be Professor McLachlan's understanding, but it is not quite correct. Horizon does indeed pass details of all **Transactions** to Post Office Ltd's back end systems, but it does not pass details of individual Cash Declarations or Variance checks through to Post Office Ltd's back end systems. These are recorded purely for the use of staff in the local branch.

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Continuation of statement of Gareth Idris JENKINS

# 3 Analysis of Cash held in Branch 126023

In addition to examining Professor McLachlan's report, I have also been asked to look at Cash Balances and Cash held in Pouches awaiting collection through the period from December 2006 to December 2007.

I have taken values of Cash and Value Stock (as shown on the Stock Unit Balance reports and Branch Trading Statements) from the detailed logs at the start of each Trading Period from December 2006 to December 2007. I've also looked at the Cash and Currency held in Pouches from the Suspense Account for the same periods and plotted these on a graph. This effectively reflects the amount of Post Office Ltd money held in the Branch each month. It can clearly be seen to be increasing and in particular the Cash and Currency in Pouches increases significantly.

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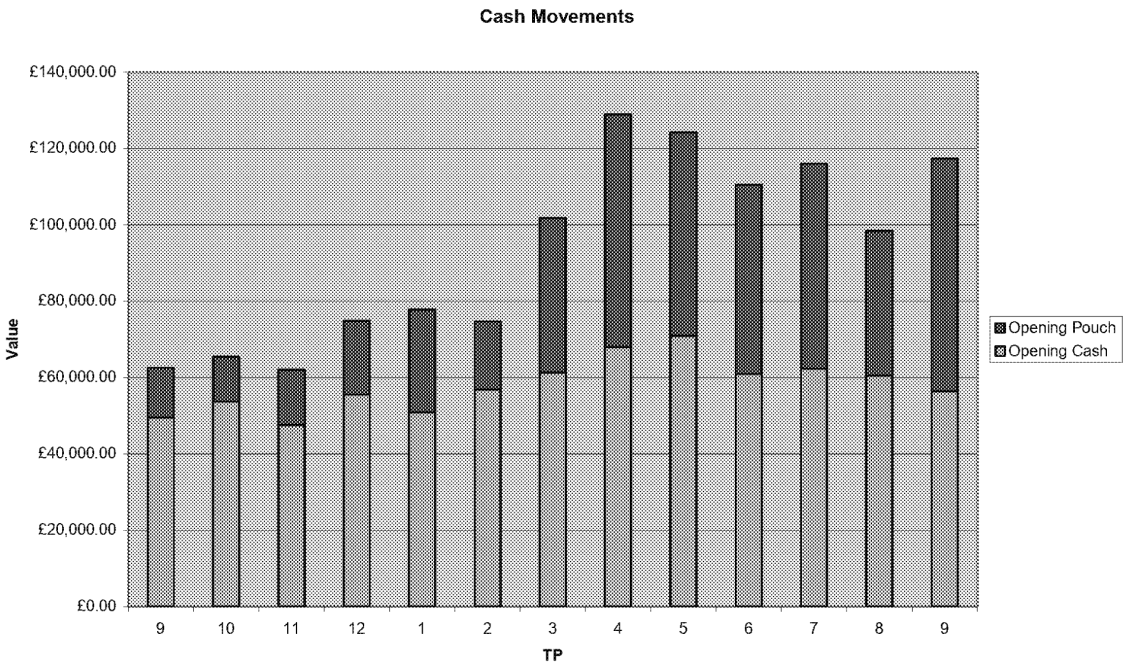
## Witness Statement

*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

Continuation of statement of Gareth Idris JENKINS




I've also spotted that £3,930.07 of Euros was packed in a pouch on 7th July and there is no sign of that pouch having been despatched from the Branch or the pouch being reversed. This accounts for some of the increase in Cash in Pouches at TP 4.

I also have details of a few pouches which were packed before the Branch was balanced and the reversed after the Balance was complete:

- A Pouch for £15,000 packed on 10th October in TP 6 and Reversed on 22nd October in TP 7
- A Pouch for £18,000 packed on 14th November in TP 7 and reversed on 19th November in TP 8

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## Witness Statement

*(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)*

Continuation of statement of Gareth Idris JENKINS

I can also see that over the 13 month period that £49,120 more of Sterling was packed into Pouches than was despatched from the Branch. However it isn't easy to identify exactly which transactions match up and how this ties together. Note that this includes the benefit of a Transaction Correction for £19,260 (the difference would have been £68,380 otherwise).