IN THE HIGH COURT OF JUSTICE   **Claim No. HQ05X02706**

QUEENS BENCH DIVISION

BETWEEN:

POST OFFICE LIMITED   **Claimant/Part 20 Defendant**

- and -

LEE CASTLETON   **Defendant/Part 20 Claimant**

WITNESS STATEMENT OF GARETH JENKINS

I, GARETH JENKINS of Fujitsu Services, Lovelace Road, Bracknell, Berkshire, RG12 8SN **WILL SAY AS FOLLOWS:**

1. I am a Distinguished Engineer employed by Fujitsu. I have worked for Fujitsu since [**insert date**]. I am responsible for [**insert details**]. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (**Post Office**).

2. I make this Witness Statement from facts within my own knowledge unless otherwise stated. References to page numbers in this Witness Statement are to page numbers of Exhibit "GJ1" to this Witness Statement.

The Horizon System

3. Each counter position in a Post Office branch has a computer terminal, a touch sensitive visual display unit, a keyboard, barcode scanner and printer. This individual system records all transactions input by the counter clerk working at that counter position. Each clerk logs on to the system by using a series of passwords. The transactions performed by each clerk, and the associated cash and stock level information are recorded by the computer system in a stock unit.

Once logged on, any transactions performed by the clerk must be recorded and entered on the computer and are accounted for within the user's allocated stock unit. I am understand that the Marine Drive branch where Mr Castleton was the subpostmaster has 2 counter positions whose transactions are combined together and recorded as 1 shared stock unit. This means that all the cash and stock is contained on 1 balance sheet as opposed to having a separate stock and cash balance for each terminal.

4. Every time that a new customer is served by a clerk there is a new "session." The price for each product is pre-set into Horizon and cannot be entered by the clerk into the terminal or determined or controlled by them [*presumably this is correct?*]. The clerk enters the product type and quantity the customer wishes to purchase by using the touch sensitive screen or the keyboard. Each customer's transactions are recorded in a "stack." Once the clerk has finished serving a customer, the stack is cleared. For each session:

    (a) the number of transactions is recorded;
    (b) settlement occurs i.e consideration such as cash is transferred one way or the other, into or out of the till; and
    (c) the method of payment is recorded.

5. The Horizon system provides a number of daily and weekly records of all transactions input into it. It enables Post Office users to obtain computer summaries for individual clients of Post Office Counters Limited e.g. National Savings Bank, Giro, Driving Licence Agency and Pension and Allowances. The Horizon system also enables the clerk to produce a weekly balance of cash and stock on hand combined with the other transactions performed in that accounting period. The system also allows for information to be transferred to the main accounting department at Chesterfield in order for the accounts for each branch to be balanced.

6. The Post Office counter processing functions are provided through a series of counter applications: the Order Book Control Service (**OBCS**) that ascertains the validity of Benefit Agency order books before payment is made; the Electronic Point of Sale Service (**EPOSS**) that enables subpostmasters to conduct general retail trade at the counter and sell products on behalf of their clients; the Automated Payments Service (**APS**) provides support for utility companies and others who provide incremental in-payment mechanisms based on the use of cards and other tokens and the Logistics Feeder Service (**LFS**) which supports the management of cash and value stock movements to and from each branch, principally to minimise cash held overnight in the branches. [*Were these the systems in place in January to March 2004 which is the relevant time for*

this case?]. The counter desktop service and the office platform service on which it runs provides various common functions for transaction recording and settlement as well as user access control and session management.

7.   Where local reports are required these are accessed from an icon on the desktop menu. The user is presented with a parameter driven menu, which enables the report to be customised to requirements. The report is then populated from transaction data that is held in the local database and is printed out on the tally roll printer. The system also allows for information to be transferred to the main accounting department at Chesterfield in order for the office accounts to be balanced.

8.   I have produced a diagram at page [   ] [*Gareth please can you produce a diagram? I understand that Jan Holmes of Fujitsu has produced one for another P.O case, so she may be able to provide one*]. This presents a simplified view of the components of the Horizon system, which is further explained below.

Five Layer Model

9.   The basic system operates through five different layers:

(a)   The Counter Layer where the Post Office Counter Clerk conducts the daily business of the branch, initiating transactions based on customer demands or responding to system prompts that originate either in support of the customer's transactions or from other parts of the system. All transactions for a Counter in a branch are replicated across all other Counters in that branch. Examples of transactions include:

    i.   Cashing a Benefit Book payment foil.
    ii.   Selling a Post Office retail product.
    iii.   Accepting full or part payment against a gas, electricity or other utility bill.

(b)   The Correspondence Layer where all transactions for all branches are stored prior to despatch to other systems, including Audit; or from other systems prior to despatch to the relevant branches. Transactions are stored in the Correspondence Layer for the same length of time as they are held at the Counter Layer.

(c)   The Agent Layer that acts as the interface between the Correspondence and Host Layers. Agents are either Loading Agents, whereby information is placed onto the Correspondence Layer for onward despatch to the Counter,

or Harvesting Agents, whereby transactions are copied from the Correspondence Layer to a variety of other systems, including Audit.

(d) The Host Layer where transactions from external systems are received and processed prior to presentation to the Agent Layer and subsequent despatch, or information relating to transactions already carried out is prepared for despatch back to the external systems.

(e) The External System Layer from where transactions originate that may have an effect on the branch and the transactions undertaken there, and to where details of transactions undertaken at the branch are sent for subsequent processing by that system. An example of an External System is the Electronic Stop Notice System (**ESNS**), a Benefits Agency system that provides Stop Notices for Benefit Books that have to be applied by the Post Master if the Books are presented at the Counter.

(f) All transactions conducted at the Post Office Counter, whether initiated by a customer or as part of the system, are written to the transaction log associated with that Counter. They are replicated across all other Counters in the branch for resilience purposes. The transactions are sent back to the branches primary Correspondence Server where they are replicated to the Correspondence Server at the second Data Centre.

Collecting Transaction Data

10. When a transaction record is written to a Correspondence Server a copy of it is also written to an Audit File located on the Correspondence Server. Each Audit File accumulates until approximately 200,000 records are copied at which point the file is closed and copied to that Data Centre's Audit Server. A Checksum Seal value for that Audit File is calculated and the file stored on the Audit Server until such time as it is copied to Digital Linear Tape. This activity continues for as long as the Correspondence Servers are running. (The Checksum Seal is used during subsequent data retrieval to provide assurance that the data in the Audit File has not been altered from the point of storage on the Digital Linear Tape.)

Collecting 'Other' Audit Data

11. While the Transaction Data is an important element of the Audit Trail it is by no means the full extent of data collected. Other files, data, records, scheduling information, events and transactions back to the External Layer (identified by black squares on diagram GJ/01), are also collected by the Audit Server during the day.

Hoarding and Storing Audit Data

12. At 7:00pm each day the job scheduler starts a process known as Hoarding, when all files collected during the day and resident on the Audit Server are written to Digital Linear Tape. Files will be written to one of three pools, depending on the type of file and its associated retention period. The current pools are TMS18months, Non-TMS18months and Non-TMS7years [*is this correct? What were the pools in January to March 2004*]?. TMS stands for Transaction Message Store and these are the transaction files copied from the Correspondence Server. Non-TMS files are the large number of files, in various formats, that have been collected from other parts of the Horizon system.

Retrieving, Extracting and Analysing Audit Data

13. Audit Data is recovered from the Digital Linear Tapes using standard operational procedures that have been in use since 1999. On retrieval, and before the file is presented back to the Data Analyst the Checksum Seal value is re-calculated and compared to the value at the time of the original collection by the Audit Server. Both TMS and Non-TMS data can be analysed using other tools to isolate records that meet selection criteria.

Horizon and Time

14. With one exception the Horizon system consistently records time in GMT and therefore takes no account of Civil Time Displacements. However, there is an exceptional category of transactions. "Transfer In" events recorded in the Transaction Logs which are shown in local time and are therefore subject to changes from GMT to BST and BST to GMT at appropriate points in the year. The clock incorporated into the desktop application on the counter visual display units is however configured to indicate local time. This has been the situation at Marine Drive branch (FAD 213337) since [*insert date*] when the Horizon system was introduced at that particular branch.

Mr Castleton's allegations about Horizon

15. I understand that Mr Castleton' asserts that no real losses occurred at the Marine Drive branch, but that the losses were all theoretical and generated on Horizon by computer error.

16. The absolutely fundamental point to note is that Post Office branches operate along double entry accounting principles. This means that for every transaction recorded on the Horizon system, there is a corresponding physical document (for example, a cheque, giro deposit or withdrawal slip or savings bank withdrawal or deposit slip) that the subpostmaster has to send each day to the EDS Processing Centre. If a user makes an erroneous entry into their computer terminal and the paperwork sent by the subpostmaster to the EDS Processing Centre did not match the entry made, an error notice (which is a correction statement) would be generated. Accordingly, even if Mr Castleton did experience the problems with computers at the branch below and even if (which I do not accept for the reasons set out below), that mean that this causes theoretical losses, this would have been picked up when the information Mr Castleton recorded into his computer did not correspond with the paperwork he sent each day to the EDS Processing Centre.

I have the following comments on each of his particular allegations:

The two computer terminals did not communicate with each other properly

Gareth do you have/can you obtain any data to show whether the two computer terminals did not communicate with each other properly?

17. Only one computer terminal (known as the gateway node) is connected to the Correspondence Server. If the two computer terminals in the branch are not communicating properly this should be clear to the clerk because a message will appear on screen [**what will it say?**]. However, irrespective of whether the two computer terminals are communicating, every transaction is committed immediately to the hard drive of the local terminal upon which it is performed (**is this the Counter Layer?**) so it is not lost.

18. At approximately 6.00pm each day [**or each working day?**] the system runs through a process of checking that the computer terminals are communicating with each other. A report is automatically generated if they are not communicating with each other. [**Is the report produced if they are not communicating at 6pm OR if they have not been communicating during that day**?]. Once the communication between terminals is re-established, they automatically catch up with each other and in turn, the gateway node will automatically update the Correspondence Server. This means that no data is lost. It is therefore irrelevant whether from time to time the two terminals did not communicate with each other.

Computer screen freezing

***Gareth, other than calls into HSH, do you have/could you obtain any data
to show whether the computer screen was frequently freezing?***

19. If the screen at a terminal freezes i.e locks up or fails to respond and has to be
re-booted, it will either record the whole of the session or (more likely) none of it.
It will not record just part of a session. Once the terminal comes back online, it
will tell the clerk at what stage the transaction was at and give the clerk specific
prompts by asking what has happened. For example, the clerk will either be 20
stamps down and the money should be in the till or the 20 stamps will still be
there. It is therefore clear to the clerk whether they need to re-enter the data for
the session that was in progress when the PC crashed. The clerk can also tell
what has happened by going through the audit trail [***what do you mean by
this***?]

Blank computer screen

20. If one or other of the terminals goes blank, then the clerk will not be able to
process a transaction during this time. This should therefore be irrelevant and it
is not apparent how this would cause an actual or theoretical loss.

Barcode Card swipe not reading

21. I understand that subpostmasters are told to clean the barcode card swipe
machine regularly to ensure that it works properly. If the card swipe machine at
a terminal does not read after 3 attempts then this will be clear to the clerk and if
the customer is using a debit card, the clerk would be able to manually type in the
card number, thereby allowing the transaction to proceed. No money or
information will therefore be lost.

22. I understand that Mr Castleton asserts that during the period in question the
swipe machine failed regularly. If that had been the case, I would have expected
to have seen numerous calls logged to HSH complaining about this issue, but no
such calls are logged.

Rolling over cash figures - ONCH

23. ONCH is a report which subpostmasters should print last thing each working day.
It is how the postmaster declares the quantity of cash in the tills overnight and
stands for Overnight cash holding (not, as Mr Castleton asserts, On Hand Cash
Handling). If the subpostmaster fails to print it at the end of each day, the
system will prompt him to do so when he logs on the next morning. Mr Castleton

states that during cash week 48, (the week ending 25 February 2004) he first became aware that he was able to print the ONCH report, but that when his assistant printed it, it appeared to produce a figure that was 4 to 5 times greater than the actual cash declaration for the day.

24. When printing the ONCH, the clerk is asked to enter a declaration identification number. They usually enter the same number every day and the same number ought to be used throughout the branch irrespective of which terminal is used, [*is this because the terminals together form 1 stock unit?*]. If the clerks mistakenly use separate identification numbers for each terminal, the system will add the 2 terminals' figures together. This would explain why the ONCH figures could have been greater than the actual cash declaration for the day.

25. The system uses the ONCH figure to predict how much cash the branch will need to service its transactions. However, before cash is released the system will notify the subpostmaster the amount which it plans to send [*how does this work*]? *Gareth if Mr Castleton doubled up on the ONCH figures, would the system think he needed more cash than he did in reality or less cash than he did in reality need?* However, if the subpostmaster considers that the proposed amount of cash will either be too great or insufficient, he can telephone *NBSC???* and ask for this to be corrected. [*Will he then only be sent what cash he asks for?*]

26. If the clerk has mistakenly used separate identification numbers for each terminal causing the 2 terminals figures to be added together and the ONCH report to be wrong, but this will <u>not affect</u> the actual amount of cash that the branch has at that point in time. Each week the subpostmaster is required to balance the stock unit. This requires him to physically count the actually cash and stock that he has at the branch and to declare that in the Final Cash Account for that week which he will sign off as being accurate [*will he keep this and or send it to Chesterfield?*]. The Final Cash Account is entirely separate from and has nothing to do with the ONCH report. The figures in the ONCH report are not added to the balance in the Final Cash Account. It is therefore completely irrelevant whether the subpostmaster or his assistant got the ONCH report wrong: it would not and could not cause a computer generated imaginary loss or an actual loss.

Lost transactions

27. Mr Castleton asserts that Horizon failed to record transactions which he knew he had entered into the Horizon system. For example, if he entered a cheque on to the system as a cheque, it would allegedly not appear identified as a cheque.

28. The system keeps a running total of cash and cheques on hand. The subpostmaster is responsible for printing off the cheque report which is usually done at about 4pm each day (called the Cheque listing) and for physically corroborating that the cheques are there. If he physically has an additional cheque that does not show on the cheque report but he has instead recorded as cash, he is able to make an adjustment from cash to cheque.

29. Once the cheque report is printed, the subpostmasters send it each day with the cheques to the EDS Processing Centre. The system will then show that the amount of cheques held by the branch is reduced to zero. If however, the subpostmaster fails to pick up that he has erroneously recorded a cheque as cash when submitting the cheques and the report, the cheque will be returned by the clearing system. Each cheque is attributable to a particular branch because details of the transactions should be recorded [*by the subpostmaster?*] on the back of the cheque. Accordingly, if the cheque is erroneously declared on the system as being cash this will be picked up. However, once it has been picked up it will make no overall difference to the balance at the branch because fundamentally payment will have been received from the customer for the transaction whether it is recorded as being by cash or by cheque.

30. [*Gareth, imagine Castleton mistakenly records a cheque as being cash on the terminal. The terminal communicates the fact that cash has been received to the Correspondence Layer each day and the terminal's hard drive is cleared to zero. After this, at the end of the day Castleton realises he's missed a cheque so he manually adds the cheque on to his physical report before submitting it. Will the system now believe that the branch has both cash __and__ cheque i.e more money than it does? How would this be picked up?*] In any event, this would be reflected at the end of the week as an imbalance of stock or cash because if Mr Castleton had only sold 1 item, but erroneously inputted into the terminal that he has been paid both in cash __and__ cheque, he will still have the physical stock at the branch because he will only have sold it once.

Software updates

31. I understand that Mr Castleton alleges that the Horizon system went offline on one occasion, that this happens during software updates and that it could have caused the losses in question.

32. A software update and could result in a desktop being closed and restarted. However, they are relatively rare and (unless prior agreement is reached with the

subpostmaster) tend only to take place outside of office hours when the subpostmaster is not using his computer. However, even then I do not believe that this could result in Horizon causing losses. At pages [   ]   are spreadsheets showing all of the updates for the period January to April 2004 at the Marines Drive branch.

33. In the product column of the attached spreadsheet, I = in store, D = delete, U = update. Counter one shows that there were no updates between 8.30am and 5.30pm over the period. Counter two shows (with the exception on 2 February) there were no updates between 8.58am and 10.06pm over the period in question.

34. On 2 February there were 24 instances of IUD at 2.09pm and 1 instance at 2.10pm, which indicates a process (lasting 1 minute) starting at 2.09pm and completing at 2.10pm. This is due probably to a counter installation that would have been with the subpostmaster's knowledge and consent.

Balance snapshots

35. A balance snapshot is a printout showing in real time, what balance of what cash and stock it *believes* the branch *should* have, not necessarily what cash the branch *actually does* have. It looks at the previous week's declared cash and stock and adjusts items as they are sold, so if a clerk forgets to enter an item that a customer has purchased, the balance snapshot will be inaccurate. Effectively, the balance snapshot is just a rough tool to allow the subpostmaster to quickly check transactions through the week. It is not mandatory for a subpostmaster to print out a balance snapshot. It is not the same as a Final Cash Account.

36. I am advised that Mr Castleton believes the Horizon system "double counted" losses because it allegedly failed to recognise the transfer of the money over from the daily snapshot into the suspense account.

   (a) On day 2 of week 49 (27 February 2004), an entry for £3,509.68 is shown as "loss to A" (**Gareth this is document 3**).

   (b) An Office Copy of the suspense account dated 3 March 2004 states "cash shortages 27/02/04 loss A to table A £3,509.68" (**Gareth this is document 4**).

   (c) Mr Castleton then states that the net discrepancy of £3,509.68 is still showing in the balance snapshot dated 27 February 2004 and the Final Balance dated 4 March 2004 (**Gareth these are documents 5 and 6**) after it was purportedly transferred into the suspense account.

37. The simple reason why the net discrepancy is still showing on the balance snapshot report after it was transferred into the suspense account is that the balance snapshot will not (and should not) show the transfer until <u>after</u> the subpostmaster performs a trial balance [***Gareth presumably a trial balance is different to a Final Balance, because the Final Balance dated 4 March (doc 6) does not show the transfer***]. The Horizon system is therefore not "double counting" losses.

Conclusion

38. There are no grounds for believing that the problems Mr Castleton says he experienced with his computer would have caused either theoretical or real losses. However even if the computer did causes losses to be shown on the Horizon (which I do not accept), and/or Mr Castleton had erroneously entered information on the system this would have been picked up when the paperwork he sent to the EDS Processing Centre each day did not correspond with what was on the system and an error notice would have been generated.

I believe that the facts stated in this witness statement are true.

Signed ....

      GARETH JENKINS

Date ....

Claim No. HQ05X02706

IN THE HIGH COURT OF JUSTICE

QUEENS BENCH DIVISION

BETWEEN:

POST OFFICE LIMITED	**Claimant/Part 20 Defendant**
- and -	
LEE CASTLETON	**Defendant/Part 20 Claimant**

WITNESS STATEMENT OF GARETH JENKINS

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IN THE HIGH COURT OF JUSTICE   **Claim No.**

QUEENS BENCH DIVISION

BETWEEN:

<div align="center">

POST OFFICE LIMITED   **Claimant**

- and -

LEE CASTLETON   **Defendant**

EXHIBIT "GJ1"

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This is the Exhibit marked "GJ1" referred to in the Witness Statement of Gareth Jenkins dated   August 2006.