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Sent: Thur 16/01/2014 5:07:30 PM (UTC)
To: Chris Aujard[GRO]
Cc: Hugh Flemington[GRO]; Andy Holt[GRO];
Robin Gregory[GRO]
Subject: RE: Budget -appointment of Independent Horizon expert Draft for approval for EXco Monday

Chris

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

1. The present position is POL do not have an expert in place and thus are unable to prosecute cases OR to take Civil recovery proceedings and this expert report would also be useful to POL in 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 has the ability to call upon other expertise from relevant disciplines from the institution. Both have agreed to take on this work.

- 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.

2. 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. Present position is to agree scope of expert between Fujitsu , Experts and POL.

Following cooperation of 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.

Here are a few words to explain the current scope.

- 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

It is also envisaged that interim report would be delivered within 10 weeks to 12 weeks from now, with an interim report within 8 weeks from instruction

This is a long term solution to a pressing problem. Without such experts POL will be unable to recover SPMR shortages/losses in any case where the SPMR asserts that the shortage/loss is due to some (usually ill-defined) HOL defect.

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.

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

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