

Filed on behalf of the: Defendant
Witness: T. Godeseth
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Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

**THE POST OFFICE GROUP LITIGATION
IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
ROYAL COURTS OF JUSTICE**

B E T W E E N:

ALAN BATES & OTHERS

Claimant

AND

POST OFFICE LIMITED

Defendant

WITNESS STATEMENT OF TORSTEIN OLAV GODESETH

I, **TORSTEIN OLAV GODESETH** of Lovelace Road, Bracknell, Berkshire RG12 8SN
WILL SAY as follows:

1. I am employed by Fujitsu Services Limited (**Fujitsu**) as Chief Architect on the Post Office Account.
2. I am authorised to make this statement on behalf of Post Office Limited (**Post Office**), the Defendant in these proceedings, in relation to the Horizon Issues trial listed for March 2019. This is my second witness statement in relation to these proceedings and has been prepared in response to the witness evidence submitted by the Claimants and the report submitted by the Claimants' IT expert, Mr Coyne.
3. The facts set out in this statement are within my own knowledge, or if they are outside my knowledge, I have explained the source of my information or belief. As I described in my first witness statement, Horizon is a large system and therefore it is not possible for one person to have a complete understanding of all corners of the system. I have therefore consulted with colleagues who work in the areas that are covered by this statement to ensure that my understanding of them, and the issues related to them, is correct. I have identified those colleagues below.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

4. My background and roles at both Post Office and Fujitsu is set out at paragraphs 5 – 7 of my first witness statement dated 27 September 2018.
5. In this statement I:
 - 5.1 respond to certain points made in the witness statement of Charles Alastair McLachlan;
 - 5.2 explain how certain bugs in the Horizon system came to light and were resolved;
 - 5.3 respond to paragraphs 5.156 and 5.159 of the report by Jason Coyne, the Claimants' IT expert; and
 - 5.4 respond to paragraph 2.5 c) of the witness statement of Ian Rutherford Henderson.
6. References to paragraph numbers are to paragraphs in Professor McLachlan's witness statement.

THE ROLE OF PROFESSOR MCLACHLAN IN THE TRIAL OF SEEMA MISRA

7. In order to respond to Professor McLachlan's statement, I think it is important to first set out the background in relation to the case of Seema Misra (who I understand from Post Office's solicitors to be a Claimant in these proceedings).
8. I understand from Post Office's solicitors that:
 - 8.1 Ms Misra was a Subpostmaster at the West Byfleet Post Office who was charged with theft amounting to £74,609.84 and false accounting, in that she had made false entries on Horizon to cover up the theft;
 - 8.2 Ms Misra pleaded guilty to false accounting and not guilty to theft, but she was convicted of theft by a jury on 21 October 2010.
 - 8.3 Post Office was represented by Cartwright King, who have informed Post Office's solicitors that:
 - 8.3.1 Professor McLachlan's final report dated 4 October 2010 consisted of a series of anecdotal assertions suggesting issues with Horizon but gave no direct example and no evidence in support of his conclusions, save for a short email from Gareth Jenkins at Appendix C of the report; and
 - 8.3.2 on the issue of disclosure, the defence in the case of Seema Misra made repeated applications for disclosure which, both in Cartwright King's view and in the opinion of the trial Judge, amounted to little more

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

than 'fishing expeditions'. At the commencement of the substantive trial the trial Judge was again called upon to rule in a disclosure application and again he refused to direct further disclosure.

9. Professor McLachlan put forward a number of hypothetical problems with Horizon in an interim report dated 21 September 2009 and further reports on 19 November 2009, 3 February 2010, 12 February 2010, 25 February 2010 and 30 September 2010 before submitting his final report on 4 October 2010. Many of his points related to process issues rather than technical issues with Horizon and they had been discussed with Fujitsu prior to the trial, as can be seen from Professor McLachlan's reports, in particular the "summary of findings" section of his final report.
10. Professor McLachlan alleges at paragraph 9 of his statement that he *"found it difficult to obtain all of the information and disclosure which [he] thought was necessary in order to provide [his] opinion to the criminal court"*. However, I understand from Gareth Jenkins that Professor McLachlan requested information that was not necessary and/or obtainable. For example, he wanted to undertake a forensic examination of the old Horizon system but this could not be examined as the last Horizon counter had been removed prior to Ms Misra's trial in October 2010.

PROFESSOR MCLACHLAN'S WITNESS STATEMENT

11. I agree with Cartwright King that Professor McLachlan's report consists of a series of anecdotal assertions that there could be issues with Horizon without providing any direct examples or evidence in support (save for one email from Gareth Jenkins of Fujitsu (who acted as Post Office's expert witness in the Misra case) which relates to an issue which occurred at the Callendar Square branch in Falkirk which was shown to have not affected Ms Misra's branch). I address those assertions below.

CALLENDAR SQUARE

12. At paragraph 10 of his statement Professor McLachlan states that he *"became aware, extremely close to the initial listing of the trial of Mrs Misra, of a bug in the Horizon system known as Calendar (sic) Square"*.
13. The Callendar Square bug occurred in 2005 (it therefore related to Legacy Horizon). At that time I was working as an independent contractor to Post Office, acting as a technical advisor on IT projects. While I do not have first-hand knowledge of the issue, I have reviewed documents relating to the issue {POL-0296514, POL-0296843, POL-0011264, POL-0017084, POL-0444055 and POL-

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

0444056} and discussed it with Gareth Jenkins and my understanding is as follows:-

- 13.1 The issue was discovered when the Subpostmaster at the Callendar Square branch reported that he could see a transfer on some terminals but not on another and asked for this to be investigated. The Subpostmaster had experienced a receipts and payments mismatch when balancing one of their stock units, as can be seen from PC0126376 {POL-0296843};
- 13.2 Sometimes it is necessary to transfer cash between different stock units in a branch. For example, one stock unit may be running short on cash, so the Subpostmaster or branch staff may transfer some cash from stock unit A to stock unit B. Another example is that cash received into a branch is remitted (or remmed) into one stock unit creating a need to distribute that cash among the other stock units so that they are all equipped to perform transactions;
- 13.3 Horizon handled the transfer by requiring the Subpostmaster to complete a Transfer Out transaction for one stock unit and a corresponding Transfer In transaction for the receiving stock unit. The Transfer Out transaction resulted in a message containing relevant details about the transfer being created and replicated to all counters in the branch. The Transfer In transaction used details from the message to complete the transfer, as confirmed in PC0126376 {POL-0296843};
- 13.4 A bug in the Riposte software which was used to replicate data between counters in the branch at the time meant that when the Subpostmaster completed the Transfer In on one terminal, the message indicating he had done so was not replicated to all the other terminals and he was able to duplicate the Transfer In at a second terminal {POL-0296843};
- 13.5 Once the bug had been reported by the Subpostmaster and investigated by Fujitsu, advice was provided to Subpostmasters by Post Office. I have not seen this advice but I understand from speaking to Gareth Jenkins that it would have told Subpostmasters to take extra care in handling transfers and to avoid duplicating Transfers;
- 13.6 If a Subpostmaster inadvertently duplicated a Transfer this meant that when the Subpostmaster came to balance the branch's stock units, while the total for the amount of receipts into the system and the total for the amount of payments out of the system should have matched (owing to the double entry book-keeping principle), in this case they did not match;

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 13.7 I understand from Gareth Jenkins that this mismatch would have also resulted in a reconciliation failure being flagged to Fujitsu in Horizon overnight processing;
- 13.8 I also understand from Gareth that when the error occurred, Riposte was attempting to replicate messages to terminals and a system event was raised indicating that there was a problem (i.e. saying a timeout had occurred). The system event was visible to Fujitsu;
- 13.9 The bug was fixed in a new release of the Riposte software received from Escher {POL-0296843}.
14. As Professor McLachlan notes in paragraph 12 of his statement, "*Mr Jenkins concluded that the Callendar (sic) Square did not impact Mrs Misra's branch.*" I understand from Mr Jenkins that Professor McLachlan was in agreement with Mr Jenkins' conclusion. Mr Jenkins summarised the reasons for this in his email to Mr McLachlan of 8 March 2010 and I agree with those reasons. In summary:-
- 14.1 the manifestation of the bug was clearly visible in the branch records for Callendar Square, whereas there was no sign of its occurrence in Ms Misra's branch records;
- 14.2 the bug had been resolved more than a year before the relevant period in Ms Misra's branch by the software fix distributed to the entire network in March 2006, i.e. the "S90 Release"; and
- 14.3 Mr McLachlan was provided with the West Byfleet event log¹ which showed him that the events associated with Callendar Square were not present at Ms Misra's branch. The problem at Callendar Square produced a visible trace of "events" in the event logs, in particular, an event called "time out waiting for lock" which means that information which Horizon was trying to communicate to the terminal (i.e. the Transfer) was effectively locked out from the terminal. In the Callendar Square branch, this problem was visible on the event logs multiple times (which are available to Subpostmasters in branch). It could also be checked on any Balance Reports or Branch Trading Statements from a branch: these would show that receipts and payments do not match and that the trading position is not zero (in normal circumstances receipts and payments should match and the trading position should be zero).
15. I understand from Matthew Lenton (Fujitsu's Post Office Account Document Manager) that this bug affected thirty branches, resulting in mismatches at twenty,

¹ I understand from Post Office's solicitors that event logs are explained in the first witness statement of David Malcolm Johnson.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

and that Fujitsu has established this for the purposes of this statement using the event logs described above.

16. While the issue at Callendar Square was reported by the Subpostmaster after he spotted a receipts and payments mismatch, it would have been picked up in any event by a batch process that is run every night which picked up the mismatch (this may also be described as a reconciliation process). Each mismatch flagged would generate a Peak (Peak is browser-based software incident and problem management system used by Post Office Account which enables details of the incident and diagnostic progress to be captured in a searchable format and allows the tracking of problems from detection through to resolution). Fujitsu would then inform Post Office and provide the information required for Post Office to contact branches affected by an issue.

USER ERRORS

17. Mr McLachlan states that for the Misra case he *"identified a number of issues that could give rise to user errors in branch including user interface, screen calibration and other operating procedures that are attached to the branch terminal, however the SPM would not necessarily be aware of such errors"* (paragraph 17). Mr McLachlan did not identify any specific cases/branches; these were hypothetical points.
18. One of the key design aims of the Horizon user interface was that it would be easy to use and could be used by those with no IT experience. Appendix B to {POL-0444058}, which was applicable at the time of Mr McLachlan's report, shows the design principles followed in deriving the Human Computer Interface and the design standards applied to keyboard-to-screen mapping, panels and buttons. Chapters two and three describe the types of screens that make up the system, their function, layout, characteristics and amounts that can be entered {POL-0444058}. The screen layout as shown is simple and has three main areas: navigation buttons at the top; menu buttons in the lower left hand side and 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. The stack area shows what items the customer has purchased in the current session, with a running total at the bottom clearly showing what money is owed either to or from the customer. Adding a value of an item is done using the screen in Figure 3.8, either by using the numeric keys on the keyboard or by touching the numbers on the screen. These all appear to me to be industry standard user interfaces and so I do not know what specific concerns Mr McLachlan had (if any).

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

19. Mr McLachlan refers to the fact that the touch screen had to be re-calibrated from time to time so that the touch of the user on the screen properly activated the button under the finger rather than another part of the screen (paragraph 18). He states that *"if the user failed to notice that the screen needed recalibration they could, for example, touch the image of a button representing [1] and actually activate the button representing [2]"*. As shown at figures 2.1 and 3.8 (Exhibit TOG2 pages 1 to 2), the buttons on Horizon were large and would need to be widely out of alignment to give rise to the type of error that Mr McLachlan is suggesting. In the event that this did happen every touch would be incorrect and it would be obvious to a user that the wrong button had been pressed. For example, if the user pressed "cash deposit" but the system registered "cash withdrawal" the stack would show a "cash withdrawal" and the running total would show a payment to the customer rather than a payment from the customer. This is made even more obvious by the payment box on the bottom of the stack going green (for payment out) rather than red (for payment in).
20. I understand from Post Office's solicitors that David Malcolm Johnson deals with how screens are recalibrated and responds to Mr McLachlan's points about the fast cash button in his second witness statement.

PAPER VOUCHERS

21. Mr McLachlan states that the branch terminal does not create a paper voucher for every transaction (paragraph 20). Whilst that is correct, all transactions are logged and any user with access to Horizon can obtain a report of the transactions carried out in a branch over a certain period (currently up to 60 days).
22. I disagree with Mr McLachlan's assertion at paragraph 20 of his statement that *"there were opportunities, even in the branch before the data is transferred out, of there being issues (Calendar Square being one of them) in relation to which the system does not provide the ability to reconcile in the branch"*. The daily cash declaration and periodic balancing processes are explained in the witness statement of Post Office's David Malcolm Johnson. Variances can be investigated using the transaction log, which contains details of all transactions carried out in a branch over a certain period.
23. I do not agree with Mr McLachlan's allegation that if a branch produced hard copy receipts for all transactions as and when done, these would enable Subpostmasters to check whether the transaction logs are correct or contained phantom/corrupted transactions. The Subpostmaster is able to print the transaction log at any time.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

24. Further, the Callendar Square issue was identified because the Subpostmaster spotted a receipts and payments mismatch while balancing a stock unit. Once spotted, the issue was straightforward to resolve.

PAYMENTS MADE TO INCORRECT CUSTOMER ACCOUNT

25. In paragraph 21 of his statement Mr McLachlan refers to an issue where a branch would scan an automated payment transaction with a bar code reader for a customer but when the next customer came to the branch with an automated payment barcode, the payment the second customer made would go to the previous client account, with all future customer barcode scanned payments taken on that particular terminal at that branch defaulting to the first client account at the time the barcode reader becomes faulty. Professor McLachlan also concludes that this scenario could result in a shortfall in the branch.
26. The problem arose from a bug in the interface between Riposte and the barcode reader which meant that on the rare occasion the previously read barcode was returned. Where this bug occurred it would not have resulted in a shortfall in the branch accounts as its effect would be to allocate the funds received by the branch to a different customer account from the intended one. It would not affect the amount of cash that that the branch should hold (i.e. there would be no discrepancy in the branch accounts).
27. Fujitsu implemented a code change to assist with diagnosing the bug and this diagnostic code led to an event being raised in the system log (which is visible to Fujitsu only) so that Fujitsu could investigate with any branch where the issue occurred. The incidence of this bug was small (Fujitsu was able to check for instances of the issue by checking for the relevant event in the system log) and it was not practical to collect sufficient diagnostics to allow Escher to establish the root cause or to fix it. Rather, the Horizon code was enhanced to provide a warning message to the user when it detected that a barcode which had been used recently was being used again. This meant that there was no practical need to fix the bug.
28. I understand from Post Office's solicitors that they requested further information from the Claimants' solicitors to investigate the points made by Professor McLachlan in paragraphs 16, 21 and 22 of his statement and that no further information has been provided (Exhibit TOG2 pages 3 to 6). Without it, these allegations lack any substance and so cannot be dealt with.
29. I do not intend to respond to paragraphs 23 and 24 of Professor McLachlan's witness statement as I have already covered the remote alteration of branch

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

accounts in my first witness statement. However, I have been asked to respond to paragraphs 9.15 to 9.19 of Mr Coyne's report as regards global branches.

GLOBAL BRANCHES

30. In paragraphs 51 to 56 of my first witness statement I explained that there are two global branches (which relate to Horizon Online only) that are used solely for support purposes and that Global users are a category of users that can log on at any branch (with the exception of users with a role of ADMIN who can only log on at Global branches).
31. Mr Coyne refers to a *"further global branch recorded as WAK01 Branch Code 999993"* in paragraph 9.17 of his expert report. This branch is no longer used and was closed in September 2016.
32. Mr Coyne's allegation at paragraph 9.18 of his expert report that *"An instance of a global branch would allow Fujitsu to create global users and to input transactions within core Horizon systems as though they had been entered from a physical branch"* is not correct. To enter a transaction for a physical branch would mean that Fujitsu would have to be physically present at that branch.
33. Similarly with paragraph 9.19 of Mr Coyne's expert report, where Mr Coyne alleges that *"It is entirely possible that investigation could be further conducted by Post Office to identify any transactions held within the BRDB containing the Branch Codes [...]. Such would identify where and what transactions had been performed by Fujitsu global branches and not a Subpostmaster"*. This allegation is meaningless because to enter a transaction a global user has to be physically present at a branch.

BUGS

34. In addition to the Callendar Square issue I have been asked by Post Office to explain how the following three bugs came to light and were resolved.
 - 34.1 the receipts and payments mismatch in September 2010;
 - 34.2 the local suspense account issue in 2011; and
 - 34.3 an issue which occurred at the Dalmellington branch in October 2015.

Receipts and payments mismatch

35. At the outset it should be noted that while I understand that this bug has become known as *"the receipts and payments mismatch bug"*, a receipts and payments

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

mismatch is actually a symptom of the issue. As explained above, the bug that occurred at the Callendar Square also caused a receipts and payments mismatch, as well as the local suspense account issue which I explain below.

36. In September 2010 a bug in HNG-X (Horizon Online) caused a receipts and payments mismatch in some branches. I understand from Gareth Jenkins that the issue was initially identified as a result of Fujitsu's monitoring of Horizon Online system events and not as a result of calls from branches. Fujitsu's Software Support Centre (**SSC**), which provides 2nd and 3rd line support, monitors system events as a matter of course.
37. The effect of the issue was that discrepancies declared on Horizon disappeared from the Horizon counters in some branches when a user followed certain process steps, but the discrepancies still showed within the back end branch account (i.e. on POLSAP).² The issue only occurred if a branch cancelled the completion of the trading period, but within the same session proceeded to roll into a new balance period or trading period. This was an unusual sequence of events.
38. Each Post Office Branch should roll into a new trading period every four or five weeks (trading periods are broadly aligned to calendar months so there are forty-eight four-week and four five-week trading periods each year). When discrepancies are found when rolling a stock unit over into a new trading period, the user is asked if the discrepancies should be moved to the local suspense account. If the user cancelled the rollover at this point (the user was (and is) offered the option of cancelling) then the discrepancy returns to zero in the local cache.³
39. In this case, if the user cancelled the rollover at this point there was no corresponding double entry transaction generated in the local cache and so the local cache was in an unbalanced state. At the next screen, the options are to 'Print', 'Preview' the trial balance again, re-attempt the rollover or cancel the rollover. If the rollover was cancelled, then no problem was created. However, if the rollover was re-attempted at this point by the user, the rollover continued with

² POLSAP is Post Office's back end accounting system.

³ The local cache is memory used by the Counter application to handle the rollover. It holds a summary of all the transactions for the period being rolled over and is used to generate the opening balance figures for the new balance period and also the reports that are printed as part of the rollover process.

It is created by obtaining the relevant information from the Branch Database at the start of the rollover process and is updated as various transactions generated by the rollover (mainly associated with discrepancies and local suspense) are processed.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

the corrupted local cache. This is explained in a Fujitsu document entitled "Correcting Accounts for "lost" Discrepancies" {POL-0010769}.

40. This created the following consequences {POL-0010769}:
- (a) There was a receipts and payment mismatch corresponding to the value of discrepancies that were 'lost'. If the user didn't check their Final Balance Report carefully, they would be unaware of the issue since there was no explicit message when a receipts and payment mismatch was found on the final balance (i.e. when producing the branch trading statement). The user was only prompted when one was detected during a trial balance. However, an application event of type 117 was generated in the Horizon Online system events and so was the system event of type 902 or 903. It was the monitoring of these events that resulted in the issue first being identified.
 - (b) The local suspense will have no record of this specific discrepancy which should have been transferred to it.
 - (c) The data used for the Branch Trading Statement would also have a zero value for discrepancies at the end of the period. When the Branch Trading Statement is produced this would result in a similar receipts and payment mismatch.
 - (d) The level of discrepancies when viewed at the Branch no longer matched the level as seen in POLSAP or POLMIS.
41. If the bug was not present, then the discrepancy would have been transferred to the local suspense account and that would have been cleared by further dialogue with the Subpostmaster requesting correction of the discrepancies {POL-0010769}.
42. The issue affected 60 branches. The affected branches were identified by Fujitsu searching for the relevant event created by the issue in the Horizon Online system events. The fact that this issue generated the event types referred to above means that we can be sure that all instances of the bug were identified by the events being escalated by the SMC team from the monitoring programme.
43. The simplest way to correct the issue would have been to introduce the lost discrepancies in a subsequent period and allow the normal rollover process to correct it. However, this would have required transactions to be injected into the system, which was not considered the most appropriate solution by both Fujitsu and Post Office. Instead, I understand from Gareth Jenkins that adjustments

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

were made in POLSAP to write off the discrepancies in all the affected branches (which were still visible to POLSAP) and, if this impacted on the Subpostmaster, then they were reimbursed. I understand from Gareth that it was not necessary to correct any branch accounts because once the affected branches had rolled into a new trading period, the receipts and payments mismatch did not impact on their accounts.

44. As explained above, this issue resulted in an error code being generated which allowed Fujitsu to identify all the branches affected by this problem. Fujitsu corrected the bug so that discrepancies were no longer lost when the user selected 'cancel' when asked if the discrepancy should be transferred to local suspense using a code fix. In order to ensure that the problem was fixed correctly, Fujitsu ran the proposed fix on a test system to ensure the discrepancy was handled correctly.
45. As soon as the code fix was implemented and tested it was rolled out to all branches such that the problem did not re-occur. In the meantime, I understand from Gareth Jenkins that SSC closely monitored the events generated by the issue and maintained a spreadsheet of affected branches which was shared with Product & Branch Accounting (now known as the Finance Service Centre, i.e. FSC).

Local suspense issue

46. This bug caused a small number of entries in local suspense accounts from 2010 to be reproduced in the affected branches' local suspense accounts for the same monthly trading period in 2011 and 2012. This led to Subpostmasters making good discrepancies again in order to clear their local suspense accounts in 2011 and 2012 despite those entries having already been settled in 2010. In effect, some branches inadvertently suffered the same loss three times or benefited from the same gain three times over the course of three years.
47. The bug was discovered in January 2013 when two Subpostmasters, who experienced the largest discrepancies, raised the issue with Post Office. I understand from Gareth Jenkins that Post Office could see the impact of the problem in their back end system and wrote off the discrepancies experienced by the branches.
48. The bug occurred because (as set out in the Gareth Jenkins note at Exhibit TOG2 pages 7 to 12):

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 48.1 Data in the Branch Database is regularly archived/deleted when it is no longer required. There are different rules for how long different types of data is retained and when it is deleted.
- 48.2 As a result of some changes that were made on 3 July 2011 to the Horizon archiving strategy relating to Stock Units that had been deleted in a branch, any branch that deleted a Stock Unit at the end of 2010 which had a local suspense transaction in that Stock Unit before it was deleted were left in the table used for constructing the branch trading statement. This meant that as trading periods cycle around each year, these branch trading statement records became visible in 2011 when the same trading period was reached.
- 48.3 The effect of these old records was that as far as the system was concerned the affected branches' local suspense accounts included the amounts carried over from the previous year. These orphaned records were created between 16 November 2010 and 9 December 2010.
49. When the trading period was balanced this would result in the total value for local suspense being calculated incorrectly and the Subpostmaster being asked to make good an incorrect amount. It is at this point that transactions would be generated into the audit trail reflecting the fact that the Subpostmaster had cleared the local suspense account for an incorrect amount (Exhibit TOG2 pages 7 to 12).
50. At the equivalent trading periods in 2012 and 2013, the problem re-occurred and one of the affected branches reported the problem to Fujitsu on 25 February 2013 (Peak PC0223870) resulting in a detailed analysis of this issue and finding the orphaned branch trading statement records. The root cause was determined by 28 February 2013 and a preliminary report was sent to Post Office. A further update was sent on 14 March 2013 with a full analysis of the issue and all the affected branches (Exhibit TOG2 pages 7 to 12).
51. When the problem was investigated in 2013, 14 branches were identified that had such historical records in the table used to generate the branch trading statement report (which was the root cause of the problem) (Exhibit TOG2 pages 7 to 12). Five of the affected branches had experienced losses, seven had experienced gains and two had experienced both a loss and a gain. One loss was for £9,800, one gain was for £3,100 and the rest were less than £161 (Exhibit TOG2 pages 7 to 12).
52. The old records that caused the issue were deleted so that they would not cause a further issue in future years.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

53. Also further checks during the balancing process were introduced to identify any occurrence of this situation so that alerts would be raised to indicate to support staff that a situation that should never occur has occurred and thus trigger immediate investigation. These changes were progressed through the normal support route for a maintenance release of the Horizon counter code (Exhibit TOG2 pages 7 to 12).
54. I understand from Gareth Jenkins that no changes needed to be made to the audit logging process, which worked as designed.

Dalmellington

55. In order to explain this scenario it is useful to set out the role of Horizon Online in managing the movement of cash between core and outreach branches. Outreach branches are typically small part-time branches using a village hall or a mobile van which enable services to continue to be provided to communities which would not otherwise receive them. A Subpostmaster who operates a core branch and an outreach branch requires the ability to record the fact that a pouch has been prepared and remitted out of one branch and to record that a pouch has been received and remitted into another branch. I understand from Gareth Jenkins that from a Horizon perspective, the remittance out and the remittance in are independent transactions and they are reported through to Post Office systems which are able to reconcile the remittances.
56. Dalmellington Post Office operated outreach services at Bellsbank and Carsphairn. Dalmellington was the core branch.
57. I understand from Gareth Jenkins that cash deliveries were received at the core branch and then cash was transferred to the outreach services via a 'branch to branch' remittance. This involved the scanning of a bar code to transfer the cash onto Horizon from the core branch to the outreach services .
58. I understand from Gareth Jenkins that on 8 October 2015 the Subpostmaster undertook a transfer of £8,000 to her outreach services by scanning a bar code. The Subpostmaster asserted that:-
- 58.1 when she accepted this into her outreach branch, the transfer replicated four times for which she had Horizon receipts totalling £32,000.00; and
- 58.2 the core office was not showing a discrepancy, but the outreach service was showing a discrepancy of £24,000.00.
59. The issue was investigated SSC who established that:-

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 59.1 the user logged into stock unit AA of the outreach branch which required an immediate cash declaration (as part of the business process);
- 59.2 stock unit AA timed out and logged off due to inactivity;
- 59.3 the user logged back into stock unit AA later and undertook the remittance delivery transaction (pouch delivery, manual transaction). Two delivery receipts were printed, the user pressed 'Enter' and a "Rem In" slip was printed by Horizon. At that point Horizon should have displayed the 'Remittances & Transfers Home' screen, but the Pouch Delivery screen was still showing, with 'Enter' enabled. Pressing 'Enter' again repeated the remittance in and further receipts printed;
- 59.4 the user pressed 'Enter' four times, instead of the required once, and subsequently the amount of £32,000.00 was entered into Horizon instead of £8,000.00, the actual amount of cash that had been remitted out of the core branch;
- 59.5 each of these actions was visible to the user with separate receipts being printed for each transaction. They were also listed in the transaction log reports available to the user. The multiple remittances created by the Subpostmaster were easily recognisable as such in transaction logs and Horizon's integrity was maintained – all the events were captured accurately and separately within the system;
60. The issue was resolved by the issuing of a transaction correction on 27 October 2015 for £24,000.00, prior to the completion of the Branch Trading Statement on 29 October 2015.
61. This issue only had the potential to affect Subpostmasters operating the Core and Outreach model. SSC reviewed logs to identify where this or similar scenarios could have occurred identifying pouch barcodes which have been remitted in more than once. In total 112 instances of 'duplicate barcodes' were identified to have occurred since the introduction of Horizon Online (the issue did not affect Legacy Horizon). I understand from Gareth Jenkins that Fujitsu's analysis was shared with Post Office to enable Post Office to issue Transaction Corrections or advise Subpostmasters how to take corrective action (Exhibit TOG2 pages 13 to 27).

PARAGRAPHS 5.156 TO 5.159 OF JASON COYNE'S REPORT

62. At paragraphs 5.156 to 5.159 of Mr Coyne's report, Mr Coyne refers to the Post Office Account Customer Service Problem Management Procedure document which specifies certain key performance indicators with regard to Problem Management. Problem Management is described in {POL-0152874} as "*The aim*

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

of Problem Management is to investigate, eliminate or prevent causes of Incidents and Known Errors regarding POA & POL Infrastructure/Information System and to prevent the recurrence of Incidents related to these errors. To achieve this aim, Problem Management seeks to establish the Root Cause of Incidents and then start actions to improve or correct the situation".

63. I have spoken to my colleague Steve Bansal, Fujitsu's Senior Service Delivery Manager, who has informed me that the Post Office Account Customer Service Problem Management Procedure document was introduced by Saheed Salawu, Fujitsu's former Horizon Lead Service Delivery Manager and that Saheed Salawu left the Fujitsu Post Office Account in around February 2013, before the new procedure had been implemented. I understand from Steve that Saheed Salawu's replacement did not wish to implement the changes and therefore the records referred to by Mr Coyne in paragraphs 5.157 to 5.159 of his report do not exist, as we continued to follow the previous existing reporting methodology.
64. When Legacy Horizon was in place Problem Management was reported in a specific section within the Service Review Book (SRB). The Service Review Book was *"the primary input into the Service Management Forum reporting on performance against SLT's"* {POL-0106087}.
65. From September 2010 these SRBs reported metrics only against contractual Service Level Agreements (SLAs) and as there are no contractual SLAs for Problem Management, it is not covered in the SRB reports between September 2010 and 2014.
66. For the years 2014 to 2017 there are annual Problem Review reports {POL-0143345, POL-0146645; POL-0151871} and Exhibit TOS2 (pages 28 to 50).
67. Further, the interface between Fujitsu / POL / Atos is described in {POL-0146857}. The Problem Management Operational Review Forum is described at section 10.1. The forum meets at either fortnightly or monthly intervals, originally with POL, then with Atos, and now with Atos and POL. The meetings are documented via the Problem Review Tracker (which is maintained and shared with Atos weekly).
68. When a new live incident is generated via the Major Account Control team (MAC) or SMC team a check is made for an existing applicable KEL, that KEL reference being added to the incident. If there isn't an existing KEL that applies, then for significant incidents, a new one will be raised following incident resolution {POL-0444057} and (Exhibit TOG2 pages 51 to 52).

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

PARAGRAPH 2.5 C) OF THE WITNESS STATEMENT OF IAN RUTHERFORD HENDERSON

69. At paragraph 2.5 c) of his witness statement, Ian Henderson explains that he was concerned with "*gaps in the numeric sequence of transactions*". I understand that Mr Henderson is referring to Journal Sequence Numbers (**JSN**) and Session Sequence Numbers (**SSN**) here. I have spoken to Jason Muir, Operational Security Manager at Fujitsu and I understand that:
- 69.1 A JSN is "*a unique number used by a counter in a given branch which can be used to identify the audit data. JSNs are always increasing but should not have gaps in their sequence*" {POL-0148800}. JSNs are used for many on-line requests other than basket settlements (for example, a password change, log on, or anything that requires auditing when going to the data centre from the Counter).
- 69.2 An SSN is "*a unique number used by a counter in a given branch which can be used to identify a Basket (or session)*" {POL-0148800}. The SSN is calculated as the last 6 digits of the JSN at the start of the basket; being 6 digits they will wrap around from 999999 to 000000. They may be reused (but not for at least 7 years).
- 69.3 It follows that if a JSN is allocated for a purpose other than the start of a basket, between the start of one basket and the start of the subsequent basket then there will be a gap in the SSN sequence but nevertheless a full sequence of JSN.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

STATEMENT OF TRUTH

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

Signed:

GRO

Name:

LORSTEIN OLAV GODESETH

Date:

16th November 2018