

On behalf of the Claimants
Witness: Ian Henderson
No of Statement: 1

Dated: 28 September 2018

CLAIM NO: HQ16X01238, HQ17X02637 AND HQ17X04248

IN THE THE HIGH COURT OF
JUSTICE ROYAL COURTS OF
JUSTICE

THE POST OFFICE GROUP LITIGATION

BEFORE: THE HON. MR JUSTICE FRASER

BETWEEN:

ALAN BATES & OTHERS

Claimants

- and —

POST OFFICE LIMITED

Defendant

WITNESS STATEMENT OF IAN HENDERSON

I, IAN RUTHERFORD HENDERSON of GRO

GRO do say as follows.

1. INTRODUCTION

1.1 I have been asked to give a factual witness statement for the purposes of

the Post Office Group Litigation. I am aware of the need to focus this
upon the Horizon Issues as defined for determination at the March 2019
trial. Insofar as I refer to other matters, these are intended to provide

background information to explain how I have knowledge of the Horizon system and the basis upon which I have prepared this statement.

1.2. I am a Director of Second Sight Support Services Limited ("SSSL"). My knowledge of the Horizon system derives from the fact that SSSL was appointed by Post Office Limited ("POL") to conduct a limited scope review into alleged problems with POL's 'Horizon System' in July 2012. We produced a number of detailed reports (which POL has copies of) as follows:

- Interim Report 8 July 2013
- Briefing Report - Part One — 25 July 2014
- Briefing Report - Part Two — Version 1 — 21 August 2014
- Briefing Report - Part Two — Version 2 — 9 April 2015

13 On 10 March 2015 SSSL's appointment by POL was terminated and we were subsequently instructed to return all documents created or obtained during our work for POL. We returned all documents in October 2015. This comprised approximately 16,500 emails and 18,500 other documents organised in 1,700 subject matter folders. Prior to preparing this witness statement I asked for copies of the documents previously prepared or held by SSSL which were returned to POL in October 2015.

1.4 The documents now made available to me, which I am informed are ordered in the manner disclosed by POL in the litigation, have no folder structure, have had meta-data removed and no longer have the date and time stamps associated with the original documents. There are some documents which I would also regard as important, such as the Fujitsu XML transaction reports, which have not been provided. Given these issues, this witness statement has been provided on the basis of my direct recollections from documents such as SSSL reports that are in the public domain.

- 1.5 Prior to preparing this Witness Statement I agreed to sign at POL's request, a confidentiality release and protocol document prepared by POL. The purpose and effect of that document was to permit me to discuss matters of relevance with the Claimants' solicitors, Freeths LLP, without risking alleged breaches by POL of various confidentiality commitments that POL required upon termination of our work, to which I refer below. I believe that this Witness Statement complies with the terms of the POL confidentiality release and protocol document.

2. HORIZON ISSUES

- 2.1. As a consequence of my work which I had been instructed to undertake as to the operation of the Horizon system, there are certain matters within my knowledge which I consider are specifically relevant to the Horizon issues which the court has directed should be determined.
- 2.2. Issues 7, 10 and 12: On 13 September 2012, I met with senior representatives of Fujitsu at their Bracknell office. One of the people who attended was Gareth Jenkins, who I believe was the Fujitsu lead engineer on the POL contract. He subsequently provided me with a number of technical reports describing the Horizon system and architecture and, as would be expected, he was obviously knowledgeable about its operation. At the meeting on 13 September 2012, one of the matters discussed in the meeting on 13 September was remote access to terminals located in branches. Gareth Jenkins confirmed to me that this capability existed and was occasionally used to troubleshoot problems in branch.
- 2.3. In order to investigate the extent of possible usage of this facility and as to whether it was being undertaken without the knowledge or consent of the relevant Postmasters, I requested complete email records from POL for 2008 for the 7 POL employees known to be working at Bracknell at that time. I believed that these contemporaneous records would be the best way of establishing exactly what was

going on. I was never provided with the email records requested, although a small number of records were provided, which when examined were found to be inconclusive. This issue was covered in our Interim Report dated 8 July 2013 in respect of Spot Review 5.

- 2.4. Issues 1 and 4: My view was that the key to understanding transactions within the Horizon system was to be provided with access to the raw transaction data, known as XML reports. Mr Jenkins provided me with some sample XML data shortly after our meeting on 13 September 2012 and I was subsequently able to "reverse engineer" this data and see a level of detail that was not made available to sub-postmasters or to POL.
- 2.5. My analysis of this sample data showed a number of matters which gave rise to concern :
- a) Transactions occurring outside of normal working hours;
 - b) Transactions associated with ID's other than the relevant sub-postmaster;
 - and
 - c) Gaps in the numeric sequence of transactions.
- 2.6 SSSL's instruction was terminated before I could reach a conclusion as to whether these issues were the result of Horizon system errors and/or, insertion or editing of transaction data other than by sub-postmasters.
- 2.7 I was also aware there were problems with ATMs, which were referred to in SSSL's Briefing Report Part 2. Reconciliation reports provided by third parties such as the Bank of Ireland were accepted as being accurate by POL, which would then cause a discrepancy being recorded as though the Branch was at fault. There appeared to be an inconsistency between the information available on the Horizon system and that provided by the third party, which appeared to cause a shortfall that was passed onto the Branch.

- 2.8 Issues 8 and 9: As a result of reviewing the documents provided to me by sub-postmasters and by POL, I established that in the period prior to 2004 the accounting by POL for foreign currency transactions at individual branches was fundamentally flawed. This issue was covered in more detail in our Briefing Report - Part Two.
- 2.9 Horizon was, and as far as I am aware still is, a single-currency system and is therefore only able to account for transactions in pounds sterling. It cannot hold records of individual foreign currency holdings. Each week's figures, for each branch, were consequently entered into Horizon by the branch as 'bulk totals' in pounds sterling.
- 2.10 The in-branch accounting process involved staff recording in Horizon, once a week, the net sterling impact of all of that week's foreign currency transactions and this was shown as one 'revaluation' figure representing the branch's profit or loss on its foreign currency dealings. This meant that the Horizon system was not able to identify any of the individual transactions and therefore neither POL nor a sub-postmaster would be able to identify any alleged transactional errors or discrepancies or as to what may have caused them.
- 2.11 Issues 4, 5 and 15: As a result of reviewing the documents provided to me by sub-postmasters and by POL, I established that in a significant number of cases a branch's Horizon system would get 'out-of-sync' with the quite separate Camelot system, thereby generating material surpluses or deficiencies that were eventually corrected by Post Office issuing Transaction Corrections (TCs) through the Horizon system
- 2.12 When that happened, relatively high-value Debit and Credit TCs, that when viewed over an extended period would almost completely offset each other, would routinely be issued to the branch.

- 2.13 The routinely out-of-balance situation caused by the Horizon system would hide real discrepancies from view, such that they remained un-investigated and uncorrected, thereby turning potentially recoverable errors into real losses. This issue was also covered in SSSL's Report Part Two.
- 2.14 Issue 9: As a result of the work, I established that it could be problematic for sub-postmasters to determine the root causes of discrepancies (both shortfalls and surpluses) reported by Horizon because the underlying transaction data was not available to them.
- 2.15 This issue falls broadly into three areas;
- a) data that was not available even on the day of the transaction;
 - b) data that was at first available, but after 42 days (later extended to 60 days when Horizon On-Line was introduced) was no longer available; and
 - c) data that was not available after suspension.
- 2.16 This issue was also covered in SSSL's Briefing Report Part Two.

STATEMENT OF TRUTH

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

GRO

Signed.....

Dated..... 28th September 2018.....