

Mike Granville

From: Lynn Hobbs
Sent: 22 July 2010 14:50
To: Sue Huggins; Nick Beal; Philippa J Wright
Cc: Paul Budd; Mike Granville
Subject: FW: Horizon - Urgent Please
Attachments: HorizonDefence.xls; HOL Incidents to 01072010.xls
Sue, Nick, Philippa

In the time available the info below is as comprehensive as it can be. Please come back to me if you feel what is here isn't sufficient to enable a briefing for Dave.

My thanks to a number of people who helped pull all of this together namely John Breedon, Adrian Wales, Dave Pardoe, Sue Lowther, Gary Blackburn

Lynn

Training

I spoke briefly to Nick about training and was hoping to see the comment included on this. In terms of training at the initial rollout of Horizon branches had offsite training, onsite training and support and follow-up support from Retail Network Managers. There has always been adhoc training available if a branch is having problems and currently this is available remotely as many issues can be resolved by someone with the right level of knowledge and understanding talking the problem through, or by someone attending the branch and providing some additional on-site training and coaching.

When a subpostmaster joins he/she receives a minimum of 1 week classroom training, 6 days on site training, support for a follow-up balance and three post transfer contacts (two remote and one F2F) which take place at one, three and six months. They are also in a 'nursery group' which means their calls are tracked by NBSC and they receive extra calls from them.

Security

There is an email below from Dave Pardoe with an attachment and you'll see that there is potentially more to come. I've now received an email from Sue Lowther which I am forwarding in its entirety in the next email

Horizon outages

There is an attachment above detailing all the outages to date

Contractual info

It simply isn't possible to provide the data on terminations over the last 10 years without spending a huge amount of resource and time and obtaining files from Iron Mountain – none of which can be done within the timescale.

There are a number of discrepancies P&BA are managing in line with a dispute process agreed with the NFSP. Andy Winn has provided an extensive spreadsheet which I can send but I've gone back to him and asked that he provided a short bullet point summary

In terms of subpostmaster terminations the detailed information relating to the reasons for the termination of their contract is filed in their individual papers with an electronic copy on our EFC. To trawl this information would require quite a lot of time so I've summarised the high level details below for the period from March 2007 to date. My suggestion is that we go with an average number of around 100 contract terminations each year the majority of which are because the agent has misused Post Office funds for personal use.

Reason for Suspension							
No of agents	No of Branches	Audit shortage	Bankruptcy / Administration	Property	Other (POCA/ Police Action)	Summary Termination	Res / Ter
190	198	184	1	3	2	94	
229	258	217	4	1	7	111	
214	228	199	1	3	11	94	
41	43	37	0	3	1	17	

I dealt with a case myself which came to Paula from Mark Baker, NFSP exec. The case was Westfield, Yeovil and the subpostmistress was Julie Ford. Not sure if this is one of the cases being included?

Horizon Online

To date 18 subpostmasters have had their contracts suspended following cash checks carried out as part of the Horizon Online migration. The fact that these are part of the migration activity in no way means that shortages are related to Horizon and no-one has stated that as part of any of the subsequent investigation. We do need to be careful that these are not being linked to Horizon or Horizon Online, they are simply cash checks carried out because the opportunity is there to do so. To date we've terminated five subpostmasters, reinstated one and the remaining 12 are being dealt with by Contract Advisors

Process for carrying out cash checks

All notes are counted using the following method:

- If note packets are sealed we open and count one of each denomination as a sample and take the rest as correct
- All loose bundles are counted but if there are excessive numbers of loose bundles of notes (migration support office left to determine what is possible) the instruction given is to count the notes

in up to a third of the loose bundles, weigh the remainder and flick through these to ensure the notes in the bundle are of the same denomination

- Coin – instruction is to count the face value of the coin in sealed cloth or large plastic bags as per the amount shown on the sealed bag e.g. £250 x 50 coins, coin in plastic bags are counted as per the value shown on the bag e.g. £5 x 10p coin and the coin in the coin hoppers is assessed using the amount indication marks on the actual coin hopper
- Unusable notes e.g. mutilated notes are counted
- ATMs – if possible we count the cash in the ATM but this is only possible if the migration support person has the working knowledge of an ATM to enable them to carry out a check of the machine, a note counter is available, access can be gained without breaching security and there is time to do so without severely delaying the opening of the branch. If a check is carried out the cash in the ATM is balanced to the figure obtained from the ATM printout. If not the cash in the ATM is assumed to be correct as per the ATM stock unit cash declaration from the previous evening.
- All amounts are recorded on a proforma and checked against the cash declaration report from Horizon
- Discrepancies over £1k are referred to the migration support team leader who follows a number of checkstep questions to satisfy themselves that the cash check has been carried out correctly. The team leader will then contact the Contract Advisors and if no immediate reason for the discrepancy is identified e.g. large transaction correction in Chesterfield not yet notified to the branch, then the subpostmaster will be suspended pending a full audit.
- If the full audit verifies the shortage the subpostmaster will remain suspended and be invited to an interview with the Contract Advisor which may result in the termination of their contract.

Dave King's reply to date:

I have been involved in Horizon Security and integrity since 1996. Since then I have examined a number of allegations of integrity issues. I have found no evidence of any integrity issues that might affect the balance of an office. All transactions are signed and sequenced such that the failure of any component would result in a system alert. As transactions are committed "atomically" the changes to the office accounts state would only be written to the system when the transaction was completed and basket settled.

Will look in more detail and try to get you something later

Thanks

Dave King (CISSP, MSc)
Security Architect

GRO

Dave Pardoe's email (attachment above)

From: Dave Pardoe
Sent: 22 July 2010 11:59
To: Lynn Hobbs
Cc: John M Scott
Subject: Horizon - Urgent Please
Importance: High

Lynn, you will have a number of mails, from me up to late lunch around this as I'm waiting from a more technical response from Dave King; in essence then:

1/
Summary surrounding specifically mentioned enquiries from Rod Ismay

Alderley Edge:
Prosecution for theft of £44.5K. Theft charges reduced to false accounting and conviction on that basis and suspended sentence awarded. Theft charge proved problematic as the paper Branch Trading statements were illegible due, seemingly, to printer quality. This failing lead to comments by the Judge around evidencing Horizon losses and this seems to have been interpreted as a wholesale critique of Horizon efficacy.

Castleton
This is a Police liaison enquiry in relation to the apparent theft and renegotiation of DVLA tax discs; not sure whilst it is specifically mentioned as a potentially contentious Horizon prosecution / loss.

Attached is a simple spread sheet whereby Horizon "issues" have been forwarding as a defence / potential defence to prosecuted losses. A number of these remain ongoing with at least two due to be supported by expert witness (from our side) in regards to the efficacy of Horizon.

2/
The picture at HNG Migration has been as follows:
4423 branches migrated
23 suspensions revealing deficiencies of £76K
5 formal investigation cases raised for £58.5K of the losses above
18 of the 23 dealt with by contract involvement

In essence the process for "at migration" deficiencies sees losses of >£1K raised to the Fraud Strand for discussion and intervention dependant on exact circumstances and loss background / mitigation. As you are aware Lynn not every case would be taken to prosecution and in particular the lower level / loss repaid instances.

3/
The existing case recording system has been in play now for the last 5 years. Whilst it may be possible to interrogate historical records older than this the task will be a long one and would not meet today's deadline:

Case	
Details	
Covering	
2005 to	
date	
382 Cases	
forwarded	
for legal	
advice to	
prosecute	
230 Cases	
saw	
prosecutions	
brought	
4	Case withdrawn
18	Cautions
169	Guilty
38	NFA

1 Not Guilty
230

The figures above encompass all prosecution activity whether SPMR or employee (again due to limitations in the recording process); it's fair to say however that the vast majority are for SPSO enquiries following a deficit. So, 230 prosecutions brought and the 1 not guilty verdict concerned a Postage Label enquiry.

As detailed a further more technical response will come from Dave King.

Clearly, a number of recoding processes have been of late improved given the types of Horizon challenges received and accompanying FOI requests.

If you require anything further please call.

Regards

Dave Pardoe
Senior Security Manager

GRO

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