

Edward Davey MP

Minister for Employment Relations,
Consumer and Postal Affairs

Graham Stuart MP
House of Commons
London
SW1A 0AA

Our ref: 257335
Your ref:

August 2011

Thank you for your email of 4 August regarding your constituent, Mrs Christine Johnson of [REDACTED] GRO [REDACTED] and the Post Office Ltd Horizon IT system.

I must start by explaining that operational matters, which include the Horizon IT system are the responsibility of senior management at Post Office Ltd. The Government, as shareholder, does not play a role in operational matters.

I am aware of a small number of incidents where subpostmasters' contracts have been terminated, and in some cases court action has subsequently been taken, following the identification of financial discrepancies and shortages. However, neither I, nor the Department are able to comment on, or intervene in individual cases concerning operational and contractual matters.

Post Office Ltd continues to express full confidence in the integrity and robustness of the Horizon system. They base this on the fact that Horizon has been operating for 10 years and typically processes 230 million transactions a month from over 30,000 counter positions in around 11,800 post office branches.

The system and the processes around it offer a very high level of security and resilience and are designed to ensure that should part of the system or equipment fail that the integrity of the accounting records is always maintained. The system has proved to be very robust since its introduction.

The Horizon system was fully tested at the time of the nationwide implementation and all new software releases are also subject to rigorous

testing prior to going live in order to assure the accuracy of the accounting processes. For example, the testing for the latest upgrade to the system introduced over the past year was independently assured by Wipro as being 'best practice' (Wipro is amongst the largest global IT services companies in the world and recognised experts for Product Engineering and Testing).

As regards ongoing performance, the Horizon information security management systems are accredited to industry standards and there are extensive controls to ensure data validation and reconciliation. A transaction log is available for every branch and full audit logs of all system and user activity and transactions are securely sealed, backed up and retained to provide an evidential and investigative repository.

POL also categorically states that there is no remote access to the system or to individual branch terminals which would allow accounting records to be manipulated in any way. In addition, I understand that all system activity, down to the individual key stroke, is also recorded into a separate vaulted transaction file with every record encrypted and written to the log and with each record having a unique incrementing sequence number. This log is retained on a separate server independent of Horizon, is retained for at least seven years, cannot be altered in any way and all access to it is securely controlled. This approach is consistent with that of banking systems and provides a fully secure audit file which can show all system activity down to a single keystroke in a particular branch. Against this background, I do not think a further review of the Horizon system is necessary.

With particular regard to Mrs Johnson, I have been informed by Post Office Ltd that in accordance with established procedures agreed with the National Federation of Subpostmasters, Mrs Johnson was provided with the opportunity to put forward any reasons or evidence to support her defence against the termination of her contract; including the right of appeal against the initial decision. I further understand that at that stage she did not raise concerns about the Horizon system.

Ensuring that subpostmasters receive appropriate training to perform their duties is vitally important. It is not in the interests of the taxpayer, the customer, or the company for subpostmasters to be making costly and avoidable errors as a result of a lack of training. So in response to your specific query regarding the training of subpostmasters, Post Office Ltd has assured me that all new subpostmasters are given extensive training, typically including both classroom training and in branch supervision and guidance from a Post Office Ltd manager. Post Office Ltd has told me that they provide a telephone helpline for subpostmasters seeking advice and support, and has

informed me that additional training can be arranged for those subpostmasters who request it.

EDWARD DAVEY