POL00023434

Confidential and legally privileged

GRO

Remote Access Rider

1. ACCESS TO HORIZON DATA

1.1 At several points in your letter you allege that Post Office has been tampering with transaction data, suggest that this was the root cause of shortfalls in branches and that Post Office has attempted to cover up this fact.

1.2 Before addressing this point in detail, we note that:

1.2.1 Post Office (as distinct from Fujitsu) does not have the ability to directly change transaction data without a postmaster's knowledge. [TO BE DOUBLE CHECKED BY DELOITTE]

do we mean that we can do it "indirectly"? If this is about access then we should be specific.

1.2.2 You have not identified any change to transaction data by Post Office or Fujitsu that was conducted without a postmaster's knowledge.

1.2.3 There is no plausible reason, nor have you put forward, why Post Office or Fujitsu would manipulate transaction data so to intentionally make a branch's accounts inaccurate. ~~This suggestion beggars belief.~~ Indeed, it would be detrimental to Post Office, placing it in breach of regulatory requirements and contracts with its commercial partners.

Commented [MU1]: Is it not that there is no plausible reason for why FJ would manipulate transaction data, rather than POL?

If POL were able to, and did manipulate transaction data to cause shortfalls; and these shortfalls were then made good by Postmasters; would it not increase Post Office's revenue?

AP – true but this would be a massive fraud and no sane entity would do it.

1.2.4 The alleged manipulation of transaction data to create shortfalls affecting 198 Claimants over a 16 year period could not be happenstance. It would have required a massive coordinated effort between Post Office and Fujitsu over a long period. The idea that two commercial entities would have engaged in such a fraudulent practice for years and for no desirable purpose is absurd.

Commented [MU2]: I'm not sure this paragraph actually adds much to the argument?

AP: We were trying to add a sense of scale – eg. it wasn't just a few slip ups or a rogue employee. Happy to reconsider.

I think we should keep it.

1.3 This line of enquiry makes good headlines but has no substance. Taking a step back, one very quickly realises that this allegation is irrational and is not the root cause of shortfalls in Post Office branches.

1.4 Since our Letter of Reply, Post Office has undertaken further investigations into the safeguards put in place to prevent branch data being accessed and edited without the consent or knowledge of Postmasters. In summary, all transactions recorded on Horizon that make up the branch accounts are either inputted or approved by branch staff before they form part of the branch accounts save in two limited circumstances:

1.4.1 Transactions input by Global Users physically present in branches.

1.4.2 Balancing Transactions.

Global Users

1.5 We addressed Global Users in our Letter of Response. The existence of Global Users has always been known to postmasters and their actions would be entirely visible to postmasters.

1.6 If any of the Claimants are alleging that a Global User inappropriately conducted transactions in their branch, please provide details of this. Alternatively, please confirm that Global User access is not being alleged as the root cause of shortfalls in branches.

Balancing transactions

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1.7 We addressed Balancing Transactions in our Letter of Response. Further investigation has concluded that any Balancing Transaction input into the Branch Database[1] are identifiable by Postmasters as they appear on the transaction log report to which Postmasters have access (and which they should review when trying to resolve a shortfall in the branch accounts). The transaction user ID will not appear as that of any member of staff at the branch, but appear in the format of "SUPPORTTOOLUSER99".

1.8 The use of Balancing Transactions was disclosed to Second Sight during the Complaint Review & Mediation scheme. This, in addition to the fact that Balancing Transactions show up in the branch accounts, means that there can be no sustainable allegation that the existence of Balancing Transactions was concealed from Claimants.

1.9 Even if the possibility of Balancing Transactions could be said to have been concealed, it is fanciful to suggest that Balancing Transactions are, in fact, the root cause of shortfalls suffered by 198 Claimants. If any of the Claimants are alleging that a Balancing Transaction was inappropriately used in their branch, please provide details of this. Alternatively, please confirm that Balancing Transactions are not being alleged as the root cause of shortfalls in branches.

Administrator access

1.10 During Second Sight's investigations, Post Office made enquiries of Fujitsu and Fujitsu confirmed that there was no ability within Horizon to delete or change transaction records created by a branch.

1.11 However, Post Office has recently become aware that there are a number of authorised staff at Fujitsu who have "administrator access" to the core functionality of Horizon. This access does allow Horizon to be changed, including the raw data in its databases, and those amendments can result in the addition, deletion or modification of transaction data. In theory, changes could be made to the Branch Database which could then manifest as a discrepancy in a branch's real-world accounts.

~~1.10 During Second Sight's investigations, Post Office made enquiries of Fujitsu and Fujitsu confirmed that there was no ability within Horizon to delete or change transaction records created by a branch.~~

1.12 Post Office relied on Fujitsu's guidance when dealing with Second Sight, responding to cases in the Scheme and making public statements. In light of what Post Office now knows about administrator access, specifically the ability of administrators to change Horizon in a way that could affect a branch's accounts, it accepts that certain statements it has made historically might not have been correct. It is regrettable that this has happened and that this has only now come to light, but Post Office does not accept that this has caused any harm to any Claimant.

1.13 Post Office's statements must be viewed in their full context:

1.13.1 First, the questions raised around "remote access" have changed over time and Post Office has always responded to these questions. One cannot therefore attribute a statement made several years ago to a question being posed today. To do so, would be to take those statements out of context. For example, in the context of Second Sight's work:

[1] The Branch Database holds the live version of the transaction data used in day to day operations. It is located on a server in a central data centre. Transaction data (other than the immediate data for a transaction being conducted in real time with a customer) is not held locally on terminals in branches. For example, when a postmaster in a branch requests on his local Horizon terminal a list of all the transactions conducted on a specific day, this data is drawn from the Branch Database and sent over the internet to the terminal in the branch. A similar flow of data happens when conducting transactions and rolling over a branch's accounts.

my principle, allows

could

need to balance these statements with references to controls that operate in practice.

Commented [MU3]: Only to be included if this does not contradict what POL became aware of with Page 6 of Deloitte's 2014 Board Briefing Paper

AP: My understanding is that the briefing paper referred to the audit store and this could not affect branch accounts. I will double check with Deloitte

Commented [MU4]: How many, over how many years?

AP: Currently 31 – but that sounded large so we left it out. Also it changed over time.

Commented [MU5]: My understanding is that although this may be possible, if the controls that are in place are adhered to (specifically the segregation of duties), then any change would leave an audit trail. It is only when the controls that are in place are not adhered to (by FJ) that it leaves the possibility for no audit trail to be left.

If this is correct, then I think we should include this qualification. I am not however clear whether the audit trail would be visible in the branch accounts or just the ARQ data?

AP: I've not mentioned the audit trail point for two reasons. First, we're still not 100% sure of the correct answer. Second, it doesn't change the concealment point – either FJ can change data or they can't – whether it leaves an audit trail is a different matter – albeit one that down the line will become very important.

Commented [MU6]: Presumably we will need to share this with Fujitsu prior to replying to Freeths?

AP: We don't have to, but we probably should

Do we think these statements (as responses to specific questions) were actually incorrect, or is it that they must not be interpreted more widely than as responses to specific questions?

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(a) The original "remote access" allegation came from Mr Michael Rudkin who alleged (in Spot Review 5) that Fujitsu was running a "black ops centre" from the basement of its office in Bracknell. This was checked and proven to be wrong as there was no live connection to Horizon in the basement.

(b) A different formulation of this issue raised by certain postmasters and Second Sight was whether Post Office could "access" Horizon data. Post Office has always had the ability to "access" (in terms of read only access) Horizon data and it took some time to clarify with Second Sight what they were alleging.

(c) Second Sight also asked whether Post Office could remotely log on to a branch terminal and conduct transactions in the name of a postmaster. Post Office / Fujitsu can log on to branch terminals for support reasons but cannot conduct transactions through this route.

(d) Second Sight also questioned whether Post Office could post transactions into a branch's accounts without a postmaster's knowledge. This is the Balancing Transaction issue that is addressed above and was disclosed to Second Sight.

(e) Finally, the question reached its current incarnation about changing the raw data in Horizon in such a way as to effect changes in branch accounts.

can we? we need to be specific re PO/FJ

again is this PO or FJ?

In response to these issues, the responsible persons at Post Office made due enquiries and provided fair responses on what was a highly technical and complicated subject matter.

Second, we're not aware of an allegation that Post Office made incorrect statements before Second Sight began its work in 2012. By this time, many of the Claimants had left their branches and so could not have relied on Post Office's allegedly incorrect statements. In any event, you have presented no evidence that a postmaster has relied on any such statement by Post Office or suffered a detriment as a result.

Third, certain of Post Office's statements were describing the functions of the Horizon system as designed, not what Horizon could be changed to do or show using administrator access. These statements were therefore not incorrect.

In light of the above, Post Office's position is that it has neither committed fraud nor deliberately concealed any relevant matter. Depending on the particular statements made and the particular Claimants receiving those statements, this is because either (i) it has not made untrue statements or (ii) in relation to any untrue statements it has made, those statements were bona fide believed to be true when made.

You have made, in general terms, very serious allegations that Post Office has committed fraud. Should the Claimants wish to pursue this point further, these claims must be set out in detailed pleadings. Pleadings are needed to identify what (if any) an untrue statement was made to a particular Claimant and, if so, how that Claimant relied on that statement. Post Office is not aware of any Claimant that satisfies both these criteria.

In any event, regardless of what was or was not known or said historically, it is again fanciful to suggest that administrator access is, in fact, the root cause of shortfalls in branch accounts. If you are saying that Fujitsu has misused its administrator access so to deliberately create shortfalls in a branch's accounts, this would be a further allegation of fraud and again this would need to be fully pleaded in relation to each Claimant. At the moment we do not understand how you say Post Office (as distinct from Fujitsu) was involved this alleged fraud or why Post Office would be complicit in this.

At paragraph 194 you ask whether the Courts have ever been informed about "remote access" issues. To answer that point would require a review of dozens of prosecutions and civil cases, which would be disproportionate at this stage.

Commented [MU7]: Could / should we list here all of the hoops that would need to be jumped through, and hurdles overcome, and in what timeframe, to illustrate just how impossible it would be to perform such a feat?

Presumably Deloitte could provide this?

AP: Deloitte are providing this but it won't be ready before the letter needs to go.

But we should say PO has complied with its duty of disclosure to ensure that relevant information coming to light subsequently has been disclosed

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4.49.1.20 In response to paragraph 195, Post Office is aware of Professor McLachlan's evidence. This evidence was put before a jury and they found that Seema Misra was guilty of theft.