

Confidential and subject to litigation privilege

Bond Dickinson

Rider: Remote Access

Section 5(B) – Response to the factual allegation that Horizon does not record transaction accurately and /or that Post Office has been manipulating Horizon data.

- 1.1 The Letter of Claim makes a number of imprecise references to the idea that Horizon does not accurately record branch transactions and / or that Post Office has edited branch transaction data so to make it inaccurate.¹ We repeat our above points about the need for your clients to provide proper particulars of allegations if they are to be maintained, in particular you have not put forward any evidence that Horizon has inaccurately recorded a transaction or that Post Office has manipulated Horizon data in relation to any of the Claimants or otherwise.
- 1.2 There are a number of controls and processes in place to protect the integrity of data within Horizon. These include:
 - 1.2.1 Each basket of transactions must balance to zero (ie. the value of goods and services vended much match the payments made / taken from the customer) otherwise the basket will not be accepted by the counter terminal in branch. This ensures that only complete baskets are recorded.
 - 1.2.2 Counter transactions are committed atomically (ie. a transaction is either successful in its entirety or it is not successful at all).
 - 1.2.3 A unique Journal Sequence Number is applied to "digitally sign" every counter transaction. This allows missing or duplicate transactions to be detected and remedied.
 - 1.2.4 A master record of transaction data is stored in a central "audit store" which has controls to ensure the permanency of data and a data retrieval process which validates data integrity.
- 1.3 The majority of transactions that make up the branch accounts are generated in branch. There are however four ways in which Post Office (or Fujitsu on Post Office's instruction) can influence those accounts:
 - 1.3.1 **Transactions originating at Post Office.** A number of "transactions" are generated by Post Office and sent to branches, namely transaction corrections, transaction acknowledgements and remittances of cash / stock into a branch.² A key feature of these transactions is that they must be approved in branch (by the postmaster or his assistants) before they form part of the branch accounts.
 - 1.3.2 **Global Users.** Global Users are setup by default on Horizon in every branch. These are user accounts for Post Office staff to use when undertaking activity in a branch, such as training or audits. It is possible for these Global Users to conduct transactions within a branch's accounts. However, this access is only possible if the user is physically in the branch using a local terminal and the transactions are recorded against the Global User ID.³

¹ Add XREFs TO LOC

² See paragraph 7.16 onward in Second Sight's Part One Report for a more detailed explanation of these processes.

³ Strictly speaking, the Global User ID should be used to generate a new unique ID for the Post Office staff member and the new ID would then be used for training, audits, etc.

- 1.3.3 **Balancing transactions.** Fujitsu (not Post Office) has the capability to inject a new "transaction" into a branch's accounts. This is called a balancing transaction.⁴ The balancing transaction was principally designed to allow errors caused by a technical issue in Horizon to be corrected: an accounting or operational error would typically be corrected by way of a transaction correction. A balancing transaction can add a transaction to the branch's accounts but it cannot edit or delete other data in those accounts. Balancing transactions only exist within Horizon Online (not the old version of Horizon) and so have only been in use since around 2010.⁵ Their use is logged within the system and is extremely rare. As far as Post Office is currently aware a balancing transaction has only been used once⁶ to correct a single branch's accounts (not being a branch operated by one of the Claimants).⁷
- 1.3.4 **Administer Access to databases.** Database and server access and edit permission is provided, within strict controls (including logging user access), to a small, controlled number of specialist Fujitsu (not Post Office) personnel administrators. Use of these permissions is logged but rare. Enquiries are continuing as to whether this particular form of access could be used to affect a branch's accounts, and if so, whether this has happened. As far as we are currently aware, privileged administrator access has not been used to alter branch transaction data. We are seeking further assurance from Fujitsu on this point.
- 1.4 Ultimately, no postmaster going through the Scheme was able to point to a particular transaction that they believed had been created, edited or deleted by Post Office without their consent. Moreover, you have presented no evidence that misuse of any of the above processes by Post Office was the cause of any shortfall in any Claimant's branch.
- 1.5 Post Office maintains that the combination of technical controls in Horizon and operational controls at Post Office and in branch (including the need for postmasters to diligently monitor their branch accounts, cash and stock as described in Schedule X) provides satisfactory assurance that Horizon does accurately record the transactions input by the Claimants (or their assistants).

⁴ The use of balancing transactions was explained to Second Sight and is referenced in its Part Two Report at paragraph 14.16.

⁵ Post Office is making enquiries as to whether something akin to a balancing transaction existed in Horizon before the upgrade in 2010.

⁶ This was in relation to one of the branches affected by the "Payments Mismatch" error described in Schedule 6.

⁷ Several hundred other balancing transactions have been used but not in a manner that would affect branch accounting. These were generally used to "unlock" a Stock Unit within a branch.