

**From:** Bounds Gavin[/O=EXCHANGE/OU=ADMINGROUP1/CN=RECIPIENTS/CN=BOUNDSG]  
**Sent:** Fri 06/08/2010 12:29:54 PM (UTC)  
**To:** Gilbert Roger[GRO]; Tait Duncan[GRO]  
**Cc:** Sakai Shinichiro[GRO]; 'matsuzawa eiichi'[GRO]  
Harris Brian[GRO]; Nozaki Hiroyuki  
(LON22)[GRO]; Kamata Akihisa[GRO]  
Clayton Steve[GRO]; 'Christou, Richard'[GRO]  
Oliver Philip[GRO]; '長野 本部長代理'[GRO]  
Wilkerson Guy[GRO]; Roberts David  
(LON22)[GRO]  
**Subject:** RE: Post Office faces legal action over accounts IT

**CONFIDENTIAL**

Roger/Duncan,

Summary – no cause for immediate concern, this is the latest in a long line (even preceding automation) of articles and/or challenges to POL re its accounting systems

Here is our position:

Post Office owns relatively few of the actual Post Office branches in the UK, most of the branches being effectively franchises. Postmasters are mainly paid based on the number of transactions of each type that they perform. Post Office takes a fairly firm stance with any accounting discrepancies to prevent fraud but there is a steady stream of court cases and almost weekly stories in the minor or local press covering those cases.

Fujitsu is obligated to support Post Office, where requested to do so, by either providing system information to support the cases or, in some cases, expert witnesses to testify as to the measures within the systems to ensure that the data being relied on is as originally entered. This has been going on for a number of years with little incident.

As reported in the article, recently accused postmasters have become more organised and a case in West Byfleet is being used to test potential arguments. We have been providing information and an expert witness at Post Office's direction. The outcome so far is understood to be that neither Post Office nor Fujitsu has been found to be at fault although the judge has left open the possibility that if there is an error anywhere, it is only likely to be in the processes which are Post Office's. The defence council is currently using this to request further system information but the general view is that he is fishing for problems rather than having any particular proof of error.

Post Office is handling the case and all communications with the public. We contacted them this morning. Paul Budd is the POL Director of External Communication and he is aware of the article. POL's position (validated yesterday and today) is that they are not going to respond to this article on the basis that the Accountancy Age only has a small circulation – although they are also aware that it is on the web. Their view is that if they respond to every article on this topic it only adds credence to the claim. Post Office also stated that they are confident that the integrity of the Horizon system is secure. They will always investigate every case that is raised by the Sub Postmasters and to date they have never found the system to be flawed. If necessary, Post Office will fight each individual case through the courts. In all formal responses to these allegations, Post Office never mentions Fujitsu unless they are asked to provide an expert witness.

They did recently issue a private statement to Channel 4 after which they withdrew a programme they were planning on the subject. This is included below **and has been released to us on the basis that we do not circulate this beyond those executives with an immediate need to know.**

*As discussed here is a copy of the statement that was sent to Channel 4 News the other week. I am happy for you to use this in order to address the concerns of your Execs in Japan, however, I need to ask that this doesn't get circulated around Fujitsu or appear in any way in internal publications – this is because C4 didn't run the article so our statement has been publicly released.*

*Post Office Ltd's statement regarding your story is as follows:*

*"Virtually all the UK's 12,000 Post Office branches operate entirely professionally, using the Horizon system, without any accounting discrepancies and without accumulating abnormal debts, and it is clearly in the interests of both our customers and the vast majority of subpostmasters that in the very few instances where there is evidence that the finances of a branch are not properly managed or where money has gone missing, Post Office Ltd must fully*

*investigate, and take necessary action, including legal action in the last resort. The decision to prosecute is not taken lightly and in every case where action has been taken no court has found evidence to believe the Horizon system's integrity to be deficient."*

*We would expect you to be able to use this in full during your report – but do let me know if this is likely not to be the case.*

*In addition, the following additional statements address your questions regarding reliability and investigations undertaken if concerns are raised – obviously you're welcome to use these in full if it's helpful, but they do not replace the formal response given above.*

*"The Horizon system has been in place for ten years and handles up to 750 transactions every second and all subpostmasters have access to full training and ongoing support and are able to raise any concerns over transactions or accounting to Post Office Ltd who will always help and investigate."*

*"We are continuing to upgrade the system to make sure it meets the growing demands of the financial services products provided by today's Post Offices. Whilst implementing changes will inevitably have caused some inconvenience, it has not in any way affected the integrity of the system, which is fundamentally more accurate and less open to abuse than the old fashioned paper based systems it replaced."*

*Finally, Post Office Ltd does not publish details of prosecutions of subpostmasters.*

It is also worth noting that Horizon is due to be retired and replaced by HNG-X in the next month or so – this is primarily for cost saving reasons and was not driven by any technical problems with Horizon. This is unlikely to prevent similar investigations into the replacement system at a later stage.

Regrettably our legal lead on the programme is currently on leave abroad but he may be able to more correctly state the judge's opinion from West Byfleet on his return.

I hope this does what you needed, please let me know if you need more detail. (Thanks to Guy Wilkerson, RMGA Commercial Lead, for the above).

Kind regards,

Gavin

-----Original Message-----

From: Gilbert Roger

Sent: 05 August 2010 18:18

To: Tait Duncan; Bounds Gavin

Cc: Sakai Shinichiro; 'matsuzawa eiichi'; Harris Brian; Nozaki Hiroyuki (LON22); Kamata Akihisa; Clayton Steve; 'Christou, Richard'; Oliver Philip; '長野 本部長代理'

Subject: RE: Post Office faces legal action over accounts IT

Duncan/Gavin,

Can you provide a brief to the cc list?

Thanks

Roger

-----Original Message-----

From: Kamata Akihisa

Sent: 05 August 2010 18:10

To: Harris Brian; 'matsuzawa eiichi'

Cc: Sakai Shinichiro; Nozaki Hiroyuki (LON22); Gilbert Roger; Clayton Steve; Christou, Richard; Oliver Philip; 長野 本部長代理

Subject: FW: Post Office faces legal action over accounts IT

Brian and Matsuzawa-san,

Although it is not clear if we are involved in this matter at this moment, I would like you to work with Roger and his team to clarify what is going on. This article has been already picked up by FJ Tokyo.

Philip,

I believe we are not in a position to say anything externally, but if you have any proposed comments by FJ when they are asked, please let me know.

Best regards,  
Kamata

---

Post Office faces legal action over accounts IT

<http://www.accountancyage.com/2267654>

Sub-postmasters join forces to take legal action over alleged errors in the Post Office's system software they claim have been responsible for several dismissals due to accounting irregularities

Rachael Singh and Gavin Hinks, Accountancy Age

05 Aug 2010

The row between the Post Office and some of its sub-postmasters is set to take a fresh turn with court action over accounting software used in branches.

Accountancy Age has learned a group of sub-postmasters have joined together to bring legal action against the Post Office. Court papers are expected to be filed in the coming weeks.

The action originates with the Justice for Sub-postmasters Alliance (JFSA) and is over the use of Horizon accounting software made for the Post Office by Fujitsu.

A number of sub-postmasters have lost their positions over alleged accounting irregularities, while some have also faced fraud allegations in the courts.

But the sub-postmasters claim that errors in the system software are to blame.

The JFSA comprises more than 100 people who argue they are being wrongly accused of accounting discrepancies and allege that the accounting system is failing to properly record transactions.

JFSA is spearheaded by former sub-postmaster Alan Bates, who lost his position over accounting discrepancies which he attributes to the Horizon system.

Bates said the Post Office relies on a clause in all contracts which states that the sub-postmaster is liable for all accounts.

However, Bates argues that the contract was created in 1994, before the Horizon system was brought into the branches.

Sub-postmasters are also concerned about an impending upgrade to Horizon, which was due to take place in November last year. Concern centres on whether an audit of the current system is undertaken before the upgrade goes ahead. It is understood that the upgrade will go ahead later this year despite postponements.

The JFSA has expressed concern that the accounts of many sub-postmasters have not been examined for up to eight years, which it

believes would highlight the system's problems.

Accountancy Age has learned of a case against a sub-postmaster that was adjourned by a judge in the Midlands so that his legal team could commission an expert to present evidence on whether an IT audit of the system was necessary.

The sub-postmaster denies any wrongdoing and claims the software was misreporting transactions.

The judge suspended proceedings after being presented with articles about the row between sub-postmasters and the Post Office in the press, including Accountancy Age.

The expert's findings are yet to be heard in court, with a due date to be set in September.

Accountancy Age has seen Post Office documents which reveal that last year Fujitsu claimed it was "fixing" 92% of urgent Horizon problems within six hours and 91% of non-urgent Horizon issues by the end of the next working day.

Fujitsu declined to comment about the issue, and referred calls to the Post Office.

Allegations about Horizon first appeared in October last year when 30 sub-postmasters came forward with complaints about the system. They had been informed they collectively owed £ 430,000 to the Post Office.

The Post Office issued a statement saying: "Virtually all the UK's 12,000 Post Office branches operate entirely professionally, using the Horizon system, without any accounting discrepancies and without accumulating abnormal debts.

"...In the very few instances where there is evidence that the finances of a branch are not properly managed or where money has gone missing, Post Office Ltd must fully investigate, and take necessary action, including legal action in the last resort.

"The decision to prosecute is not taken lightly and in every case where action has been taken no court has found evidence to believe the Horizon system's integrity to be deficient."

IT experts watching developments believed allegations about an accounting system could be damaging and needed clearing up, whether true or not.

David Turner, group marketing director at accounting software company CODA, said last year: "With an organisation as big as the Post Office, it is important to everyone that they have confidence in their IT systems ? especially if they are taking on banking systems."

He added it is vital the Post Office does "something" to "dispel" any rumours of faults because reputation is critical when it comes to accounting.

## IN OUR VIEW

Rarely has there been a more pressing need for a forensic accountant to audit an accounting system. With a High Court battle on the cards,

and various smaller courts around the country all calling for an audit, the Post Office now faces compelling claims to undertake a serious audit of its IT. The argument is becoming almost impossible to ignore.

This article was printed from the Accountancy Age web site

© Incisive Media Ltd. 2009 Incisive Media Limited, Haymarket House, 28-29 Haymarket, London SW1Y 4RX, is a company registered in England and Wales with company registration number 04038503  
Close this window to return to the website