

Challenges as to the Integrity of Horizon

Challenges have arisen many times since Horizon was introduced but POL has consistently been able to tackle the facts of the branch transaction logs and defend the integrity of Horizon.

Unfortunately we have not been able to put a lid on general speculation and media discussion.

“Blaming the system” has been a fall back for many subpostmasters whom we have said owe us money and/or whom we have suspended. Subsequent letters to MPs and the press have also been a frequent next step.

We have considered obtaining independent expert reports ourselves as a proactive action to prevent future claims, but we have to date decided that this would not stop speculation. We have as a company decided to defend each case on its facts rather than obtain what would be an expensive opinion which would be heavily caveated and have no assurance of preventing claims.

Mark has responded on many of Dave’s questions already, but to add to that please note:

How robust is horizon?

As Mark has said the system has been built with many controls which we can rely on. Our view, which has been upheld in cases (except Alderley Edge) is that the subpostmaster or their staff did have their hands in the till and have tried to blame the system.

The “Castleton” case had a strong opinion from the judge which did appear to have brought an end to the claims for some years.

But this year the judge in the Alderley Edge case felt unable to agree that POL’s systems were proven to be reliable. As Mark has noted, the judge had issues about the quantum of the loss and chose not to progress the case but he also said and has been quoted in the press with “there are issues relating to the Post Office computer system which I do not feel able to judge”. That wording does risk reversing the benefits of the judgment in the Castleton case and will no doubt be drawn on by the facebook group.

Is it possible to mispost misallocate cash to the detriment of the subpostmaster

Transactions in Horizon can only arise from action by the subpostmaster or their staff. Transaction corrections sent by P&BA have to be accepted by the branch and a core principle of Horizon has been that there is no “back door” for anyone other than the branch to allow entries in the system.

No claimants have been able to prove their allegations about any entries, and we continue to believe that issues in cash balances at branches only arise due to:

- theft of cash from the till
- falsification of claims about cash, cheques or savings stamps despatched out of the branch
- intentional or unintentional errors in the values recorded for transactions in Horizon

In all these situations the branch would be able at any point in time to run a trial balance for their branch and to count their cash and stock on hand. Indeed they are required to do this at least monthly on a formal basis and would be expected to deploy supervisory checks in the interim to assure POL about the way in which they look after POL's cash in their branch.

The subpostmaster contract requires them to look after our cash and holds them accountable for its loss.

Is there any difference between horizon and hngx.

Mark has addressed this

When hngx froze during the early trials is there any evidence that this caused misallocations?

Mark has addressed this

How do we treat discrepancies. Is there any exceptional circumstance applied where we don't seek recovery of funds prosecution etc. I.E are we heavy handed and disproportionate in our response.

We consider these to be dealt with fairly and I would suggest there are two broad areas of them.

1. Branch discrepancies in the course of business.

Balancing issues may arise and there are formal processes for branches to work with NBSC, P&BA and Contract Managers to resolve these. P&BA has committed to turnaround times with the Network to be fair to Subpostmasters and is adhering to these. We make considered judgments in the event of unacceptable arrears and there are many examples noted between us, Network, NFSP and Multiple Partners where we have taken a pragmatic and sensitive view with the branch not to enforce a debt.

Our start point is definitely that the agent is contractually obliged to make good to us, but we are sensitive and this was endorsed in the NFSP Presidents comments at NFSP Conference last year that P&BA and Service Delivery have the best tone of voice and approach with subpostmasters. There was no hint of heavy handedness.

Mervyn and his fellow ET have acknowledged several times that we are even handed and they have willingly taken a hard line with their members themselves on the back of our joint relationship

2. Discrepancies leading to termination and prosecution

Again POL has a track record of applying contract terms but being sensitive to the situation of the individual.

For better or worse there is actually a very live example right now for the former agent of Wantage Post Office where POL has waived what is an enforceable liability of over £50k on an agent whose own employee was found guilty of theft.

We are always careful to identify individual circumstances and to avoid setting precedents, but there is a track record of balancing commerciality and compassion.

How many subs have we terminated on this basis in the last ten years

This is being summarised by Security

How many have we prosecuted. What is our success rate?

This is being summarised by Security

What external audit verifications have been made of horizon and hngx

There are limited tests on interfaces and on change control as part of the audit, but no explicit statement as to the integrity of Horizon. We have discussed the possibility of such a dedicated review but it would be outside the statutory audit and would be heavily caveated.

How difficult is it to rectify human errors to rebalance the till?

So long as there is a timely alert then it is not a problem. But this can depend on:

- how effectively subpostmasters supervise their staff and do checks
- how honest a subpostmaster is in declaring issues around physical existence of cash and stock in the branch
- the effectiveness of conversations between branches, NBSC and P&BA and the competence of the branch staff to run their operation

What training does each user receive to use the system.

Mark has commented on this

There is a facebook group of protestors online. What are they saying and what are we doing to ensure this does not harm the business?

The former Head of Change & IS had several meetings with MPs to allay their fears about Horizon, but as noted above it is hard to stop public speculation. This is the challenge we have to tackle.

Suggest we need input from lynn keith woollard rod and leslie as a minimum.

From: Mark Burley
Sent: 22 July 2010 11:55
To: Mike Young; Sue Huggins
Cc: Nick Beal; Philippa J Wright; Michele Graves; Mike Moores
Subject: RE: Urgent channel 4 horizon issue

Mike / Sue

I have added some specific comments against the questions from David Smith below and would also note the following:

1. The point about the system being designed to retain integrity even when it fails is important as we could never claim, the system does not fail.
2. I am aware of 3 court cases - Cleveleys (Subpostmistress dismissed in 2001 - not long after Horizon introduced) (we settled out of court £187.5k as the expert for the SPMR produced a report which showed how Horizon could have caused the error. This could have been refuted with the audit trail but for some reason, this wasn't used / requested by our experts). Castleton where we presented a copy of the audit log to the Subpostmasters solicitor who promptly agreed there was no substance to the SPMR's claim and advised him to settle the debt. The solicitor was sacked by the Subpostmaster who proceeded to court, lost the case and liability of £300k but declared himself bankrupt. The judge decided there was "no flaw" in the Horizon system and "the logic of the system is correct" and "the conclusion is inescapable that the Horizon system was working properly in all material aspects". Alderley edge - £45k shortage (at audit) but judge dismissed case as unable to prove exact amount. However judge did not deem an investigation of the system was necessary (primarily it would appear as he deemed it would be costly and therefore not a good use of taxpayers money).
3. None of the Subpostmasters dismissed for discrepancies have - to my knowledge - produced any hard evidence. However in the past POL hasn't always tabled the evidence from the audit logs.
4. There are examples of human error discrepancies being 'rectified' several months / years later.
5. Computer Weekly ran an article in 2009 and another more recently picking up on the Justice for Subpostmasters Alliance (a group of Subpostmasters who are becoming more vocal about their claims that horizon has caused faults)
6. S4C ran a programme on the issue in 2009 (although I have not managed to see this)
7. There has been several flag cases over the years
8. There is a website - www.jfsa.org.uk - which has a lot of info and some cases. I think it would be useful to examine the cases and check up our position as we should be able to identify some of the actual people involved from the history on the case files.

9. I believe that the Group have a solicitor engaged who is working on a no win no fee basis (however I cannot substantiate this). I also believe there is an expert working with them who has requested information under the 'Freedom of Information (FOI) Act'. Again, I do not have any specifics on this.
10. My view - 3 reasons for shortage - Subpostmaster has hands in till; one of assistants has hands in till or (in most cases of a discrepancy) there is a human accounting error - some of which may be picked up over time.

Sorry there is a lot (especially with the extra bits below in red) - hope it helps. Happy to get involved in any other aspect, e.g. to help with point '8' above.

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

From: Mike Young
Sent: 22 July 2010 09:08
To: Mark Burley
Subject: FW: Urgent channel 4 horizon issuse

Mark

FYI
Mike

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

From: David Y Smith
Sent: 21 July 2010 19:04
To: Mike Young; Sue Huggins; Mike Moores
Subject: Urgent channel 4 horizon issuse

All

Further to yesterdays complaint around horizon from oliver and a parliamentary question to ed davey from priti patel on the same issue we have today been notified tha c4 will run a news item on the same issue. This may be all the same group of people and may also just be a function of the new roll out. However.....

Sue Huggins will lead our response via Mary to the specific request. But I want an internal investigation under Mike Moores lead please over the next week on the following.

How robust is horizon?

Horizon is very robust against our Business rules but like any computer system it relies on accuracy of entry from the user although where possible controls are put in place to remove / reduce the risk of error. For example, if a transaction can only be sold in multiples of £5, then the system will not allow an entry of say £6. Additionally like any computer system, it can fail, e.g. in the event of a power cut. However the system is designed to retain integrity even when it fails. One of the key controls here is to allocate every transaction with a unique incrementing sequence number.

Once data is captured, data is replicated across all counters in a branch (a single counter position branch has two disc drives) and to the Fujitsu Data centre where it is again copied. Horizon does this once the 'basket is settled'. The system uses standard double entry book keeping, i.e. for every transaction, there is a corresponding entry against a method of payment.

In the Data Centre, a copy of the data is posted to the Audit file where it is retained for 7 years. Data in the audit file is sealed with a 'checksum' which is held separately to ensure that it has not been tampered with or corrupted.

Although the transactions are not committed until the 'basket' is settled, special rules apply to any transactions in the basket which have effectively already been committed such as banking and Automated Payment transactions. Again these are designed to maintain integrity.

Is it possible to mispost misallocate cash to the detriment of the Subpostmaster

It is possible to enter an incorrect value that ultimately results in a discrepancy when the Subpostmaster completes their accounts. For example, entering a bank deposit as £100 instead of £10 will result in the Subpostmaster recording a £90 loss (all other things being equal). As mentioned above, controls are put in place where possible to reduce or remove the likelihood of this. In some cases, an error like this will at some point be recovered but this depends on the type of transaction and potentially the integrity of the customer, i.e. with the banking deposit example, unless the customer declares the error, there is little likelihood of it being discovered and the Subpostmaster would be liable. An error of this type is no different to bank systems.

In summary the system will post the transaction as indicated by the Subpostmaster when manual input is required.

Where the transaction is fully automated, there is no evidence to suggest it could ever be misallocated. In theory it is impossible therefore (providing the Subpostmaster follows the instructions on the screen)

Is there any difference between horizon and hngx.

There are some significant difference in where data is stored (HNGx stores no data at the counters) but the principles around integrity remain in place as does the audit log. Importantly, when a branch migrates to HNGx it will have 2 audit logs - one for Horizon and a separate one for Horizon.

When hngx froze during the early trials is there any evidence that this caused misallocations?

There is no evidence this caused misallocations. However there is some evidence that branches may have had discrepancies as a result of not following the system prompts / instructions. Had they followed the instructions accurately, no branch should have had a discrepancy from a freeze. HNGx has been built as Horizon; namely to retain integrity even in the event of failure.

How do we treat discrepancies. Is there any exceptional circumstance applied where we don't seek recovery of funds prosecution etc. I.E are we heavy handed and disproportionate in our response.

How many subs have we terminated on this basis in the last ten years

How many have we prosecuted. What is our success rate?

What external audit verifications have been made of horizon and hngx

There have been a number of reviews of both systems by Gartner and other technology companies. I am not aware of one that explicitly focussed on integrity. However in addition testing of both systems has been extremely vigilant - over 25,000 separate and unique tests (many of which were run more than once) run over 18 months using approximately 8,000 mandays.

How difficult is it to rectify human errors to rebalance the till?

Ranges from very easy to not possible without external intervention.

What training does each user receive to use the system.

Originally users on Horizon received an extensive training course at the end of which they had to take a test which until they passed they would not be able to use the system (although almost impossible to enforce).

For HNGx, the majority of transactions and back office functions have not changed - the main changes are the User Interface and to a degree the Postal Services (although users have deemed this easier). We provide extensive pre go-live materials including web-site; training manuals, etc and then supplement this with an in-branch migration support on the day of and the day after migration. The Migration support will take the Subpostmaster through key areas and address any concerns. We have been measuring satisfaction with the training and support provided for HNGx and the following summarises the results to date (i.e. from start of pilot):

- 91% were happy they had the support needed during migration and that the training enabled them to adequately prepare for HNG

There is a facebook group of protestors online. What are they saying and what are we doing to ensure this does not harm the business?

Suggest we need input from lynn keith woollard rod and leslie as a minimum.

Thanks

Dave