

Witness Name: Ruth Reid

Statement No: WITN05210200

Exhibits: []

Dated: 12 January 2023

POST OFFICE HORIZON IT INQUIRY

SECOND WITNESS STATEMENT OF RUTH REID

1. I, Ruth Reid, will say as follows:
2. In recognition of the importance of the Post Office Horizon IT Inquiry, I continue to offer my full co-operation to the Inquiry.

3. I am providing this statement following receipt of a second Rule 9 Request dated 30 November 2022 from the Post Office Horizon IT Inquiry asking me to provide a written statement regarding issues falling within Phase 2 and Phase 3 of the Inquiry. This Request contains 41 questions which the Inquiry have asked me to address in my statement. For ease of reference, I have written out each question with its corresponding question number.

PLEASE CONSIDER POL00083922 AND FUJ00000485.

Question 1: Please describe and explain how ICL Pathway proposed to rectify Acceptance Incident 376 in early August 1999?

4. FUJ00000485 is a Change Control Note (“CCN”). I understand this to be a contractual document between ICL Pathway Ltd (“Pathway”) and Post Office Counters Ltd (“POCL”). I understand this CCN is the first of a number of CCNs. I have not seen this document before. I was not involved in agreeing contractual provisions. I believe this would have involved Dave Miller and Keith Baines rather than myself.
5. POL00083922 contains a number of documents regarding a number of acceptance incidents. As I have explained in my first statement, my work was primarily focused on Acceptance Incident 376 (“AI 376”). This was a data integrity issue between the electronic summary cash account stream and the individual transactions which made up that cash account. Both streams of data were produced by Pathway. The error was identified when comparing these data streams with the information available to TIP (the Transaction Information Processing project). This was designed as a temporary check to ensure that TIP could receive a complete data set from Pathway.

6. I consider that it was worth highlighting that there continued to be a separate supporting document stream produced by Transaction Process which fed the business ledgers and the end to end error resolution process.
7. The document is produced by John Dicks of Pathway and confirms that the incident was witnessed by Martin Box of POCL. The document confirms that POCL consider the severity to be high as it “would affect POCL’s ability to produce an accurate cash account”. The document goes on to confirm that Pathway “accept the problem exists” but “would argue about the severity”. It goes on to confirm that Steve Warwick (of Pathway) was “to provide rectification of this issue. PWY understand the problem and are currently working on the fix”.
8. As I do not have an IT and accounting background and was not on the End to End Working Party focusing on this issue I cannot provide a technical answer to the question. What I can say is that, to the best of my recollection, Pathway proposed a change to the TIP interface to introduce the data integrity control which was a control between the two data streams. To have that introduced on their side would have required cross party resolution as part of the business as usual end to end error resolution process, which was being worked up by the End to End Working Party.

Question 2: Please explain why you considered that acceptance should be declined in August 1999?

9. My recollection is that at this time the error rate was still 1.2%. Pathway themselves were not content with this error rate at this time and therefore it

was agreed by everyone including myself that acceptance be declined in August 1999.

Question 3: What (if any) concerns did you have at this stage about ICL Pathway's openness and willingness to share information and data concerning the nature, severity and cause(s) of Acceptance Incident 376?

10. Due to the passage of time is it difficult to recall how I felt in August 1999 but to the best of my recollection I do not recall having specific concerns at this time. Both parties accepted that the error rate was too high and Pathway had committed to continue work to reduce the error rate. Both parties committed to a series of workshops to work on this and a number of other issues. I was aware that there was a great deal of work to be done on both sides but there was nothing to cause me to have concern regarding Pathway's willingness and openness to share information and data.

PLEASE CONSIDER POL00038332, POL00043711, POL00028466, FUJ00118144, FUJ00118146 AND FUJ00118147

Question 4: What did you understand the root (cause)s of the accounting discrepancies revealed by Acceptance Incident 376 to be?

11. Given that I do not have a technical / IT / accounting background I do not feel able to provide an answer. However, I would say that AI 376 was considered a data integrity issue rather than an accounting discrepancy.

Question 5: Did you consider that ICL Pathway had an adequate understanding of the root cause(s) of the accounting discrepancies?

12. I consider Pathway adequately understood this data integrity issue as it presented itself.

Question 6: How many outlets were affected by cash account discrepancies in the summer of 1999?

13. I don't know.

Question 7: Did the control which you proposed be introduced by ICL Pathway address the underlying root cause(s) of the accounting discrepancies?

14. My understanding is that the data integrity control was an enabler to identify the reason for errors between the two Pathway produced data streams and therefore would address the AI 376 data integrity issue.

15. Following the introduction of Horizon, there was still the need for error resolution by the Transaction Processing Business Unit in Chesterfield and it was accepted that we still needed a process to manage accounting exceptions where transaction were not automated at the point of sale/data capture after the developers handed over the Horizon system.

Question 8: If not, what action did you understand ICL Pathway to be taking to address the root cause(s) of the accounting discrepancies?

16. Pathway were responsible for resolving the AI 376 data integrity issue as set out above. Pathway were not responsible for all POCL accounting discrepancies.

17. In terms of the action Pathway were taking to address the data integrity issue at this time document POL00028332 sets out the work Pathway have done to identify the error and contributory problems and fixes developed and

implemented as at 12th August 1999. Document POL00043711 contains the minutes of subsequent meetings on 25th and 26th August 1999 which again provide an account of the progress made and actions required. To the best of my recollection these documents accurately set out the action Pathway were taking.

Question 9: Did you consider that the action being taken by ICL Pathway to investigate the underlying root cause(s) of the accounting discrepancies was sufficient? Please explain the reason(s) for your answer.

18. Yes, for the reasons set out above and having regard to the actions Pathway were taking as set out in the documents referred to.

PLEASE CONSIDER FUJ00079176 AND FUJ00118150

Question 10: Please describe and explain how the error rate of 0.6% came to be proposed by you and Keith Baines as a condition for acceptance of the Horizon system?

19. There was an End to End Working Party which came up with the 0.6% error rate which came to be proposed by Keith Baines and I. This Working Party included Mark Burley who worked for me and various members of Keith Baines' team. For the avoidance of doubt, this working party was not confined to those with technical/IT backgrounds but also included Transaction Processing, Finance, the Operational Retail Network Management and the Investigation and Audit teams. I believe that the 0.6% error rate would have had to have been agreed by the Head of Transaction Processing, which was the relevant business unit. This position owned the operational business process, which was the relevant school of management thought at that time.

20. I was the representative of these group at the Acceptance Workshops and therefore the conduit for feeding into Pathway, the findings of the End to End Working Party.

Question 11: Why did you consider such an error rate to be acceptable?

21. I believe it would have been the position that if an error rate of 0.6% was acceptable to the Head of Transaction Processing Business Unit, the technical representatives of the relevant working group and Keith Baines (as POCL Commercial Lead), with the impact of accepting such an error rate having been assessed and costed, I considered it acceptable.

Question 12: What did you understand the impact of such an error rate to be on the network of post office branches once the Horizon system had been rolled out nationwide?

22. As I mentioned above, agreeing an error rate of 0.6% would have been subject to an impact assessment which would have considered the cost and resource required to investigate and resolve the residual errors. There was a Business as Usual process for dealing with errors, which existed prior to Horizon because errors were a fact of life where transactions were not fully automated and required manual input of information at the outlet. That remained the position following the roll out of Horizon.

23. There was a large number of people in the Transaction Processing Business Unit in Chesterfield whose role it was to investigate and resolve errors. As a result, I considered that the network of Post Office branches would have been supported by these business processes in managing any residual errors resulting from AI 376 data integrity issues.

24. For the avoidance of doubt the End to End Working Party were responsible for augmenting the end to end business resolution process as a result of introducing both Horizon and the data integrity check.

Question 13: How did you envisage that POCL and ICL Pathway would manage the resolution of errors at a rate of 0.6% nationwide?

25. Following roll out the resolution of errors would have been the role of the Transaction Processing Unit in Chesterfield following the Business as Usual process with input, as required, from the Retail Network, Finance, Internal and External Audit and the Internal Investigation teams. At this time, there was a team of around 700 people in Chesterfield within Transaction Processing involved in this process.

Question 14: Please describe and explain the other conditions which you proposed as part of the resolution of AI 376 prior to acceptance?

26. I believe the question refers to the 6 conditions which are referred to at page 9 of document FUJ00079176 as being proposed by Keith Baines and I. There is also a reference to a document called "RH's paper" on page 9 of that document. I have not seen that paper and I cannot recall from memory what the other conditions were. These conditions and the resultant papers, were produced by the End to End Working Party.

PLEASE CONSIDER POL00038907.

Question 15: Who was responsible for determining whether or not acceptance of the Horizon system should take place in September 1999?

27. To the best of my recollection this would have fallen to the Release Acceptance Board. I do not know if there was one individual who had ultimate responsibility. For the avoidance of doubt, I confirm that I was not a member of the Release Acceptance Board and responsibility did not sit with me.

Question 16: At paragraph 92 of your statement dated 13 October 2022, you state that Peter Copping, an Independent Expert, recommended “as part of the contract arbitration process, on the basis that there was a rectification plan to introduce the data capture release in December 1999 (this was a large piece of work), that acceptance take place but on a conditional basis, rather than acceptance continue to be declined.”

a. Please confirm how and when this recommendation was communicated to you and / or to POCL.

28. I do not specifically remember how it was officially communicated to POCL but from my perspective, my own knowledge of Peter Copping’s recommendations came from the discussions which took place at the acceptance workshops at the Renaissance Hotel at Heathrow.

b. Please confirm what (if any) discussions you held with other employees of POCL concerning this recommendation.

29. I do not specifically remember but I would have discussed it with Dave Smith, who was my boss. I would be talking to him daily or several times a day and we would talk about everything all the time, before and after every meeting. He was based in Gavrelle House in London. I know I also spoke with Mark Burley and Peter Jones on a daily basis and it is very likely I would have therefore discussed it with them. The same can be said for the Automation

Working Group which I was a member of – it is very likely that I would have discussed it with my colleagues on the AWG, in particular Sue Harding of Transaction Processing, Shaun Delaney of POL Finance and Carol Prysak and one other person (I do not remember their name), who represented the Regions of the Operational Retail Network on the AWG. Dave Smith would have represented this type of issue at the Automation Programme Group level.

c. Did you consider this to be a binding recommendation by the independent expert? Please explain the reason(s) for your answer.

30. I do not know the contractual or legal status of Peter Copping's involvement and therefore I do not know whether his recommendations were binding.

Question 17: Why did you prefer for the data integrity control to be implemented prior to acceptance?

31. From a common sense viewpoint I thought it was better for Pathway to implement the control prior to formal acceptance rather than to rely on POCL through the TIP process and because the TIP checking process was not designed to be a permanent process. I wanted to see it fixed and the target end to end operational process in place before acceptance.

Question 18: What (if any) risks did you perceive there to be in granting conditional acceptance to the system prior to implementation of the control?

32. To the best of my recollection, conditional acceptance wasn't something I had considered and I didn't know it was possible. As far as I was aware, the concept of conditional acceptance was introduced/raised by Peter Copping and the respective commercial teams. Once I understood how conditional

acceptance could work, and what the conditions could/would be, I was satisfied with the recommendation and did not perceive any particular risks on the basis that Pathway would still be required to demonstrate an improvement to the system to bring the error rate within acceptable limits in order for acceptance to take place.

Question 19: To whom (if anyone) did you communicate your preference and / or concerns about the risks of granting conditional acceptance to the system?

33. I would have discussed it with my colleagues as outlined in my answer to questions 16b. above.

Question 20: To your knowledge, who ultimately took the final decision in respect of acceptance of the Horizon system?

34. Please see my response to question 15 above.

PLEASE CONSIDER FUJ00079316, FUJ00118143 AND FUJ00118194

Question 21: What (if any) involvement did you have in scrutinising the design for the EPOSS / TIP Reconciliation Controls?

35. The technical work of scrutinising the design for the EPOSS / TIP Reconciliation Controls would, to the best of my recollection, have been carried out by the End to End Working Party. I don't recall ever seeing any of the Pathway design documents. I do not know whether such document would have been shared with anyone on the POCL side involved in the technical work.

Question 22: What did you understand about how these controls were intended to function?

36. As I do not have a technical/IT/client accounting background this is not within my knowledge.

Question 23: Were you satisfied that these controls were sufficiently rigorous to address the accounting integrity issues identified y AI 376? Please explain the reason(s) for you answer.

37. Again, I am unable to provide an answer from a technical/IT perspective. The implementation of data integrity controls was focused on ensuring that the error rate of the AI 376 data integrity issue was reduced to 0.6% or less, otherwise Core System Release would not take place.

Question 24: Who within POCL was responsible for investigating and resolving the manual error reports produced by ICL Pathway pursuant to these controls?

38. The Transaction Processing Business Unit in the first instance. Depending on the nature of the issue there may have been a need for involvement from the Operational Retail Network Management, the Finance Executive, Pathway and the Investigations Department.

Question 25: How were accounting discrepancies caused by POCL Reference data intended to be resolved?

39. To the best of my recollection, this would have been the work of the Reference Data Project Team (Ted Baldwin and Geoff Darby) in conjunction with John Meagher of the Horizon Product Assurance Team. I was not part of either of these teams.

PLEASE CONSIDER FUJ00118176 AND FUJ00118171

Question 26: Are these the types of daily and weekly reports to which you refer in paragraph 112 of your witness statement dated 13 October 2022?

40.No. For an example of the reports I was referring to see page 2 of document POL00028559.

PLEASE CONSIDER POL00043723.

Question 27: At the time of the roll-out decision on or around 24 November 1999, what was your understanding of the following:

a. The ability of the integrity control to detect all data errors;

41.I can only rely on what is contained within document POL00043723 to assist me in providing an answer to this question. POCL's position was that the Pathway integrity control was capable of detecting all relevant incidents. This is not the same as having no errors but what was required, as the document confirmed, was a robust process for error detection of the two data streams. My recollection is that the error rate must have been reduced to 0.6% or under which was what had been previously required.

b. The level of disruption and cause of new incidents;

42.I am unable to recall and the documents I have reviewed do not assist me in providing an answer.

c. POCL's understanding of the design and operation of the emerging reconciliation controls;

43.I am unable to provide an answer regarding design as I do not have a technical/IT background. I understand the purpose/operation was to enable the data streams to be better compared and for errors to be identified and

reported so that they could then be investigated by the Transaction Processing Business Unit.

d. The constraints on the level of testing of the emerging reconciliation controls.

44. To the best of my recollection, whilst there remained a lot of work to do on both sides, I believe that we were satisfied that there was sufficient time and resource to carry out testing of the emerging reconciliation controls. This factored in the operational impact of the Christmas period and an accounting period end.

Question 28: What (if any) input did you have in relation to the “Demand Position Paper” produced in preparation for the checkpoint meeting in November 1999?

45. I don't recall having any input. The document is unhelpful as it does not contain details of author(s) and distribution. It also appears that the document is perhaps two versions of the same document or two separate documents, with pages 1-4 largely repeated on pages 5-8. I don't remember seeing it before.

Question 29: What action did you understand POCL to be taking to address the ongoing concerns about cash account discrepancies in November 1999?

46. The work of the End to End Working Party continued throughout this period. Due to the passage of time I cannot remember any specific details.

PLEASE CONSIDER FUJ00118186

Question 30: Why were certain types of cash account discrepancy excluded from the agreed error rate criterion of 0.6% (as originally defined in the Second Supplemental Agreement) in January 2000?

47. I do not feel that I am in a position to comment on the content of the Second and Third Supplemental Agreement as these are contractual documents and I was not involved in the drafting or negotiation of the contract between Pathway and POCL. I don't recall ever seeing these documents.

48. FUJ00118186 is a document signed by Dave Miller in the presence of Keith Baines and dated 19th January 2000. As I explained in my first statement, I don't recall being present in January 2000 and I often took an extended holiday in January.

49. I believe the contract would have reflected the fact that the agreed error rate would only point to exceptions between the individual transactions stream and the cash count transaction stream as compiled by the Horizon system. There were many different causes of errors not all of which were attributable to Pathway, for example those attributable to human error at the point of input of information at an outlet. Many of our clients' transactions were not automated. Automated products were known within the business as 'token drive' products. I believe that the contract would have recognised that Pathway weren't responsible for errors which derived from other legacy processes/systems/products which hadn't been fully automated/were not token driven and which required manual input.

Question 31: Please describe and explain the Error Matrix included at Schedule 4 to the Third Supplemental Agreement.

50. As I wasn't on the End to End Working Party, all that I feel able to comment on in relation to Schedule 4 is that these are references to the type of errors found at the TIP interface as examined by the Working Party.

Question 32: What was your understanding in January 2000 of the "defences" which had been implemented by ICL Pathway in order to address ongoing cash account discrepancies?

51. The term or word "defences" isn't something I recall being used during my work on these matters. The three defensive measures referred to at note no. 6 (page 24) of document FUJ00118186 relate to technical matters which I am unable to comment on.

Question 33: What did you understand the purpose and function of the "attribute checker" to be?

52. Again, this is not something that I recall being aware of at the time and the document doesn't help me to understand or recollect what the "attribute checker" was.

Question 34: What was your understanding in January 2000 as to the ability of the integrity control to detect all relevant data errors in Horizon?

53. As I have mentioned above and in my first statement, I do not remember being involved in January 2000, but I can only assume that all parties were satisfied that the data integrity control was capable by this stage of detecting all relevant data errors in Horizon.

Question 35: What did you understand ICL Pathway's obligation(s) to be in the event that it could not establish the root cause of a cash account imbalance and / or the appropriate corrective action to take to rectify the imbalance?

54. My understanding is that Pathway were responsible for issues/errors caused by their system and would therefore need to provide a fix for any issues which were attributable to them.

PLEASE CONSIDER FUJ00080690

Question 36: Were you shown a copy of this report at or around the time it was first produced in September 1998?

55. I do not recall seeing this document. The author names do not mean anything to me. This was a Pathway only report as far as I can see.

Question 37: Were you aware, at the time, of the concerns expressed by ICL Pathway developers within this report concerning the quality of the EPOSS application, code and design?

56. No.

Question 38: What (if any) impact would knowledge of these concerns have had upon your handling of Acceptance Incident 376 had you been aware of them at the time?

57. This report appears to contain concerns attributable to the authors regarding matters between August and September 1998. I feel that it is impossible for me to say, had I know about this, whether this would have had any bearing on the process of dealing with Acceptance Incident 376, which was of course being worked on constantly from the Summer of 1999 onwards.

PLEASE CONSIDER FUJ00079782.

Question 39: Were you shown a copy of this audit report at or around the time it was produced in October 1999?

58.No.

Question 40: Were you aware, at the time, of the concerns expressed by ICL Pathway auditors within this report concerning the quality of the EPOSS application, code and design?

59.No. I did not have any interaction with Pathway auditors.

Question 41: What (if any) impact would knowledge of these concerns have had upon your handling of Acceptance Incident 376 had you been aware of them at the time?

60.I did not receive this document but note that it does highlight a number of issues with the ICL Pathway system/code. As I do not have a technical/IT background it is difficult for me to comment on whether these issues, contained in a report which is a snapshot view from September 1999, are significant in terms of the subsequent Core System Release which took plan in January 2000. It is now 2023 and I feel that it is impossible for me to say, had I know about this over 23 years ago, whether this would have had any bearing on the process for resolving AI 376. It was Pathway and not POCL's responsibility to develop their system in accordance with the requirements of private finance.

Statement of Truth

I believe the content of this statement to be true.



GRO

Signed:

Dated: 12-1-23

Index to Second Witness Statement of Ruth Reid

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
<u>1</u>	POL00083922	Fax from Keith Baines to Jeff Triggs re Incident Reports (Horizon)	POL-0080906
<u>2</u>	FUJ00000485	Supplemental Agreement (POCL & ICL Pathway), Change Control Notice 550, 20 August 1999 re CSR Operational Trial Review Period	POINQ0006656F
<u>3</u>	POL00038332	PO: Additional End of Day Handout, v2	POL-0035267
<u>4</u>	POL00043711	Email from Altea Walker to Graeme Seedall and others, re agenda for 2 Sep acceptance workshop, with enclosures	POL-0040214
<u>5</u>	POL00028466	Acceptance Proposal for Acceptance Incident 376 - not passing records to TIP due to harvester exceptions caused by missing functions in counter code	POL-0024948
<u>6</u>	FUJ00118144	TIP Incident 376 Status Report 2/09/99	POINQ0124308F
<u>7</u>	FUJ00118146	AI 376 - TIP Incident Status Report 16/09/99	POINQ0124310F
<u>8</u>	FUJ00118147	AI 376 - TIP Incident Status Report 22/09/99	POINQ0124311F
<u>9</u>	FUJ00079176	Acceptance Workshop (7) - Action Points, 17 Sept 1999	POINQ0068764F
<u>10</u>	FUJ00118150	ICL Pathway Acceptance Resolution Plan Acceptance Incident 376 v0.9 dated 23/9/99	POINQ0124314F
<u>11</u>	POL00038907	Impact Programme - POL FS to SAPADS - Application Interface Specification (Issue No: 0.2)	POL-0035389
<u>12</u>	FUJ00079316	Agreement between POST OFFICE COUNTERS LTD and ICL PATHWAY LIMITED (Second Supplemental Agreement CCN)	POINQ0085487F
<u>13</u>	FUJ00118143	Emergency CCN 562 settling out new paragraph 3.6 to be	POINQ0124307F

		added to Schedule G1 to the Codified Agreement	
<u>14</u>	FUJ00118194	ICL Pathway Logical Design for EPOSS/TIP Reconciliation Controls v0.8 dated 22/12/99	POINQ0124358F
<u>15</u>	FUJ00118176	TIP Incident Table	POINQ0124340F
<u>16</u>	FUJ00118171	Post-Acceptance TIP Incident Status Report - 18/11/99	POINQ0124335F
<u>17</u>	POL00043723	Roll-out Decision - Demand Position Paper (undated)	POL-0040226
<u>18</u>	FUJ00118186	POCL and ICL Pathway 'Third Supplemental Agreement'	POINQ0124350F
<u>19</u>	FUJ00080690	Report on the EPOSS PinICL Task Force	POINQ0086861F
<u>20</u>	FUJ00079782	ICL Pathway CSR+ Development Audit v1	POINQ0085953F