

# Royal Mail Group

## Witness Statement

(CJ Act 1967, s9; MC Act 1980, ss  
5A(3)(a)  
and 5B, MC Rules 1981, r 70)

### Statement of Gareth Idris JENKINS

Age if under 18      Over 18      (If over 18 insert 'over 18')

This statement (consisting of 13) pages each signed by me) is true to the best of my knowledge and belief and I make it knowing that, if it is tendered in evidence, I shall be liable to prosecution if I have wilfully stated in it anything which I know to be false or do not believe true.

Dated 9th day of March 2010  
the

Signature

**GRO**

Further to my statements of 2nd February and 8th February 2010 I would like to add the following.

I have examined the 5th Interim Technical expert's report to the Court prepared by Charles Alastair McLachlan, a Director of Amsphere Consulting Ltd and have discussed some of the points raised directly with Mr McLachlan in telephone conversations of 12th February 2010 and 5th March 2010.

At paragraph 1.1 of this report Mr McLachlan has produced a table of his hypotheses and details of the conversation that we held. However, I have now had time to further assess this report and would like to add the

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following comments to some of Mr McLachlan's "hypotheses" and "implications of most recent information" which are reproduced in italics;

*Hypothesis -The User Interface gives rise to incorrect data entry: poor user experience design can give rise to poor data entry quality.*

*Implications of most recent information -Gareth Jenkins, in a telephone interview on 12th February 2010 confirmed the evidence in his witness statement dated 2nd February 2010 that use of the Fast Cash button could result in rejected card payment being treated as over the counter cash. Further, he said that there was a possibility that when the touch screen needed recalibrating a user could believe they had pressed one button while the system recorded the pressing of a different button (the call logs to Fujitsu identify that recalibration was necessary on more than one occasion).*

**I have now checked all cases of Rejected Card payments and they don't explain the discrepancies so this hypothesis is irrelevant.**

*Hypothesis - The User Interface gives rise to incorrect data entry: inadequately user experience testing can give rise to poor data entry quality.*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 confirmed the evidence in his witness statement dated 2nd February 2010 that use of the Fast Cash button could result in rejected card payment being*

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*treated as over the counter cash. In the absence of test information it has not been possible to determine whether other similar issues were identified during user experience testing.*

**I have now checked all cases of Rejected Card payments and they don't explain the discrepancies so this hypothesis is irrelevant.**

*Hypothesis - The User Interface gives rise to incorrect data entry: in cases that users are working under pressure the problems of data entry can be exacerbated.*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 confirmed the evidence in his witness statement dated 2nd February 2010 that use of the Fast Cash button could result in rejected card payment being treated as over the counter cash. The Post Office in the Midlands reports that the level of discrepancies appears to have increased as the level of card based transactions has increased.*

**I have now checked all cases of Rejected Card payments and they don't explain the discrepancies so this hypothesis is irrelevant.**

*Hypothesis - The User Interface gives rise to incorrect data entry: in cases that users are insufficiently trained the problems of data entry can be exacerbated.*

*Implications of most recent information - We have been provided with part of a guide that explains the process for manually dealing with a card payment that fails to be properly recorded*

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due to a system problem. It has not been possible to establish whether the training Seema Misra received ensured that she was competent to deal with this kind of problem.

### Unable to comment.

*Hypothesis - The User Interface gives rise to incorrect data entry: in cases that users are using a system presented in a language different from their first language the problems of data entry can be exacerbated.*

*Implications of most recent information - We have been provided with part of a guide that explains the process for manually dealing with a card payment that fails to be properly recorded due to a system problem. It has not been possible to establish whether the training Seema Misra received ensured that she was competent to deal with this kind of problem.*

### Unable to comment.

*Hypothesis - The Horizon System fails to properly process transactions.*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that the Horizon system managed by Fujitsu is only part of a much larger of integrated systems used by the Post Office to manage their counters business. In particular, SAP, a data warehouse and technology connecting to a merchant service provider for card payment services is involved. The scope of any systems audit will need to ensure that any issue relating to these other*

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*systems can be excluded.*

I don't see the relevance of such a statement to this observation. What happens in the Branch is recorded in the local branch logs and we now have these for the 13 moth period of Dec 06 to Dec 07. Clearly I cannot prove that nothing is missing from the logs, but there is no evidence to indicate any system faults that result in missing transactions. The back end systems are relevant to Post Office Ltd's overall accounting, but not to what is recorded and reported in the Branch accounts which is what is indicating the losses which the defendant is being accused of. I am not clear exactly what test scenarios are proposed. Given that the system has now moved on, there are no longer any test facilities for the system as it operated in 2006/2007.

*Hypothesis - The Horizon System fails to properly process transactions.*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that the Horizon system managed by Fujitsu is only part of a much larger of integrated systems used by the Post Office to manage their counters business. In particular, SAP, a data warehouse and technology connecting to a merchant service provider for card payment services is involved. The scope of the interviews will need to engage managers and technical experts so that any possible issues relating to these other systems can be understood.*

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*Hypothesis - The Horizon System fails to properly process transactions*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that the Horizon system managed by Fujitsu is only part of a much larger of integrated systems used by the Post Office to manage their counters business. In particular, SAP, a data warehouse and technology connecting to a merchant service provider for card payment services is involved. The scope of testing process will need to ensure that end to end testing across these other environments is possible if the problems cannot be reproduced in the Fujitsu environment alone.*

I don't see the relevance of such a statement to this observation. What happens in the Branch is recorded in the local branch logs and we now have these for the 13 moth period of Dec 06 to Dec 07. Clearly we can't prove that nothing is missing

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from the logs, but there is no evidence to indicate any system faults that result in missing transactions.

The back end systems are relevant to Post Office Ltd's overall accounting, but not to what is recorded and reported in the Branch accounts which is what is indicating the losses which the defendant is being accused of. I am not clear exactly what test scenarios are proposed. Given that the system has now moved on, there are no longer any test facilities for the system as it operated in 2006 2007.

*Hypothesis - Incorrect data entry is not resolved by sub post office reconciliation and relies on the consistent, accurate and timely resolution of discrepancies by the Post Office and operators of the Horizon system.*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that branch transaction logs are extremely detailed records of all branch actions as well as any branch system exceptions (e.g. network failure). They are routinely archived for 7 years and a Fujitsu employee is engaged full-time to provide recovery of logs from the archive in a routine batch process which, he said, has been forensically examined to demonstrate a full chain of evidence necessary for the logs to be used in court. In addition, he explained that software is provided by Fujitsu for converting the logs into a readily accessible spreadsheet format for system and accounting audit purposes.*

The logs are now available and I have started looking at them.

There are 431,490 transactions in the 13 month period.

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**Hypothesis** - The Horizon system does not appear to be a single monolithic mainframe based system with computer terminals with no independent processing capability: each of these components could give rise to faults that result in discrepancies.

*Implications of most recent information* - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that the Horizon system managed by Fujitsu is only part of a much larger set of integrated systems used by the Post Office to manage their counters business. In particular, SAP, a data warehouse and technology connecting to a merchant service provider for card payment services is involved. The scope of systems audit process will need to ensure that end to end audit of transaction records is conducted if the issue cannot be identified in the Fujitsu systems alone.

**The back end systems are irrelevant for problems in the branch accounts. The logs are now available**

*Hypothesis* - The end to end dialogue between the counter terminal, the card authorisation terminal, the network, the core Horizon system, the electronic funds transfer component, the authorising merchant service and the central post office branch accounting system is a long running transaction with multiple points of possible failure.

*Implications of most recent information* - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that the Horizon system managed by Fujitsu is only part of a much larger set of integrated systems used by the Post Office to manage

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*their counters business. In particular, SAP, a data warehouse and technology connecting to a merchant service provider for card payment services is involved. The scope of systems audit process will need to ensure that end to end audit of transaction records is conducted if the issue cannot be identified in the Fujitsu systems alone.*

**This is not relevant. The Branch accounts are based purely on whether the Branch thinks the Debit Card was authorized or not. Any subsequent failures are irrelevant to the branch accounts.**

*Hypothesis - Complex systems rarely have sufficient capability built in to deal with all possible failure points and discrepancies are very likely to arise which require manual intervention based on the reconciliation of paper and electronic logs at different points in the system.*

*Implications of most recent information - Gareth Jenkins, in a telephone interview on 12th February 2010 explained that the Horizon system managed by Fujitsu is only part of a much larger set of integrated systems used by the Post Office to manage their counters business. In particular, SAP, a data warehouse and technology connecting to a merchant service provider for card payment services is involved. The scope of the technical documentation will need to cover all of these systems.*

**This is not relevant. The Branch accounts are based purely on whether the Branch thinks the Debit Card was authorized or not. Any subsequent failures are irrelevant to the branch accounts.**

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In addition to responding to this report I have also obtained the transaction logs from 1st December 2006 to 31st December 2007 which amount to nearly half a million transactions (431,490 to be precise).

I have searched through the logs looking for all examples of Debit Card transactions which have not been successful, since this seems to be one of the defence's main attacks on the system.

There are 92 such failed transactions for a total value of £117,149.98. I've analysed all those with an individual value of more than £1,000 (leaving £6,113.55 worth that I've not analysed).

In all the cases I've analysed one of 3 things has happened:

1. The Customer session was then settled by a Cheque (and so the failure must have been noticed by the clerk)
2. The Customer session was abandoned (ie any goods were returned and the transactions cancelled and the only item from the session is the failed Debit Card payment).
3. The Customer session was settled to Cash (which could have been accidental). However, in all such cases the transaction was subsequently reversed resulting in the cash also being reversed.

There are business rules that control whether transactions can be cancelled or if they have to be committed and then reversed (which is the main difference between cases 2 and 3 above). I

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suspect (but cannot necessarily prove) that in case 2 the sessions were for purchase of Foreign Currency. In case 3 the sessions were all for purchase of Premium Bonds.

I think this refutes the assertion that failed Debit Card Payments are the cause of the losses.

Without a clear directive from the defence as to what specific transactions they say have caused errors on Horizon, I am unsure what further analysis to carry out. However, I have identified some possible areas to pursue:

I have looked at Pouch Reversals (where cash or currency is packed for despatch to Post Office® Ltd's Cash Centre) and the Pouch is subsequently Cancelled. This is a method by which cash losses can be partially hidden and was mentioned in the defendant's interviews. For December 2006 there were no such examples.

Each night there should be a Cash Declaration made for each Stock Unit in the Branch indicating the current cash in the till. It is also possible to look at all the cash movements for each Stock Unit by looking at the Cash transactions. I've tried to compare the Cash movements in terms of the Transactions and also in terms of differences in Declarations and there seems to be very little correlation indicating that the cash declarations are probably inaccurate

As part of the monthly Balancing process, special transactions are recorded to reflect Stock Adjustments and Discrepancies detected by the system as part of this process. These all result in the system assuming that Cash it put into (or removed)

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from the Till to reflect these Adjustments / Discrepancies.

I have been requested to comment on the issue raised by the defence in relation to a Post Office® called Callender Square, Falkirk that was mentioned at the Castleton Trial. I have examined our records and can confirm the following;

The problem occurred when transferring Cash or Stock between Stock Units. Note that West Byfleet Post Office® does operate multiple Stock Units so the issue could have occurred. It manifests itself by the Receiving Stock Unit not being able to "see" the Transfer made by the "sending" Stock Unit and is compounded by attempting to make a further transfer. Please note that such transactions usually reappear the next day. It is clearly visible to the User as a "Receipts and Payments mismatch" at the time that one of the Stock Units is Balanced. This usually results in the Branch raising a call. There are no such calls in Andy Dunks' Witness Statement of 29th January 2010 which summarises the calls raised by West Byfleet. Also this can be checked on any Balance Reports / or Branch Trading Statements that are available from the Branch which should show that Receipts and Payments do match and that the Trading Position is zero. The problem is also visible when looking at system events associated with the Branch. The System events from 30/06/2005 to 31/12/2009 for West Byfleet have been checked and no such events have been found. The problem was fixed in the S90 Release which went live in March 2006 and so would not have been relevant at the time of the detailed Transaction Logs obtained for West Byfleet between December 2006 and December 2007.

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Therefore I can conclude that the problems identified in Calendar Square, Falkirk are not relevant to West Byfleet Post Office.

On 2nd October 2009 I produced a report about Horizon Data integrity. Within this report are details about transactions (sometimes known as EPOSS transactions) and various scenarios that could occur following system failures. In rare circumstances it is possible for transactions to not be recorded on the local system but in all such cases the user would be aware of this. I produce this report as exhibit **GJ/01**.

As with any large system there will be occasional faults such as the one found in Callender Square, Falkirk. Any such faults, whether found during testing or from live user feedback would be investigated and resolved appropriately. I am not aware of any such faults that have been raised by West Byfleet Post Office®. If specific transactions can be identified where the user feels the system has caused losses then further investigation can be made.

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