

## POST OFFICE INTERNAL

**Chapter 07 - Performing a Cash Centre Audit**

<b>Title</b>	Audit Process Manual Volume 4
<b>Subject</b>	Chapter 07 - Performing a Cash Centre Audit
<b>Version Control</b>	V5
<b>Purpose</b>	Outlining the preparation, on site and post audit processes associated with the audit of accounts at Post Office® Cash Centres
<b>Audience</b>	Network Services Team
<b>Next Review date</b>	October 2016 for Stakeholder and Name Changes. Then Annual review July 2017

**Stakeholders**

<b>Stakeholders Name</b>	<b>Responsibility</b>
<b>Mark Ellis</b>	Head of Supply Chain POL
<b>Sandra Murray</b>	Operational Compliance Manager, Supply Chain
<b>Drew McBride</b>	Head of Network Services
<b>Jazz Chand</b>	National Cash Operations Manager
<b>Russell Hancock</b>	National Operations Manager

**Responsibilities in Change**

<b>Role</b>	<b>Job Title</b>	<b>Date</b>
<b>Author/Owner</b>	Field Team Leaders - Bob Collins. bob.collins@postoffice.co.uk <b>GRO</b>	26/08/16
<b>Assurance</b>	Field Support Change Advisor – Sandra McBride	26/08/16
<b>Authorised</b>	Network Support Project & Standards Manager – Sue Richardson	08/09/16
<b>Communication</b>	Field Support Change Advisor – Sandra McBride	08/09/16

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**Version control**

<b>Version No.</b>	<b>Reason for issue</b>	<b>Section No</b>	<b>Date of issue</b>
<b>Version 1.0</b>	Complete Audit Process Chapter Review PROJECT		12/08/11
<b>Version 2.0</b>	Annual Review. Changed Stakeholder names, 1.0, 1.1, 2.7 and 7.4. 2.8 is a new section. This reflects the nominee, and quite a lot around the Finance Manager section and Lead Auditor responsibility in proving the figures on the Trading Statement and actually being sent the TS in first place to print on site.	1.0, 1.1, 2.7, 2.8, 7.4	13/07/12
<b>Version 2.1</b>	Change to Stakeholders for 2013/14.	7.2 & 7.4	12/03/13
<b>Version 3.0</b>	Annual Review Change to Stakeholder Finance Manager Location New Cash Centre P32 Changes to Essentials Information Sheet	7.4 2.8  Manchester deleted	02/09/13
<b>Version 4.0</b>	Annual Review Additional wording around agreed program Change to Finance arrangements. Romec replaced with Grapevine Grapevine details inserted Updates to CC3, CC4 and CC13	1.0 1.3  1.4	05/01/15
<b>Version 4.1</b>	Annual review Change to Stakeholders and their Titles Small change to wording Font changed to Verdana – business standard	As above & 7.4 2.1	28/08/15
<b>Version 5</b>	Annual review Change of reference to Network Operations	All sections	26/08/16

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**SECTION 1 - PREPARATION OF ACTIVITIES**

As part of the audit plan and scheduling process to conduct cash centre audits, the Regional Managers will allocate a Network Operations Manager to organise the audit program for each financial year to incorporate all Cash Centre and Swindon Stores activity.

At the request of Stakeholders it is agreed that the program will consist of five audits per year with Swindon being audited once every other year. A selected cash centre will be audited consecutive with the previous year. Thus the element of surprise will be provided within each plan.

It is the responsibility of this designated Network Operations Manager to fully prepare the audit, lead the audit on site, report financial irregularities and subsequently complete the required post audit activity, including the audit report. Consideration should be given to any operational needs at individual cash centres, when planning the day of audit.

**1.1** At least 3 weeks prior to the audit identify the numbers of personnel required for the audit based on past activity information and location of any remote coin storage. Ensure appropriate personnel are available considering any leave or other activities already scheduled. Identify if any personnel require accommodation on the evening prior to the audit for an early start, and book accommodation as necessary.

**1.2** Check the Cash Centre profile details including the Cash Centre address and opening times. These can be found on the CC13 Cash Centre Essentials form. Two weeks before the audit, send a brief to all personnel involved (known throughout this brief as the Network Operations Team), which will include the date of audit, location, coverage, centre information, management details, domestics and directions. Also send a CC1 Cash Centre Resource Plan for Stage 1 and 2 outlining the stage 1 and 2 activities and the CC2 Terms of Reference for individual areas. Arrange a conference call with the network Operations Team to ensure all are aware of what is expected of them at the audit. There is a Pre Visit Conference Call Awareness document CC14

**1.3** One week before the audit prepare the CC3 Notification of Telephone Authorisation Call letter for Grapevine and the CC4 Notification of Asset Verification Audit, introductory letter to the Cash Centre Manager (see section 2.2). Prepare files for sectional leaders and ensure appropriate cash count forms are available (CC5-CC12). Obtain previous audit reports and review actions to ensure these areas are covered.

**1.4** On the day before the audit send an e-mail to Grapevine at [admin@GRO](#) attaching the CC3 Notification of Telephone Authorisation Call form. If confirmation of receipt is not received within 15 minutes, contact Grapevine on [GRO](#)

NB: Also confirm the auditing team are still available and that any accommodation is still booked. Ensure all those involved in the stage 1 entry have made the necessary travelling arrangements and they know the location of the Cash Centre.

**SECTION 2 – PERFORMING A CASH CENTRE AUDIT**

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The objective of the Cash Centre audit is to determine the value of cash on hand by completing the P32 document, and comparing this to the POLSAP system balance as at 12am the previous evening. This figure is then reconciled back to the last authorised Trading Statement on the previous Sunday evening by accounting for all movements since then until the time of the audit. It is also necessary to verify Bank Accounts, Suspense Accounts and other accounting information, as well as conformance to Security instructions.

**2.1** Gain entry to the Cash Centre to be audited. The personnel involved in Stage 1 entry should include the Network Operations Manager, the person completing the P32 and at least 2 other members to ensure there is no movement of Cash or changes to accounting information. The team should meet away from the site and then progress to the cash Centre in time to observe the opening team from the Cash Centre performing its Security checks prior to entry (some units are open 24 hours a day).

When the Security checks have been completed and observed (comments to be recorded as part of the audit on the Control Test Report) the network operations Manager and one other person should ask for entry via the communication system. Cash Centre personnel should exit the cash centre to verify the identities of the Network Operations Team. This is carried out by confirming the list of attendees with appropriate ID cards and obtaining confirmation of attendance via Grapevine. These procedures are outlined in the Cash Centre Procedures Manual. The Cash Centre personnel should be advised that they should not access cash, or the POLSAP system until the Field Support Team have gained access and given authority to do so. If the Cash Centre personnel refuse to allow entry to the premises, explain that the network Operations Team have the right to verify Post Office Ltd assets and that they will need them to notify the Centre Manager that the Network Operations Team are in attendance and would like to gain access to the site. Remind the cash centre personnel that movement of cash and accessing the POLSAP system is not permitted until the Cash Centre Manager has been made aware of the presence of the audit team and given a decision on admittance.

If entry is still refused then the Head of Supply Chain PO Ltd, Head of Network Operations and Head of Security are to be informed and the audit re-arranged. NB It may be advisable to have the relevant names and numbers to hand before conducting the audit

**2.2** Before the audit commences, the Network Operations Manager should make their introductions to the Shift Manager and discuss the audit process, ensuring that the audit requirements are made clear and that the Manager is also aware of his/her responsibilities. The discussion will include:

- The need to identify and produce all cash at the outset of the audit. (It is important that the location of all cash is identifiable by the network Operations Team, especially if outside the vaults).
- The manager in control of the cash centre must provide an individual to ensure all staff are notified on first entry, that they must not access the cash until authority is given by the Lead Auditor.
- Gaining information on starting times of Cash Processors to calculate how soon their cash holdings can be counted and when we expect they will be able to start work on business as usual processing
- The importance of Cash Centre staff witnessing the check of cash
- The need to have access to a network link to enable appropriate POLSAP reports to be printed off.
- Facilities for Network Operations Team (e.g. working area, toilets)



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- The secure accommodation for laptop cases, equipment, handbags
- Request a copy of the most recent Centre H&S inspection report

When the Centre Manager (or Manager in Charge) arrives then introductions need to be made again and the Manager presented with the introductory letter CC4 and a copy of the CC3. A close of audit meeting should be arranged at which action points can be agreed and the Manager be given the opportunity to comment on any findings.

**Please note:** - This list is not meant to be definitive, the discussion may be extended but the above should be included as a minimum.

**2.3** Access to all cash should be restricted until it is checked and released by the Network Operations Manager.

**2.4** Maintain a log of each area counted and the Network Operations Advisor who performed the count. Each Field Advisor should count and record all the cash and coin on hand using forms CC7, CC8 or CC9, (there are notes to accompany see CC8a, CC8b, CC9a, CC9b CC10) in the presence of the stockholder and the forms returned to the person completing the P32. These details should be entered on to the P32 to determine the total cash on hand. Verify each bin balance / compare the cash figure to that on the P32. Calculate any variances. Any errors must be investigated and identified to the Shift Manager or their representative, who must be given the opportunity to check and agree any discrepancies.

**Please note:** - Where a discrepancy is highlighted, the Shift Manager and/or the bin owner should verify the findings and sign the cash sheet to confirm that the figures to be used as part of the audit are correct. A discrepancies form (CC6) should be used for all discrepancies over £20.

**2.5** Count and verify foreign currency holdings (using CC11) and confirm the sterling equivalent declared on POLSAP. Verify all currencies on hand to the bureau stock bin balance. The sterling held in the bureau stock should be counted as part of the check of cash on hand. Any errors in foreign currency holdings should be brought to the attention of the shift manager, who must then be given the opportunity to check and agree the discrepancies. The errors must also be corrected in the bureau bin balance on POLSAP at the time of the audit. Totals from currencies verified should be documented for later inclusion in the P32. Upon correcting the errors, the revised sterling equivalent figure should be used in the P32.

**2.6** Each member of the Network Operations Team should complete a CC12 Cash Centre Working Paper advising the network Operations Manager on the work area they have checked, the results of the cash verification. Any other observations that they deem relevant can also be done on this paper.

**2.7** Determine whether there are any outstanding transaction corrections (TCs) and if so, ask the Finance Manager (based off site with the exception of Manchester, Belfast and Hemel B de C) of his / her intentions to process the TCs.

**2.8** It is the responsibility of the Lead Auditor to request Trading Statements and check the validity of all entries on the Trading Statements from the Finance Manager based at Bark Street, Bolton (Belfast for Glasgow) with the exception of Hemel B de C Cash Centre who retain their own Finance Department.

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**SECTION 3 – GUIDELINES FOR COMPLETION OF THE AUDIT OF ACCOUNTS (P32)**

The P32 is an Excel spreadsheet, with interlinked sheets, it accumulates all data counted by area and denomination, to arrive at a comprehensive document, recording all value items in the Cash Centre that have been counted.

**3.1** The standard audit working papers must be fully completed in ink and signed by the completing network Operations Team members. The completed sheets should be returned to the person completing the P32 as soon as possible. All the data obtained and documented, as part of the audit process, can now be input to the P32 worksheet to determine the current cash holding position.

**Please note:** - The entries on all working papers must be legible with any alterations initialled by the correcting person.

**SECTION 4 – REPORTING IRREGULARITIES AND DISCREPANCIES**

**4.1** It may be necessary to contact the Investigation Team and the Security Manager for Supply Chain to report findings, errors, discrepancies or admissions. This should be done at the earliest opportunity to allow discussions to take place and decisions to be made whilst the network Operations Manager is still on site, ensuring that the matter is dealt with quickly and efficiently. NB. It may be advisable to have the relevant names and numbers to hand before conducting the audit.

**4.2** The Cash Centre Manager must be contacted in the following circumstances, where:

- There is an unexplained discrepancy in excess of £500
- There are any irregular or suspicious circumstances
- There is a personal cheque on hand
- Credit sales are operated
- There is an admission of misuse of Post Office Ltd funds or fraudulent activity
- The Operations Manager refuses to allow access to the cash
- Cash on hand has been inflated or an amount of cash is produced after the audit has commenced
- Transaction corrections have not been actioned to the expected timescales
- There are discrepancies found in on-site verifications (remittances, suspense accounts etc.)
- If the Field Team Leader has any other concerns or is unsure

This list is not meant to be exhaustive as there will always be circumstances that arise that won't be covered by any list no matter how long. Regardless of the circumstances, if there is any doubt or concerns, contact the Cash Centre Manager.

**4.3** The following information may be required for onward cascade.  
The:

- date of the incident
- time of the incident
- name of the Cash Centre
- Site code of the Cash Centre
- address of the Cash Centre inc. Postcode
- telephone number of the Cash Centre

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- Cash Centre Manager's name
- Network Operations Manager's name
- Name of Network Operations Advisor revealing findings
- amount of the discrepancy (current branch trading position)
- amounts that make up the suspense account
- way in which the discrepancy was discovered
- location of the assets
- name of the Investigation Team Manager dealing or their deputy

**4.4** Once a call is received to report a discrepancy or irregularity from the Field Support Team member on site the Network Operations Manager will take the following action:

- Where the amount is greater than £25K, the network Operations Manager will relay the relevant details to the Head of Network Operations

**SECTION 5- PERFORMING COMPLIANCE CHECKS**

Internal control relates to the whole system of controls and co-ordinated measures designed to safeguard the assets and to maintain accurate and reliable records. The importance of internal control to the Network Operations Manager arises from the need to be certain that information produced is soundly based and possibilities of deliberate or accidental errors are reduced. Internal audit's primary function is therefore to appraise the effectiveness of internal control by confirming compliance with documented business process and procedures.

**5.1** The concept of compliance auditing is based on the assumption that the laid down mandatory business procedures or regulatory controls are in operation. Compliance audit tests are designed to test that controls are operating as intended, by checking evidence of adherence to the approved systems.

**5.2** The Network Operation Manager's role in compliance auditing is to undertake sufficient testing to be able to confirm, with reasonable assurance that controls, that should be present in a system are being deployed. Whilst the Network Operations Manager has the responsibility for ensuring the tests take place to the documented standards, the task can be completed by another, who should fully inform the Field Team Leader of the test results prior to the closing meeting.

**5.3** The Cash Centre Test Report should be completed during the audits of Cash Centres; all the following tests should be completed at all centres:

- 1 - Opening procedures for cash centre staff
- 2 - Access to site for Field Support Team
- 3 - General security observations
- 4 - System access / reports / probity
- 5 - Notes sorting facility verification
- 6 - Notes vault verification
- 7 - Coin Cashier
- 8 - Processing area 100
- 9 - Bank of England Bond
- 10 - Audit of accounts

For satellite Coin Centres only the following tests need to undertaken:

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- 1 - Opening procedures for cash centre Staff
- 2 - Access to site for Field Support team
- 3 - General Security observations
- 7 - Coin Cashier

**5.4** The record and results of each test should be documented on the standard working paper – Cash Centre Control Test Report. Details and results of each test performed should be recorded against the appropriate question under the Findings heading. The person completing the test should sign in the completed column.

**5.5** The person completing the test should print their name and the date on the Cash Centre Control Test Report. If the test is completed by another other than the Field Team Leader then the Field Team Leader should also record their name and the date on the Cash Centre Control Test Report

**5.6** Extended tests - In normal circumstances, tests based on the suggested minimum sampling levels will provide sufficient evidence upon which to base conclusions. The level of sampling may be extended in certain circumstances and at the Network Operations Team Member's discretion, depending on the significance of findings and materiality of control gaps identified. Sufficient evidence should always be obtained to enable appropriate action to be taken to close the control gaps. If weaknesses are revealed in a small sample (e.g. one or two week's records) examine a further period to establish the extent of any concern.

**5.7** Aborted tests - If tests are aborted the reason for not performing the test should be recorded.

**5.8** Conclusions - A summary and evaluation of findings for each area tested and reviewed should be recorded: -

- Detail control gaps and strengths found;
- Evaluate the significance of non-compliance with key controls; outline corrective action required

## **SECTION 6 – CLOSE OF AUDIT MEETING**

**6.1** Once the audit tests have been completed, the audit findings will need to be discussed with the Cash Centre Manager. The following guidelines should be followed:

- The closing meeting should already have been discussed and planned with the Cash Centre Manager as part of the introductions when meeting the Cash Centre Manager at the outset of the audit
- The meeting should be conducted in private whenever possible as some of the points for discussion may be sensitive
- The Network Operations Manager should be familiar with all the findings of each test completed
- When talking through the findings it is important to discuss them in a balanced way and be able to qualify exactly what is meant. The reason for any actions should be made clear. The consequences and impact of non-compliance should be communicated and the benefits of compliance hi-lighted. It is useful to point out where the correct procedure is documented and the importance of adherence to it.
- The Network Operations Manager should look to influence the Cash Centre Manager whenever possible by selling the benefits of conformance and the impacts of non-conformance –



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including providing a copy of an action plan so that they know what to expect.

- All the Cash Centre Manager's comments or requests should be documented and incorporated into the management summary section of the audit report
- Allow the Cash Centre Manager time for questions.
- Following the closing meeting a customer satisfaction feedback form should be left with the Cash Centre Manager – again try to influence them to complete the form and outline the benefits to him/her e.g. possible improvements to auditing etc.

**SECTION 7 – AUDIT REPORTING**

**7.1** Following an audit two reports will be completed.

**7.2** The first report should be a detailed account of events and findings and must be completed and shared with the Cash Centre Manager, the Operational Compliance Manager (Supply Chain), and the Head of Network Services (Drew McBride) within one week. The control gaps found at the audit should be reported in the action plan in the audit report. It is also important to detail, within the management summary section, all the areas covered as part of the audit, and where non-conformance was identified.

**7.3** Within one week of receipt the Cash Centre Manager should confirm and agree the report by e mail to the Lead Auditor.

**7.4** The Lead Auditor will then complete a 2 page hi-level report and despatch to the following:

- |   |               |
|---|---------------|
| • Cash Centre Manager                           | .....         |
| • Head of Supply Chain PO Ltd                   | Mark Ellis    |
| • Head of Network Services Team                 | Drew McBride  |
| • Operational Compliance Manager – Supply Chain | Sandra Murray |
| • National Cash Operations Manager              | Jazz Chand    |
| • National Operations Manager                   | Paul McDonald |

This report must include:

- The overall risk rating
- The financial result
- Any significant security or compliance failures

**7.5** In both reports an indication should be made in the report of the level of assurance that can be given.

**7.6** Upon completion the reports should be e mailed to Sandra McBride, Field Change Advisor for secure retention.

**Please note the report is an important output of an audit and as such it is vitally important that it is well written, balanced and clearly documents the audit findings**