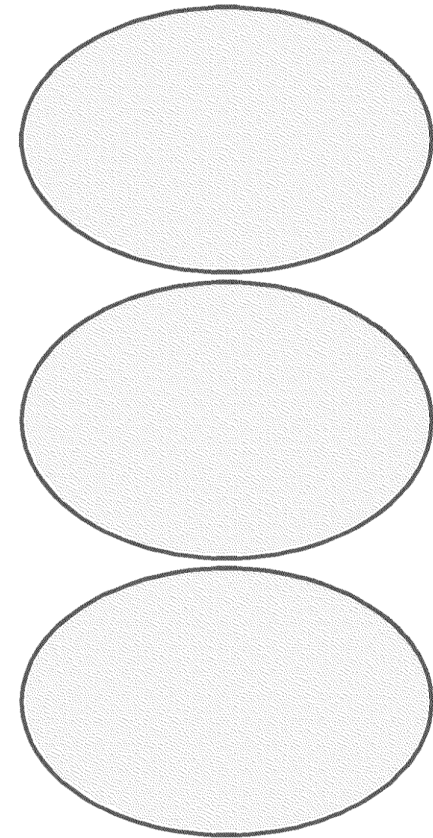




# Post Office Limited

Process documentation

Agent Debt





## Agent Debt

# Contents

1. Background.....	3
1.2 Systems.....	4
1.3 Key contacts.....	4
2. Policy .....	4
3. Documentation Governance.....	4
4. Key to process flow .....	4
5. Abbreviations .....	5
6. Process flow .....	6
6.1 Current agent.....	7
6.2 Former agent.....	12
6.3 Disputed balance.....	16
6.4 Agent surplus.....	20
6.5 Loan to POL.....	24
6.6 Fraud investigation / branch audit process .....	28
6.7 Agent debt reporting.....	34
6.8 APPENDICES.....	36

<b>APPROVED BY:</b>	Alison Bolsover and John Breeden	Process Owners
	Dawn Phillips, Dawn Wall and Keith Bridges	Control owners



# 1. Background

This document provides a summary of the end to end Agent Debt process and relevant controls at Post Office Limited ('POL'). For all sub processes noted below, underlying processes and controls have been documented. Note, the process resulting in the creation of agent debt balances has not been covered within this document, as this falls within the remit of the Transaction Correction process flow – please see this for further details. This document therefore looks at Agent Debt from the inception to recovery (or legal action) phase.

**The Agent Debt process includes the following sub-processes:**

Branch Corrections Products (Sub-Processes)	
6.1	Current agent
6.2	Former agent
6.3	Disputed balance
6.4	Agent surplus
6.5	Loan to POL
6.6	Fraud investigation
6.7	Reporting

All processes above relate to Post Office Limited (company number 1000)

**Each of the sub-processes is supported by:**

- **Flow chart** - This outlines the end-to-end flow of transactions, the process and control steps within the process.
- **Narrative** - Details the flow chart and allows the reader to better understand the who, how, why, what and when of the process.
- **Risk and Controls Matrix** – A tracker collating all the main risks and controls identified through the process mapping exercise.
- **Remediation tracker** – A collation of the control gaps identified and remediation plans.



## 1.2 Systems

**Key systems** used in the Record to Report process are:

- **POLSAP** is a SAP-based bespoke front end financial accounting system that maintains transactional data for Post Office Limited.
- **CFS** is a SAP-based reporting tool that allows Post Office Limited to carry out Management Reporting and Financial Reporting

### Other Systems

- **Credence** – Software used by the branch network to measure and manage transaction information.
- **Horizon** – Software used by the branch network to account for branch transactions.
- **Microsoft Office** – Office suite (Microsoft Excel) is used to maintain reconciliations and calculations.

## 1.3 Key contacts

**Alison Bolsover** – FSC Debt Recovery Manager, Process Sponsor

**Dawn Phillips / Dawn Wall** – Agent debt team leaders, Process Owner

**Danielle Goddard** – Financial Accounting and Governance Manager







## 2. Policy

Please refer to POL GAAP on intranet.

## 3. Documentation Governance

Insert link to governance of documentation. – TBC by POL

## 4. Key to process flow

Flowchart Symbol	Description	Flowchart Symbol	Description
	Process		Off-page Connector
	Decision Point		On-page Connector
	System/Database		Controls



Agent Debt

## 5. Abbreviations

Abbrevi	Description
POL	Post Office Limited
GL	General Ledger
CFS	Core Finance System
MDT	Master Data Team
FSC	Finance Service Centre
TC	Transactional Correction
HR	Human Resources
AAT	Agent Accounting Team
FAAT	Former Agent Accounting Team
SPMR	Post Master / Agent
FSPM	Former Agent
LT	Legal Team
ACDMS	Agent Contracts Deployment Manager South
HAC	Head of Agency Contracts
CA	Contract Advisors
NSAT	Network Support Admin Team
FT	Fraud Team
AT	Audit Team
BS	Balance Sheet
PL	Profit and Loss



## 6. Process flow

The process flow documents the GL accounts primarily impacted by each element of the agent debt monitoring and recovery process. It is worth noting that agent debt balances often arise as a result of errors in branch and therefore the process is inherently linked with the Transaction Correction (TC) process. In order to avoid repetition, where there is a clear link with the TC process a reference is made and the process is not documented in detail. In these instances please review the TC process flow diagrams for details on how these are processed and the related controls in place. Agent debt can also arise due to central costs and invoices being allocated to the agent, however for the purposes of this process flow this has not been documented given these are simple underlying transactions.

Note there is a probity reconciliation process covering all balance sheet accounts. This is documented in detail within the TC process flow. Responsibilities of balance sheet reconciliations and analytics are spread across various teams within the FSC. Every product is associated with a GL account or range of GL accounts and at Month End these are subject to Probity Reconciliation which are reviewed by team lead and operation managers to ensure accuracy. Completeness is ensured via the Record to Report team who as per closing timetable ensure all GL accounts have been reconciled and sample check a set of accounts each month.

The agent debt process has been split into a few key areas, however there is interaction across each:

**6.1 Current agent** – documents the process undertaken to monitor and recover debt for current agents.

**6.2 Former agent** – documents the process undertaken to monitor and recover debt from former agents, as identified by the Agent Accounting Team.

**6.3 Disputed balance** – documents the dispute process that can occur at any point in 6.1 as instigated by the agent.

**6.4 Agent surplus** – documents the process undertaken to monitor and reimburse surpluses associated with agents.

**6.5 Loan to POL** – documents the process of monitoring and investigating unapproved loans from POL to Postmaster.

**6.6 Fraud investigation** – documents the process undertaken by the internal audit / fraud team where agents are investigated.

**6.7 Agent debt reporting** – documents the process and interaction between teams regarding reporting around agent debt balances.



## 6.1 Current agent

### Background

Process covers debt owed by current agents from the initial identification through to collection of balance. Agent debt builds up during a month and the monitoring begins the following month. The process from initial monitoring through to collection should take a maximum of 35 days in the case of full settlement, but can extend for a significantly longer period where a payment plan is put in place.

Branches are split into 4 categories – A, B, C and D. The below process outlines that of branches in the A category, however for B, C and D the same process is followed at 1 week intervals i.e. the process begins 1 week later for B, 2 weeks later for C and 3 weeks later for D.

### POLSAP GL codes:

- 539590 – weekly build-up of agent debt, swept into 539591 monthly through the branch monthly close down process (mandatory process).
- 539591 – built up agent debt balance, used for monitoring

### CFS GL codes:

- 13160
- 13000 – agent accounts

**Glossary of Control Owners**

Job Title	Control Owner
Debt recovery manager	Alison Bolsover
AAT team leader	Dawn Phillips









Agent Debt

## 6.1.2 Current agent – process narrative

### Activity: Current Agent

#### Chronological steps in the process:

1. Agent incurs debt (deficit in branch, central invoices or choose to settle credits centrally) and choose to settle at the end of the day, in horizon, via either:
  - a) make good cash / cheque (required for all debt < £150 – horizon driven option)
  - b) settle centrally
2. If debt isn't settled, recorded in 539590.
3. Balances swept from 539590 into 539591 on a monthly basis (part of branch close down process)
4. Balances selected as "settle centrally" in horizon are swept into customer account codes in CFS (13000 codes)
5. POLSAP account 539591 is mirrored in CFS within the customer account codes (13000 codes)
6. First Monday of the month, Agent Accounting Team (AAT) run "Dunning Run 1" report from CFS for A branches.
7. Identify "former agents" and flag to the Former Agent Accounting Team (FAAT).
8. Identify branches with debt < £2. Complete a "write off" form, process write off and retain documentation.
9. Identify multiple partner branches. Send monthly statement to the partners requesting payment.
10. Identify other current agents (new multiple partner branches, singletons, operator self-funded). Send "Dunning Letter 1" requesting settlement of debt within 7 days.
11. Second Tuesday of the month, ADT run "Dunning Run 2" report from CFS for A branches.
12. Identify other current agents. Send "Dunning Letter 2" requesting settlement of debt within 7 days.
13. Third Wednesday of the month, ADT run "Worklist" report from CFS for A branches.
14. AAT team call the SPMR (number of attempted calls dependent on size of debt) to request payment.
15. Debt not settled, AAT assess the debt against SPMR monthly remuneration and calculate time period to repay using 25% of monthly remuneration as a basis.
16. Case passed to contract advisor if agent currently on or has had a payment plan in the last 12 months (manual check) or has directly refused to settle the debt.
17. Obtain approval for payment plan based on the payment plan approval matrix.
18. Contact SPMR to advise of payment plan put in place – mail merge letter sent.
19. Spreadsheet completed by AAT and sent to HR to setup payment / payment plan.



## Agent Debt

### 6.1.3 Current agent – Risk & Controls

#### Risk & Control: Current Agent

**Control(s):** AD1a

**Risk:** Agent debt is not monitored resulting in irrecoverable balances and potentially fraudulent transactions not being investigated.

**Control objective:** To ensure agent debt is monitored on a regular basis.

**Frequency:** Monthly

**Control owner:** FSC team leader (Dawn Phillips)

**Control description:** All branches are subject to monthly review of agent debt by the FSC. On a monthly basis the Agent Accounting Team (AAT) run a “Dunning” report from CFS to identify agent debt balances. All balances > £2 are followed up with the agent through issuance of a “dunning letter”. This process is repeated after 7 days for 2 consecutive weeks, following which the debt collection process is started for outstanding balances i.e. payment plan or deduction from agent remuneration. Copies of dunning letters and dunning report analysis are retained.

**Control(s):** AD1b

**Risk:** Agent debt is not monitored resulting in irrecoverable balances and potentially fraudulent transactions not being investigated.

**Control objective:** To ensure agent debt is monitored on a regular basis.

**Frequency:** Monthly

**Control owner:** FSC team leader (Dawn Phillips)

**Control description:** On a monthly basis a “customer line report” is run by the Agent Accounting Team (AAT). The report is reviewed for agent debt balances > 35 days for which a “dunning” letter has not been issued and therefore the debt recovery process started. All instances are appropriately investigated and followed up by the AAT with documentation of investigation retained.

**Control(s):** AD1c

**Risk:** Agent debt becomes irrecoverable and potentially fraudulent transactions are not investigated.

**Control objective:** To ensure agent debt payment plans are appropriately reviewed and authorised

**Frequency:** Monthly

**Control owner:** FSC team leader (Dawn Phillips)

**Control description:** Prior to an agent debt payment plan being implemented the Agent Accounting Team (AAT) obtain signed approval in line with the payment plan approval matrix:

- Payment plan < 12 months = AAT administrator
- Payment plan > 12 months and < 24 months = Dawn Phillips
- Payment plan > 24 months = Alison Bdsover
- Payment plan > 36 months = Contract Advisor



## Agent Debt

Where a payment plan already exists for the agent, or a payment plan has been in place within the previous 12 months for the agent, additional approval is required from the Contract Advisor, in order to mitigate the potential fraud risk. Evidence of approval is retained.

**Control(s):** AD1d

**Risk:** Agent debt becomes irrecoverable and potentially fraudulent transactions are not investigated.

**Control objective:** To ensure agent debt is monitored on a regular basis.

**Frequency:** Weekly

**Control owner:** FSC team leader (Dawn Phillips)

**Control description:** A CFS "customer account" report is run on a weekly basis by the Agent Accounting Team (AAT). Comparison is made between the level of agent debt per this report and the monthly agent remuneration (as provided by HR). Items which breach either of the following are flagged to the Legal Team for further investigation and fraud analysis:

- agent isn't on a payment plan and the agent debt will take > 12 months to pay based on repayments of maximum 25% of remuneration
- current payment plan exceeds 25% of monthly remuneration

**Control(s):** C4.9.a.2 & C4.9.a.3

**Risk:** Balance sheet accounts are not reviewed resulting in error and misstatement or fraud

**Control objective:** To ensure that all BS accounts are reconciled and analysed and have evidence of balance justification

**Frequency:** Monthly

**Control owner:** FSC Operations Manager(s)

**Control description:** "All BS accounts within FSC area are reconciled at month end by the relevant Admin team members. Any open items are explained/ annotated by the Admin team member and the reconciliation is sent to respective FSC Team Managers for review and approval. The FSC Team Manager(s) follows up any unreconciled/unexplained items with the respective Admin team member and once satisfied the reconciliation is approved (signed and dated as evidence) and forwarded to the FSC Operations Manager for final review and approval. The FSC Operations Manager reviews and queries where applicable with the FSC Team Manager(s) and sends/signs as evidence of final approval. The reconciliation(s) with approvals and any supporting documentation is dated, signed/printed and filed on SharePoint."

**Control(s):** C4.9.a.11-16 (same control, however assigned to 6 different Team Managers)

**Risk:** Workload and peaks are not monitored resulting in build-up of back log.

**Control objective:** To ensure there are frequent monitoring of the teams workload and any necessary actions are taken pro-actively.

**Frequency:** Monthly

**Control owner:** FSC team leader(s)

**Control description:** "The FSC Team Manager monitors on a weekly basis their team's workload and escalates areas of concern with their reporting line. Issues affecting the team's ability to process workloads are flagged by the FSC Team Manager and discussed in the weekly FSC Team Leader meeting. On a monthly basis the FSC Team Manager signs, dates and retains the "weekly Stats" as evidence."



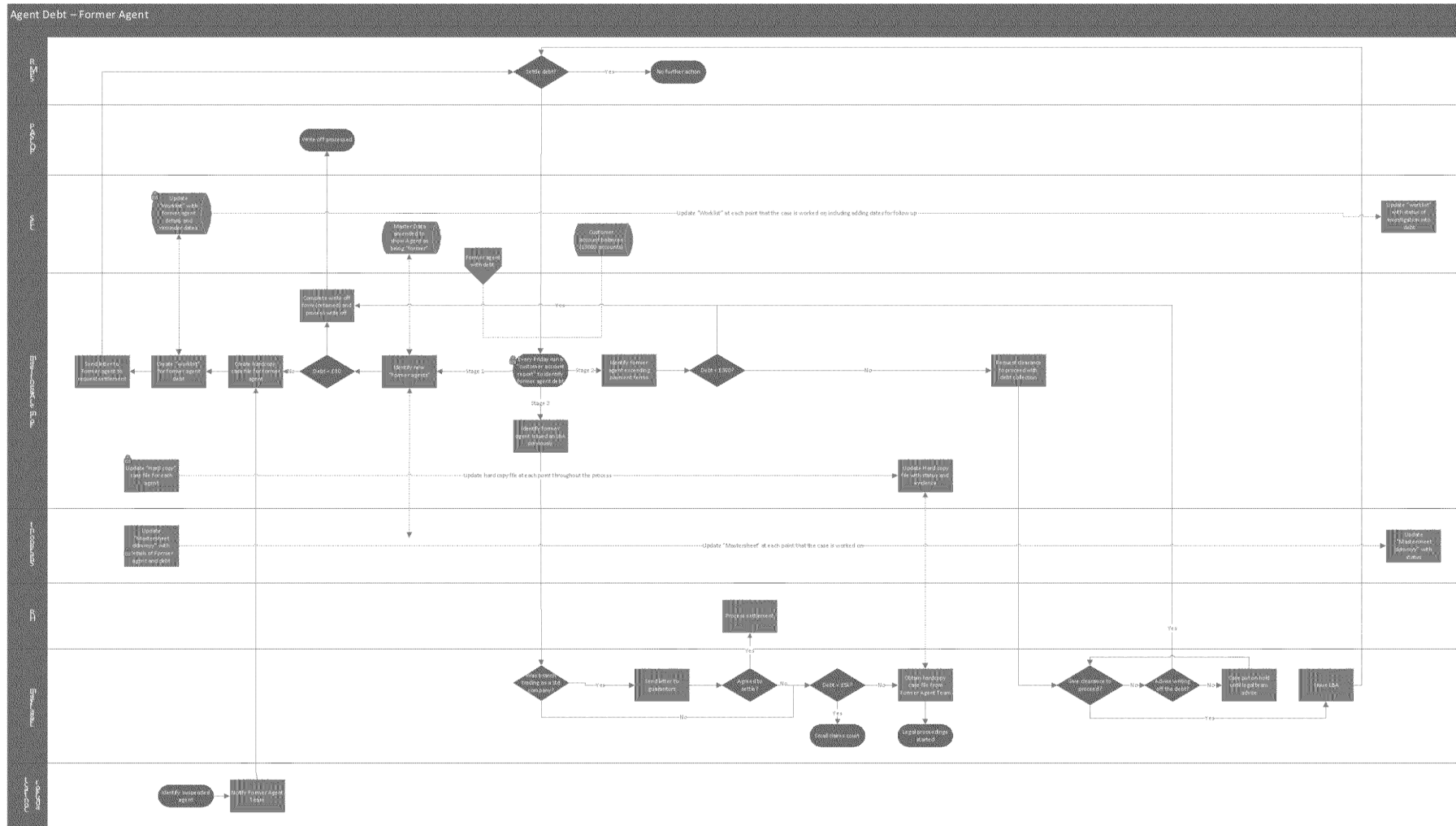
## 6.2 Former agent

### Background

Process covers debt owed by former agents from the initial identification through to collection of balance. Agents are identified as being former agents based on the type of agent they are registered as on the system. Master data controls are therefore key to the identification elements of this process (not documented within this process – see IT / Masterdata process flows). The process can be lengthy (potentially years) and therefore monitoring of the ongoing cases and maintaining robust documentation is key to success in the process.

**Glossary of Control Owners**

Job Title	Control Owner
Debt recovery manager	Alison Bolsover
FAAT team leader	Dawn Wall





## 6.2.2 Former agent – Process Narrative

### Activity: Former Agents

#### Chronological steps in the process:

1. Masterdata updated to change the agent “type” on the system from current agent (AGUN) to former agent (FSPM).
2. Every Friday the Former Agent Accounting Team (FAAT) run a “customer account” report from CFS, compare this to the manual spreadsheet maintained in SharePoint and identify all FSPM’s.
3. Identify agents that have become former within the week (compared against prior week’s spreadsheet):
  - a) Where debt < £50, complete a write off form and complete write off in CFS. Case closed.
  - b) Other balances, setup a hardcopy case file for FSPM, setup a case within the CFS worklist for FSPM(flagging the resubmission date required) and send letter to FSPM requesting payment (within 21 days).
4. Identify former agents who have exceeded payment terms (flags on CFS worklist) (step 3b):
  - a) Where debt < £300, complete a write off form and complete write off in CFS. Case closed.
  - b) Debt > £300, flag to legal team (LT) who issue an LBA and then decide whether to progress the debt recovery:
    - i) No – advise FAAT who complete a write off form and complete write off in CFS. Case closed.
    - ii) Yes – LBA letter issued by LT to FSPM. FAAT update resubmission date in CFS.
5. Identify former agents who have been sent LBA’s previously (step 4a ii)
  - a) Identify if branch was trading as a limited company:
    - i) No and debt < £5k – LT to take case to small claims court.
    - ii) No and debt > £5k – LT to start legal proceedings.
    - iii) Yes – send letter to guarantors requesting payment.
    - iv) Yes and no response from guarantors – SCLT to take case to small claims court (< £5k) or start legal proceedings (>£5k)
  - b) LT advise FAAT of status. CFS updated to reflect workflow.





## 6.2.3 Former agent – Risk & Controls

### Risk & Control: Former Agent

**Control(s):** AD2a

**Risk:** Former agent debt is not monitored resulting in irrecoverable balances.

**Control objective:** To ensure former agent debt is monitored on a regular basis.

**Frequency:** Weekly

**Control owner:** FSC team leader (Dawn Wall)

**Control description:** On a weekly basis the Former Agent Accounting Team (FAAT) run a worklist report from CFS to identify all debt associated with former agents. This is compared to the maintained "mastersheet" (control AD2b) and the case followed up appropriately.

**Control(s):** AD2b

**Risk:** Former agent debt is not monitored resulting in irrecoverable balances.

**Control objective:** To ensure former agent debt is monitored on a regular basis.

**Frequency:** As required

**Control owner:** FSC team leader (Dawn Wall)

**Control description:** A spreadsheet ("Mastersheet ddmmy") is maintained within SharePoint which includes status details for all open cases in relation to former agent debt. The spreadsheet is updated at each point that the case is worked on by the Former Agent Accounting Team (FAAT) and is used to monitor workload. Workflow is driven by the worklist maintained with CFS which is updated in line with the SharePoint document. User access restrictions are in place on the SharePoint spreadsheet.

**Control(s):** AD2c

**Risk:** Former agent debt is not monitored resulting in irrecoverable balances.

**Control objective:** To ensure former agent debt is monitored on a regular basis.

**Frequency:** As required

**Control owner:** FSC team leader (Dawn Wall)

**Control description:** A hardcopy case file is maintained for all former agent debt balances. This forms the basis of any legal proceedings that maybe required. The file is updated at each point that the case is worked on by the Agent Debt Team and is retained until the point of final settlement by the former agent.





## 6.3 Disputed balance

### Background

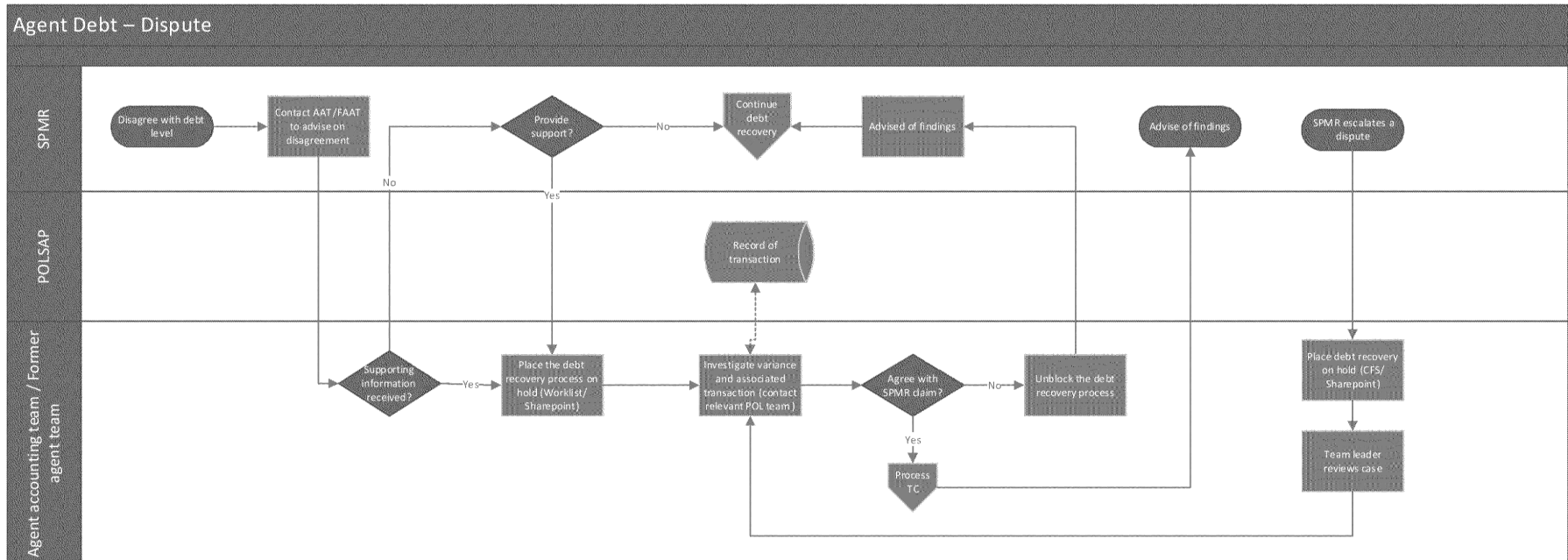
At any point in the agent debt process (6.1 and 6.2 above) the agent (or former agent) can dispute the debt balance. The process can result in no changes to the case, such as when there is no evidence to the agent's claims / queries, or it may result in a transaction correction and subsequent change in the balance requested from the agent. There is no specific timeframe for completion, with cases taking as long as required to resolve. Debt collection is halted whilst disputes are being investigated.

Glossary of Control Owners	
Job Title	Control Owner
Debt recovery manager	Alison Bolsover
AAT Team leader	Dawn Phillips
FAAT Team leader	Dawn Wall



## Agent Debt

### 6.3.1 Disputed balance – Process Flow





Agent Debt

## 6.3.2 Disputed balance – Process Narrative

### Activity: Disputed balance

#### Chronological steps in the process:

1. Agent/Former Agent contacts AAT/FAAT with a query over the debt balance – sent via letter with supporting information.
2. AAT/FAAT request support from the SPMR (if not provided with initial query).
3. AAT/FAAT place the debt collection process on hold.
4. Agent doesn't provide support – "hold" removed and case continues
5. Agent provides support – AAT/FAAT investigate claim
6. AAT/FAAT agree with claim – process TC, continue with case if balance remains or end case if no balance remaining.
7. Contact SPMR to advise of the findings.
8. SPMR wishes to escalate the query.
9. Team leader reviews the case to assess if further amendments needed.
10. AAT/FAAT agree with claim – process TC, continue with case if balance remains or end case if no balance remaining.



## Agent Debt

### 6.3.3 Disputed balance – Risk & Controls

#### Risk & Control: Disputed balance

**Control(s):** AD3a

**Risk:** Agent debt balance is incorrect and not investigated.

**Control objective:** To ensure agent enquiries are reviewed and approved.

**Frequency:** As needed

**Control owner:** FSC Operations Manager (Dawn Phillips / Dawn Wall)

**Control description:** Where an agent / former agent wishes to dispute a debt balance the query is investigated. Where the query is escalated by the agent, the case is formally reviewed and approved by the agent debt team leader. Documentation is retained to support the review process (documentation mirrors the form of communication by branch, therefore phone calls are not recorded).

**Control(s):** C4.9.a.2 & C4.9.a.3

**Risk:** Balance sheet accounts are not reviewed resulting in error and misstatement or fraud

**Control objective:** To ensure that all BS accounts are reconciled and analysed and have evidence of balance justification

**Frequency:** Monthly

**Control owner:** FSC Operations Manager(s)

**Control description:** "All BS accounts within FSC area are reconciled at month end by the relevant Admin team members. Any open items are explained / annotated by the Admin team member and the reconciliation is sent to respective FSC Team Managers for review and approval. The FSC Team Manager(s) follows up any unreconciled/unexplained items with the respective Admin team member and once satisfied the reconciliation is approved (signed and dated as evidence) and forwarded to the FSC Operations Manager for final review and approval. The FSC Operations Manager reviews and queries where applicable with the FSC Team Manager(s) and sends/signs as evidence of final approval. The reconciliation(s) with approvals and any supporting documentation is dated, stored/printed and filed on SharePoint."

**Control(s):** C4.9.a.11-16 (same control, however assigned to 6 different Team Managers)

**Risk:** Workload and peaks are not monitored resulting in build-up of back log.

**Control objective:** To ensure there are frequent monitoring of the teams workload and any necessary actions are taken proactively.

**Frequency:** Monthly

**Control owner:** FSC team leader(s)

**Control description:** "The FSC Team Manager monitors on a weekly basis their team's workload and escalates areas of concern with their reporting line. Issues affecting the team's ability to process workloads are flagged by the FSC Team Manager and discussed in the weekly FSC Team Leader meeting. On a monthly basis the FSC Team Manager signs, dates and retains the "weekly Stats" as evidence."



## 6.4 Agent surplus

### Background

Agent accounts can be in a deficit position (agent debt) or a surplus position. A surplus is where the branch have excess funds and assuming no subsequent transaction correction is received or a deficit is offset by surplus then the funds should become the property of the SPMR. The SPMR may choose to accept these funds or decline them, with the latter resulting in a creditor on POL BS.

### POLSAP GL codes:

- 539590 – weekly build-up of agent debt, swept into 529591 weekly.
- 539591 – built up agent debt
- 626210 – surplus balances not reimbursed to SPMR

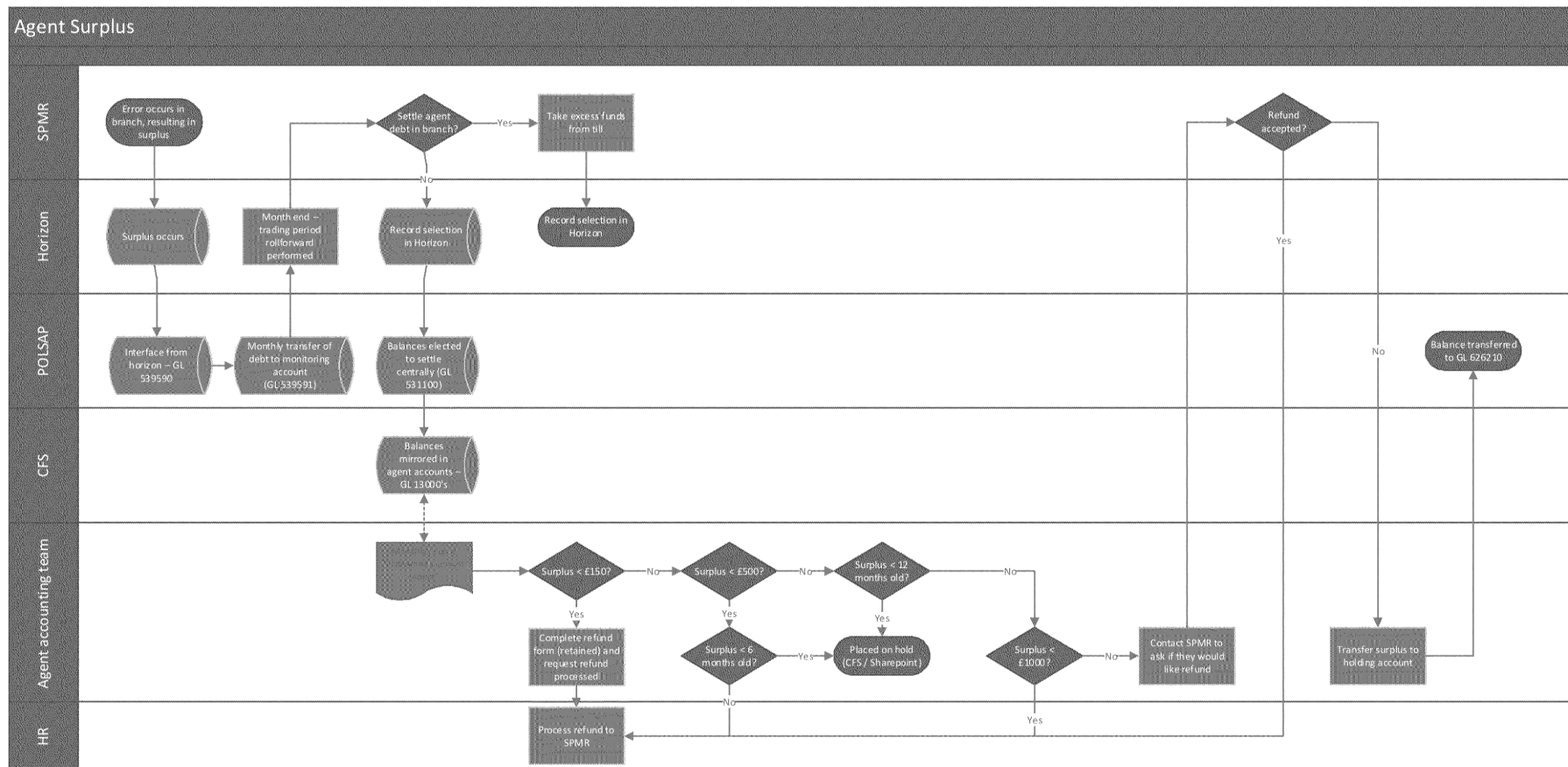
### Glossary of Control Owners

Job Title	Control Owner
Debt recovery manager	Alison Bolsover
AAT team leader	Dawn Phillips



## Agent Debt

### 6.4.1 Agent surplus – Process Flow







## 6.4.2 Agent surplus – Process Narrative

### Activity: Agent surplus

#### Chronological steps in the process:

1. Horizon records surplus within 539590. SPMR choose to settle at the end of the day, in horizon, via either:
  - a) take the surplus cash from system and retain it – end of process
  - b) settle centrally
2. Balances swept from 539590 into 539591 on a monthly basis (part of branch close down process)
3. Balances selected as “settle centrally” in horizon are swept into customer account codes in CFS (13000)
4. POLSAP account 539591 is mirrored in CFS within customer accounts
5. Once a month AAT run a “customer account” report in CFS and identify accounts in surplus:
  - a) Surplus < £150, refunded to SPMR by AAT.
  - b) Surplus > £150 and < £500, balance is held on the account for 6 months prior to refund by AAT (on the basis that a TC / other correction will filter through to resolve the surplus in this period).
  - c) Surplus > £500 and < £1000, balance retained for 12 months before refund issued.
  - d) Surplus > £1000, balance retained for 12 months then SPMR contacted to ask if they want refund. If they don't, balance transferred to 626210 and held for 5 years prior to release.





## Agent Debt

### 6.4.3 Agent surplus – Risk & Controls

#### Risk & Control: Agent surplus

**Control(s):** AD4a

**Risk:** Agent surplus refunded prematurely resulting in agent debt

**Control objective:** To ensure surplus' refunded after appropriate time period

**Frequency:** Monthly

**Control owner:** FSC Team Leader (Dawn Phillips)

**Control description:** Once a month the Agent Accounting Team (AAT) review the agent debt balances for "surplus" balances. Where identified, age and value are used to identify the action to perform:

- Surplus < £150, refunded to agent by ATT.
- Surplus > £150 and < £500, balance held for 6 months then refunded to agent by AAT.
- Surplus > £500 and < £1000, balance retained for 12 months then refunded to agent by AAT.
- Surplus > £1000, balance retained for 12 months then agent contacted regarding refund. For refunds not accepted by agent the balance should be transferred to GL 626210 for monitoring.

**Control(s):** AD4b

**Risk:** Agent surplus retained / released over incorrect term

**Control objective:** To ensure branch surpluses are separately identifiable and held for a reasonable period of time to allow customers to query

**Frequency:** Monthly

**Control owner:** FSC Team Leader (Dawn Phillips)

**Control description:** When a branch surplus becomes aged in excess of 12 months, branches are contacted to ask if they would like a refund. Where a refund is declined by branch, the surplus should be transferred to GL 626210 where it is to be retained for 5 years prior to release to PL.

**Control(s):** AD4c

**Risk:** Agent surplus retained / released over incorrect term

**Control objective:** To ensure branch surpluses are separately identifiable and held for a reasonable period of time to allow customers to query

**Frequency:** Quarterly

**Control owner:** FSC Team Leader (Dawn Phillips)

**Control description:** Quarterly review performed on GL 626210 to identify agent debt surplus balances in excess of 6 years (since surplus occurred) Quarterly release of balance is processed.



Agent Debt

## 6.5 Loan to POL

### Background

When a branch runs short on cash the SPMR can choose to top up the cash supplies from their own funds. They record this within the loan account which allows the FSC to monitor the loan balances.

### POLSAP GL codes:

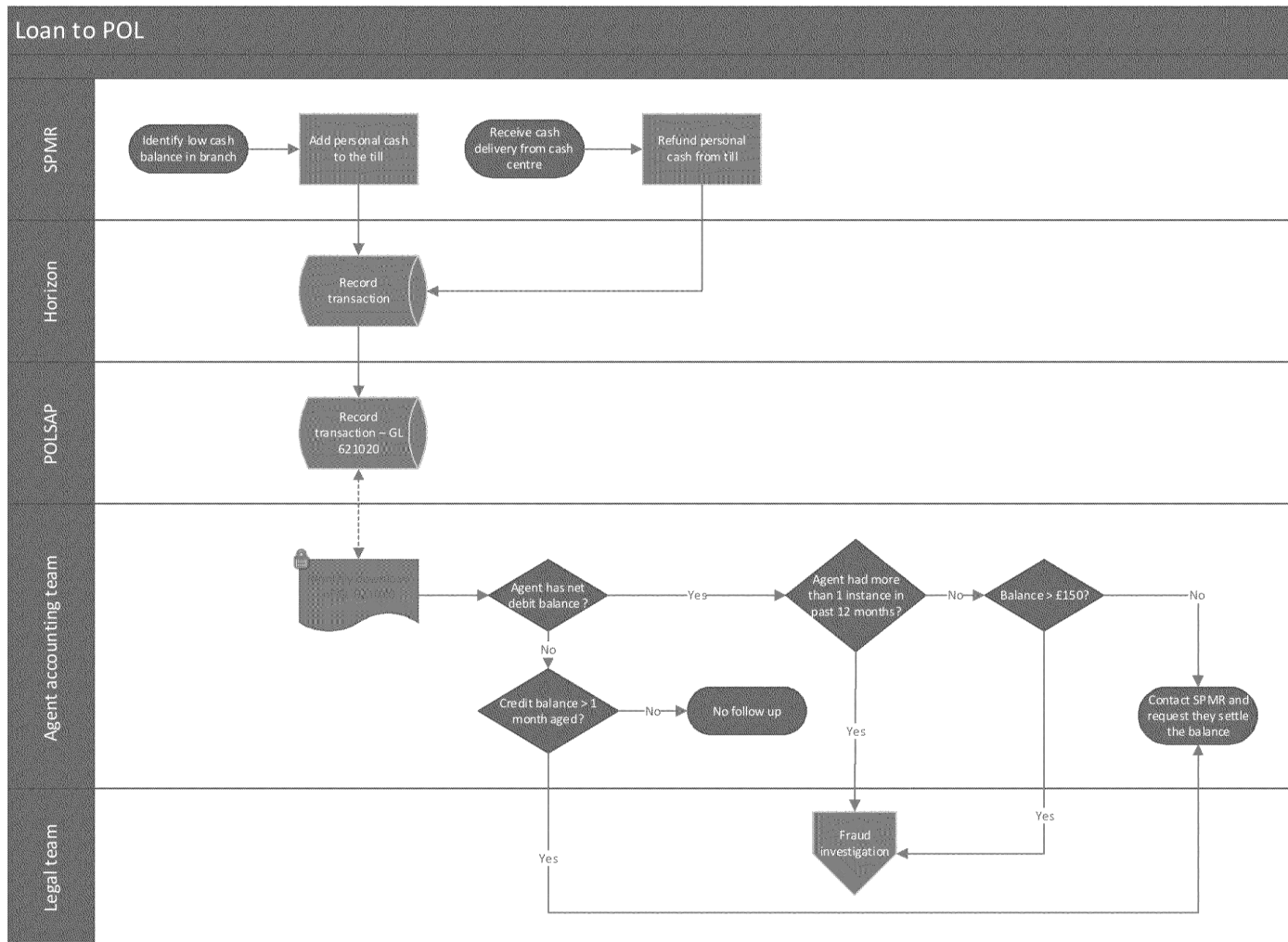
- 621020 – Loans to POL

Glossary of Control Owners	
Job Title	Control Owner
Debt recovery manager	Alison Bolsover
AAT team leader	Dawn Phillips



## Agent Debt

### 6.5.1 Loan to POL – Process Flow





Agent Debt

## 6.5.2 Loan to POL – Process Narrative

### Activity: Loan to POL

#### Chronological steps in the process:

1. SPMR identifies shortfall in branch cash.
2. SPMR loans cash to the branch and records this within GL 621020 (Dr Cash, Cr Loan to POL).
3. Cash remittance received from cash centre
4. SPMR takes funds from cash remittance and records within GL 621020 (Cr Cash, Dr Loan to POL).
5. Monthly basis, AAT run a report of GL 62102 to identify net debit balance.
6. Where account has been in net debit position more than once in 12 months– contact Legal team to investigate potential fraud.
7. Other instances > 1 month old - contact SPMR to discuss balance and request account settled up.



Agent Debt

### 6.5.3 Loan to POL – Risk & Controls

**Risk & Control: Agent surplus****Control(s):** AD5a**Risk:** Fraudulent borrowing by postmaster**Control objective:** To monitor loan account balances and identify potentially fraudulent actions**Frequency:** Monthly**Control owner:** FSC Team Leader (Dawn Phillips)

**Control description:** On a monthly basis a GL transaction list (GL 621020) is downloaded and reviewed. Where branches do not have a nil postmaster loan balance, investigation occurs. A debit balance would indicate the postmaster is borrowing POL funds, in which case follow up occurs and is documented. Where the postmaster is noted as being on the list more than once in 12 months it is flagged to the fraud team for review. Where the balance is a net credit balance this indicates the post master hasn't taken back their loan balance from the latest cash remittance from cash centre. Where the balance is more than 1 month aged this is investigated. Documentation of the review and appropriate commentary is retained.



## 6.6 Fraud investigation / branch audit process

### Background

The Fraud Analysis Team (FT) perform continual analysis relating to branches in order to identify branches requiring audit. Where these are identified Network Support Admin Team (NSAT) arrange for the audits to be undertaken, in order to identify if there are any discrepancies in the financials within branch.

Any discrepancies over the agreed threshold are reported initially to the Contract Advisor (CA) and when a final audit figure is known over the agreed threshold the CA will discuss the case with the Agent Contracts Deployment Manager South (ACDMS) or Head of Agency Contracts Deployment (HAC) and make a decision on whether to suspend the Postmaster or not.

ACDMS/HAC monitor and track discrepancies identified through the process and work closely with the CA to identify follow up action (non-suspension cases only) for branches and with the FSC regarding debt collection and monitoring. HAC reports directly to the Ops Board via the Ops Board pack each period regarding debt identified at suspension and non-suspension cases along with the amount recovered. This section includes details on the end to end process for the fraud investigation / branch audit process, the possible resulting action following an audit loss and the interaction between various teams and processes.

### POLSAP GL codes:

- 539590 – weekly build-up of agent debt, swept into 539591 monthly through the branch monthly close down process (mandatory process).
- 539591 – built up agent debt balance, used for monitoring

### Glossary of Control Owners

Job Title	Control Owner
Agent Contracts Deployment Manager South	Keith Bridges
Head of Agency Contracts Deployment	John Breeden







## 6.6.2 Fraud investigation / branch audit – Process Narrative

### Activity: Fraud investigation / branch audit

#### Chronological steps in the process:

1. Fraud analysis team (FT) determine branches requiring an audit. Determined via use of a fraud risk model, considering factors such as cash and stock anomalies, agent debt > 3 times annual salary (note audit is not rotational, selection based on risk model).
2. On a Friday, the Network Support Admin Team (NSAT) and FT inform the Head of Agency Contracts Deployment (HAC), Agent Contracts Deployment Manager South (ACDMS) and Contract Advisors (CA) of the branches to be audited the following week. The notification is via an email list.
3. Audit team (AT) visit the branch and complete an audit.
4. If financial loss noted > £1k then audit team contact Contract Advisor (CA) regarding Tier 2 audit requirement (will be a “yes” response based on value)
  - i) Further audit work performed in branch in line with Tier 2 as required
5. AT advise CA of results of audit. CA gathers information on the case and discusses with HAC or ACDMS who decide if the Postmaster is to be suspended or not (a proforma is signed off to support the decision to suspend or not suspend). Decision informed on a number of factors which include:
  - i) Fraudulent activity suspected, e.g. borrowing POL funds
  - ii) Whether debt can be explained
  - iii) If any mitigation is offered
  - iv) Level of risk involved – will intervention activity address the issues identified
  - v) Whether the debt can be repaid or not

#### ***Non suspension (e.g. risk is deemed acceptable and Postmaster agrees to repay):***

6. CA advise branch that debt requires settlement
7. Branch decision on settlement method made same day:
  - i) settle in branch in full – no impact on financials and therefore no impact on FSC;
  - ii) settle in branch in part, remainder settled centrally – FSC impacted as balance “settled centrally” on horizon;
  - iii) setup payment plan – FSC impacted as balance “settled centrally” on horizon;
  - iv) settle in full via deduction from agent remuneration – FSC impacted as balance “settled centrally” on horizon.
8. AT produce an “event capture form” which is emailed to 1) contract advisor, 2) relationship manager, 3) GRO 4) GRO 5) GRO 6) John Breeden / Keith Bridges, 7) Dawn Wall (FAAT team leader). Form includes details of how discrepancy settled (in branch, cheque, via FSC).
9. HAC or ACDMS maintain their central tracker regarding status of non-suspension and suspension cases.



## Agent Debt

10. On a weekly basis an email is sent to the FSC identifying agents where payment plan setup or settlement should have occurred. This is then updated for relevant payment plans or settlements by the FSC and then returned. Contract advisers then follow up accordingly with the agents.

### ***Suspension:***

11. Following point 5, the HAC or ACDMS make the decision as to whether an agent should be suspended(evidenced via signoff on agent suspension proforma).
12. CA notifies branch of suspension, same day.
13. Branch asked if debt can be repaid - unlikely to repay and therefore debt “settled centrally” and therefore appears within financials for FSC
14. Email sent by CA to all key stakeholders (including FSC Agent Debt team leaders and Alison Bolsover) to advise of suspension. Email includes date of suspension, debt value identified in audit (this may move at a later date when all TC’s etc are settled) and details of the fraudulent activity.
15. Agent accounting team send letter to suspended agent requesting payment (see Former agent process).
16. CA then begins the formal conduct process and will request repayment of the debt.
17. Where the CA is contacted by suspended agent to make a payment towards debt, the central tracker(held by GAC and ACDMS) is updated in respect of total debt.
18. Where the FSC is contacted to make a payment towards debt the CA is not updated (Note CA does not have access to POLSAP/CFS). Therefore on a weekly basis (every Monday) the FSC email a list of all payments received the previous week, in relation to newly suspended agents, to the HAC and ACDMS (included in the same report as point 10). Update is provided monthly for previously suspended agents.



Agent Debt

### 6.6.3 Fraud investigation / branch audit – Risk & Controls

#### Risk & Control: Fraud investigation / branch audit

**Control(s):** AD6a

**Risk:** Suspension and non-suspension cases are inaccurately reported within the rolling monthly reporting pack

**Control objective:** Monitor and maintain status tracker of branch audits

**Frequency:** As needed

**Control owner:** Agent Contracts Deployment Manager South (Keith Bridges)

**Control description:** A tracker is maintained in excel by the Agents Contracts Deployment Manager and Head of Agency Contracts. The workbook is updated as needed to reflect the status of all ongoing suspension and non-suspension cases.

**Control(s):** AD6b

**Risk:** Key stakeholders are not notified of branch audit outcomes

**Control objective:** Monitor branch audits and ensure event capture forms are issued to relevant parties

**Frequency:** As needed

**Control owner:** Lesley McNally

**Control description:** A standardised event capture form is completed for all branch audits. The event capture forms are circulated to all key stakeholders on the same day as the audit outlining the results of the audit. Key stakeholders to be notified include, but are not limited to the relevant contract advisor, Agents Contracts Deployment Manager, Head of Agency Contracts and the Agent Accounting Team within the FSC.

**Control(s):** AD6c

**Risk:** Branch audit outcomes are not settled in a timely manner

**Control objective:** Ensure branch audit outcomes are processed timely

**Frequency:** Weekly

**Control owner:** Agent Contracts Deployment Manager South (Keith Bridges)

**Control description:** After period end, by working day 2, a report of all ongoing suspension and non-suspension cases is sent to the agent accounting team. The report contains branch name, branch code, branch type, debt value and recovered value (split to show the amount settled centrally). The agent accounting team input details of all payments received in the month in relation to each case and check the total debt recovery figures. By working day 4 the report is returned to the Head of Agency Contracts Deployment and Agent Contracts Deployment Manager South for incorporation into the monthly rolling reporting.

**Control(s):** AD6d

**Risk:** Branch audit outcomes are not settled in a timely manner

**Control objective:** Ensure branch audit outcomes are processed timely



## Agent Debt

**Frequency:** Weekly

**Control owner:** Agent Contracts Deployment Manager South (Keith Bridges)

**Control description:** Debt settlement for non-suspension audits are confirmed within 5 working days of the audit occurring. On a weekly basis a report is sent to the agent accounting team listing all recent suspension and non-suspension cases for which information is required regarding debt settlements– those to be settled centrally and where payment plan is to be setup. The report is updated and returned to the Head of Agency Contracts Deployment and Agent Contracts Deployment Manager South. The report is then used to identify branches whereby settlement or payment plan setup hasn't occurred and the relevant contract advisor is advised and follow up with the agent occurs.

**Control(s):** AD6e

**Risk:** Agent suspensions occur without appropriate consultation

**Control objective:** Ensure appropriate authorisation prior to suspension

**Frequency:** As required

**Control owner:** Agent Contracts Deployment Manager South (Keith Bridges)

**Control description:** Where the audit team and contract advisors identify a branch may require suspension or non-suspension, a "suspension proforma" is completed and authorisation obtained, from either the Agents Contracts Deployment Manager or Head of Agency Contracts, prior to notifying the branch. A copy of the authorised suspension proforma is retained on the agents file.

**Control(s):** AD6f

**Risk:** Monthly reporting of agent debt is incomplete or inaccurate

**Control objective:** Ensure reporting is complete and accurate

**Frequency:** Monthly

**Control owner:** Agent Contracts Deployment Manager South (Keith Bridges)

**Control description:** By working day 5 after period end, the Agents Contracts Deployment Manager or Head of Agency Contracts circulates their monthly agent's debt reporting to the agent accounting team (FSC) for review. By working day 6 following period end all parties should hold a discussion regarding the report and reconciliation of the reported figures to those per the general ledger as maintained by the FSC. All key figures, including suspensions and non-suspensions, gross loss (financial and product) and recoveries, should be discussed and agreed between parties. Agreement of balances should occur and be evidenced via email confirmation prior to the reporting being submitted.



## 6.7 Agent debt reporting

### Background

For the purposes of this section, reporting relates to the interaction between the agent debt and agent deployment teams in order to monitor and maintain accurate reporting for current and former agent debt. Reporting requirements are also documented, including details of how the reports are pulled together. Process flows and risks have not been documented for this section, instead this has been presented in written format.

### Review

Reporting requirements / process:

- AAT/FAAT:
  - Monthly reporting pack created by Dawn Wall and Dawn Phillips.
  - Standard format, rolled forward monthly.
  - Reports the total agent debt figures, split by type (former, current) and includes ageing profiles.
  - Figures pulled directly from CFS “customer account report” and then split into relevant ageing categories and types, therefore agrees through to the GL (Risk A)
  - Only manual figures included are those representing “former agent, still in ledger as current” – reclassification between current and former:
    - Figures pulled from CFS as being agents with an “F block” on CFS. “F block” indicates a dunning block as the agent is being investigated / suspended.
    - Suspension report received from audit team identifying those agents that are suspended (Risk B).
  - Risks and controls
    - A – **Risk:** GL does not reflect all known factors impacting the agent debt balance. **Control:** Report is pulled directly from CFS and tied back to CFS to ensure complete.
    - B – **Risk:** Agent debt provision is understated due to all suspended agents not being identified and provided for. **Control:** see control AD6f – monthly agreement of figures between agent accounting team and contract deployment team
- Agent deployment team:
  - Monthly Rolling Ops Board Pack is completed by John Breeden and Keith Bridges.



## Agent Debt

- Report the “audit loss declared” and the “recoveries” figure separately, however these figures include those recovered on the day of the audit in branch. This results in a mismatch with the FSC report as recovery in branch doesn’t flow into the accounts and therefore doesn’t feature as a debt or recovery in the financials (Risk B)
- Risks and controls
  - A – **Risk:** GL does not reflect all known factors impacting the agent debt balance. **Control:** Report is pulled directly from CFS and tied back to CFS to ensure complete.
  - B - **Risk:** Agent debt provision is understated due to all suspended agents not being identified and provided for. **Control:** see control AD6f – monthly agreement of figures between agent accounting team and contract deployment team

Glossary of individuals involved	
Job Title	Control Owner
Agent Contracts Deployment Manager South	Keith Bridges
Head of Agency Contracts Deployment	John Breeden
AAT Team leader	Dawn Phillips
FAAT Team leader	Dawn Wall





Agent Debt

## 6.8 APPENDICES

### Overview

#### **Appendix 1:** GL accounts and write off policy

A list of the GL accounts impacted by the Agent Debt process. Contains brief descriptions and an overview of the related write off policy.





Agent Debt

## 6.22.1 Appendix 1 - GL accounts and write off policy

System	GL Account	Overview	Write off policy
POLSAP	539590	On a daily basis, branches declare a surplus or deficit as a result of mis-keys and other errors. This code is used to track the surplus or deficit arising. When a deficit arises the branch can choose to rectify the issue in branch by topping up the cash from their own funds, effectively making good the error. TC's can also be issued where it is a known error, therefore correcting the issue. The remaining balance is a net surplus or deficit. The account is swept into 539591 on a monthly basis and should therefore always be nil at period end.	N/A – should be nil at period end.
POLSAP	539591	Balances are swept into this account at month end from 539590. The branch then chooses to settle surplus / deficit locally or centrally. If locally this should then be cleared down and if centrally it is transferred to 559552. Balances in this account represent errors in branch when rolling forward the month end.	Balances should be corrected within a few weeks of month end. Only write off that should occur is to former agent balances where the debt recover case has been closed. Other open items relate to historic branch roll forward issues (Fujitsu now perform roll forward for the branch) – these should be cleared down / corrected.
POLSAP	626210	Holding account for branch surplus balances. Balances are transferred into here at the point where: <ul style="list-style-type: none"> <li>- Branch state they do not want the refund</li> <li>- Balance becomes 12 months old within code 529591 and is &gt; £1000</li> </ul>	Balances are written off when they become aged 5 years within this account (6 years in total). It is deemed that the surplus will not be reclaimed after such a period of time and therefore a release is deemed reasonable.
POLSAP	621020	Holding account for balances loaned to POL from SPMR. Cr balance represents a loan from SPMR to branch. Dr balance represents a loan balance from branch to SPMR.	Potential policy: <ul style="list-style-type: none"> <li>- Cr balance and current agent – no write off</li> <li>- Cr balance and former agent – write off after 12 months</li> <li>- Dr balance – no write off</li> </ul>
POLSAP	559552	Intersystem control account. When agent debt is settled in Horizon it is recorded in this account. This balance interfaces with CFS (13160) netting off the customer account balances and effectively transferring the balance to CFS. There should be no aged items as balances that don't match between POLSAP and CFS will remain in 531100.	N/A as no aged items – just an interface account.