

## POST OFFICE INTERNAL

<b>Title</b>	Audit Process Manual
<b>Subject</b>	Chapter 3 – Performing a Branch Audit
<b>Version Control</b>	6.0
<b>Purpose</b>	Outline responsibilities and process to perform an audit in all branches.
<b>Audience</b>	Network Services Field Team
<b>Next Review date</b>	March 2017

**Stakeholders**

<b>Stakeholders Name</b>	<b>Responsibility</b>
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**Responsibilities in change**

<b>Role</b>	<b>Job Title(s)</b>	<b>Date</b>
Author	Field Team Leaders – Linda McLaughlin & Alicia Hassam	26/05/16
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**Version control**

<b>Version No.</b>	<b>Reason for issue</b>	<b>Section No.</b>	<b>Date</b>
3.0	Annual Review	ALL	08/03/13
3.1	Additional paragraph inserted regarding the closing meeting. Also regarding contact from the Branch Standards Team.	12.1	22/05/13
3.1	Sentence deleted, also new sentence added regarding checking all Main Stock. New heading added regarding Crown Losses/Notify Security regardless of amount.	Appendix A	22/05/13
3.1	Name change from Paul Kellet to Louise Wilkins. Also instruction removed regarding sending cash to Chesterfield and advised to send to local cash centre instead.	Appendix E	22/05/13
3.2	Name Change MVL contact Stakeholder name change and title Appendix I added P&BA and Product and Branch Accounting replaced with Finance Service Centre Security Operations Manual updated to July 2013 9.2 Additional contacts added in the event of irregularity All page numbers corrected on Index page	Appendix H  Appendix I  ALL Page 3 Page 16 Page 2	02/09/13 02/09/13 02/09/13 02/09/13 02/09/13 02/09/13
3.3	List of things to carry DG Laminate added Inland & International	Page 5	31/01/14
4.0	Annual Review	ALL	19/06/14

APM Chapter3 - Performing a Branch Audit – v6.0May 2016

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5.0	Annual Review	ALL	06/03/15
5.1	Retailer Self-Funded/ Name change for Chesterfield Contact	Appendix E	18/05/15
5.1	Appendix I added (Audit Tips)	Appendix I	18/05/15
5.2	6.8 & 13.2 - Information added regarding Timescales for FAT & CAT to be submitted. 6.7 removed as the FAT & CAT no longer need to be named (as sent automatically) and the Guide to Sending Reports has been made obsolete.	Page 8 & 18 Page 8	08/07/15
5.3	Additional Information added regarding stock keys at Crown Office Audits	Appendix A	13/07/15
5.4	Information regarding the CAT and correct audit code use when completing PTV	Section 11	28/09/15
5.5	Information regarding discrepancy in Travellers Cheques at Crown Branches	Appendix A	24/10/15
	Name Changes for Crown Managers	Appendix A	24/10/15
	Instruction added if branch has rolled to a new TP and Cash in Pouches unable to be reversed	Appendix D	24/10/15
5.6	Additional information added regarding keeping ATM in service while the PO is closed.	Appendix F	05/11/15
5.7	Additional Appendix added regarding Report Checking at Audits Also mentioned in section 8.2.3	Appendix J Section 8	13/11/15
6.0	Annual Review	All	26/05/16

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**Section 1 - INTRODUCTION**

**1.1** Audit activity takes place because we have stakeholder requirements to ensure that we protect, maintain and account for all our assets, both those we own and those we look after on behalf of our stakeholders. We are also responsible for ensuring that all our staff and Agents/Postmasters, operate their Post Office® branches in accordance with legislative regulations as well as conforming to our operating licence, branch standards and to customer charter standards.

**1.2** We will attend all types of branches throughout the year to verify financial assets on hand and to test regulatory compliance and business conformance against standards set out in HOL help and the operations manuals as listed below:

- National Lottery – March 2009 – COMB 44/4 (Currently No Stock in Swindon however Information can be obtained on HOL Help)
- Post Office Paystation – May 2009 – COMB 57/5
- Post Office Outreach Services excluding Home Service – Information can be obtained on HOL Help
- Horizon Online™ Equipment & Administration –Information can be obtained from HOL Help
- Security – July 2013 - Information can be obtained on HOL Help
- Ordering Stores & Stocks – Information can be obtained on HOL Help

**Section 2 - TYPES OF AUDIT**

**2.1** These are the types of audit:

- Financial , Financial Assurance Audit (FAA) and (Tier 2)
- Compliance

**2.2** The Financial Assurance Audit (FAA) involves the verification of cash, selected stock items and vouchers on hand. Items not verified are deemed to be assured.

**2.3** The Financial Assurance Audit (Tier 2) is a comprehensive check to assess the current trading position of the branch. This will be carried out if requested by stakeholders or as the result of escalation by the Audit Leader, visiting to complete a lesser request, resulting in unsatisfactory findings.

**2.4** The current financial position of the branch is calculated and recorded by completion of a Microsoft Infopath Form Template known as FAT (Financial Audit Tool) and comparing this to the Horizon On Line(HOL) system derived "balance due to PO figure" using the latest declared branch trading statement, and reports obtained from HOL.

**2.5** The objective of the Compliance Audit is to check that mandatory business conformance and regulatory compliance controls are operating as intended: by checking evidence and gaining assurance that the required controls are in place. Compliance to business policies and procedures can be tested in conjunction with the Financial Audit visit or on a separate visit.

**2.6** Details of all audit types are available on EASE- Audits- Audits Codes List and the 'Key' tab of the Network Services Field Team schedule. The schedule entry is annotated to detail what type of audit is required.

**2.7** While on site at ALL types of audit you must ensure that Mail Segregation is taking place. If the branch is not segregating their mail please inform them of the process, if the Agent/Postmaster does not agree please complete a Mail Segregation/Integrity Proforma

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which is available on EASE – Intervention – Mail Segregation & Oversized Items and submit by e-mail to the Branch Standards Team.

**Section 3 - THE FIELD TEAM ROLE AND RESPONSIBILITIES**

**3.1** The Field Team role at audit is completely objective and the reports they produce after the visit must be detailed, accurate and factual. The Field Team's role is not to speculate on the cause of the outcome of the audit or the honesty of Agents/Postmasters or staff either overtly or by implication. Anything recorded which is deemed to be of a subjective nature would undermine any subsequent investigation and could impact on the ability of investigators to pursue the case.

**3.2** Field Team Members should not enter into any discussion or speculation about why the branch has been scheduled for a visit.

**3.3** If the audit should end in the precautionary suspension of the Agent/Postmaster then the Field Team Member must not apologise or enter into any discussion as to why a precautionary suspension has been affected. The Agent/Postmaster must be referred to their Contract Advisor.

**3.4** There will be circumstances where an audit visit to a branch leads to an escalation or investigation so it is necessary for the Field Team Member to be conscious of this from the outset.

**3.5** The Field Team Member must take a detailed note of all timings and the course of all events. (EASE-Audits-Useful Guides & Checklists-Audit Info Doc) This can be used in conjunction with the Record of Significant Comments (EASE – Audits – Audit Process Manual – Chapter 3). The actions of those on site and conversations held may become relevant if there is to be an investigation of misconduct or dishonesty. The lead Field Team Member is responsible for reporting these details.

**3.6** For full information about the support available from the Contract Advisor see Irregularities (section 9).

**3.7** All Field Team Members must carry their security passes and wear a Post Office® name badge whilst on site in branches.

**3.8** The Audit Leader and one other Field Team Member must take their laptops to an audit so the activity is not jeopardised by laptop failure. General security rules apply.

**3.9** All Field Team Members working on audit activity must carry with them:

- The Branch Standards booklet
- Kendata - customer satisfaction feedback forms and envelopes (E-mail NSAT to request a supply)

They must also carry a supply of the following items to leave at branches where they are found to be lacking:

- \*Your Guide to Customer Service
- \*Suspicious Activity Reporting Form
- Note, coin, rem bags, HOL bar code stickers for non CiT rem.
- \*\*Mail Segregation Posters
- \*\*Dangerous Goods Laminate/Parcel Hatch Poster
- \*\*\*onepostoffice On Line Registration Information
- \*\*\*\* Vaulting Pack



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\*All can be printed from EASE- Audits – Compliance Official Documents  
(Your Guide to Customer Service Internet print not to be handed out to customers)  
\*\* Can be printed from EASE – Guides/Hand-outs – Mails Info-Dangerous Goods  
\*\*\* Can be printed from EASE – Guides/Hand-outs – onepostoffice.To register online the Postmaster will require their E-Mail address, 6 Digit Fad Code and Pay No ID (8 Digits starting with a zero)  
\*\*\*\* Can be printed from EASE – Audits, Audit Process Manual, Chapter 5, Rems and Vaulting.zip.

**3.10** It should be noted that although the Field Team Member will supply these items, this will still be noted as an audit gap and the Field Team Member must witness the Agent/Postmaster placing an order for missing items via HOL.

**3.11** In addition to the aforementioned items the Field Team Member must have the following paperwork:

- A record of Significant Comments held (ref -EASE – Audits – Chapter 3)
- A record of Significant Comments Cash Sheet (ref-EASE – Audits – Chapter 3)
- A without prejudice receipt (ref-EASE – Audits)
- A workplace Risk Assessment. (Can be obtained from the documents section of the Safety Environment & Wellbeing Intranet pages if required).
- An application form for Grapevine ( ref -EASE – On Site Training - Grapevine)
- Paperwork necessary for performing an branch transfer (ref – EASE– Audits)
- Paperwork necessary for appointing a temporary Agent/Postmaster ( ref – EASE – Audits – Transfers – Transfer Pack)

**Please ensure you have the current/updated documents .**

**3.12** The Field Team Member must carry notices informing the public of temporary closure or closure, to include the nearest MVL issuing branch if applicable (ref – EASE - Audits - Closure Notices).

**3.13.** The Field Team Member must endeavour to have the branch open for 09:30am unless there are valid circumstances to prevent this. In practice the verification of the Main Stock Units, Compliance, etc should be carried out whilst the branch is open.  
Please refer to Section 8.2 Horizon Reports.

## Section 4 - THE LEAD FIELD TEAM MEMBER ROLE

**4.1** The Network Support Admin Team (NSAT) will indicate via the schedule which Field Team Member(s) are to carry out the audit visit and who has been allocated the "lead" role.

**4.2** It is the lead's responsibility to prepare for the audit, manage activities on site, report financial irregularities and subsequently complete the audit reports.

**4.3** The lead is responsible for the introductory discussions with the Agent/Postmaster, providing regular updates and performing the closing meeting.

**4.4** The lead is responsible for delegating tasks for example; FAT completion, checking of display material, checking of bureau, to ensure the audit is run in an orderly manner making efficient use of the resource available and minimum disruption to customer service.

**4.5** The lead is also responsible for the decision to re-open the branch when sufficient checks have been carried out to provide assurance that an escalation to Tier 2 or the

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involvement of the Contract Advisor is unlikely. As per the Team Standards, the branch should be ready to re-open by 09:30am to minimise disruption to customer service. However should subsequent findings indicate that the situation requires escalation, the Audit Leader has the authority to re-close the branch, informing NBSC of the current status and the customers of the alternative branches.

**4.6** The lead is responsible for contacting the other Field Team Members to discuss arrangements and organise travel in accordance with the current Business Travel Expenses (BTE) policy, arrange a meeting point and consider contingency arrangements in the event of absence, sickness, travel or other problems. The meeting time should not precede the branch opening time by more than 20 minutes

**4.7** The lead must provide the official working papers for use in the branch. Only the current versions of working papers available on EASE are acceptable. Working papers for escalation to Tier 2 must be carried if attending a Financial Assurance Audit (FAA).

**4.8** The lead should ensure that when on site the use of mobile phones is kept to a minimum and phones put on silent/vibrate once the branch has re-opened. Any conversations that must be held on site should be done so out of earshot of the counter unless this is absolutely unavoidable. Clerks serving on the counter must be able to converse with customers without being hampered by conversations taking place behind the counter. PLEASE NOTE only the lead should have their mobile phone turned on, all other Field Team Member's should have their phone turned off for the duration of the audit. Exception to this would need to be agreed with the lead in cases of urgent/emergency calls being expected.

**Section 5 - PLANNING**

**5.1** The Field Team Member designated "lead" at the audit is responsible for carrying out the pre visit preparation. The lead must check the audit type, branch name and code and other details supplied by the schedulers. Using the available database on –Tower – Network Field Support i.e. the All Branches Database, they can find all the information on the branch including the average POca Vault Card Sales. There is a separate database available on EASE with details of Branch Trading dates to establish when the branch last rolled into a new BT period.

**5.2** Whilst accessing these databases the Audit Leader must also take note of what type of branch this is for example:

- Agency Branches
- Crown Office ( ref – additional info Appendix A)
- A Franchise or multiple (ref- additional info Appendix B)
- Open plan or a combination store (ref – additional info Appendix C)
- WH Smith (ref – additional info Appendix D)
- Core and Outreach (ref – additional information in Chapter 3a)
- Post Office Local (ref – additional information Appendix E)
- Post Office Main

**5.3** The type of branch will indicate any further preparation required. Exceptions that relate to specific types of branch are detailed in the appendices. All this information must be accessed in addition to the Audit Reports Matrix to determine who requires the reports (Ref – EASE – Audits – Audit Process Manual - Chapter 8)

**5.4** The lead Field Team Member must also determine if any non-standard transactions are performed at the branch as they will need to ensure that monies associated with these

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transactions are included in the audit checks. The outlet should also be able to demonstrate that these products are being accounted for in the correct manner.

- Bureau de change (ref – Section 8.5)
- ATM (ref – Appendix F)
- Lottery (ref – Section 8.6.1 – 8.6.6)
- Paystation (ref – Section 8.3.1)
- Teller Cash Dispenser/Roller Cash Dispenser
- Retail Service Point ( ref – Appendix C )
- Stamp Vending Machine & Post & Go – (cash assured)
- Bidi & Bidi Magnum ( ref – Appendix H )

There are instructions for dealing with these non standard transactions in the relevant Counter Operations Manuals/HOL HELP and Field Team member must familiarise themselves with these to be prepared to check cash and accounting practices at on site activities.

**5.5** The lead must also consider any other factors that may impact on the amount of resource required for audit activity e.g. seasonal variation, Public holidays or local events affecting cash flow and banking activity.

**5.6** The lead is responsible for supplying all working papers for completion during the audit. This includes all Financial working papers (ref EASE-Audits-Audit Process Manual-Chapter 2a Audit Tools) and all CAT working papers (ref -Microsoft SharePoint workspace – Network Services -Tower-Network Field Support – All Branches Database-Print CAT Working Papers).

## **Section 6 - FAT, CAT Reporting Tool and SharePoint**

**6.1** A FAT is a Microsoft Infopath Form Template designed to support planning, verification and assurance of assets and generate the reports required by Financial Audit activity at all branches. The lead Field Team Member is responsible for ensuring all recipients that require the reports are included on the FAT as detailed on the Audit Report matrix.

**6.2** The Compliance Audit Test Reporting Tool (CAT Reporting Tool) is a Microsoft Infopath Form Template designed to support the planning and testing of regulatory compliance and business conformance and recording and reporting the results. The Field Team Member uses the tool to access the lists of Regulatory Compliance and Business Conformance tests required and record the answers.

The lead Field Team Member is responsible for ensuring that all recipients who require the reports are included on the CAT as detailed on the Audit Report Matrix.

The latest version of the CAT Reporting Tool is available from our database (ref –Microsoft SharePoint workspace – Network Services -Tower – Network Field Support – CAT Tool)

**6.3** The tools are reviewed on a monthly basis and the expiry for the tool and last date for submission is included in the latest Audit Process Update email. These dates must be strictly adhered to.

**6.4** The lead Field Team Member must download the current copy of the FAT and the CAT Reporting Tool direct from Microsoft SharePoint workspace – Network Services - for every activity. Local copies should not be saved to avoid use of out dated versions.

**6.5** The current FAT and Guide can be accessed from our database: (ref - Microsoft SharePoint workspace – Network Services – Tower – Network Field Support)  
The current CAT Reporting Tool and Guide can be accessed from our database.

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(Ref -Microsoft SharePoint workspace – Network Services – Tower – Network Field Support)

**6.6** The lead Field Team Member must ensure that they have read and understood the current versions of the instructions.

**6.8** All findings from the FAT and CAT Reporting Tool must be submitted within the timescale as stated at **13.2** and while connected to the Intranet, using the Submit button on the Home tab (top left of screen).

**6.9** SharePoint is an online tool that enables results to be reported and accessed immediately by the relevant stakeholders. The responses to all SharePoint surveys can be collated automatically without the FAT and CAT Reporting Tool having to be manually analysed.

**6.10** It is essential to read and follow the latest version of the instructions, ensuring that cut-off times are strictly adhered to.

**Section 7 - ON SITE ACTIVITY**

**7.1** Before approaching the branch the lead Field Team Member should take the opportunity to brief the team on the approach for the visit and clarify all roles and responsibilities. Please await the arrival of your colleagues before entering the branch.

**7.2** The lead Field Team Member must send a text message to the Contract Advisor to inform them of the audit activity, this should be sent before entering the branch. The brief text message must include the lead Field Team Member's name, the branch name and branch code. This is to make the Contract Advisor aware that there may be calls later in the day regarding irregularities in the branch. This is designed to speed up the resolution of on site issues. If there is no mobile signal no text message will be sent, and the audit should commence as normal.

**7.3** The lead Field Team Member must call the NBSC to notify them that an audit is taking place and the branch will remain closed until its completion. This should also be completed before entering the branch.

**7.4** The introduction, by the lead Field Team Member, to the first person arriving on site should be worded as follows;

*"Hello my name is .... From Post Office® Network Services Field Team, I'm here to carry out an audit of your branch today – introduce your colleagues and ascertain the role of the staff member....."*

**7.5** Other points for the opening discussion should include as a minimum:

- The purpose of the audit is to verify cash and stock items.
- The reason behind the use of laptops and the FAT (using tools independent of the Horizon system for verification)
- The course of events, what items will be checked and in what order – establish where they are held in branch
- The need for access to the HOL system.
- The estimated opening time of the branch is 9:30am.
- Other aspects of the audit; for example reconciliation of non-value stock. E.g. POca cards/Lottery Cheques
- The Compliance Audit which will require the input of the Agent/Postmaster/OIC and staff. Some of the areas to be tested can be mentioned as examples, e.g. Security, AML, etc.



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- The close of audit meeting and the opportunity for the Agent/Postmaster/OIC to comment on any findings.
- The opportunity for the Agent/Postmaster/OIC to fill out a customer satisfaction feedback form requesting their views on how the visit was conducted.

**7.6** If they are not the Agent/Postmaster then they must be advised to contact the Agent/Postmaster to let them know their branch is being audited and invite them to attend. This also applies to all Multiple partners. Whether the Agent/Postmaster accepts or declines to attend the branch, the branch is audited as planned.

**7.7** The Agent/Postmaster or staff may contact the NBSC before allowing access and this will mean that Field Team Members may have to wait outside until their identity has been confirmed by the NBSC and they have completed their first access procedures. (Contact with NBSC is not mandatory; Field Team Members may be admitted on verification of security passes)

**Branches in Northern Ireland only:**

The admittance and verification procedures for audits in Northern Ireland differ from GB. Anyone carrying out an audit in Northern Ireland should follow the procedures detailed below:

Each afternoon, Network Support Admin Team will provide PO Grapevine with a plan of scheduled audits for the next day with details of the branch, branch code and names of auditors scheduled to attend.

Special Audit Requests

In the event of an audit being called at short notice, the Network Support Admin Team will email PO Grapevine and the relevant Security Manager to inform them of the special audit, detailing the branch name and branch code along with the names of the auditors who are scheduled to attend

At commencement of the audit, the Agent/Postmaster or staff must contact Post Office Grapevine to verify the auditor's credentials before allowing access and this will mean that Field Team Members may have to wait outside until their identity has been confirmed by Grapevine and they have completed their first access procedures.

**7.8** The Agent/Postmaster or staff should be advised that he/she should not access cash, stock or the HOL system until the Field Team Members have gained access. In these circumstances, any irregularity should be documented and a transaction log obtained from the HOL system to ensure there has been no activity on the system before the Field Team Members were allowed access.

**7.9** If the Agent/Postmaster or staff refuses to allow entry to the premises, explain that the Field Team Members have the right to verify Post Office Ltd assets and that the Agent/Postmaster is contractually obliged to allow the Field Team Members access to do this. If access is denied refer to the Contract Advisor for advice in the first instance. It may be necessary to involve the police as a last resort.

**7.10** Having gained entry to the building the lead Field Team Member must arrange for the notices informing the public of the closure to be displayed in a prominent position. The details on the poster will include the names and addresses of alternative branches, nearest MVL branch if applicable and an estimated opening time for the branch.

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**7.11** Each Field Team Member must ensure that they sign a visitor's book or log recording their arrival, date, time and purpose of their visit. They must also enter their departure time before leaving the branch.

**7.12** Establish facilities for Field Team Members and where bags and personal belongings should be stored – Not getting agreement on this could prove contentious if items are claimed to be missing from the premises during or after the visit. Some branches have policies in place which forbid taking handbags, personal cash, food etc into the counter area. Field Team Members must abide by these policies. If Field Team Members are concerned about leaving personal items in a different area or locking them in a vehicle then they are advised not to carry unnecessary items to audit visits.

**7.13 The Field Team Members should not have un-witnessed access to cash and stock.**

Where it is not possible for the Agent/Postmaster to attend or the Agent/Postmaster chooses not to be present, then checks must be made in the presence of a nominated Officer in Charge (OIC) - (this should be agreed with the Agent/Postmaster on the call). It is important that any checks are not made in isolation. Both the Field Team Member and stockholder should acknowledge the accuracy of the figures following the check. Where a discrepancy is highlighted, the Agent/Postmaster or OIC should be offered the opportunity to verify the findings and sign the cash and/or stock sheet to confirm that the figures to be used as part of the audit are correct. In the event that they decline the offer, then this should be noted, and included in the subsequent audit report.

**7.14 The need to identify and produce all cash, stock and vouchers**

It must be stressed at the outset that there will be a need to identify and produce all cash, stock and vouchers and to remind the Agent/OIC that this includes items kept outside the secure area, Paystation or Lottery or any other cash which should be kept in the secure area. Should the Agent/Postmaster/ OIC present cash after the audit has commenced, and it has been confirmed that all cash has been produced, it must be excluded from the audit as the audit result is only based on the verification of the financial assets presented as "on hand" at the outset of the audit. The cash must be accepted from the Agent/Postmaster "without prejudice to investigations or the current branch trading position", a receipt issued, and included in Post Office Ltd funds, but not the current branch trading position. Details of the amount should however be included in section C of the audit report as "was made good by cash and a without prejudice receipt issued".

On completion of the audit all assets should be secured by the Field Team Member and witnessed by either another member of the team or the Agent/Postmaster/OIC.

**7.15** Obsolete stock must be discounted from the audit, the subsequent shortage included in the current branch trading position and explained in the audit report.

**Section 8 - FINANCIAL ASSURANCE AUDIT (FAA)**  
**(Tier 2 requires additional procedures details below section 10)**

**8.1** The Financial Assurance Audit (FAA) involves the checking and verification of:

- Cash (ref – Section 8.3.2)
- Cheques (ref – Section 8.3.3)
- ATM cash (ref – Appendix F )
- Currency (ref – Section 8.5)
- Spoiled Postage labels
- Lottery Instant scratch cards (ref Section 8.6.1 - 8.6.5)
- National Lottery Cheques

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- Self Adhesive stamps 100 x 1<sup>st</sup>
- Self Adhesive stamps 100x 2<sup>nd</sup>
- Self Adhesive stamps 50 x 1<sup>st</sup> Large
- Self Adhesive stamps 50 x 2<sup>nd</sup> Large
- Traveller's cheques
- POca cards

All other stock items will be deemed to be assured.

Stamp Vending Machine, Post and Go & Self Service Kiosks will be assured.

**POca Cards** – Any discrepancy on Horizon must be rectified before leaving the branch.

**Camelot Lottery Cheques** – discrepancies must be notified to Chesterfield to ensure a Transaction Correction is sent out to the branch.

Please note all empty stocks, when audited, should have the cash declared as zero before coming out of the stock unit.

## 8.2 Horizon Reports

**8.2.1** Ascertain the number and types of stock units on the system.

**8.2.2** Ask the Agent/Postmaster or a member of staff with manager's access to create a user ID for the lead Field Team Member to allow them access to the Horizon system. See Appendix G for Instructions on Accessing the Horizon System if no one in the branch has manager access.

**8.2.3** The following report printouts **must** be obtained from the HOL system, examined and filed with the working papers in line with the current retention process: See EASE – Audits - Chapter 3 for Audit Report Paths, See EASE – Audits - Chapter 9 for Retention of Papers **The reports below should be printed by the lead to enable completion of the FAA and once these reports have been obtained the lead can then assist colleagues in counting cash/stock. (Please do not write on any of the reports as they may be required to be used as evidence)**

Please also see Appendix J which gives guidance on the reports obtained for checking purposes

- Un-reconciled/outstanding transfers report – for multi stock branches. Please ensure you accept all transfers before printing the Office Snapshot as failure to do so will distort your audit findings on the FAT and make it impossible to produce an accurate audit result.
- Transaction log for the day of the audit (audits commencing before opening hours - only) - this report must be produced regardless of whether or not you feel the Horizon terminal has been accessed prior to audit attendance
- Office snapshot
- Balance snapshot for each stock unit – please ensure this includes the Self Service Kiosk as this is directly linked to Horizon, prior to reopening the branch.
- Most recent cash declaration holdings for each stock unit
- Foreign currency holdings
- Outstanding summaries (to verify vouchers / cards on hand):
  - Giro deposits / withdrawals
  - Personal banking deposits and withdrawals (manual transactions)
- Suspense account report
- Transaction corrections outstanding

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**8.2.4** Please see below for a list of further reports required, to be printed **after** completion of the FAA.

- User summary - obtain a list of all HOL users and take note of their full names. This can then be checked by accessing the 'modify user' screen and checking that all entries are current and in the correct format. (If any amendments are made to user names please reprint the user summary to reflect the changes).
- Forty-two day transaction log detailing all transactions over £5000.00 to illustrate transactions where identification data capture may have been required.
- Transaction corrections processed (this will also show instances whereby evidence has been requested – entries will be preceded with an 'E')
- Remittance summary (ins and outs) for the whole branch for the trading period
- Reversal reports for 42 days – RV and ER; Reversal transaction and existing reversal transaction when transaction code has been used
- Stock Adjustments (+ & -)
- On completion of audit, prior to leaving the branch obtain a second transfer reconciliation report ( this is to ensure no transfers have taken place during the audit)

**8.2.5. Please note:** - Further reports can be obtained from the HOL system as required e.g. branch trading statement reprints, event logs and further transaction logs for investigation purposes. The above list is not exhaustive. However, this should be seen as the minimum.

**8.2.6** If the audit takes place on a Thursday, following the end of a branch trading period, and the branch trading statement has not been fully completed, the audit should be based on the trial balance figure ensuring cash and stock have been declared. (**Please ensure all stocks are in the same TP**). The final branch trading statement can then be completed during the course of the audit or as soon as practicable, ideally before the Field Team Members have left the branch.

### 8.3 Checking Cash, Stock and Vouchers on Hand

**8.3.1** Branches with a Paystation or Lottery terminal: ensure any overnight Transaction Acknowledgement's (TA) have been accepted or ensure this is the first action on log on. Ensure all monies accepted in respect of transactions carried out on the terminal have been introduced to the main cash before commencing the audit. The maximum amount of Post Office® cash that can be held on the retail side is £250.00.

**8.3.2 Cash check** - obtain the final cash declaration for the day prior to the audit by reprinting the last "existing" declaration or obtaining the report via the event log. Where the audit is carried out later in the day and the branch has been open for business then it will not be possible to confirm cash to a branch declaration. However the report should still be obtained and examined for possible inflation of cash.

**8.3.3. Cheques** -. Count and record cheques on hand and verify to the HOL snapshot or the branch trading statement if the branch trading period has been completed. Ensure that cheques are examined for validity and that any "personal" cheques are not on hand, including those belonging to staff members, without the correct annotation and a matching transaction that can be verified through HOL.

**8.3.4** If an irregular personal cheque (not associated with any transaction) is found contact the Contract Advisor and Security Manager. The personal cheque must be impounded, excluded from the audit result and a "without prejudice" receipt issued.



## POST OFFICE INTERNAL

**8.4 Vouchers-** All the vouchers on hand must be checked and verified irrespective of the day of the audit. The details on the report printouts of any transaction vouchers on hand must be checked against the actual vouchers on hand e.g. giro deposits and withdrawals. These reports can be obtained in the HOL back office "Daily" report section. It is also important that all vouchers on hand are checked for validity, early encashment and fraud.

**8.5 Currency** - Verify all the Euros, US Dollars & the next 2 highest value (£) currencies on hand to the correct amount on the balance snapshot. Totals from the currencies verified and those deemed assured should be documented for later inclusion in the FAT.

**8.6.1 Lottery** - All on line lottery transactions must be accounted for daily. Calculate any outstanding monies owed to the Post Office and ask the Agent/Postmaster to make this good. If the Agent/Postmaster isn't able to do this or the lottery is not being accounted for correctly then see irregularities (Section 9).

**8.6.2** Count and record lottery scratchcards and reconcile to the HOL snapshot and local records, if held. Scratchcards will normally be held on the retail counter and it may be necessary to physically count the cards outside the counter area. Any cash held on the retail side relating to sales should be included in the cash on hand verification.

**8.6.3** The scratchcards on hand can be verified by reference to the lottery matrix held on EASE - (Audits - Audit Process Manual - Ch 3 Performing a Branch Audit) or by telephoning the NBSC GRO. The Agent/Postmaster must be advised that any value of obsolete scratchcards will be removed from the balance and the resultant shortage must be made good. This should be actioned at the time of the audit and detailed in the audit report.

**8.6.4** Obtain the following reports from the lottery terminal and the Agent/Postmaster, depending on the type of branch OLT

- Summary Inventory
- Pack status reports for each game listed on the Summary Inventory
- Prizes for Online & Instants Report

**8.6.5** Using the summary inventory and pack status reports confirm and reconcile the un-activated scratchcards. It should also be confirmed that the scratchcards on sale have all been activated. The pack status reports identify the status of the cards held:

CONFIRMED -	Pack is un-activated
ACTIVATED -	Pack is activated

**8.6.6 Additional Instructions for Tesco Lottery Branches:**

Some Tesco Post Offices complete their Lottery accounting a bit differently. They accept TA's as normal into a Lottery Stock Unit but there is no exchange of cash between the retail area and the Post Office. This will create an increased discrepancy in the Lottery Stock Unit which is then Settled Centrally when the branch completes their Branch Trading Statement. Finance Service Centre reconcile these figures with figures from Camelot and invoice Tesco which they then pay direct.

When completing an audit at a Tesco branch with Lottery the Audit Leader will need to call the Agent/Postmaster Accounting Team at Chesterfield (contact details on EASE) to obtain the Agent/Postmaster Debt figure for Lottery. This should be done as early as possible. The Audit Leader also needs to request that the daily Lottery transaction spreadsheet for the branch is emailed to them. Any further discrepancies found at the branch will need to be reported on the FAT as normal.

## POST OFFICE INTERNAL

**8.7 Network Support Admin Team - Audit Admin Duty**

48 hours prior to all audit types the Admin Duty will notify the lead Field Team Member of the names of the staff registered as working in the branch by email. Any staff working in the branch not registered with HR should be reported via the P356 Anomalies Report located on EASE. – Audits – Audit Process Manual – Ch 3 Performing a Branch Audit

Whilst on site the lead Field Team Member will receive a phone call from the Network Support Admin Team Audit duty. Depending on the type of audit

**Financial Assurance Audit** – Field Team Member will be advised of Agent/Postmaster Debt Figure only. No call will be received if there is no debit / credit figure.

**Tier 2 Audit** – In addition to Agent/Postmaster Debt figure: the Field Team Member will be contacted by Network Support Admin Team to confirm both inward and outward remittance figures for the current trading period for verification purposes. This call will include confirmation of the specific amount of debt.

**8.8** There is no need to hold back and open rem bags awaiting collection if they are due for despatch the same day as the audit. (Exception to this would be if a WH Smith branch, please refer to appendix D) The reference numbers from the bags must be recorded and verification sought the following day that the bags have arrived at the Cash Centre by phoning the Network Support Admin Team Audit Duty. Any failures should be reported to the Contract Advisor and Security Manager for an Investigation audit to be arranged. If rem bags have been made up in advance and are not due for despatch on the day of audit they should be opened and contents verified. In the event that any rem bags are made up and sealed by a Field Team Member these must be witnessed by either a second Field Team Member or the Agent/Postmaster/OIC.

**8.9** On completion of the audit, contact the Cash Management Team for an assessment of their performance. In the event of excess cash holdings, remit excess back to the cash centre. Record amount returned for inclusion on SharePoint and remind Agent/Postmaster/OIC of the correct cash management process.

**Section 9 - IRREGULARITIES**

**9.1** During the course of the audit the Field Team Member may find discrepancies, transaction corrections, inappropriate items held in suspense, business practices out with the Post Office® operating instructions and in this situation the irregularity must be discussed with the Contract Advisor.

**9.2 Central Accounting in Chesterfield** - Problems with irregularities involving errors in accounting, Transaction Corrections or entries in the suspense account may be progressed with the help of the appropriate contact. Please see (ref - EASE – Audits – Contacts – Finance Service Centre Contacts – Finance Service Centre Team Contacts.) In the event that a P242 needs to be completed the standard Settle Centrally threshold of £150 must be adhered to. If the branch indicates they are due a Transaction Correction or are unable to make good the deficit below this threshold then Current Agents Team should be contacted on GRO or GRO

## POST OFFICE INTERNAL

**9.3 Support from Contract Advisor** - As part of the preparation for the audit the lead Field Team Member must have available the contact details for the Contract Advisor and alternative Contract Advisor and the Security Manager to report findings, errors, discrepancies or admissions.

The CA contact details are listed on EASE (Audits – Contacts – Contract Advisor Contact list). **Note:** This file lists the CA contact details, the areas the CA covers and a Buddy List, which details who is the next in line to contact if you are unable to get hold of the first CA. This shows four alternative contacts for each CA.

If you have had problems contacting a Contract Advisor (CA) whilst conducting an audit please email the details to Sandra McBride (Date, time, branch details).

**9.3.1** If intervention is required, or circumstances suggest that they may be required, the Contract Advisor should be contacted at the earliest opportunity. This will allow discussions to take place and any necessary decisions made whilst the lead Field Team Member is still on site and will ensure that problems are dealt with quickly and efficiently. Contact should be made via mobile phone, as this will ensure confidentiality (use Mobex number for calls). The use of the Agents/Postmaster's telephone should be avoided.

**9.3.2** The Contract Advisor should be contacted if anything happens during the visit that would suggest that the Agent/Postmaster may be in breach of their contract for example:

- There is an unexplained discrepancy of £1000 or more (excluding outstanding debt)
- There are any irregular or suspicious circumstances
- There is an irregular personal cheque on hand
- Sales made on a "credit" basis i.e. payment outstanding
- There is an admission of misuse of Post Office® funds or fraudulent activity
- The Agent/Postmaster refuses to allow access to the premises or any cash or stock items
- Cash on hand has been inflated or an amount of cash is produced after the audit has commenced
- Lottery takings are not to hand and/or banked in personal account
- There are discrepancies found in on-site verifications (remittances, suspense accounts etc.)
- The Agent/Postmaster has declared that the previous periods discrepancy has been made good, however findings are to the contrary
- The Agent/Postmaster cannot make good an audit shortage and is unable, or unwilling, to put forward proposals
- If the lead Field Team Member has any other concerns about the branch

This list is not meant to be exhaustive. Regardless of the circumstances, if there is any doubt or concern about the branch or Agent/Postmaster, contact the Contract Advisor.

**9.3.3** Should the Agent/Postmaster admit any fraudulent activity, he/she should be advised immediately that the branch will be kept closed and the Contract Advisor and Security Manager contacted.

Should the Agent/Postmaster be suspended, there is a possibility that the branch will remain closed and the assets defunded (ref EASE – Audits – Audit Process Manual - Closure Process - Chapter 5) for details about branch defund, in this case, a special notice to this effect should be displayed and NBSC should be contacted to advise them of the situation. If the branch is to remain closed, the datestamps should be lodged in the safe. Arrangements for the door and safe keys should be agreed with the Contract Advisor.

Please also ensure you Contact Cash Management by phone and follow up by e-mail to advise them of the closure and to cease all remittances to the branch.



## POST OFFICE INTERNAL

**9.3.4** In the event of a discrepancy, the Agent/Postmaster/OIC/Manager should be invited to complete an independent check of the cash. This can be obtained from EASE (Audits-Audit Process Manual – Chapter 3 – Record of Significant Comments – Cash Sheet)

**9.3.5** In cases involving suspension, the lead Field Team Member should obtain six periods worth of branch trading statements, and send for retention at the central archive in Bolton along with any other working papers. This will assist Finance Service Centre and/or the Fraud Team should there be legal repercussions.

Originals should be obtained, but copies (where such facilities exist) are acceptable. Should there be no statements available; reprints of the last six completed statements must be obtained from the HOL system.

If the Agent/Postmaster objects to their removal, it should be pointed out that the paperwork is the property of the Post Office®, and if necessary a receipt should be issued.

**9.3.6** When an audit has gone to suspension, the lead Field Team Member should also advise Network Support Admin Team of this on the day. This is particularly important from a scheduling point of view, as NSAT may need to cancel or reschedule any work the day after the audit, if any of the Field Team Members on the suspension audit need to carry out any follow up work relating to the audit, e.g. the branch may not transfer to a temporary postmaster until the following day.

**9.3.7** Transaction Acknowledgement (TA) Instructions on Suspension Audits:

The Field Team Member needs to establish that all TA's have been received in branch by checking the TA print out and if any are missing make sure that funds are produced by the Agent/Postmaster to make good and then this amount should be placed in emergency suspense, or if the Agent/Postmaster does not make the amount good then this is included in the debt figure and reported on the final account so an attempt to recover any monies due by the late account process can be made.

In the event of a Lottery branch the Field Team Member needs to ensure that no instant pack activations are missed by checking the pack activation slips or if these are not on hand to verify the date of activation by ringing Camelot and checking that all the TA's have been received.

**9.4 Appointing a Temporary Agent/Postmaster** - If the Contract Advisor decides that the Agent/Postmaster is to be precautionary suspended from the branch then it may be possible to appoint a temporary Agent/Postmaster in his place to ensure continuity of service.

The Contract Advisor will commence this process with the permission and agreement of the existing Agent/Postmaster. The Field Team Member must carry a set of paperwork to carry this out under the direction of David Sears, Temporary Subpostmaster/Postmaster Advisor

GRO

(Ref EASE-Interventions-Temporary Subpostmaster Security Checks)

### Branches in Scotland only – Audit Irregularities

One of the fundamental rules of Scottish Criminal Law is that the essential elements of the charge require to be corroborated before anyone can be convicted on that charge. It follows that an admission by the accused is not enough evidence to convict in Scotland because that evidence needs to be corroborated from another source. Therefore if one Field Team Member finds a shortage in excess of £1000, the cash and stock they have checked requires a second Field Team Member to **physically check** it, and also sign the working papers initialling any alterations. Hence it has then been corroborated. From a business point of view we should not construe as corroboration getting the Agent/Postmaster or Temporary Agent/Postmaster who is taking over to check the cash and stock. The Defence



**POST OFFICE INTERNAL**

argument could be that the Agent/Postmaster was in shock, under duress etc when checking the figures. The same argument could be made by the defence when it is an assistant who is taking over as a Temp, and they are asked to check the figures. If the audit is a singleton activity contact your Field Team Leader to arrange assistance. Please contact Security Team in addition to the Contract Advisor on the day of the audit to discuss.

NB: Corroboration can be completed by any Post Office employee, i.e. in remote locations a member of Field Change Team etc may be more accessible than another Field Team Member.

## **Section 10 - PROCEDURES FOR FINANCIAL ASSURANCE AUDIT (TIER 2)** **(In addition to aforementioned Financial Assurance Audit (FAA) procedures)**

**10.1** Print a copy of the Branch Trading Statement.

**10.2** Check all cash, cheques, currency, postage, stock on hand as required for completion of FAT (Tier 2). Refer to the latest Guide on EASE for completion of the FAT.

**10.3** Working papers specific to Tier 2 must be used from EASE.  
(Ref – EASE – Audit – Audit Process Manual – Chapter 2a - Audit Tools- Working Papers)

**10.4** If a Tier 2 audit has been scheduled then in addition to the agent debt and staff names information the Network Support Admin Team Audit Duty will also phone the lead Field Team Member to confirm remittances in & out for the current Trading Period on the day. If the Financial Assurance Audit (Tier2) is by escalation then these figures must be requested by the Field Team Member.

## **Section 11 - COMPLIANCE AUDIT**

**11.1** Compliance audit tests (CAT's) are designed to test that regulatory compliance and business conformance procedures are operating as intended, by checking evidence of adherence to the approved systems.

**11.2** The Field Team Members role in compliance auditing is to undertake sufficient testing (across at least 50% of all staff) to be able to confirm, with reasonable assurance that controls that should be present in a system are being deployed.  
The areas tested are:

- CORE CAT's (Compliance Audit Tests)
- Government Services (DVLA, IPS, AEI)
- Procedural Security Inspection
- POca or other tests requested by Branch Standards

**11.3** For current tests and Guide see CAT reporting tool and Guide on EASE.  
(Ref EASE- Tower – Network Field Support CAT Tool/ Guide)

**11.4** When completing a CAT for a PTV the audit code 450 should be used, however if the cash check results in an escalation to a Financial Audit(FAT code 350) then audit code 400 should be used for the CAT if one is completed.

## POST OFFICE INTERNAL

**Section 12 - CLOSE OF AUDIT MEETING**

**12.1** Once the financial audit and compliance tests have been completed, the audit findings will need to be discussed with the Agent/Postmaster. The following guidelines should be followed:

- The closing meeting should already have been discussed and planned with the Agent/Postmaster as part of the opening meeting 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 lead Field Team Member should be familiar with all the findings of all the tests completed (in conjunction with the person who has completed the Compliance testing if this is not the lead Field Team Member). The lead Field Team Member is solely responsible for discussing gaps identified during the closing meeting.
- During the closing meeting with the Agent/Postmaster the FSA must highlight any issues identified from the financial audit in addition to the gaps discovered during the compliance tests.
- 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. Informing the Agent/Postmaster that any gaps will result in contact from the Branch Standards Team either by phone or letter. It is essential to highlight where the correct procedure is documented and the importance of adherence to it, by explaining the correct procedures and clarifying understanding. The lead Field Team Member must highlight the consequences and impact of failure to comply for the Agent/Postmaster/staff and for the business. Failure could lead to the loss of the Agents/Postmaster's contract to provide products and / or services, and / or financial penalties for Agent/Postmaster, his staff and the business
- Recognise good working practices in the branch.
- Also, on the occasions where a branch has no compliance gaps, congratulate the Agent/Postmaster and/or staff on their good performance, emphasising how this has a positive effect on the Network and Post Office customers.
- Following the closing meeting a customer satisfaction feedback form should be left with the Agent/Postmaster at the branch – The Agent/Postmaster should be encouraged to complete and return this form.

**Section 13 - AUDIT REPORTING**

**13.1** All audit reports are embedded within the FAT & CAT Reporting Tool.

Please refer to the latest Guide held on EASE; please also refer to the current "reporting matrix".

(Ref - EASE – Audits – Audit Process Manual – Chapter 8)

**13.2** The FAT and CAT must be completed and submitted within 3 working days of the completion of the audit. The Branch Standards Team will send the report/s to the postmaster within 2 working days of the tool being submitted."

## POST OFFICE INTERNAL

**CROWN OFFICE****APPENDIX A****(Additional information to be used at Crown Branches)**

- Check and verify as a **minimum**, 50% of the counter stocks. If time and resource allow then additional counter stocks can be checked
- All dormant stocks have to be checked
- All stocks with cash in excess of £25k
- Any stocks that appear to be holding excessive amounts of postage or stock compared to the other stocks in the branch
- Any stock held by the Branch Manager this will include ALL items that are in the Main Stock such as postage stamps, special stamps, non value stock etc.
- If Main Stock (Bulk Postage, Special Stamps or non-value stock) is not held by Branch Manager this will also need to be checked

NB. The tab to input this information will automatically appear on the index page once branch is identified as a Crown from the All Branches Database entered on the planning page.

- If any stock keys are not available as they should be we must:
- Record this on the audit report comments
- Discuss in the closing meeting
- Call the Crown Cluster Manager on the day
- Email a separate follow up to the CCM to summarise the call and this should be in addition to the emailed Audit Report.
- The Cluster Manager & Crown Operations Manager should also be included in the email and audit report (as they are currently)

**Ensure the branch is open by 9am.**

**Crown Branch Losses**

Losses & Gains identified should be e-mailed to Post Office Security in **all** instances regardless of value.

If a discrepancy of more than £1000 is discovered, this should be reported to the Cluster Manager and Security Manager: There is no need to escalate this to a Tier 2 Audit, or keep the branch closed for longer than is necessary.

If a discrepancy of £10,000 or more is discovered, the Cluster Manager and the Security Manager must be notified immediately and the Branch remains closed until a full Audit of Accounts (Tier 2) can be completed. The branch should be re-opened at the earliest opportunity to minimise disruption to customer service.

If a discrepancy is found in the Travellers Cheques a comment must be added in the 'Any Further Comments' box of the FAT Audit Report.

**POST OFFICE INTERNAL**  
**FRANCHISE AND MULTIPLE BRANCHES****APPENDIX B**

The All Branches database will provide details of branches that are of either a franchise or multiple branch type. The lead Field Team Member should obtain this information at the preparation stage along with:

- The name of the multiple / franchisee
- The multiple/franchise company contact point e.g. nominee
- The name of the Contract Advisor

The financial audit process outlined in this chapter can be applied to multiple and franchise branches with the following exceptions:

If highlighted in the Branch Performance Profile model the lead Field Team Member will need to determine if the procedural security compliance paper needs to be undertaken if the branch is a franchise. Some franchise branches are self-insured and in these cases the Procedural Security Inspection tests should not be completed. The self-insured franchise branches can be identified from the branch details Microsoft Infopath Form Template, available from EASE. Any major security weaknesses must be still noted, however, and commented upon in the audit report.

On arrival at the branch, the lead Field Team Member should make the visit known to the store manager and any local entry procedures must be adhered to. At the beginning of the audit the lead Field Team Member must telephone the company contact, as per Multiple Contact List on Chapter 3 main page, to advise that an audit is taking place and to invite them to the closing meeting at the branch. The estimated time of the closing meeting should be advised and, if the company contact is unable to attend, it must be confirmed that they are happy for the audit findings to be discussed with the officer in charge on site. Any irregularities, discrepancies, admissions etc. should be reported to the Contract Advisor.



## POST OFFICE INTERNAL

**OPEN PLAN AND COMBINATION FORMATS****APPENDIX C**

A Combination Store is the title given to retail branches that combine other retail business with Post Office® transactions using the same point of sale in the retail area. These branches often also have one or more fortress positions. In the retail area the same person will deal with retail and Post Office® transactions, but funds and accounts will be separated.

The financial audit outlined in this chapter can be applied to open plan and combination branches, but special care must be taken because of the different security arrangements.

To minimise security risk to staff and funds, the following principle applies:

- Under no circumstances should bulk cash be counted in positions which are exposed to the public
- All cash on hand should be counted in a secure back office area (if available) or prior to the branch opening for business to avoid the problem.
- Cash being moved to a secure area should not exceed the till limit (£1000) for open plan working unless the premises are closed
- NOTE: Rising screen branches operate with the same security procedures as screened branches so the normal 60/90 rule would apply (enough cash to last up to 1.5 hours), not the £1000 limit

## POST OFFICE INTERNAL

## WH Smith Branch

## APPENDIX D

**(Additional information to be used at WH Smith Branches)**

- On arrival at the branch, the lead Field Team Member should make the visit known to the store manager and any local entry procedures must be adhered to.
- There is no need to contact WH Smith (as we would with any other multiple) as senior WH Smith Security & Investigation managers are aware of the audit plan.
- WH Smith has an insurance waiver, but compliance questions relating to Procedural Security Inspection should be asked. This is at the request of the Head of Business Development (WH Smith).
- The closing meeting will take place with the lead Field Team Member and the Branch Manager (or their representative at the branch) on the day of the audit.

**Process - Financial**Physical check of cash, cheques and currency

- Bureau/Business Banking stock unit, this should be checked in conjunction with the counter stocks to enable the branch to open.
- Counter stocks: 2 to 3 stocks, prioritising in cash value the highest while still allowing the branch to open at the normal time
- Main Safe stock unit (All items held as per the Crown Process)
- All dormant stocks must be checked
- Rollercash contents can be assured if store/branch is open
- Any stocks holding excess Cash or Postage
- All other all-purpose working (APW) stocks should be assured
- Cash and currency REM Pouches – All cash rem pouches on hand to be verified, by reversing the rem and checking the contents. (All cash rem prepared for despatch must be reversed out from HOL prior to opening and checking). Each pouch then needs to be checked **one at a time** (the contents of each pouch being pouch up again and remmed out prior to checking the next pouch). If the rem van arrives during the audit, the pouches that the Field Team have checked can be dispatched. Any pouches still to be checked will leave the branch on the next scheduled collection day. N.B. All pouches should have the barcode numbers noted and their delivery confirmed the next day, as per normal procedure. (Count and assure the numbers of full sealed bags and physically count any odd amounts of loose notes).
- If on arrival at the branch they have rolled into a new Trading Period and they have Cash in Pouches awaiting collection you would be unable to reverse this remittance. Please contact Clive Burton or Julie Farenden at the FSC on **GRO** or **GRO** **GRO** who are able to remove it immediately to allow you to complete your audit as planned.

Physical check of stock

- Main stock only – verify stock items as per Financial Assurance (FAA) process.
- Stock items in other stock units where holdings are considered to be high

In the event that a large cash, cheque or stock discrepancy is found, then a full stock unit check is required.

## POST OFFICE INTERNAL

### **Process - Compliance**

- Questions will be directed towards the Branch Manager and Assistant Branch Manager in the branch and as many counter staff as practically possible. If the manager is unavailable then a representative of the manager should be chosen.
- Unlike some self-insured multiple partners, security questions should still be asked in every case.

### **Contact**

If there is an issue onsite, i.e. discrepancies over £1000 then there is one main point of contact, Simon Davies (WH Smith). Any intervention to suspend staff will be actioned by either Simon or passed onto an appropriate WH Smith manager to deal with. One phone call from the lead Field Team Member will be sufficient. If Simon is unavailable please contact Steve Hall.

**Simon Davies** - GRO  
**Steve Hall** - GRO

## POST OFFICE INTERNAL

**POST OFFICE LOCAL****APPENDIX E**Post Office Local - **Retailer Cash Funded** – Audit Process

Normal audit procedures apply throughout the audit but if a discrepancy is found further information will be required for branches where the Postmaster provides their own cash to run the Post Office. (N.B. some PO Local branches are PO funded).

**Discrepancy over £1000**

Check to see if the branch is aware of the discrepancy and the cause.

If they are aware the Field Team Member should contact the relevant team in Finance Service Centre (EASE – Audits – – Contacts – Finance Service Centre Team Contacts) to determine if a transaction correction can be expected.

If the branch are unaware Field Team Member to contact Neil Page at Chesterfield (Current Agent/Postmasters Debt, Phone:  and check if they are aware of discrepancy. If required Neil will liaise with the Fraud & Conformance team to check if they are aware of any issues. Neil can also advise on outstanding settled centrally debt if required

When this has been confirmed please contact the Contract Advisor and inform them of the situation. They will make the decision to suspend if appropriate.

Should the Postmaster opt to make good an audit shortage by cheque; Accept the cheque, issue a without prejudice receipt and post directly to Finance Service Centre, 1 Future Walk, West Bars, Chesterfield S49 1PF. Endorse the reverse of the cheque with branch name, code and "audit shortage".

**Defund of a Post Office Local Branch**

If, as a result of the call to Agent/Postmasters Debt, the money in the branch is due to the Post Office, and needs to be returned it will need to be accounted for as follows:

Loan Withdrawn from PO – on Horizon (HOL)

**F7 Adjustments - 66 Loan to PO withdrawn**

If unable to get a pick up from CViT send Cash by Special Delivery to local cash centre.



## POST OFFICE INTERNAL

**Automated Teller Machines (ATMs)****APPENDIX F**

There are 4 different ATM types on site at branches.

The different types of machines in the network are:

- Post Office maintained – this machine holds between £50k– £140k and is funded by a remittance received at the branch. Some branches are authorised to hold in excess of £140k, but written notification should be on hand. The transactions are reported through the branch trading statement.
- Fully Serviced – this machine type is totally maintained by cash carrying company therefore would not be included in an audit.
- Self-fill: Retail cash – this machine is funded from private cash and under no circumstances must Post Office® funds be utilised. This is considered misuse of funds and should be reported to the Contract Advisor. The cash in this machine does not form part of the audit.
- Self-fill: Post Office cash – these machines hold £1k - £3k and are funded from Post Office® funds.

There are consequently only 2 machine types that would need to be verified as part of the audit process.

If the branch (or the retail side) is already open for business when the audit commences then proceed with the audit as normal leaving the ATM in service until the branch is ready to be opened.

Once this is completed the branch should be closed for a short period whilst the ATM contents are removed for checking prior to allowing the branch to re-open. Once checked the branch will need to close for a short period to return the cassettes to the ATM and put it back in service.

If, however, it is not possible to perform a physical check of the ATM during the audit then sufficient reports should be obtained from the ATM to provide assurance that funds are on hand within the ATM. This should be subsequently fully documented in the audit report, and reported to the Contract Advisor at the time of the audit.

The obtaining of ATM reports should not be considered a replacement for physically checking the actual contents of the machine. It should be used as a temporary measure to carry on with the audit until such time (during a quieter period of the day as mentioned above) when the branch can be closed for a short period to perform the physical verification.

This should only occur as an exception and where the premises in which the branch are situated is not owned and operated by the same person and a decision to close the doors cannot be enforced.

In extreme circumstances when the ATM is unable to be accessed, 4 weeks entries for ATM withdrawals should be checked to ascertain whether or not stated holdings are reasonable. All instances whereby the ATM cannot be accessed must be reported to the Contract Advisor by phone during the audit.

## POST OFFICE INTERNAL

## ACCESS TO THE HORIZON SYSTEM

## APPENDIX G

It will be necessary as part of an audit to gain access to the HOL system at the branch being audited. There will also be times when different levels of access will be required and the following should be adopted:

At all Audits

You should request the AGENT/POSTMASTER to add you to the system, if this is not possible due to no one in the branch having managers access, then your Global User ID should be used to access the system. Once logged on with your Global User ID you can then create other users on the system in order to later assist with the production of transaction/event logs and you should add yourself as a user through the normal process to enable you to produce all reports required under that user log on.

As previously stated, **do not attempt** to log on to or gain access to the HOL system with anything other than your **own personal ID**.

**Please note:** - If users have been added to the system during the course of an audit remember to delete them from the system at the conclusion of the audit and ask the agent/Postmaster to obtain a reprint of the User Summary. This will ensure all staff on User Summary is accurate before leaving the branch.

## POST OFFICE INTERNAL

## Appendix H

**Process for Auditing Bidi Safes**

The following process is to be used when Field Team Members (FTM's) audit the Post Office position at the Retail Service Point for Locals and Mains.

Process:

1. The FTM(s) upon entry will identify themselves to the Postmaster and the Post Office Service Point must be isolated and all transactions ceased.
2. The FTM(s) will ask the Postmaster if they would like to close the premises whilst all value cash and stock is removed to the secure area. If the Postmaster wishes the premises to remain open then the following must be applied.
3. The FTM(s) will retrieve all paper work required from Horizon to establish that Post Office® funds are secure.
4. If there is a back room terminal this must also be isolated and the Postmaster instructed that this must not be used without their prior consent.
5. The keys to the main safe must be identified and the FTM(s) must take possession of the safe keys into their custody.
6. There are up to 20 cassettes within the Bidi, the FTM(s) will need to ensure that they either mark the first cassette using a permanent marker or by inserting a piece of paper into each cassette as it is checked so that each cassette is clearly recognisable.
7. The FTM(s) will push the button for the first cassette to be released (which will be instant) and counted. Once counted then each cassette needs to be marked and then placed back into the Bidi and the button pushed to receive the next cassette. There is a known problem when only two or three cassettes are held within the Bidi in that when the cassettes are placed back into the Bidi they have a tendency to not fall back flat and the Bidi safe jams. If this happens then we will have no alternative but to close the retail premises so that the main Bidi door can be opened. On opening any unmarked cassettes can be placed on the bottom of the compartment (if there is only one, this can be withdrawn and counted) and any marked cassette(s) placed on top.
8. It should take a maximum of one minute between each cassette withdrawal. This will continue until all cassettes have been recycled and the FTM comes back to the first cassette which will be identified by the permanent marker or by a piece of paper inside the cassette.
9. Each cassette should hold around £400 - £600 so it is acceptable that the risk is minimal in counting this cash one cassette at a time at the Post Office position.
10. Once all the cassettes have been counted, then the cash till contents should also be counted.
11. All other Audit process and practices will apply

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12. The Post Office service position will NOT be put back into service until all cash and stock has been accounted and the auditors have completed all their checks.
13. If the branch has a Bidi Magnum+ the following additional conditions will apply:
14. The branch must be audited before 8 o'clock in the morning; this is to reduce the likelihood that the drop safe will have been used.
15. If there is money in the drop safe, any amounts reported to be in the drop safe should be verified using the transaction log to any large deposits made prior to the FTM's arrival. As long as any amounts reported to be in the drop safe match the transaction log, the contents can be assured. If the amounts reported to be in the drop safe do not match the transaction log then the premises must be closed for only the time it takes to open the drop safe and remove the contents to a secure area for it to be counted. This should be noted on the audit report. There will be no need to contact the contracts advisor for authority to assure the contents.
16. If there is money in the drop safe, following the audit the FTM should contact their Field Team Leader and the Field Team Leader will then contact the Network Support Admin Team to request that another audit of the branch be scheduled within the next 20 working days.

#### Additional information:

For the majority of Locals, one FTM will be required to complete the audit. Additional FTM's will only be required if the branch operates 2 Horizon positions; has a Bidi Magnum+ safe, or requires 2 FTM's due to the size of the branch based on normal scheduling criteria



## POST OFFICE INTERNAL

## Appendix I

**Tips to help get a Branch Open as early as possible on Audit**

All FSA's should attend the branch in good time to conduct the audit. The audit leader should be well prepared with all working papers ready and to hand.

The audit leader should allocate tasks to include Bureau, ATM and Lottery etc. prior to entering the branch. That way each FSA knows what they are expected to do and avoid delay. This may change once inside the branch due to findings (see below). The text message to the CA should be sent prior to arrival at the branch.

Only notify NBSC of a branch closure if there is one, if the branch scheduled opening time is 09.00am and you have the branch open at 09.00am there is no requirement to notify NBSC as there has been no loss of service. However if the branch has been open prior to arrival then NBSC should be notified when you briefly close the Post Office.

Consider all possibilities once inside the branch to get the branch open as soon as operationally possible:-

If the branch is open on arrival consider counting the main cash and any dormant stocks first then if applicable the Bidi safe (See Appendix H).

Total the cash counted thus far to give one figure. If applicable print the transfer report, THEN close the position, accept any transfers pending, print an Office Snapshot, Balance Snapshot, Cash Declaration and any transaction print outs required. Whilst the reports are being produced count the cash in the flip top or till and add to the figure already on cash sheet, compare to cash on hand as shown on OFFICE SNAPSHOT, if agrees then the position can open. Using this method, provided there is no large discrepancy; the branch should not be closed for more than 10 minutes.

If the branch has an ATM, consider leaving it operational (as this will provide customers with a limited service) whilst you audit the remaining cash and stock.

If the branch is open on arrival the retail area will have to be closed to remove cassettes from the ATM anyway, so this can be done at any stage of the audit. Remember the longer you leave it the less cash there will be to count. NOTE this is only possible when the ATM is a separate stock unit (it is a mandatory requirement that the ATM is a separate stock unit but always check).

If you do have to close the branch only leave it closed for as long as it takes to remove the cassettes to the secure area. Once verified the branch will have to be closed again to replace the cassettes back into the ATM.

If the branch is closed on arrival offer the Postmaster the choice of leaving the ATM in service until the rest of the branch is checked and then closing the shop briefly to remove cassettes and after checking replace the cassettes. (As described above) This way the counter stocks are available earlier and some Postmaster prefer this.

If a multi stock branch, once the time critical reports are printed, (see below) one or two units are checked and there are no reasons for suspicions then the branch can open, albeit possibly with a reduced service. Remember you only need **balance** snap shots for the stock units as you check them. Do not allow staff to wander off, once you have checked the cash the staff member should be on hand to prepare and open that stock unit.

Ensure that only the reports required are printed prior to the branch opening as per HOL Report Printing at Audit Guide, once the branch has re-opened the remainder of the reports can be obtained.

Once the audit leader has produced the reports down to the indicator line if the branch is not open they should assist in checking cash and stock until the branch is open.

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No figures should be input to the FAT prior to the branch being open.

If the branch has a 40 minute internal cell and the Postmaster can tell you how much is inside then once the working cash is verified the branch can open. (Provided there are no serious grounds for suspicion)

The 40 minute cell should be observed until opened (to prevent any cash introduction) and the contents checked.

There should be no irrelevant conversation prior to the branch opening. It looks very poor to the Postmaster who for the most part only gets paid for the transactions completed if we are talking about last night's television programme whilst the branch is closed.

PLEASE NOTE only the lead should have their mobile phone turned on and only answer calls relevant to the audit, all other FSA's should have their phone turned off for the duration of the audit.

Exception to this would need to be agreed with the lead in cases of urgent/emergency calls being expected.

Under no circumstances should the Compliance Audit be completed before the branch is open.

Remember a successful audit is all about control, the Audit Leader must be in control, not the Postmaster or staff. The FSA's must be polite but firm. Branches should be open with the absolute minimum of delay whatever opposition the Postmaster makes. If all else fails and the Postmaster refuses to open the branch as instructed the Contracts Advisor should be notified.

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## Appendix J

**Checking Reports obtained during Audit****Suspense Account:**

Can be used to hide shortages, therefore during the audit it is necessary to identify any figures recorded here and obtain proof that they are proper to be held. If they should be in the Suspense Account then they are deemed as AUTHORISED if not then they are UNAUTHORISED on the FAT.

**RV report:**

This reversal report must be checked especially on an FAA to see if there are any patterns suggesting reversal of postage or stock to cover up a loss. Reversing large amounts or high values of postage stamps will reduce the cash expected figure by HOL and increase the postage on hand figure expected by HOL. If this is indicated then it is necessary to check at least the bulk postage figures while conducting an FAA to ensure that postage has not been over inflated to cover up a loss.

**ER report:**

This report must be checked to ensure that payments have not been reversed to cover up a loss. Reversing customers bill payments or bank deposits may be an indication that losses are being covered up. Giro suppression is an old trick and although harder to do on HOL may still be possible. This is where a customer pays a large bill or makes a cash deposit, they are issued a receipt, however the transaction is reversed to cover up a loss and processed later when the same can be done to another transaction. Customers are not necessarily aware of this happening as their accounts are funded but later than they should be.

**Over £5k report:**

This report needs to be checked to ensure no transactions over £5k are being manipulated or processed when they should not be.

**Transfer Reconciliation:**

Each transfer transaction has a mode of "TO" (Transfer Out) and should have a corresponding mode of either "TI" (Transfer In) or "ER" (Existing Reversal), these will indicate that the transfer has either been accepted by the relevant stock unit or cancelled by the issuing stock unit. If the transfer only has a mode of "TO" (no corresponding "TI" or "ER") then it has not been accepted by the relevant stock unit. All transfers whether value or non-value must be accepted before the Office Snapshot is produced as any items not accepted will not show on the Snapshot and affect the audit result. If any transfers have not been accepted on a full audit (Tier2, Transfer, Robbery etc.) it will create a misbalance on the FAT and the final result will be wrong and unusable as evidence. If they have not been accepted for an FAA then losses can be hidden and the final result will be inaccurate.

**Outstanding Transaction Correction Report:**

This report is obtained to ensure that there are no outstanding TC's which need to be included as part of the audit.

**Processed Transaction Correction Report:**

The rationale behind checking this report is to see if the staff are making regular common errors which they may need help or extra training on while you are on site.

**NB:** When conducting an FAA, if the postage figure on the Office Snapshot seems excessive for the branch of that size then at least the bulk postage must be checked to ensure that it has not been over inflated to cover up a loss.