

## IN CONFIDENCE

To:	From:	cc:
Mr C Burston Contracts Advisor	Judy Balderson Field Support Advisor	Jason G Collins Fraud Team Manager  Area Sales Manager  Rita Kendellen Field Support Team Leader  Outlet Intervention Team
Date: 05 January 2011		

**Audit of Post Office®Howey, Branch Code 158644.**

On the 5 January 2011. I conducted an audit of the above named branch. .

The purpose of this audit was to verify financial assets due to the Post Office® and confirm compliance with a range of Business processes, procedures and regulatory requirements.

The audit revealed a shortage in the branch of £13044.23. A breakdown of the audit result and details of the audit findings are as follows:

£ 12756.62	(-)	Identified as a difference in cash figures
£ 50.99	(-)	Identified as a difference in cheque on hand figures
£ 652.37	(-)	Identified as a difference in stock figures
£ 538.80	(+)	Identified as a difference in postage figures
£ 78.05	(-)	Identified as a difference in foreign currency figures
£ 45.00	(-)	Other (voucher to CRU no supporting documentation)
£ 13044.23	(-)	Total Shortage

I arrived at the branch at 08.15am and introduced myself to the Postmaster Mr Lawrence Bailey who was serving in the retail area and advised him that I was to perform an audit on behalf of Post Office Ltd®.

Mr Bailey allowed me access to the secure area, and either he or his wife were present whilst the audit was carried out.

I contacted the Network Business Support Centre (NBSC) at approximately 09.00 am and advised that an audit would be performed at the branch, and that it would remain closed until its conclusion. The nominated branches offered were: Llandrindod Wells and Tremont Road and a notice placed on display at the branch detailing this information.

On my arrival at the branch I noted that the door to the secure appeared to be wide open on closer inspection it was apparent that no door was present although the hinge marks could clearly be seen. I asked Mr Bailey what had happened to the ABS door and he said that it fell apart about a year go. I asked why a new door had not been requested and was advised that Mr Bailey had applied for a grant to refurbish the branch and that the door was not replaced pending the refurbishment. The grant was apparently not available but the door had not been replaced.

Mr Bailey logged onto the Horizon system using his wife's user name and password.

I asked Mr Bailey for the PO cash and stock and Mr Bailey handed me a plastic crate from the safe in the adjacent store room and I began to count the notes, it was apparent that there was a large number of notes missing and I asked Mr Bailey about this and he produced some additional notes from the safe drawer. He then asked how much I was missing and I said £11700 in notes (I had not checked any coin or the ATM at this stage). Mr Bailey said he would ask his wife who had declared the cash on the night prior to the audit Mr Bailey said his wife [GRO] Mr Bailey returned a few moments later with his wife [GRO] [GRO]

Mrs Bailey said there were no more notes and she knew the cash was short. She said she had found discrepancies on balancing which she could not find and so had inflated the cash rather than tell her husband as he [GRO] [GRO] and she did not want to worry him. Mrs Bailey said she did not know how much was missing. I asked Mrs Bailey if she knew this was against procedure and she said that she did. I asked how long she had been inflating the cash and she said several months. She stated that her husband knew nothing about the shortage in the main branch as he only conducted the balance at the outreach branch.

At this point Mr Bailey said 'I will take full responsibility' and he did state that my findings explained

why although Mrs Bailey GRO she had insisted on attending the branch daily and declaring the cash.

I then completed the audit, this was protracted that Mrs Bailey gave me stock that had not been booked in, the huge amount of stock held, the HANCO dispensed figure for the previous day had been incorrectly input, and numerous philatelic items were on hand which were out of date or had been incorrectly declared on Horizon. There was also a transfer pending between the two stock units for £500.00. At this point Mrs Bailey said the ATM cash would be about £1000.00 short.

A physical check of the cash revealed a shortage of £12756.62. The stock and postage were checked and a net shortage of £113.57 found. The foreign currency was £78.05 short (Euro's overstated). The snap shot showed a figure of £50.99 of cheques which were not on hand and a voucher to CRU figure of £45.00 for which no supporting documentation was on hand so these amounts were disregarded for the purposes of the audit.

I then asked for the MVL discs and found that the bulk discs were secured overnight in a wooden cupboard within the PO area. I counted all the discs on hand and found 813 compared to the declared figure of 687.

Both Mr and Mrs Bailey were then advised that they should satisfy themselves that the figures of the audit team were correct. Therefore, I asked Mr and Mrs Bailey if they would do there own independent count of all the cash on hand again, which dispite three requests neither Mr or Mrs Bailey wanted to count the cash or stock.

Consequently Mr and Mrs Bailey then confirmed that the figures of the audit team were correct.

I then telephoned yourself at 14.00 to report an overall shortage in the branch of £13044.23.

I also notified Jason G Collins Fraud Team Manager at 14,30pm to relay these findings.

The decision had already been taken to precautionary suspend Mr Bailey at 09.30am the assets were secured in safe until a relief could be found and three sets of keys taken by Mrs Judy Balderson Field Support Advisor.

I collected the Branch Trading statements and noted that they had not been signed when requested Mrs Bailey signed them in my presence.

The audit of the branch was concluded at 3.00pm. The branch was rolled into TP10 BP01 and a Final Account produced.

The amount of £13044.23 was posted to Late Account,

I advised the NBSC that the branch would be closed until further notice

It was not possible to check the outreach branch cash and stock as the luggable Horizon system was not operational. The engineer was on site whilst I was conducting the audit but failed to effect an repair. I secured all the outreach cash and stock supplied by Mr Bailey in the safe and advised him that I would contact him tomorrow to see if the system was up and running. Once repaired an audit will need to be completed.

No Compliance Tests were carried out at this audit other than those control gaps that were observed whilst on site

If you require any additional information, please contact me on the telephone number below

Judy Balderson  
Lead Auditor



MobEX: 

<b>GRO</b>
<b>GRO</b>