

IN CONFIDENCE

To: Mrs S. Misra Subpostmaster	From: Alan Stuart Branch Auditor	cc: Angela James Contract & Service Manager Maidstone Area Intervention Office
Date: 14 October 2005		

Audit of Post Office® West Byfleet branch, FAD 126023

Section 1 - Introduction

An audit of the above branch was led by myself on Friday 14 October 2005. 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.

Section 2 provides a management summary, including the financial audit result.

Section 3 details a breakdown of the result of the financial audit.

Section 4 is a compliance certificate, which should be completed, signed and returned (in the addressed envelope provided) by 04/11/05, to confirm you have understood all the actions required for attention.

Please do not return the report, as this needs to be kept at your branch for reference.

Appendix A details the areas of non-compliance to regulatory matters and Appendix B details areas of non-conformance identified during tests of selected policy and procedures. Both appendices include the actions agreed with yourself during the closing meeting.

At the audit, you were given a questionnaire to provide feedback on the audit process. If there is anything else you would like to bring to our

attention please contact Operations Manager, John Jenkinson, on
telephone no. **GRO**

Section 2 - Management Summary

The financial audit revealed a current trading position of £ 3541.24 short. A breakdown of this figure, including any pending transactions corrections or losses being settled centrally, can be found in section 3.

Actions to address the areas identified were agreed with yourself in the areas of Post Office card account, information security, travel insurance and regulatory requirements.

Your attention is drawn most specifically to the points raised under travel insurance, as this seems to be an area of significant weakness. You are reminded that it is important that yourself and your staff are fully conversant with the transaction, and the responsibility placed upon yourselves for compliance with the various regulatory requirements in order to conduct the transaction.

Your motor vehicle licences were also a problem, as no reconciliation has been completed for several weeks. A reconciliation was not also possible at the audit as not all final balance snapshots for the last few weeks could be found. Using the on-hand figure provided to you, please ensure that a reconciliation is completed weekly, and submitted at the period end to Chesterfield.

Section 3 - Result of the Financial Audit

Financial assets to the value of £85554.20 were physically verified compared to the amount due to Post Office® of £89095.44.

The difference between these figures is broken down as follows:

£	38.19	-	Identified as a difference in cash figures
£	37.31	-	Identified as a difference in stock figures
£	34.43	+	Identified as a difference in foreign currency figures
£	3500.17	-	Previous cash account shortage rolled into local suspense
£	3541.24		Total shortage

Comments and/or Recommendations:

As you are unable to make good the shortage, you must contact your Contract & Service Manager, via the Area Intervention Office, as soon as possible to put forward proposals to remedy the discrepancy.

**Section 4 – Compliance Certificate Statement from Post Office®
West Byfleet branch, FAD 126023.**

I have read and understood the report relating to the audit carried out on 14/10/05.

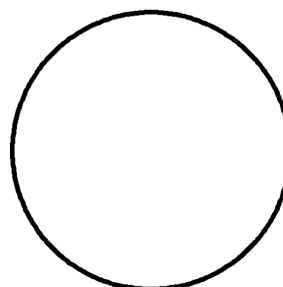
- There were no actions recommended to implement *
- All actions recommended have been implemented *
- I have implemented all of the actions recommended in the report with the following exceptions *

(* *Delete as applicable*)

Action No.	Reason why this has not been implemented:

Datestamp and FAD Code - _____

Branch Name (please print) _____



Date _____

Name _____

Signed _____

APPENDIX A**Audit of Post Office® West Byfleet branch, FAD 126023 - Action Plan**

The following table details areas of non-compliance to regulatory issues and details actions agreed at the closing meeting.

Area / Action number	Non conformance identified	Impact of non-conformance	Reference	Action Required
Anti Money Laundering				
01	The branch training record was not on hand.	Agent is unable to demonstrate competence of staff in carrying out regulated transactions. This could also result in a financial penalty being imposed Post Office Ltd	Anti Money Laundering - Training Workbook - page 41.	Maintain a training record detailing all branch members and the relevant training that they have received.
Financial Services				
02	Staff were not aware of how to deal with a complaint or query correctly	FSA regulations not complied with, which could lead to Post Office Ltd being fined or the removal of regulated products from the branch.	Post Office® financial services, complaints, section 3.6	Ensure staff are fully conversant with the complaints process.
03	Staff were not unable to locate the address of the Financial Ombudsman	FSA regulations not complied with, which could lead to Post Office Ltd being fined or the removal of	Post Office® financial services, complaints,	Ensure all staff are aware of where to locate the address details of the Financial Ombudsman

		regulated products from the branch.	section 3.6	
04	Staff were not aware of the requirements for a confidentiality of information request by customers or authorities	FSA regulations not complied with, which could lead to Post Office Ltd being fined or the removal of regulated products from the branch.	Post Office® financial services - subsection 3.2	Ensure all staff are fully aware of how to treat customer information.
05	The branch training record was not on hand	FSA regulations not complied with, which could lead to Post Office Ltd being fined or the removal of regulated products from the branch.	Post Office® financial services - subsection 3.5	Maintain a training record detailing all branch members and the relevant training that they have received.

APPENDIX B**Audit of Post Office® West Byfleet branch, FAD 126023 - Action Plan**

The following table details areas of non-conformance identified during tests of selected areas at audit and details actions agreed at the closing meeting

Information Security				
06	Users on the Horizon system were unaware that they are accountable for any unauthorised usage carried out with their log on ID password.	Potential for fraudulent use of the Horizon system should a password become compromised.	HSUG Office admin – section 1.1	Ensure that all Horizon system users are aware of their accountability for any actions undertaken with their user name and password.
07	Users on the Horizon system were unaware of the need to change their passwords if they believe it has been compromised.	Potential for fraudulent use of the Horizon system should a password become compromised.	HSUG Office admin – section 1.4	Change passwords at regular intervals, or immediately, if it is felt that details have been compromised.
08	Horizon terminal screens were not locked when left unattended.	Potential for transactions to be carried out without knowledge of the user.	HSUG Office admin – section 1.1	Ensure that Horizon users are aware that they must invoke the temporary lock facility on the system if the workstation is left unattended or out of sight.
09	Horizon system user names were not in the correct format.	For legal purposes, the user is unable to be identified should the user account bear	HSUG Office admin – section 1.3	Ensure that user names are set up in the following format: first initial of first name followed by the first

		no resemblance to their name.		and second initials of surname followed by 001. If 001 is not available then the user name should try 002 and so forth until the system accepts the request.
10	Users on the Horizon system not using their own log on ID and password.	Potential for fraudulent transactions to be carried out without knowledge of the user.	HSUG Office admin – section 1.3	Ensure Horizon system users use their own log on ID only.
11	The MoneyGram PIN was not held securely in the safe.	Potential for unauthorised transactions to be made through terminal. Agent liable for any consequential loss	COM - Postal Orders & International Money Orders - subsection 11.10	Ensure the Moneygram PIN is held securely in the safe.
Post Office Card Account				
12	Cards were held beyond their retention period and/or are not destroyed by cutting them into four pieces through the chip and magnetic strip	Cards not destroyed as required could be used in fraudulent manner as a means to obtain monies.	COM - On Line Banking Card Account at the Post Office - subsection 6.7	Ensure that card details are entered onto the card destruction log P6187 and destroyed after 26 weeks.

13	Card details are not recorded on the card destruction log P6187 prior to destruction	Unable to supply information to support a destroyed card.	COM - On Line Banking Card Account at the Post Office - subsection 6.7	Ensure that card details are entered onto the Card Destruction Log P6187 before destruction.
14	No supplies of P6182	Inconvenience to the customer.	COM - On Line Banking Card Account at the Post Office - subsection 2.14	Order further supplies of P6182 forms from the stores department on 0856 6011022 selecting option 6.
15	P6168 (Card Account application form), P6183 (Guide to Card Account) and P6184 (Terms & Conditions), all with revision date of June 2004 or later, were not on hand	Breach of FSA rules and Principles. Potential disciplinary action (i.e. financial penalties) by FSA. Potential customer complaints to Financial Ombudsman resulting in costs to Post Office Ltd and clients.	COM - On Line Banking Card Account at the Post Office	Obtain the most up to date version of these forms and keep them on hand at the branch
Travel				

Insurance				
16	Travel insurance was observed being sold incorrectly.	Insurance potentially invalid if correct sales procedures not followed.	Operational Focus week 13 16 June 2005 - subsections 2	Ensure that all staff are fully of all procedures relating to sales of travel insurance policies.
17	The important notice card (P5507) was not on hand.	Inconvenience to customer if issued with a policy whereby a claim could be turned down due to failure to disclose certain information, as the important notice was not made available at the time of the transaction.	COM - Travel Insurance - subsection 4.19	Ensure that the British Insurers General Business Important Notice P5507 is on hand at all times.
18	Unaware of the important notice card regulations.	Potential to sell a policy to a customer without making them aware of certain aspects of the policy.	COM - Travel Insurance - subsection 4.19	Ensure that all staff are aware that the British Insurers General Business laminated Important Notice card (P5507) must be handed to all customers and that customers must read it before the purchase of Travel Insurance can be completed.
19	Brochures were not annotated with the branch code.	Subpostmaster not remunerated accordingly.	COM - Travel Insurance - subsection 4.17	Ensure that all staff are aware that they need to check that brochures and leaflets have the FAD code recorded in the relevant space.

20	The latest copy of the Travel Insurance Operations Manual, Operational Focus week 13 and laminated sales Workaid were not to hand.	Inconvenience to customers and potential sale of invalid insurance policies.	COM - Travel Insurance - Version 6, December 2004 (COMB 41/6) Operational Focus week 13 16 June 2005	Obtain the latest copy of the Travel Insurance Operations Manual Operational Focus week 13 and laminated sales workaid and keep them to hand so they are available to all staff for reference.
21	Staff are unaware of where to obtain information about giving oral disclosure statements.	Insurance could be invalid if customers are not given the opportunity to disclose important information.	COM - Travel Insurance - Version 6, December 2004, subsection 4.15	Ensure that all staff are familiar with the relevant section of the operations manual, which includes the statements which must be relayed to customers.
22	Staff are unaware of the need for the customer to have been read the oral disclosure statements.	Insurance could be invalid if customers are not given the opportunity to disclose important information.	COM - Travel Insurance - Version 6, December 2004, subsection 4.15	Ensure that all staff are aware of all requirements relating to oral disclosure statements.

23	Staff unaware that the initial oral disclosure statement should be read out to the customer upon handing them the Important Notices (P5507).	Insurance could be invalid if customers are not given the opportunity to disclose important information.	COM - Travel Insurance - Version 6, December 2004, subsection 5	Ensure that all staff are aware of all requirements relating to oral disclosure statements.
24	Staff unaware that a second oral disclosure statement is required when issuing the insurance and handing over the pack.	Insurance could be invalid if customers are not given the opportunity to disclose important information.	COM - Travel Insurance - Version 6, December 2004, subsection 5	Ensure that all staff are aware of all requirements relating to oral disclosure statements.
25	Unaware of proper retention periods for sold applications and refunds	Inability to resolve queries in a timely manner	COM - Travel Insurance - subsection 2	Ensure that all staff are aware that sold applications and refunds are retained at the branch for 2 years.
26	Procedure not known when applicant is between 65-69 and applying for a annual multi trip policy	Insurance potentially invalid if correct sales procedures not followed.	COM - Travel Insurance - subsection 5	Ensure that all staff are fully of all procedures relating to sales of travel insurance policies.
27	Refunds incorrectly processed and/or accounted for.	Issuing of error notices. Delays in client settlement.	Operational Focus week 13 16 June 2005 - subsection 4	Ensure that all staff are fully aware of the procedures to follow if a refund is required and how to account for these correctly.

28	The latest copy of the Operations Manual Interim Issue 4 25 August 2005 was not to hand.	Potential for errors on applications leading to inconvenience to customers.	Operations Manual Interim Issue 4 25 August 2005 European Health Insurance Card - Check and Send service	Obtain the latest copy of the Operations Manual Interim Issue 4 25 August 2005 European Health Insurance Card - Check and Send service to hand so it is available to all staff for reference.
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