

Post Office Ltd Internal Review of Agents Processes in Managing Suspected Financial Irregularities

1 Purpose

The Network Services and Transformation Team have been tasked with conducting a full review of those internal policies and processes involved with managing agents suspected financial irregularities and subsequent contractual breaches. The purpose of this document is to define the scope and deliverables of this review, and seek ET agreement on the approach outlined within.

2 Background

Post Office Ltd holds legally binding contracts with independents or companies operating Post Office outlets. Within the framework of existing contracts, responsibility for cash and stock sits firmly with the independent or company who are *"expressly forbidden to make use of the balance... for any purpose other than the requirements of the Post Office® service"*. If misuse of Post Office funds occurs, Agents may be liable for prosecution and, or, termination of their Contract.

In order that Post Office Ltd may manage suspected financial irregularities, internal policies and processes have developed over time, providing guidance to those employees, namely Contracts Advisors, whose role it is to manage potential breaches and implement corrective action. These policies and processes assist Post Office Ltd in determining the appropriate course of action for cases of suspected financial irregularity, be it:

- Precautionary suspension
- Written warning
- Contract Termination

The last policy update in relation to the above took place in January 2002 and existing guidance documentation is 'black and white' and inflexible in terms of its application across the network. For example, precautionary suspension is considered the only appropriate course of action where there are financial irregularities. As a consequence of this approach, several suspension and termination cases over recent months have resulted in negative PR and enquiries from Government as to whether our approach is fair. The NFSP have also raised concerns regarding the inflexibility of policies and have specifically requested a review here.

It is now recognised both internally and externally that existing policy here may be antiquated, inflexible and may not allow Contracts Advisors sufficient scope to tailor corrective action to individual cases, through recognition of mitigating or aggravating factors. A review of the policy is therefore essential.

This paper seeks to set out the overall aims and objectives of this policy review and covers:

- the scope of the project
- its key deliverables
- Resource & stakeholder input
- an outline project plan
- key interdependencies

3 Scope

The following areas are in scope and will be reviewed in full for all agents groups with differing levels of priority:

- Business policy for issuing of corrective action such as written warnings
- Business policy for precautionary suspension
- Business policy for contract termination
- Business policy for Agents appeal hearings
- Business policy for recovery of losses
- Existing processes and procedures involved in all of the above, including a review of any documentation used and agent communications.
- Any resultant training required as a result of policy changes
- Clarification of staff responsibility and senior management accountability

In addition to the above, a review of the criminal investigation process is required. This policy and process is currently owned and administered by the Security team within Royal Mail Group and is managed independently. It is recommended that this policy is explored in more detail and if appropriate, handed to the Agents Development Team for future ownership.

The following areas are out of scope and will not be reviewed:

- Existing contracts - agents' contractual obligations should not be weakened although it is recognised that contract wording will vary through the introduction of new operating

model contracts as a result of the Network Transformation Programme.

4 Key Deliverables

a) New and updated policies would be developed for internal use only that:

- Treat agents fairly and in line with the business' core values
- Allow Post Office Ltd to continue to enforce its contracts where appropriate
- Are clear and easy for Contract Advisors and other internal teams to follow, offering clear guidance to allow them to make appropriate and defensible decisions in a consistent manner
- Provide clarity on accountability and responsibility in Post Office Ltd Network Services and Transformation Team.

b) A suite of new and improved documentation is required for both internal and external use that has been approved legally and by the Internal Communications team.

c) Policies should receive buy in from the Post Office Ltd ET and the National Federation of Sub-postmasters and provide a means for all parties to defend the decisions made with some comfort.

d) Any policy or process changes will be communicated to all relevant parties via the usual policy communication channels, and documented in an Agency Change Communique.

5 Resource and Stakeholder Input

Project Lead Tracy Marshall (Agents Development Manager)

Internal Stakeholders Kevin Gilliland (Network & Sales Director)

Angela Van-den-Bogerd (Head of Network Services)
John Breeden & Lin Norbury (Contracts Managers)
Jessica Madron (Legal Services)
Richard Weaver (Internal Communications)
Nick Beal (NFSP relationships)
Mike Granville (BIS relationship & Strategy)
John Bigley (Security)

External Stakeholders George Thomson, Mervyn Jones, David Milner (NFSP)

6 Project Plan

No	Milestone	Complete by
1	TOR sign off	24/01/11
2	Existing processes mapped	24/01/11
3	Information gathering and stakeholder input to precautionary suspensions, contract termination and appeals policy completed	04/02/11
4	Revised policy for precautionary suspension, contract termination and appeals policy drafted and associated documentation reviewed	14/02/11
5	Stakeholder review completed	21/02/11
6	Revised policy for precautionary suspension, contract termination and appeals completed and communicated	28/02/11
7	Appeals training completed	18/03/11
8	Criminal investigation process reviewed, mapped and communicated	25/03/11
9	Losses and recovery policy reviewed and completed	01/04/11

7 Risks & Issues

No	Risk Description	Mitigating Action	Value
1	Insufficient time to complete information gathering	Review milestones regularly and adjust resourcing as required	M
2	Lack of NFSP agreement to new policy may lead to ongoing PR issues	Ensure regular engagement and clear rationale for policy	M

Tracy Marshall
17th January 2011

Appendix 1: Precautionary Suspension and Contract Termination Process

Managing suspected financial irregularities; precautionary suspension



**Appendix 2: Agent suspensions, re-instatement, contract terminations and appeals:
process map narrative.****Key to Post Office Personnel**

Contract Advisor	CA	Field Support Advisor	FSA	Temporary Subpostmaster Advisor	TSA
Appeals Manager	AM	Appeals Admin Support	AAS	National Contract Manager	NCM

Timescales

Suspension process (Box 1 – 24)	On average this process takes 6 weeks to complete
Appeals process (Box 26 – 35)	On average this process takes an additional 4 weeks to complete

Box #	Supporting narrative
1	Branch is audited by FSA(S). Internally a threshold level of £1000 is used to determine the appropriate course of action at the time.
2a	There are no issues identified at audit and if the loss is less than £1000, the audit is concluded and a report sent to the CA for their review and identification of future action. Precautionary suspension is not applied here.
2b	If the audit has resulted in a loss of less than £1000 but the agents has admitted a breach of contract in respect of either a falsification of accounts or misuse of funds, the Contracts Advisor is notified and will issue precautionary suspension (see Box 10)
3	The CA is informed that there has been a loss identified at audit by the FSA of more than £1000. The CA is therefore immediately required to intervene.

4	The CA asks the agent to explain the shortage
5	If the Agent admits that a loss (of any value) is a result of deliberate falsification by themselves then the decision will be to precautionary suspend as Post Office Ltd funds have been put at risk.
6	The Agent denies knowledge of the loss
7	The CA will contact the accounts department to check if any issues are known which might account for the loss.
8	If the accounts department confirm that Transaction Corrections have been received which would account for the loss proceed to box 9, If not, box 10.
9	The Agent would be advised of this and asked to bring these to account to rectify the loss. In this case the Agent would not be suspended.
10	If nothing is known to account for the loss then the CA would most likely precautionary suspend the Agent on the basis that funds may be at risk because a large loss has been identified that the Agent cannot account for.
11	CA confirms contact details for the suspended agent and enquires as to whether they would be willing to make their premises available to ensure continued service provision in the community.
12	CA notifies TSA of the suspension and whether premises are being made available.
13	If premises are available the TSA would then seek to find a suitable and available temporary Agent.
14	If premises are not available, arrangements are made to remove cash and stock from the office as the suspended Agent cannot be expected to be responsible for PO cash and stock whilst they are suspended.
15	CA sends letter to Agent confirming terms of precautionary suspension
16	CA contacts the suspended Agent by telephone to discuss next steps which are: CA will review of all evidence available. This will include carrying out further investigations if required. The CA will then; - Consider whether precautionary suspension is the correct continued course of action or if the Agent can be reinstated based on the evidence - Explains that reinstatement may have conditions attached and that if the evidence points to possible serious breach of the Agent's contract he/she will be issued with a 'charge' letter inviting him/her to interview to discuss the alleged contractual breaches,

	- Explains that at any interview the Agent may be accompanied by a friend (must be POL employee, Agent, registered sub post office assistant or NFSP representative) to help and support them during the interview and this will be explained further in any interview invitation - Explains that if a 'charge' letter is issued the Agent can opt to send in written representation if he/she wishes although we would always encourage them to attend for interview To ensure the case is dealt with as quickly as possible and without prejudice to the outcome of the evidence review the CA will; - Provisionally book a date and venue for the interview. - Establish whether the Agent has any specific circumstances or special requirements which need to be considered when arranging an interview. - Create electronic case file - Make notes during the telephone conversation on 'Contract/Culpability telephone log'
17	CA reviews the audit report, event capture log & any supporting evidence provided by the FSA and any other evidence available e.g. from P&BA , Security & Investigations CA will conduct any further investigations as necessary with other teams who may be able to contribute. This may include a fact finding interview with the Agent. CA will decide whether precautionary suspension is the correct continued course of action or if the Agent can be reinstated based on the facts of the case. There are a number of factors taken into account by the CA during the course of the investigation (both aggravating and mitigating factors). Examples include the following:

	Aggravating factors: • The agent had, or had tried to cover up the offence at the time. • The agent has not admitted the offence from the outset. • The agent's record shows that they have a disregard for rules, or that their general performance is poor. Mitigating factors: • The agent was acting under some form of duress, or threat. • The agent has accepted full personal responsibility for the offence. • The agent's behaviour was out of character compared to their track record generally. After full consideration of the evidence and factors, a decision is made by the CA as to whether precautionary suspension is the correct approach.
18	If the decision is to reinstate, the CA will consider whether any further action is required e.g. whether there are conditions which should be attached to the reinstatement and whether a warning is required. This will determine whether a meeting with the Agent is required before the Agent can be reinstated. CA must document the rationale for his/her decision and inform internal stakeholders to ensure any associated conditions of reinstatement e.g. debt repayment, additional training are actioned. Where no temporary Agent is in place the TSA will arrange to fund the branch with cash and stock.
19	CA will advise NCM of reinstatement cases and the date that the case is finalised. CA will arrange for formal reinstatement letter to be sent. CA will complete and close the electronic case file
20	Arrange for TSA to give notice to the temporary Agent once date of reinstatement known and for the transfer of the branch from the temporary Agent
21	CA notifies suspended Agent of 'charge(s)' and confirms suspension interview

	date/time/venue. Send 'charge' letter to Agent
22	Suspension interview takes place or written submission received. If an interview takes place the Agent may be accompanied by a friend, family member or a representative from the NFSP. The interview is recorded and the Agent is given a copy of the recorded interview along with the interview notes. The CA will then conduct any further investigation that may be required following the interview or receipt of the written submission.
23	CA completes all investigations, reviews all of the information available to him/her and compiles a decision document which summarises the case and their conclusions with rationale for their decision. CA updates electronic case file with further investigation material, any papers produced at the interview by the Agent, their decision document and the decision letter
24	Notify suspended Agent of decision. Discuss next steps. Send decision letter. If decision is to summarily terminate the Agent is offered opportunity to appeal. An appeal would constitute a 're-hearing' of the case by a trained appeals manager with no previous involvement in the case. This is to guarantee a fair and impartial hearing for the appellant. If the decision is to reinstate put steps in place for this to happen (refer to box 19.)
25	Contact Network Change team to analyse future service provision in the location
26	Establish if notification has been received from terminated Agent in respect of his/her right of appeal. If no appeal, arrangements to be made for vacancy report to be prepared, debarment form completed where appropriate and arrangements made for debt recovery if debt is still outstanding.
27	Send acknowledgement of receipt of request for an appeal hearing to terminated Agent.
28	Complete appeal case facing sheet and refer to Appeals Allocation Duty. Confirm with allocated AM whether any hard copies are required of the case papers. Arrange for transcription of the suspension interview notes and send copy to the Agent. Prepare electronic case papers and send to AM along with an electronic version of the decision document.
29	AAS contacts appellant and NFSP representative to discuss how appeal will be conducted (face to face encouraged but can be by written representation) and agrees provisional date. AAS confirms appellant has copies of all the papers which the AM will use during the appeal

30	Date of appeal notified formally by letter and copies of any documents not already provided supplied to appellant. It is also made clear that the appellant is entitled to be accompanied by a friend, family member or a representative from the NFSP
31	AM reviews case file and carries out any additional enquiries in advance of the interview. Any enquiries documented and any additional paperwork provided to appellant
32	AM conducts appeal interview. The appeal hearing is recorded on request of the appellant. If recorded, the appellant will receive a copy on the same day. AM conducts any further investigations required as a result of information provided during the appeal hearing or as part of the written submission
33	AM completes all investigations, reviews all of the information available to him/her and compiles a decision document which summarises the case and their conclusions
34	AAS updates electronic case file with further investigation material, any papers produced at the interview by the Agent, the AM's decision document and the decision letter
35	Final decision notified to appellant in writing.
36	Refer to box 18. Deals with cases where appeal is upheld.
37	A vacancy report will be completed so that the resulting vacancy can be advertised, if the premises are made available it will be advertised 'at or near' the existing premises. The CA will complete the debarment forms so that the offender is not able to become a POL agent in the future. If there is an outstanding debt further action will be taken, see below.
38	The ex-agents debt team will write to the ex-agent to recover any outstanding debts, including those that have arisen from normal counter transactions.
39	Should the ex-agent not repay any monies owed, recovery by civil litigation will be considered by way of a risk assessment. That process is separate to the process described above. .

