

**IN CONFIDENCE**

|                                    |                             |                                                |
|------------------------------------|-----------------------------|------------------------------------------------|
| <b>To:</b>                         | <b>From:</b>                | <b>cc:</b>                                     |
| Mr Michael Rudkin<br>Subpostmaster | Paul Field<br>Audit Officer | Jane X Bailey<br>Branch Development<br>Manager |
| <b>Date:</b> 11 December<br>2006   |                             |                                                |

**Audit of Post Office® Ibstock branch, Branch Code 223217.**

**Section 1 - Introduction**

An audit of the above branch was led by myself on Thursday 7<sup>th</sup> December 2006. 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 , 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 Network Compliance Audit Manager, Alvin West, on telephone no **GRO**

## Section 2 - Management Summary

The financial audit revealed a current trading position of £ 94.34 short, subject to a reconciliation of some figures (undertaken after the audit). A breakdown of this figure, including any pending transactions corrections or losses being settled centrally, can be found in section 3.

Based on sample tests, observation and discussion during our audit visit, we can provide assurance that controls are deployed correctly to comply with procedures in the areas of Financial Controls.

Actions to address the areas identified were agreed with yourself in the areas of Regulatory Requirements and Standards, Information Security and Procedural Security.

It is important that Training Records for Regulatory Requirements and Standards are obtained and completed, and kept on site as part of this requirement.

It is also your responsibility to ensure that each member of your team, including yourself, are fully aware of Financial Services Authority requirements in respect of our Travel Insurance product, and all our other financial goods and services, and that they fully comply with the regulations at all times in the course of their work.

Actions that were detailed in the previous audit still require attention. These are highlighted in bold text in the appendices

## Section 3 - Result of the Financial Audit

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

The difference between these figures is broken down as follows:

|         |   |                                             |
|---------|---|---------------------------------------------|
| £ 58.24 | - | Identified as a difference in cash figures  |
| £ 36.10 | - | Identified as a difference in stock figures |
| £ 94.34 | - | Total shortage                              |

Comments:

The shortage was made good at the time of the audit.

**Section 4 – Compliance Certificate Statement from Post Office®  
Ibstock branch, Branch Code 223217, NCAM area West.**

I have read and understood the report relating to the audit carried out on  
07/12/2006.

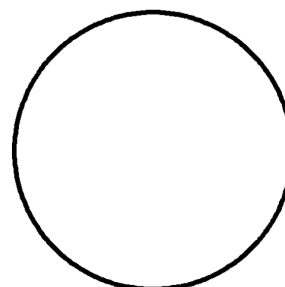
- There were no actions recommended to implement \*
- All actions recommended have been implemented \*
- I have implemented all of the actions recommended in the report  
with the following exceptions \*

(\* *Delete as applicable*)

| Action<br>No. | Reason why this has not been implemented: |
|---------------|-------------------------------------------|
|               |                                           |
|               |                                           |
|               |                                           |
|               |                                           |

Datestamp and Branch Code - \_\_\_\_\_

Branch Name (please print) \_\_\_\_\_



Date \_\_\_\_\_

Name \_\_\_\_\_

Signed \_\_\_\_\_

## APPENDIX A

**Audit of Post Office® Ibstock branch, Branch Code 223217 - Action Plan**

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

| Area /<br>Action number                  | Non compliance<br>identified                                                               | Impact of non-compliance                                                                                                                       | Reference                                                               | Action Required                                                                                                       |
|------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| <b><u>Post Office<br/>Home Phone</u></b> |                                                                                            |                                                                                                                                                |                                                                         |                                                                                                                       |
| 1.                                       | The branch training record for HomePhone Code of Practice was not on hand/fully completed. | Agent is unable to demonstrate competence of staff for Home Phone. This could also result in a financial penalty being imposed Post Office Ltd | Refer - Ops Focus 14/05 article 7 & Training Focus Special 11 July 2006 | Ensure that all member of staff are have completed the Homephone training workbook and the Horizon receipts retained. |

## APPENDIX B

**Audit of Post Office® Ibstock branch, Branch Code 223217 - 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

| Area / Action number               | Non conformance identified                                                                                         | Impact of non-conformance                                                                                           | Reference                                    | Action Required                                                                                                                                                                                                      |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Information Security</u></b> |                                                                                                                    |                                                                                                                     |                                              |                                                                                                                                                                                                                      |
| 2.                                 | <b>Staff were not aware of action to take in the event of an unauthorised log on attempt to the Horizon system</b> | <b>Potential for fraudulent use of the Horizon system should a password become compromised.</b>                     | <b>HSUG Office admin – section 1.4</b>       | <b>Ensure that all Horizon users are aware that unauthorised log on attempts must be reported to the NBSC (National Business Support Centre <span style="border: 1px dashed black; padding: 0 5px;">GRO</span>).</b> |
| 3.                                 | Horizon system user accounts for staff on leave or other periods of extended absence had not been disabled.        | Potential for fraudulent transactions to be carried out without knowledge of the user should the password be known. | HSUG Office admin – section 7                | Ensure that user accounts for staff on leave are disabled.                                                                                                                                                           |
| <b><u>Procedural Security</u></b>  |                                                                                                                    |                                                                                                                     |                                              |                                                                                                                                                                                                                      |
| 4.                                 | The correct procedures are not followed for smoke and dye packs.                                                   | Potential loss of Post Office Ltd funds in the event of an incident, for which the agent could be held liable.      | Smoke & Dye User Guide - Security operations | Ensure that the correct procedures are followed for smoke and dye equipment.                                                                                                                                         |

|    |                                                                                           |                                                                                                                         |                                                               |                                                                                          |
|----|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------|
|    |                                                                                           |                                                                                                                         | manual,<br>subsection<br>9.7, pages<br>42 - 43                |                                                                                          |
| 5. | National Lottery cash<br>and/or scratchcards<br>is/are not afforded<br>adequate security. | Potential loss of Post Office<br>Ltd funds in the event of an<br>incident, for which the agent<br>could be held liable. | Security<br>operations<br>manual,<br>subsection<br>8, page 24 | Ensure that national lottery cash<br>and scratchcards are afforded<br>adequate security. |