



Internal Audit Report

Postmaster Issue Resolution

Context

The successful resolution of discrepancies and complaints raised by Postmasters is key to the ongoing relationship between POL and Postmasters. Accurate and timely resolution of cash, stock and process related issues has been a focus since the CIJ and the entire complaint handling and resolution process, along with the support team structures, has been substantially redesigned.

Audit Objective

To evaluate the effectiveness of design and operation of controls and processes around the handling of Postmaster discrepancies and complaints.

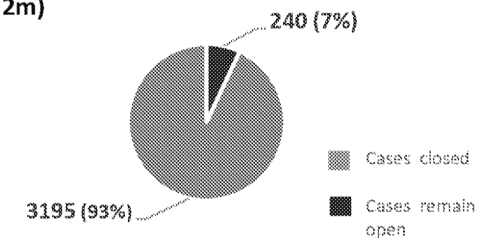
Conclusion

Despite the efforts of the Service and Support teams to resolve issues, they are hampered by the lack of business appetite to recover established losses. Until recovery of established losses is mandated the financial situation will continue to deteriorate, as is evidenced by the 94% YoY increase in current Postmaster debt.

Following are key findings from the audit:

- The entire Postmaster support structure around complaints and discrepancy reporting & investigation has been redesigned to provide a more visible, effective and timely response to complaints and issues raised by Postmasters.
- The revised Postmaster Policies and procedures are being effectively applied.
- There is a disciplined approach to investigations, but Postmaster behaviour affects the outcome - use of the Review & Dispute button has increased 60% YoY, while Postmasters not engaging with the investigation, increased 190% YoY.
- There is currently no mandated recovery process for established losses.
- There is no single source of data to effectively manage Postmaster accounting issues.

Accounting Issues: Total Cases P1-P8 (£12.2m)

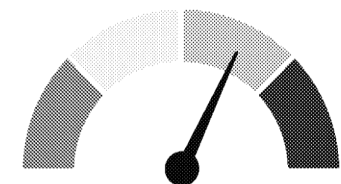


Year on Year Increases at P8 2022/23

Review and Dispute Button Usage	60%
PAST Escalations (due to PM non-conformance)	190%
Tier 2 Escalations	61%
Current Postmaster Debt Provision £9.1M	94%
Former Postmaster Debt £15.9M*	10%

**Shown for information only*

P1	3
P2	3
P3	0



Needs Significant Improvement

Report date: 13 January 2023

Executive Summary

Background

The successful resolution of complaints and discrepancies raised by Postmasters is key to the ongoing relationship between POL and Postmasters. Accurate and timely resolution of complaints and cash, stock and process related discrepancies has been a focus since the CIJ and the entire complaint handling and resolution process has been redesigned and the associated support teams rationalised and re-structured to provide a much improved service to Postmasters. Discrepancies that Postmasters are unable to resolve themselves are highlighted by Postmasters using the Horizon “Review and Dispute” button.

Scope & Approach

To evaluate the effectiveness of design and operation of controls and processes around the handling of Postmaster discrepancies and complaints, specifically:

- The routes in for Postmasters are published and clearly understood, response time is adequate and appropriate, and responses are personalised and swiftly delivered in an engaging manner.
- The tone of voice used is appropriate and respectful and Postmasters feel valued when being responded to.
- The current SLAs are appropriate in all cases.
- A service mindset exists, and the ways of working are being correctly applied across all touchpoints in relation to responses (quality and speed).
- The “Voice of the Postmaster” Monthly meetings review numbers of issues reported and responses.
- Area managers have the necessary freedom to address issues raised directly to them.
- Discrepancies are robustly investigated and responsibility for the loss correctly identified.

Conclusion

The redesign and restructure of the Service and Support teams has been instrumental in improving the speed and quality of response to discrepancies and complaints raised by Postmasters.

The systems and procedures in place around complaints were found to be well designed, adequately communicated, robust and consistently applied.

We observed effective processes to manage and respond to Postmaster complaints and queries, with all issues raised, including those raised through Area Managers, logged as cases in the Dynamics case management tool.

The teams are guided by revised and updated policies that have been clearly communicated to Postmasters. The policies are effectively applied by the teams and are robustly monitored by management.

There is a disciplined approach to discrepancy investigations, but Postmasters’ behaviour affects the outcome, specifically where Postmasters do not engage with the investigation or respond to contact. This needs to be formally addressed by the business.

Executive Summary

The increase in the use of the review and dispute button by Postmasters (an increase of 60% YoY) is affecting the workload of the teams and is having an impact on their ability to respond and resolve within the desired 10day timeframe (YTD at P8 76% of cases are completed within 10 days). This is compounded by the failure of Postmasters to respond to contact from the Postmaster Account Support Team within the defined 12 week period (an increase of 190% YoY), leading to immediate Tier 2 escalation, further increasing pressure on the investigating teams and reducing the likelihood of recovery of losses. The 12 week period exist to allow for any transaction corrections to be posted, which may resolve the discrepancy and avoid unnecessary investigation.

Whilst the Service and Support teams are adhering to the redesigned process and control framework and closing 93% of cases (not all of which are resolved), achievement of their desired 10 day investigation completion timeframe and ability to recover established losses is being hindered by PM behaviour and a lack of business appetite to recover losses

Until recovery activity is recommenced (on properly established losses) the financial situation will continue to deteriorate, as is evidenced by the 94% YoY increase in current Postmaster debt (£9.1M at end of P8). Consequently, this report is rated Needs Significant Improvement.

Management Comment

This audit has highlighted the improvements made by all functions involved in identifying, investigating and resolving Postmaster discrepancies and complaints. We have put policies in place and improved processes, ensuring CIJ compliance, to manage this area more effectively, with strong adherence across the teams.

Discrepancies arise a number of different ways and our ability to resolve them heavily relies on Postmasters following the correct process. Failure to contact the BSC following use of the review and dispute button is a significant issue and one we will try to address through communication and engagement. Mandating through a Horizon technical update is not feasible, however enabling Postmasters to investigate discrepancies themselves through a discrepancy account before passing through to the Service and Support Teams is being reviewed as part of the NBIT workstream. Within NBIT design, the intention is that Postmasters must escalate a case having performed their own investigation using a newly designed 'checklist' to be deployed through Branch Hub.

The PO's appetite to recover established losses is changing and the working group is reviewing the different scenarios that might arise following establishing a loss, with a view to making recommendations to the GE about how the PO might be more effective in the recovery of losses. The first of these is a proposal to recover the loss through a deduction from remuneration, where a Postmaster has agreed with the outcome of the investigation.

Key to managing the end to end loss process, and providing the GE with insights and trends, is to gain a full understanding of how transaction data flows through the different IT and Finance systems, how we currently use this data, what information gaps we have and how we might improve this in order to deliver a reduction in the loss number. We have engaged Ernst Young to support with this and the review will commence in January.

Melanie Park, Central Operations Director

Summary of Findings

Finding	Rating*	Action Owner	Date
Scope Area: 1. The routes through which Postmasters can raise an issue or complaint are clearly defined and communicated			
1. Minimum control standards were not fully reflected within each of the Postmaster policies.	P2	Simon Worboys/Jo Milton	31/3/23
Scope Area: 2. Service level agreements / targets for responding to Postmaster discrepancies and complaints are clearly defined, communicated and adhered to in practice			
2. There is no formalised IT issues escalation process with identified contacts.	P2	Simon Worboys	31/3/23
Scope Area: 3. Guidance setting out how to respond to Postmaster discrepancies and complaints is clearly defined, communicated and adhered to in practice			
Controls were found to be effective – no findings noted.			
Scope Area: 4. Roles and responsibilities for responding to Postmaster discrepancies and complaints are clearly defined and communicated, including the roles and responsibilities of area managers			
3. Incomplete audit trail of management review on sampled Case Investigations Reports.	P2	Simon Worboys	Complete
Scope Area: 5. The “Voice of the Postmaster” monthly meetings review the number of issues reported and responses			
Controls were found to be effective – no findings noted.			
Scope Area: 6. Established Losses			
4. Post Office are not currently pursuing the recovery of Postmaster losses.	P1	Jo Milton	31/1/23
5. Dashboard to report on discrepancies, established losses and established gains not yet implemented.	P1	Simon Worboys	31/1/23
6. Postmaster use of the Review and Dispute Button, outside of the published process.	P1	Mel Park	31/1/23

*P1 = High Priority, P2= Medium Priority, P3 = Low Priority

Detailed Findings and Agreed Actions

Scope Area 1: The routes through which Postmasters can raise an issue or complaint are clearly defined and communicated

The entire Postmaster Policy suite has been revised, updated and socialised with the Postmaster Community. The various policies explain to the Postmaster how and when to engage with the various support mechanisms to raise an issue and what levels of response to expect.

1. The Postmaster Complaint Handling Policy is in place which outlines the routes through which Postmasters can raise an issue or complaint.

The three main routes are:

- Through Branch Hub – Postmasters can raise their issue or complaint directly via the Branch Hub functionality.
- Via Area Managers – Postmasters can raise their issue or complaint with their Area Manager, either in person, over the phone or via email.
- By calling the Branch Support Centre (BSC) – This is the preferred channel for discrepancy issues where coaching and instruction can be given in the first instance to resolve the issue as quickly as possible.

2. An Area Manager Postmaster Complaint process is in place and guides Area Managers on the steps they should take when a Postmaster raises a complaint.

The Area Manager Postmaster Complaint process guide sets out the timescales Area Managers have to resolve the complaint (10 working days). This is the same timeframe as for discrepancies that are raised through either Branch Hub or the BSC. The process informs Area Managers that they are required to record the complaint in the Dynamics system. If the complaint cannot be quickly and easily resolved, the process requires the Area Manager to escalate the case to the Issue Resolution team.

3. The Postmaster Account Support Policy informs Postmasters how to request more information on/ dispute a branch discrepancy

The Postmaster Account Support Policy sets out what Postmasters should do if they require more information or want to raise a dispute for a branch discrepancy. Postmasters can call the Branch Support Centre, call the Branch Reconciliation Team or raise a dispute with the Transaction Corrections Disputes Team.

One of the very first checks that is carried out is to ascertain whether the issue or discrepancy being reported occurred as a result of the Horizon system. Since the establishment of the Issue Resolution process, there have been no cases found where the issue or discrepancy occurred as a result of the Horizon System.

Conclusion: The systems and procedures in place were found to be well designed, adequately communicated, robust and consistently applied.

Detailed Findings and Agreed Actions

1. Minimum control standards were not fully reflected within each of the Postmaster policies (P2)

The Postmaster Complaint Handling Policy, Postmaster Account Support Policy and Postmaster Accounting Dispute Resolution Policy did not fully reflect all of the controls that are applied to every investigation undertaken by the teams.

For example, the initial checks to confirm that the Horizon System was not responsible for the issue under investigation are critical to the credibility of that investigation and should be clearly reflected in the various policy documentation.

The owners of each policy should review the minimum control standards within each and check they are up to date. For example, we noted that some controls being tested were not within the policies (specifically, "check horizon did not cause the discrepancy").

It is important to the credibility of the issue resolution process that, where Horizon issues were not the cause of the issue, this is formally noted at every stage of the process.

Risk:

There is a risk of accusations of foul play or deflection of the issue if Horizon cannot be formally excluded from the list of causes of an issue, leading to financial loss through non recovery of losses.

Agreed Action:

The Postmaster policies will be revisited to ensure that all key control checks are formally recorded in each of them to avoid any possibility of deflection of responsibility for discrepancies under investigation. The team will work with the Compliance Assurance Team on the outputs of their current policy review.

Action Owner: Simon Worboys, Head of Network Support and Resolution, Trevor Ward, Senior Manager Branch Support Centre.

Date: 31st March 2023

Detailed Findings and Agreed Actions

Scope Area 2: Service level agreements / targets for responding to Postmaster discrepancies and complaints are clearly defined, communicated and adhered to in practice

There are service levels defined for each of the different elements referred to the business by Postmasters.

For complaints - there is a 10 day SLA for the provision of a response to the Postmaster. For each complaint raised, the individual that raised a complaint will be notified via email. (IA testing observed a 3 day turn around on complaints during July 2022).

For investigations – there are three tiers

- Tier 1 – initial investigations conducted by the Branch Support Centre.
- Tier 2 - cases that cannot be resolved by Tier 1.
- Tier 3 - If a matter cannot be resolved by Tier 2, it will be escalated to Tier 3. The Tier 3 team are then responsible for carrying out an investigation

A triage process is in place for cases that pass through Tier 1 without resolution or cases which have been referred by the Review Committee. All cases are acknowledged by the Triage team, without undue delay. They will either resolve the case or explain the next steps to the Postmaster.

Triage is intended to determine the criteria to be used to assess cases and determine the allocation to investigations teams. This is primarily to ensure consistency in response times. Actions taken during the triage process include:

- Cases being entered into the case management tool, if not already completed.
- Cases are allocated a ticket severity rating to appropriately allocate limited time or resources.
- Cases are reviewed by team managers and prioritised based on risk to both the postmaster and Post Office.
- Assign cases to the relevant team, noting escalations where necessary.
- A basic investigation takes place for the most common and frequent issues causing a branch discrepancy to attempt to resolve the case without further escalation, where possible.

Accounting disputes - When a transaction correction/transaction dispute is raised, the Postmaster will be notified via letter.

Conclusion: Overall we observed effective processes to manage and respond to Postmaster complaints and queries, with all issues raised, including those raised through Area Managers, logged as cases in the Dynamics case management tool.

Detailed Findings and Agreed Actions

2. There is no formalised IT issues escalation process with identified escalation contacts (P2)

The IT issues escalation route within the investigation process is not formally documented with identifiable contacts / roles named to demonstrate full visibility and accountability.

The various investigating teams know who to contact with the relevant issues or queries, but this is not detailed in any of the formal process documentation. This needs to be addressed to ensure consistency across the piece and to maintain the overall credibility of the investigation activity.

Any potential for the Postmasters to question the quality of the processes should be addressed to ensure that minimal distractions can be raised that will only serve to delay the conclusion of investigation activity.

Risk

There is a reputational risk that Postmasters may lose confidence in POL's ability to conduct their investigations transparently and in a timely manner.

Agreed Management Action

The IT escalations process will be formally documented and will identify the contacts/roles responsible for owning escalated IT issues.

Action Owner: Simon Worboys, Head of Network Support and Resolution

Date: 31st March 2023

Detailed Findings and Agreed Actions

Scope Area 3: Guidance setting out how to respond to Postmaster discrepancies and complaints is clearly defined, communicated and adhered to in practice

A Postmaster Accounting Dispute Resolution Policy is in place. The policy clearly communicates the accounting dispute resolution process.

The Postmaster Accounting Dispute Resolution Policy was obtained and reviewed for this audit. Section 4.1 sets out the accounting dispute resolution process. This consists of three tiers that form the escalation process, the work at each tier is conducted by a separate team and they are structured as follows:

- Tier 1- investigations are intended to provide a quick resolution to postmasters on straightforward balancing and transaction correction enquiries.
- Tier 2 - are full, detailed investigations - Where a matter cannot be resolved by the Tier 2 team, it will be escalated to the Review Committee who are responsible for allocation to Tier 3.
- Tier 3 – the team are responsible for carrying out any further, usually more complex, investigation work required.

Through detailed testing IA validated the work carried out at each tier and confirmed the escalation process was working as designed.

POL communicate the results of investigations to Postmasters by issuing a Case Investigation Report.

At the conclusion of each investigation a detailed report is prepared for sharing with the Postmasters. These reports include:

- An explanation of the reasons for reaching the decision recorded for each case.
- Confirmation that an investigation has been carried out and that supporting documentation relating to the investigation will be offered
- Any other relevant information relating to the investigation that it is appropriate to share with the Postmaster.
- Next steps for the Postmaster if they disagree with the outcome of the investigation. Including all levels of triage throughout the investigation.

From our audit we noted that there is also a detailed case outcome and recommendation. The report clearly communicates the results of the investigation to the Postmaster.

If the postmaster disagrees with the findings of an investigation, they, or their representative, can escalate the case to Tier 3. Tier 3 will ask the Postmaster for further evidence to support the case. If the Postmaster continues to dispute, the case will be escalated to the Review Committee.

One particular instance reviewed at audit resulted in the case being escalated to the Review Committee who, after reviewing the detail, concluded that the case should be referred to the Central Investigations Unit for further investigation work to be done.

Conclusion: Overall we observed clear communication to Postmasters and effectively managed adherence to the published activities.

Detailed Findings and Agreed Actions

Scope Area 4: Roles and responsibilities for responding to Postmaster discrepancies and complaints are clearly defined and communicated, including the roles and responsibilities of area managers

Roles and responsibilities are clearly defined at all levels and are understood between the teams.

The roles and responsibilities as described in both the Postmaster Complaints and Accounting Dispute Resolution Policies were reviewed and assured. The Dispute Resolution discrepancy investigation details are described below as an example of the robust approach taken.

On a daily basis, the Network Resolution Operations Manager leads a meeting with their team to review open cases and plan priorities for the day.

Per discussion with the Network Resolution Operations Manager, they will lead a meeting with their team to review open cases and plan priorities for the day. To support the meeting, they will utilise a PowerBI dashboard. IA confirmed that there is a recurring meeting held at 9am each day.

A Weekly Case Review is held by managers to discuss and make decisions on escalated cases and, where necessary, prepare cases for escalation to the Monthly Committee.

The weekly Case Review Meeting is attended by the lead representatives from all of the Dispute Resolution Teams.

Currently, this meeting is being held twice weekly to enable the caseload to be better managed. The meeting focusses on discussing the items on the action tracker, with the status of cases being the main focus. The attendees will also determine whether cases need to be escalated to the monthly committee.

IA has confirmed that this process is adhered to at all meetings.

Monthly Operational Review Committee meeting is held to review high risk cases escalated from the Weekly Case Review and to decide on actions to be taken for resolution.

The Monthly Operational Review Meeting is attended by representatives of the investigation teams, operational team leads and a representative from Legal. The meeting is chaired by the Head of Network Support and Resolution. IA are able to confirm that formal minutes are recorded of every meeting and also that the meetings are held every month.

All case files are reviewed by a Team Manager to check that resolved cases have the correct outcome and documentation.

A Team Manager will review each Case Investigation Report when it has been completed by the Advisor. They will leave a comment in a "Team Manager" named box at the bottom of the report. They will then attach a copy of the report into Dynamics, this will show which Manager reviewed the report.

The IA work did identify examples where the Team Manager name was not recorded, and the review was also undated (see finding 3 below).

Conclusion: Overall we observed effective adherence to the roles and responsibilities as defined.

Detailed Findings and Agreed Actions

3. Incomplete audit trail of management review on sampled Case Investigation Reports (P2)

The investigations process relies upon transparency and accountability at all stages and a complete audit trail is essential to the ability of POL to demonstrate this.

IA observed the application of the investigations process across all three tiers and concluded that they were well managed and effective, subject to the three cases detailed below:

1. CAS-2177128-G2T5H1 for Lenzie Post Office. IA confirmed that the report had been reviewed by a manager who left the comment "reviewed case investigation and agree with advisor's conclusion". There was no name or date to evidence who performed the review and when it was performed.
2. FAD 2044057 (Langley Green Post Office). The "Team Manager" box at the bottom of the report had not been completed, signed or dated.
3. CAS-2325327 (Longview Post Office). The "Team Manager" box at the bottom of the report had not been completed, signed or dated.

It is important that the checking and validation processes are fully evidenced to support the credibility of the overall activity and to demonstrate complete application of the relevant controls.

Risk

There is a risk of reputational loss if robust audit trails cannot be evidenced when requested to support or dispute challenges to investigation outcomes.

Agreed Management Action

All managers and team leaders will be reminded of the need to ensure complete audit trail at all times when signing off investigations and reports.

Action Owner: Simon Worboys, Head of Network Support and Resolution

Date: Complete

Detailed Findings and Agreed Actions

Scope Area 5: The “Voice of the Postmaster” monthly meetings review the number of issues reported and responses

Voice of the Postmaster meetings were established in 2021 and are held monthly. The meetings are chaired by Shaun Kerrison (Head of Postmaster Engagement) and are attended by Hithendra Cheetirala, Simon Oldnall, Rebecca Portch, Shaun Kerrison, Russell Hancock, Russell Tavener, Anna Todd, Andy Kingham, Lee Taylor, Emily Craddock-Smith, Alexandra Burrell, Nicola Lowe, Anoop Talluri.

There is a list of metrics, identified by POL as being linked to increasing Postmaster Satisfaction and these are reported and discussed at every meeting. The metrics relevant to Issue resolution are as follows: BSC satisfaction, BSC calls answered in SLA, Postmaster complaint satisfaction, cash management satisfaction. Each of these metrics has a defined action owner who is responsible for providing a summary of actions to improve the metric, a summary of performance and any mitigating circumstances.

The meeting slide deck highlights the top 5 categories of postmaster complaints for each month and time is allocated within the agenda to discuss previous actions and updates on those.

To ensure that all complaint data is clearly visible to senior management, an interactive Power BI dashboard has been developed to show the detail on number of complaints open, the number of complaints received per period, complaint reason and actual service level compared to target. The dashboard is refreshed daily. It also details aged complaints and complaints by branch.

The Complaints Manager performs a daily review of the dashboard to proactively identify cases either approaching or over their target SLA and take appropriate steps to address/resolve them.

The Adopt an Area Initiative for POL Senior Management to engage more closely with Postmasters was assured in the recent Postmaster Engagement and Communications audit and is a key channel for Postmasters to raise issues and complaints. This will be re-launched in Q4 and remains a key feed into the VOP meetings.

Alongside this there are the Regional Forums – these meet monthly and are attended by a panel of up to 12 Postmasters who are there to feedback issues raised by their peers. These forums are another way of keeping Postmasters up to date with the status of issues/complaints. The forums are also there to enable Postmasters to raise key issues, to work collaboratively to identify solutions to issues and to update Postmasters on the progress of issues.

Updates on the outputs from the various Postmaster consultations and the six priority areas identified in the consultations are posted on the One Website which is accessible to all Postmasters.

Conclusion: Overall we observed effective adherence to the frequency and content of the Voice of the Postmaster activities.

Detailed Findings and Agreed Actions

Scope Area 6: Established Losses

Postmasters can report an issue at any point in time, currently they do not have to wait until they have declared a Trading Period (TP) to raise a case. Cases are processed through the Tier process and at the end, if it can be demonstrated that a loss/gain was the responsibility of the branch, it will be termed an established loss/gain.

To give this some context, for Pd4 IA obtained a report prepared on 18 August 2022 which showed all Postmaster accounts with discrepancies. This totalled £411,940. Each discrepancy is matched to the relevant case number in the issue management tool (Dynamics). Report clearly shows branch name, Postmaster name and discrepancy amount. The largest discrepancy was £103,295. A transaction correction of £127,540 was also reported.

IA also obtained a copy of the report run in P4 (FY23) which identified all new former Postmasters with a discrepancy compared to P3. 56 discrepancies were identified totalling £154,797.

There is a rising trend in each of the accounting issue metrics as detailed below:

- Horizon Review and Dispute (R/D) button presses up 60% in FY23 when compared to same period last year
- Discrepancy cases escalated (to Tier 2) for a full investigation have increased 61% in FY23 compared to same time last year.
- Cases escalating into Tier 2 due to Postmaster Account Support Team (PAST) not being able to contact the Postmaster (following the R/D button press) throughout the 12 week process have increased 190% in FY23 compared to same period last year.

Work is being carried out across the various functions to align data and understanding of the wider losses subject with the involvement of GE.

Conclusion:

- Overall, we observed effective, detailed investigation processes leading to robust conclusions as to the cause and responsibility for losses and the categorisation of Established Losses.
- However, the Established Losses figure is growing period on period due a lack of mandate and process for recovery of these losses.
- Robust action needs to be agreed and implemented to address the Postmaster Losses balances.

Detailed Findings and Agreed Actions

4. Post Office are not currently pursuing the recovery of established losses (P1)

Once all of the investigation phases have been completed and it is confirmed that a loss has occurred that is the responsibility of the branch, a case will be formally categorised as an Established Loss.

[REDACTED]
[REDACTED] The final step is to publish it to GE (currently planned for 25/1/23).

Under the proposed process, the next step would be to engage with the PM to discuss the recovery of the loss. [REDACTED]

[REDACTED] However, the teams do not currently have a remit to pursue Established Losses which means that currently, once an Established Loss is identified, it is placed into a suspense account pending recovery action.

[REDACTED]
[REDACTED] This consists of Mel Park, Tracy Marshall, Jo Milton, Simon Worboys, Michelle Evans, Charlotte Ukaigwe (Finance) Michelle Stevens, Kirsty O'Connor (Legal), John Bartlett (Central Investigations), David Southall, Alison Clark and Colette McAteer.

Risk

There is a risk of financial loss and loss of reputation if POL do not approve Established Losses for follow up.

Agreed Management Action

- a. Submit the Established Loss Recovery policy for approval at the March 2023 ARC, with a view to implementing the associated recovery process in Q1 2023/24.
- b. January 25th GE paper to gain sign off on a new process to recover Established Losses via deductions from remuneration where a Postmaster has agreed with our findings or has not agreed but has been through the dispute process.

Action Owner: Jo Milton, Senior Operational Improvement Manager (on behalf of Mel Park)

Date: 31st January 2023

Detailed Findings and Agreed Actions

5. Dashboard to report on discrepancies, established losses and established gains not yet implemented (P2)

This control is not yet operating effectively. The required data to operate the control is not yet readily available. A new report is being developed in Dynamics for established losses – “Established Loss/non-established Loss Report”. As a result of the evolving requirements, an additional report had to be specified and built to show total £ amounts for established losses and gains. This work was nearing completion at the time of audit.

In the meantime, an excel spreadsheet is maintained and used by the Head of Network Support and Resolution and his team. The spreadsheet shows tracking over time of Horizon button presses (R&D), percentage of cases resolved in line with Service Level, root cause analysis for cases and analysis of escalated discrepancies by quarter. This will be discontinued once the dashboard is fully functional.

This process is complicated by the fact that currently, Postmasters can raise a discrepancy at any point in time, they do not have to wait until they have declared their Trading Period (TP).

Risk

There is a risk of financial loss as POL leadership may not have clear visibility of the extent of discrepancies, established losses and established gains.

Agreed Management Action

The dashboard is in the final stages of testing with the first clean data cut due by end of Pd9. This will provide accurate reporting of balances outstanding.

Action Owner: Simon Worboys, Head of Network Support and Resolution

Date: 31st January 2023

Detailed Findings and Agreed Actions

6. Postmaster use of the Review and Dispute Button, outside of the published process, is increasing significantly (P1)

Use of the Review and Dispute button has increased 60% year on year, which is having a significant impact on the workload of the Service and Support teams.

The process requires that, once the Postmaster has pressed the Review and Dispute Button, contact is made with the BSC (Branch Support Centre) to ask for assistance in resolving the issue. This does not happen in a significant number of cases, and it falls to the PAST (Postmaster Accounts Support Team) to attempt to make contact to discuss the issue with the Postmaster. Where no contact is made within 12 weeks, the issue is escalated to Tier 2 for investigation. which has seen an increase of 190% year on year.

This is a cultural / behavioural issue that is impacting the ability of the support teams to maintain their delivery within their published SLA's.

The challenge is in getting Postmasters to comply with the published process.

Risk

There is a risk of financial loss and loss of reputation if POL do not address the high instance of use of the Review and Dispute Button outside of process.

Agreed Management Action

To investigate ways of improving Postmaster compliance to process having used the Review and Dispute button.

Action Owner: Mel Park, Central Operations Director

Date: 31st January 2023

Distribution List

	Name	Job Title
Executive Sponsor:	Martin Roberts	Group Chief Retail Officer
Distribution:	Al Cameron Michelle Evans Tracy Marshall Mel Park Simon Worboys Trevor Ward Matt Thorley	Group CFO Finance Director - Retail Retail Engagement Director Central Operations Director Head of Network Support and Resolution Senior Manager, Service Centre Team Manager, Issue Resolution
Audit Team:	Garry Hooton Sarah Pass	Senior Audit Manager Co-Source Audit Manager
Key Dates:	ToR Fieldwork Draft Report Final Report RCC ARC	June 2022 20 th July to 25 th August 2022 22 November 2022 5 th January 2023 10 th January 2023 23 rd January 2023

Appendix 1 – Terms of Reference

Background:

The successful resolution of issues raised by Postmasters is key to the ongoing relationship between POL and Postmasters.

Accurate and timely resolution of cash, stock and process related issues has been a focus since the CIJ and the entire complaint handling and resolution process has been redesigned.

Audit Objective:

To evaluate the effectiveness of the design and operation of controls and processes around the handling of Postmaster issues and complaints.

Impact on Postmasters:

There is a direct impact on Postmasters

Key Risks:

The review will cover the design and operation of controls in place to xxx. The following risks will be assured in particular:

- Reputation
- Financial (detriment)

Scope of Audit:

We will assess whether:

- The routes in for Postmasters are published and clearly understood.
- The response time is adequate and appropriate.
- Responses are personalised and swiftly delivered in an engaging manner.
- The tone of voice used is appropriate and respectful.
- Postmasters feel valued when being responded to.
- The current SLA of 10 days is appropriate in all cases.
- A service mindset exists, and the ways of working are being correctly applied across all touchpoints in relation to responses (quality and speed).
- The challenge of "How do POL give a brilliant response" is addressed.

- The "Voice of PM" Monthly meetings review numbers of issues reported and responses.
- Area managers have the necessary freedom to address issues raised directly to them.

Where appropriate, data analytics will be used to support the review.

The audit will evaluate the potential for fraud, bribery and corruption (FBC) to occur within the in-scope areas and assess the design of the controls in place to manage FBC risk within these areas. Our FBC work will be confined to the in-scope areas set out above and will be focused on controls testing as opposed to the wider prevention and detection of fraud within the business area. Our work will not actively seek to detect instances of fraud, bribery and corruption, which remains management's responsibility.

Timeline:

Pre-Work:	June 2022
Field Work:	20 th July 2022 – 25 th August 2022
Draft report:	September 2022
Final report	September 2022

Audit Team:

Garry Hooton, Senior Audit Manager
Sarah Pass, Deloitte Co-source support

Reporting:

We will produce a report to management at the end of the audit and the results will be summarised for the September 2022 RCC and ARC meetings.

Appendix 2 – Report and findings rating guide

Report Ratings:

The specific rationale for the report opinion rating will depend on a variety of factors including:

- The number of control issues identified
- The priority rating given to these issues
- The significance of the risks attaching to the area under review
- The overall status of the control environment for the business area under review

We will categorise our report opinion according to the below rating criteria:

Rating	Description
Satisfactory	The framework of governance, risk management and control is adequate and effective.
Needs Improvement	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Needs Significant Improvement	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Finding Ratings:

Ratings*	Definition	Action Required
P1 (High Priority)	Significant weakness in governance, risk management and control that, if unresolved, exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
P2 (Medium Priority)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
P3 (Low Priority)	Scope for improvement in governance, risk management and control.	Remedial action should be taken within an appropriate timescale that takes into account other priorities.

*Issue ratings are aligned to the HARM table defined in the Risk Policy, although professional judgement will be used where the risk maturity of the organisation does not provide for clear alignment