Compliance

Policy Monitoring Report

Network Transaction Corrections Policy

March 2023

Contents

1. Scoring Table

Below table sets out the Residual Risk Score and Rating that will apply upon review of the Postmaster Accounting Dispute Resolution Policy, to determine how effective the policy is, any control weaknesses or gaps and whether the policy needs enhancements/improvements.

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.

2.   Overall Rating / Residual Risk Score of The Review

The overall rating and residual risk score applied to this review is:

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.

This is predominantly driven by:
- The need to articulate additional key risks
- The need to revise the minimum control standards
- The need to add clear KPIs in order to assess the effectiveness and monitoring of the policy
- The need to improve the capturing, analysis and then decision making based on root cause analysis.

What works well:
- Overall trend is improving in the numbers of aged open items.
- The process has been captured well.
- Staff are aware of their duties and have clear roles.

The minimum control standards are all being met, but there are significant flaws in the risks and control standards themselves. These need to be addressed in order to make the policy more effective.

3.   Objective of the review

To assess the validity of the policy within the universe of risk framework. To review the lead and lag indicators of the policy and to sample check some of the key minimum control standards in the Network Transaction Corrections Policy. Finally, to assess whether the effectiveness of the policy is being implemented across the group.

4.   Background

The Retail Engagement Director has overall accountability to the Board of Directors for the management of Transaction Corrections and Transaction Acknowledgements in the network. The network is an agenda item for the Risk and Compliance Committee and the Post Office board is updated as required.

This Policy has been established to set the minimum operating standards relating to the identification and issuance of Transaction Corrections and Transaction Acknowledgements. All cash held in branches, that are not self-funded, is owned and funded by Post Office through the central funding agreement that exists between Post Office and central government.

This policy details the procedures for issuing Transaction Corrections and Transaction Acknowledgements to postmasters, which is intended to ensure that any discrepancies identified between files received from third parties (clients or suppliers), or cash and stock centres, and the data recorded by the branch in Horizon, are corrected accurately.

5. Methodology

The assurance review will consist of the following:

- Is the policy capturing the correct risks?
- Is the risk appetite correctly identified?
- Are the key personnel correctly identified?
- Are reported minimum controls actually controls?
- What are the key controls?
- Are the KPIs adequately identified and measured?
- Is the process/procedure correctly articulated?
- Does the evidence show the policy is working?
- Given the above, can we be sure the policy is fit for purpose?

6. Source of Information

The review is based on speaking with various members of the Network Monitoring Team, examining 'on site' programmes used by the Teams to support the conformance of this policy, and through supporting material supplied by Teams both before and after these conversations.

The source of the information came from:

- Network Transaction Corrections Policy
- Head of Network Monitoring and Reconciliation
- Senior Network Monitoring & Reconciliation Operations Manager
- Supporting material

7. Findings

Issue	Finding	Rating
Is the policy capturing the correct risks?	The key risks areas for Transaction Corrections have been identified. However, there are risks that have not been captured within this policy. For example, the key risks are based on an assumption that the raw data which is used to determine whether a Transaction Correction is required, is accurate at the point it is received. Whilst this may fall outside of the policy, this risk has not been captured and needs to be addressed in this policy. Should include a risk which identifies the dependency on other areas of Post Office, such as the central finance system, credence, HORIce, and other programmes. Should also identify who is the GE owner of this risk. Also, the evidence provided shows that Transaction Acknowledgements rely on human intervention to ensure they are processed correctly. This is not captured as a risk in the policy. May also be worth considering how risks are worded in the Policy, as risks are to both Postmasters and Post Office. Example: *"If Transaction Corrections are issued for incorrect values, there is a risk of inconvenience to the postmaster."* This does not take into account the risk of an incorrect balance to Post Office by issuing the incorrect Transaction Correction.	**Needs Significant Improvement** **Consider reframing the risks to clearly identify what the risk is and the impact on both Postmasters and Post Office**
Is the risk appetite correctly identified?	There is a risk averse appetite in connection with dispute resolution. The process identified within the policy is consistent with this appetite level.	**Satisfactory**
Are the key personnel correctly identified?	Key personnel identified. Would consider outlining other teams that have an impact either before or after the Transaction Correction, in order to ensure the Policy flows with other Postmaster Support Policies. For example, worth referencing the Central Finance Team who provide the raw data to which the calculations for Transaction Corrections are made.	**Needs Improvement** **Consider including key personnel from other teams relevant to the whole process of Transaction Corrections**

	Also, when a dispute is raised, it's not clear as to where or who this is escalated to.	
Are reported minimum controls actually controls?	The controls outlined in the Policy are process steps and need to be reworked to include the controls.	**Unsatisfactory** **Controls need to be reworked**
What are the key controls?	The key controls are not correctly worded as they are process steps. The minimum control standards need to be reworked and reconsidered to include clearer controls rather than processes.	**Unsatisfactory** **Controls need to be reworked**
Are the KPIs adequately identified and measured?	The minimum control standards do not contain measurable KPIs. Whilst not all controls require KPIs, those that should have them require identification. This can only occur after the controls have been restated as above.	**Unsatisfactory** **Identify clear KPIs and make them measurable**
Is the process/procedure correctly articulated?	The minimum control standards show the process and procedures that are taken to manage the Transaction Corrections. However, would consider reordering the controls/procedure to make the flow better. This policy also flows into other policies and it is not obvious whether there is collaborative work between teams. For example, other policies that flow into this policy includes Account Support, Accounting Dispute Resolution and Postmaster Training. No evidence of close working with other teams leading on these policies was seen.	**Needs Improvement** **Would consider reordering the controls to make the flow easier to follow**
Does the evidence show the policy is working?	The table below includes the minimum control standards and the evidence found. This is a very complex area of the business. Transaction Corrections rely on complex data assumptions and complicated spreadsheets to manage the process. Based on the current minimum control standards, evidence shows that these are mostly being met, with some improvements to be made (more detail in table below).	**Needs Improvement**
Given the above, can we be sure the policy is fit for purpose?	Whilst overall, the policy appears to be working, there are question marks over whether it is fit for purpose. The minimum control standards are not controls and that the risks captured are not adequate enough to meet the needs of Transaction	**Needs Significant Improvement**

	Corrections (more detail captured in the table below).	**Address minimum control standards and risks**

Risk area	Description of risk	Minimum control standards	Who is responsible	When	Evidence Seen	Review Comments	RAG
Issuing Transaction Corrections without undue delay	If errors are not identified and Transaction Corrections not issued without undue delay, there is a risk of inconvenience to postmasters, Post Office or customers. If errors are not identified and Transaction Corrections not issued without undue delay, there is a risk that postmasters will have reduced confidence in Horizon and Post Office more generally.	Aged open items are reviewed weekly to ensure that any exceeding the 45-day target are addressed.	Branch Reconciliation Operations Manager	Weekly	Document names: Weekly Review Spreadsheet Outlook Calendars The weekly review is arranged and managed by the Senior Network Monitoring & Reconciliation Operations Manager, with relevant staff invited to each meeting. These meetings take place at 9-11am on Thursday morning. Evidence provided in the MS Teams sites, which includes the weekly reviews in the form of a spreadsheet The Senior Network Monitoring & Reconciliation Operations Manager provided explanations of the spreadsheet, including	There has been an overall reduction in the number of aged open items over the last 6 months due to scrutiny on the weekly reviews, which is a positive change. For example, on 4 September 2022, there were 3,779 open items, compared to 2,689 open items on 5 March 2023. The Senior Network Monitoring & Reconciliation Operations Manager and the business area are considering reducing the target to 30-days, which shows the trend is currently moving in a positive manner. This has already moved from 60-days to the current 45-days, again showing the positive trend.	

					the key sections they review on a weekly basis.		
Transaction Correction and Acknowledge-ment accuracy	If Transaction Corrections are issued for incorrect values, there is a risk of inconvenience to the postmaster. If clear and accurate information is not provided with the	All products are reviewed on a weekly basis and any Transaction Corrections issued for incorrect values will be identified as part of that review.	Branch Reconciliation Operations Manager	Weekly	Document names: Weekly Review Spreadsheet Transaction Correction Narratives Robbery Narrative MoneyGram Reconciliation Flow Transaction Corrections are discussed at the weekly review meeting led by the Senior Network Monitoring & Reconciliation Operations Manager. Evidence seen of the weekly review produced and where the Transaction Corrections are identified, including for any errors.	The narratives are updated when required and are no longer checked by Legal. The absence of documented spot checks means that there are still improvements necessary.	

	Transaction Correction about why it has been issued, there is a risk that the postmaster will not understand the reason for it.	Quality checks are completed on sample narratives to ensure everyone is using the correct narrative for the product.	Branch Reconciliation Team Manager	Monthly	Evidence seen of the list of Transaction Correction Narratives that have been authorised by Legal. These include wording for both surplus and losses, including the reasons for this balance. Team Leaders carry out quality spot-checks during one-to-ones with staff to ensure the correct narratives are being used. However, these conversations are not recorded or documented and therefore no evidence of this taking place exists.		
		Any variances to the agreed narratives are discussed and approved before sending.	Branch Reconciliation Team Manager	When variances to narratives are required	Email provided of a recent change to the Robbery Transaction Correction narrative which showed the change made.		
		Process flows exist to show the	Branch Reconciliation	6-monthly	Provided with the MoneyGram		

		steps needed to create an accurate transaction correction, including controls needed at each point of the process. These are reviewed regularly.	Operations Manager		Reconciliation flow and overarching process flow as evidence.		
Transaction Correction failure	If Transaction Corrections fail, and are not sent out to the branch, the discrepancy will remain outstanding. If Transaction Corrections are not issued to branch, there will be an imbalance of cash and/or stock on Horizon.	Transaction Corrections are downloaded daily and any that have failed, and not sent to the branch, are highlighted and reported on the Transaction Correction failure log and logged on the financial control system.	Branch Reconciliation Team Manager	Weekly	Document names: Weekly Review Spreadsheet Failure Log Daily Download Specific example of a failure Viewed the weekly review spreadsheet which includes a Failed TC tab that is used to manage the process. Once a TC failure is identified, this is logged and an incident number provided. Dip- checked through a random selection of weekly spreadsheets (approx 10) and seen evidence of the log and incident number.	Team explained that there are a number of reasons for the failure of a Transaction Correction, including where a branch is closed, where a third party may need to accept this on the branch's behalf, or where a Postmaster cannot be reached.	

		The Team Manager is notified of any failures in their area and they are responsible for confirming the reason for failure and the steps taken to ensure that the Transaction Correction is actioned again and following up to ensure that the Transaction Correction was sent to branch.	Branch Reconciliation Team Manager	Weekly	Seen evidence of failures in the Failure Log tab on the weekly spreadsheet.	
Issuing Transaction Acknowledgments	If Transaction Acknowledgements are not issued to branch, there will be an imbalance of cash and/or stock on Horizon.	In the event of Transaction Acknowledge-ment failures, attempts will be made to resend the files. If this is not possible, a Transaction Correction may be issued. The failure will show	Branch Reconciliation Operations Manager	Weekly	Document name: Major Incident Form Seen an example of a Lottery (Camelot) Transaction Acknowledgement failure from September 2022 (the only instance in the last 12 months), including the follow up investigation by Post	The Lottery failure example shows that there is a reliance on human action to ensure the Transaction Acknowledgement is processed correctly. This is a risk and has not been captured, although the control itself, as written, is met.

		in the weekly review of aged items which is undertaken by the Branch Reconciliation Operations Manager.			Office. Evidence of attempts made not seen, as this is carried out as an automated process. However, Transaction Corrections are sent and evidence seen.		
Postmaster Support	If Post Office do not provide a clear process to enable the postmaster to dispute a Transaction Correction, Post Office may not be supporting the postmaster effectively and there is a risk that Post Office is not complying with its contractual obligations.	All Transaction Correction narratives contain a telephone number for postmasters to contact should they have questions or wish to dispute the Transaction Correction. Calls are monitored and a structured feedback and coaching path is followed.	Branch Reconciliation Team Manager Branch Reconciliation Team Manager	When issued Monthly	Document names: Transaction Correction Narratives Quality Call Monitoring Log Seen the current narratives, which has a 500-character limit in Horizon before it is cut off. Sent an example of a spreadsheet which scores the level of competence of a number of (4) monitored calls made by a Support Advisor to a Postmaster. No evidence to show a coaching path, but regular one-to-one calls with direct reports take place.	The character limit on the narratives means that the amount of information that can go into a narrative is not exhaustive and so the wording reflects this (i.e. succinct and not too elaborate). There is a place for the individuals name and phone number on the narratives. Whilst there is evidence to show the controls are being met, this specific minimum control standard is inadequate to manage the significant risk transaction disputes carry for the organisation. That said, there is a separate Postmaster	

					Account Dispute Resolution Policy and so it is likely that once a Postmaster disputes a Transaction Correction, it is processed through this policy. As this is outside the scope of this review, no further evidence has been sought.	
Policy non-adherence	Non adherence to the policy could result in financial loss, legal and regulatory risk, detriment to postmasters and reputational damage to Post Office.	The Branch Reconciliation Team will be provided with training on this policy. Senior Network Monitoring and Reconciliation Manager is accountable for ensuring that they and their team adhere to the policy, as it applies to their area. The Policy should be reviewed and updated as required.	Senior Network Monitoring and Reconciliation Manager	Once approved and annually thereafter (or sooner in the event of material changes to the policy) As required (but reviewed at least annually)	Document names: Outlook Calendar Invite Transaction Correction Policy Training Slides Updated Policy Version Confirmation Email Evidence sent which includes the policy training calendar invite from 28 October 2022 sent to a large number of colleagues. No evidence to show how many attended or how effective the training session was. Seen an email to Senior Operational Improvement Manager, which suggests changes	It is uncertain how the team ensure new starters are trained on the policy and would recommend this is reviewed at the next opportunity.

				to the current policy (timescale for aged open items and minor changes to role/system names).		

8.   Recommendations

- Identify further risks, including the reliance on raw data from other teams/programmes being accurate.

- Minimum Control Standards should be reworded to ensure they are proper controls.

- Introduce KPIs.

- Consider whether other relevant policies should be linked closer, for example (but not limited to) Postmaster Account Support and Postmaster Account Dispute Resolution.

- Check whether new starters are provided training on the policy after joining the team.

9.   Policy Owner Response

10.   Agreed actions to be taken

Action	Owner	Date to be completed by

13.   Review Date/Sign Off

Policy Review Date	Next Policy Review Date	Review Conducted By	Review Signed Off By
March 2023		Andy Jennings (Senior Information Rights Manager)	