Branch Discrepancies
Recommendations Report

April 2023

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Executive Summary

PO Branch Discrepancies Review

Section 1: Executive Summary

Discrepancy Management requires an increased focus on compliance supported by process transformation, master data management and system optimisation

Your situation

High and increasing provision balance

The Provision balance has increased by 46% since 2021 period end from [IRRELEVANT] to [IRRELEVANT] which is directly impacting PO's Balance Sheet

Lack of compliance to established policy

There is no formal mandate to comply with policies leading to more discrepancy investigations and there are few procedures to recover losses

Complex, manual resolution process

Management of resolution process is complex as a result of fragmented systems, multiple data hand-offs and extensive manual workarounds

System Limitations

Finance system limitations conceal discrepancies and add pressure to the reporting process, for MI reporting and provision management

Lack of a 'single source of truth'

Multiple systems and reporting mechanisms means there isn't a single source for discrepancy MI and insufficient visibility of losses, gains, and write-offs

Investigation duration constrains capacity

Significant impact on the capacity of service and support teams to adhere to the 10 day investigation target to resolve (78% of Tier 2 completed within target against a KPI of 90%)

Your requirements

To examine and document the systems data and data flows for the interlinked areas that drive discrepancies between Post Office (PO) and branches.

High level activities performed:

► Current state assessment, including process walkthroughs

► End-to-end data and process flow documentation

► Analysis of key findings driving branch discrepancies

Recommendations made based on our assessment:

1		Overhaul the Postmaster(PM) Franchise Framework and roll-out a refreshed training programme
2		Utilise current state observations to redesign and implement improved processes
3		Review PO SAP capability to optimise usage for discrepancy management
4		Transform discrepancy reporting and analysis
5		Implement Master Data Management (MDM)
6		Reduce system usage, underpinned by an enterprise wide IT Strategy
7		Embark on a Roles & Responsibility and Internal skills & capability assessment
8		Create a culture focused on commercial outcomes and compliance

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Engagement Background, Scope and Approach

PO Branch Discrepancies Review

Section 2: Engagement Background, Scope and Approach

We assessed and documented the processes, systems and data flows for the interlinked areas that drive discrepancies across PO

Over the past 10 weeks, we have undertaken the following activities to conduct this assessment:

- ▶ Interviewed identified key stakeholders
- ▶ Reviewed and evaluated process documentation
- ▶ Reviewed current accounting steps
- ▶ Reviewed existing PO process artefacts to identify areas of improvement
- ▶ Reviewed governance framework
- ▶ Reviewing existing MI & Reporting
- ▶ Mapped the system landscape which support the Branch Discrepancy Process

Project outputs include:

- ▶ **End-to-end Data and Accounting Flows:** Details existing PO processes, system hand offs, data flows and accounting flows
- ▶ **Issues Log:** Summarises key findings, issues and gaps identified in relation to in-scope areas
- ▶ **Recommendations Report:** Details our findings and recommendations with regards to the existing Data Management & Reporting across PO

This work identified 8 recommendations as to how PO might improve their end to end management of discrepancies across the network.

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Section 2: Engagement Background, Scope and Approach

Branch discrepancy lifecycle has been assessed against the core components of a typical Finance Operating Model

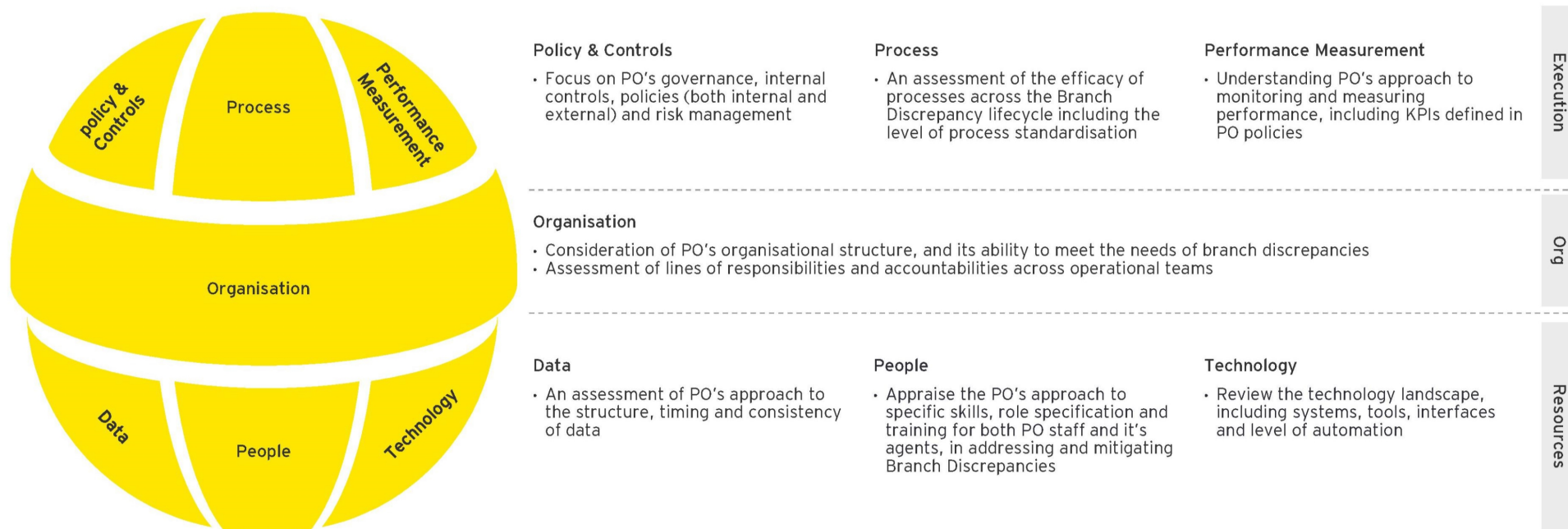We have conducted a comprehensive review of the four focus areas, (cash and cash equivalents, stock, OSO, and network monitoring and support), assessed against the operating model design framework below

Policy & Controls
- Focus on PO's governance, internal controls, policies (both internal and external) and risk management

Process
- An assessment of the efficacy of processes across the Branch Discrepancy lifecycle including the level of process standardisation

Performance Measurement
- Understanding PO's approach to monitoring and measuring performance, including KPIs defined in PO policies

Organisation
- Consideration of PO's organisational structure, and its ability to meet the needs of branch discrepancies
- Assessment of lines of responsibilities and accountabilities across operational teams

Data
- An assessment of PO's approach to the structure, timing and consistency of data

People
- Appraise the PO's approach to specific skills, role specification and training for both PO staff and it's agents, in addressing and mitigating Branch Discrepancies

Technology
- Review the technology landscape, including systems, tools, interfaces and level of automation

Execution

Org

Resources

PO Branch Discrepancies Review

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Section 2: Engagement Background, Scope and Approach

To support the assessment, 22 stakeholders have been engaged across both core operational teams and supporting functions

To understand the current state and challenges, we engaged each stakeholder listed below. Each session covered their perspectives on processes, data flows, and system support within each of the interlinked areas of Cash & Cash Equivalents, Stock, OSO Button and Network Monitoring.

End-to-end - Branch

Stakeholder(s)	Engagement Focus
Doug Brown	Cash Forecasting
Alison J Clark	Network Monitoring, Reconciliation & OSO
Jo Milton	Overall end-to-end perspective
Katrina Holmes	Overall end-to-end perspective

Cash Equivalents & Stock

Stakeholder(s)	Engagement Focus
Andrew Stevens	Inbound Stock
Pete Marsh	Area Management
Sam Conway	OSO & Mail Management
Oliver Firth	FX & ATM Management

Wider PO Engagement

Stakeholder(s)	Engagement Focus
Garry Hooten	Internal Audit
Wilson Gill	Systems & MI
Nik Gill	NBIT

Network Monitoring & Support

Stakeholder(s)	Engagement Focus
Simon Worboys	Investigations Processing
Trevor Ward	BSC Processing
Michelle Stevens	Current Provision
Jenny Smith	Former Provisioning
Tracy Bannister	Discrepancy reporting

Finance & Commercial

Stakeholder(s)	Engagement Focus
Charlotte Ukaigwe	Finance / Provisions
Olha Ellis	Finance
Tom Lee	Finance
David Southall	Contract Management
Jayne Pardoe	Contract Management
Ranjeet Jouhal	PM Onboarding

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Current State Assessment Findings

PO Branch Discrepancies Review

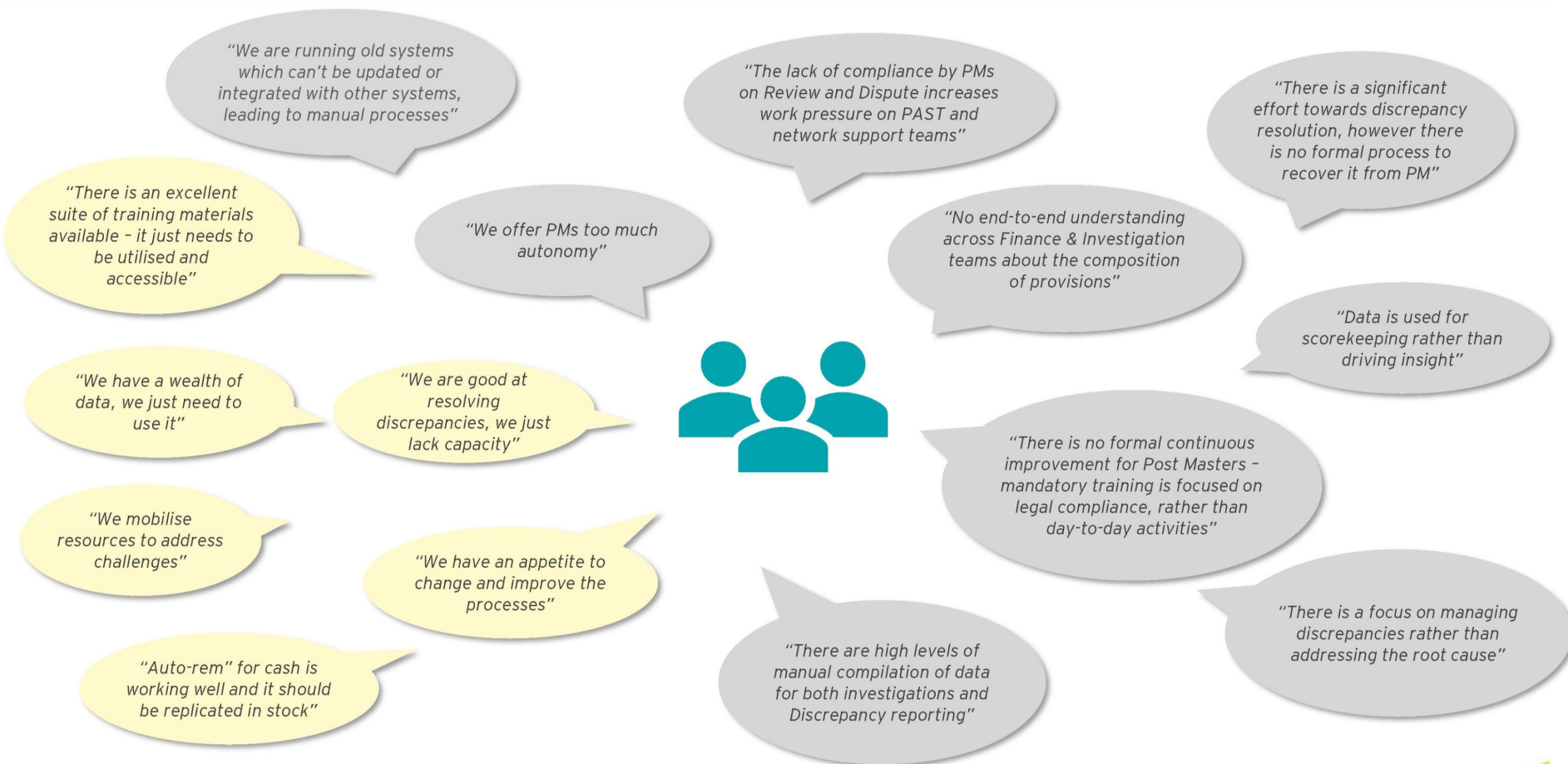**Section 3:** Current State Assessment Findings

A lack of granularity of data in high risk areas due to fragmented data flows, a lack of policy mandate on R&D compliance & recoveries poses organisational risk

Set out below is a summary of the high-level activities across the discrepancy lifecycle. Within it we have highlighted a heat map of the most significant issues, operational issues and core process gaps that have been identified:

In Branch				Branch Discrepancy Investigation			Accounting and Reporting		
Cash & Cash Equivalents	Stock	Transactions & OSO	In Branch Reconciliations	Discrepancy Identifications	Discrepancy Investigations	Resolution & Outcome	Provisioning	Recovery	Reporting
Inbound Cash	Inbound Stock	Horizon input	Declarations	Review & dispute button	Tier 2 Investigations	Established loss/gain	Provision Allocation	Dispute or acceptance	Discrepancy reporting
Outbound Cash	Stock Reconciliations	OSO transactions	Reconciliations	Discrepancy call management	Tier 3 Investigations	Write off	Provision Monitoring	Repayment mode	Financial Reporting (provision)
Cash Reconciliation	Obsolete Stock	Card transactions	Control checks	CCTV investigations	Committee Escalation	Transaction correction	Provision management	Repayment plan	Balance Sheet / PL
FX			REC submission	Escalation	Resolution	Acceptance		Debt Recovery	Corporate MI Reporting
ATM				Reporting		Dispute			

Key:
Significant Issues | Operational Issues | Gaps

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Stakeholders feel that significant manual efforts in investigations are unproductive and that there is a lack of robust policies on recovery
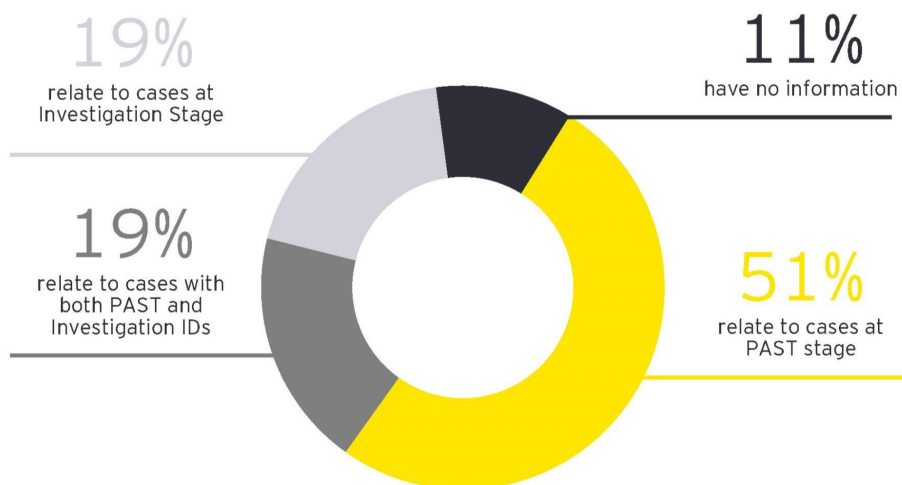
"We are running old systems which can't be updated or integrated with other systems, leading to manual processes"

"The lack of compliance by PMs on Review and Dispute increases work pressure on PAST and network support teams"

"There is a significant effort towards discrepancy resolution, however there is no formal process to recover it from PM"

"There is an excellent suite of training materials available – it just needs to be utilised and accessible"

"We offer PMs too much autonomy"

"No end-to-end understanding across Finance & Investigation teams about the composition of provisions"

"Data is used for scorekeeping rather than driving insight"

"We have a wealth of data, we just need to use it"

"We are good at resolving discrepancies, we just lack capacity"

"There is no formal continuous improvement for Post Masters – mandatory training is focused on legal compliance, rather than day-to-day activities"

"We mobilise resources to address challenges"

"We have an appetite to change and improve the processes"

"There is a focus on managing discrepancies rather than addressing the root cause"

"Auto-rem" for cash is working well and it should be replicated in stock"

"There are high levels of manual compilation of data for both investigations and Discrepancy reporting"

PO Branch Discrepancies Review

Key: Strengths | Improvement areas

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Section 3: Current State Assessment Findings

PO needs to critically change their discrepancy reporting and investigation processes to effectively manage branch discrepancies

Volume of Discrepancies (Review or Dispute Presses)	Review or Dispute Resolution Status (by value)	Established Losses or gains	Branch Analysis

Volume of Discrepancies (Review or Dispute Presses)

5,148 ↑5% VPP

£5.4m (gross) ↑9% VPP

Total volume/value of discrepancies raised in P10

712 ↑9% VPP

£3.8m (gross) ↑27% VPP

Number of new cases within P10 (70% of total discrepancy value)

- Lack of end-to-end MI insights into the discrepancy life cycle
- Discrepancy analysis does not distinguish between PM or PO causes
- Dashboard metrics are insufficient to do thorough performance measurement and analysis

Review or Dispute Resolution Status (by value)

22%

Resolved (inc. PAST and Investigations)

51%

of new open cases assigned to PAST status

23%

In progress – T2/T3 investigation

11%

open no information

- On average it takes 25 days to resolve Tier 2 cases and 86 days to resolve Tier 3 cases compared to stated policy of 10 days
- Each discrepancy allocated multiple case numbers throughout investigation lifecycle
- MI Insights are siloed across each investigation tier

Established Losses or gains

£412k

Established loss or gains found (gross)

£194k

Transaction Correction (gross)

£208k

monthly payment expected from Branch to PO

No data

is measured of the actual repayment made by PM in Dynamics

- Prior year comparative data not available due to lack of historical MI
- No observed mandate and process for recovery of losses
- Inaccuracies in allocating a discrepancy as a shortage or surplus, PO can't give accurate Established Losses and Gains breakdown

Branch Analysis

41%

£1.5 (gross)

Value of new Review or Dispute cases related to 10 branches

691

Branches have open investigations related to 712 open cases (as at P10)

- Branch level discrepancy data is not disseminated to Branch Assurance team
- Insights focused on prior vs current period analysis, there is no insights into annual or quarterly performance

PO Branch Discrepancies Review

VPP: Versus prior period

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More than 70% of P10 cases are still under investigation, with limited insights on the reason, status and nature of discrepancies

19%
relate to cases at Investigation Stage

19%
relate to cases with both PAST and Investigation IDs

11%
have no information

51%
relate to cases at PAST stage

Case Status	No. of cases	Value	Average Values	% Of Value
PAST	388			51%
Past – In Progress	314			
Past – Resolved	74			
PAST & Investigation	79			19%
Full Tier 2 Review	4			
Loss Established	1			
PAST – In Progress	53			
Resolved	5			
Written off	9			
Branch to resolve	7	**IRRELEVANT**		
Investigation Stage	165			19%
Full Tier 2 Review	8			
Loss Established	5			
No information	39			
Resolved	14			
Resolved to Branch	16			
Written off	83			
No Information	80			11%
Total	712			

PO Branch Discrepancies Review

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Provisions are increasing significantly due to age of discrepancies and delays in resolution and established loss recovery

Provisions

1 Provisions have **increased by 46% since 2021 period end** from IRRELEVANT **to** IRRELEVANT

2 IRRELEVANT **of the provision is attributable former postmasters which comprises 57% of overall provision,** for which there is no visibility to the case history in dynamics for resolving pending actions

3 IRRELEVANT **of the provision is attributable to pre April 2021 discrepancies which equates to 48% of overall provision,** for which there is no visibility to the case history in dynamics for resolving pending actions

4 **Current post master provision has increased from** IRRELEVANT **(P7) to** IRRELEVANT **(P10)** equating to a 43% increase over last 3 reporting periods.*

Debt : Provisions

1 Overall debt is a combination of Provision and debt IRRELEVANT
IRRELEVANT

Observations

1 **Development of provisions is done manually** in Excel spreadsheets, with data inputs from multiple teams. This **exposes provisions to potential calculation errors and incorrect balances.**

2 There is a **lack of sufficient validation and supporting documentation,** preventing a robust audit trail

3 **High risk of write offs due to established losses retained in provisions** for resolved / old cases due to outstanding recovery decisions

4 There is **insufficient account reconciliation activity,** Irregular and inconsistent reconciliation activity increases the risk that all account balances do not agree, giving an unclear view of POs financial position.

Provisions movement by Period (As of P10)

Former Postmaster Provision — Total Provision and Movement by Period
● Total Provision ● Movement

IRRELEVANT ▲
Previous Period: IRRELEVANT

Current Postmaster Provision

IRRELEVANT ▲
Previous Period: IRRELEVANT

IRRELEVANT
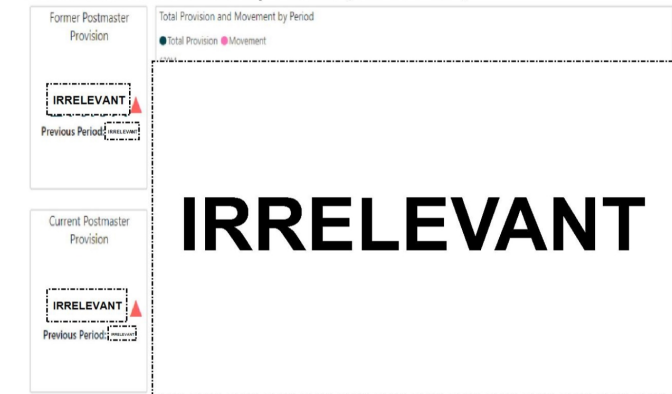
No of open cases > 60 days with potential impact in provisions(As of P10)

Open cases by no. of days open

IRRELEVANT

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* the spike was due to a new proactive stock check process that was introduced by the stock team, several high value stock cases were raised

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3.1 Cash and Cash Equivalents

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Section 3: Current State Assessment Findings

Cash & Cash Equivalent processes are reliant on manual interventions with limited system controls, leading to inaccurate accounting and non-compliance

IRRELEVANT

Process Map

PO Branch Discrepancies Flows – Cash.pdf

Key Issues

▶ **Inaccurate Accounting:** Challenge in ensuring the accuracy of manual cash declarations . P10 assigned volume is 57% higher YTD than the same period last financial year

▶ **Non-compliance:** Failure to comply with daily or weekly balancing policies can result in discrepancies remaining hidden for extended periods

▶ **System Controls:** Limited system controls to proactively identifying data & accounting errors and to prevent duplicate scanning of barcodes

▶ **Manual Interventions:** Significant reliance on manual counts from Post Masters, e.g. to confirm the outbound cash pouch values, which may lead to inaccuracies in the reported values in Horizon

PO Branch Discrepancies Review

Although standardised to a degree, Cash and cash equivalent processes are generally manual in nature, causing a manual transactional processing risk (1/2)

The assessment of PO's cash and cash equivalents processes covers six sub-process areas: cash forecasting, inbound cash, outbound cash, cash declarations, foreign exchange, and automated teller machines (ATM). Despite being partially automated, these processes have specific control limitations that affect the accuracy of compliance and cash balancing. As of year to date, 77%* of resolved cases are related to discrepancies in cash or cash equivalents

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Cash Forecasting	• Cash forecasting is a manual process based primarily on multiple Excel and BI reports. This used to be system-driven until 2019/20, when CWC was brought in on account of SAP • Management Information (MI) on the accuracy of cash forecasting in relation to additional cash requests is limited	• Cash estimation for branches is based on daily cash declarations and inaccurate declarations has a cascading impact on estimating the cash position of the branch • Inaccurate cash positions can pose liquidity risks for branches in day-to-day transactions • Increased volume of cash discrepancies causes delays in identification and resolution	◑	◑	◑	○	○	●	●
Inbound Cash	• An automated cash "remming" system has been implemented to enhance the accuracy of inbound cash management • Cash is counted under camera surveillance in the cash centre, and this footage is used in discrepancy investigations However, this is not being utilised effectively within the Branch	• Investigation delays and escalations require Branch assurance visits	◑	○	○	○	○	○	◑
Cash Declarations	• There is a lack of system control to verify the accuracy of manual cash declarations (60% of declarations are accurate) • Compliance with existing Policies is inconsistent across the network and there is a risk of PMs changing cash declarations to meet what is on the system vs declaring a discrepancy, not declaring losses or carrying losses over at month end • Specific control improvements are required to enhance cash balancing efficiency and accuracy, to ensure PMs are performing manual counts and counting the value of notes, not the number of notes • Training on managing potential discrepancies is optional, and the uptake rates are low • A high degree of PM autonomy exists within cash transactions	• Real discrepancies are hidden along with temporary accounting/system issues, creating complexities in investigation and delays • Increasing workload of the Network Monitoring team by proactively monitoring branches that have not completed the daily cash declaration & addressing instances of non-compliance • Lack of mandate for robust training and compliance results in inaccurate accounting errors	●	○	◑	●	◑	●	●

Legend: ● Significant change needed ◑ Limited change needed ○ No change needed

PO Branch Discrepancies Review

* As per P9 New investigations dashboard Power BI report

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Section 3: Current State Assessment Findings

Although standardised to a degree, Cash and cash equivalent processes are generally manual in nature, causing a manual transactional processing risk (2/2)

A continued evaluation of PO's current processes relating to Cash and Cash Equivalents, indicated that processes are partially automated and as such have specific control limitations, which impact discrepancy volume to compliance and cash balancing accuracy. Outbound Cash and Cash equivalent discrepancies are lower in volume, however they can still have a significant limitation in discrepancy resolution, due to limitations within PO's evidence base

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Outbound cash	• There is a significant reliance on manual counts from PMs to confirm outbound cash pouch values, which may lead to inaccuracies in reported values • There are limited controls in place at branches for cash handling, and existing controls are not adequately reviewed for effectiveness with regard to CCTV checks • Outbound cash discrepancies amount to c [IRRELEVANT] spread across a high volume of cases (4000+), with an average value of £96 per case • There are 500 errors a day from branches sending cash back to the Cash Centre. Total values amounting to c [IRRELEVANT] in shortages and c [IRRELEVANT] in surpluses	• Manual counting errors in outbound cash can result in increased discrepancies These discrepancies are challenging to investigate due to a lack of data and evidence	Limited change needed	Limited change needed	Limited change needed	No change needed	No change needed	Significant change needed	Significant change needed
ATM	• ATM cash declarations are performed manually without any system controls to verify the accuracy of the declaration • ATM discrepancies are often of high value due to stacked discrepancies as a result of delayed balancing • There is no feature in Horizon to distinguish a temporary surplus resulting from a failed transaction	• Increased risk of the retention of surplus cash • Delayed identification and resolution of cash and cash equivalent discrepancies due to lack of data integration relating to failed transactions	Limited change needed	No change needed	No change needed	No change needed	No change needed	No change needed	Limited change needed
FX	• Inbound FX pouches can be scanned into Horizon multiple times which may result in inaccuracies	• Increased risk of discrepancies in FX processing due to manual scanning errors • Increased workload for investigation to manually review and verify scanned pouches in Horizon	Significant change needed	No change needed	Limited change needed	Limited change needed	No change needed	Significant change needed	Significant change needed

Legend:
● Significant change needed
◑ Limited change needed
○ No change needed

PO Branch Discrepancies Review

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3.2 Stock

PO Branch Discrepancies Review

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Section 3: Current State Assessment Findings

Stock processes are predominately manual which contributes to discrepancies, inaccurate reporting and a lack of inventory visibility

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Process Map

PO Branch Discrepancies Flows - Stock.pdf

Key Issues

▶ **Manual Stock Rem in:** Manual Rem-In entries of Stock increase discrepancies due to inaccurate input in Horizon, e.g. wrong product lines or quantities

▶ **Inventory Management:** No stock management system to track overall stock levels in branch, limiting opportunities for stock analysis and Royal Mail reporting

▶ **Investigations:** Stock related discrepancies are difficult to resolve due to the lack of accurate stock data

▶ **Non-compliance:** Low levels of accuracy within monthly stock balancing activities between physical stock vs stock balance shown in Horizon

▶ **Master Data Management:** There are multiple systems, with a lack of integration and common master data e.g. different product IDs across systems

PO Branch Discrepancies Review

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Section 3: Current State Assessment Findings

Stock discrepancies are largely driven by challenges with the manual nature of stock "Rem-in" processes and suboptimal inventory management controls (1/2)

PO's stock process evaluation has 5 focus areas: stock dispatch, inbound stock "Rem-in", transactions, stock balancing, and stock returns. The manual process and multiple systems lead to low branch stock visibility, making it challenging to investigate discrepancies. 7% of resolved cases this year relate to stock, which is likely underestimated due to the absence of a formal process for raising stock discrepancies and controls within the stock adjustment process

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Stock Dispatch	• There is no integrated process of Inventory Management for Stamps to manage optimum quantities within branch, due to a lack of visibility of stock holding in Branch • There are multiple stock systems, with a lack of integration and common master data, therefore specific stock volumes become difficult to trace across multiple systems	• There are no singular branch reports available to have visibility of stock position at each branch against dispatched inventory. This leads to reporting challenges with Royal Mail who are requesting additional stock information to meet SOC requirements • No system interface between Galaxy & CWS, meaning it is difficult to track stock PO loses granularity of data volumes in high-risk areas, such as special stamps	◐	◐	◐	○	○	●	●
Inbound Stock "Rem-in"	• Manual input of stock data into Horizon by PM • If a discrepancy occurs for inbound stock, PO has limited opportunity to investigate, as Galaxy and Horizon do not share the same Product ID numbers This means that a typical resolution is to issue additional stock • Network monitoring team pro-actively checks stock Rem-in entries at branch, but has no visibility of what has been sent vs what has been entered into Horizon	• Stock input discrepancies occur within Horizon, through a combination of transposition errors and misallocation of stock to incorrect line items in Horizon "Rem-in" errors result in stock adjustments & write offs without establishing the onus of losses	◐	●	●	○	○	●	◐
Transactions	• Incorrect stamp categories are selected in Horizon when selling (e g 1st Class button selected when a 2nd Class stamp is sold). The classifications of different product lines in horizon is complex and are often hard to find • OSO button is being used inappropriately and PMs are not making appropriate stock adjustments in Horizon	• Any differences in stock as a result of inaccurate stamp transactions or unaccounted sales are advised as stock adjustment, which impact the cash held figure on Horizon and therefore is a loss to PO • OSO mis-use leads to a lack of visibility of accurate stock levels, and the potential to misrepresent sales, impacting PM renumeration	●	○	◐	◐	○	○	●

Legend: ● Significant change needed ◐ Limited change needed ○ No change needed

PO Branch Discrepancies Review

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Section 3: Current State Assessment Findings

Stock discrepancies are largely driven by challenges with the manual nature of stock "Rem-in" processes and suboptimal inventory management controls (2/2)

A continued evaluation of the PO's current stock processes, data flows and control inefficiencies are directly impacting stock reporting accuracy, leading to an increased risk of stock related discrepancies being assigned to a suspense account

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Stock Balancing	• PMs perform monthly stock balancing activity between physical stock vs stock balance shown in Horizon, however there are branches that do not undertake any full physical stock-take • Discrepancies arising out of stock (other than Rem-in) are not checked by any other teams and does not go through a Triage process like Cash Manual reporting / accounting for stock (stamps) leads to the possibility of manually reporting incorrect stock levels at Branch by PO • It is recommended that Branches SHOULD perform weekly balancing to ensure accuracy. However, many only balance at mandatory Trading Periods / month end	• In the absence of stock reporting compliance, stock values returned to PO can understate the level of stock in branch • Resolution of stock discrepancies can either be a stock adjustment (which hits the suspense account in CFS) or transactions corrections; and there is no recovery from PMs for the same	●	●	●	○	○	●	●
Stock Returns	• There is no process to request excess stock to be sent back to PO (except for obsolete stock) • Contents of pouches returned do not match Horizon receipt / entry on Horizon showing what the branch recorded that they sent out	• Excessive stock holding at branch results in higher inventory amounts with risk of potential misuse by PMs, making it difficult to accurately determine branch stock requirements • It is challenging to investigate causes of stock discrepancies due to limitations with evidence-based discrepancy resolution, leading to either transactions corrections or transfers to the "Suspense account"	◐	●	○	○	○	●	◐

PO Branch Discrepancies Review

● Significant change needed   ◐ Limited change needed   ○ No change needed

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3.3 Network Monitoring and Support

PO Branch Discrepancies Review

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Section 3: Current State Assessment Findings

Network Support and Resolution is reliant on reliable MI but fragmented data, increasing volumes and lack of capacity is limiting timely discrepancy resolution

IRRELEVANT

Process Map

PO Branch Discrepancies Flows – Network.pdf

Key Issues

► **Non-compliance:** PM's not following established protocols once review or dispute button has been pressed

► **Skills & Development:** Lack of mandatory training for PMs on addressing and managing discrepancies

► **Capacity:** Increasing volumes, coupled with increasing uncontactable PMs, results in resolution delays and increased workload for investigations teams

► **Increasing Provisions:** No mandate for recovery of established losses contributes to increased provisions

► **Discrepancy tracking:** No single case reference number for a discrepancy, or a single date stamp for Review or Dispute Button presses, limits effective reporting

► **Reporting:** Multiple reports cause a lack of single source for discrepancy MI and insufficient visibility of cause, losses, gains, and write-offs

Section 3: Current State Assessment Findings

Fragmented systems and a lack of a single source of truth distorts the visibility of the end-of-end discrepancy lifecycle (1/2)

An evaluation of the PO's current processes relating to Network Monitoring and Support, focuses on discrepancy identification, branch support, investigations and resolution. The process is heavily reliant on a number of different systems for investigation references, with case management data captured on Dynamics for current PMs and Excel for former PMs. The Network Monitoring and Support processes investigate on average 4800 cases on a monthly basis.

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Discrepancy Identification	• Lack of a formal process in training PMs, assistants and clerks in addressing Branch Discrepancies and day-to-day operations	• Higher risk of accounting errors, resulting in more discrepancies, and a lack of formal training leading to inconsistent approaches to Branch management of discrepancies. 72% of discrepancies are driven by Inaccurate accounting of transactions at Branch • New PM's confidence in training after undertaking e-learnings has dropped to 85% (the lowest value year-to-date), demonstrating low levels of confidence (and hence compliance) with existing trainings	Limited	Limited	Limited	Significant	No change	Significant	No change
Raising a discrepancy	• There are discrepancies that are raised directly with team members, rather than following the branch support team protocol • PMs are not always contacting the branch support centre when there is a discrepancy. They press the Review or Dispute button, but do not follow protocol • There is no mandate for, or consequence to PMs for non-compliance in engaging with BSC for an investigation	• PMs are not always following standard processes, and contacting individuals via e-mail runs the risk that discrepancies may be missed (due to staff absence), and also impact workflow planning • If PMs were following protocol, it would release capacity within the PM Account Support Team (PAST)	Significant	Limited	Significant	Limited	Limited	No change	Limited

Investigations and escalations	• Cases escalating into Tier 2 due to PAST not being able to contact the PM have increased 190% in FY23, compared to the same period last year
	• Insufficient process support for PAST team to contact PMs within days to resolve Review and Dispute button discrepancies (83% of cases in P10 assigned 'PAST' were open / unresolved)
	• Lack of adequate response by PMs in resolving discrepancies
	• Workflows are not prioritised by value
		• Significant impact on the workload of the service and support teams to adhere to the 10 day timeframe to resolve (78% of Tier 2 cases are completed within 10 days against the target of 90%)
		• Insufficient process support results in process delays beyond those stated in the policy, ie. delays in case resolution compared to the timeline stated in policy:
		   Tier 2 resolution is 25 days (vs 10 days as per policy)
		   Tier 3 resolution is 86 days (vs 10 days as per policy)
			Significant	Significant	Limited	Limited	Significant	Limited	No change

Legend:
- ● Significant change needed
- ◐ Limited change needed
- ○ No change needed

Section 3: Current State Assessment Findings

Fragmented systems and a lack of a single source of truth distorts the visibility of the end-of-end discrepancy lifecycle (2/2)

The complexity of investigations is increasing due to incomplete data, causing delays in decision-making. The Discrepancy MI is limited in providing a complete end-to-end view, from the initial Review or Dispute button press to resolution or recovery, resulting in reduced visibility.

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Resolution	• Transaction corrections can both resolve and create discrepancies • Once a payment has been made by a PM, there is no way to track and assign the payment to a specific discrepancy Any adjustments are made at a branch level	• Longer duration to correct transaction corrections, or their delayed application can result in higher provisioning	Limited	Limited	Limited	No change	No change	Significant	Significant
Reporting	• Discrepancy reporting is manual and labour intensive, which requires cross referencing several data sets and manual look ups of numbers to develop the context supporting it • There is no single source of truth that captures the entire discrepancy lifecycle from R&D button press to recovery/resolution • Formers agent provisions are not available in Dynamics, meaning that the actions required to mitigate/resolve are not visible (YTD, 65% of the overall provision, £25m relates to formers debt) • No visibility towards the Established loss, or recovery position in the Suspense account • Dynamics does not allow fixed review/dispute dates Each escalation step generates a new time stamp, making it impossible to analyse resolution from the start of the process • There is insufficient account reconciliation activity, and weaknesses and inefficiencies lead to inaccuracies and mistakes across finance reporting	• There is a risk of financial loss to PO as Leadership may not have clear visibility of the extent of discrepancies, established losses and established gains • Distorted ageing of discrepancies (not reflecting an accurate position in time), as ageing in Dynamics is updated with new dates each time a discrepancy is escalated • Inconsistent storyline/context on the increase or decrease of provisions as to the composition of provisions due to a lack of single discrepancy reporting • System limitations within Dynamics leads to a gap in analytical opportunities • Irregular and inconsistent reconciliations activity increases the risk that all account balances do not agree, giving you an unclear view of the financial position	Limited	Significant	No change	Limited	Limited	Significant	Significant

Legend: ● Significant change needed ◐ Limited change needed ○ No change needed

PO Branch Discrepancies Review

EY

Section 3: Current State Assessment Findings

Rationale for the increase in provisions and its connection to relevant discrepancies has not been established due to insufficient data and insights

Measurement of provisions is done manually in Excel spreadsheets and with manual feeds from multiple teams. There is a lack of sufficient validation, subjecting it to errors, and a lack of sufficient evidence and documentation, resulting in increased risk of transposition errors and no robust audit trail.

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
Provisioning	• Manual Excel spreadsheets are used for measuring provisions, with manual data feeds from multiple teams lacking sufficient validation, evidence, and documentation, leading to increased risk of errors • Finance only consolidates figures from the Past and Network Monitoring teams, without sufficient data insights to establish a relationship between provisions and discrepancies, resulting in limited visibility • The Investigations team carries out functions related to provision computation, such as providing the CFS and BI data extract . As a result, Finance lacks an end-to-end view of the data composing the provisions • Established Loss figures are increasing due to a lack of process and mandate for loss recovery • There is no policy or process for recovering established losses, and the amount is placed in a suspense account until recovery action is taken. This is mainly due to a lack of required data to operate control around Established Loss/Non-established Loss and limited visibility in discrepancy reporting	• Provision balances are at an increased risk of transposition errors, with a lack of a robust audit trail of the context behind the numbers, further increasing the risk of errors • The longer duration of discrepancy resolution directly impacts provisions, with an average of +55 days needed to resolve escalated tier 2 discrepancies • Aging investigations become increasingly complex as data doesn't show the full picture, causing decision delays • Overlapping accountability within and between PAST, Finance, and Network Monitoring teams leads to duplicated efforts and difficulties in determining accountability for provision-related issues • The debt position will continue to increase until recovery activity is recommenced on properly established losses	◑	◑	◑	○	○	●	●

PO Branch Discrepancies Review

● Significant change needed   ◑ Limited change needed   ○ No change needed

EY

3.4 OSO Button

PO Branch Discrepancies Review

EY

Section 3: Current State Assessment Findings

There is a misuse of OSO* button, leading to a risk of inaccurate PM Rem calculations, inventory records and accounting
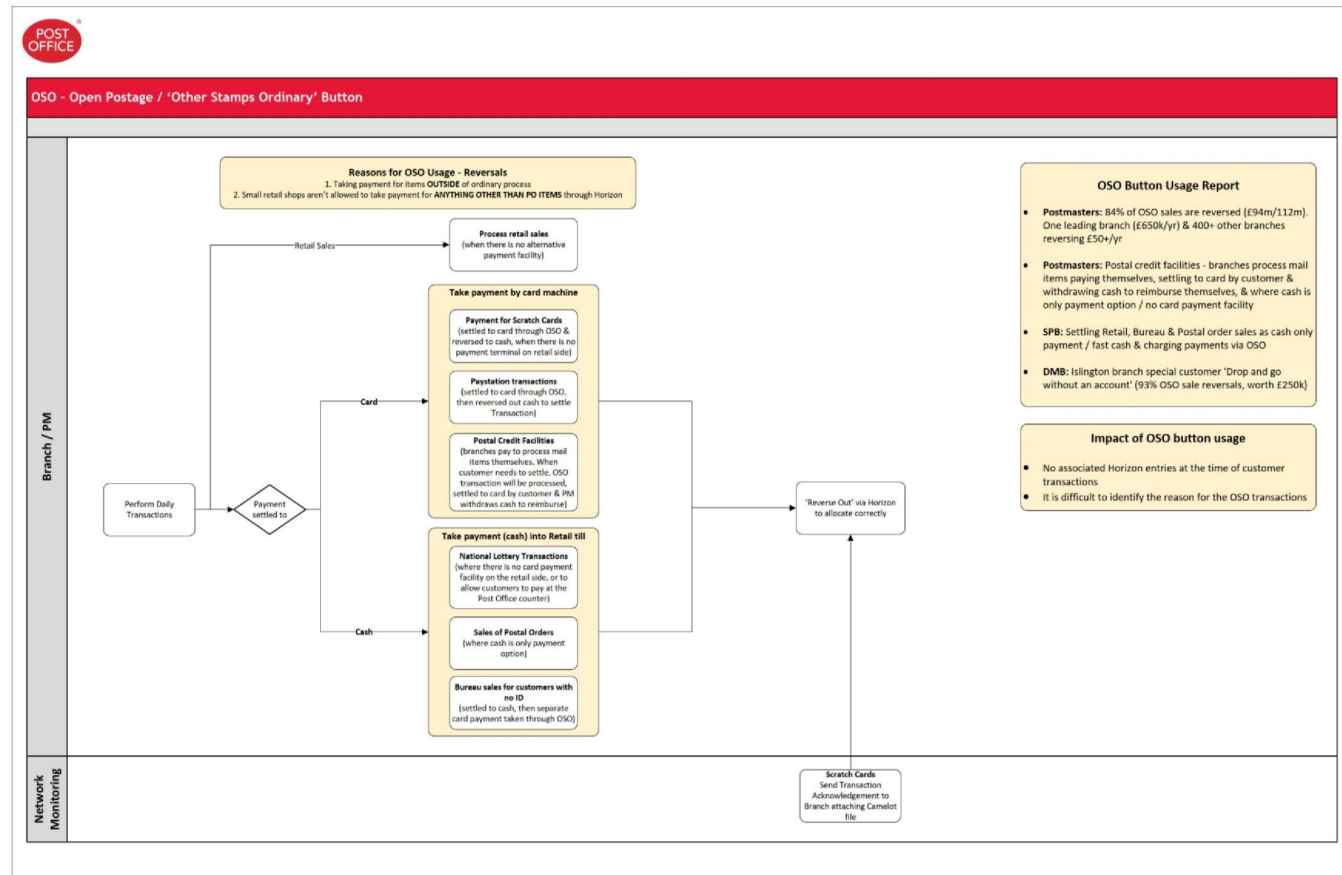
Process Map

PO Branch Discrepancies Flows – OSO.pdf

Key Issues

► **Acknowledgement of misuse:** It is widely known that the OSO button is not used for the intended function and there is a lack of consequences for non-compliance

► **High Usage of OSO:** 84% of OSO Sales are reversed (£94/112m), highlighting it's prominent usage by PMs. High levels of reversals can lead to inaccurate accounting

► **PM REM Risk:** PMs using the OSO button to reverse transactions can lead to the misrepresentation of transactions used for the calculation of PM REM

► **Investigation limitations:** As OSO is an open field – investigating OSO discrepancies/ reversals is challenging

► **Inventory Impact:** OSO usage impacts inventory management as there is no visibility of what stock is sold via OSO, leading to a disconnect to stock in store vs recorded on Horizon

Section 3: Current State Assessment Findings

OSO (open postage/other stamp ordinary) is widely recognised as being misused in branches

OSO was intended for non-standard mails transactions through Horizon, however it is now used for various purposes including: Retail Sales, Card transactions & then reversed out cash, National lottery transactions, Postal credit facilities, Postal order sales (e.g. where cash is the only payment option and Customer unable to withdraw cash as using mobile phone to pay). This creates an open text field, not aligned to a specific product ID.

Process step	Findings	Impact	Policy & Controls	Process	Performance Measurement	People	Organisation	Data	Technology
OSO	• OSO has become a hiding place for non-compliant transactions • Lack of analysis on volumes of use and controls is due to the challenge of reconciling OSO records with reversals as it is an open entry • There is a high level of usage because the OSO button is easy to find for non-standard stamps and is on the front page of Horizon, which results in POs reversing it later • Key stamp product IDs are linked to enable sales via OSO, which hinders inventory management and stock recording • PMs using the OSO button to reverse transactions can lead to the misrepresentation of transactions used for the calculation of PM REM • There is a general acknowledgement that there is mis-use, although limited compliance controls in place • Risk of inaccurate reporting of cash vs card retail sales by using OSO button as workaround to take payments by card /cash to reimburse or vice versa	• Unadjusted OSO transactions can significantly impact PM's remittance • Lack of associated Horizon entries at the time of customer transactions makes it difficult to evidence the reason for specific OSO transactions and usage • The system design both drives OSO usage and enables its use for the sale of key stamps	●	◐	◐	○	○	●	●

PO Branch Discrepancies Review

● Significant change needed   ◐ Limited change needed   ○ No change needed

EY

3.5 System and Data Flows

PO Branch Discrepancies Review

EY

Section 3: Current State Assessment Findings

Data flows related to managing discrepancies are ineffective due to having a complex systems landscape, manual interventions and a lack of rigour in MDM

IRRELEVANT

Process Map

PO Branch Discrepancies Flows - Data Flow.pdf

Key Issues

► **Lack of integration:** There are multiple systems, that are not integrated, e g Credence does not interface with Dynamics

► **Multiple systems:** 11 systems and tools used in core processes, with high levels of manual intervention

► **Underutilisation of exiting systems:** SAP ECC 6 0 is being used, with element of its capabilities not utilised

► **Master Data Management (MDM):** Across the multiple systems, there is a lack of master data management, data governance and data ownership

► **Debt management system:** There is a gap in the systems landscape to address recovery of non-transactional debt (unpaid invoices). Defaulted debt is not flagged automatically – it is monitored manually

3.6 Current State Assessment Summary

PO Branch Discrepancies Review

EY

Section 3: Current State Assessment Findings

There are challenges across the discrepancy lifecycle from a lack of compliance rigour within branch to a lack of effective data and controls within PO

	Inaccurate Accounting	Non-compliance	Lack of System Controls	Manual Processing	Inventory Management	Management Information	Master Data	Capability and Training	Capacity	Financial Risk	Systems Integration
1 Cash & Cash Equivalents	✓	✓	✓	✓				✓		✓	
2 Stock		✓		✓	✓	✓	✓	✓		✓	
3 OSO Usage		✓	✓			✓		✓		✓	
4 Network Monitoring & Support		✓	✓	✓		✓	✓	✓	✓	✓	✓
5 Data Flows			✓	✓		✓	✓	✓			✓

There are challenges with the controls, audits, resources, skills and the manual processes in place, which result in discrepancies arising from cash accounting and stock management. In addition, the lack of system integration and limited management information results in complex reporting, ineffective debt recovery and provision management.

PO Branch Discrepancies Review

EY

Section 3: Current State Assessment Findings

Assessment against the finance operating model, shows fragmented reporting, unclear accountability and insufficient training

Policy & Controls

- Significant manual Excel interventions and non-compliance with existing policies posing risks to the organisation across operational and support teams

Organisation

- Duplication and overlap of process ownership/accountability leading to capacity constraints
- Finance activities are performed by Investigations and PAST teams, and the previous operating model changes are not fully embedded, resulting in unclear RACI

Data

- Minimal data governance in place
- Information management processes heavily reliant on manual methods, posing risks of human error

Process

- Fragmented, non-standardised and highly manual processes, especially in investigation, provision management, and reporting, causing delays and inefficiencies in decision-making

Performance Measurement

- Siloed understanding of branch discrepancy process among internal stakeholders with a lack of end-to-end performance reporting

People

- Disconnect in lines of responsibility between Finance and Network Service & Support teams, leading to duplication of effort and delayed decision-making
- PM discretionary training completion rates is low, largely through lack of available resources, but a lack of uptake.
- There seems to be skillset and capability constraints across PO staff*

Technology

- Insufficient integration of multiple systems and manual data maintenance, requiring significant labour
- Heavy reliance on Excel-based reporting

*this needs to be validated through a capability assessment

PO Branch Discrepancies Review   EY

Recommendations

4

PO Branch Discrepancies Review

Section 4: Recommendations

Branch Discrepancies are systematic of wider business challenges requiring a fundamental shift in how PO utilises its people, processes and technology

Each recommendation* is an improvement opportunity which has been designed to address the gaps identified during the Current State Assessment

The recommendations, while considered independent, have been numbered based on the initiatives that should be prioritised

Pace of Implementation

- Quick Win (0 - 3mos)
- Medium Term (3 - 12mos)
- Strategic Change (12mos +)

Cost of Implementation

£	< £500k
££	£500k - £1m
£££	> £1m

#	Recommendation	Description	Pace	Cost
1	Overhaul the PMs Franchise Framework and roll-out a refreshed training programme	• A robust PM franchise framework that incl refreshed training programmes, mandatory standards, compliance and monitoring is required	(Medium Term)	£££
2	Utilise current state observations to redesign and implement improved processes	• Design and implement future state processes with a "ELIMINATE, MAINTAIN, and OPTIMISE" approach to ensure process areas are fit for purpose	(Medium Term)	£/££
3	Review PO SAP capability to optimise usage for discrepancy management	• Detailed assessment of PO's core ERP, SAP ECC 6 0 (CFS) instance to identify opportunities to leverage the ERPs capabilities to its fullest in the short term, and ensure S/4 readiness in the long term **Note: SAP will end support for SAP ECC 6 in 2027**	(Quick Win)	£££
4	Transform discrepancy reporting and analysis	• Design and implement improved performance reporting cycles, KPIs and reporting solutions to enable better decision making	(Quick Win)	£££
5	Implement Master Data Management (MDM)	• Develop a strong MDM framework that will establish control over Master Data values and identifiers that enable consistent use, across POL systems, with the most accurate and timely data	(Medium Term)	£££
6	Reduce system usage, underpinned by an enterprise wide IT Strategy	• Identify and limit the core systems involved in the management of branch discrepancies This must be underpinned by an enterprise-wide IT strategy and implementation roadmap to minimise disruption and to ensure system shut down decisions are strategic	(Strategic Change)	£££
7	Embark on a Roles and Responsibility and Internal skills and capability assessment	• To undertake a roles & responsibilities and skills & capabilities assessment across the different teams that interact with the end-2-end branch discrepancies process	(Quick Win)	£££
8	Create a culture focused on commercial outcomes and compliance	• Create a culture where the PO and Post Master relationship is supportive, proactive but also contractually accountable	(Strategic Change)	££/£££

*The estimated pace of implementation and cost of implementation at this stage are guidelines only – True cost and pace of implementation will be dependent on scope, resources and project timelines

PO Branch Discrepancies Review   EY

Recommendation 1: Overhaul the PMs Franchise Framework and roll-out a refreshed training programme

⏱ £   ①

Summary

Develop a comprehensive PM Franchise Framework supported by an updated Training Programme and Roll-Out . The PM Franchise framework should cover the contractual and operational expectations of the PMs. The training programme must ensure that each PM can easily understand and follow the expectations to ensure effective operations and cohesion across the network. We recommend:

An updated PM Franchise Framework

1. Review current PM contractual arrangements, terms and conditions, and escalation routes Identify areas for improvement by leveraging existing pain points from the current state assessment

2. Identify key performance indicators, key risk indicators and develop quantitative mechanisms and controls to minimise framework non-compliance

3. Implement a compliance monitoring process and develop a framework for addressing non-compliance and recovery of losses

A refreshed PM Training and Roll-out Programme

1. Analyse and assess training needs across the network, including an evaluation of the effectiveness of existing training

2. Update training curriculum to ensure it blends digital and instructor-led training effectively to increase effectiveness, with an opportunity to co-develop with PMs

3. Provide easy-to-use training documentation and a PM community that will serve as a useful reference point for seasoned PMs and aid future on-boarding activities

4. Roll-out the training programme across the network, ensuring that the worst-performing branches are selected for dedicated training and upskilling

5. Implement a regular 'monitor and update' programme to ensure training remains fit for purpose

The NBIT programme gives the opportunity to re-base PM contracts and roll out PM training, providing a platform to embed improved skills and compliance.

What would this give to PO ?

✓ Co-development with PM supports a culture of change and compliance

✓ Robust and accurate MI to drive interventions (e g training or non-compliance ramifications)

✓ Reduce Branch discrepancy volumes and investigations allowing the network monitoring team to focus on value added activities
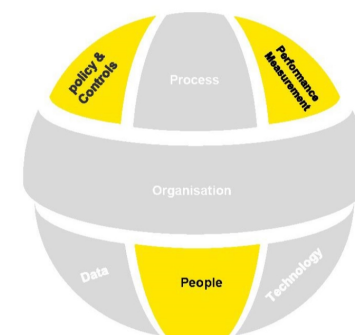
Which issues are addressed

④   ⑤   ⑧   ⑰

EY

Section 4: Recommendations

Recommendation 2: Utilise current state observations to redesign and implement improved processes

② ⏱ **£/££**

Summary

Build on the current state assessment process flows to design and implement future state processes with an "**Eliminate, Maintain,** and **Optimise**" approach to ensure process areas are fit for purpose. For each of the core processes we recommend:

1 Cash
- Automate cash forecasting processes
- Address manual cash counting control options, e.g. implement technology solutions at each branch
- Consider alternative controls for timely and accurate cash declarations (e g prompts, blind declarations [removing visibility of advised value for PMs to encourage accurate/manual counts], compliance)
- Explore ATM integration options
- Review in-bound scanning capabilities in Horizon to remove ability to duplicate scan a single barcode/pouch

2 Stock
- Integrate inventory information across all PO systems e.g. consistent product IDs and location tracking
- Review options for Auto-REM of stock aligned to the current systems' capabilities and integration
- Embed barcode-led stock transactions in Horizon as the sole mechanism to administer stock sales
- Review and update the Branch stock-take expectations and processes
- Assess ability to remove the stock adjustment button from Horizon to prevent PMs directly impacting PO financially

3 Network Monitoring & Support
- Create a single route (and ID#) for discrepancies to be raised, investigated and resolved
- Define clear roles and responsibilities (RACI) with particular focus on PAST, Investigations and Finance teams
- Review current risk allocation between PO and PMs and explore options have disputed values sit in PM suspense accounts
- Leverage system optimisation to reduce manual development of the Provision and ensure clear documentation and support policies to ensure a robust audit trail
- Create a process to effectively manage the recovery of established losses and associated payments

4 OSO
- Ensure OSO is used solely for its designed purpose, supported by a robust compliance framework and training programme
- Assess ability to remove the 'open field ' data entry; all OSO transactions should require a description or reason for usage
- Assess ability to remove the capability for key stamps to be sold via OSO

Future state process improvements will require alignment with key enabling recommendations, specifically recommendations **5 (Master Data Management)** and **6 (Systems)**, as well as alignment with other **existing PO projects.**

What would this give to PO ?

- ✓ Leaner and more efficient operations, reducing duplication of effort and opening up capacity within teams
- ✓ Opportunities to automate certain process steps, allowing greater rigour in information flow
- ✓ Elimination of bottlenecks within end-to-end processes, with greater speed of service and function within teams

Which issues are addressed

4	6	7	9	10	11
12	13	14	15	16	

PO Branch Discrepancies Review

EY
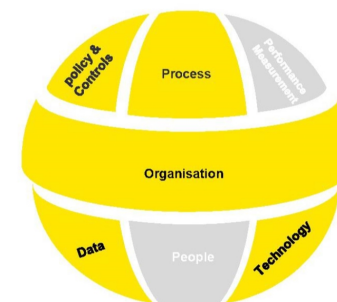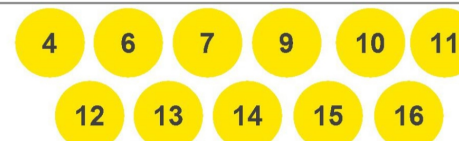
Recommendation 3: Review PO SAP capability to optimise usage for discrepancy management

3

🕐 £

Summary

Perform a detailed assessment of PO's core ERP, CFS (SAP ECC 6.0) instance to identify opportunities to leverage the ERP's capabilities to its fullest in the short term, reinforce SAP as the main reporting tool, and ensure S/4 readiness in the long term.

System optimisation would leverage the current state assessment to evaluate PO's SAP deployment and its fit for purpose. It will evaluate the usage of other systems to identify redundant applications, which can be replaced with SAP or enabled with updated SAP functionalities or new models.

The recommended activities include:

1. Understand key goals based on discrepancy / business vision and strategy (this can be at discrepancy level but we strongly recommend this is done at a strategic level to reduce duplication of effort and increased costs in the long term)

2. Leveraging future state processes **(recommendation 2),** identify key requirements across the discrepancy management processes

3. SAP ECC 6 0 capability demonstration / workshops to develop a detailed understanding of the POs SAP configuration

4. Analyse how any functionality gaps and how they can be addressed i.e. via new functionality / system integrations etc

5. Perform a Change Impact Assessment, that details any changes (and the resulting impact) that will need to be made

6. Develop a clear case for change that will assess the costs of staying with ECC 6.0 versus the cost, potential value and business impact of upgrading to S/4HANA

Any SAP optimisation and/or planned SAP 4/HANA upgrades, will need to be considered as a central part of the wider IT systems strategy **(recommendation 6).**

What would this give to PO ?
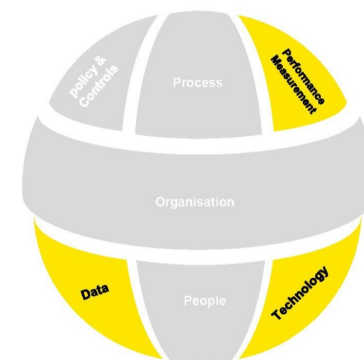
✓ Improved discrepancy management and reporting

✓ Improved SAP functionality that can be leveraged across Finance

✓ Future planning and preparation for when SAP ECC 6.0 is no longer supported (2027)

Which issues are addressed

1   **2**   **3**

EY

Recommendation 4: Transform discrepancy reporting and analysis

4

£

Summary

Design and implement improved reporting, with defined performance reporting cycles, KPIs and reporting solutions to enable better decision making. Build upon existing MI improvement projects to further enhance management reporting packs by leveraging existing tools e.g. PowerBI.

The recommended activities include:

1. Review all existing financial and non-financial reports and developing a single MI strategy for branch discrepancies

2. Harness digital opportunities to develop reporting process optimisation integrating the back end data with source data such as CFS, Dynamics and Credence with suitable mapping tables with auto refresh options

3. Develop a single and simple reporting Dashboard by:

    • Defining standardised reporting metrics and KPIs

    • Incorporating the functionality to drill down to the appropriate reporting layer for the audience requirements

    • Enrich the presentation layer with advanced data visualisation (heatmap, branch view, filters etc)

    • Simplify reporting language

    • Elimination of discrepancy MI that has limited uptake or limited insights

    • Develop insightful trend analysis reporting, both period to period, quarter to quarter, year to year, etc

4. Create a reporting culture that enables both Descriptive MI (what happened) to more Prescriptive (what should happen) and Predictive analysis (what might happen) linked to PO's strategic targets at regular intervals

5. Setting up MI Governance to assign accountability, control and ownership of reports, and supporting data

We suggest this recommendation is completed alongside recommendations 5 (**Master Data Management**) and 6 (**IT Strategy**).
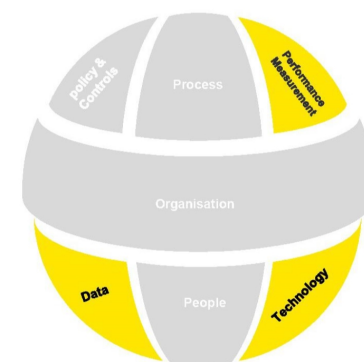
What would this give to PO ?

✓ Single end-to-end reporting dashboard, breaking down operational silos, enabling cohesive analysis

✓ Insightful management reporting through multi dimensional analytical views and drill down capability

✓ Operational efficiencies by eliminating duplication of efforts across different teams

Which issues are addressed

1   **2**   **6**

EY

Recommendation 5: Implement Master Data Management (MDM)

5

££

Summary

Establish enterprise-wide Master Data Management, with supporting software solutions allowing technology to automate the definition, capture, validation and usage of master data, enabling more rigor and data confidence. MDM establishes control over Master Data values and identifiers that enable consistent use across systems to provide the most accurate and timely data essential for all PO business areas.

Given the operating landscape within PO, a short-term focus on Branch Discrepancy data governance and master data through a phased (and repeatable) approach is suggested, whereby within each focus areas PO should:

1. Define what master data to collect upfront – enforcing consistency with suppliers (where relevant)

2. Establish tight and planned integration between systems to enable workflow across teams

3. Enforce Data Governance rules, standards, and policies - Establish clear and defined processes for audit and traceability

4. Develop a modular approach focusing on core data channels, e g customer, vendor, stock , finance etc

Initial focus areas for the phased approach include:

▸ Stock MDM: e g Consistency of Product ID's across the network

▸ Discrepancy MDM: e g to establish a single Identifier for Discrepancy ID throughout lifecycle, Introduction of FAD vs Agent ID within Dynamics, Create a single date record in Dynamics for each phase of discrepancy investigation

▸ Finance Data MDM: e g creating a single source of Finance data, with linked supporting data to evidence journal postings

▸ Once MDM good practices are established, develop supporting software solutions in the longer term

This recommendations should be aligned with existing programmes of work which impact MDM, e g the "Data Lake" project.

What would this give to PO ?

✓ Reduced manual interventions and improved data confidence

✓ Improved data Integrity - Accurate, Complete, Correct, Consistent data across PO data users

✓ Drive better decision making for decision management

✓ Collaboration & shared ownership, accountability & stewardship across PO

Which issues are addressed

1   **2**   **3**

PO Branch Discrepancies Review

EY
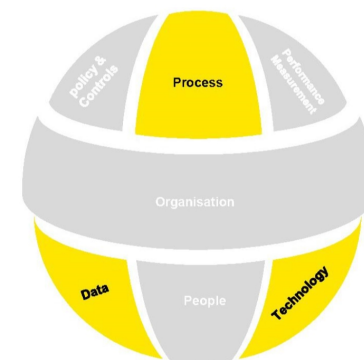
Recommendation 6: Reduce system usage, underpinned by an enterprise wide IT Strategy

6

£

Summary

Identify and limit the core systems involved in the management of branch discrepancies. This must be underpinned by an enterprise-wide IT strategy and implementation roadmap to minimise disruption and to ensure system shut down decisions do not cause issues in other areas of PO

As part of the enterprise-wide IT strategy, the PO will need to consolidate their IT system landscape reducing the reliance on multiple systems and tools (11 identified in total) PO should focus on leveraging and expanding the use cases of newer existing systems which support agile module changes in shorter time frames to support business needs, versus older 'legacy' systems that carry integration limitations, preventing end-to-end performance of systems and potential value extraction

The recommended activities include:

1. Develop an enterprise-wide IT strategy which defines what the key external and internal systems trends / pressures are over the next 3-5 years, business priorities and their implications and how PO can prioritise investments and assets to focus on high impact areas, whilst leveraging both existing and new digital technologies

2. A review of system functionality against business needs; to address manual interventions (e.g. CWC not performing cash forecasting) and overall PO business requirements

3. A review of the IT system landscape and the ability of each system to meet functional requirements, interface with each other and integrate into the wider environment, e g interfacing Galaxy with CWC (WCS) for stock inventory management

4. Develop a strategic roadmap that includes a prioritisation of programmes, sequencing and planning, their interdependencies and prerequisites

5. Collate and validate quick win improvement opportunities such as:
   a. Update Dynamics to include functionality to track Review or Dispute cases end-to-end, enable single data fields for each phase of an investigation process and enable separate FAD and Agent ID to capture formers data effectively
   b. Identification of a more effective debt management and recovery system in order to better track movement and data flows of repayments (e g how many PMs are on payment plans, how much they have paid and what is left to pay), which should also interface with Dynamics

What would this give to PO ?

✓ Clear view on the key systems to invest in to meet discrepancy management needs, whilst achieving wider PO strategic objectives

✓ An audit of PO enterprise architecture, highlighting systems potentially doing similar or the same things

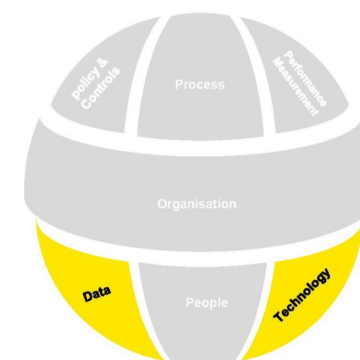✓ Better control of costs e.g. through the reduction of licenses needed for underutilised systems

Which issues are addressed

1 2 3 7

PO Branch Discrepancies Review

EY

Recommendation 7: Embark on a roles & responsibility and internal skills & capability assessment for discrepancy management

Summary

Embark on a roles & responsibility assessment to refine and agree future state roles and responsibilities in line with to-be processes . Once identified, this will need to be supplemented with an assessment of the internal team's current skills, capabilities and learning needs to ensure staff are adequately trained and aware of the necessary process & system functionalities to effectively manage the end-to-end discrepancies process.

The recommended activities include:

Roles & Responsibility Assessment:

1. Leverage the RACI* matrix to review what activities are being completed by whom across the end to end branch discrepancies process and identify gaps or overlap

2. Overlay the current level of effort of activities performed across the process through activity analysis to identify further improvement opportunities

Skills & Capability Assessment:

1. Define the required skills, capabilities and proficiencies required for the roles across the end-to-end discrepancy management

2. Leverage the outputs of the roles & responsibilities, to evaluate the current proficiency levels for skills and capabilities needed to deliver the future state discrepancy processes

3. Develop tailored strategies to address skill gaps and cultivate strengths to drive effective discrepancy management

4. Establish a programme for periodic review and continuous improvement

This recommendation will require alignment with key enabling recommendations, specifically recommendations **2 (process redesign and implementation)** Additionally, this recommendation must be considered as part of any wider ongoing or planned PO People related projects

***RACI** - Responsible, Accountable, Consulted, Informed

What would this give to PO ?

- ✓ Provides clarity of roles & responsibilities to enable efficient discrepancy management across the PO
- ✓ Comprehensive analysis of capability to identify strengths and skills gaps to recruit and retain the right talent
- ✓ Improved Employee Experience through upskilling and reskilling opportunities

Which issues are addressed

8   11

PO Branch Discrepancies Review

EY
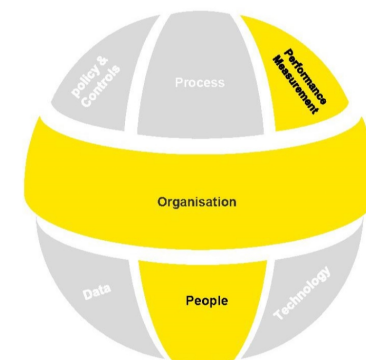
Recommendation 8: Create a culture focused on commercial outcomes and compliance

8

££/ £££

Summary

Create a Leadership driven culture aligned to the PO purpose of "We're here, in person, for the people who rely on us" and where the PO and PM relationship is supportive, proactive but also accountable .The outcomes of these changes should help PMs better understand how each of them contribute to the success of the organisation, enabling buy-in and a positive and proactive engagement

The recommended activities include:

1. A review of cultural focus areas with PO and PMs to understand the necessary shift in organisational culture, including cultural traits to keep, start and stop, and how to prioritise
2. Clear definition of the purpose of the culture review and narrative
3. Perform a Voice of the Customer (PMs) analysis, engaging with PMs to determine key themes and understand regular pain, to proactively mitigate errors arising from non-compliance and resistance to existing Policies and procedure
4. Build out, update and share simple guidance for prioritised Policies and process initiatives that are easy to follow, educating PMs being sure to connect messaging to the culture shift
5. Leverage culture levers such as training or targeted and effective communication routes
6. Demonstrate impact of culture change initiatives to business and culture values
7. Development of a new non-compliance framework
8. Perform a Culture Fitness Diagnostic to reveal the steps required to shift behaviours and achieve a desired culture This should include motivational and reinforcing levers, such as:
    a) Motivating people by showing how they can impact the success of the organisation
    b) Aligning performance management, rewards/recognition and risk appetite to reinforce the behaviours
    c) Ensuring PO leaders inspire, understand and consider PM's perspectives, ensuring they are fully present with an open mind to make fully informed decisions

This recommendation is to be considered in conjunction with any existing People and Culture work being performed by the People team

What would this give to PO ?

✓ Greater awareness and buy-in amongst PMs of their impact on the organisation, with greater adherence to Policies

✓ Improved consideration of mutually beneficial commercial outcomes

✓ Reduced friction for PO teams that engage directly with PMs and greater adherence to policy timeframes

Which issues are addressed

6   7   10

PO Branch Discrepancies Review

EY

5

Next Steps

PO Branch Discrepancies Review
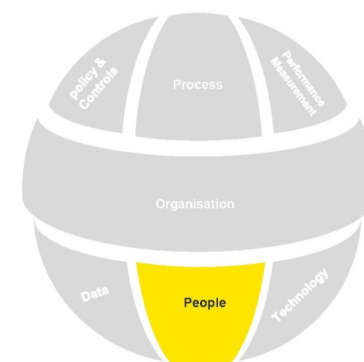
Next steps

We have identified 8 recommendations which have been prioritised based on our assessment of a high level (1) Pace of Implementation and (2) Cost of Implementation

Note: Pace and Cost are only high level indicators, true pace and cost of implementation is dependent on scope, timeline and resource availability

Our suggested next steps for the PO are as follows:

▶ Review the recommendations
▶ Prioritise the recommendations based on business value and PO strategic priorities
▶ Develop Business Cases for selected recommendations
▶ Once approved, each project should be supported with a clear Project Brief and Project Initiation Document This will define project scope, key timelines and resource requirements

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Documents reviewed

Policy & Process Document List

No	Document Name	Description
1	Network Monitoring & Branch Assurance Support policy	• This policy explains how branches will be supported with any potential issues identified through network monitoring and how PO will help those branches maintain accurate records of cash and stock through their branch accounting
2	Network transaction corrections policy	• This policy details the procedures for issuing Transaction Corrections and Transaction acknowledgements to PMs, 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
3	PM Account support policy	• PO recognises that discrepancies will occur from time to time in the nature of a retail business, and this policy lays out the responsibilities of PO to notify PMs of those Compliance with these policies is essential to PO in meeting its business objectives and to balance the needs of PMs, customers, clients, and other stakeholders including our shareholder
4	PM Complaint Handling policy	• PO recognises that complaints will occur and this policy lays out the formal Complaints procedure which is intended to ensure that PO handle all PM complaints consistently, fairly and within agreed timescales It is one of a set of policies which provide a clear risk and governance framework and facilitate an effective system of internal controls for the management of risk across PO
5	PM Decision Review policy	• This policy is applicable to members of the Decision Review Panel and all PO employees involved in decision review process and defines the minimum standards to control financial loss, PM impact, regulatory breaches and reputational damage in line with the PO risk • appetite
6	Network Cash & Stock Management policy	• This policy sets out clear and consistent guidelines to ensure that PO supports Branch in planning & forecasting their cash needs & Methods are employed to minimise discrepancies in Cash and Stock distributed to branches, such as quality assurance on remittances
7	Transaction Correction Process Flow narratives	• The process flow provides a high level summary of end to end branch correction process (Transaction corrections) process and controls at PO with respect to ATM, Camelot, Personal banking, Stock Non Rem, Suspense account process, Card payments etc
8	PO Accounting manual	• This policy states the accounting policies with respect to Period end close, revenue recognition, Banking and financial services, people cost, Income statement presentation, Balance sheet , Business combinations and Other accounting matters

MI, Finance and Performance Data Document List

No	Document Name	Description
1	Dispute Resolution Review Committee report	• Period wise Discrepancy reporting to Service and Support Optimisation Director & Tier 2 Resolution Team Manager & Tier 3 Investigators Legal Counsel Includes period wise discrepancy reporting with cause analysis, cases assigned vs resolved along with Cause description , impact & resolution agreed along with Deep dive of Tier 2 /3 cases with context, problem statement and resolution
2	CIJ Dashboard	• Period wise Discrepancy reporting status of including Training and onboarding , Post master complaints, Cash management , Transactions, Discrepancy and Post master accounts, Accounting dispute resolution etc
4	Internal Audit Report	• Internal audit report To evaluate the effectiveness of design and operation of controls and processes around the • handling of PM discrepancies and complaints The report includes detailed findings and agreed actions for the problem statement along with rating guide
5	New Investigations Outcome Dashboard	• PDF showing all dash views for discrepancies, where investigations have been completed within the financial period note Source system used is Dynamics Live data, ; this means that the data presented within the dashboard is fluid E g , an investigation (case) can be assigned into the team and count towards the figures but in the following days can be re-assigned and then this will drop out of the scope of the dashboard
6	Provisions excel	• Provisions computation working sheet with Former agent data & Current agent data
7	Discrepancy Data from R&D till Resolution	• Source from Dynamics review or dispute discrepancies for P10 and looks to track across the various stages from initial contact through to resolution Includes R&D Button Press (Horizon data sourced from our internal data platform called Credence), Call to BSC, PAST Chase process, Investigation, PAST repayment follow up etc

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Glossary

Systems

No	Name	Description	Used by
1	Horizon	• Horizon, a system exclusively used by the branch network to account for branch transactions including cash & cash equivalents & stock	• Branch
2	CFS (SAP)	• Core Finance system (CFS) is a PO Back office application that manages branch accounts & performs the settlement billing functions for PO • CFS is interfaced with Horizon that allows PO to carry out Management Reporting and Financial Reporting at branch level	• Finance, PAS Team
2a	POSAP	• POSAP is a SAP-based bespoke financial accounting system that maintains transactional data for PO	• Cash Centre, Finance
2b	CFS (SAP BW)	• CFS BW is a data warehouse of SAP which is used for Billing and Reporting	• Finance
2c	CFS (SAP ART)	• CFS SAP module that manages PM/Agent Remuneration and Data feed of the same is managed by Central Remuneration team	• Finance, PAS Team
3	Credence	• Credence is a Management Information Reporting Warehouse that enables transactional level information at a 3-month level with direct interface from Horizon	• Area Managers, Finance, Supply Chain • PAS Team
4	MS Dynamics	• MS Dynamics is a Case Management system (also known as the "Issue Management Tool" in PO) where each discrepancy and investigation information is recorded and used for subsequent discrepancy reporting and analyses • MS Dynamics is a live standalone system and is not interfaced with any other PO systems	• PAS Team (Tier 1), Network Resolution Operations (Tier 2, Tier 3), Network Monitoring team
6	Galaxy	• Galaxy is an Order Management System used for stock, that facilitates and manages the execution of stock orders for PO and tracks stock movement between the PO & Branch	• Branch
7	WMS / WCS	• A Warehouse Stock Management System used by PO to gain visibility of orders within the warehouse and has the ability to track when the order is received, picked, packed and shipped This ensures there is full visibility of what stock is being sent and to which location	• Central Stock Centre

Investigation Tools

No	Name	Description	Used by
8	HORice	• HORIce (Horizon Interrogation - Live Horizon Data Reporting) is subset of Horizon It contains 18-month trading statements that cover all transactional activity related to Horizon, including non-sales events such as branch declarations	• Network Resolution Operations (Tier 2, Tier 3)
9	BART	• Branch Analysis Review Tool (BART) is a data capture form used to record the differences between the actual volume and value of cash, stock and currency in the branch and the volumes and values as shown on Horizon	• Network Resolution Operations (Tier 2, Tier 3)
10	Transaction Correction Tool	• The Transaction Correction Tool (TC Tool) is a reporting tool that captures the Holistic view of all transaction corrections and their associated descriptions that have been issued to the branch	• Network Resolution Operations (Tier 2, Tier 3)
11	Stock Landing Tool	• The Stock Landing Tool is used to verify what stock has been dispatched to a branch, and provides the following information: ○ Confirms when pouches are scanned as received ○ Uses data to verify if stock has been correctly remmed in ○ Shows any stock or rem adjustments	• Network Resolution Operations (Tier 2, Tier 3)
12	NOMAD	• NOMAD (Network Observation Monitoring Analysis Dashboard) is used to view branch information This includes cash collection details, the last date of Trading Period rollover, date of cash declaration, dynamics cases, linked branch information, and outstanding customer account balances Audit history and audit rationale are also contained within this dashboard	• Network Resolution Operations (Tier 2, Tier 3)

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