

Post Office Ltd Branch Audit Policy / Process

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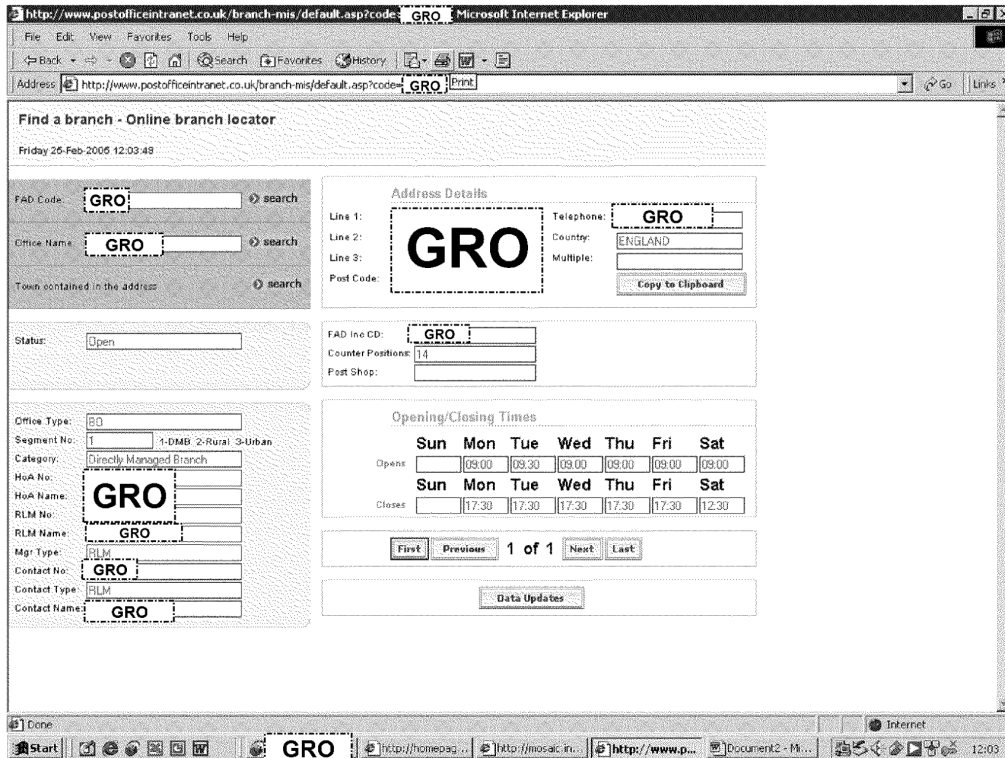
The following sections detail the audit process to be followed at agency, multiple, franchise branches and directly managed branches.

The operations manager (scheduling) will allocate a lead branch auditor as part of the scheduling process. It is the responsibility of this designated lead branch auditor to fully prepare the audit, lead the audit on site and subsequently complete the required post audit activity, including the audit report.

SECTION 1 - PREPARATION ACTIVITIES:

1.1 Open the latest version of the electronic P32. Once opened the P32 must be saved as the branch FAD code, date and name of branch, for example, 023323.010105 Wakefield.xls – this will prevent accidental overwriting of the original P32 template and also allows future changes to be saved, as the original is a “save only” template. Robbery and burglary audits should be saved in the same format but should be pre-fixed with R or B respectively e.g. R023323.010105 Wakefield.xls.

1.2 Check the Post Office Ltd Intranet site for branch profile details. There is also a link incorporated into the P32 planning sheet that can be utilised to obtain branch data. This will provide data on the branch address and opening times. In order to access this detail you must be connected to the intranet. Example of available data below:



Please note; if a branch auditor arrives at a branch scheduled to be open (info detailed on the intranet), however is closed, then this must be reported to the operations manager (scheduling) ASAP. Do not alert the sub-postmaster to the fact that you have come to do an audit, as it is unlikely that access will be given and the surprise element of the audit will have become compromised.

1.3 Access the Lotus Notes P32 library to examine the previous audit report and extract **all** control gaps. The date of the previous audit can be obtained from the planning data – branch details - supplied by the management information team.

1.4 Prep data files are placed on the Branch Audit Library to support the audits included in the plan. It is the responsibility of the branch auditor to download and examine the prep data that relates to the audit being planned. The weekly plan will detail what prep data is to be used for a specific audit. It will also detail whether the audit is part of the ALARM or CARM programme or both. Extract all planning data appropriate to the branch being audited and record the details in the appropriate section of the planning sheet within the P32. The prep data file contains the following information:

ALARM

1. Errors compliance tests
2. Branch details
3. Cash account discrepancies (103)
4. Error notices (104)
5. ONCH variation (101)
6. Misreported cash (105)
7. Cash rises (106)
8. Cash increases (quarter) (107)
9. Cash increases (yearly) (108)
10. ONCH V target
11. Reinstatement (121)
12. Repayments (122)
13. Cash Specials (123)
14. Nil discrepancies (124)
15. Cheques (125)
16. FONCH variances (133)
17. FONCH no sales (134)
18. FONCH buy backs (135)
19. Post audit activity
20. MVL concerns
21. Authorised losses
22. Table 2a losses
23. Unauthorised losses
24. Fleet MVLs
25. NRA licence - serial numbers
26. Lottery cheque – serial numbers
27. Urgent audit results

CARM

1. Errors compliance tests
2. Branch details
3. Cash on hand non-declarations (301)
4. Unauthorised losses (304)
5. Error notices (305)
6. PAF compliance (306)
7. NBSC (307)
8. MVL (308)
9. DMB ACC full compliance (321)
10. DMB ACC non-compliance (323)

1.5 Obtain the lottery cheque, rod licence serial numbers for on site verification of stock found at audit. The prep data provides information on the serial numbers of new stock recently sent to the branch.

1.6 Make / organise travel arrangements. In every case the most cost effective mode of travel and most time efficient route must be selected to travel to the branch in accordance with the current business BTE policy. Pool and hire cars should be utilised and where feasible scheduled by the operations manager in the first instance, however the CM3 branch auditor should look to make changes if necessary. Public transport and car sharing must also be explored.

NB. The current BTE policy states that where public transport, use of a pool car, lease car or a hire car is identified as the most suitable means of travel, but you choose to use your own car, the business will only reimburse the category 2 mileage allowance.

1.7 Audit leader to communicate meeting arrangements if more than one branch auditor is attending. It is also important that all branch auditors attending are aware of their role at the audit. Avoid meeting other branch auditors directly outside a branch as this could compromise the surprise element of a visit. Also contingency plans should be considered and discussed at this stage to cover expected actions should problems arise. For example, where: -

- One or more of the team is late arriving
- One or more of the team does not attend (sickness, bad weather)
- The lead branch auditor does not attend or is late

1.8 For audits commencing after 8.15am the identity card issued to branch auditors should be sufficient identification to gain access to a branch. If required, the auditee should contact the NBSC to further validate identification.

1.9 For audits commencing prior to 8.15am a verification letter must be prepared prior to the audit. (See Appendix A). This should be presented to the auditee together with identity cards on arrival at the branch to be audited. This should prove sufficient evidence of branch auditors authenticity to gain admittance, however if the auditee requires further verification the operations manager should be contacted on the mobile number identified within the verification letter. For this reason an operations manager must be notified in advance of the audit and provided with the details of the branch auditors attending and their identity card numbers.

1.10 The following compliance tests should be undertaken:

AV+ Audits	Compliance only audits or Full audits
<ul style="list-style-type: none"> • Regulatory Requirements & Standards • Information Security • Post Office® Card Account • Travel Insurance • Confirm actions taken against recommendations from last audit 	<ul style="list-style-type: none"> • As AV+ Audit. Plus: • Procedural Security Inspection • Core CAT of the period (see Appendix A) • CAT aligned to the reason for the audit • Confirm actions taken against recommendations from last audit

Furthermore, if a gap is identified whilst on site at the branch, in an area not due for coverage, then the relevant part of the compliance test should be completed accordingly.

NB. Please refer to the Compliance Auditing section of the Audit Process Manual for the full process to be followed when selecting compliance tests

1.11 Complete the planning sheet within the P32. The sheet must be fully and accurately completed. If planning is not completed prior to the audit then 'X' must be inserted in the appropriate box and a valid explanation recorded. The explanation must be significant for planning not to have been performed, simply recording "insufficient time" or similar will be challenged as part of the QAR process.

1.12 Complete the CAT selection sheet within the P32. The sheet must be fully completed including: -

- Total number of all risk control gaps at last audit
- Summary of all control gaps at last full audit
- Total number of all risk control gaps from last audit still outstanding at this audit
- 'X ' entered to identify that the test is due to be completed
- Reasons for examining / not examining each compliance test. The correct abbreviations to be used

- Initials of branch auditor scheduled to perform the compliance test

If for any reason changes occur to your plan whilst on-site, then you must detail any changes in the appropriate column, this also to include whether a test has been either aborted or extended.

1.13 Please refer to sections 9,10 and 12 of this process manual in the preparation stage if prep data identifies that the branch to be audited is:

- Open plan or a combination store
- A franchise or multiple
- An ATM branch

SECTION 2 - ASSET VERIFICATION:

The objective of the asset verification is to determine the value of cash, stock and vouchers on hand by completing the audit of accounts (p32) document. The figures are compared to the latest declared cash account, using reports obtained from the Horizon system.

The audit of accounts (p32) must be completed on-site for **all** asset verification audits including transfers, closures, robbery and burglaries.

2.1 Gain entry to the branch to be audited. This should be done immediately upon the Sub-postmaster or staffs arrival on site. His/her access to the counter area and the assets should be avoided without the presence of a Branch auditor. It may be that the Sub-postmaster or staff would like to contact the NBSC before allowing access and this will mean the branch auditors will have to wait outside until identity has been confirmed by the NBSC.

In this situation the sub-postmaster or staff should be advised that he/she should not access cash, stock or the Horizon system until the branch auditors gain access. In these circumstances anything untoward should also be documented and a transaction log obtained from the Horizon system to ensure there has been no activity on the system before the branch auditors were allowed access to the branch. If the Sub-postmaster refuses to allow entry to the premises then explain that the branch auditors have the right to verify Post Office Ltd assets and that the Sub-postmaster is contractually obliged to allow the Branch auditors access to do this.

If entry is still refused then advise that it may be necessary to involve the police to ensure access, and contact the operations manager for further advice and to discuss the situation.

2.2 Before the audit commences the lead branch auditor should make introductions and discuss the audit process with the sub-postmaster, ensuring that audit requirements are made clear and that the Sub-postmaster is also aware of his/her responsibilities. The discussion will include: -

- The need to identify and produce all cash, stock and vouchers at the outset of the audit. (It is important that this is stressed to the auditee and that the location of all cash, stock and vouchers is identifiable by the branch auditors, especially if outside the secure area).

- The importance of the auditee witnessing the asset verification
- Horizon reports, cash accounts, ONCH declarations etc. required for the audit
- The initial audit process – how the cash and stock will be checked.
- Estimated opening time of the branch
- Facilities for Branch auditors (e.g. working area, toilets)
- The secure accommodation of laptop cases, equipment, handbags
- Other aspects of the audit – Compliance tests, non-value reconciliation
- The closing meeting

NB. This list is not meant to be definitive, the discussion may be extended but the above should be included as a minimum.

2.3 If the audit takes place on a Thursday and the previous night's balance has not been fully completed, the audit should be based on the trial balance figure ensuring cash and stock have been declared. It is important that the branch is balanced and rolled over into the next cash account period and this must be completed before the branch auditors leave the branch. The final cash account can then be completed during the course of the audit. The following are possible (but not it must be stressed exhaustive) scenarios where it may be found that balance not completed on a Thursday audit: -

Single stock branch

Branch should be kept closed until the stock unit is balanced and rolled over to current cash account week. The audit can now be commenced but the auditee should be asked to produce the final cash account as soon as possible. Ideally the cash account is completed before leaving the branch.

Dual stock branch (counter & lottery)

If lottery stock not balanced then check the counter stock whilst the auditee balances the lottery stock. Once lottery stock balanced and rolled over allow the branch to open for business but again the auditee should be requested to produce the final cash account as soon as possible. Ideally the cash account is completed before leaving the branch.

Multi stock branch (without lottery)

The branch should be kept closed until all stocks have been balanced and rolled over. Once this has been completed then branch can be allowed to open for business when the branch auditors have verified sufficient stocks and the lead Branch auditor is satisfied. The auditee should be asked to produce the final cash account as soon as possible and ideally this should be completed before Branch auditors leave the branch.

Multi stock branch (with lottery)

Branch should be kept closed until all stock units, including lottery, have been balanced and rolled over. Once sufficient stocks have been checked and the lead branch auditor is satisfied then the branch can be allowed to open for business. The auditee should be asked to complete the final cash account as soon as possible and ideally this should be produced before the Branch auditors leave the branch.

2.4 Checks of cash, stock and vouchers on hand should be undertaken in the presence of the auditee. The importance of the auditee witnessing the asset verification must be stressed to the auditee. Where this is not possible or the auditee chooses not to be present then checks must be made in the presence of another branch auditor. It is important that any checks are not made in isolation. Both the branch auditor and stockholder should

acknowledge the accuracy of the figures following the check. Access to all cash, stock, vouchers and cash accounts should be restricted until they are checked and released by the audit leader. Where there is only one Branch auditor on site conducting the audit then it is important that the check of the cash, stock and vouchers is performed in the presence of the auditee and this must be stressed at the outset of the audit. **Where a discrepancy is highlighted, the auditee and/or another Branch auditor should verify the findings and sign the cash and/or stock sheet to confirm that figures used in the audit are correct.**

2.5 Establish where all Post Office® cash, vouchers and stock are held. As previously mentioned only cash and stock produced at the outset of the audit must be included and access must be restricted during the asset verification. There may be circumstances where access cannot be gained to some value items that are to be included in the audit: -

- Over-locked safes
- Locked drawers or stock units
- Keys or key-holder not available

This must be reported to the operations manager as soon as possible for further action and advice. The operations manager to subsequently report the situation to the contract & service manager and investigation team manager. Any actions arising from discussions should be communicated to the lead branch auditor as soon as possible. The value of such items should be discounted from the audit. The discrepancy must be fully explained in the audit report. **In the case of an audit at franchise or multiple branches the nominee should be informed as soon as possible e.g. at the outset of the audit.**

2.6 Determine if any non-standard transactions are performed at the branch: -

- Bureau
- ATM
- SVM
- Lottery
- Paystation

Again, not a definitive list but any cash and stock relating to non-standard transactions must be obtained, verified and included in the audit.

2.7 If necessary display a special notice advising the external customers that the branch is not going to open at the advertised time. The notice should give details of the approximate time of reopening and alternative branches that can be used. The NBSC should be telephoned and advised that the branch is to be temporarily closed. (The NBSC should also be contacted when the branch re-opens). **Contact – NBSC** **GRO**

2.8 Ascertain if the branch operates shared or individual stock units. If branch operates individual stock units then ensure that access can be gained to all the cash, stock and vouchers held within the stock units.

2.9 Obtain the previous week's final cash account. The figures should not be altered by the Branch auditor in any way or made illegible, as these may

need to be produced at a later date, possibly as evidence in a court of law. Check with the auditee whether any discrepancy in the previous week's account has been adjusted e.g. loss made good, surplus withdrawn. Examine the suspense account to determine if anything is being held and, if so, whether it is proper to be included in the audit. Request that the auditee produce the supporting evidence for any amounts held. Losses held in the suspense account should be held for a period of no longer than 4 weeks and must have been authorised by the suspense account team (reference number obtained), via the NBSC.

2.10 The following report printouts **must** be obtained from the Horizon system, examined and filed with the working papers in line with the current retention process:

- Office snapshot only – if shared stock unit operated
- Balance snapshot for each stock unit and office snapshot - if individual stock units operated

- Suspense account report
- Foreign currency holdings
- Reversal reports
- User summary -- obtain a list of all users and detail their full names. This can then be checked by accessing the 'modify user' screen and checking that all entries are current and correct
- Un-reconciled/outstanding transfers report
- Transaction log for the day of the audit – branches audited at the outset of the day – This report must be produced when the terminal has already been accessed by the auditee prior to Branch auditor admittance
- Four week transaction log detailing all transactions over £5000.00 – this will help when carrying out the AML Regulatory requirement and Standards CAT

NB. Further reports can be obtained from the Horizon system as required. The above list is not exhaustive, however this should be seen as the minimum.

2.11 Obtain the cash declaration for the night prior to the audit. The declaration from the Horizon system as well as any local record, if maintained, should be examined, as they will assist with the verification of the cash on hand. If the branch is unable to produce a cash declaration then details of the last declaration can be obtained from the event log.

2.12 Count and record all the cash on hand (using standard audit cash input form) and verify/compare cash figure to that declared. Remember to count and include lottery takings, cash from Paystation transactions and cash held in ATMs, SVMs, Bureau, Smoke & Dye packs etc. The cash counted at the audit may not agree to the branch cash declaration, but this may be due to an error when declaring the cash, or the cash may have been declared prior to the close of business on the previous working day.

The cash figure detailed on the office snapshot, for single stock branches, or the balance snapshot for those operating single stock units, can be used as a further check. For a Thursday am audit there is also the possibility that the cash can be compared to the cash figure on the completed cash account.

It may not be possible to immediately check all the cash on hand at the branch due to the bulk being secured in a main safe, which may not be due to open until 9.30am or later. A 40-minute internal cell may also be utilised. In these cases a decision will have to be made whether to allow the branch to open before this cash has been checked and verified. If in doubt do not allow the branch to open until all the cash on hand has been counted and confirmed. Any errors must be investigated and identified to the auditee who must be given the opportunity to check and agree any discrepancies. Any significant discrepancies to be investigated by reference to, and evaluation of, transaction/event logs obtained from the Horizon system.

NB. With the introduction of flexible planning branches are now allowed to declare cash on hand 20-30 minutes prior to closing and the time of the cash declaration must therefore be taken into account when verifying cash found on hand.

Should the auditee present cash after the audit has commenced, and it has been confirmed that all cash has been produced, it must be excluded from the audit as the audit result is only based on the verification of the assets presented as “on hand” at the outset of the audit. The cash must be accepted from the auditee “without prejudice to investigations or the audit result” and included in Post Office Ltd funds, but not the audit result.

The situation must be reported to the, contract & service manager, Investigation team manager and your line manager especially if the circumstances are suspicious and give cause for concern. Keep a written record of all discussions and the precise words of any admissions by the auditee. Mark this as a “True and accurate record of events on.....”, and ask the auditee to sign it, if refused endorse the statement “refused to sign”.

2.13 Count and record all the value and non-value stock on hand (standard audit stock input forms must be used). The “working” stock must be checked first leaving the bulk/main stock to be checked at a later time. This will allow the branch to open as soon as possible (once sufficient “working” stock is available for use by the branch staff) provided, of course, that the cash has been fully and accurately confirmed.

Once all the stock on hand has been counted and recorded it must be verified/compared to the Horizon snapshot or the last completed cash account (Thursday audit). Stock on hand must be checked to ensure that it

is current and proper to be held and this should be confirmed with the NBSC if in doubt. Obsolete stock must be discounted from the audit, the subsequent shortage included in the audit result and explained in the audit report. Any errors must be investigated and identified to the auditee who must be given the opportunity to check and agree any discrepancies.

2.14 Count and record all cheques on hand (standard audit cash input form to be used) and verify to Horizon snapshot or last completed cash account (Thursday audit). It should be noted, however, that no cheques should be reported to Table 5 of the cash account at a Thursday audit. Ensure that cheques are examined for validity and that any “personal” cheques are not on hand.

If a personal cheque is found, and there is no evidence of a legitimate transaction to which it relates then contact the contract & service manager, investigations team manager and your line manager immediately. This is likely to result in the suspension of the sub-postmaster, so keep a written record of all discussions and the precise wording of any admissions by the auditee. Mark this as a “True and accurate record of events on.” and ask the auditee to sign it, if refused endorse the statement “refused to sign”.

The personal cheque must be impounded, excluded from the audit result and a “without prejudice” receipt issued.

2.15 Figures for vouchers already despatched can be obtained from the Horizon snapshot but all vouchers on hand must be checked and reconciled to the Horizon snapshot, or cash account if audit performed on a Thursday. List vouchers on hand for later use when constructing the P32 (standard audit voucher sheet must be used). When checking and listing vouchers a daily breakdown of “cheques to processing” and “remittances” must be recorded for later inclusion in the P32. All the vouchers on hand must be checked and verified irrespective of the day of the audit. Printouts of transactions not yet cut-off, therefore still on hand, can be obtained by accessing the report screen and selecting ‘summaries outstanding’. The details of the printouts should tie up to vouchers on hand e.g. giro deposits and withdrawals etc.

It is also important that all vouchers on hand are checked for validity, early encashment and fraud.

2.16 Count, verify foreign currency holdings and confirm to the sterling equivalent declared on the Horizon snapshot. Verify all currencies on hand to the bureau stock snapshot. The sterling held in the bureau stock should be counted as part of the check of cash on hand. Any errors in foreign currency holdings should be brought to the attention of the auditee who must then be given the opportunity to check and agree the discrepancies. The errors must also be corrected in the Horizon bureau stock at the time of the audit.

2.17 Count and record lottery scratchcards and reconcile to the Horizon snapshot and local records, if held. (Sales made in the morning before the audit may have to be taken into account, as the retail side is usually open in advance of the post office counter). Scratchcards will normally be held on the retail counter and it may be necessary to physically count the cards outside the counter area. In this case care and vigilance must be exercised at all times. Any cash held on the retail side relating to sales should be included in the cash on hand verification. If lottery takings are not to hand, have not been transferred over to the post office counter or are banked into a personal account then this must be reported to the contract & service manager, investigations team manager and line manager.

2.18 Obsolete scratchcards must be discounted from the audit result and the shortage explained in the audit report. The scratchcards on hand can be verified by reference to the lottery matrix held on the Branch Audit Library or by telephoning the NBSC GRO. The auditee to be advised that any obsolete scratchcards must be dropped from the cash account and the resultant shortage made good. This should be actioned at the time of the audit and detailed in the audit report.

2.19 Obtain the following reports from the lottery terminal and the auditee, depending on the type of branch (GVT or OLT):

- On line summaries
- Instant summaries
- Summary Inventory
- Pack status reports
- Activation receipts

Verify the lottery figures from the daily summaries to the Horizon snapshot and record using the standard audit voucher sheet, for later use when constructing the P32:

- Weekly sales
- Activations
- Prizes paid
- De-activations

2.20 Using the summary inventory and pack status reports confirm and reconcile the unactivated scratchcards. It should also be confirmed that the scratchcards on sale have all been activated. The pack status reports identify the status of the cards held:

CONFIRM	-	Pack is unactivated
ACTIVE	-	Pack is activated

2.21 Count and verify the contents of the stamp vending machine (SVM). Please note; cash in the SVM should be kept to the absolute minimum, any excess cash should be removed. The branch should maintain a SVM quality of service record detailing instances when the machine has been out of service, and for how long, and where there have been discrepancies and the value of the discrepancy. It is important that the machine remains operational at all times.

2.22 Obtain the bar code summary report from the Paystation terminal. Count all monies accepted in respect of transactions carried out on the terminal to ensure that they balance to the amount detailed on the report. It is important that the summary total is entered into the Horizon system as soon as possible after the bar code is available for scanning. If this is not done the agent will receive repeated reminders to do so. Failure to comply with this requirement on a regular basis will cause the Paystation to be suspended. To note; the maximum amount of post office cash that can be held on the retail side is £250.00. The total of the bar-code summary and monies in respect of transactions should be included in the P32

2.23 Verify figures held in suspense tables and confirm that they are proper to be held and will be included in the audit. Examples are:

- Vouchers for despatch in next remittance
- Pension home cheques
- RD cheques (14 days)
- Remittance shortages/surpluses (4 week maximum)
- Cash in pouches awaiting collection

NB. Please note that this list is not meant to be definitive. Other amounts may be held in suspense and included in the audit but the lead branch auditor will need to make a judgement or seek further advice.

2.24 Although shortages/surpluses held in suspense may be verified and found to be proper to be held they are not included for the purposes of the audit. Any misbalances held in suspense must be discounted from the audit, included in the audit result and this subsequently explained in the audit report.

Amounts improperly held in the suspense account must also be excluded from the audit and then reported via the audit report. For amounts in excess of £500 then these should be reported immediately to the contract & service manager, investigation team manager and your line manager for further action. The audit report must detail that the amounts were held “without” the necessary authority. It may also be necessary to telephone the NBSC suspense account team to confirm the authenticity of a shortage/surplus held in the suspense account if no supporting paperwork or authorisation number is held at the branch.

2.25 Confirm that all error notices identified by the prep data file have been brought to account. Any outstanding error notices found on site must also be brought to account at the time of the audit. Also a call must also be made to the Debt Recovery Team in order to obtain information on any further outstanding error notices. Attempts must be made to bring any errors outstanding to account whilst on-site. This may involve carrying out some investigative work to prove the error is proper to be raised. Contact – Debt Recovery , postline .

2.26 Should the auditee admit any fraudulent activity then he/she should be **immediately** advised that the branch will be kept closed, if still closed at the time, or closed forthwith, if previously allowed to open for business. The contract & service manager, investigations team manager and your line manager must be contacted as soon as possible.

As with other scenarios raised in this manual a written record of the precise words of the admission and any other discussions must be kept. Mark this as a “True and accurate record of events on” and ask the auditee to sign it, if refused endorse the statement “refused to sign”.

NB. In order to maintain objectivity and independence do not enter into any discussion with the auditee regarding the admission, the nature of, or the problems with the fraudulent activity. The audit role is simply to report the facts and not to make judgements; any discussions with the auditee could prejudice later investigations.

2.27 Where the audit is the second of the day and the branch is open for business then it will not be possible to confirm cash to a branch declaration. All cash, stock and vouchers must be counted and recorded (using the standard audit input forms) and confirmed to the Horizon snapshot in this scenario. It may be necessary to close the branch for a short period in order to check the cash, stock and vouchers held at the counter. If this is necessary then a special notice must be displayed advising customers that the branch is going to be closed. The notice should give details of the

approximate time of opening and alternative branches.

The NBSC should be telephoned and advised that the branch is to be temporarily closed (the NBSC should also be contacted when the branch re-opens). As previously stated, it is important that the location of all cash, stock and vouchers is confirmed as the branch may be open for business and these items held in a variety of places. The need to produce all cash, stock and vouchers at the outset of the audit is still important and this must be stressed to the auditee. Determine if any non-standard transactions are performed at the branch (lottery, SVM, bureau, ATM and Paystation) and remember to include any cash, stock and transactions in the audit.

SECTION 3 – CONSTRUCTING THE P32:

3.1 Obtain the last completed final cash account and input the “Balance due to Post Office” figure (line 1085: payments table) to the accounts sheet of the P32. Subsequently complete the following sheets/tables in the P32 taking the data from the last completed cash account/s*:

- Cash and stock on hand table (from Table 5)
- Suspense sheet (from Tables 2,2A & 3)
- Postage breakdown (from Table 5(b))
- *Previous 8 weeks cash account results

NB. Once these figures have been input remember to check that the result of the cash account on hand is confirmed by the P32 spreadsheet. Any input error at this stage will affect the audit result.

3.2 The standard audit working papers (cash sheet, stock sheets and voucher sheet) must be fully completed in ink and signed by the completing branch auditor. The completed sheets should be supplied to the lead Branch auditor as soon as possible. All the data obtained and documented as part of the asset verification process can now be input to the P32 worksheet to determine the audit result. The following sheets within the P32 to be utilised:

- Cash & Chqs
- Postage
- Other Stock
- Phil
- Daily
- Suspense
- Rems

Please note that the cheques to processing centre, or cheques to Belfast Cash Centre for NI branches, must be entered to the P32 by day rather than a bulk figure. The data input to these sheets will feed to the accounts sheet and will identify the audit result.

NB. Most of the figures included within the accounts sheet are linked to other spreadsheets and are therefore password protected. There is however some figures that must be input straight into the accounts sheet and these include:

- **Foreign currency – sterling equivalent**
- **Error notices – brought to account including giro errors**
- **Stock up rating – postage, philatelic, postal orders, discount wholesale**

- **Business purchases/sales**
- **Counters revenue**
- **Asylum seekers vouchers**
- **London Boroughs schemes**
- **Redistributed national lottery cards**
- **Unpaid cheques to 'TP'**
- **Giro rent balance entry**

3.3 The audit result will now be identified by the audit of accounts (P32) spreadsheet and this should be confirmed to the expected result taking into account the following factors:

- Have amounts in suspense been discounted?
- Has any forged notes / obsolete stock been discounted?
- Has the previous cash account discrepancy been rectified?
- Have errors been found in cash, stock and vouchers?

NB. This list is not exhaustive but will reflect the circumstances found at each individual audit.

3.4 Should the audit result identify an unexpected large discrepancy then further investigations must be made before advising the auditee.

- Ensure that all input sheets have been totalled correctly
- Check that all amounts on input sheets have been input to the P32
- Check that there are no omissions on the input sheets i.e. missed scratchcard total.
- Confirm that there have been no other input errors to the P32 i.e. cash, vouchers, suspense
- Examine the variance in stock levels from the previous week to identify unusual holdings. (Include the postage breakdown in this check)

NB. Once again this list is not meant to be exhaustive.

3.5 It is becoming increasingly apparent that, now that the ability to suppress remittances has effectively been removed, Cheques to Processing Centre figures are being used to conceal fraudulent activity. When performing an audit, it is extremely important that:

- Any large amounts of cheques claimed as remitted during the period since the last declared cash account are examined against the levels of receipts, figures for previous week and, if necessary, verification against Horizon reports.
- Any large value cheque discovered at the time of the audit is questioned and compared to the transaction it was claimed to support

If there is any doubt, then contact the operations manager at the time of the audit.

3.6 Once the audit result has been confirmed then the auditee should be informed and an explanation obtained. If no explanation is offered then any discrepancy in excess of £500 must be reported to the contract & service manager, investigations team manager and your line manager.

3.7 Request that the agent adjusts the discrepancy or seek proposals for its recovery in the event of a loss.

3.8 Within the P32 there are several spreadsheets and documents that need to be completed before the P32 is finalised and emailed. The information to be input to each of the sheets/documents is as follows:

- **Planning** – details the planning activities completed prior to the audit
- **CATs** – details the compliance tests to be performed at the audit and any amendments that need recording due to changes whilst on site.
- **Account** – receipts, payments, cash & stock and details audit result
- **Suspense** – amounts held in suspense account
- **Rems** – value and details of remittances received and returned
- **Daily** – input sheet for receipt and payment voucher details
- **Postage label report** – input sheet for recording postage labels issued and rejected
- **Cash usage sheet** – this should be completed at all audits regardless of the audit result to identify any anomalies in cash holdings/usage
- **Cash & chqs** – input sheet for cash and cheques on hand
- **Foreign currency** - input sheet for detailing foreign currency by country and denominational breakdown
- **Postage & Other stock** – input sheets for postage & other stock on hand
- **Phil** – input sheet specifically for philatelic items, for use where branch holdings are high
- **Rec** – input sheet for non-value stock reconciliation other than MVLs
- **MVL rec** – input sheet for vehicle licence reconciliation only
- **Equip** – details of all equipment used by all members of the team performing the audit
- **SMCat** – used when performing the stock management CAT test
- **Docs** – the only document in this section is the “Extra Report”. This is an additional report template to be used in certain circumstances and will be covered separately in this manual
- **PAA** – post audit activities table to be completed by the lead Branch auditor
- **R&B** – documents to be only completed at robbery / burglary audits. All of the documents must be deleted at other audit types prior to emailing

- **Measures** – this sheet must be completed fully after all audits using the latest guidelines and the comments included in the sheet

NB. There are 5 sheets (Dbase; Core; Other CG; Conformance full CAT; Conformance part CAT) included in the P32, which do not require any input. The sheets contain information that feeds from other sheets within the P32, and the management information team exclusively uses them.

3.9 It is important that the measures sheet is fully and accurately completed following all audits, using the latest guidelines, with all boxes completed. It is essential that the information recorded is accurate and in the correct format e.g. words or figures otherwise it will not feed through to the databases utilised by the management information team.

The information taken from the P32s is very important and considerable time and effort is wasted when the measures sheet is not completed correctly.

SECTION 4– ON SITE VERIFICATION OF REPORTED FIGURES:

4.1 It has become increasingly clear that some details previously verified after the audit by a separate duty could in fact be verified on site at the time of the audit. This means more timely verification and early detection of any fraudulent activity. The procedures are as follows:

REMITTANCES

- Whilst on site as soon as possible, usually once the branch has opened for business, telephone the post audit verification duty on ()
- Provide pouch numbers, value and dates of all outward remittances despatched to the cash centre during the week of the audit
- Provide pouch numbers, value and dates of all inward remittances received from the cash centre during the week of the audit
- The PAA duty must be contacted at all audits, even where no remittances have been received at, or despatched from the branch. This will confirm that there have been no remittances and prevent suppression
- Post audit duty will verify details against the SAPADs system and contact the lead Branch auditor, at the branch, to confirm results of the check
- If remittances are confirmed annotate the Post audit activity sheet and record the pouch numbers
- If a discrepancy is reported then your line manager must be contacted immediately with the details

NB. Ensure that any remittances on site at the branch, prepared for despatch, are opened and checked at the audit to confirm and verify the contents.

LOTTERY CHEQUES AND ROD LICENCES

- Serial numbers of lottery cheques and rod licences to be obtained from the prep data prior to the audit and recorded on the planning sheet within the P32
- Details to be confirmed on site at the audit by examination of the cheques and licences on hand
- If details are confirmed then the planning sheet and the post audit activity sheet to be completed to confirm accuracy of check
- If discrepancy noted then post audit activity and planning sheets to be marked as unconfirmed and your line manager contacted.

NB. These are currently the only on site verifications performed but it is the intention to extend the checks to: -

**Travellers Cheques
Motor Vehicle Licences
Cheques to Processing**

SECTION 5 – IRREGULARITIES AND DISCREPANCIES:

5.1 It may be necessary to contact the contract & service manager, investigations team manager and your line manager to report findings, errors, discrepancies or admissions. This should be done at the earliest opportunity. This will allow discussions to take place and a decision be made whilst the lead branch auditor is still on site at the branch and will ensure that the matter is dealt with quickly and efficiently. Contact should be made via mobile phone, as this will ensure confidentiality (use mobex number). The use of the auditees' telephone should be avoided.

5.2 The line manager must be contacted in the following circumstances, where:

- There is an unexplained discrepancy in excess of £500
- There are any irregular or suspicious circumstances
- There is an irregular personal cheque on hand
- Credit sales are operated
- There is an admission of misuse of Post Office Ltd funds or fraudulent activity
- The auditee refuses to allow access to the premises
- Cash on hand has been inflated or an amount of cash is produced after the audit has commenced
- Lottery takings are not to hand but banked in personal account
- There are any unauthorised amounts held in suspense account
- Error notices are on hand and not brought to account within expected timescales
- There are discrepancies found in on-site verifications
- The auditee is “rolling” losses
- If the lead Branch auditor has any other concerns or is unsure
- The auditee cannot make good losses and is unable, or unwilling, to put forward proposals

This list is not meant to be exhaustive as there will always be circumstances that arise that won't be covered by any list no matter how long. Regardless of the circumstances, if there is any doubt or concerns then contact the CM3 branch auditor.

Please note; for discrepancies in excess of £5K the operations manager should be made aware. The operations manager will inform the national branch audit manager of any amounts in excess of £25K.

5.3 When contacting the CM3 branch auditor, or operations manager if appropriate, it would be helpful to have some information to hand prior to making the call and this will include:

- Date of the incident
- Time of the incident
- The name of the branch
- The address of the branch
- Postcode
- The FAD code of the branch
- Telephone number of the branch
- Sub-postmasters name
- Branch audit leader
- Names of all Branch auditors in attendance / assisting
- Name of Branch auditor revealing findings
- The risk type
- Date of last audit
- Result of last audit
- Amount of the discrepancy
- Amounts that make up the suspense account
- How the discrepancy was discovered
- Details of any non-value stock losses
- Name of the C&SM dealing
- Name of person dealing in the absence of the C&SM
- Name of the investigator dealing
- Details of the decision taken by the C&SM
- Location of the assets
- Any other comments relative to the event

If this information is to hand prior to making the call to the CM3 branch auditor (or operations manager if appropriate) then this will greatly assist in the completion of the Event capture form (ECF).

5.4 Once a call is received to report a discrepancy or irregularity from the branch auditor on site the CM3 branch auditor will take the following action:

- Report the discrepancy to the operations manager if in excess of £5K, or for a lower amount where there is clear evidence of wrong doing and a suspension has not taken place
- Complete an ECF discrepancy report and e-mail to S&A Casework, operations managers and management

information manager. In cases where the discrepancy exceeds £25K the national branch audit manager must also be copied in

- Report to the national branch audit manager if it is greater than £25K – relaying all the detail as above

5.5 It may be necessary in certain circumstances to suspend the sub-postmaster. If there is no one else in the area then communicating the decision will be the responsibility of the lead branch auditor on site. In this case advise the auditee the contracts & Service manager has decided that he/she will be precautionary suspended pending the results of further investigations. The contract & service manager will contact them in due course and, until then, the branch will remain closed” (unless an interim sub-postmaster is appointed).

DO NOT APOLOGISE NOR ENTER INTO DISCUSSION AS TO WHY A SUSPENSION HAS BEEN AFFECTED - REFER THE AUDITEE TO THE CONTRACT & SERVICE MANAGER.

5.6 Should the auditee be suspended then there is a possibility that the branch will remain closed and the assets defunded (please refer to the Closure section of the Audit Process Manual for details about the defund of a branch). In this case a special notice to this effect should be displayed and the NBSC Helpline should be contacted to advise them of the situation. If the branch is to remain closed then the door and safe keys will need to be secured once the Branch auditors have left the branch.

In all cases the contracts & Service manager, or a representative of the area intervention office should be requested to attend the branch before the branch auditors leave, to take responsibility for the alarms and keys. If this is not possible, as a last resort the alarms will be changed and set and the keys taken away by the branch audit team. This will, however, merely be a temporary measure and the keys and alarm codes should be transferred to the contract & service manager at the earliest opportunity. This arrangement should be discussed and organised prior to the lead Branch auditor leaving the branch.

SECTION 6 – CLOSING MEETING:

6.1 Once the asset verification and compliance tests have been completed, the audit findings will need to be discussed with the auditee. The following guidelines should be followed:

- The closing meeting should already have been discussed and planned with the auditee as part of the opening meeting at the outset of the audit
- The meeting should be conducted in private whenever possible as some of the points for discussion may be sensitive
- The lead Branch auditor should be familiar with all the findings of each test completed
- When talking through the findings it is important to discuss them in a balanced way and be able to qualify exactly what is meant. The reason for any actions should be made clear. The consequences and impact of not complying should be communicated; however “because it is in the rules” is not an acceptable explanation. It is useful to point out where the correct procedure is documented and the importance of adherence to it
- The lead branch auditor should look to influence the auditee whenever possible – including providing a copy of an action plan so that the auditee knows what to expect and selling the benefits of conformance and the impacts of non-conformance
- All the auditees’ comments or requests should be documented and incorporated into management summary section of the branch audit report
- Allow the auditee time for questions
- Following the closing meeting a customer satisfaction feedback form should be left with the auditee at the branch – again try to influence the auditee to complete the form and outline the benefits to him/her e.g. possible improvements to auditing etc.

SECTION 7 – AUDIT REPORTING:

7.1 Following an audit the separate ‘stand alone’ audit report must be completed. To note there are three current audit report templates:

- AV only – to be completed for asset verification only audits where a compliance check has not been undertaken
- Compliance only – to be completed for compliance only audits where an asset verification has not been undertaken
- AV+ and Full - to be completed at audits where a full asset verification and selected compliance testing has taken place

7.2 Once the audit has been completed it is important that a clear, concise and well-balanced report of findings is written and communicated to all appropriate recipients. The report template should be completed as follows:

- Open the latest audit report template and save in the same format

as the relevant P32. Details should include the FAD code, date and branch name e.g. 023323.010105 Wakefield.xls

Enter the following details to the front sheet of the report:

- To whom report is addressed & job title (drop down selection to be used for position)
- From whom report is being sent & job title (drop down selection to be used for position)
- Details of who the report is being copied (drop down section to be used for position and location)
- Date of issue of the report (correct format being 01 January 2005)
- Post Office name & FAD code
- Date of visit (correct format being 'day' 01 January 2005)
- Who the actions were agreed with
- Name and contact details of the line manager

The control gaps found at the audit should be reported to the action plan at Appendix A in the audit report. It is also important to detail all the areas covered as part of the audit and where non-conformance was identified, this in the management summary section.

7.3 The management summary should be completed, in full paragraphs, detailing the following:

- The result of the financial audit
- The areas tested
- The areas where there is conformance e.g. controls deployed
- A sentence to indicate which gaps have not been actioned since the last visit, and which ones they are e.g. actions highlighted on bold within the action plan are those that have been reported previously however no action taken.
- Any other info that is critical to the report e.g. failure to comply with regulatory requirements (Anti-Money Laundering and Financial Services), poor security of assets (including value of funds at risk etc).
- The management summary section should also be used to balance the report and identify any good working
- There is no requirement to mention previous gaps that have now been actioned
- The report reflects the discussions held with the auditee at the closing meeting and does not raise any new or unexpected recommendation

When completed the report must be subject to a check of both the spelling and punctuation.

7.4 The audit result (full breakdown) and any other details relating to the asset verification must be outlined in the section named 'result of financial audit'. Suspense account details and the situation regarding the audit discrepancy must also be reported e.g. proposals to make good losses etc.

7.5 Section 4 should be completed detailing the branch name, FAD code and date the audit was carried out.

7.6 The Action Plan should be completed ensuring that:

- The branch name and FAD code are entered
- Headings for areas tested input
- All relevant control gaps included in the action plan – this should be done by highlighting the required control gap from within the excel actions template and copying to the action plan
- No alterations are made to the standardised control gaps/actions
- Page breaks are inserted to align the actions within the table

7.7 Upon completion save the report and e-mail with the P32 to P32file lotus notes address.

7.8 Reports completed in respect of audits carried out at the top 15 multiple and franchise companies should be e-mailed to the nominee (please see Appendix E) and the multiples e-mail address: multiples

NB. THE REPORT IS AN IMPORTANT OUTPUT OF AN AUDIT AND AS SUCH IT IS VITALLY IMPORTANT THAT IT IS WELL WRITTEN, BALANCED AND CLEARLY DOCUMENTS THE AUDIT FINDINGS. REMEMBER A BAD REPORT LEAVES A BAD IMPRESSION!

7.8 There is an extra report template within the P32 for use when it is not appropriate to issue a normal audit report. This would be used in cases where:

- There is extra information, not detailed in the normal report that might be useful to other parties e.g. contract & service manager, Investigation team manager etc.
- The audit is a concern of the contract & service manager or is an investigation team request

This report once completed should be detached and saved to the C drive and subsequently emailed to the appropriate recipients – **IT SHOULD NOT BE SENT TO THE AUDITEE.**

NB. Whatever the audit type there should always be a completed report included with the P32, even in cases where the Sub-postmaster is suspended – either the separate standard audit report or the extra report within the P32.

Timescales for reports

All audit reports (branch & extra) should be completed, at a minimum, within five working days of the audit taking place. However every effort should be made to produce an extra report at the earliest opportunity (before the five days) to assist the sales and service team. All extra reports must be sent by e-mail to the respective area intervention office, and copied to the investigation team leader.

SECTION 8 – OFF-SITE ACTIVITY:

8.1 Following the audit, the lead branch auditor should complete the following activities:

- Ensure the P32 is fully completed including all documents and sheets
- Ensure an audit report is fully completed
- Ensure the measures sheet, in particular, is fully and properly completed
- Complete the Post audit activity sheet
- Save and password protect the P32 and the audit report in the correct format e.g. 023323.010105 Wakefield.xls
- Save and password protect a copy of the extra report to the C drive
- E-mail the P32 and the audit report in a zip file entitled 023323.010105 Wakefield to P32 File e-mail address

- Email a copy of the audit report to the area intervention office, FAO the contract & service manager. For franchise and multiple branches a report should go direct to the nominee via e-mail
- Email a copy of the extra report to the contract & service manager, investigations team manager and your line manager. In cases where a discrepancy exceeds £5K then also send a copy to the Operations manager, and amounts in excess of 25K copy in the national branch audit manager
- Email a copy of the MVL sheet to Denise West at the following address denise.west@GRO
- Email a copy of the postage label report to the following address S&A_Casework@GRO k
- Management information support will verify the cheques to PC values

SECTION 9 – OPEN PLAN AND COMBINATION FORMATS:

9.1 Open plan branches are those without a physical screen barrier between the customer and the person serving.

9.2 A Combination Store is the title given to retail branches that combine other retail business with Post Office transactions using the same point of sale. The same person will deal with private and Post Office transactions, but funds and accounts will be separated.

9.3 The asset verification process outlined in this manual can be applied to open plan and combination branches, but special care must be taken because of the different security arrangements.

9.4 Various types of safe will be found in operation, each with the purpose of protecting cash from counter snatch and theft. The various types are:

Flip Top Till

- A Flip Top Till will be fitted into the top of the counter surface. The Flip Top till is operated from a push button with an isolating key switch which requires to be fitted to a suitable adjacent under counter location. The Flip Top Till of the open plan desk should be limited to hold £500 (less if this figure represents more than 1^{1/2} hours pay out) cash at any one time. There should be no more than £500 at risk at any one time at the counter position. Any other available cash exceeding £500 must be dispensed into the Cash Funding Unit, (BidiSafe max. £300 per cassette or Rollercash max. £500 per slot) or into the Drop Safe. Any inpayments that increase the float to exceed £500 must either be dispensed into the Cash Funding Unit (BidiSafe max. £300 or Rollercash max. £500) or into the

Drop Safe.

Cash Funding Unit [BidiSafe]

- Always ensure that the arrangements for the loading and unloading of cash are implemented outside of business hours with the office front door locked.

Main door keys to the BidiSafe must be secured in the Main Safe except when loading and unloading - as above. The cash-funding unit must not be used for overnight retention of cash. The amount of cash that is held in the BidiSafe during the day must never exceed £6k [20 cassettes x£300]. The maximum amount of cash that the cash-funding unit can dispense for each transaction must be limited to £300.

Cash Funding Unit [Rollercash]

- Loading and unloading of cash must be implemented outside of Post Office and retail business hours with the front door locked. The Cash Funding Unit can be used for overnight retention up to a maximum of £20,000 where the case complies to Post Office approved standards however where this is not provided cash must be secured within the safe in the back office and the alarm system set before leaving the office. The maximum possible amount of cash that could be held during the day is £19k [18 slots x £1000 and 2 slots x £500]. The maximum amount of notes that the Cash Funding Unit can dispense for each transaction is £500. The Rollercash programming will reject deposits or withdrawals higher than £1000. There should be no more than £500 at risk at any one time per counter position. Keys to the Cash Funding Unit when not in use must be secured in the main office safe. Two or more users can operate from one RollerCash i.e. multi user applications.

Drop Safe [DS]

- The Drop Safe comprises of a top [drop] slot capable of accepting up to small bundles of notes and small bags of coin. The main door is fitted with a key lock. All cash in excess of the £500 float must be deposited in the Drop Safe or re-deposited into the Cash Funding Unit [BidiSafe max. £300 or Rollercash max. £500]. Cash must be removed from the Drop Safe and stored in the main safe outside of business hours.

9.5 Many of these sophisticated safes are fitted with “fast access” devices to allow for rapid replenishment. This facility **MUST NOT BE USED** if the public are in the shop or branch. It may be that cash counting will require considerably more time and consideration will have to be given at the planning stage to the staff resources required.

9.6 To minimise security risk to staff and funds, the following principle applies:

“Under no circumstances should bulk cash be counted in positions which are exposed to the public”.

All cash on hand should be counted in a secure back office area (if available) or prior to the branch opening for business to avoid the problem.

9.7 Keys to the desk drawers must not be left in the locks at any time. The desk drawers [fitted with slam shut locks] must be closed whenever it is necessary to leave the desk, regardless of the length of absence.

9.8 All holdings of stock, licences and other value items must be kept to the minimum level, which will meet the requirements of providing an efficient service to the customer. Obtaining additional holdings during the day is preferable to holding too much stock at the counter. At the close of business, all cash and value and secure stock items must be withdrawn from the FTT, BidiSafe and desk drawers and secured in the Main Safe.

9.9 Where applicable motor vehicle licence discs should be kept to an operational minimum at the open plan counter and must be kept in the lockable top drawer of the desk. At the close of business, motor vehicle licence discs must be withdrawn from the open plan position and secured in the Main Safe.

9.10 Datestamps must be secured using the retention unit on an under counter shelf when not being used. If a desk is to be left unattended for any length of time, the datestamp must be secured within a locked drawer. At the

close of business, the datestamp must be withdrawn from the open plan position and secured in the Main Safe.

9.11 Stamp folios must be secured using the retention unit on an under counter shelf when not being used. If a desk is to be left unattended for any length of time, the stamp folio must be secured within the locked desk flap. At the close of business, the stamp folio must be withdrawn from the open plan position and secured in the Main Safe.

9.12 Transactions must be completed as quickly as possible; cash, secure stock and documentation etc. must be secured in the Flip Top Till, Cash Funding Unit [BidiSafe or RollerCash], Drop Safe and drawers straight away. Cash or documentation including stamp folios must not be left on top of the freestanding desk. Confidential documentation must not be in a position where customers can read it. Secure mail must be kept in a secure place out of reach of general public.

9.13 Where fitted the Giro/Remittance Acceptance Unit must be used for in payments of more than £500. Remittances must be checked or Horizon scanned and signed for within the locked back office and not at the open plan counter positions. For branches with no back office Horizon equipment, the remittance must be opened after acceptance and deposited into the main safe immediately. The packaging then being Horizon scanned at the counter based Horizon equipment. In the event of a Remittance being over £500 where no Giro/Remittance Position is fitted the office front door must be closed and locked at the moment of acceptance.

9.14 Where fitted the Giro/Remittance Acceptance Unit must be used for in payments of more than £500. Giro business deposits up to a maximum of £500 only can be transacted across the counter and deposited into the Drop Safe immediately. Local arrangements for the acceptance of Giro deposits will need to be made in advance between the Sub-postmaster and customer if the value exceeds £500 where a Giro/Remittance place is not fitted. In the event of a Giro deposit being over £500 the office front door must be closed and locked at the moment of acceptance.

SECTION 10 – FRANCHISE AND MULTIPLE BRANCHES:

10.1 The prep data will provide details of branches that are of either a franchise or multiple type. The lead Branch auditor should obtain this information at the preparation stage along with:

- The name of the multiple / franchisee
- The multiple/franchise company contact point e.g. nominee
- The name of the Contract & service manager

10.2 The asset verification process outlined in this manual can be applied to multiple and franchise branches with the following exceptions:

10.3 If highlighted in the CARM model the lead branch auditor will need to determine if the procedural security compliance paper needs to be undertaken if the branch is a franchise. Some franchise branches are self-insured and in these cases the security paper should not be completed. The self-insured franchise branches can be identified from the branch details excel spreadsheet. Any major security weaknesses must be still noted, however, and commented upon in the audit report. Where the franchise is not self-insured the procedural security paper will need to be completed and any findings/recommendations reported as normal.

10.4 On arrival at the branch, the lead branch auditor should make the visit known to the store manager and any local entry procedures must be adhered to. At the beginning of the audit the lead Branch auditor must telephone the company contact e.g. nominee or post office representative as soon as possible to advise that an audit is taking place and to invite them to the closing meeting at the branch. The estimated time of the closing meeting should be advised and, if the company contact is unable to attend, it must be confirmed that they are happy for the audit findings to be discussed with the officer in charge on site. In this situation, the nominee or post office representative must be contacted upon completion of the audit to relay the findings.

10.5 Multiple and franchise branches are currently given dispensation from the Liability for Losses Policy, by the National Multiple Partners Manager, to hold up to a maximum of 4 weeks discrepancies in the suspense account. This also applies to Franchise branches. However, as the purpose of the audit is to report upon the true state of the accounts, the audit result must exclude any amounts held in suspense, and the subsequent audit report must simply detail the actual audit result and the breakdown of any amounts held in suspense, including the dates of the cash account (week numbers) they relate to. As the issue of dispensation is currently subject to review, there should be no reference to dispensation within the report (either verbal or written).

10.6 Any irregularities, discrepancies, admissions etc. should be reported to the operations manager. In particular, the operations manager must be contacted in the following circumstances: -

- Branch discrepancies in the suspense account have been held in excess of 4 weeks
- Error notices have been brought to account and the resultant shortage / surplus has been transferred to the suspense account

In both of the above cases a copy of the audit report must subsequently be emailed to the Operations manager.

SECTION 11 – ACCESS TO THE HORIZON SYSTEM:

11.1 It will be necessary as part of an audit to gain access to the Horizon system at the branch being audited. There will also be times when different levels of access will be required and the following should be adopted: -

- Normal Risk Audits

Branch auditors can be added to the system as a user in order to print the necessary reports or the reports can be requested from, and produced by, the sub-postmaster. Where the auditee supplies the reports, a branch auditor should remain in attendance whilst the reports are produced. If the audit subsequently develops into a “problem” then a ZAUD99 one-shot password is to be obtained for further use of the system. Any extra users can then be added to the system, if required, from the ZAUD99 user ID.

- Investigation team requests and Operational risk audits

It is important at these audit types that we do not jeopardise

future court cases or prosecutions by ensuring we have followed proper access procedures to the Horizon system. A ZAUD99 one-shot password should therefore be obtained for access to the system and this to be obtained on site in the secure area. Once logged on as ZAUD99 user it can then be used to create other users on the system in order to later assist with the production of transaction/event logs.

11.2 If the audit is a contract and service concern or investigation request then the ZAUD99 level of access will be required. The NBSC must be contacted as soon as possible after the start the audit to commence the process for obtaining this type of access. As previously stated do not attempt to log on to or gain access to the Horizon system until this one-shot password has been obtained. Any delays or problems in obtaining a one-shot password must be reported to the operations manager following the audit.

NB. If users have been added to the system during the course of an audit remember to delete them from the system at the conclusion of the audit before leaving the branch.

SECTION 12 – ATMs:

12.1 There are 4 different ATM types on site at branches in the network and this will be identified in the prep data for the branch audited

12.2 The different types of machines in the network are:

- PO maintained – this machine holds between £50k – £80k and is funded by a remittance received at the branch. The transactions are reported through the branch cash account
- Fully Serviced – this machine type is totally maintained by Securicor
- Self-fill: Retail cash – this machine is funded from private cash and under no circumstances must Post Office funds be utilised. This is considered misuse of funds and should be reported to the Audit Manager (Operations)
- Self-fill: PO cash – these machines hold £1k - £3k and are funded from PO funds

12.3 There are consequently only 2 machine types that would need to be verified as part of the audit process. Although it is not possible to open any of the ATMs whilst the branch is open for business, consideration should be given to checking the contents of the ATMs before the branch is allowed to open. If the branch (or the retail side) is already open for business when the audit commences then they should be closed for a short period whilst the ATM contents are checked.

12.4 Although the contents of the ATMs should be checked and verified whilst the branch is closed this is not always practical. As a last resort a report can be obtained from the Self-fill: PO cash machines that details the holdings in the ATM without opening the machine. Report obtained as

follows:

- Hold down blue key and simultaneously press the 1 key
- Select management functions
- Enter 6 digit password and press OK
- Select close menu
- Select trial cassette close (this prints totals without resetting)
- Select exit twice, then set to customer transactions

12.5 Every effort should be made to verify the contents of an ATM. This could include having to close the branch temporarily until the cash cassettes have been removed and secured within the counter area. The branch will then be allowed to reopen until a quieter time when again the branch can close to allow the ATM to be reloaded with the checked cash cassettes. It must be stressed to the auditee that this process will take no longer than 5 minutes for each procedure, e.g. procedure 1 – remove cassettes & procedure 2 – insert cassettes.

12.6 If, however, it is not possible to perform a physical check of the ATM during the audit then sufficient reports should be obtained from the ATM to provide assurance that funds are on hand within the ATM. This should be subsequently fully documented in the audit report, and reported to the Operations manager at the time of the audit.

12.7 The obtaining of ATM reports should not be considered a replacement for physically checking the actual contents of the machine. It should be used as a temporary measure to carry on with the audit until such time (during a quieter period of the day as mentioned above) when the branch can be closed for a short period to perform the physical verification.

12.8 In extreme circumstances when the ATM is unable to be accessed, 4 weeks cash accounts entries for ATM withdrawals should be checked to ascertain whether alleged holdings are feasible. All instances whereby the ATM cannot be accessed must be reported to the Operations manager and the Contract & service manager.

SECTION 13 – SMOKE AND DYE PACKS:

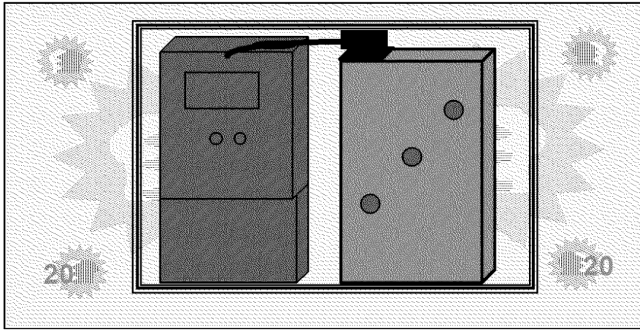
13.1 There are a large number of branches that are supplied with smoke and dye packs as a security item. £20 notes surround the packs and these notes must be included in the branch cash declaration and must be counted as part of the asset verification.

13.2 The following guidelines apply:

£20 notes surrounding ECA Dyepacks

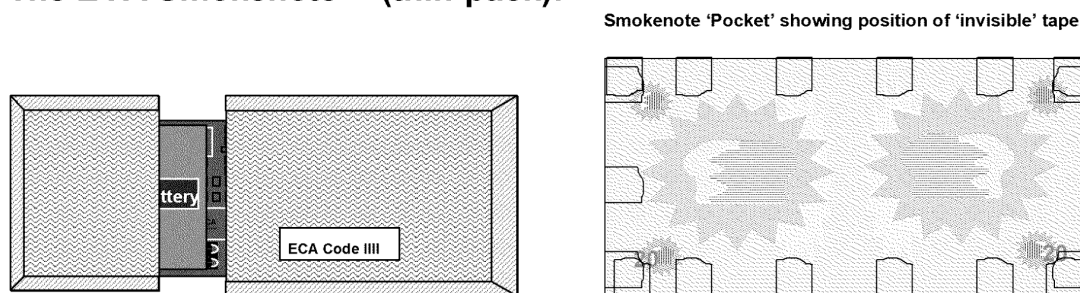
Two types of ECA Dyepacks found at Post Offices:

1. The ECA 16E/1 Dyepack (maxi-pack):



The ECA 16E/1 Dyepack is housed within a Bank of England dummy bundle with 2 genuine £20 notes stuck either side – a total of 4 £20 notes (£80). ECA 16E/1 Dyepacks and surrounding £20 notes are often contained within a transparent PO Giro note-bag.

1. The ECA Smokenote™ (thin-pack):



The ECA Smokenote™ is contained within its own package. The Smokenote™ package is concealed between 2 stuck £20 notes. A further 8 loose £20 notes are placed around the pack, one folded over the top and held together with an elastic band. (£200 in total) ECA Smokenotes™ and surrounding £20 notes are often contained within a transparent PO Giro note-bag.

13.3 Smoke and dye packs are surrounded by real £20 notes and if a number of packs are on hand at a branch this could amount to a considerable value. It is therefore important that the smoke and dye packs are opened and verified at the audit to confirm that:

- the surrounding £20 notes are real
- the surrounding £20 notes are all on hand and are accurately declared

The branch should have a record (receipt) for the smoke and dye notes. The record will detail the full value and the serial numbers of all notes within the pack.

SECTION 14 – DIRECTLY MANAGED BRANCHES

14.1 The resource levels for an audit of a directly managed branch are outlined in Section 2 of the Scheduling Process. The comments in this section assume a routine audit with the minimum level of staff attending and do not include activities for special follow up visits prompted by the submission of the annual certificate of compliance (this is contained in Section 12 of the Audit Process Manual).

14.2 The purpose of routine audits of directly managed branches is to provide assurance those assets, declared in the cash account, are in existence. It is not the purpose to reconcile every item of cash or stock or to

find corresponding discrepancies for the staff, particularly if the audit is on a Thursday. Given that it is not possible (or cost effective) to verify every penny at the branch, without disrupting counter operations, the focus of the audit is on high value items. With this in mind, the following approach to the selection of stocks to be audited should be followed: -

- Cash held in ATMs (see note 1)
- Main cash (see note 2)
- Any individual stock declaring more than £25k in cash (see note 3)
- Any individual stock with abnormal levels of stock declared (see note 3)
- Any stock held solely by the branch manager. For the integrity of the audit, it is best to ask a back office duty to confirm whether or not the BM holds a stock rather rely on the BM's own declaration. (see note 3)

Note 1: ATMs that are accessible from with a public area are a priority for checking while the branch is closed. If this is not possible, as a minimum, obtain the ATM readings and assess the reasonableness of holdings – compared to previous holdings and average ATM withdrawals. If there are any concerns, the lead branch auditor will need to make a judgment as to whether to keep the branch closed (while the ATM is counted) or to return (at an undisclosed time at the end of the business day). The concerns may be mitigated if the ATM is held and counted by two individuals or if it is rotated regularly. Conversely, any concerns may be increased if the ATM has been held by one individual for a length of time without rotation or supervisory check.

Note 2: The main cash is usually not accessible until 15 minutes after opening the branch. This will allow for the audit to concentrate on counter stocks. However, the main cash safe should be observed so that early access is not allowed.

Note 3: For the purposes of assurance, the financial audit of an individual stock should check all cash (sterling and foreign currency), any unusable notes and cheques on hand. In addition, the branch auditor checking the stock should assess the reasonableness of high value stock figures declared and, if concerned, should validate those figures.

14.3 The main role of the lead branch auditor at an audit of a directly managed branch is:

- to interact with branch staff, especially the branch manager and particularly at the beginning of the audit

- to identify which stocks require checking at audit and assigning work to branch auditors, in priority order, so as to minimise any disruption to the general public
- to facilitate the audit by obtaining key information (e.g. cash declarations, Horizon reports etc) for attending branch auditors.
- observe any transactions between staff (especially main cash) that may affect the audits of selected stocks and reconciling any transfers since the last declared balance
- to obtain the last declared annual certificate of compliance and test compliance to the key controls (see Section 12 of the Audit Process Manual).
- to verbally conclude the findings of the audit to the branch manager (or nominated deputy) and ensure that the final written report is in line with the verbal closing meeting

14.4 The main role of a Branch auditor at an audit of a directly managed branch is:

- to audit stocks, assigned by the lead branch auditor, in line with notes 1-3 above
- to advise stock holders what items have been checked (and what has not) and the findings of these checks
- alert the lead branch auditor to any concerns revealed (from audit findings or observations)

Please note; the limits, as regards values and numbers of stocks, for checking may change at the discretion of the lead auditor.

14.5 Where there are cheques on hand at a DMB audit then there is a requirement to record:

- the value
- service accepted for
- name of the drawer – check these to the names of members of staff at the branch

14.6 Any irregularities / discrepancies found at the audit should be reported to the lead branch auditor, who in turn should take the necessary steps to report it to the Operations manager and Investigation team manager.

SECTION 15 – BRANCH COMPLIANCE CERTIFICATE (compliance certificate statement)

The compliance certificate statement is completed by the auditee and returned to management information within 14 days. Upon receipt, the details annotated on the certificate are keyed into a database. Where there are exceptions these are escalated to the operations manager who contacts the branch direct to discuss the report and point out the impact of non-conformance. A copy of the exceptions is then sent to the area intervention office for the attention of the respective contract and service manager.

APPENDIX A

Mr A Postmaster
Sub-postmaster/Subpostmistress
1234 East Road
CHESTERFIELD
S49 1PF

31/10/2002

Dear Mr/Mrs Sub-postmaster

BRANCH NAME

BRANCH FAD CODE

This letter is to confirm that this Post Office®branch is to be audited today.
The following Branch auditors will be attending this Post Office® branch:

NAME OF BRANCH AUDITOR

PASSCARD NUMBER

All Branch auditors will have an official Post Office Ltd pass card with a photograph on. It is imperative that these are thoroughly checked before admittance is allowed.

If you are still in any doubt about the authenticity of the branch auditors then you can telephone John Jenkinson, Operations manager on or Glyn Burrows, Operations manager .

Martin Ferlinc
National Branch Audit Manager
Post Office Ltd
Finance

Appendix B – Dealing with discrepancies revealed at audit

YES

NO

YES

YES

NO

NO

		Ltd 51-53 Queen Street WOLVERHAMPTON WV1 3BU	GRO GRO	postal address GRO Te – GRO	main contact point Trade as Stars News and Spar
TATES	Geoffrey Hallam	Tates Ltd Long Acre Industrial Estate Rosehill WILLENHALL West Midlands WV13 2JP	GRO	Stewart Waldron – same postal address GROafb Tel – GRO	Stewart Waldron main contact point. Trade as Spar

COMPANY	NOMINEE NAME	ADDRESS	TEL NO	CONTACT	ADDITIONA L INFO
T & S STORES	Debra Wallbanks	T&S Stores Ltd Apex Road Brownhills WALSALL West Midlands WS8 7TS	GRO	Nominee GRO	Debi Walls banks main contact point Trade as: One Stop, Dillons Tesco Express
T M RETAIL	Alan Brook Post Office	T M Retail T M House	GRO	Nominee GRO	Alan Brook main

	Controller	Ashwells Road BRENTWOOD Essex CM15 9ST	GRO	GRO	contact point Trade as:Martins Forbouys More McColls
ALFRED JONES	Tom Calderbank	Alfred Jones (Warrington) Ltd. Stanley House Honiton Way Penketh Warrington WA5 2EY	GRO	Samantha Worsley – same postal address. GRO Tel – GRO	Samantha Worsley main contact point Trade as Spar
JAMES HALL	Peter Dodding Retail Director	James Hall &Co. (Southport) Ltd. 89 – 91 Blackpool Road Ribbleton Preston PR2 6DY	GRO Peter Dodding mobile	Nominee GRO	Peter Dodding main contact point Trade as Spar

COMPANY	NOMINEE NAME	ADDRESS	TEL NO	CONTACT	
LINCOLN CO-OP	Stephen Galjaard Chief Financial Officer	Lincolnshire Co-Operative Limited, Post Office Division Stanley Brett House, Tentercroft Street. Lincoln, LN5 7DB.	GRO Stephen Galjaard	GRO Tel - GRO	Jocelyn Simmons main contact point
SMILESTORES	Mark Callaway Retail Director	Smilestores Ltd. Shepherds Hall 71 Old Market Street Bristol BS2 0ET	GRO	Nominee GRO @Smil or Richard Merchant GRO telephone number GRO	Mark Callaway and Richard to be main contacts Trade as Smilestores and Bristol News Shops
MILLS GROUP	Nigel Mills Group Managing Director Richard Linsell Martin Stokoe	Mills Group Mill House 7 – 11 Earsdon Road Whitley Bay NE25 9SX	GRO	Nominee GRO	Nigels Mills main contact point
SOUTHERN COOP	Paul Bye	Southern Co-operatives Society Limited.	GRO	Gary Trodd – same postal address GRO	Gary Trodd main contact point

		44 High Street Fareham Hampshire PO16 7YT		GRO	
				GRO	

COMPANY	NOMINEE NAME	ADDRESS	TEL NO	CONTACT	
TESCO		Tesco Stores Ltd. Po Box 400 Cirrus Building B Shire Park Welwyn Garden City Hertfordshire AL7 1AB	GRO	James Currie – Estates Manager Revenue Generation GRO Mobile GRO	James Currie main contact point
ASDA		Asda Stores Ltd. South Bank Great Wilson Street Leeds LS1 5AD	GRO	Allan Matthews – Concessions Manager GRO	Allan Matthews main contact point
SAFEWAY		Wm. Morrison Supermarkets Ltd Hilmore House, Thornton Road Bradford BD8 9AX	GRO main switchboard GRO Mobile GRO	Andrew Smethurst GRO	Andrew Smethurst main contact point

COMPANY	NOMINEE NAME	ADDRESS	TEL NO	CONTACT	
UNITED CO-OP	Philip Robert Jones Steven Silver (for ex Yorkshire Coop part of estate)	Philip Jones address: Company Secretary United Co-operatives Limited Wood House Etruria Road Hanley STOKE ON TRENT ST1 5NW Steven Silver address: United Co-operatives Limited Sunwin House 65 Sunbridge Road BRADFORD BD1 2AP	<div style="border: 1px dashed black; padding: 5px; text-align: center;"> GRO </div>	Sue Wood – Tel: GRO GRO sue_w GRO Sue Wood postal address: United Co-operatives Ltd Ivymeade Regional Office Ivy Road Ivymeade MACCLESFIELD SK11 8NA	Sue Wood main contact point