POL00085769

Business Loss Programme Board
ONCH – Cash Loss deficiencies

Post Office Limited
Analysis Report

1. Document Control

1.1. Version Control

Reference	ONCH Cash Loss	Owner	Andy Hayward
Version	0.2	Author(s)	Peter Prior-Mills Business Analyst
		Contact No.	GRO
Status	Review	Contributors	Andy Hayward Lester Chine Cathy MacDonald Rajendra Kondra Joy Lennon Sue Richardson Dave M King John Breeden John Jenkinson Doug Brown Joanne Hancock Helen Rose Chris Taylor Julia Mann Shaun Turner Paul Inwood Alan Stuart
Date	28th October 2011		
Classification	Confidential		

1.2. Reviewers

	Name	Job Title
Sign off	Lester Chine	Security Programme Manager
Peer Review	Neill Boulton Martin Box	Senior Business Analyst Principal Analyst

POL00085769

1.3. Stakeholders

Area Represented	Stakeholder
Security	Andy Hayward
Security	Lester Chine
P&BA	Cathy MacDonald
P&BA Branch Conformance	Alison Bolsover
Audit	Sue Richardson
Information Security	Dave M King
MI	Guy Linacre
Network	Julia Marwood
Network	John Breeden
Supply Chain	Doug Brown
Crime Risk	Joanne Hancock

2. Terms and Abbreviations

Term	Meaning
ATM	Automated Teller Machine (cash withdrawal machine)
BPP	Branch Performance Profile (combination of Financial and Conformance)
BTS	Branch Trading Statement
CBPP	Conformance Branch Performance Profile
Clients	Product supplier companies, contracts mostly through POFS
Customer	Person requesting the Face to Face Services in Post Office Branches
FBPP	Financial Branch Performance Profile
FONCH	Foreign overnight cash holdings
Horizon	Post Office Branch Network Counter point of sale system
MI	Management Information (accessed via Credence query system)
NFSP	National Federation of Sub-Postmasters
ONCH	Overnight cash holdings
P&BA	Product and branch accounting
POL	Post Office Ltd
SPMR	Sub-postmaster

3. Document Control

3.1. Version History

Version	Date	Change Details	Author
0.1	20/10/11	Initial Draft	Peter Prior-Mills
0.2	28/10/11	Peer review revision #1	Peter Prior-Mills
0.3	01/11/11	Peer review revision #2	Peter Prior-Mills
0.4	28/11/11	Revision of recommendations following meeting with A Hayward & S Smith	Peter Prior-Mills

3.2. Referenced Documents

Nr.	Title	Version	Date	Document Ref.	Location

POL00085769

POL00085769

Table of Contents

POL00085769

4.Introduction

4.1. Background

A number of key stakeholders currently undertake BAU activities and interventions in order to mitigate Cash Losses sustained in the Agency Network.

Although the majority are proactive and at times collaborative, it is clear that any such activities are not clearly mapped. In order for the business to fully understand the impacts and inter-dependencies resulting from these process interactions the processes need to be mapped.

Once the processes are clarified it will then be possible to set out the key priorities required for future cash loss risk mitigation.

4.2. Objectives

1. To review the current as-is processes behind the identification of Cash losses resulting from ONCH/Audit activities for Agents
2. To provide clarity on the end-to-end Cash Loss pipeline
3. Make recommendations to improve identification of fraud, and suggest preventative initiatives to mitigate future losses

4.3. Scope

In Scope:

- Current Agents Cash Loss processes within Post Office Ltd (POL)
- Stakeholder activity:
  - Review of the current Cash Inventory ONCH & ATM Data streams and suitability/ capability for fraud risk identification
  - Review current Network/Audit activities in relation to Agents to include Training, Intervention, Audit, Non-compliance/consequences
  - Review current aims, use, and effectiveness of the Branch Profile Report
  - Monitoring and intervention activities undertaken by P&BA
  - System applications (MI) currently deployed to assist the process

Out of Scope:

- Assessment of the Fraud Management System software
- Crown estate
- Burglary / Robbery
- CviT attacks

POL00085769

5. Process Mapping

5.1. Initial workshop

The initial workshop was held to understand the various influences and factors affecting the risk of cash loss within the agency network

5.1.1. Workshop attendees (Table 1)

Table 1: Names and responsibilities of those taking part in the initial workshop

Name	Area of responsibility
Andy Hayward	Operations - Security
Lester Chine	Operations - Security
Shaun Turner	Network – Branch Standards
Cathy MacDonald	Finance – Fraud & Conformance
Julia Mann	Network - Audit
Doug Brown	Supply Chain – Cash Management
Peter Prior-Mills	Operations - iT & Change

5.1.2. Influencing factor groups (Table 2)

The workshop participants listed all possible factors which could affect the risk of cash loss; some 40+ separate factors were identified. These factors were then cluster grouped logically.

The dependencies between the factor groups were then determined and a hierarchy of dependencies worked out where those factors which most influenced the others were ranked above those which were the most influenced by the other factors.

Table 2: Factor groups affecting cash loss risk with examples

Factor group	Ranking	Example factors
Branch format	=1	
Influences on Agent	=1	Economic conditions, location, demographics, agents lifestyle, external frauds, opportunity / temptation
Agent Recruitment	=3	Capability, appointment / vetting, business plan, credit history, contract, pay & conditions
Management Information	=3	Reporting accuracy, MI, data systems, data analysis
Support	5	Training, cash management, intervention
Non-conformance	6	Audit, investigations, non-conformance, transaction errors, SPMR debt

POL00085769

5.1.3. Processes identified for mapping (Table 3)

Following the determination of influences the workshop identified 9 processes involved in the Cash Loss Pipeline which it was felt addressed the influencing factors and should be process mapped in their current state.

In each case a starting and ending point for the mapping was identified to provide clarity.

Table 3: Processes to be mapped in the as-is state

Process	Start point	End point
Agent Recruitment	Vacancy arising	Opening / transfer of business
Agent Training	Agent appointment	Completion of 6-9 month audit
***Agent Transformation**	Selection of Agent	Contract change
Cash Reporting	Data in branch	Net cash supply
Cash Management	SAP data output	Net cash supply
****Data Analysis**	SAP data output	Decision to act
Interventions	Request / need for intervention	Correction / termination of agent
Investigation	Request / need for investigation	Correction / termination of agent (and recovery of funds)
Audit	Selection of branch	Filing of P32 audit reports
****Fraud Monitoring (P&BA)**	Exception identified	Audit requested
****Fraud Loss Monitoring (Fraud Team)**	Branch MI	Correction / termination of agent (and recovery of funds)

*Agent Transformation was not mapped as a change of contract type is rare; instead it was decided to look at the Network Transformation programme and its potential impact on Cash Loss risk levels.

**During the course of the mapping it was decided to add the Fraud Monitoring processes conducted by P&BA and the Fraud Team, these processes cover the Data Analysis process.

It was also decided that the study should look at the resilience of the **data systems** providing input to the processes (especially to Cash Management), and the nature and effectiveness of the **Branch Profile Report** which guides the planned audit programme.

POL00085769

5.2. Interconnections between process maps

The embedded diagram shows the direct interconnections between the mapped processes discussed below.


Cash Loss Interconnections.PPT

The individual process maps are attached in Appendix B.

5.2.1. Agent Recruitment

Mapped with John Breeden, and John Jenkinson

- One output trigger to the **Agent Training** process
- Input data from the **Branch Profile Report** where an existing agent is taking over the vacant business/branch

The Influences group of factors (General economic conditions, branch location, customer demographics, agent's lifestyle, external frauds, opportunity / temptation) were shown by the workshop to have the highest impact on the risk of Agent losses or fraud, yet the Agent Recruitment process does not take these factors fully into account.

Prospective agents are checked for County Court Judgement history, they are required to provide references, they are interviewed directly, and a Criminal Record check is made on those successful at interview. These measures are largely backward looking; the real risk is in the future.

It would be helpful to understand the relative financial stresses on the applicant and even more useful to track that factor going forward. Credit scoring is a well established method for understanding financial stress on individuals and may act as an early indicator of possible motivation to fraud.

5.2.2. Agent Training

Mapped with Sue Richardson

- No output triggers
- Input triggers from **Agent Recruitment**, and **Fraud Monitoring** (P&BA process)

This process is relatively self contained and is reactive in nature to demand from other processes. The content of training materials was not examined as part of this exercise.

5.2.3. Fraud Monitoring (P&BA)

Mapped with Cathy MacDonald, Rajendra Kondra, and Joy Lennon

- Output triggers to **Agent Training**, and **Audit** processes
- One input trigger from **Fraud Loss Monitoring** (Fraud Team process)

This process is largely concerned with combing the MI data available through POL SAP and Credence to identify patterns indicative of increased risk or actual losses. This process would benefit from software tools to automate the search for trends wherever possible leaving the

POL00085769

P&BA staff to concentrate on the interpretation of trends or anomalies rather than raw data sifting.

There may be scope here to look at available analytics software which might assist the process. I understand that there is a piece of software held by P&BA called Audit Command Language which may help but that there are no staff trained to use this software, as a result at this stage I cannot comment on its capabilities.

5.2.4. Audit

Mapped with Sue Richardson

- One output trigger to the **Investigations** process
- Inputs triggers from **Fraud Loss Monitoring** (Fraud Team process) and **Fraud Monitoring** (P&BA process)
- Branch selection for Audit Plan based on scores in the **Branch Profile Report**

Although often spoken of as if it were a fraud prevention device, audit is in reality simply a means of checking whether the assets within a branch correspond to our record of assets. Where there is a discrepancy it is not necessarily possible to say how that difference arose.

As with all auditing systems the more places you look, the more discrepancy you are likely to find. Audit resources are not however infinite so targeting the audit resource is valuable, this is the reason for the Branch Performance Profile report which is discussed in section 5.4 below.

5.2.5. Investigations

Mapped with Lester Chine

- Input trigger from Audit

The Investigations process is necessarily internally complex, essentially reactive in nature, and is entered into only when there are strong indications that something is amiss.

5.2.6. Fraud Loss Monitoring (Fraud Team)

Mapped with Jo Hancock, Helen Rose, and Chris Taylor

- Output triggers to **Fraud Monitoring** (P&BA process), and **Audit**
- Data inputs from branch MI (Credence) and Excel format cash holding reports from the **Cash Management** process

The Fraud Loss Monitoring process is concerned with identifying and understanding the wider scale threat pattern and any emerging trends of data which might act as indicators of increased risk of cash loss or fraud.

5.2.7. Cash Reporting / Cash Management (combined map)

Mapped with Doug Brown

- One output trigger to **Managing Surplus Cash Branches** a sub-process for excess cash recovery.

Data / information connections:

POL00085769

- Outputs Excel reports on cash holdings and targets (daily & monthly) to Fraud Team for the **Fraud Loss Monitoring** process
- Outputs data to the **Branch Profile Report** which in turn influences the targeting of the **Audit** process
- Input data feeds from SAP ADS (cash movements), and Wincor (ATM's)
- Direct feedback from branches, via telephone, on planned order value

When a branch requests a larger cash supply than the suggested order level, provided the increase is less than £9k it is generally allowed without challenge as the Cash Management team has limited resource available.

The Network Team resource level currently committed to chasing the return of excess cash from agents means that only 150 agents can be contacted each month out of c4900 which are likely to be in surplus at any given point.

The Network Team chasing excess cash holdings does not have access to live data on branch cash levels; this means if an agent tells them the cash has already been returned they cannot immediately verify this.

Daily cash declaration data from agents is passed from Horizon by Fujitsu into the POL MI stream and is then accessed by the Cash management Team who output the information as Excel reports which concentrate on the cash holding level and the presence or absence of a declaration by each branch.

It would be helpful to automatically analyse the cash declaration data for trends in the timing of declarations and the levels declared by individual branches. Unusual patterns of cash holdings or late/absent declarations may well indicate underlying issues at a branch. This sort of analysis is currently undertaken retrospectively by P&BA where they have cause to look at a particular branch, but it is not routinely done due to the manual intervention currently necessary.

POL00085769

5.3. Network Transformation (Table 4)

Since it is a programme this was not mapped as a process but instead examined for the impact the changes to agent contracts it brings about will have on overall cash loss risk levels. Input came from Paul Inwood in the Network Transformation team.

Table 4: Differences between old and new Agent contract types

	Current contracts		New contracts	
	Franchise	**SPMR**	**Main PO**	**PO Local**
Liability type	Structural – liable for all cash losses in branch.	Qualified – liable for losses from staff error, fraud, etc. POL partially covers losses from burglary / robbery depending on level of SPMR negligence.	Liable for all POL cash in the branch. Cash on hand may include agent's seed capital.	Liable for all POL cash in the branch. Cash on hand may include agent's seed capital.
Liability reduction	Agent can buy commercial insurance cover, or reduce liability to SPMR level by buying an insurance waiver from POL.	Cap limits the SPMR liability to 25% of their remuneration. Hardship scheme can allow repayment to be spread over 2 years at 25% of income per month.	Can reduce liability to level of SPMR by paying POL an annual fee of £500 + VAT. *Proposed that there would be no cap on liability. In Multiple agencies it will be possible to offset balances between contracts.	Can reduce liability to level of SPMR by paying POL an annual fee of £250 + VAT. *Proposed that there would be no cap on liability. In Multiple agencies it will be possible to offset balances between contracts.
Agreement types	Company to Company only (small No. of historical exceptions only)	Company (POL) to individual. Company to Company.	Company to Company only (with personal guarantees from Directors)	Company (POL) to individual. Company to Company.

*The current proposal is that the non-contractual cap at 25% of counter income would be replaced by full liability but with hardship arrangements which spread repayment against a proportion of the overall business income, not just Post Office counter income.

POL00085769

The new contract types have been piloted with a volunteer group of agents, in addition to this group the new contracts have been put in place in those cases where an agent contract has been terminated.

From April 2012 the new contract types will be introduced whenever there is an agent resignation. With an annual churn rate of 6-7% of agents this will over time gradually reduce the cash loss risk levels for POL.

5.4. Branch Performance Profile (Table 5)

The aim of the Branch Performance Profile report is to try to identify those branches which are at higher risk of cash loss or fraud and to target the audit programme more closely on them. The idea behind the report is to look at data on branch performance which might indicate patterns of enhanced risk.

The current Branch Performance Profile (see Appendix A) is produced using 28 data streams, 11 are financial, 17 relate to conformance measures. Each data stream score is converted to a measure on a scale of 0-10 where 0 indicates either the best performance or, in the case of conformance, the data type is not applicable to the branch.

For the financial data streams a weighting multiplier is applied (from 0.5 to 2.0) to arrive at the final branch score. No weighting is applied to Conformance scores though this is currently under review and a weighting factor based on agency branch size may in the future be applied against appropriate data streams.

The highest overall scores represent the poorest performing / highest risk branches and it is from this group that the Audit Plan is derived.

Table 5: Data streams making up the Branch Profile Report

Financial factors		
Data stream	**Description**	**Weighting factor**
ONCH Declared v Predicted	Predicted cash holdings based on historical transaction data	0.75
ONCH Declared v Generated	Compares declared holdings to a generated figure using actual transactions	1.5
Cash Rises at Branch Trading	ONCH peaks at branch trading	1.25
Cash Tracker	Compares cash holdings from one year to the next	2.0
FONCH Holdings v Sales	Excess of FONCH over authorised holdings	0.5
Cheque Anomalies	Bounced personal cheques Cheque transaction corrections Cheque to Cash adjustments – val/vol Cheque Reversals – val/vol Cheques at site	1.5
Postage Holdings	Excess of postage over authorised holdings	1.0
Camelot Scratchcards	Excess of scratchcards based on number of	2.0

POL00085769

	displays	
Branch Debt	Level of centrally settled debt	1.25
Length of Service	*Based on SPMR's with less than 5 years service being more prone to commit fraud	1.5
Non Return of Cash	Not following planned orders and returning less cash than requested	1.0
Conformance factors		
Conformance group	**Individual conformance measure**	
Selling Products Compliantly	Regulatory compliance training	
	Bureau Transactions >£5K	
	HomePhone Mis-sell	
	Compliance Mystery Shopper	
Mails	Mails Integrity	
	Pricing in Proportion	
	Oversized Parcels	
	Redirection	
	Mail Segmentation	
Working Efficiently	Missing MVLs	
	Cheque Irregularities	
	Missed or Late BTS	
	Transaction Corrections	
	Camelot Scratchcards	
	Excess Postage	
Managing Cash	ONCH Declarations	
	ATM Declarations	
	ATM Cash Outs	
	FONCH	
Providing a Great Service	Customer Complaints	
	Branch Closures (branch not open when planned)	
	Effect Mystery Shopper	
	Branch Appearance	
	DVLA Mystery Shopper	
Audit Activity	Procedural Security	
	Bank of Ireland Audits	
	Regulatory Requirements	

*It is possible that the apparent increased likelihood for fraud in the SPMR group with less than 5 years service is a result of this group receiving more frequent audits.

5.4.1. Branch Risk Profile Project

A recent study into the Financial Branch Performance Profile has raised questions about the effectiveness of the existing FBPP in identifying risk within the branch network.

A graduate mathematician undertook a study of the FBPP and suggested possible changes to the data streams involved in order to improve the hit rate of fraud/loss detection. These changes are currently under consideration by the Fraud Forum.

POL00085769

- As the study points out, the current hit rate for **type 100** audits is **4.72%** well below that of the **type 150** (random selection) audits at **5.35%.** There are c250 type 150 audits per year.

- The study states that **type 100** audits (those driven from the high scoring branches on the FBPP) were not selected in a statistically effective way as the selection of branches is skewed by the locations and availability of the auditors. There are c1500 type 100 audits per year.

  The FBPP top 500 scoring (worst risk factors) branches are used as the base, the list is worked through from the highest scoring branch down until the quota for that month has been selected.

  The branches with an audit in the last 6 months or a scheduled audit in the next 6 months are skipped over. Where no auditor is available within the region this month the branch is booked for an audit in a later month where resource is available.

  There is a possible cost to removing this skew in the selection as a truly random selection could produce a clustering of audits in areas remote from our auditors' bases. This would increase T&S costs and potentially reduce available audit time due to travelling.

- The classification of a branch as "bad" in the FBPP required that it had been audited and the SPMR suspended, one of the changes suggested to the report is that the definition of "bad" should be changed to add branches where losses of £3000+ had been found during an audit but no suspension of the SPMR took place.

- The report states that Crown branches represented "only 4%" of the 283 "bad" branches. With a current agent base of 12320 and 370 Crown offices it should be expected that 3% of the bad branches would be Crowns, at 4% they are overrepresented by a third.

- 83% of data on branch debts was identified as missing. This may be the proportion of the branch network which does not have debt managed centrally, hence no data.

- 31% of data on "non-return of cash" was reported as missing. Given that c40% of the network is in cash surplus at any time this may be either the portion of that group where the collection of the excess cash is not viable on cost/benefit grounds, or it may be a confusion of the cumulative demands for return vs. the excess amount actually held (e.g. if return of £100k surplus is requested 3 times in a week = £300k demand).

- When discussing how the model should be used, the report states "Need to audit the branches which the profile identifies as Bad", but the earlier definition of "bad" within the report is branches which have been audited and the SPMR suspended (with the suggested addition of those with losses over £3k but no suspension of the SPMR), i.e. post audit.

  Is this meant to imply that all 500 high risk scoring branches should be audited? If this is the intention it would imply a large resource increase as the existing workload is c130 branches per month April to October with lower levels in other months due to business peaks (the current annual total of type 100 audits is c1500)

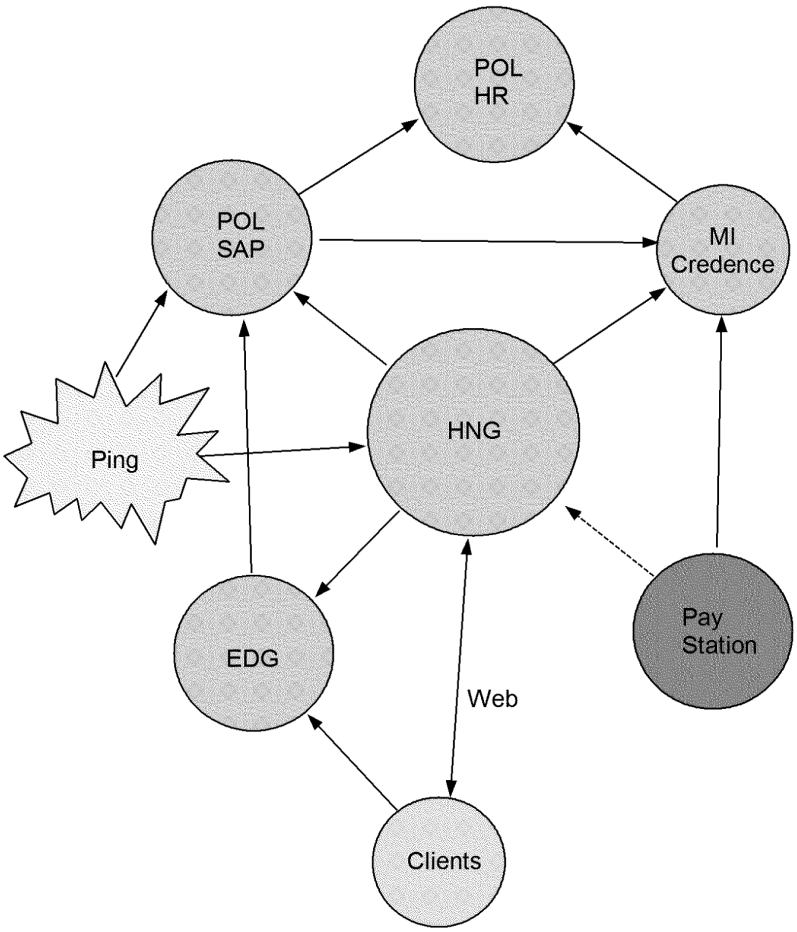
POL00085769

5.5. Data Resilience

The data model for POL reflects the complexity of the business:

- Broad product offering with 170+ products on sale
- Counter transactions in branch
- 12320 Agency outlets and 370 Crown offices
- Web transactions
- Call centre based transactions
- 3rd party suppliers of service products (clients)
- Joint venture intermediary company (POFS)

For illustration the following diagram represents the main data connections within the model for counter transactions only:



The **PING** system takes transaction data from 3rd party Clients and suppliers (including Post & Go, ATM's, Pay Station, and Lottery) and sends it to Horizon so that branches can reconcile their transactions correctly.

The potential to link **Pay Station** directly into Horizon is being examined at present.

In terms of risk to data integrity and resilience the main area of concern is the limited co-ordination and compatibility in the data systems and security of our 3rd party clients. Reducing these risks is complicated by our relationship with them being via our joint venture

POL00085769

(POFS) with bank of Ireland, this means we have no direct contractual relationship in most cases.

An illustration of how this data systems complexity makes POL vulnerable is provided by a case where individuals with knowledge of the security systems around Bank of Ireland credit cards exploited our marketing initiative which allows POL credit card users to buy foreign currency at Post Offices without incurring a cash transaction fee.

The fraud was perpetrated by drawing a quantity of foreign currency (First Rate data systems) via a POL credit card (Bank of Ireland data systems) and then hacking into the credit card data system to delete the transaction from the individual card account.

Cross supplier linked product propositions should be routinely examined by IT Security for potential risk of fraud before the proposition is launched.

POL00085769

6. Recommendations

The processes surrounding cash losses and the cash pipeline are complex and have developed over time in response to changing risks.

This report is the result of a requirement to understand the as-is processes and how they interact with each other, nonetheless there are some issues which have become clear and to which I have suggested the fixes listed below.

	Issue	Recommendation / Mitigation	Next Steps	Owner	Timescale
	Agent Recruitment:				
1	**Recruitment checks:** The Influences group of factors have the highest impact on the risk of agent losses/fraud yet the agent recruitment process does not take these factors fully into account	As part of the recruitment process a credit scoring check should be run to determine if an applicant is under financial duress. The agent contract should have a clause added to allow POL to continue monitoring an agent's credit score. Trends of worsening credit scores would warn of increasing financial stress and therefore increasing risk.	'Enhanced Vetting' business case is currently ongoing. PID being drafted, with stakeholder liaison and input. Awaiting reply from Risk & Compliance team on legal liability and data sharing issues.	Security Andy Hayward	April 12
2	**New Applicant process:** What criteria is applied in deciding suitability within the business case, including scoring mechanism (H,M,L), CRC check and business loan/risk ratio.	- Review current new applicant process - What criteria is in place if applicant fails CRC check? - I.D. Verification of applicant within process? - Where does the Debarment process fit? - POL currently pays for CRC checks. Scope appetite to transfer cost to applicant	Contracts team are currently undertaking a review of the new applicant process (lead: Kathleen Griffin). Ensure recommendations (1&2) are included within discussions.	Network Contracts John Breeden	
3	**New Applicant training:** If the Cash management elements within the training plan are not robustly delivered and/or understood by the new sub postmaster, could lead to further risks post appointment.	- Review current cash management training delivered - Ensure any review processes/visits include cash management capability. - Network are currently piloting a revised post appointment visit plan (inc. training?)	Clarify with Network teams on current training plans in place Review findings from revised 6-9 month visits	Network training team (Sue Richardson?)	
	Cash Reporting & Management:				
4	**Cash Management process:** Where a branch is not happy with the advised cash supply figure they can call the Cash	Consider the cost / benefit of increasing resource within the cash management team to engage with more agents challenging cash supply		Cash Inventory / Security (Doug Brown/ Lester Chine)	

POL00085769

	Management Team and request a larger cash order. Provided the increase is less than £9k it is generally allowed without challenge as the team has limited resource.	figures. Consider changing the initial method for agents to challenge cash supply orders to electronic means, e.g. via Horizon. This would allow the cash management team to better manage their available resource and focus on looking for trends in cash challenges.			
5	**Managing Cash Surplus Branches:** The Network team resource level currently committed to chasing the return of excess cash from agent's means that only 150 agents can be contacted each month out of c4900 which are in surplus at any point.	Examine the cost / benefit impact of increasing the available Network team resource engaged in chasing agents for the return of excess cash holdings. This may have impacts elsewhere if resource is transferred from other tasks.		Cash Inventory / Security (Doug Brown/ Lester Chine)	
6	**Managing Cash Surplus Branches:** The Network team chasing excess cash holdings does not have access to live data on branch cash levels, this means if an agent tells them the cash has been sent they cannot verify.	Investigate the practicality and cost of giving access to the live cash level / movements data to the Network team.		Cash Inventory / Security (Doug Brown/ Lester Chine)	
7	**Conformance:** Although there is a 'consequences' process that can be instigated by Network (i.e. charging for visits), there does not appear to be any consequences/penalties for non-compliance to cash management.	Review the use of the consequence process and if and how it could be developed for use in conjunction with ONCH/cash management		Cash Inventory (Doug Brown)	.
8	**Cash declarations:** made by agents each day on Horizon cannot be readily analysed for patterns which might indicate risk as the data is passed from Horizon by Fujitsu into the POLMI stream and is then accessed by the cash management team and output as excel reports which concentrate on the cash holding level and the presence or absence of a declaration by each branch.	Consider the practicality of a software solution to analyse the MI data stream for trends in both the timeliness of cash declarations and overall cash holdings. This functionality may be possible within Credence but would require a feasibility study to cost.		Cash Inventory (Doug Brown)	.
9	**Analysis of cash returns:** Failure to spot branch trends for excess cash returns by branches could lead to increase risk	Gradient Model: Currently being piloted (Nov – Feb), Results will dictate RoI and whether to include in Financial Branch Profile Performance		P&BA / Security	

POL00085769

	in ability to identify losses at source	(FBPP).			
		Fraud Loss Monitoring:			
10	**Financial Loss:** The current FBPP is used to identify branches for inclusion in the monthly audit plan, with loss identification at 5% (the same as random audits. Better use of risk based methodology may increase both loss identification and reduction by earlier identification	Review undertaken of the current FBPP	Pilot the FBPP Jan-Feb and review findings March 12. Report back to R&CC. Ensure skills capability in place for monthly update of new profile.	Security (Chris Thorpe)	March 2012
11	**Lessons Learnt/Autopsy:** Failure to identify trends following termination of contract (investigation, audit and/or contractual), could increase risk in identifying and mitigating losses and potential new data streams.	Autopsy process required to include lessons learnt for those dismissed (contractual, audit and fraud investigation)		Security	March 2012
12	**Financial Investigation:** Currently undertaken after a loss has been discovered, which is reactive and could impact on loss recovery.	Better application of the Proceeds Of Crime Act (POCA), Branches under suspicion via fraud monitoring could be subject to a F.I. check to establish risk.	Assess branches currently 'under suspicion' and test through use of POCA findings.	Security	March 2012
13	**Branch Risk Assessment:** Currently undertaken by use of data streams (excel) and a manual risk assessment by individual(s), which could limit the ability to efficiently identify risk.	Better use of software to assist in risk identification.	Pilot currently ongoing for fraud software systems	Security	Dec 2011
14	**Branch Profiling:** The casework and audit data bases are primarily used as a data gathering tools, with minimal use for proactive risk pattern analysis. This could impact on the ability to spot trends in risk profiling (offender, branch type/location, loss MO).	Better use of data to identify risk profiling, which could lead to more proactive targeting of resource for both fraud programme and audit intervention.	Scope current data bases and information contained within. Agree future requirements and capability to deliver..	Security / Audit	March 2012
		Additional:			
15	**Data Resilience:** There is an increased risk caused by the diverse 3rd party supply base and the	Make security co-operation and compatibility core to any future supplier contracts. Ensure that all cross-supplier	To be clarified before progression. This may be cost prohibitive given the		

POL00085769

	varying levels of data security in place at the service providers. This can create opportunities which can be exploited by fraudsters.	marketing initiatives are thoroughly examined by IT Security for potential exposure to increased risk of fraud before they are implemented.	contractual implications for data suppliers (i.e. Horizon, Credence etc.).		
16	**Risk of staged robberies:** is currently increased by the non-contractual policy of capping SPMR liability for cash loss to 25% of their income.	Implement the proposed change to new contracts which removes the cap but replaces it with enhanced hardship procedures to spread repayment of losses over time.	Check contractual changes with N.T. contracts as this may be subject to change		

POL00085769

Appendix A – Branch Performance Profile Report

The documents embedded below are examples of the combined Branch Performance Profile report and the separate Financial and Conformance reports which contribute to it.

Combined Branch Performance Profile

Financial Branch Performance Profile

Conformance Branch Performance Profile

POL00085769

Appendix B – Individual Process Maps


Agent Recruitment 0.2.PPT


Agent Training 0.2.PPT


Fraud Monitoring 0.2.PPT


Audit Process 0.2.PPT


Investigations 0.2.PPT


Fraud Loss Monitoring 0.2.PPT


Cash Reporting & Management 0.2.PPT


Managing Surplus Cash Branches 0.2.PI

POL00085769

Appendix C – Stakeholder Feedback