

**Overall Assurance: -  
Low**



## NETWORK AUDITING-APPROACH, METHODS AND ASSURANCE

| Audit Highlights and Opinion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Strengths                                                                                                                                                                                                                                                                                                                                     | Weaknesses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <p>The Audit and Risk Committee (ARC), requested a review of the branch auditing approach within the context of how Post Office is audited overall.</p> <ul style="list-style-type: none"> <li>Crown, retail multiple and agency branches are subject to various types of audit visits conducted by the Network Support team. They conduct audit and training activity at a cost of approximately £6M per year with a team of 220.</li> <li>Audit activity is restricted to the checking of cash and stock and the validation of procedural compliance questions.</li> <li>There is a lack of independent assurance over Branch Operations</li> <li>Results and management information are insufficient to give senior management a view of control</li> <li>Follow up mechanisms that ensure the control environment is maintained / improved do not formally exist.</li> </ul> | <ol style="list-style-type: none"> <li>1) Approximately 30% of the estate is covered each year</li> <li>2) The audit financial audit programme is well established and structured</li> <li>3) Network Auditing provides a development route for experienced counter staff and managers</li> <li>4) Large pool of experienced staff</li> </ol> | <ol style="list-style-type: none"> <li>1) No assurance over Branch Operations, other than cash and certain valued stock</li> <li>2) Poor management information, only statistics of visit numbers get reported</li> <li>3) Resource is utilised for both audit and training.</li> <li>4) Activity is constrained by the 35 hour working week (capacity is reduced because this includes travel time)</li> <li>5) Company are usually owed hours from the hours pool – inefficient use of resources</li> <li>6) Currently not a professional audit service</li> <li>7) Value for money is not achieved through the current activity</li> <li>8) Audit reports are not effectively summarised, to highlight common issues nor share best practice</li> </ol> |
| <p>Opinion</p> <ul style="list-style-type: none"> <li>Based upon the audit work undertaken a low level of assurance is given over Network Auditing.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p><b>Top Priority Agreed Actions</b></p> <ol style="list-style-type: none"> <li>1) To discuss and agree a way forward for network auditing, such that it can provide meaningful assurance to the business and the board.</li> </ol>                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|-----------------------|-----------------------------------------------------|
| Executive Responsible | Kevin Gilliland                                     |
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## DETAILED FINDINGS SECTION

| <u>Area Reviewed</u>                                                                                                                                                                           | <u>Key Finding, Results and Issues</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |
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| <p>1. Overall Remit, content of audit.</p> <p><u>Key Risks Impacted:</u><br/><i>Branch audit activity may not be sufficiently focused on all key branch risks</i></p>                          | <p><b>Current audit methods employed only provide limited assurance over cash and some valued stock. They do not consider the wider risk and control aspects of a branch.</b></p> <p>Depending upon the size of the branch, a team of between 2 and 5 auditors arrive prior to opening and once identified and given access they commence counting the cash on hand.</p> <ul style="list-style-type: none"> <li>• The branch remains closed until the lead auditor gives the go ahead to open having counted and balanced the cash and significant valued stocks.</li> <li>• Any cash / stock differences are reported but are not resolved whilst the auditors are on site. There is no overall view of how the branch as a whole is performing.</li> <li>• Additionally, as part of the audit, compliance questions are asked of the branch staff. The purpose of these is to gain an understanding of compliance to regulatory, contractual and statutory obligations upon POL.</li> <li>• Responses to the various questions are recorded as a yes/no (pass/fail) and are not subject to any physical evidential requirements.</li> <li>• Depending upon the size of the branch being audited and how busy it is on the day, the compliance questions may not all be covered.</li> </ul> <p>Once the main issues have been discussed with the Branch Manager the auditors leave site.</p> <p>To achieve an overall opinion on any given branch, areas to be covered in the audit could include; Financial Control, physical security, customer experience, branch tidiness, cleanliness, layout and H&amp;S</p> |  |
| <p>2. Audit Programmes, tools and techniques.</p> <p><u>Key Risks Impacted</u><br/><i>Coverage, Results, management information Assurance levels may not be clear Follow up mechanisms</i></p> | <p><b>Programmes are well structured to aid consistency, are updated as required, have some automation but papers are long, reports are difficult to read and field work is still paper based.</b></p> <ul style="list-style-type: none"> <li>• The audit programme is based upon a reconciliation of cash and certain valued stocks and a suite of compliance questions and has been in this format for at least the last 6 years</li> <li>• There are several approaches to the cash counting process as part of the audit. <ul style="list-style-type: none"> <li>○ Some FSA's count sufficient stocks to get the counter running and then allow the branch to open and commence trading with minimal delay, others wait until all cash has been reconciled before allowing the branch to open. Some require all of the compliance questions to be completed prior to opening, others allow the branch to open and then ask their questions between customers. In a small branch with limited staff (sometimes single manned) the compliance questions may not be completed at all if the branch is busy.</li> </ul> </li> <li>• The audit is conducted using manually completed printed sheets which are then entered into an Excel spreadsheet on a laptop and uploaded to the centre using a Sharepoint site</li> </ul>                                                                                                                                                                                                                                                                                       |  |



## DETAILED FINDINGS SECTION

| <u>Area Reviewed</u>                                                                                                                                                    | <u>Key Finding, Results and Issues</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |
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|                                                                                                                                                                         | <ul style="list-style-type: none"> <li>The sheets are then input into an Excel file by the lead auditor and uploaded via a Sharepoint site. Whilst this allows a consistent upward reporting approach, the papers are long and do not easily summarise the results</li> <li>There is potential to make this more efficient with the use of tablet type devices and summary reporting methods across a wider area of branch activities.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |
| <p>3. Outcomes of audits and levels of assurance obtained.</p> <p>Key Risks Impacted</p> <p><i>Results, Assurance levels may not be clear, Follow up mechanisms</i></p> | <p><b>Current audit reporting is delayed and ineffectively used. Focus is on compliance and manager's bonus is impacted if the score is below 80%. There is no overall view of assurance over the management of risk/controls across the portfolio of branches.</b></p> <p>The current reporting process is for the lead FSA to discuss the findings with the branch manager or their representative, obtain a signature and then leave site taking all audit paperwork with them .</p> <ul style="list-style-type: none"> <li>No contact is made with the Area manager at this time.</li> <li>This is a prime example of where, with a simple communication, key stakeholder engagement could be fundamentally improved.</li> <li>Once back home or at a separate office location the report is typed up and submitted via Sharepoint. The formal report is issued to management sometime (up to 5 weeks) later.</li> <li>Feedback obtained via branch managers and Crown Area Managers is that often the physical report bears little resemblance to the discussion held at the time of the audit.               <ul style="list-style-type: none"> <li>A common comment is that the manager is told that everything was working well at the end of the audit and then when the report arrives it tells a different story.</li> <li>This is frustrating for a Crown branch manager as a score of 80% or less directly impacts their bonus potential and with no follow up process there is no ability, or incentive, to correct the issues with any urgency.</li> <li>An additional effect is that, because Crown branches are only audited once every two years, the manager knows he/she has at least a clear year before the next audit.</li> <li>Due to the lack of involvement at the time of the audit and the time taken to formally issue the report the Area manager is not actively engaged in the process and consequently is not properly motivated towards addressing issues raised.</li> <li></li> </ul> </li> </ul> |  |
| <p>4. Audit Strategy, planning, costings and team structure</p> <p>Key Risks Impacted</p>                                                                               | <p><b>The Auditing effort in Network is primarily focussed around checking cash and testing counter staff compliance with statutory and contractual requirements.</b></p> <p>The Network Support Team is made up of approximately 220 FTE that are utilised to conduct a mix of audit work and training. The majority of staff are drawn from Post office Counters, although some have been sub postmasters. All</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |

## DETAILED FINDINGS SECTION

| <u>Area Reviewed</u>                                                                                                                                                                           | <u>Key Finding, Results and Issues</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
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| <p><i>Branch audit activity may not be sufficiently focused on all key branch risks, Coverage may not be sufficient or appropriately balanced</i></p>                                          | <p>new staff receive detailed induction training, however, based on our review, none of the staff have any formal audit qualifications, nor do they have any professional audit training or experience prior to their appointment. Their work is allocated to them by the scheduling team.</p> <ul style="list-style-type: none"> <li>• Crown branches are audited every two years as a standard</li> <li>• Other Branches are selected for visit using a variety of tools and criteria drawn from several different departments and sources. These being; Security, Branch Support, FSC (Chesterfield) and a cash based risk model.</li> <li>• The Network team are responsible for both auditing and training, the effort is split equally between the two. Total cost is approximately £6M per annum.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
| <p>5.Management information – use and relevance.</p> <p>Key Risks Impacted<br/><i>Results and management Information may not be sufficient to give senior management a view of control</i></p> | <p><b>MI reporting is not effective and is primarily focused on reporting activity.</b></p> <p>Although a large amount of data is captured and stored, there is little useful information produced.</p> <ul style="list-style-type: none"> <li>• Reporting is limited to a detailed spread sheet showing the number of audits of each type that have been conducted in the period.</li> <li>• There does not appear to have been any requirement for more detailed reporting. Significant benefit could be gained from highlighting key issues, trends and risks and the promotion of best practice (there are approximately 300 reports issued per month.)</li> <li>• MI reporting is not summarised effectively.. It is not targeted at senior management and is based on a detailed spreadsheet showing all activity over a given period of time.</li> <li>• There is focus on activity, number of suspensions by area.</li> <li>• No detailed issue or trend information is produced to better inform management of possible systemic issues, strengths of weaknesses of control or management of risk across the business or within areas/regions.</li> <li>• Network Audit work is primarily focussed on finding and reporting cash losses but the MI concentrates on task completed vs forecast. It is important to note that whilst there is considerable focus on cash and cash losses, reporting of cash losses at a MI level is not an area of focus. When Internal Audit requested a summary of losses for the year to March 2013, the administration team commented that they did not do this as a matter of course. As a result a specific report was created for our purposes.</li> <li>• Considerable effort was required by Internal Audit during this audit to obtain the information necessary to understand the situation with regard to staffing, allocation of work and costs of operating the function. The appendix shows a summary of the costs but these are still based on a number of assumptions and analyses made during the audit.</li> </ul> |  |

## DETAILED FINDINGS SECTION

| <u>Area Reviewed</u>                                                                                                                                       | <u>Key Finding, Results and Issues</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |
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|                                                                                                                                                            | <ul style="list-style-type: none"> <li>Network Audit work is primarily focussed on finding and reporting cash losses but the MI concentrates on task completed vs forecast.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |
| <p>6. Use of resource and scheduling activity.</p> <p><u>Key Risks Impacted</u></p> <p><i>Coverage may not be sufficient or appropriately balanced</i></p> | <p><b>Current working practices are inefficient for the business.</b></p> <p>The current 35 hour week (which includes all travel time) is inefficient for the business and inequitable for the employees.</p> <ul style="list-style-type: none"> <li>Work is scheduled by the scheduling team (14 x FTE currently based in Salford) who allocate the work based on a set of variables that include skill set, base location, hours position and recent work patterns.</li> <li>Some FSA's will have worked in excess of 35 hours and are owed time by the business (5205 hours at w/e 1/7/13), others will not have not worked the full 35 hours and owe the business time (3488 hours at w/e 1/7/13). FSA's typically arrive on site by 08.30 and are usually finished by 11.30 at the latest, when all but the audit lead finish for the day.</li> <li>There is little or no formal follow up activity on the results of the audits, other than follow up from FSC at Chesterfield on cash discrepancies.</li> <li>FSA's can be required to undertake either audit or training work.</li> <li>An analysis of audit and training split was attempted and this is documented in Appendix 1. The analysis suggests that only 25% of total FSA days available spent is on actual direct audit and audit related work although there are no formal time records to verify this. The remainder is accrued to non direct work and a further 25% to training.</li> <li>(For breakdown of work undertaken please see Appendix 1) but is approximately 50:50.</li> </ul> <p>FSA's contracts describe Saturday (am) working this is very rarely undertaken.</p> |  |



## APPENDIX

**Appendix 1 – Structural Options****Option 1****Continue as current**

| Pros                                                                                                                                                                                        | Cons                                                                                                                                                                                                                                                                                            |
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| <ul style="list-style-type: none"><li>• Current staff population remains in place</li><li>• Limited assurance maintained over cash</li><li>• Specialist knowledge pool maintained</li></ul> | <ul style="list-style-type: none"><li>• Nothing changes – no improvement in assurance gained</li><li>• Not risk based</li><li>• No efficiency achieved – low value for money invested and time employed</li><li>• Limited “audit coverage” maintained</li><li>• Coverage questionable</li></ul> |

**Option 2****Continue as current but split Audit and Training into separate functions within Network Support**

| Pros                                                                                                                                                                                                                                                  | Cons                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Current staff have a choice of specialism subject to senior management requirements regarding split</li><li>• Specialist knowledge maintained</li><li>• Minimal disruption to process and personnel</li></ul> | <ul style="list-style-type: none"><li>• No significant change – no improvement in assurance gained</li><li>• Not risk based</li><li>• No efficiency achieved – low value for money invested and time employed</li><li>• Limited “audit coverage” maintained</li><li>• Coverage still questionable</li></ul> |

**Option 3**

As option 2 but stream auditors to specialise in Crown, Retail Multiples or Agents

| Pros                                                                                                                                                                                                                                                                                                                                  | Cons                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Staff population remains in place</li><li>• Limited assurance maintained over cash</li><li>• Current Staff have a choice of specialism – giving potential for greater coverage</li><li>• Flexibility of staff across streams once trained</li><li>• Specialist knowledge maintained</li></ul> | <ul style="list-style-type: none"><li>• No significant change – no meaningful assurance gained</li><li>• Impact of 35hr week on flexibility of teams</li><li>• No overall efficiency achieved</li><li>• Limited “audit coverage” maintained</li></ul> |

## APPENDIX

Option 4**Continue as current but professionalise team – remain within Network Services**

| Pros                                                                                                                                                                                                                                                                                                                                             | Cons                                                                                                                                                                                                                                                                                                                  |
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| <ul style="list-style-type: none"><li>• Current staff population remains in place (if they can be professionally trained and skills upgraded/broadend)</li><li>• Limited assurance maintained over cash</li><li>• Greater flexibility if “management” hours are worked and travel time is rationalised</li><li>• Development of people</li></ul> | <ul style="list-style-type: none"><li>• No significant change – no meaningful assurance gained</li><li>• Additional training cost</li><li>• No efficiency achieved</li><li>• Limited “audit coverage” maintained</li><li>• Disruption during HR processes</li><li>• Risk that it is unlikely to be achieved</li></ul> |

Option 5**Split audit and training and move audit to POLIA and transform to Retail Audit Capability**

| Pros                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Cons                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Transforms the function to professional Retail Audit</li><li>• Development stream for business. (Staff could transfer into other areas or into senior Central Audit roles)</li><li>• Assurance over all areas of branch operation</li><li>• Creates opportunity for remaining FSA staff to be regrouped into a dedicated training function not distracted by audit responsibilities – more direct support / focus for branches</li><li>• Managers and Management gain risk and control assessments of the network</li><li>• More effective testing of compliance (eg anti money laundering)</li><li>• Higher graded, experienced staff – lower numbers required</li></ul> | <ul style="list-style-type: none"><li>• Initial cost in training</li><li>• Staff disruption</li><li>• Need to assess current staff capabilities</li><li>• Not a quick fix, will need careful planning and transition.</li><li>• Potential redundancy costs</li><li>• Disruption during transformation</li></ul> |

## APPENDIX

Option 6

**Split audit and training but move audit (compliance activity) to Security and keep current activity which is broadly loss detection based**

| Pros                                                                                                                                                                                                                                                                                                                              | Cons                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Provides resource for immediate response to cash losses / issues / potential theft</li><li>• Limited assurance maintained over cash</li><li>• Professional, timely reporting and MI.</li><li>• Training capability remains in Network and able to focus more on direct support.</li></ul> | <ul style="list-style-type: none"><li>• Loss prevention / detection function only</li><li>• No efficiency achieved unless Security can reshape.</li><li>• No assurance provided over the whole branch operation</li></ul> |

Option 7

Outsource/Co Source the Network audit function –

7a)Outsource (with out sourcer running the activity) and

7b)Co-source (with POLIA running the activity with a mix of in house and external resource)

| Pros                                                                                                                                                                                                                                                                                                                                                                                                                    | Cons                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <ul style="list-style-type: none"><li>• Flexible resource</li><li>• Reduction in POL headcount</li><li>• No 35 hour week constraint</li><li>• Opportunity to gain assurance over more of the operation</li><li>• Professional exception reporting, timely provision of MI</li><li>• Use of external expertise to help develop the function (especially if co-source approach taken)</li><li>• Could cap costs</li></ul> | <ul style="list-style-type: none"><li>• Cost (usually charged at a day rate plus out of pocket)</li><li>• Unqualified/inexperienced staff used</li><li>• Less specialist knowledge – provider will need to build up POL knowledge ( higher risk if complete outsource used – less if co-source used_</li><li>• POL still needs to define model and take responsibility</li><li>• Costs may creep if provider needs more time to understand and develop. (less so if co-source used)</li><li>• Provider may not be able to provide sufficient geographic coverage.</li></ul> |



## APPENDIX

### APPENDIX 2

## Branch Survey Results

A number of branches were visited during this review and others surveyed by a questionnaire agreed with management.

### Conclusion

The survey responses showed that the majority of branch managers valued the Network audits as a barometer of the accuracy of their financial performance. Most of them viewed this with an air of inevitability rather than seeing them as a proactive aid to the business.

The approach was viewed as professional (with regard to the behaviour and conduct of the staff) but inflexible and outdated with regard to issue resolution.

### Branch Survey Questions and consolidated responses

#### 1. What is your experience of Network Audits in your branch(es) – please list positive and negative separately.

##### Positive

- Professional approach towards branch staff
- If audit team is of sufficient size the audit can be completed quickly

##### Negative

- Can mean the cancellation of team activity / sales training as audits are generally targeted towards these times to ensure access for auditors and management availability
- Audit team can outnumber staff, leading to a feeling of being overwhelmed
- Disrupts the whole day as it throws out break sequences

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- Discussion at the end of the audit did not reflect what eventually came through on the report

### **2. Do you have any comments on the FSA's carrying out the audits?**

- Experienced and knowledgeable staff
- Willing to help with issues if they are asked
- Their questioning disrupts service and distracts management and staff once branch is open

### **3. What do you think could be changed/added to improve the process?**

- Use of technology to ease completion of the audit – specifically Horizon data, auditors require paper evidence of compliance training which is all completed on the Horizon system, branch fails if paper certificate cannot be produced (even though training may well have been completed)
- Ensure that the audits are planned for when the manager will be in (branches penalised if staff cannot find certain records on the day)
- Avoid auditing branches after busiest days of the year, to allow them to catch up
- Include sharing of best practice

### **4. What do you get out of the audit process?**

- An indication as to what is going wrong in the branch with regard to cash and stock
- A feeling of comfort that things are working as they should be
- A feeling of frustration having told the Area manager that everything was as it should be after the audit and receiving a report 5 weeks later detailing issues.
- Improved knowledge around compliance and security

### **5. How useful (or not) is the audit report document?**

- Time delay between audit and issue of report renders it largely irrelevant

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- Provides clarity of required corrective actions
- Often differs substantially (adversely) from verbal feedback at the end of the audit
- It is irrelevant if the clearance at the end of the audit is well conducted. Actions usually completed within a week and report comes out some time after that

**6. Do you consider that there are any risks to your business that are not covered by the current audit?**

- This question was not answered by many managers indicating that risk awareness is not high on a branch managers list of priorities
- Would prefer all cash and stock to be counted and reconciled rather than just a selection
- Contractors that arrive unannounced expecting access to secure areas – happens frequently and should be addressed by auditors

**7. What is your view on having to close the Branch until the cash has been counted?**

- This is a necessary part of having an audit and it doesn't happen that often
- This is an inevitable consequence of an unannounced audit regime
- This has a negative impact on the customer experience
- Why not count the cash later in the day and balance at the end of the day instead of at the beginning

**8. Please provide details of any other issues or views that you may have on the Network Audit process.**

- Allowance for new managers in post – do not penalise them for not being able to find things in filing if new to branch
- Split the cash reconciliation and compliance questioning over two days (as per Bank of Ireland audits)
- With the move to monthly balancing the issue of accountability for losses should be more closely examined



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| Branches Visited during this audit                                                                                                                                                                                                                                                                                                                                               | Branches Surveyed                                                                                                                                                                                                         |
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| <p>Canterbury (WHS)<br/>West Wickham (Crown)<br/>Maidstone (Crown)<br/>Sittingbourne(Crown)<br/>Chingford Mount (Agent)<br/>333 Lea Bridge Road (Agent)<br/>Petersfield (Crown)<br/>Guildford (Crown)<br/>Rainworth (Agent-Conversion to Main)<br/>Underwood (Agent – Transfer)<br/>Stoke Park (McColls)<br/>North Finchley (Crown)<br/>Northolt (Crown)<br/>Ashford (Crown)</p> | <p>Golders Green<br/>Croydon<br/>Stockwell<br/>Wood Green<br/>Stevenage<br/>Milton Keynes (Crown Walk)<br/>Peterborough<br/>Haywards Heath<br/>Sittingbourne<br/>Crawley<br/>Solihull<br/>Walsall<br/>Longton (Stoke)</p> |

## APPENDIX

### APPENDIX 3

## RESOURCES, ALLOCATION AND COSTS

### Background

Determining the costs of the auditing capability was obtained with the assistance of Network Finance (Ron Greenwood) and the Network Scheduling team (Lee Heil).

This proved to be problematic .

- The FSAs have a dual role (they currently conduct both audit and training) – although they record their time in hours, they do not formally record their activity conducted within those hours.
- So IA had to work backwards from the days allocated to audits by the scheduling team, make deductions for non frontline activity and assume that the remainder was allocated to training activity.
- The analysis also had to assume that the average number of FSAs allocated to an audit was 3 per audit (this was validated by Lee Heil, Scheduling team leader).
- The financial analysis initially attempted to work from costings by individual but this proved complex. The Field Support Advisor analysis has used the overall area costs for 2012/2013 which totals £5.6m for the FSAs. This **excludes** the time for the senior management in the team and the scheduling team which number 14 staff.

Data used was for the year to March 2013 and as a check the first quarter of 2013/2014, using BAU figures only and extrapolated.

### Conclusion s

Based upon the information provided to IA the split of effort between audit and training is broadly a 50/50 split but trending to 45:55.

This would indicate that for the full year 2012/13 the cost of auditing was £3.01M and based on the first quarter of 2013/14 the out turn could be expected to be £3.36M

**NOTE:** All costs are for BAU cost centres only, there is approximately a further £1.4M that is NT related FSA activity

APPENDIX

**COSTING DETAIL**

| Cost Centre | Current Cost Centre Structure         | Year<br>2012/2013<br>£M | Quarter 1<br>2013/2014<br>£M | 2013/14<br>Extrapolated<br>£M |
|-------------|---------------------------------------|-------------------------|------------------------------|-------------------------------|
|             |                                       |                         |                              |                               |
| 2540347     | South East                            | 1.62                    | 0.49                         | 1.96                          |
| 2540348     | Midlands                              | 1.52                    | 0.43                         | 1.72                          |
| 2540360     | Scotland                              | 0.95                    | 0.25                         | 1.00                          |
| 2540361     | Northern Ireland                      | 0.27                    | 0.07                         | 0.28                          |
| 2540367     | Wales                                 | 1.23                    | 0.25                         | 1.00                          |
| 2541501     | Audit/Training Projects and Standards | 0.17                    | 0.15                         | 0.60                          |
| 2541602     | Head of national Field Support        | 0.26                    | 0.04                         | 0.16                          |
|             |                                       |                         |                              |                               |
|             | Totals                                | <b>6.02</b>             | 1.68                         | <b>6.72</b>                   |



## APPENDIX

**TIME ANALYSIS (YEAR 2012/13)**

| Detail                                       | Days Scheduled               | Totals (Days) | Percentage Split |
|----------------------------------------------|------------------------------|---------------|------------------|
| <b>Audit Activity</b>                        |                              |               |                  |
| Interventions                                | 862                          |               |                  |
| Agency Transfers/Closures                    | 860                          |               |                  |
| Agency Unplanned Closures                    | 27                           |               |                  |
| Robbery and Burglary Incidents               | 72                           |               |                  |
| 6-9 Month Post Transfer Audits               | 602                          |               |                  |
| Cash and Stock Checks (All Branches)         | 8619                         |               |                  |
| Random Cash and Stock Checking               | 102                          |               |                  |
| Cash Centre CViT & Swindon                   | 11                           |               |                  |
|                                              | <b>Total Audit Time</b>      | 11155         |                  |
| <b>Non Direct Time</b>                       |                              |               |                  |
| Annual Leave                                 | 4882                         |               |                  |
| Bank Holiday                                 | 1510                         |               |                  |
| Sick Leave                                   | 683                          |               |                  |
| Special Leave                                | 118                          |               |                  |
| Maternity Leave                              | 37                           |               |                  |
| Authorised Time back                         | 1693                         |               |                  |
| Regular Time back                            | 1552                         |               |                  |
| Blank Days*                                  | 6246                         |               |                  |
| Short Term Loan                              | 41                           |               |                  |
| Network Conformance Team                     | 1245                         |               |                  |
|                                              | <b>Total Non Direct Time</b> | 18007         |                  |
| <u>Calculation of Training days</u>          |                              |               |                  |
| Total FSA Days based on staff Nos            |                              | 44735         | 100%             |
| Less Audit Time                              |                              | 11155         | 25%              |
| Less Non Direct Time                         |                              | 18007         | 40%              |
| Balance (assumed training activity by FSA's) |                              | 16532         | 35%              |

\* Time not recorded as allocated to anything is analysed as Blank Days – this amounts to 14% of the total time available

## APPENDIX

**TIME ANALYSIS (Quarter 1 2013/14) (check for consistency of numbers)**

| Detail                                       | Days Scheduled               | Totals | Percentage Split |
|----------------------------------------------|------------------------------|--------|------------------|
| <b>Audit Activity</b>                        |                              |        |                  |
| Interventions                                | 138                          |        |                  |
| Agency Transfers/Closures                    | 598                          |        |                  |
| Agency Unplanned Closures                    | 9                            |        |                  |
| Robbery and Burglary Incidents               | 12                           |        |                  |
| 6-9 Month Post Transfer Audits               | 185                          |        |                  |
| Cash and Stock Checks (All Branches)         | 3210                         |        |                  |
| Random Cash and Stock Checking               | 27                           |        |                  |
| Cash Centre CViT & Swindon                   | 3                            |        |                  |
|                                              | <b>Total Audit Time</b>      | 4182   |                  |
| <b>Non Direct Time</b>                       |                              |        |                  |
| Annual Leave                                 | 1286                         |        |                  |
| Bank Holiday                                 | 671                          |        |                  |
| Sick Leave                                   | 93                           |        |                  |
| Special Leave                                | 21                           |        |                  |
| Maternity Leave                              | 3                            |        |                  |
| Authorised Time back                         | 460                          |        |                  |
| Regular Time back                            | 942                          |        |                  |
| Blank Days*                                  | 569                          |        | 4%               |
| Short Term Loan                              | 1                            |        |                  |
| Network Conformance Team                     | 267                          |        |                  |
|                                              | <b>Total Non Direct Time</b> | 4313   |                  |
| <u>Calculation of Training days</u>          |                              |        |                  |
| Total FSA Days based on staff Nos            |                              | 14560  | 100%             |
| Less Audit Time                              | Less Audit Time              | 4182   | 29%              |
| Less Non Direct Time                         | Less Non Direct Time         | 4313   | 30%              |
| Balance (assumed training activity by FSA's) |                              | 6065   | 41%              |

\* Time not allocated to anything is analysed as Blank Days – this amounts to 4% of the total time available