

IN CONFIDENCE

To: Mr Rudkin Subpostmaster	From: Paul Field Inspector	cc: Paul Hemley Retail Line Manager
Date: 24/09/2004		

Audit of Post Office® Ibstock branch, FAD 223217

An audit of the above branch was undertaken on Wednesday 22 September 2004 by Paul Field. This audit covered asset verification, audit of accounts and testing compliance with a range of Business processes and procedures and regulatory requirements.

The following page details the range of areas that can be tested at audit. The tests performed at this audit were selected to reflect current Business priorities and in response to current branch performance data.

Appendix A contains a more comprehensive report detailing our findings and recommendations for your information and attention. Any control gaps in bold were noted on a previous audit and had not been actioned at the time of our most recent visit. Please note the reference numbers preceding the control gaps are for our internal use only.

Please retain this report for your information. Appendix B is a compliance certificate that you must complete, sign and return, in the envelope provided, to confirm you have understood all the points made.

At the audit, you were given a questionnaire to provide feedback on the audit process. If there is anything else you wish to bring to our attention please feel free to write your comments on the reverse of this questionnaire or contact Senior Inspector, Craig Thompson on telephone no. **GRO**

All the auditors would like to thank Mr Rudkin and Sue for their assistance and hospitality throughout the audit.

Paul Field Tel: **GRO**

Inspector

Area Tested	Controls Deployed	Controls Not Deployed (Low Risk)	Controls Not Deployed (High Risk)
Procedural Security	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Horizon System Controls	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cash Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stock Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post Office® Card Account	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
On-line Banking	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debit Cards	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Regulatory Requirements - Money Laundering	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Regulatory Requirements – financial services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Royal Mail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franking Machines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Alliance & Leicester Banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Savings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Lottery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Littlewoods Scratchcards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bureau De Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign Exchange Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Moneygram	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Travel Insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Department of Work and Pensions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Motor Vehicle Licences	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environment Agency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
UK Passport Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Utility Schemes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Transport Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Self Fill ATMs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E Top up	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Inspectors can only comment on the areas examined during their visit. It should not be assumed that untested processes have satisfactory controls in place.

Audit of Post Office® Ibstock branch**Asset Verification**

A full check of cash, stock and vouchers revealed a shortage of £1528.87, which is broken down as follows:

Net shortage declared week no. 25	128.75
Difference at audit	1400.12

Comments and Recommendations:

Rod licences and milk tokens reconciled to declared office figures.

An error occurred in week 10 for £1200 that was entered to suspense account week 11 that was cleared in week 25 by 2*£600 error notices.

Balance for week 11 was £1109.48 short due to an unknown error. It was agreed with Paul Hemley that £1000 would be posted to the suspense account for 6 weeks. The remaining audit shortage of £528.87 was made good by cheque on completion of the audit.

The suspense account team was contacted on audit and a reference number of Q13519818 was allocated to the shortage.

Procedural Security

Your security procedures were examined in line with the Security Counts Book and the following was found:

Control Gaps – High Risk

- PS01 • opening procedures are not adhered to
- PS06 • cash/stock/value items is/are not adequately secured at lunchtimes and/or overnight

Control Gaps - Low Risk

- PS52 • a visitors book is not maintained

Comments and Recommendations:

Opening procedures are not fully adhered to.

The telephone is to be checked prior to entering the shop/secure area. Security counts page 02-03 refers.

Cash and stock is not at risk during opening procedures but end of day procedures are not adhered to.

All cash and stock is to be secured in the safe whenever the office is closed.

Cash and stock is afforded adequate security.

By discussion inward/outward remittances are correctly dealt with and mail deliveries/collections and parcels/packets are carried out correctly.

Correct procedures are not followed regarding the admittance of visitors.

Please maintain a visitors book. Security counts page 07 refers.

Appendix A

By discussion and observation keys are afforded security and alarms are correctly maintained and the counter screen/doors/fittings are correctly fitted and maintained.

Lottery cash and scratchcards are afforded adequate security. Hostage policy procedures are known and followed and the current security poster is displayed.

Horizon System Controls

Controls relating to the use of the Horizon system were examined, in line with the Horizon System User Guide (HSUG). The following was found:

Control gaps - High Risk

H04 • staff were not aware of action to take in the event of an unauthorised log on attempt

Comments and Recommendations:

User accounts and the Horizon equipment are adequately maintained and the Horizon equipment is protected against accidental damage.

Access to the system is not adequately maintained.

All staff are to be made aware of how to report illegal/failed log on attempts. The Helpline is to be contacted by the member of staff concerned and follow their instructions.

Cash Account

Counters Operations Manual - Cash Account, Balancing & Preparation refers.

The daily documentation for week 26 and weekly cash account documentation for weeks 18 to 25 was examined and all controls were correctly deployed.

Comments:

Daily summaries and weekly cash accounts are adequately maintained and completed at the required frequency.

Only authorised entries would be made in unclaimed payments and uncharged receipts.

Of the 20 transaction reversals completed within the last two weeks all had been adequately controlled.

Post Office® Card Account

Counters Operations Manual – On-line banking Post Office® card account refers

The card account procedures were examined and our findings were as follows:/the relevant controls were found to be in place.

Control Gaps - High Risk

POCA18 ξ cards were held beyond their retention period.

Control Gaps -Low Risk

POCA02 ξ envelopes were not dated in pencil on the top right hand side

Appendix A

Comments and Recommendations:

Correct procedures have been followed when issuing new cards but not when receiving new cards and retaining cards.

All envelopes containing new cards are to be pencil dated on receipt and cards are to be retained for 26 weeks after which they are to be destroyed as per instructions.

By discussion as no transactions completed the procedure for reporting and retained fraudulent cards/documents are known and would be followed.

On-line Banking

Counters Operations Manual – On-line Banking refers

The on-line banking procedures were examined and the relevant controls were found to be in place.

Comments:

There are sufficient forms available and the correct completion and retention procedures are known and would be followed.

Debit Cards

Counters Operations Manual – Debit Cards refers.

The debit card transaction procedures were examined and our findings were as follows:

Control Gap - Low Risk

DC08 ξ there was an inadequate supply of reward forms on hand

Comments and Recommendations:

There are sufficient blank forms on hand in case of a system breakdown. Services which cannot be accepted as payment by debit card are known. Correct completion and retention procedures are known and followed. Retained cards would not be held in accordance with current instructions.

Please obtain reward claim forms from Swindon stores.

Regulatory Controls Report – Anti Money Laundering Procedures

It is important that all staff employed by you to carry out transactions on behalf of Post Office Ltd, are fully trained in our anti money laundering processes and understand their personal liabilities under UK legislation. The Anti Money Laundering Training Workbook, OL46 and Training Focus Special are designed to help you do this.

Key anti money laundering controls have been tested and the findings will be communicated to the Anti Money Laundering Team for appropriate action where necessary. Our findings were as follows:

Appendix A

Control Gaps – High Risk

RR02 the branch training record was not on hand/fully completed

Comments:

Training record P6388 to be obtained from RM Logistics, Swindon. It is your responsibility to ensure that all staff receive training and acknowledge receipt by signing the training record.

MVLs

Counters Operations Manual - DVLA refers.

All MVLs on hand were examined along with the MVL serial numbers, the reconciliation's for weeks 19 to 25 and all controls were correctly deployed.

Comments:

Records relating to the receipt, return and retention of MVLs are accurately maintained.

Branch MVL reconciliations are adequately maintained.

E Top up

Workaid week 31 refers

The E Top up procedures were examined and the following was found:

Control Gaps - Low Risk

ET04 ξ incorrect refund procedure followed

Comments and Recommendations:

T Mobile do not allow refunds whilst the other 4 providers only allow refunds within 10 minutes of the original transaction.