



LOSSES AND GAINS POLICY WITHIN THE POCL AGENCY NETWORK

Version 1 (20 November 1998)

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INTRODUCTION AND PURPOSE

This policy document has been developed under the auspices of the Counters Risk Management Committee (CRMC), in order to provide clear and consistent guidelines about financial losses within the agency network. The overall purposes of the guidelines are:

- To ensure probity, objectivity and conformity across the network
- To protect Business finances and minimise outstanding losses
- To clarify roles and responsibilities
- To ensure equality and fairness of treatment of subpostmasters and other agents.

This document replaces subrem 5/88, and all preceding instructions on the treatment of agency losses.

From a purely contractual perspective a subpostmaster or other agent is responsible for all losses caused through his own negligence, carelessness or error. He is also responsible for all kinds of losses caused by the actions of any assistants, managers or relief subpostmaster employed by him. However, this stance may be varied in appropriate circumstances. These guidelines, which are consistent with the contractual relationships we have with our subpostmasters and other agents, seek to clarify those circumstances where some mitigation might be admissible, and provide a clear framework for line managers to approach the issues of financial losses within outlets.

This is an important financial issue for the Business - losses impact significantly on the bottom line and run contrary to the 'right first time' culture which is necessary for our overall commercial success.

The general principles addressed by this paper are, of necessity, mandatory upon Regions. However, the detailed processes by which these principles are deployed are for Regions to determine in the light of their particular circumstances and structures. Recommended processes which Regions may use as the basis for constructing their own systems, are given in the Appendices to this paper. As job titles, locations, processes and responsibilities are not consistent across all Regions, those contained in the Appendices may need amending to reflect what is appropriate for each Region.

The Recommended processes will form the guidelines that will be used by National Audit when auditing procedures in Business Units.

If any unit chooses to utilise its own alternative processes, therefore, those alternatives must be equally robust and achieve the same aims.

These guidelines are structured by initially looking at the preventative measures that are available to minimise the occurrence of losses in the first place, followed by consideration of the approaches to be taken when there is crime committed against the Post Office which leads to financial loss. They also cover accounting losses at outlets which are not due to crime, but may be due to careless and poor accounting practice. Finally they deal with the appropriate levels of authority that should be deployed for write-offs.

SECTION 1 - PREVENTATIVE MEASURES

Naturally, the best way of minimising losses is to prevent their occurrence in the first place. There are ways in which any office's vulnerability to losses can be reduced. These fall into two broad categories - measures that can be taken by outlets and measures that can be taken by POCL. A list (which does not pretend to be exhaustive) of detailed recommendations is at **Appendix A**, but the broad headings of areas which should be considered are as follows:

1. Preventative Measures by Outlets

1.1 Employment of Assistants

1.1.1 The contractual position in this respect is clear:

A subpostmaster must provide, at his own expense, any assistance which he may need to carry out the work in his sub-office.

Assistants are employees of the subpostmaster. A subpostmaster will be held wholly responsible for any failure, on the part of his Assistants, to apply Post Office rules, or to provide a proper standard of service to the public. He will also be required to make good any deficiency, of cash or stock, which may result from his assistants' actions.

1.1.2 Prior to employment of staff the subpostmaster should take all reasonable steps to ensure that the candidates are in all respects suitable for the position. Details of new staff must be supplied to Agency Recruitment for completion of Personal Declaration P13/P250.

1.1.3 The subpostmaster should take all reasonable steps to ensure that staff in his employ are acting honestly and to minimise the opportunities for them to act otherwise. If the office is showing consistent shortages and assistant dishonesty is suspected, the subpostmaster should be prepared to undertake whatever checks are necessary to pinpoint where the problem lies.

1.2 Adherence to correct security procedures

Correct security procedures are essential to protect subpostmasters and their staff from harm and to protect POCL cash and stock. Adherence to those procedures, consistently and reliably, is key to preventing unnecessary risks in this respect. Failures in this area are serious issues, particularly if they are persistent failures. The “Counter Attack” booklet is a key reference document in this respect. Its provisions are not mandatory upon agency outlets, but failure to adhere to its principles without good reason must cast doubts on an agent’s competence in a security context.

2. Preventative Measures by POCL

RNM Loss Control Process

RNMs are accountable for all losses at their outlets and therefore the need to practice preventative measures in this area cannot be over emphasised. This is particularly true in misuse of funds cases, which are breaches of contract and must not be treated leniently since this encourages low standards of financial propriety

Authority To Hold Losses In Unclaimed Payments

The Subpostmaster’s contract requires that losses are made good without delay. Immediate settlement is, therefore, the contractual norm. RNMs, however, can authorise (in writing - Standard 5, Appendix M) losses to be held in unclaimed payments for a period of up to 8 weeks. This arrangement should not be seen as a rubber stamping exercise and agents should have to justify their reasons for not making losses good immediately (e.g. known error made and error notice to be issued; misbalance is against current balancing record).

Immediately following the 8 week period, it is the RNMs responsibility to pursue such cases. Where error notices have not been issued to clear the original loss then arrangements should be made, without further delay, to make the loss good.

SECTION 2 - CRIMES AGAINST THE POST OFFICE

In this section we deal with robbery, burglary, theft and fraud by subpostmasters and other agents and their staff. We do not attempt to cover the detailed process by which such incidents should be reported and investigated, but, rather the approach that should be taken to any properly identified loss that results.

2.1 Robberies and Burglaries

In the event of such an occurrence and the consequential identification of a loss, the following process should be instigated:

2.1.1 RSIM investigates the incident. As the majority of these investigations will be done as a desk top exercise as opposed to actual visits to outlets, the RSIM should be provided with a copy of the audit report on the incident. This will help the RSIM reach a more informed conclusion and should include details of any loss and a narrative which detailed the auditor's observations with regard to the possible cause of the loss whether it be procedural or equipment failure. The RSIM's investigation will include full consideration of the agent's account of the incident. The purpose of the investigation is to discover why the crime was successful - and whether there are any learning points for the future protection of that office or others in the network. The investigation is not about attributing blame. However in the course of the investigation a view should be taken on whether or not a contributory cause of the success of this particular crime was some negligence on the part of the agent or his/her assistants.

In the majority of cases, where there is no suggestion of any negligence, the RSIM will conclude his report and pass to the RNM with any recommendations as to improvement actions. In respect of the loss, it is POCL policy to fully write off any burglary/robbery losses which are not caused by negligence

2.1.2 If, however, following his investigation, the RSIM believes that there is a degree of negligence he should include within his report his view on the level of any contributory negligence on the part of the agent. In this context, contributory

negligence means any security lapse on the part of the subpostmaster or his staff which directly facilitated the specific loss being investigated. Security weaknesses discovered during the investigation that did not contribute to the specific loss should not be taken into account as part of this determination. The RNM may wish to separately follow up any general weaknesses uncovered in the report through warnings or actions under the contract with the subpostmaster. However in considering what level of recovery to make from the subpostmaster for a specific loss, only negligence that directly contributed to that loss should be taken into account.

2.1.3 RSIM will give a general view on the degree of contributory negligence in accordance with the following table.

<u>Level of Contributory Negligence</u>	<u>Proportion of loss caused by the negligence</u>
not culpable	nil
partially culpable	33%
mainly culpable	66%
fully culpable	100%

2.1.4 The RNM then considers the RSIM's report, liaises with the RSIM for any points of clarification, and then contacts the agent to advise him of the degree of contributory negligence recommended in the report together with the reasons for that assessment. The RNM should further advise the agent that he is now considering the implications of that report in respect of recovering from the agent that proportion of the loss identified as being due to negligence (given the basic contractual position that agents are responsible for any losses caused by their negligence or the actions of their staff). The RNM must ask the agent if he has any comment he would wish the RNM to take into account in coming to that decision. (It is important to note in this context that nothing said to the RNM by the agent during a post-trauma counselling session can be taken into account by the RNM in coming to a decision, unless it is subsequently reconfirmed after the counselling session.) The agent is asked to submit any comments in writing within 10 working days. It is important that the RNM handles this correspondence sensitively. If, for example, there has been a robbery with violence it would be entirely inappropriate if the first contact the

agent receives from the RNM is a note about the potential recovery of monies. Throughout the processes following a robbery or burglary there should be supportive help given to the subpostmaster in recovering from what may have been a traumatic experience.

2.1.5 The RNM then reaches a decision on the contribution towards the total loss incurred by POCL which should be required from the agent. In coming to that decision he takes into account the RSIM's report, the nature of the incident and the comments submitted by the agent. The RNM should also take particular note of the circumstances of the incident. If a subpostmaster is negligent and facilitates a successful raid, it seems right for him to contribute towards the loss. However, if he is attacked during a raid, is injured, or shows a commendable resourcefulness and bravery, then the finest of judgements is required in deciding the level of contribution. In making that judgement the following guidelines should be followed:

2.1.5(i) Where the subpostmaster has received a bravery award in connection with the same incident, or has been or is likely to be nominated for one, full relief should normally be allowed. If it is proposed to call for a contribution in such a case, the HoRN should be consulted first.

2.1.5(ii) Where the circumstances of the case are insufficient to merit an award, but commendable action has been shown or injury suffered, this should be sympathetically weighed against any negligence when assessing the contribution towards the loss;

2.1.5(iii) The degree of negligence and therefore the level of contribution will depend on the specific circumstances of the incident and each case will need to be judged on its merits. The degree to which a blatant disregard of security procedures led directly to a robbery taking place and to avoidable losses being incurred will be a critical factor in assessing negligence. **(NB If a history of security lapses is to be invoked as a factor, it is essential that any previous warnings should be clearly and carefully documented both within our files and with the subpostmaster.)** On the other hand, acts of bravery or resourcefulness, and evidence of duress whether by threat of violence directly or against hostages or severe risk of injury should be taken into account as countervailing factors.

2.1.6 Insurance cover for the first £2000 of any robbery or burglary loss is available to subpostmasters. In normal circumstances it is expected that the contribution required in robbery or burglary cases would not exceed £2000 plus 25% of the current annual gross remuneration paid to the agent. For the majority of cases this is currently regarded as a reasonable level which reflects the balance between the need for POCL to recover lost funds, the commercial ability of the agent to bear the loss, and the need to ensure that the avoidance of negligence is taken seriously in the network.

However, the contractual position remains that an agent is responsible for losses caused through negligence at their office and there may be cases of gross negligence where it is appropriate that recovery of more than this £2000 plus 25% figure is warranted. In such cases the HoRN will be required to countersign the decision.

The RNMs/HoRNs decision in respect to recovery of losses will be subject to periodical audit and therefore full records of the decision must be maintained. The decision should also be communicated to the RSIM, the finance team and, if he/she has not already been involved in it, the HoRN

2.1.7 The RNM advises the agent of the decision and his rights of appeal. The RNM should in this correspondence ask how the agent intends to pay the decided level of contribution. If the agent proves that they are not in a position to repay the sum immediately, the RNM can give consideration to the repayment being spread over instalments up to a maximum period of one year from the date of the RNM's decision in this respect.

2.1.8 The agent has the right of appeal to the HoRN if he does not agree the level of contribution decided or the terms upon which the RNM is allowing repayment. In the appeal the agent has the right to be represented by a recognised trade union representative, and/or friend (as long as that representative or friend is either an employee or agent of POCL)

2.1.9 The appeal can be conducted in writing or in person (the applicant can request either option). The HoRN will take a view on the case put to him about whether the contribution requested is appropriate in respect of the incident and the level of negligence, and whether the repayment terms are consistent with the financial position of the agent. However, given that the

maximum contribution required would not normally exceed £2000 plus 25% of the agent's most recent 12 months gross remuneration, any mitigation agreed would normally be confined to agreeing phased payment rather than any further reduction of the amount required. Consideration of financial hardship in this respect should follow the general guidelines given at **Appendix B**. The HoRN can take the view that the original contribution required was too high or too low on the basis of his consideration of all the facts of the case, and/or he could alter the method of payment in recognition of financial hardship.

In the case where a RNM has made a decision, countersigned by the HoRN, that a contribution level of more than £2000 plus 25% gross annual remuneration is required, any appeal should be heard by the RGM or a defined representative (e.g. the Head of Finance)

2.2 Fraud/Theft against POCL by Subpostmaster or Assistants

2.2.1 Fraud/Theft by Subpostmaster

If the subpostmaster is suspected of fraud or theft an investigation should be instigated and this may lead to the termination of the subpostmaster's contract. In such cases the Business will seek to recover from the agent all losses incurred. Advice from legal services should be sought on such recovery.

2.2.2 Fraud/Theft by a Subpostmasters Assistant

Subpostmasters are contractually responsible for all losses at their office, including those due to actions of their assistants. In the case of losses due to fraud or theft by an assistant, POCL may require a contribution of up to 100% of the loss from the subpostmaster, dependant upon the circumstances of the case.

Such cases need to be judged on their merits and RNMs should consider the full facts of each case including comments from the subpostmaster, in coming to a decision on the level of contribution required. The general principle of a separation between the culpability decision and the decision on contribution should be followed, as in the robbery/burglary process. A major factor to be considered is the extent to which the subpostmaster was in effective control of his office and his staff, and whether he had taken all reasonable steps to implement good security practice.

If the subpostmaster is in a position such that he is unable to make good the loss, the factors in cases of financial hardship should be considered and a subsequent decision may be made to write off part of the loss and/or give extended time for repayment. In considering financial hardship in these cases, the capability of the agent to obtain recovery from the assistant should be taken into account as a factor which may, or may not, alleviate the financial hardship.

The subpostmaster will have a right of appeal - in writing or in person to the HoRN against the decision taken by the RNM. In this appeal, he can be represented by a trade union representative, or a friend (who must be an employee or agent of the Post Office). The decision of the HoRN will be final in such matters

The only exception to the foregoing is where the subpostmaster has sought advice from his region and that advice consists of the Region asking the subpostmaster to defer taking his own action (e.g. to defer terminating the assistant's [or all assistants'] employment with him) in order to facilitate a wider enquiry that may be underway.

In such cases any losses incurred from the point at which the agent reported the position and was requested to defer taking his own action, should be written off and no recovery sought from the agent. Naturally, this dispensation would only apply to losses due to the action of the assistant(s) involved, and not to losses that have some other cause.

The region needs to ensure that any cases where the subpostmaster has been specifically requested not to take action are fully documented with the subpostmaster so that a clearly understood basis is available for future loss recovery decisions.

SECTION 3 - ACCOUNTING LOSSES

3.1 The subpostmaster is required to make good all losses however they occur (Subpostmaster's contract Section 12 paragraph 12). However, there may occasionally be exceptional circumstances that allow for relief. The table below details types of losses and the scope that may be considered for relief.

Error notices issued should be brought to account in the next available/possible cash account.

TYPE OF LOSS	RELIEF CONSIDERED
New agents	Extra Training Up to full relief for first six C/A weeks
Unidentified cash account loss.	No relief unless financial hardship caused.
Error notice with no compensating misbalance.	Errors should be brought to account in the next cash account -special checks of vouchers can be arranged. Amount may be held in unclaimed payments for a period of up to 8 weeks pending result of checks. If checks reveal nothing no relief unless financial hardship caused.
Transaction errors including irregular payments and RD cheques.	No relief if evidence is conclusive. If evidence is not conclusive, up to 100% relief.
Disputed remittance error notices.	No relief providing Distribution Centre can supply evidence unless financial hardship would be caused. If no evidence available, up to 100% relief.
Loss by relief subpostmaster.	No relief unless financial hardship caused.
Loss incurred during sudden illness of agent.	Up to full relief for one cash account week. This may be extended in exceptional circumstances e.g. if the agent is hospitalised and subsequently dies.

3.2 The RNM decides on the amount of relief to be given, if any, taking account of the circumstances of the case. He or she advises the agent of the decision and his rights of appeal. The RNM should in this correspondence ask how the agent intends to pay the decided level of contribution. If the agent claims that they are not in a position to repay the sum immediately, the RNM can give consideration to the repayment being spread over instalments. This is a discretionary action that must conform to the following commitments:-

- losses are made good by deduction from remuneration
- the repayment period is up to a maximum of 12 months
- during the repayment period, further losses must be made good immediately
- any credit error notice relating to the same cash account week must be used to reduce the outstanding balance
- the amount will become payable in full should the agent's contract with POCL come to an end
- the standard vouchers (Appendix M - Standards 12, 13, 14, and 15) must be used
- no more than 2 repayment cases for the same agent have previously been allowed in the past two years

3.3 The agent has the right of appeal to the HoRN if he does not agree the level of contribution decided or the terms upon which the RNM is allowing repayment. In the appeal the agent has the right to be represented by a recognised trade union, and/or friend (as long as that representative is either an employee or agent of POCL)

3.4 The appeal can be conducted in writing or in person (the applicant can request either option). The HoRN will take a view on the case put to him about whether the contribution requested is appropriate and whether the repayment terms are consistent with the financial position of the agent. Consideration of financial hardship in this respect should follow the general guidelines given at **Appendix B**. The HoRN can take the view that the original contribution required was too high or too low on the basis of his consideration of all the facts of the case, and/or he could alter the method of payment in recognition of financial hardship.

**SECTION 4 - RECOVERY OF DEFICIENCIES FOLLOWING
TERMINATION OF CONTRACT**

4.1 Where it is decided to terminate a Subpostmasters contract and a deficiency exists in the office 'Late account', the opportunity should be taken in the letter informing him of his loss of office to make an initial approach regarding repayment. He should be reminded of his contractual responsibility to make good all losses incurred during his period of office. It is advisable to incorporate an updated statement in the letter listing any credits due which offset against the deficiency. As it may prove necessary to institute civil action to recover the deficiency, the Region should check that the Acknowledgement of Appointment as Subpostmaster is signed by the subpostmaster and is on hand at the Regional office.

4.2 Similar action to the above should be taken where a deficiency exists, or is revealed later, in the account of a subpostmaster who has resigned.

4.3 In 'late account' cases where sums of under £250 are involved, the circumstances of the case will indicate whether the administrative time likely to be employed in collecting the moneys outstanding would be justified. Balanced against consideration to write-off the debt is of course the possibility that further debit errors may come to light substantially increasing the deficiency; the accounting record of the subpostmaster can act as a useful guide in this respect.

4.4 The remuneration or other payments due to a subpostmaster under the terms of his contract for services with POCL can be withheld to off-set a deficiency in his accounts. This is because a party to a contract can set-off against sums which he owes under that contract, sums which are owed to him under the same contract. A different situation might apply however where the subpostmaster is adjudicated bankrupt. Should legal action be threatened or taken against POCL in respect of remuneration or other payments withheld to offset a deficiency, the papers should be referred to the Network Resourcing team in Head Office Network who will seek Legal Services advice.

SECTION 5 - WRITE OFF AUTHORITY LEVELS

5.1 General

Decisions in this respect are not taken by groups, they are the responsibility of individual managers, who bear accountability for those decisions.

The reasons for write-off must be fully documented and will be subject to audit. A write-off voucher, signed by an authorised signatory, must be used (e.g. Standard 9 at page 69).

All write-off decisions should be advised to RSIM so that trends can be monitored.

The following levels refer to the amount written off, not the amount of the loss where that is different.

5.2 Robbery and Burglary

All write-offs in cases of contributory negligence require Head Of Finance concurrence. All write-offs over £5,000 in cases where there is no contributory negligence, also require Head Of Finance concurrence.

Up to £2,000	Retail Network Manager
£2,001 to £50,000	Head of Retail Network
Over £50,000	Referred to Head Office Network for sign-off

5.3 All Other Losses

Up to £500	Retail Network Manager
Over £500	Head of Retail Network

Head of Finance concurrence required for all write-offs over £1000.

APPENDIX A

RECOMMENDED PREVENTATIVE MEASURES

1. Preventative Measures by Outlets

1.1 Employment of Assistants

1.1.1 Prior to Employment :

- References to be sought from previous employment for all new staff, including from subpostmasters at previous offices, if applicable.
- Details of new staff to be supplied to Agency Recruitment for completion of Personal Declaration P13/P250.
- Personal contracts of employment to be issued for all staff.
- Employ staff on reasonable rates of pay (seek advice from NFSP)
- Consider trial reports for new staff to ensure high standards.
- Set targets/standards expected from staff.
-

1.1.2 Office Controls and Procedures:

- Maintain attendance records, including holidays and sick periods to identify staff involved when losses occur.
- Visitors to the secure area to be restricted and, where admitted, supervised at all times. A visitors book should be maintained and should be signed by all visitors.
- Consider provision of “uniform” without pockets to minimise risk.
- No serving of family/friends to be allowed and no staff “self serving”.
- Restrict counter cleaning to outside of counter times.
- Where operationally possible, avoid leaving one member of staff on their own.
- Where counter drawers containing money are used, keep them locked when not in use.
- Restrict access to safe to subpostmaster only, if operationally possible, and keep locked at all times.
- Cash at the counter to be restricted to immediate operational needs (max 1 to 1.5 hours requirements)..
- Where applicable, maintain a record of staff signing for cash from safe and maintain running balance of cash within safe.

- All summarised paid pensions and allowances to be independently second checked by subpostmaster and then security sealed, e.g. in banknote envelopes, to avoid docket tampering.
- Weekly paid voucher despatch to be controlled by subpostmaster in line with above.
- All machine listings to be signed and if possible, add listed on a different machines.
- Ensure regular checks are made on add lister for accuracy.
- Subpostmaster to be second checker of all daily and weekly vouchers. Errors found to be recorded and taken into account re. individual staff monitoring.
- Daily cash on hand accurately recorded each night in cash book and reconciled on ONCH return.
- Subpostmaster to carry out regular spot checks of cash, stock and vouchers, irrespective of balance result.
- All handbags, coats etc. to be kept away from the secure area where possible, or, if no other area available, then away from counter drawer area/ back of chair.
- Staff found guilty of fraud/theft, consider prosecution.

1.1.3 Subpostmaster Instigated Checks

If the office is showing consistent shortages and assistant dishonesty is suspected, it is recommended that the following checks are introduced where possible:

- Introduce discrete daily balancing after closing to establish balance. Do so in conjunction with attendance of “suspect” staff to confirm suspicions.
- Where possible, introduce individual balancing.
- Rearrange attendance times of staff if necessary.
- Complete surprise checks of individuals’ dockets/cash/stock as applicable.
- Maintain a record of all types of errors, including those found on second checks of P & A vouchers, and any customer complaints. This may assist in dismissing poor performers.
- Consider interviewing of individual staff (if several staff employed) in order to elicit any suspicions regarding losses and give warning re. jobs, if necessary as a threat. RNM to support initiative if required.
- Look for tell tale signs of staff in changing life styles of staff such as unusual behaviour/holidays/new clothes/living beyond normal means. Do not totally dismiss gossip.
- Consider installation of Closed Circuit TV cameras (hidden or visible) with VCR recording facility.

1.2 Adherence to correct security procedures

- “Counter Attack” and “Personal Guide to Security” are valuable reference points in this context.
- Have previous reports/weaknesses been actioned as appropriate?
- Are Regional Security guidelines/policies adhered to?
 - Opening procedures
 - Secure area left unattended - cash/stock locked in safe
 - ABS door closed
 - Parcel hatch closed when not in use
 - Time Overlock set to come off guard 15 minutes prior to opening. Time delays used to maximum effect.
 - Safe door locked at all times. Key removed when not in use
 - Office keys concealed at all times (e.g. drawer behind counter)
 - Cash at the counter restricted to immediate operation needs (max. 1 1/2 hours requirements)
 - Time Delay Compartment utilised to afford maximum security to bulk cash
 - Remittances delivered via the Parcel Hatch and secured immediately upon receipt or as soon as time delay locks allow.
 - At close of business including lunch times, all cash/stock and vouchers secured as per SECURITY GUIDELINES
 - Alarms tested and records maintained
 - Overnight cash holdings kept to a minimum
 - Closing procedures

2. Preventative Measures by POCL

2.1 RNM Loss Control Process

RNMs are accountable for all losses at their outlets and therefore the need to practice preventative measures this area cannot be over emphasised. This is particularly true in misuse of funds cases, which are breaches of contract, and must not be treated leniently since this encourages low standards of financial propriety.

The following provides details of what actions are recommended to introduce such measures. Consistent deployment of these would greatly assist in identifying problems at an early stage and therefore improve management of losses.

Recommended actions are to review on a regular basis:-

- Outlets cash books concentrating on:

- Unclaimed Payments (Losses)
- Uncharged Receipts (Gains)
- Weekly balancing records
- compare recorded overnight cash holdings against target

This should be seen as a mandatory requirement at every outlet visit and should be carried out in a discrete manner.

- Review cheques on hand.
- Outlets Financial Accounting Records (P782) obtainable from Regional Audit. P782 includes details of:
 - Financial Errors
 - Misbalances over £250

Intellect report “Unclaimed Payments”. Copies of actual Cash Accounts can be obtained from Transaction Processing.

Where outlet accounting records are poor i.e. large number of Financial/QPA errors and reported misbalances.

- Review working practices and identify weaknesses; share best practice on advice to subpostmasters on Prevention of Theft/Fraud
- Implement changes
- Review progress

Where there is no improvement in performance/situation:

- Seek advice/involvement of Regional Security and Investigation Manager if fraud or dishonesty is suspected.

Consider the appropriate decision criteria measures ensuring fairness

APPENDIX B

Financial Hardship

The onus is on the agent to prove Financial hardship to the RNM and put forward proposals to resolve the situation. The case put to the RNM by the agent should be in writing and include relevant supporting documentation.

To help define hardship, the RNM may consider the following factors:-

- a comparison of the amount of contribution required to remuneration
- a comparison of remuneration to profit and loss account
- evidence of current assets, liabilities and income from all sources.

The RNM may seek guidance from the Finance section in establishing the level of hardship.

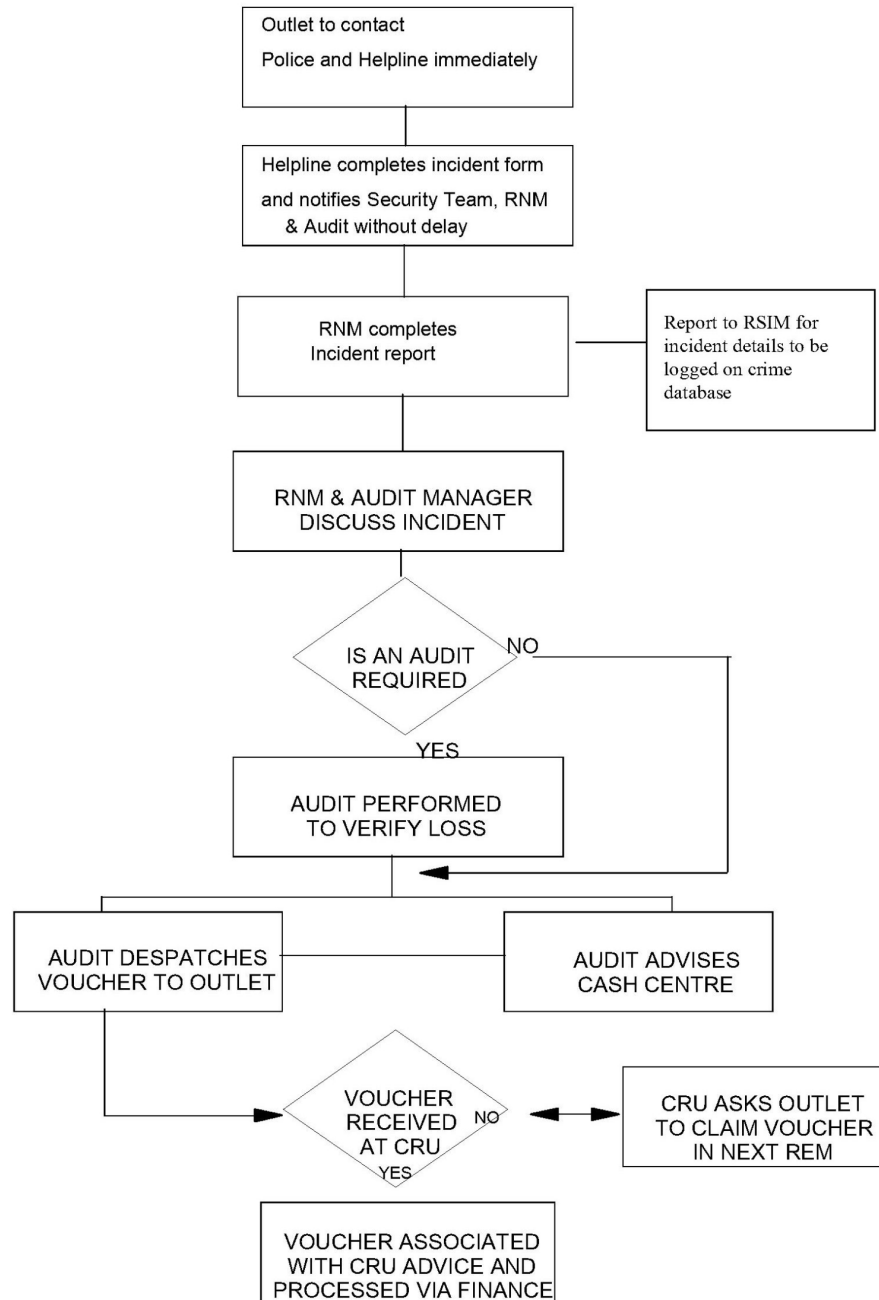
Where there is evidence that making good a loss would cause severe financial hardship, the RNM may consider the following action:-

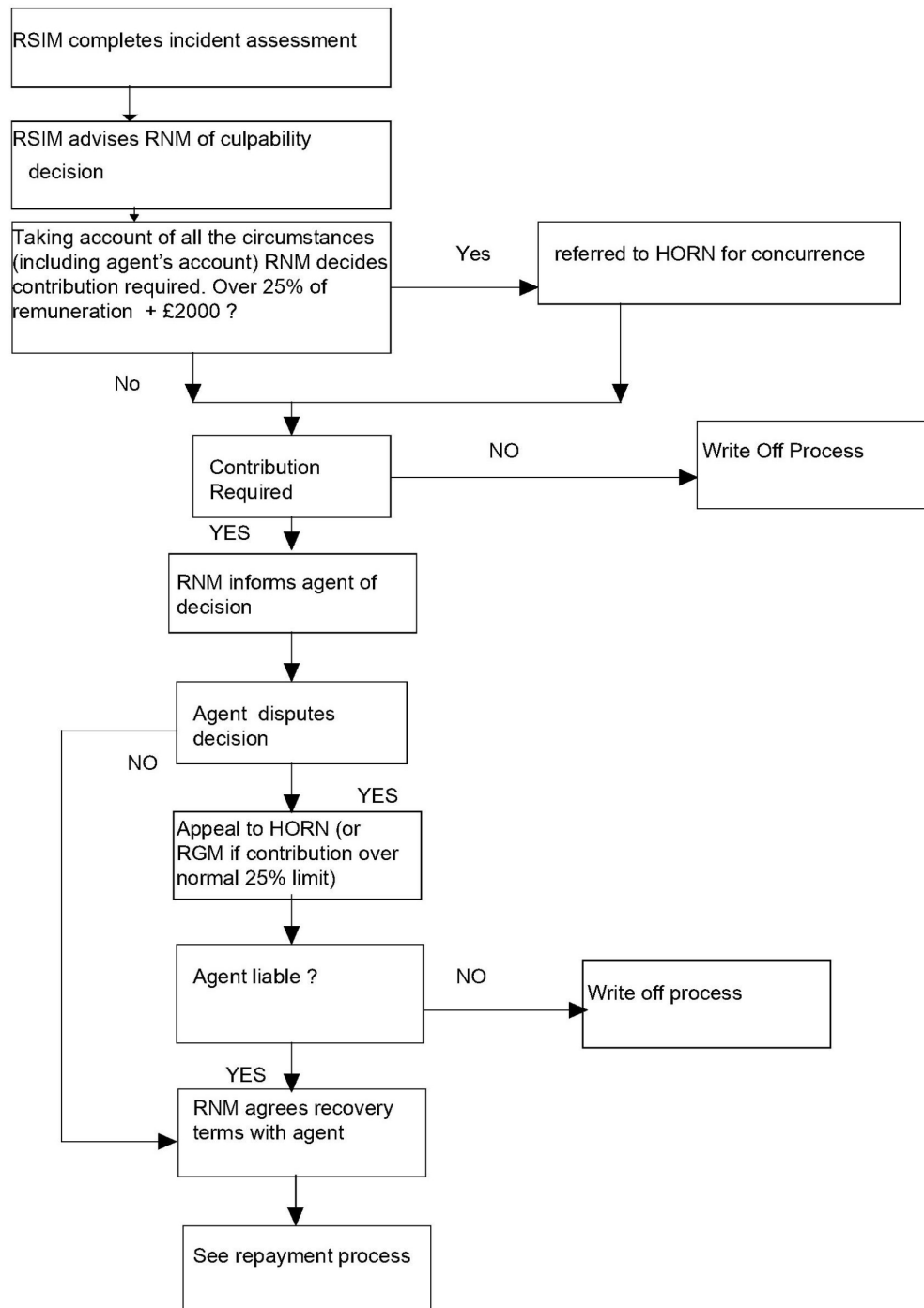
- repayment terms in line with the policy outlined in Sections 2 and 3.
- termination of contract with amount made good on transfer *
- partial write off
- full write off

* Where the level of hardship is such that the agent is unable to make a loss good by repayments, and yet the amount of contribution required cannot be reduced further (perhaps because an earlier loss which was reduced is still outstanding) serious consideration should be given to terminating the contract with the loss being made good on the date of transfer. This should preferably be arranged with nominal monthly repayments in the interim.

APPENDIX C

ROBBERY AND BURGLARY PROCESS





- **KEY RESPONSIBILITIES**

- **OUTLET**

- Report incident immediately to the Police
- Report incident immediately to the Helpline
- Remain closed until authorised to open

- **HELPLINE**

- Notify Audit/RNM/Security & Investigations of incident
- Ensure outlet is aware of requirement to remain closed
- Inform Transaction Processing that the office is temporarily closed, or that the cash account will be late.

- **AUDIT**

- Verify amount of loss and advise Security & Investigations
- Clear amount from cash account

- **RETAIL NETWORK MANAGER**

- Complete incident report
- Assess contribution, if any, from agent, obtaining HORN concurrence if necessary.
- Complete write off /recovery voucher

- **DISTRIBUTION CENTRE**

- Accept clearance voucher from outlet
- Claim amount to Finance via incidental voucher system

- **FINANCE SECTION**

- Accept incidental voucher from Distribution Centre and forward cheque
- Associate incidental voucher with write off/recovery voucher
- Process any repayment cases

- **REGIONAL SECURITY AND INVESTIGATION MANAGER**

- Complete assessment of incident.
- Decide the level of contributory negligence, if any, on the part of the agent and so advise RNM.

DETAILED PROCESS

Following an incident, the outlet should report the matter immediately to the Police and the Helpline, remaining closed until authorised to re-open by the RNM or auditors.

In the event of the incident outside of Helpline hours, the matter should be reported to the Helpline at 0815 in order to arrange an audit if necessary.

The Helpline will advise the RNM and Operations Audit Manager.

The Helpline will also inform Transaction Processing that the office is temporarily closed, or that the cash account will be late, to avoid TP chasing a missing cash account & documents at balance date.

The RNM and Operations Audit Manager will determine the requirements of an audit using the following criteria:-

- amount of loss - an audit must take place if this exceeds £1000
- evidence to support the amount stolen
- balancing/error notice record
- RNM/Audit concerns
- interruption to customer service
- affect on surrounding area
- cost of audit

An audit will only be waived if the Retail Network Manager, Operations Audit Manager and subpostmaster agree to this.

An audit will normally take place where there is a loss and must take place if the RNM requires one to be carried out.

If an audit is carried out, the amount of loss will be verified and agreed with the subpostmaster before the outlet can re-open.

Audit will report weekly to Security & Investigations with details of all incidents resulting in losses and arrange to clear the amount from the cash account using a clearance voucher (Appendix M-Standard 1). Audit will also advise the

Distribution Centre accordingly with form P3263 and advice note
(Appendix M-Standard 2).

The outlet will claim the voucher on the next remittance on the “*Other miscellaneous*” line of the P884, Inward remittance advice form and on cash account line 1082 ‘Rems to other offices’.

The Distribution Centre will claim stock losses through the CRU cash account (Line 1058) and cash/voucher losses through the incidental voucher system to Finance.

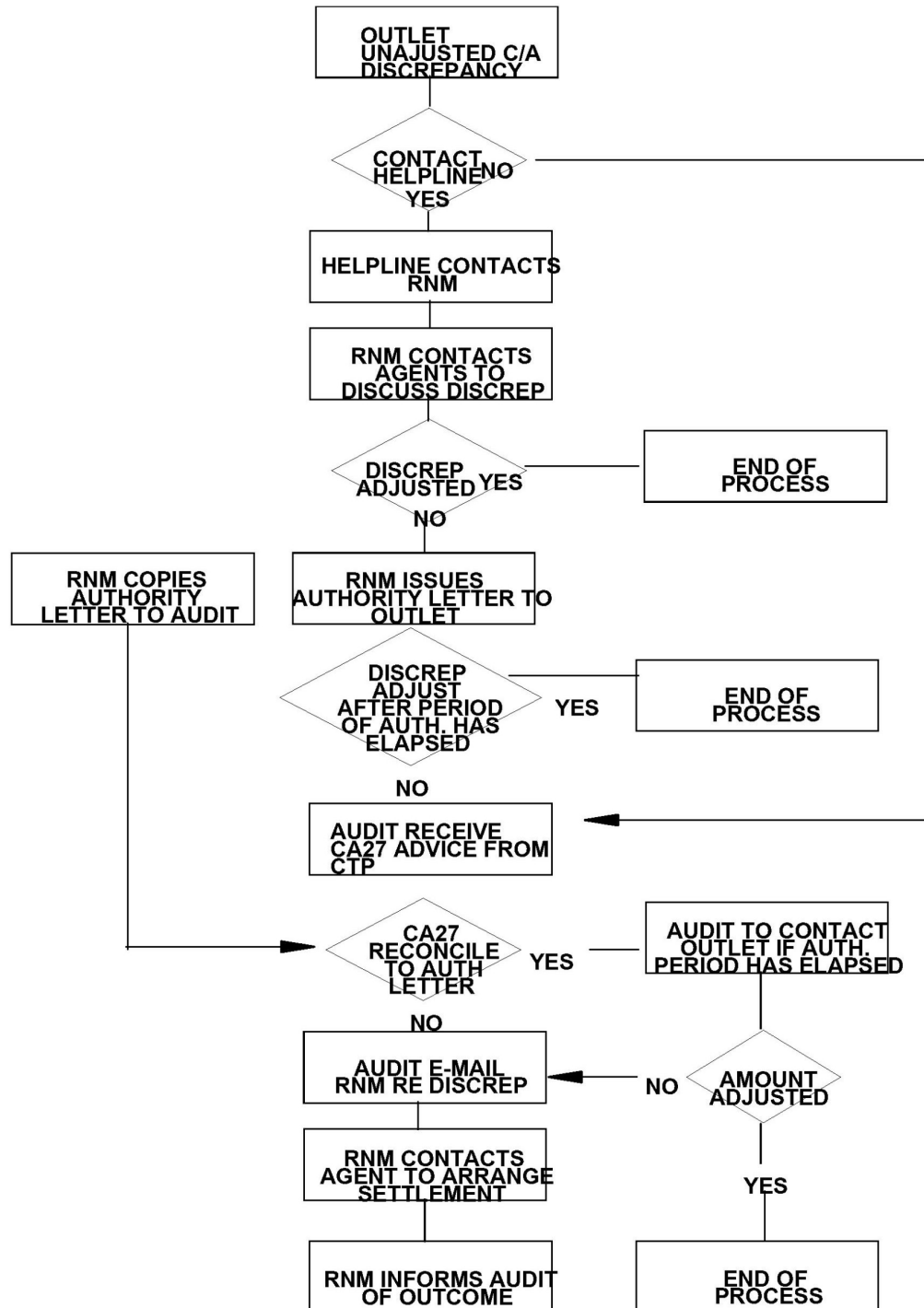
Finance will process the voucher and forward a cheque to the Distribution Centre.

Following the incident, the issue of any contributory negligence on the part of the agent is dealt with as defined in Section 2.

In the event of a subpostmaster being considered culpable and being required to make a contribution towards the loss, the RNM will advise the subpostmaster using a standard letter (Appendix M - Standard 3). If the agent does not dispute the decision the RNM arranges repayment. This will either be by cheque for the full amount required or by deduction direct from remuneration if the repayment is phased over a year (Appendix K refers). Should the subpostmaster dispute the decision, the appeal process defined in Section 2 is followed.

APPENDIX D

PROCESS FOR LOSSES AND GAINS AT AGENCY OUTLETS



KEY RESPONSIBILITIES

AGENT

- Adjust losses and gains as they arise
- Report any unadjusted discrepancy to the Helpline
- Adjust discrepancy according to instructions from RNM

HELPLINE

- Notify Retail Network Manager of outstanding discrepancy

RETAIL NETWORK MANAGER

- Contact outlet manager to discuss outstanding discrepancy
- If necessary, issue authorisation letter to outlet and copy to Regional Audit
- Arrange repayment plan with agent
- Inform Regional Audit of outcome
- Check cash books on ORM visits

REGIONAL AUDIT

- Pursue unauthorised amounts held < £100
- Notify RNM of unauthorised amounts > £100
- Pursue amounts held in excess of authorisation period
- Monitor office performance for recurring instances

DETAILED PROCESS

CASH ACCOUNT DISCREPANCIES

If an outlet incurs a misbalance, either a shortage or surplus, which is not adjusted immediately, the agent should report this to the Helpline. The Helpline will inform the RNM via the message system.

The RNM will contact the agent to discuss the discrepancy.

In the event of the discrepancy being a surplus in excess of £250.00, the agent should be advised to hold the amount in the uncharged receipts section of the cash account for a period of up to eight weeks. A voucher authorising this entry (Appendix M - Standard 4) should be issued to the agent and copied to Regional Audit. This can be done via e-mail. The subpostmaster may withdraw the amount but it must not be held with POCL funds (e.g. in the safe) and he should make the funds immediately available to clear a corresponding charge error notice.

If the discrepancy is a shortage, the agent should be advised to make the amount good. If the shortage is the result of a known error, or if making the amount good immediately would inflict financial hardship, the agent may be allowed to hold the amount in the unclaimed payments section of the cash account for a period of up to eight weeks. The RNM should discuss with the agent how the shortage will be made good after 8 weeks if necessary. A voucher should be issued to the office (Appendix M - Standard 5) to support the authorisation and the voucher copied to Regional Audit. Again, this can be done via e-mail.

The Audit section is notified by TP of any amounts held in the suspense accounts for more than eight weeks. This is reported at each period end. The Audit section will cross reference these reports to authority vouchers issued by RNMs. Any amount held in the suspense accounts that have exceeded the authority period will be pursued by the Audit section.

Any amount in excess of £100 reported from TP for which an authority letter has not been received will be reported to the RNM. Amounts under £100 will be pursued by Audit with the agent.

Where amounts are not adjusted within the time-scale authorised by the RNM, usually no greater than eight weeks, Regional Audit will pursue in the following manner:-

- In instances where the discrepancy is a cash shortage, the agent will be asked to make the amount good. If the amount is such that making it good in one payment would cause financial hardship, the Audit section will advise the agent to contact the RNM with proposals to resolve the matter. The Audit section will advise the RNM of the situation by e-mail. If proposals are not received from the agent within 7 days, the RNM should then pursue the matter with the agent. If the amount is not to be made good in one instalment the repayment process in Appendix K should be followed.
- If the discrepancy is a surplus, the outlet manager will be advised by Regional Audit to withdraw the amount, not to hold it with other POCL funds and reminded that it should be made immediately available to correct any charge error notices issued.

Regional Audit will monitor amounts being held in the suspense accounts to establish whether or not there is a trend developing at individual outlets. RNMs will be advised on offices where a pattern to holding losses appears to be emerging.

The Retail Network Manager should ensure that unauthorised amounts are not held in the cash account during their ORM visits (Section 12 of ORM refers).

APPENDIX E

FORGED NOTES / ENVELOPE SHORTAGES

<p>FORGED BANKNOTES TENDERED IN PAYMENT FOR GOODS AND SERVICES (excluding Giro corporate business deposits)</p>

The customer should be told that the note(s) is suspected to be forged. The note(s) should be impounded, without exchange for another note, the customer provided with an official receipt (P1091L) and where possible a record of the name, address, telephone number and description of the person presenting the note(s) on a CC03 form (Appendix M - Standard 6).

Where criminal activity is suspected, the incident should be reported to the Police by telephone and arrangements made for them to collect the note(s).

Where the Police are involved, the note(s) and any details should be handed over and a receipt obtained. A Post Office Counters receipt stamped or endorsed by the Police is acceptable.

The receipt should be retained in the office for one year. The receipt has no monetary value.

If criminal activity is not suspected or the Police refuse or fail to collect the forged note(s) within 7 days, the note(s) and CC03 (Appendix M - Standard 6) should be forwarded to the Distribution Centre with the next voucher remittance.

Please note that the value of the forged note(s) must not be claimed.

**SHORTAGES AND FORGED BANKNOTES IN
PLASTIC BANKNOTE/ODDMENT ENVELOPES OR
SEALED COIN BAGS**

Envelopes found to be short or containing a forged note(s) must be checked by a second officer at the time of opening and the shortage verified. The only exception to this would be in a one person office.

A shortage or forged note(s) found in an envelope made up by a Giro depositor must be reported immediately to the local Distribution Centre by telephone. The exception to this is Saturdays when the Distribution Centres may be closed. In this event the discrepancy should be reported first thing on Monday morning. Post Office Counters only have a limited period in which to lodge a claim against the Girobank customer so any delay can jeopardise the successful recovery of the shortage.

A CC01 (Appendix M - Standard 7) report must be completed in full for every PBNE or sealed coin bag discrepancy of £5 or over. Coin shortages under £5 do not require a CC01 and should be claimed in the normal weekly voucher remittance.

The full value of the shortage or forged note(s) should be claimed, on the "*Other miscellaneous*" line of the P884, Inward remittance advice form and on cash account line 1082 'Rems to other offices'.

The P884 must be supported by:

CC01 report, PBNE, any internal wrappers and Forged note(s) (if appropriate) or Coin bag label (including metal seal if appropriate) and posted to the local Distribution Centre by **First Class Post** on the same day the shortage or forged note(s) was discovered.

Please note that a phone call is only required if the envelope is from a Giro depositor.

The Distribution Centre should process the claims as follows:-

Giro Customer

If the 5 working day indemnity period has not expired, 'phone the customer immediately and confirm in writing.

Clearing Banks

For all forged notes or for shortages where the claim is for £50 or over the resource agreement with the bank that allows a claim to be made against the bank of origin, claim to the appropriate clearing bank.

Post Office Outlets

With the exception of forged notes, remit the shortage to the outlet with PBNE/bag label as evidence. Endorse CC01 report "remitted to outlet of origin". These reports should be forwarded every Friday to Admin. Support, Distribution Planning and Review.

Outstanding Forged Notes

The notes should be remitted [*insert relevant PCC*] (in full PBNEs) for clearance via Bank of England. Serial numbers should be recorded and associated with the PBNE.

The CC01 reports supporting claims for forged notes should be reconciled at the end of each cash account week, summarised and input into the computer tracking system.

**FORGED BANKNOTES DISCOVERED IN 'LOOSE
NOTE'
DEPOSITS PREPARED BY A GIROBANK DEPOSITOR**

The customer should be advised that the note(s) is suspected to be forged. The note(s) should be impounded and the customer asked to provide a genuine banknote to the same value. The customer should be provided with an official receipt P1091L and a CC03 form (Appendix M - Standard 6) completed.

Where criminal activity is suspected, such as in the case of frequently deposited notes, the incident should then be reported to the Police by telephone and arrangements made for them to collect the note(s).

Where the Police are involved, the note(s) and any details should be handed over and a receipt obtained. A Post Office Counters receipt stamped or endorsed by the Police is acceptable.

The receipt should be retained in the office for one year. The receipt has no monetary value.

If criminal activity is not suspected or the Police refuse or fail to collect the forged note(s) within 7 days, the note(s) and CC03 (Appendix M - Standard 6) should be forwarded to the Distribution Centre with the next voucher remittance.

Please note that the forged should not be claimed as value.

IF THE CUSTOMER REFUSES TO REPLACE THE BANKNOTE(S)

The customer should be advised that a new deposit form and counterfoil are required.

IF THE CUSTOMER DOES NOT WISH TO PROVIDE A GENUINE BANK NOTE OR COMPLETE A NEW OR AMENDED DEPOSIT FORM AND COUNTERFOIL THE DEPOSIT MUST BE REFUSED

**CUSTOMERS RETURNING TO THE COUNTER CLAIMING
TO HAVE BEEN PAID WITH A FORGED NOTE**

The banknote(s) or receipt should be checked. The name, address, telephone number noted and a description of the person presenting the note(s) taken.

The transaction conducted when the note(s) was tendered should be established and the customer advised of the need to check local records before authority for payment can be made.

If the transaction can be verified by retrieving the source documentation, for example a pension counterfoil, and it can be satisfied that the claim is genuine, a genuine banknote for the forged note(s) or receipt should be exchanged.

A CC02 form (Appendix M - Standard 8) should be completed and the value of the forged note(s) or official receipt claimed on the "*Other miscellaneous*" line of the P884, Inward remittance advice form and on cash account line 1082 'Rems to other offices'. This should be remitted to the local Distribution Centre with the next scheduled voucher remittance.

The Distribution Centre should remit the notes to *[insert relevant PCC]* who will clear them via Bank of England.

The CC01 reports supporting claims for forged notes should be reconciled at the end of each cash account week, summarised and input into the computer tracking system.

If payment cannot be confirmed from local records, the customer should be advised that authority needs to be sought to reimburse them. The Helpline should be contacted for guidance on how to proceed.

If the customer's claim is suspected to be false, the forged note should be impounded and an official receipt P1091L provided. A

CC03 form should then be completed (Appendix M - Standard 6).

If criminal activity is suspected, report the incident to the Police by telephone and arrange for the note(s) to be collected by the Police. The note(s) and any details should be handed to the Police and a receipt obtained. A Post Office Counters receipt stamped or endorsed by the Police is acceptable. The receipt and form CC03 should be retained in the office for one year.

If no criminal activity is suspected or if the Police refuse or fail to collect the forged note(s) within 7 days, the note(s) and CC03 should be forwarded to the Distribution Centre with the next voucher remittance.

Please note that the forged note should not be claimed as value.

FORGED BANKNOTES FOUND LOOSE IN OFFICIAL CASH

The value of the forged note(s) should be claimed, on the “*Other miscellaneous*” line of the P884, Inward remittance advice form and on cash account line 1082 ‘Rems to other offices’ and remitted to the Distribution Centre with the next scheduled voucher remittance.

The P884 **MUST** be supported by a CC02 Appendix M - Standard 8) and the forged note(s).

The Distribution Centre remit the note(s) to (*insert relevant PCC*) (in full PBNEs) for clearance via Bank of England. Serial numbers should be recorded and associated with the PBNE.

The CC01 reports supporting claims for forged notes should be reconciled at the end of each cash account week, summarised and input into the computer tracking system.

NOTES FOR DISTRIBUTION CENTRES

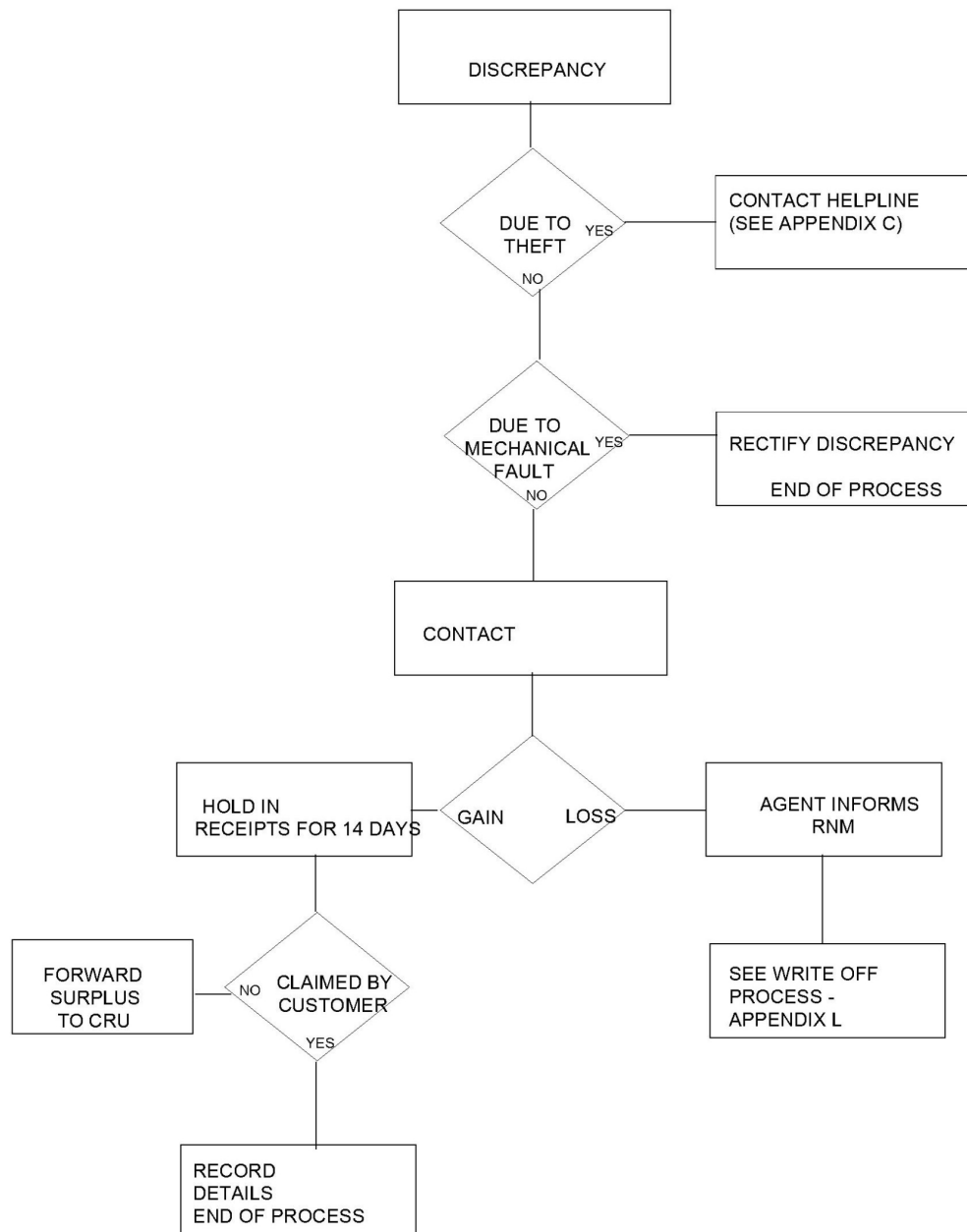
All outlet claims must be supported, as appropriate, by:-

- A fully completed CC01/02 or 03 report
- PBNE and internal wrappers
- forged note or an official police receipt
- coin bag label and, if appropriate, metal seal

Offices presenting claims that are not supported by an appropriate CC01/02/03 report should be contacted by telephone to enable outstanding details to be obtained. The report should be endorsed “details obtained by ‘phone”.

APPENDIX F

ATM / SVM LOSSES AND GAINS



KEY RESPONSIBILITIES

OUTLET

- Maintain machines on site in working order
- Ensure machines on site are not excessively stocked
- Report and monitor levels of faults
- Clear losses from cash account

HELPLINE

- Complete incident report for theft from machines
- Advise RNM and Audit of incidents

RETAIL NETWORK MANAGER

- Complete incident report for robbery/burglary
- Assess contribution
- Complete write off/recovery voucher

AUDITS

- Arrange audit if necessary
- Arrange clearance of loss from cash account

DISTRIBUTION CENTRE

- Maintain machines on site in working order
- Ensure machines on site are not excessively stocked
- Report and monitor levels of faults
- Clear losses from cash account
- Accept write off voucher from outlet
- Claim amount to Finance via incidental voucher system

FINANCE SECTION

- Accept incidental voucher from Distribution Centre and forward cheque
- Associate incidental voucher with write off/recovery voucher
- Process any repayment case

DETAILED PROCESS

UNIDENTIFIED DISCREPANCY

In the event of an SVM stock incurring unidentified losses, engineers should be informed to eliminate any mechanical faults. (Contact number is available from the Helpline.)

Losses should be made good unless it is considered that losses were incurred due to a mechanical fault. In this case, the matter should be reported to the RNM and the amount of the loss held in the unclaimed payments section of the account.

Where the RNM considers write off appropriate, a write off voucher (Appendix M - Standard 9) should be completed and forwarded to the outlet. The value of the voucher should be claimed on the "*Other miscellaneous*" line of the P884, Inward remittance advice form and on cash account line 1082 'Rems to other offices' and the amount removed from the unclaimed payments section of the cash account.

IDENTIFIED DISCREPANCY

In the event of a loss at an outlet due to a known reason e.g. fraudulent use or by physical damage, the incident should be reported immediately to the Police and the Regional Helpline.

The incident should then follow the same process as for Robberies and Burglaries as outlined in Appendix C.

In assessing any liability, the RNM should consider the levels of cash and stock held in the machine which should be no greater than £50 or the average sales for one week.

SVM GAINS

In the event of a gain, the amount should be held in the uncharged receipts section of the cash account for a period of up to 14 days to allow for claims from the public.

After a period of 14 days or on being claimed by a member of the public, the amount should be withdrawn from the uncharged receipts section and the following action taken:-

Amount claimed by a customer

Endorse the cash book with the name and address of the claimant

Amount not claimed

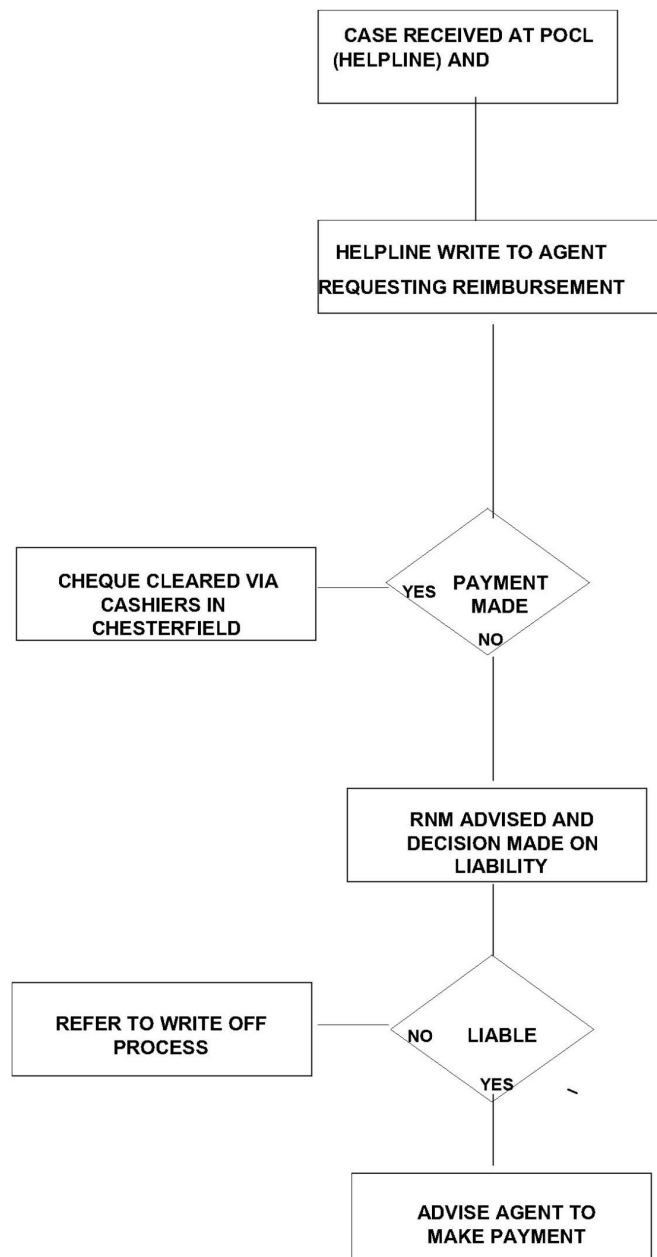
The amount should be forwarded to the local Distribution Centre with a covering note explaining that it relates to an SVM gain **(but not claimed on P884)**.

The Distribution Centre will claim the amount using incidental voucher system (MICA ledger code 82165).

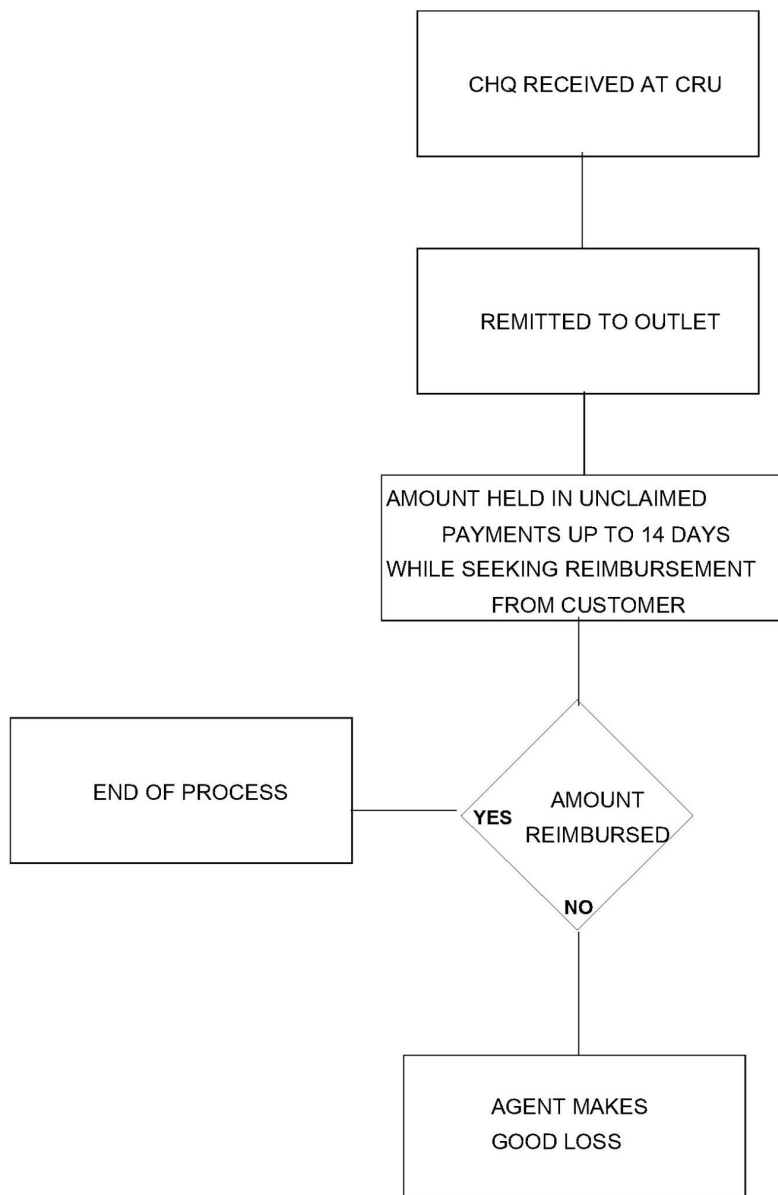
APPENDIX G

TRANSACTION ERRORS

IRREGULAR PAYMENTS



REFER TO DRAWER CHEQUES



KEY RESPONSIBILITIES

HELPLINE

- Contact agent requesting reimbursement

DISTRIBUTION CENTRES

- Remit refer to drawer cheques to outlets

RETAIL NETWORK MANAGER

- Make assessment of any relief
- Complete write off voucher where necessary

DETAILED PROCESS

IRREGULAR PAYMENTS AND TRANSACTIONS

The Helpline deals with the following irregular payments and transaction errors, issued from Chesterfield:-

- Incorrectly encashed other banks' cheques
- Incorrectly encashed P&A dockets
- Incorrectly encashed Green Giros
- Incorrectly encashed girocheques
- Withdrawals against fraudulent DNS accounts
- DVLA incorrect licence issued
- DVLA licence issued too early
- DVLA lost tax disc

Transaction Errors at Agency Outlets

Upon receipt of the irregular payment or invalid transaction case, where the evidence is conclusive, the Helpline will write to the agent requesting full payment of the transaction.

Where the evidence is not conclusive, the Helpline will write to the agent requesting their comments. If on receipt of the agent's response, the Helpline determine that full contribution is appropriate, they will write to the agent requesting full payment of the transaction.

If the agent appeals against full contribution, the case will be referred to the RNM who may offer some relief on the payment if the evidence provided is inconclusive. However, the following factors will need to be taken into account:-

- the amount involved
- the experience of the agent/staff at the time of the incident
- previous errors of a similar nature
- general performance and accounting record

If the Helpline determine that full contribution is not appropriate, the case should be referred to the RNM to assess the level of liability using the criteria detailed above. The RNM will then advise the Helpline of the amount to request.

If the amount is considered to be either fully or partially written off, a write off voucher should be completed by the RNM and forwarded to the Helpline with the associated case papers.

On receipt of reimbursement, the amount should be cleared via the cashiers office at Transaction Processing.

THE VOUCHER MUST NOT BE SENT TO THE OUTLET

REFER TO DRAWER CHEQUES

Cheques that are dishonoured and were incorrectly transacted will be received at Distribution Centres. These are remitted to the outlet concerned for the agent to rectify using a separate voucher (Appendix M - Standard 10).

The amount may be held in the unclaimed payments section of the cash account for up to 14 days to allow time for the agent to contact the customer.

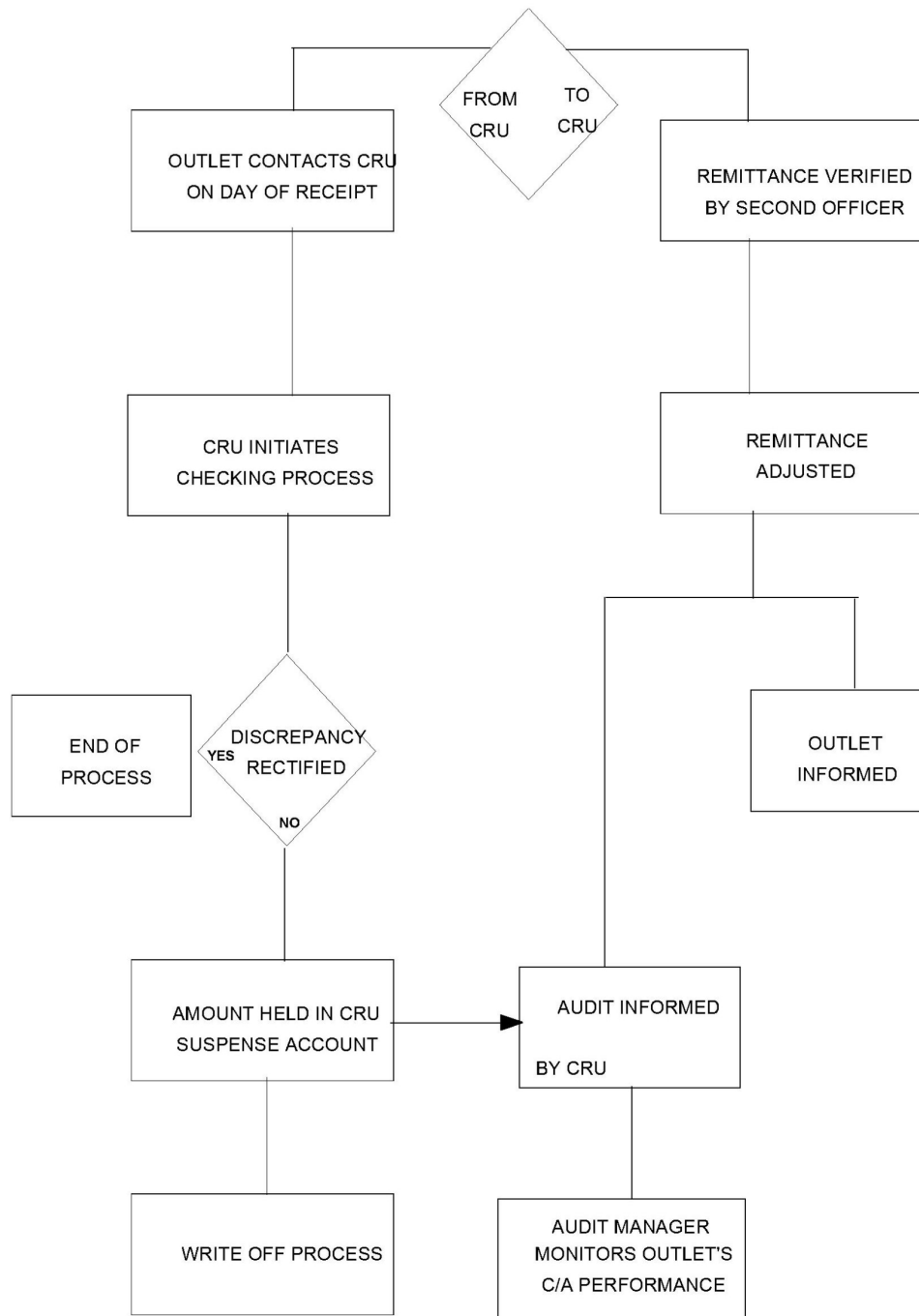
The customer must not be contacted if the bank have indicated that the cheque was stolen.

If the money is recovered from the customer, the amount should be withdrawn from the unclaimed payments section.

After a period of 14 days, whether or not the money has been recovered from the customer, the amount should be withdrawn from the unclaimed payments section. Agents should make the resultant loss good.

APPENDIX H

REMITTANCE DISPUTES WITH OUTLETS



KEY RESPONSIBILITIES

OUTLET

- Ensure remittances to cash/stock centres are accurate
- Advise issuing cash/stock centre of any discrepancies to remittances received on day of receipt and furnish report

Distribution Centre

- Ensure remittances to outlets are accurate
- Double check remittances received where discrepancies are revealed and advise outlet immediately
- Furnish reports following discrepancies
- Advise Audit of unresolved discrepancies

RETAIL NETWORK MANAGER

- Deal with unresolved cases

REGIONAL AUDIT

- Monitor accounting record of outlets reporting discrepancies
- Perform special audit where necessary

SECURITY AND INVESTIGATIONS

- Investigate unresolved discrepancies

DETAILED PROCESS

REMITTANCES ISSUED BY THE CASH/STOCK CENTRE

If an outlet reveals that a remittance is different to the advice note (in terms of packets), this **MUST BE REPORTED** on the day of receipt to the issuing remittance unit.

The cash/stock centre must then adopt the following procedure:-

- establish if there is a corresponding discrepancy in the unit
- contact all other outlets on the same make up listing
- where there is no resolution, advise Regional Audit
- make up duty to write report for Security and Investigations
- advise outlet to retain pouch and forward proforma to outlet to complete a report (Appendix M - Standard 11). On receipt, this should be copied to Security & Investigations and Audit.

If the amount remains outstanding, the remittance details should be amended to the amount received at the outlet and the amount held in the unclaimed payments section of the CRU cash account. The RNM should be advised of the unresolved discrepancy.

Regional Audit will contact the outlet to confirm the state of the balance at the end of the cash account week and monitor the office accounting record for up to eight weeks. (A special audit of accounts *may* be considered depending on the circumstances of the reported discrepancy.)

At the end of the current cash account week, the amount should be cleared from the CRU cash account as for a personal loss.

SHOULD A DISCREPANCY NOT BE REPORTED ON THE DAY OF RECEIPT, THE CASH/STOCK CENTRES FIGURES WILL BE USED UNLESS A CORRESPONDING DISCREPANCY IS KNOWN

REMITTANCES RECEIVED AT CASH/STOCK CENTRES

On discovering a discrepancy, a manager within the unit must verify the contents of the remittance immediately.

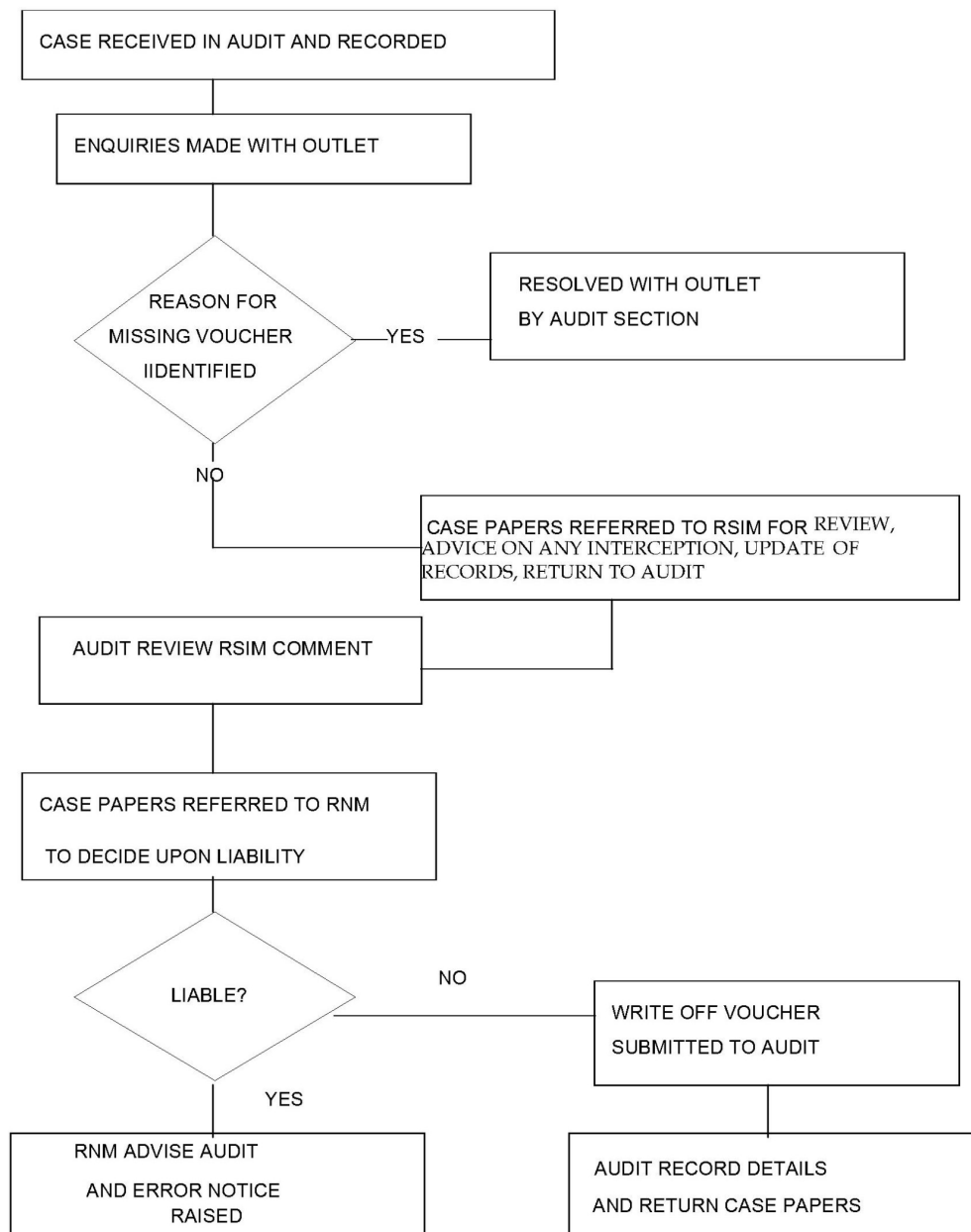
The outlet must then be contacted straight away, advised of the error and requested to amend the P884 and entry in the cash book to the amount received at the cash/stock centre.

A report should be completed by the Distribution Centre and the RNM, Security & Investigations and Regional Audit should be advised of any unresolved discrepancy.

Where a discrepancy arises due to a lost remittance sent by first class post, the resulting error notice should be raised upon the Distribution Centre.

APPENDIX I

MISSING DOCUMENT CASES



KEY RESPONSIBILITIES

CLIENT

- Reports missing document cases to Audit

AUDIT

- Security & Investigations informed
- Subpostmaster contacted
- Case referred to the RNM for decision
- Recommends if an error notice is appropriate
- Information supplied to the RNM
- Records maintained
- Case returned to the client

SECURITY & INVESTIGATIONS

- Review case received from Audit
- Inform Audit if the case has been intercepted
- Update Security & Investigation records
- Return papers to Audit

RNM

- Review case forwarded by Audit
- Make decision on whether or not to allow the claim to stand
- Return papers to Audit

DETAILED PROCESS

Upon receipt of a missing document case from a client, Audit input the details onto a computer against the office concerned.

In the case of missing pouches or if there have been at least two previous cases for the office, a letter is forwarded to Security & Investigations who update their records and return the case to Audits informing whether or not to proceed.

A letter is then sent to the outlet for completion to determine if there is any known reason for the missing voucher. When the letter is returned, an analysis is made as to whether or not an error notice is appropriate. If it is, then this is arranged accordingly otherwise the case is referred to the relevant RNM with a covering letter requesting their decision on whether or not the claim should be allowed to stand. The following factors are taken into account when making this decision:-

- the amount involved
- the declared balance in the office cash account
- the evidence provided
- previous errors of a similar nature
- general performance an accounting record

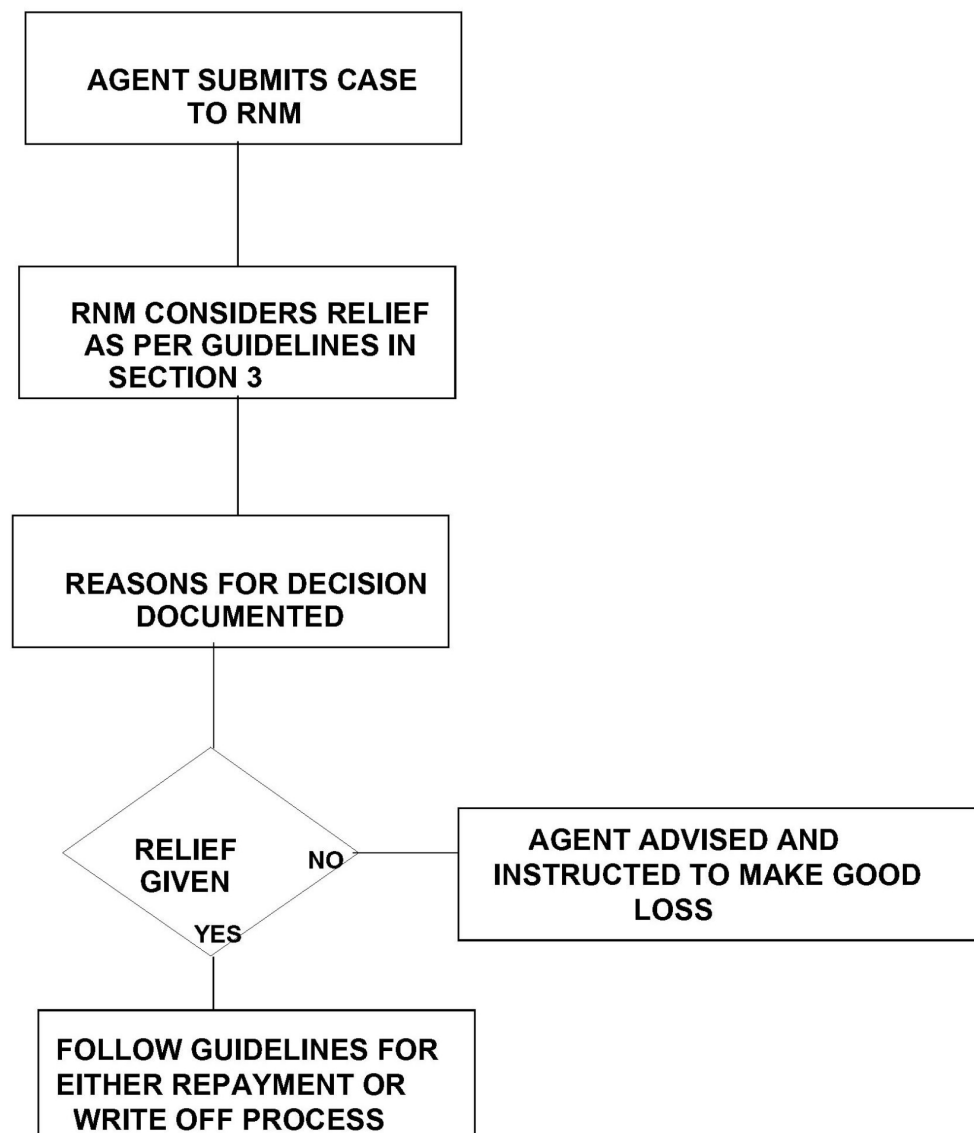
If write off is considered, then write off voucher (Appendix M - Standard 9) must be completed by the RNM and forwarded to Audit for endorsement.

With all cases, the enquiry form initially generated by the client is completed accordingly and returned by Audit.

N.B. If a reply is not received to any letter generated by the Audit within 4 weeks, then a reminder is sent.

APPENDIX J

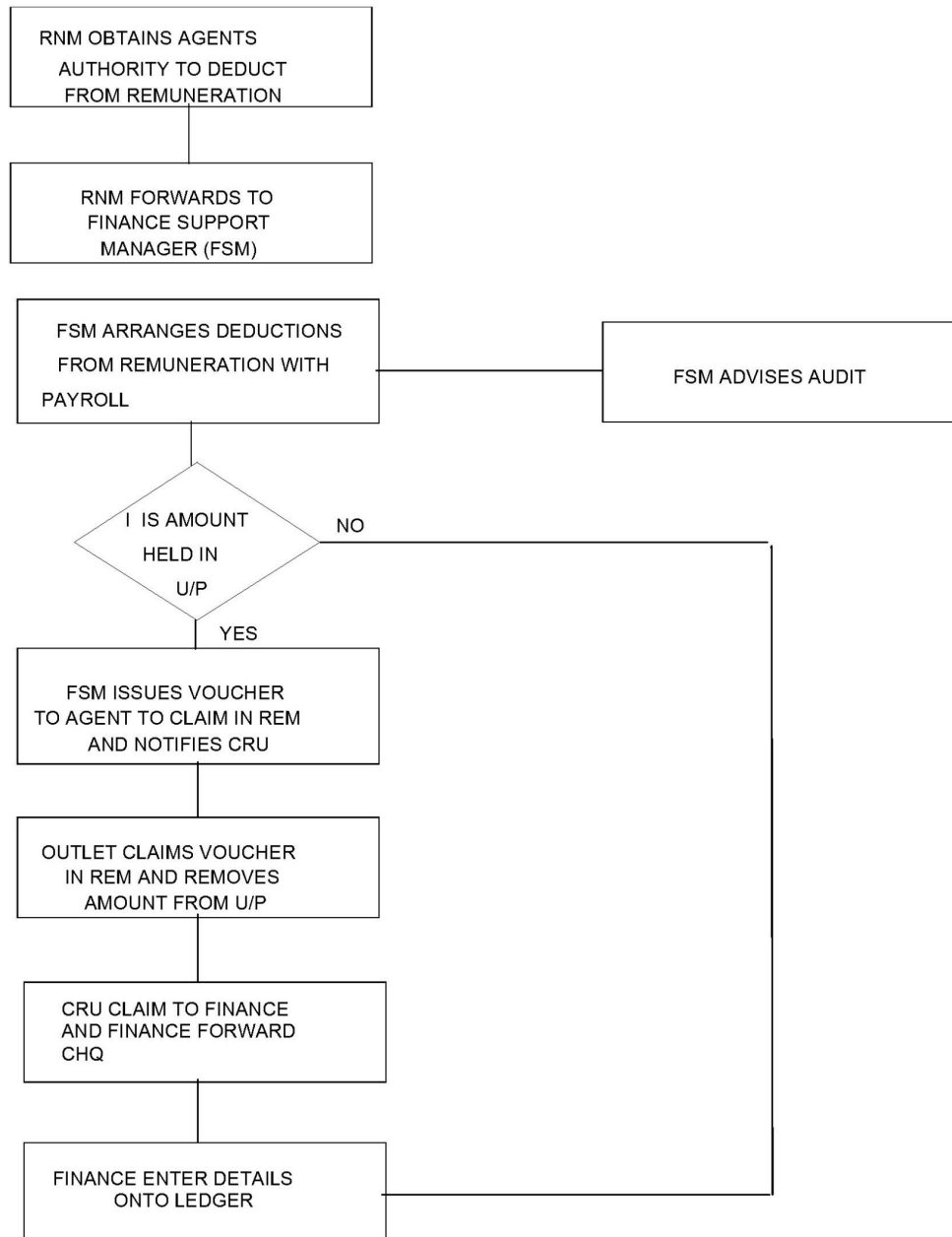
GUIDELINES FOR RELIEF FROM ACCOUNTING LOSSES



N.B. RNMs/Regions must not “write off errors” rather than have the error brought to account and then follow losses write-off procedures. Transaction Processing have no authority or process to “write off errors” and cannot accept such attempts.

APPENDIX K

REPAYMENT PROCESS



NOTE: An audit will be performed at least once during the term of the repayment

Agents should make losses good, however they arise, as they occur. This requirement is highlighted by their contractual obligation detailed in Section 12 paragraph 12 of the subpostmaster's contract or Section 9 paragraph 12 of the modified subpostmaster's contract.

However, should the agent be unable to make good the amount immediately because such action would cause severe financial hardship, the RNM may allow the loss to be made good by instalments. This is a discretionary action that must conform to the following commitments:-

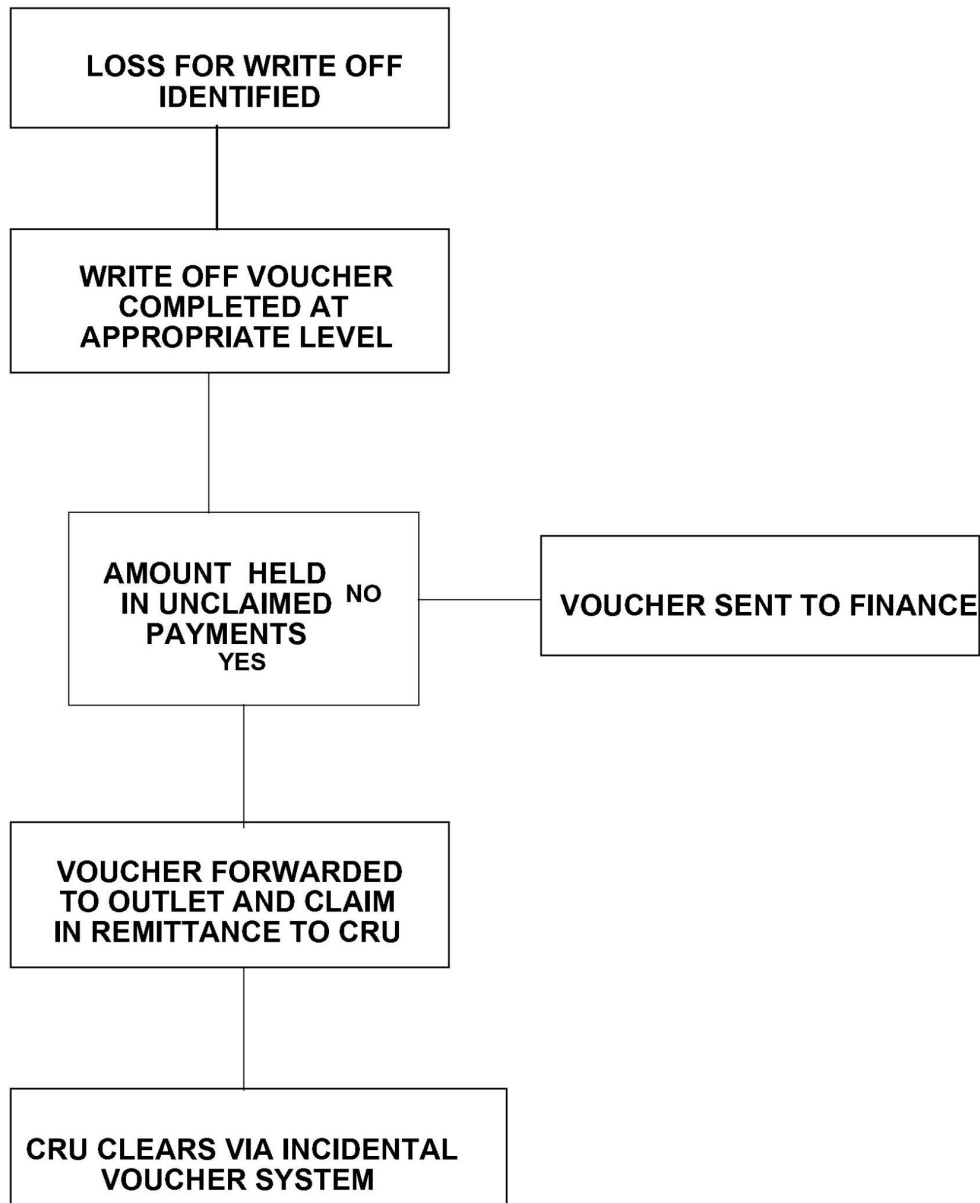
- losses are made good by deduction from remuneration
- the repayment period is up to a maximum of 12 months
- during the repayment period, further losses must be made good immediately
- any credit error notice relating to the same cash account week must be used to reduce the outstanding balance
- the amount will become payable in full should the agent's contract with POCL come to an end
- the standard vouchers (Appendix M - Standards 12, 13, 14, and 15) must be used
- no more than 2 repayment cases for the same agent have previously been allowed in the past two years

The RNM's HoRN will deal with any appeals

Standards 12 (completed by subpostmaster) and 13 should be forwarded to Finance Support Manager, Finance Section, to make arrangements with the agent and Payroll and copies sent to Regional Audit. The Finance Support Manager should also advise Audit once repayments have been arranged in order for audits to be scheduled in line with Regional Audit Policy RA6.

APPENDIX L

WRITE OFF PROCESS



When write off is considered, the appropriate write off levels, as detailed in Section 4, must be referred to.

A write off voucher (Appendix M - Standard 9) must be used to authorise clearance from the cash account with the following exceptions:-

- Robberies and burglaries - Forwarded to Finance via Audit
- Irregular payments - Forwarded to Helpline
- Missing document cases - Forwarded to Audit

The voucher must be signed at the appropriate level. Any vouchers received at the Distribution Centre/Finance that have not been correctly authorised will be returned.

In the case of robberies and burglaries, a clearance voucher will be issued by Audit (Appendix M - Standard 1) to clear the amount from the cash account. The Distribution Centre will be advised of this clearance voucher by Audit using an advice note (Appendix M - Standard 2).

The write off voucher for robbery and burglary losses will be completed by the RNM when requested by the Regional Audit Manager. This will be returned for the Regional Audit Manager to endorse who will then submit it to Financial Accounts for association with the clearance voucher

APPENDIX M**STANDARD FORMS/VOUCHERS**

This section contains all the standard vouchers and templates referred to in this policy.

<u>STANDARD</u>	<u>TYPE OF TEMPLATE</u>	<u>PAGE</u>
1	ROBBERY/BURGLARY CLEARANCE	60
2	ADVICE NOTE TO CASH CENTRE	61
3 & 3(a)	LIABILITY NOTIFICATIONS	62-63
4	AUTHORITY LETTER TO AGENT GAIN	64
5	AUTHORITY LETTER TO AGENT LOSS	65
6,7,8	CLAIMS FOR NOTE/COIN SHORTAGES	66-68
9	WRITE OFF VOUCHER	69
10	REMITTANCE ADVICE FOR RD CHQ	70
11	REMITTANCE DISPUTES	71
12,13,14,15	REPAYMENT BY INSTALMENTS	72-75

STANDARD 1

To:

From:
Regional Audit

Date: 16 May 2003

ROBBERY/BURGLARY AT ON

Further to the recent incident at your office, the loss incurred was authorised to be held in the unclaimed payments section of the cash account. This is now due to be cleared.

This letter should be submitted on the next remittance to your cash centre claiming the following amounts on P884 as a miscellaneous voucher.

AMOUNT	CASH STOCK VOUCHERS
--------	---------------------------

TOTAL	
-------	--

When completing your cash account, it is important that Table 9 reflects amounts of any stock stolen. A copy of table 9 is attached to assist the completion of your cash account. The amount of stock stolen should **not** be recorded on line 8002.

This is without prejudice to any action that may be taken by your Retail Network Manager and does not constitute a write off at this stage.

Regional Audit
Tel:

CC Security and Investigation Team for information

STANDARD 2

To: Unit Manager

From:
Regional Audit

Date: 16 May 2003

ROBBERY/BURGLARY AT ON

The above office has been sent a letter signed by myself to authorise clearance from the cash account of the following amount:-

**AMOUNT CASH
STOCK
VOUCHERS**

TOTAL

Please hold this note until the amount has been claimed on their remittance.

If you have not received the claim within 10 days of this letter, please pursue the matter with the outlet.

Stock Losses only

Return the bottom portion of this letter to confirm that the amount has been cleared.

To:
Regional Audit

STOCK LOSS CLAIMED BY

The above detailed amount has been claimed by the outlet and the stock element cleared via the CRU cash account on

Signed Date

STANDARD 3

Dear

I am writing with reference to the incident which occurred at Post Office on which resulted in a loss to Post Office Counters Ltd funds of £ .

In accordance with your contract for services as subpostmaster of you are responsible for safeguarding Post Office cash and stock at all times. As a result of our investigations into the loss, I consider that insufficient precautions were taken in this respect and that you be held responsible for the loss of £ .

You have the opportunity, if you wish, to put forward reasons why you should not be held responsible for the loss. You can do so either in writing or at a personal interview.

If you choose to put forward your reasons in writing, they should reach me no later than . If you wish to have a personal interview, I would suggest that this takes place at the Retail Network Managers' Office at on . At this interview, you may wish to be accompanied by a friend who must either be a subpostmaster, a sub office assistant, a Post Office employee or a representative of the National Federation of Subpostmasters.

I would be grateful if you would let me know as soon as possible whether you intend to take advantage of the opportunity to put forward reasons and, if so, whether you wish to do this in writing or at a personal interview.

Yours sincerely

Retail Network Manager

cc: Audit

STANDARD 3(a)

Dear

I am writing as a result of the interview you attended on with myself and to give you the opportunity to put forward reasons why you should not be held responsible for the loss to POCL funds of £ following an incident at Post Office on .

In accordance with Section 12 Paragraph 18 of the Subpostmasters Contract, the question of granting relief depends upon the subpostmaster taking reasonable precautions to safeguard official cash and property. In this instance with the fact the , I consider that reasonable precautions were not taken to safeguard POCL assets and that you are liable for an amount of £ .

Could you please forward a cheque, made payable to Post Office Counters Ltd, to me by .

You have the right to appeal against my decision to , Head of Retail Network. If you wish to exercise this right, please let me know by .

Yours sincerely

Retail Network Manager

cc: Audit

STANDARD 4

Dear

CASH ACCOUNT SURPLUS - FAD CODE -

You reported a gain of £ in your cash account dated .

This letter is to give authority to hold the gain in your account for a maximum of 8 weeks. During this time, any error notices relating to the same cash account week must be processed immediately and the authority to hold the gain will cease.

If at the end of 8 weeks, i.e. when you complete your cash account of , any outstanding amount must be withdrawn. If any charge error notices are received after withdrawal of the gain, those funds must be made immediately available to make good the loss. Any amounts withdrawn are your own responsibility and must not be held with Post Office funds.

Please retain this letter until the gain has been cleared from your account. You must then advise me by returning the tear off portion of this letter on the day the cash account is adjusted.

Yours sincerely

Retail Network Manager

To:

Retail Network Manager

Date:

From:

The gain incurred on has now been cleared from my cash account.

Signature Date

STANDARD 5

Dear

CASH ACCOUNT SHORTAGE - FAD CODE -

You reported a shortage of £ in your cash account dated .

This letter is to give authority to hold the loss in your account for a maximum of 8 weeks. During this time, any error notices relating to the same cash account week must be processed immediately and the authority to hold the loss will cease. You must contact me if there is any amount outstanding after any error notices are processed. Any other losses that occur during the period of authority must be made good immediately.

If at the end of 8 weeks, i.e. when you complete your cash account of , any outstanding amount must be made good.

Please retain this letter until the loss has been cleared from your account. You must then advise me by returning the tear off portion of this letter on the day the cash account is adjusted.

Yours sincerely

Retail Network Manager

To:

Retail Network Manager

Date:

From:

The loss incurred on has now been cleared from my cash account.

Signature

Date

STANDARD 6

REPORT OF AN IMPOUNDED FORGED NOTE(S)

OFFICE NAME	
FAD CODE	
VALUE OF FORGED NOTE(S)	£
NAME, ADDRESS, TELEPHONE NO. AND GENERAL DESCRIPTION OF THE CUSTOMER RETURNING OR TENDERING THE IMPOUNDED FORGED NOTE(S)	NAME: _____
	ADDRESS: _____ _____
	TEL NO: _____
	HEIGHT: _____ AGE: _____
	SEX: M / F NATIONALITY: _____
	COLOUR HAIR: _____
	COLOUR EYES: _____
	CLOTHING: _____
IMPOUNDED BY (signature)	
DATE REPORTED TO POLICE	
DATE NOTE COLLECTED	

This form should be retained locally with the receipt provided by the police for one year. Please note that the police receipt has no monetary value and should not be held in your cash account.

If the police fail to collect the note within 7 days send the forged note plus this report to the cash centre with your weekly voucher remittance. The value of the forged note(s) must not be claimed.

CC03 (local form)

STANDARD 7

REPORT OF A DISCREPANCY FOUND IN A SEALED BANK NOTE ENVELOPE OR COIN BAG

OFFICE	
FAD CODE	
AMOUNT OF DISCREPANCY	£
TYPE OF DISCREPANCY	shortage/surplus/forgery
OPENED BY (signature)	
CHECKED BY* (signature)	
ORIGIN OF NOTE ENVELOPE OR COIN BAG (i.e. Name of Post Office, Bank or Giro corporate depositor)	

If the discrepancy is found in a note envelope made up by a giro depositor the cash centre must be notified immediately by telephone and their instructions acted upon.

DISCREPANCY REPORTED TO	Name:
-------------------------	-------

The value of the discrepancy should be claimed on the "*other miscellaneous*" line of the P884 and cash account line 1082 (rems to other offices. This claim form must be accompanied by the plastic bank note envelope including any paper bands or the outer plastic coin wrapper or coin bag label and posted by 1st Class mail to the cash centre on the day the discrepancy was discovered. Only one claim may be made on each form. *except single person offices

_____Distribution use only_____

Claim logged onto computer

Signed.....

Date.....

CC01 (local form)

STANDARD 8

REPORT OF A FORGED NOTE FOUND LOOSE IN OFFICIAL CASH OR CLAIMED TO HAVE BEEN PAID TO A CUSTOMER AND EXCHANGED

OFFICE NAME	
FAD CODE	
VALUE OF FORGED NOTE(S)	£

FORGED NOTE FOUND LOOSE IN OFFICIAL CASH

HOW AND WHEN WAS THE FORGED NOTE DISCOVERED	
DISCOVERED BY (signature)	
CHECKED BY* (signature)	

FORGED NOTE RETURNED BY A CUSTOMER AND EXCHANGED

NAME, ADDRESS, TELEPHONE NO. AND DESCRIPTION OF CUSTOMER RETURNING THE FORGED NOTE/RECEIPT	
TRANSACTION DETAILS AND VALUE	

This claim form *must be accompanied* by the forged note or an official receipt. The value of the discrepancy should be claimed on the "other miscellaneous" line of the P884 and cash account line 1082 (rems to other offices. *except single person offices

_____ **Distribution use only** _____

Claim logged onto computer.....

Signed.....

..

Date.....

...

CC02 (local form)

STANDARD 9

WRITE OFF AUTHORITY VOUCHER

OFFICE

OFFICE FAD CODE

COST CENTRE CODE (For completion in Finance)

AMOUNT £

AMOUNT IN WORDS

LOSS CODE (SEE BELOW *)

*			*		
A	Robbery	82125	M	Outward Rem Discrepancy	82115
B	Burglary	82040	N	Voucher Rem Discrepancy	82100
C	CRU Personal Loss	82105	O	ATM Loss	82150
D	Counter Personal Loss	82035	P	SVM Loss	82035
E	Postshop Loss	82095	Q	COBC	82130
F	Agent Loss	82065	R	Postal Order Fees	82080
G	Forged Note	82030	S	RD Cheque	82055
H	Bank Note Shortage	82140	T	Other - To be specified	82150
I	NHTO Coin Loss	82140	U	Green Giro	82145
J	Girobank Coin Loss	82140	V	Housing Benefit	82145
K	Girobank Deposit Losses	82140	W	NSB	82000
L	Inward Rem Discrepancy	82115	X	P&A	82090

Reason for write off (referring to Sections 2 or 3 of Losses and Gains Policy, as appropriate)

Signature of Authorisation *

Name (In Block Capitals)

Position

Date

Head of Finance Concurrence (where appropriate):

Signature

Date

* confirming reference to write off levels (Losses and Gains Policy Section 5)

and guidelines for relief (Losses and Gains Policy Sections 2 and 3)

STANDARD 10

RD1

SPECIAL REMITTANCE - RD CHEQUE

Branch Manager/Subpostmaster

.....

**THIS IS A REMITTANCE AND MUST BE BOOKED IN ON THE
DAY OF RECEIPT ON RECEIPTS LINE (0)036_**

The remittance enclosed, valued at £ , is in respect of a cheque that has been returned by the bank having been dishonoured.

If this cheque was transacted for National Savings, NSB will contact you directly with instructions. In the meantime, the amount should be held in the unclaimed payments section of the cash account with the cash account endorsed with the NSB account number.

If this cheque is not for a National Savings transaction, the cheque is returned as it was not honoured by the bank and has been incorrectly transacted as detailed below:-

.....
.....
.....
.....
.....

In this case, the amount may be held in the unclaimed payments for up to a maximum of 14 days to allow the customer to be contacted. After this period, the amount must be withdrawn from the cash account and the resultant loss rectified.

If the cheque is reported as stolen, the customer must not be contacted.

STANDARD 11

REMITTANCE DISCREPANCY - REPORT AND CLAIM FORM

To be completed by the despatching Distribution Unit

Outlet Name

FAD Code

Date of Despatch

Date and time of discrepancy reported

Have other outlets been contacted?

To be completed by the outlet claiming a discrepancy

1. What was the date and time of receipt?
2. What was the date and time of opening?
3. Who opened the remittance?
4. When was the discrepancy revealed and by whom?
5. Where was the remittance opened and checked?
6. Who else checked the remittance?
7. Have waste bins been checked?
8. Have other items received been checked to ensure that they do not contain the item(s) missing? (e.g. Have they slipped inside a stationery envelope?)
9. Please detail the item(s) and the value missing below

**PLEASE RETURN TO THE CASH/STOCK CENTRE ON COMPLETION
- ENCLOSING THE POUCH -
(CASH/STOCK CENTRE TO COPY TO REGIONAL AUDIT MANAGER)**

STANDARD 12

Dear

REPAYMENT BY DEDUCTION FROM REMUNERATION

I am exceptionally authorising deductions from your remuneration to clear a shortage incurred at your office of £ by instalments of £ .

Once you have read the terms of this method of repayment, detailed below, please sign and return this form as soon as possible to confirm your acceptance of these term.

Conditions of Acceptance

- I understand that, during this repayment period, all losses incurred at my office will have to be made good immediately they occur.
- Should I resign my post before all payments are made, the whole of the outstanding balance will become immediately payable.
- I am aware that this facility is being offered by POCL as a gesture of goodwill and may in no way be construed as a personal loan.
- Should any error notice come to light during the repayment period, I understand that this may be offset against the balance outstanding.

Yours sincerely

Retail Network Manager

I agree to the above terms conditions of repayment.

Signature Subpostmaster

Date

STANDARD 13

To: Finance Support Manager

cc: Regional Audit Manager

From:

Retail Network Manager

REPAYMENT BY DEDUCTION FROM REMUNERATION

OFFICE -

OFFICE CODE -

NAME OF AGENT -

PAY NUMBER -

I have authorised deductions from the remuneration of to clear a shortage incurred of £ by instalments of .

The subpostmaster has agreed to conditions of the repayment as set out in the Losses and Gains Policy, Appendix K

Please arrange with Payroll and advise the subpostmaster of the commencement date and a reminder of the following terms.

Conditions of Acceptance

- During the repayment period, all losses incurred will have to be made good immediately they occur
- Should the agent resign before all payments are made, the whole of the outstanding balance will become immediately payable
- the facility is being offered by POCL as a gesture of goodwill and may in no way be construed as a personal loan
- Should any error notice come to light during the repayment period, this may be offset against the balance outstanding

The amount is currently held in the cash account at the office and requires a voucher to clear it.

STANDARD 14

To: Subpostmaster

From: Finance Support Manager
Manager

Date:

REPAYMENT BY DEDUCTION FROM REMUNERATION

OFFICE - OFFICE CODE

Authority for you to repay a loss of £ by deductions from your remuneration has been given and arrangements made for these instalments to commence from .

The repayment term will be over a period of months.

The shortage being held in your cash account should be withdrawn and the amount transferred to your cash centre. This should be done by claiming on your next remittance and this letter should accompany the P884 to support your claim.

I have detailed below the conditions of repayment that you have agreed to:-

Conditions of Acceptance

- During this repayment period, all losses incurred at your office will have to be made good immediately they occur
- Should you resign from post before all payments are made, the whole of the outstanding balance will become immediately payable
- This facility is being offered by POCL as a gesture of goodwill and may in no way be construed as a personal loan
- Should any error notice come to light during the repayment period, you should advise me as this may be offset against the balance outstanding

STANDARD 15

To: Cashier

cc: Financial Accounts Manager

From: Finance Support Manager

Date: 16 May 2003

REPAYMENT BY DEDUCTION FROM REMUNERATION

OFFICE - OFFICE CODE

Authority has been given for the subpostmaster of the above office to repay a loss of £ by deductions from remuneration.

The subpostmaster will be claiming this amount in a remittance to you to clear the shortage from the cash account and has been given instructions to this effect.

On receipt at your unit, the amount should be treated as per current instructions and transferred to Financial Accounts. This should be done immediately and not held in the suspense section of your cash account.