

Chris Thorpe

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Financial Branch Performance Profile trial results

Summary

The revised profile audits were significantly successful in both key measures; both increased efficiency of detection levels and also earlier detection.

Results of the pilot indicate that circa 3 times as many branches with losses are being identified using the new Profile when compared to the current. Approximately one in five (20%) of the branches put forward for audit showed a loss of £1,000 or more and/or resulted in the agent being suspended.

The pilot also indicates that losses are being identified at an early stage as the average loss is lower than that for other audit types, for example, Special audits. This achieves one of the primary objectives and supports the principle of 'nipping in the bud' the potential for larger losses if detected at a later stage.

These are the high level findings. Further work is to be carried out once March's audit results are received to analyse in which specific data streams losses are being identified and provide a full impact assessment on potential savings.

Aim

The aim of the trial was for the audit team to conduct 100 pilot audits from the new Profile. These were to be split into 50 from November's data for January's audits and 50 from December's data for February's audits.

Methodology

The actual total number conducted was 98. Ideally the top 50 branches from each month's Profile would be the ones to be audited, however there were several valid reasons why this was not possible. Firstly, some branches had been audited recently so any audited within the past 3 months were replaced on the schedule. Secondly, several branches from the previous month's Profile will always appear on the next month's so these were also replaced. All replacement branches were taken from the next in order on the Profile.

Findings

- Audits based on the new Profile produced a 'hit rate' of 20%, meaning one in five showed a loss of

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£1,000 or more and/or resulted in the agent being suspended.

- This compares with the current Profile which had a hit rate of 8% over the same period. It is also worth noting that random audits produced a hit rate of 7% and Special audits 41%.
- Losses identified at the 20 'bad' branches from the new Profile totalled £71k with an average loss of £3.6k. This compares with an average loss of £9k from the current Profile and £15k from Special audits. This appears to show that the new Profile is identifying risky branches earlier.
- Escalating branches for Special audit is extremely manual and resource hungry and the branches in question have often been 'losing money' for a number of months. This may explain the higher average loss.
- The average loss for losses above £1k for all audit types is £12k, thus implying that the new Profile is 'nipping losses in the bud'. Using this average, we could say that the new Profile has reduced potential losses by £168k for the 20 'bad' branches.

When the initial Profile review was undertaken, branches with a loss of £3,000 or more and/or resulted in the agent being suspended were classified as 'bad'. This was because in several instances, losses over £1,000 do not result in a suspension.

Using these hit rates, the new Profile has a hit rate of 15%, which is 3 times higher than that of the current Profile and 5 times that of random audits, which can be taken as the baseline.

Table 1: Count of branches with loss >£1k and/or agent suspended ("bad") in Jan and Feb 2012

Count of Audit Code				
Audit Code	Bad	Good	Grand Total	'Hit rate'
110 (All New Profile pilots)	20	78	98	20%
YTD				
100 (current FBPP)	101	1,118	1,219	8%
150 (Random)	13	172	185	7%
200 (Special)	126	180	306	41%
Grand Total				

Table 2: Count of branches with loss >£3k and/or agent suspended ("bad") in Jan and Feb 2012

Count of Audit Code				
Audit Code	Bad	Good	Grand Total	'Hit rate'
110 (New Profile pilots)	15	83	98	15%
YTD				

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100 (current FBPP)	63	1,156	1,219	5%
150 (Random)	6	179	185	3%
200 (Special)	100	206	306	33%
Grand Total				