

**Post Office Ltd – Strictly Confidential**

**RISK AND COMPLIANCE COMMITTEE**

**20 JULY 2004 – Meeting Ref 01**

**Members:**

Sir Mike Hodgkinson (Chair)  
Peter Corbett

**Apologies:**

Iain Anderson

**In Attendance**

Rod Ismay

**SUMMARY ACTION POINTS**

ITEM	ACTION	LEAD
0101	Letter to FSA regarding independent expert for Compliance Cttee	RI
0102	Update the compliance risk map for the next meeting	RI
0103	Prepare end to end description of the "life of an MVL"	RI
0104	Overview and risk analysis of the planned DWP exceptions process	RI
0105	Confirm defence position on major cases with Group Legal	PC

**1. MINUTES FROM LAST MEETING**

Not applicable. This was the first meeting.

**2. STATUS OF ACTIONS FROM THE PREVIOUS MEETING**

Not applicable. This was the first meeting.

**3. MATTERS DISCUSSED AT THE MEETING AND NEW ACTIONS REQUESTED**

The issues discussed included the following items (which are expanded on as shown):

- 3.1 Purpose of the committee
- 3.2 Members of the committee
- 3.3 What is compliance
- 3.4 Risk & Control Team – Audit & Inspections activity
- 3.5 Risk & Control Team – Anti Money Laundering and Vital Few Controls
- 3.6 Security activity
- 3.7 Legal Services activity
- 3.8 Group Audit activity

**Post Office Ltd – Strictly Confidential****3.1. Purpose of the Committee**

It was agreed that this body should be a Compliance Committee, to support and complement the business and the group Audit & Risk Committee. It is not intended to be an Audit Committee in its own right.

RI suggested the following responsibilities for the committee. These were provisionally agreed. However, following 3.2 below, MH proposed we take advice from the intended "independent expert" member in defining the responsibilities:

- Approve POL audit and compliance plans
- Monitor POL's internal control and risk management systems
- Initiate quality review of control & compliance functions
- Monitor the setting and deployment of policy in POL
- Monitor the integrity of POL's external reporting (including financial)

The committee noted the disclosures about Audit and Risk committees in the Royal Mail Holdings accounts and that there may be future benefit in disclosure about this committee in Post Office Ltd's accounts.

**3.2. Members of the Committee**

MH suggested that the committee should include an independent expert, who could advise (without being held legally responsible).

PC explained that the draft membership of MH, PC and IA had been proposed so as to be able to bring as independent an executive challenge as possible to the compliance of Banking & Financial Services and of Operations. It was agreed that Graham Halliday and Dave Miller therefore be default invitees to all meetings of the committee but not to be members of the committee.

**Action 0101**

RI to draft a letter, and clear with Keith Woollard, for MH to send to the FSA. The letter to explain that Post Office Ltd is setting up a compliance committee and would appreciate the FSA's recommendations, as an independent party, on appointing an independent expert adviser (non legal responsibility).

**3.3. What is Compliance?**

The Committee noted the diversity of potential legal, regulatory and contractual obligations for compliance and that the draft risk map of these was helpful.

**Action 0102**

RI to update the compliance risk map for the next meeting.

**3.4. Risk & Control Team – Audit & Inspections Activity**

The Committee noted the development plans for risk models for targeting branch audit visits.

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**3.4.1 Branch control and Audit committee feedback**

Updates received from old cases: Turners Hill, Blackwood and Sevonoaks.  
New cases discussed Finsbury Park, Putney Bridge and Edgware.  
Development of the Branch Control forum was discussed.  
Post Office Saving Stamps frauds were discussed.  
Discussion regarding counterfeit notes and benefits of ultraviolet scanner was had.

**Action 0401**

What is the indicative cost of a suspension in terms of cover pay and overheads?

**Action 0402**

Sevonoaks to be revisited now new BM and SAM are in place.

**Action 0403**

Increase scope of Branch Control forum reports to target top 20 worse performing branches in the future.

**Action 0404**

Turners Hill – ensure property assets are investigated for recovery

**3.4.2 Branch Audit team**

Martin Ferlinc presented review of Branch Audit findings 04/05 – assets verification and compliance audits.  
Proposed Branch Audit plan for 05/06 was discussed.

**3.4.3 Banking and Financial Services compliance**

Improving trend in compliance, though mystery shopper less encouraging than audits.  
New tools to increase awareness were discussed i.e. competition, video as well as refresher training.  
Royal Mail Internal Audit review focused on a number of steps to be completed to embed business as usual processes.

**3.4.4 Investigation team**

Current fraud risks were discussed around cash cheques, Bureau de Change, PO Saving Stamps, fictitious deposit and deposit suppression.

**Action 0405**

Confirm what security features are incorporated within PO saving stamps, and whether high value postage stamps could be used

**Action 0406**

Install ultraviolet scanners at 3 DMB's to ascertain the benefits for installing at all DMB's.

**Action 0407**

Confirm that we have written to DWP to highlight cash cheques concerns.

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**Action 0408**

Bureau – why are high value bills (\$100 etc) being returned to Hemel when we have note scanners in the branches?

**Action 0409**

Destructions and returns – could some DMBs be used to recycle stock from closed offices instead of returning for destruction

**3.4.5 Corporate risk register**

Reviewed current risk register and discussed any movement of risks and causes.

**Action 0410**

How did we get some of the monetary value – revisit using inherent risk/residual risk.

**3.4.6 Information Systems security**

Access to Horizon and other IT platforms was discussed.  
POL web site recently received a number of attacks.

**Action 0411**

ID theft risk – provide further detail on risks including comparison of branch versus call centre channel risks

**Action 0412**

Bank account “theft & flight” – what sort of accounts are involved and how is the money being stolen?

**4. DATE OF NEXT MEETING**

7<sup>th</sup> July 2005  
Sir Mike's office

**Future agenda item**

Key Controls  
DVLA actions from recent review  
ID theft and security of personal information

**Attendees to include**

Sue Lowther – Head of Information Security