



POST OFFICE LIMITED GROUP EXECUTIVE REPORT

Title:	'Historical Matters' - Assurance Approach and Plan	Meeting Date:	
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Input Sought: Noting and Approval

The GE is asked to note:

- i. Our assurance approach and plan for assurance on 'Historical Matters'
- ii. PO Control Framework – Prioritisation, Commencement and Approach

Previous Governance Oversight

Over the last few years a number of papers have been submitted to the GE, sponsored by GGC, within the area of Compliance, Assurance and the Three Lines of Defence. These papers are listed below:

- 17th April 2019 - Post Office & Compliance
- January 2021 - Oversight and Governance – Part 2
- 7th September 2021 - Creating a Compliance Culture in the Post Office

The overarching principles stated in these previous papers are still valid, and this paper builds on them, particularly the execution of appropriate assurance for Historical Matters and a POL Control Framework.

Questions addressed

1. Why are we prioritising Assurance on Historical Matters?
2. What is the proposed approach to provide assurance and the role of Group Compliance?
3. What are the challenges and support we need from the GE?

Executive Summary

Generally, and following the Common Issues and Horizon Issues judgements and the focus of the Statutory Inquiry which will bring with it heightened public focus and exposure, it is essential that Post Office ("POL") can demonstrate to the Inquiry that all 'Historical Matters' have been dealt with fairly, lessons have been learnt and actions taken in a sustainable manner to prevent repetition of the significant failings of the past or similar risks re-emerging.

Consequently, we are implementing an approach to provide assurance on 'Historical Matters' which comprises the following key area:

- a. Schemes/Treatment Strategy – HSS, OHC, PM Detriment, Stamp Scheme
- b. Sustainable Resolutions/ Fixes – IDG (ie operational conformance with CIJ and HIJ)
- c. PO Control Framework – Integrated Assurance, Three Line of Defence, Control assessments - initially focussing on Tech (change), Whistleblowing and Investigations
- d. Inquiry Team – Readiness Assurance

Whilst several valuable and insightful Internal Audits (third line) have been performed, POL needs to have an embedded first and second line approach to demonstrate robust assurance on 'Historical Matters'. This will ensure that Management have ongoing assurance to assess



whether 'Historical Matters' have been remediated in a sustainable manner, but more importantly these can be demonstrated.

Group Compliance have engaged with relevant GE members and their respective teams in the creation of this plan and the implementation of an approach which leverages existing SME (Group Risk, Technology, HMU, Strategy & Transformation), supported by a core Controls Team within Group Compliance.

Sourcing SMEs within POL vs contractors to drive and deliver this Assurance plan ensures we have continuity, retain corporate knowledge and provide POL with a great platform to then launch and embed a POL wide Control Framework. To date, support from the wider teams and GE has been extremely positive which overtly showcases our values of 'Working in Partnership' and 'One Team'.

Our plan adopts a phased approach which involves creation of an assurance universe for Historical Matters, and then assessing the robustness of documentation or artefacts to demonstrate what has been delivered and their effectiveness. It is acknowledged that the plan timelines are challenging, and we accept that in some instances decisions will have to be taken on priorities, but the December 2022 timeline is geared towards being ready for the Inquiry in 2023.

Lastly, POL also needs a common standard or framework for its Control Environment (CF) to be formally assessed and monitored against. In parallel to the assurance work on 'Historical Matters', Group Compliance and Group Risk, will be creating a POL CF. The CF will provide the core standards / pillars and guidance which will have to be adopted consistently across POL. The intention is to initially apply the CF within Tech (Change), Whistleblowing and Investigation (prior to Dec 2022), and then launch this formally within POL in January 2023.

Our approach will also support POL to be able to demonstrate to BEIS how we are delivering against the strategic objectives for 2022/23 namely *'A key objective for POL's current Board and management team is to demonstrate to the Inquiry's satisfaction that changes have been, or are in the process of being, made to POL's systems and processes so that they are fit for purpose. I should be grateful if you would write, by the end of the parliamentary summer recess, to let me know what assurance, both internal and external, the Board is putting in place to demonstrate this'*.

Our approach

1. The key driver underpinning our approach is to prioritise assurance for those areas under Inquiry scrutiny, collectively referred to as 'Historical Matters', within this paper:
 - a. Schemes/Treatment Strategy – HSS, OHC, PM Detriment, Stamp Scheme
 - b. Sustainable Resolutions/ Fixes – IDG (ie operational conformance with CIJ and HIJ)
 - c. PO Control Framework – Integrated Assurance, Three Line of Defence, Control assessments - initially focussing on Tech (change), Whistleblowing and Investigations
 - d. Inquiry Team – Readiness Assurance
2. The core outputs will be:
 - a. Validation of coverage, completeness, consistency and sustainability of key activities.
 - b. Timely identification of those areas where the POL/business may have to strengthen their oversight, governance and documentation.

¹ STRATEGIC PRIORITIES FOR 2022/23 - Sarah Munby Permanent Under-Secretary of State letter to Tim Parker (dated 23 May 2022)



- c. Monitoring of gaps and their timely resolution.
- d. POL Control Framework – minimum standards for an effective control environment including clarifying integrated assurance and the three lines of defence.

3. Approach:

- a. **Core Team** – We have created a core team of POL SMEs (circa 5) from Group Compliance, Group Risk and IDG. This team is creating the methodologies, templates, assessing artefacts required and providing guidance / support to the business to ensure we can provide a view on 'Historical Matters' and related assurance.

To expand, this team is and will be working closely with the business involved in Historical Matters (for instance Tech, Retail, HMU etc) to:

- i. Ensure coverage of 'Historical Matters' is adequate;
- ii. Identify current artefacts and documents;
- iii. Assess the efficacy of these artefacts (coverage, completeness, consistency and sustainability);
- iv. Identify any gaps and remediations needed; and
- v. Prepare an assurance plan for 'Historical Matters' for regular assurance (first and second line) reporting and oversight.

NB: We have been able to secure the core team from existing resources within Group Compliance (3), Strategy and Transformation (1) and Group Risk (²2). These resources will be prioritising and balancing delivering this plan, with their BAU activities.

This team will work under the direct supervision of the Interim Group Compliance Director, with overall Executive Sponsorship with the Group General Counsel.

b. **Phased approach and timelines – July to December 2022**

The phases of the assurance plan are designed to leverage existing documentation and knowledge within the business and have minimal disruption to BAU activities.

In **Phase 1** the Group Compliance Team will be creating an assurance tracker for each area under review. This assurance tracker will help the business in the identification of key documents and artefacts required to demonstrate to the Inquiry that appropriate process, procedures and assurances has been applied.

Group Compliance commenced this activity in **July**, and are now targeting end August for the teams to complete their self-assessments against the assurance trackers.

At the end of Phase 1, we intend to provide the GE a 'lay of the land' and agree with respective GE next steps, including resources and prioritisations, for those areas where we may be missing assurance or have material gaps.

In **Phase 2 (August to September)**, the Group Compliance team, will commence a review of all documents identified in Phase 1 to assess whether they provide adequate assurance and the degree of confidence that can be placed on them.

² Group Risk support is part time.



In **Phase 3**, the Group Compliance team will create an Assurance Framework for the areas under review to ensure that the GE are provided monthly assurance on 'Historical Matters'. This will have the following key components:

- Tracking remediations of gaps identified in phase 1 and phase 2
- Group Compliance Assurance on key activities under 'Historical Matters'.

The phases and their timelines are summarised in the table below:

Phase 1 – July/August	Phase 2 – August to September	Phase 3 – October onwards
Fact Find/First Line self-assessment	2 nd Line Assurance	Continuous Monitoring
Obtain affirmations and documentary evidence.	Complete the assurance review and provide a formal report on material exceptions and/or gaps.	Create an Assurance Framework to provide Monthly/Quarterly (TBC) 2 nd line assurance.

Please refer to **Appendix 1** (page 4, 5 and 6) for the detailed plan and approach.

c. **PO Control Framework (July – December)**

Working with Group Risk, we will be creating a POL Control Framework to provide clarity on what constitutes an effective Control Environment and the key building blocks through which this can be demonstrated.

In addition, this will define POL three lines of defence model, clarifying the roles and responsibilities for the business (first line), functional assurance/compliance/risk (second Line) and internal audit (third line).

Recognising that POL has already embarked on strengthening its control environment particularly within Technology, Service & Support and Supply Chain, the POL Control framework by design will not be prescriptive, allowing the business to adopt their own procedures and methodologies, as long as the business can demonstrate the key building blocks of their Control Environment, namely their universe of key activities and processes, risks and controls, assurance procedures to measure efficacy of controls, and how their control environment is monitored and maintained.

With an Inquiry lens the principles of the POL Control Framework will be applied within three areas first (**July – December**) - Technology (Change), Whistleblowing and Investigations. This will enable us to fine tune the Control Framework before launching this formally in January 2023 across POL.

We will share a draft version of POL Control Framework with the GE, RCC and ARC in August/September 2022.

Please refer to **Appendix 1** – Assurance Plan for 'Historical Matters'.

What we need from the GE

As mentioned, with an Inquiry lens the timelines of the 'assurance plan' are very ambitious and therefore heavily reliant on the business owners to support the approach. That said engagement to date has been exceptional.



The key functions which are impacted by this plan are:

- HMU (Lead – Evelyn H)
- Technology (Lead – Dean B)
- Group Risk (Lead – Rebecca B)
- Retail (Supply Chain, Support Teams, Network, Service Support)
- Strategy and Transformation (Lead – Joanne W)

Whilst most of the heavy lifting will be done by Group Compliance, we will need the support of the business functions for identification and review of documentations, process and procedures that relates to the areas under scope of 'Historical Matters'.

As mentioned above we would have a clearer picture of the 'lay of the land' at the end of Phase 1. At this point we will re-engage with relevant GE to assess impacts, resources needed and prioritisations.

We will be providing the GE with a monthly tracker to monitor progress and provide an initial view of key themes and or observations requiring GE attention.



Appendix 1 – Assurance Plan – Historical Matters

1 st and 2 nd LoD Assurance	Executive Accountable	Assurance Plan		
		Phase 1 <u>Fact Find / First Line Self Assessments</u> (July)	Phase 2 <u>Carry out 2nd Line Assurance</u> (Aug - Sept)	Phase 3 <u>Continuous Monitoring</u> (Sept Onwards)
A. <u>Schemes/Treatment Strategy</u> <ul style="list-style-type: none"> • Historical Shortfall Schemes (HSS) • Overturn Historical Convictions (OHC)* • PM Detriment <ul style="list-style-type: none"> • Suspension Payments • Aged Balances (TBC) 	Ben F - Lead Simon R Legal	Obtain affirmations and documentary evidence for: <ul style="list-style-type: none"> • Coverage (Universe) • Risk Universe • Control Universe • Existing Frameworks • Assurance Models for completeness, accuracy, valuations and consistency • Policies and Procedures • Identification and treatment of exceptions • Decision Making –authority, visibility and flow through • Reporting Cadences 	Perform a second line assurance review. Provide formal report to GE on material exceptions and or gaps in 1 LoD.	From Phases 1 and 2 create an Assurance Framework to provide Monthly/Quarterly Second Line assurances on: <ul style="list-style-type: none"> • Key processes and procedures remain effective • CIJ, HIJ issues resolved remain embedded and effective • Schemes are operating as designed and consistently being applied.
B. <u>Stamp Scheme</u>				
C. <u>Sustainable Resolutions/ Fixes</u> <ul style="list-style-type: none"> • Improvement Development Group (IDG) • BAU – Business ownership and embedding fixes arising from: <ul style="list-style-type: none"> • CIJ • HIJ • Other issues 	Dan Zinner Lead Jo Welch Functional Executives	Obtain affirmations and documentary evidence for: <ul style="list-style-type: none"> • All areas specified in A and B above • Documentation of resolutions/remediations • Handover to BAU - Process and procedures • Monitoring or assurances in place to assess/track: <ul style="list-style-type: none"> • Sustainability • Efficacy of resolutions/remediations implemented (against original risk profiles and or emerging risk) <ul style="list-style-type: none"> • What process and procedures are in place to intervene should resolutions or fixes stops working or loses effectiveness and or creates new risks 		



Appendix 1 Continued – Assurance Plan – Historical Matters

1 st and 2 nd LoD Assurance	Executive Accountable	Assurance Plan		
		Phase 1 <u>Group Compliance</u> (July – Dec)	Phase 2 <u>Roll Out of Control Framework</u> (Sept- March)	Phase 3 <u>Continuous Monitoring</u> (March Onwards)
D. <u>PO - Control Framework (CF)</u>	Ben F - Lead: Anshu M Accountable Exec's	<p>Design and obtain sign off for a 'PO Control Framework' with clarity provided for*:</p> <ul style="list-style-type: none"> • 3 lines of defense and the RACI between First Line, Second Line and Third Line. • Criteria to demonstrate functional universe coverage (activities, processes, etc) • Definition of Key risks and key controls (aligned to risk framework) • Minimum guidance/standards for: <ul style="list-style-type: none"> • Control evidence • Control sampling / assessment by first line • Control sampling / assessment by second line <p><i>* this is not exhaustive</i></p> <p><u>In parallel start working with the teams accountable for:</u></p> <ul style="list-style-type: none"> • Tech (Change) • Whistleblowing • Investigation 	<ul style="list-style-type: none"> • Design roadshows and team talks to communicate the Control Framework and requirements across the PO. • Prepare a functional plan for timings and support needed to demonstrate compliance. • Share with RCC and ARC 	<ul style="list-style-type: none"> • First line self assessment reporting • Second line assessment reporting • Second line coverage plan



Appendix 1 Continued – Assurance Plan – Historical Matters

1 st and 2 nd LoD Assurance	Executive Accountable	Assurance Plan		
		Phase 1 <u>Fact Find / First Line Self Assessments</u> (July)	Phase 2 <u>Carry out 2nd Line Assurance</u> (Aug - Sept)	Phase 3 <u>Continuous Monitoring</u> (Sept Onwards)
E. <u>Enquiry Team – Assurance</u> 1) Enquiry 218 Q's - Readiness 2) Responsibility tracker 3) Witness Prep 4) Disclosure and Data	Ben F - Lead: Fintan C Tom C Simon R	1), 2) and 4) HSF Tracker: • Assess completeness, accuracy and timeliness of trackers and identification of data • Assess reporting and monitoring efficacy. 3) Current Framework • Assess for completeness, accuracy and tracking movements ie operational efficacy.	Perform a second line assurance review. Provide formal report to GE on material exceptions and or gaps in 1 LoD.	From Phases 1 and 2 create an Assurance Framework to provide Monthly/Quarterly Second Line assurances on: • Key processes and procedures remain effective • CIJ, HIJ issues resolved remain embedded and effective • Schemes are operating as designed and consistently being applied.

Note: **SPM** - All outputs from the activities from A, B and C, will be shared with the SPM Team to ensure they have considered associated risks and controls.