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Group Assurance TOM proposal

08/05/24

V0.2

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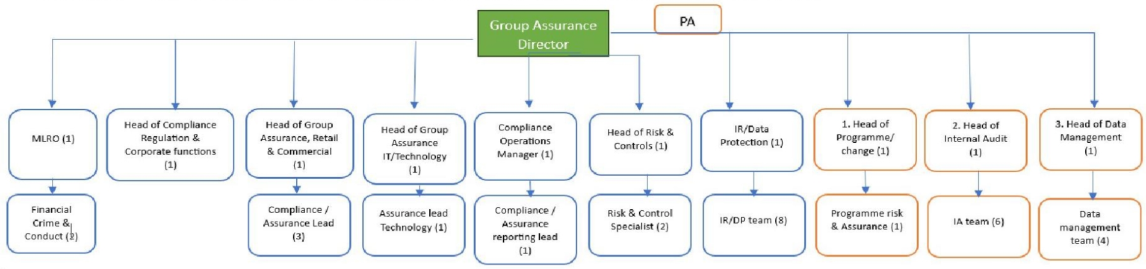
GROUP ASSURANCE – TOM

This is a new proposal combining all Assurance functions, expectation is that all second line roles will be multiskilled and able to carry out compliance/assurance/oversee risk activities across the business in an integrated. For a less than £1bn company integrated and efficient assurance is key.



Notes

- Is a separate Head of Programme Change required (the current job title is Head of Change, Risk & Assurance) – this task could be overseen by any of the other Heads of including Head or Risks & Controls, the saving could be used to ensure more feet on the ground?
- We should also consider having just one platform for risks and controls – not a separate one for change programmes.
- The Compliance Ops manager [& team of 1 but may not be needed] could sit under the Head of Compliance - Reg & Corporate functions, this would reduce the line management burden of the GAD and give the 'Head of' role the ownership of reporting – including dashboards etc.
- I changed the Head of Risk to Risk & Controls – the roles sitting under this should be specialists – but with improved ways of managing risks and oversight of controls – implementing the control framework working with all the Heads of.
- This would require a ToM review within current set up and within first line function to ensure clear separation between first and second line activities exist.
- Internal Audit would be separated under a Chinese wall, but under GAD to ensure integration and alignment.

The number in brackets:

- Blue boxes are proposed number (except for Head of Risk & Controls which is based on current Risk team and IR/DP which is based on current numbers, the rest would need to be scoped out further.
- Orange boxes – numbers are based on current numbers of the 3 functions – 1.& 3. Currently report to Strategy and Transformation which is under the Finance Director and 2. reports into the Finance Director.

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- The previous slide is a revised version of the original ToM proposal for LCAS presented in October 2023. The previous slide looks across all Assurance activities and is a starter for ten.

- The Oct version was inward looking into LCAS only and are captured in slides 4 to 9. Slide 10 looked at incorporating Risk only.
  - This version was formally shared with Finance and the People Team, but was never progressed.

'As is' Activity Analysis

Based on a detailed bottom-up analysis of the activities undertaken within Group Compliance, the following are some key observations:

- Only 27 % of the FTE's are involved in true second line activities
  - That said, as POL is aware this is skewed to certain functions only (See Table 2)
- Majority of the team, c 43%, perform functional (first line (1.5)) activities which fall under categories such as continuous monitoring, investigating etc.
  - The Financial Crime & Financial Conduct Team in particular fall under this category.
  - The IR/DPO activities by their very nature are 'doing roles' and

Table 1 – As is FTE Breakdown

Cluster	LOD Split (FTE)			Total (FTE)
	1	1.5	2	
Financial Crime	1	12	2	15
Supply Chain	–	–	2	2
IR/DPO	7	3	0	10
Financial Services Conduct	3	1	0	5
Central Team (JH, SJ)			2	2
HM Assurance (JP, SF, NS)	–	–	3	3
Total	11 30%	16 43%	10 27%	37
2023/24 Budgeted HC 37.8 (Period 5 Actual 35.6)				

Table 2 - Functional Coverage:
- Financial Crime – Commercial
- Supply Chain – Retail
- IR/DPO – All functional areas
- Financial Services Conduct – Retail/Commercial/POI
- HM Assurance – Retail/Remediation/LCG

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POL Universe – 'to be' Group Compliance Coverage

Using the POL Organisation Structure (GE, GE-1, GE-2) we have created a starter Assurance Universe and rated these a 'High', 'Medium' and Low driven by their inherent risks. Please see **Table 3.**

Accordingly, we can then logically assess which functions would need second line coverage, which is summarised in **Table 4**, namely:

- **Heavy**
  - Technology
  - Retail
  - Commercial
- **Medium**
  - People
  - Finance
- **Light**
  - LCG
- **None**
  - Corp Affairs
  - Strategy and Transformation

Heavy – Assure twice a year ; Medium – Assure once a year ; Low – Assure once every two/three years

NB – How Assurance is obtained varies but does not necessarily imply incremental

Table 3 – DRAFT - POL Assurance Universe

	H	M	L	N	Total
Commercial	6	7	24		37
EC & DT (JS)	11	1	4		16
Finance	9	12	24	1	46
GGC	23	3	8	2	36
People	2	8	4	6	20
Retail	11	14	19	1	45
Corp Affairs	1	1	7		9
Strat and Transf			8		8
CDIO (ZM)	4	19	25		48
	67	**65**	**123**	**10**	**265**
%	**25%**	**25%**	**46%**	**4%**	**100.00**

Table 4 – DRAFT Desired Functional Focus

Functions	GE	Coverage
Finance	Al Cameron	**Medium**
LCG	Ben Foat	**Light**
People Team	New CPO	**Medium**
Ent Cloud and Data Transformation	CB / J Smith	**Heavy**
Retail	Martin Roberts	**Heavy**
Commercial	Owen Woodley	**Heavy**
CDIO	CB / Z Mladeno	**Heavy**
Corporate Affairs, Brand & Reputation	Richard Taylor	None
Strategy and Transformation	Tim MCInnes	None

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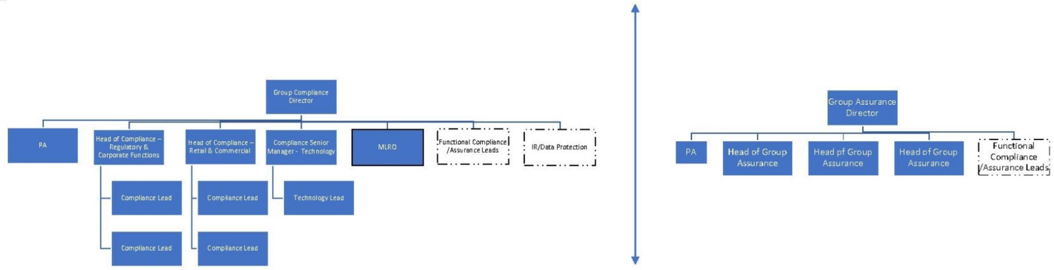
Group Compliance – TOM – Option # 11



Group Compliance TOM Assumptions **#11**

- This analysis is **myopic** to Group Compliance ie has not considered any synergies or overlaps across wider POL second line functions (see slide XX)
- PA – Is a team resource
- MLRO - Stays within Compliance, under core assumption that job specs for wider team include Fin Crime, ABC coverage, and matrix managed.
- IR/DP – Are first line roles moving into Group Legal.
- Functional Compliance/Assurance Leads – Network of Assurance will need to be created across first line (per ARC Integrated Assurance Sign off)
- Group Compliance **- All roles would need revised job specs as change is greater than 30% and approach is very different ie floating resource.**
- Group Compliance – Roles transitioning to First line would not need a revaluation in the short rum (see next slide)

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Table 1 – As is FTE Breakdown

Cluster	As is LOD Split (FTE)			As is Total (FTE)	Transfer to 1 Line				ToM		Total	Comments
	1 Lod	1.5 Lod	2 Lod	Total A	Legal	Retail	Comm	Total B	Retain	New Skill Set	Total C	
Financial Crime	1	12	2	**15**	-	5	6	**11**	3	1	**4**	**MLRO – Group Compliance**
Supply Chain	-	-	2	**2**	-	-	-	**-**	-			**Generic skill set**
IR/DPO	7	3	0	**10**	10	-	-	**10**	-	-		**Requires no hand over**
Financial Conduct	3	1	0	5	-	-	2	**2**	2	1	**3**	**Head of and Compliance Lead**
Central Team (Dir)	-	-	2	**2**	-	-	-	**-**	2		**2**	**A Director and EA**
HM Assurance (JP, SF, NS)	-	-	3	**3**	-	-	-	**-**	-			
Technology	-	-	-	**-**	-	-	-	**-**		2	**2**	
Total	**11**	**16**	**10**	**37**	**10**	**5**	**8**	**23***	7	4	**11**	**A-B-C= 3 Net reduction**
2023/24 Budgeted HC 37.8 (Period 5 Actual 35.6)												*** Efficiency of scale revisit in 12 months**

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Financial Crime Compliance Activity Review

Team	LOD Split (FTE)			Total (FTE)
	1	1.5	2	
Financial Crime	1	12	2	15

- Financial Crime activities are predominantly 1.5 and cover MLRO and regulated activities to support Travel Money and other products and services subject to the MLRs.
- Assumes current 1 & 1.5 LOD activity moves with the current personnel into 1st line.
- What are the key principles for release of FTE (see *):

Activity	Due	Frequency
First Line Conformation that transferred activity continues	6 months	N/A
Objective oversight by 2nd Line	Ongoing	Monthly
Adequate MI and reporting to demonstrate regulatory compliance and SLAs/OLAs are met	6 Months	N/A
Formal process established for escalation to 2nd Line of high risk/incidents/potential breaches	First 30 days	N/A
Review and sign off by Group Compliance of transfer of activities	6 months*	N/A
Review of effectiveness and operational efficiencies with sign off by 1st Line and 2nd Line	12 months	Annual

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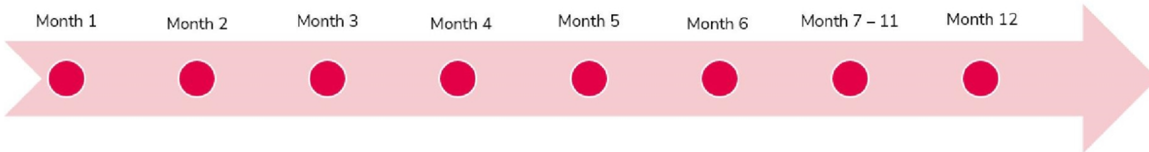
Timeline

The below are 4 examples activities out of 45 activities to be transferred to 1st Line.



Activity Example	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7- 11	Month 12
1. Product & Service Risk Assessment (1.5 FTE) 2. Travel Money Transaction Monitoring (2 FTE) 3. Suspicious Activity Reports receipt & investigations (2 FTE) 4. Financial Crime Investigations (2 FTE)	• Resource Transfer • Review and update process documents • Establish formal 2nd Line escalation process	• Review and update MI for 2nd Line Assurance • 2nd Line to attend external Compliance Meetings	• 2nd Line testing of assurance • **Meeting with MLRO & 2nd Line to review MI/Dashboard** • 2nd Line to attend external Compliance Meetings	• Monitoring by 2nd Line • Monthly meeting with 1st Line and 2nd Line • 2nd Line to attend external Compliance Meetings	• Monitoring by 2nd Line • **Monthly meeting with 1st Line and 2nd Line** • 2nd Line to attend external Compliance Meetings	• **Review and sign off by Group Compliance of transfer of activities** • Monthly meeting with 1st Line and 2nd Line • 2nd Line to attend external Compliance Meetings	• Monitoring by 2nd Line • Monthly meeting with 1st Line and 2nd Line • 2nd Line to attend external Compliance Meetings	• **Review of effectiveness and operational efficiencies with sign off by 1st Line and 2nd Line** • 2nd Line to attend external Compliance Meetings

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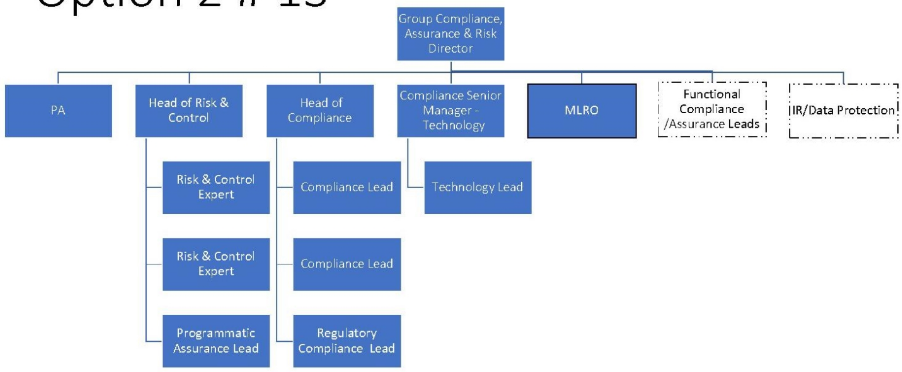
Group Compliance, Assurance & Risk Director – TOM – Option 2 # 13



Key assumption:

- Resources are floating
- HPT – via matrix performance management
- Universe coverage – 8 FTE X 5 Universe Lines = 40 = 1/3 cyclical coverage

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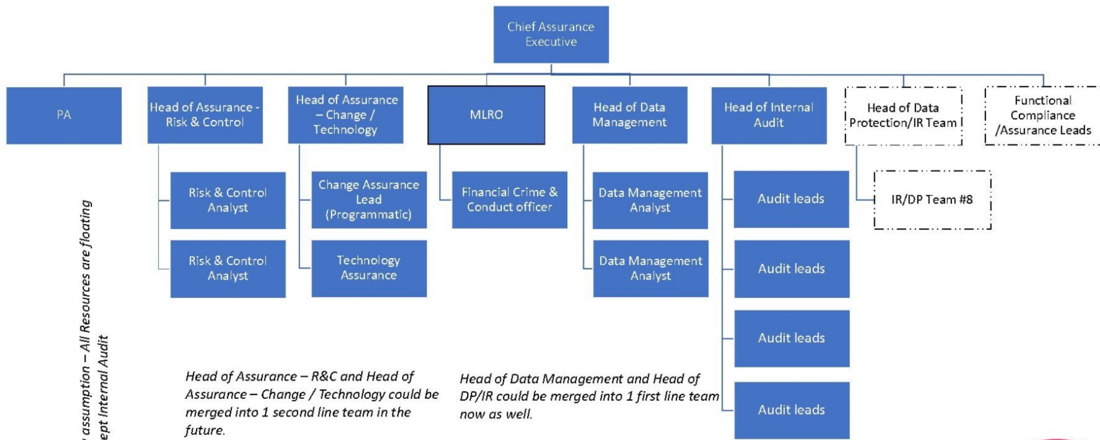
TOM – Option 3 # 18



Key assumption – All Resources are floating Except Internal Audit

Head of Assurance – R&C and Head of Assurance – Change / Technology could be merged into 1 second line team in the future.

SPMP is a material short term key risk

Head of Data Management and Head of DP/IR could be merged into 1 first line team now as well.

Data is a key short term key risk

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