

RCC 6 AUGUST 2015

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Risk and Compliance Committee (R&CC)		Reference: R&CC May 15
Date: 01 May 2015	Venue: Boardroom, Finsbury Dials	Time: 10:00 – 12:00
Attending:		
Jane MacLeod	General Counsel	Chair
Alisdair Cameron	Chief Financial Officer	Member (by telephone items 1-4)
Nick Kennett	Financial Services Director	Member
Paula Vennells	Chief Executive Officer	Member
Alwen Lyons	Company Secretary	Member
Steve Miller	Head of Risk	Report
Georgina Blair	Risk Manager	Report
Garry Hooton	Head of Internal Audit	Report
Martin George	Commercial Director	Report
Paul Beaumont	Risk Manager	Minutes
Apologies:		
Neil Hayward	Group People Director	
The Chair declared the committee quorate and opened the meeting.		
Agenda Item 1, Committee minutes and matters arising		
Action 1660 was agreed to be closed, the remainder of the actions were covered by the agenda item discussions or were brought forward to the 22 June meeting. For action 1657 (POMS reporting), it was agreed that the reporting process should be that papers discussed initially at POMS RCC would subsequently be tabled at POMS ARC and would then report into POL ARC. However, the format was still to be agreed and the action would be carried forward to the next meeting. The committee agreed the minutes of the previous meeting and the attached actions.		
Agenda Item 2, Principles of Risk Management-discuss and approve		
SM outlined the principles in the paper and explained that bringing them to life did not require the construction of elaborate systems. Instead what was key was executive sponsorship and building capability in the 1st line. A series of actions for the 1st line to own with support from the second line risk team was outlined. SM added that there would not be a 'one size fits' all approach, more important was understanding and engagement from the different areas of Post Office. For example, it was understood that in the 1st line the level of understanding of risk ownership would be less in some parts of the Post Office than others, so greater support would be need to be dedicated to those areas. SM confirmed that training was to be provided to the first line on the three lines of defence model and what was required within 'first line' risk; initially focussing this training on all the designated risk champions. It was agreed that FS could be used as an example of best practice to help facilitate learning. The committee agreed the Principles paper would be submitted to the GE. It was also decided that an overview of the three lines of defence and responsibilities should form part of the leadership agenda at the next SLT away day. (Action 1658)		
Agenda Item 3, Review of effectiveness of risk and internal controls framework		
SM presented a high level gap analysis of Post Office's compliance on the requirements of the UK Corporate Governance Code. There were a number of gaps to fill, but we had to decide as a business where we wanted to be on the maturity curve and the cost versus compliance costs of actions taken. It was suggested, by the Committee, that if the appendix was simplified to all the items Post Office would need to 'explain' (under the comply or explain aspects of the code) then		

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this would be a good way of focussing attention on the gaps and what compliance aspects we should dedicate resource to as a priority. It was agreed that a simplified version of the gap analysis would be produced together with a status report and what was planned to be achieved in the next financial year. **(Action 1663)**

Agenda Item 4, Principle Risks-review and approve

The Committee discussed these and some amendments were proposed, mainly for the Principal Risk 'underperformance in income'. It was agreed that this was one of the biggest risks facing the Post Office; but the title of the risk should be amended to better reflect the 'profitability' aspects of underperformance. It was decided that in the response to this risk we should capture that expense reduction is also a key required response if Post Office is not hitting its profit targets. It was also agreed to get further feedback from Commercial Committee on making the responses less tactical and more strategic. The high rating of the people and capability risk should be checked prior to it going to the ARC as well as amending the detail around ownership of the sales capability risk and the wording around the FS risks. **(Action 1659)**

The Committee also suggested that the future calibration of the heat map could be considered to ensure that the highest risks are shown in proportion to the other risks and to show trends (risk increasing or decreasing).

For the presentation in the Annual Report and Accounts it was agreed that industrial action should be given greater prominence than it was currently as this remained a key risk. On pension risk, it was highlighted that if we were publicly to outline this risk to the DB scheme, then we would need to be aware that in considering any further potential actions we should ensure that impacted staff were made aware of these risks as well.

Operational and legal risks should add 'telephony' to regulatory risk and we should bring out stronger the high regulatory risks for the FS business. Cost management and efficiency measures as responses to underperformance should also be brought out in the response column.

It was agreed to incorporate the committee's feedback in updating the risks for ARC. **(Action 1664)**

Agenda Item 5, Risk Incidents Reporting Process-review and approve

The risks inherent in 'self-reporting' were discussed. But it was confirmed by SM that this was common industry practice. The proposed approach was that the risk team would work with 1st line risk champions on facilitating reporting of 'key incidents' and thresholds for reporting would be agreed. The paper was approved.

Agenda Item 6, Vulnerable Customers Update

Martin George described a number of good practices that were found in the Post Office. However, there was a need for a consistency of approach and an agreed Post Office wide definition of what constituted a vulnerable customer. As part of this process he was reviewing current best practices at Post Office as well as that of external firms and partner organisations. He agreed to report progress at the next meeting **(Action 1649)**

Agenda Item 7, Review of Policy Approval Process

Steve Miller explained that good discipline for future policy approvals would be that each policy for approval/re-approval should be accompanied by a short note outlining the key changes together with a track changed version of the policy. The Committee stressed that policies that impacted on best outcomes for our customers should be prioritised.

Agenda Item 8, Internal Audit Report-for review

Garry Hooton updated the Committee, the Internal Audit plan in the papers had been approved by

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the ARC and were for noting. The committee requested that when audit reviews were presented to the ARC that the business owner responsible for implementing agreed actions should be present when the Internal Audit was presented.

It was agreed that GH would brief Alisdair Cameron on the travel expenses issues outlined in the papers (**Action 1665**). Garry Hooton confirmed that the Conduct Risk (FS) Audit would be presented to the June meeting (**Action 1666**)

Agenda Item 9, Gifts and Hospitality Annual Report – for review

The report was noted. The Committee asked that as well as refreshing awareness of the requirements, the risk team should work with the Commercial team to ensure that their reporting process was working properly bearing in mind the very low returns reported (**Action 1667**)

Papers for noting

ID cards Policy and the (4) Information Security Policies were noted.

Any other business

None

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Action Summary and Updates					
Date	Ref	Action	Lead	By	Update
05/15	1667	To refresh Gifts and Hospitality Policy awareness and discuss reporting process with Commercial	Steve Miller	6 August	
05/15	1666	Conduct Risk Audit (FS) to be presented to the Committee	Garry Hooton	6 August	Done – action closed.
05/15	1665	Internal Audit to brief Finance Director on travel expense issues raised in report	Garry Hooton	6 August	Done – action closed.
05/15	1664	Incorporate Committee feedback into key risk descriptions for Annual Report and Accounts	Steve Miller	6 August	Done for May ARC – action closed.
05/15	1663	Corporate governance code 'gaps' and proposal on work to improve compliance for 15/16 ARA to be presented to the Committee and Board	Steve Miller	7 Sept	
03/15	1660	Discuss reporting lines of Business Transformation risk and assurance roles with the Transformation Director	Jane MacLeod	1 st May	Transformation Director and General Counsel are joint sponsors. Reporting line for the transformation assurance team is to GC with a dotted line to the TD - action closed
03/15	1659	Revise presentation of principal risks in line with feedback from committee members and present to May ARC	Steve Miller	6 August	Done for May ARC – action closed.
03/15	1658	Provide a risk management session for the SLT at the next appropriate opportunity	Jane MacLeod/ Neil Hayward	6 August	Done July 3 - action closed.
03/15	1657	Discuss interaction between POL and POMS with regard to reporting at RCC with Financial Services Director	Jane MacLeod	6 August	See agenda item 6.
03/15	1656	Develop proposal for sub-committee reporting to RCC and discuss at GE	Steve Miller/ Alwen Lyons	6 August	To be covered in wider governance review – action closed.
01/15	1655	Prepare and implement a communications plan to raise awareness of the whistleblowing line	Steve Miller	7 Sept	Whistleblowing framework currently under review. Action point carried forward to next meeting.
01/15	1653	Gather views from committee members on incident reporting de-minimis limits and provide an update.	Steve Miller	1 st May	Closed by proposal presented to RCC on 1 May – action closed.

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01/15	1652	Prepare note clarifying the current approach to compliance with the new Corporate Governance Code	Steve Miller	1 st May	Closed by note presented on 1 May and superseded by action 1663 – action closed
01/15	1649	Commercial Director to give an update on vulnerable customers- definition and proposed best practice at the next meeting.	Martin George	6 August	
12/14	1646	Provide a report on the list of policies that need to be approved. Updated March 2015: Produce a paper proposing an appropriate process.	Steve Miller	1 st May	Closed by RCC paper on 1 May – action closed.
12/14	1644	Hold a scenario-analysis workshop to try and identify unexpected risks.	Steve Miller	6 August	IT risks workshop held in May – action closed.

Next Meeting- 6 August 2015 Room 1.19 Wakefield 14.00 – 16.00