

RCC 26 OCTOBER 2015

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Risk and Compliance Committee (R&CC)		Reference: R&CC Sept 15
Date: 07 September 2015	Venue: Boardroom, Finsbury Dials	Time: 14:00 – 16:00
Attending:		
Jane MacLeod (JM)	General Counsel	Chair
Alisdair Cameron (AC)	Chief Financial Officer	Member
Paula Vennells (PV)	Chief Executive Officer	Member
Neil Hayward (NH)	Group People Director	Member
Jonathan Hill (JH)	Head of Risk, Banking Regulation & and Strategy	On behalf of FS Director
David Hussey(DHu)	Transformation Director	Guest
Kevin Gilliland (KG)	Network and Sales Director	Guest
Mike Morley-Fletcher (MMF)	Head of Risk and Assurance	Report
Steve Miller (SM)	Head of Risk	Report
Deana Herley (DHe)	Audit Manager	Report
Adnan Killedar (AK)	Risk Business Partner	Report
Georgina Blair	Risk Business Partner	Minutes
Mark Lawrence (ML)	Senior Implementation Manager	Report (Item 4)
Andy Masson (AM)	Delivery Manager – Property	Report (Item 4)
Apologies:		
Nick Kennett	Financial Services Director	
Alwen Lyons	Company Secretary	
The Chair declared the committee quorate and opened the meeting.		
Agenda Item 1, Risk profile update		
<p>MMF explained that the risk function had been assisting the business units to carry out a half-year review of risk, in order to give ARC confidence in POL's risk management capability. MMF asked the Committee to review the list of 27 risks which had been identified in the March review, and consider whether any of the suggested additional risks in the presentation which had been identified through the recent review process should be added to the list.</p> <p>The Committee discussed the risks and suggested some new or amended risks to be added to the top list. In particular the Committee mentioned:</p> <ul style="list-style-type: none"> • Add risks of <ul style="list-style-type: none"> ◦ damage to PO brand in eyes of customers and consumers ◦ pension deficit ◦ contract management ◦ introducing new products without understanding agents' capability to sell ◦ loss of corporate memory due to high staff turnover and lack of succession planning ◦ flight risk of employees at SLT/band 4 level ◦ appointment of new Chairman and several new Board members may distract POL management or may disrupt strategy • Amend the following risks <ul style="list-style-type: none"> ◦ 'New Front Office application delayed' as the bigger risk is not delay in implementation but that the application does not work once implemented ◦ NFSP risk has been reduced due to a new agreement with the NFSP <p>The Committee agreed that the wording of the top risks needed to be improved. MMF agreed to meet individually with Committee members and their risk champions to improve the articulation of their top risks (Action 1681).</p> <p>The Committee requested that a paper be prepared for the September ARC explaining the next steps in improving the risk assessments (Action 1682).</p>		

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SM presented the summary of recent reported risk incidents. The Committee discussed the list, and it was noted that the summary was a reporting tool intended to demonstrate where controls in the business were failing, which helps to validate, or otherwise, the qualitative risk assessments made in Item 1, and was not intended to facilitate a discussion on the management of each particular incident. The Committee also noted that the lack of a coherent, centralized incident reporting process in the business meant it was hard for the risk team to gather full data on incidents.

The Committee agreed that the following amendments should be made to the report format for RCC:

- an indication of the materiality of the impacts for each incident
- a GE or SLT member identified as owner for each incident
- relevant business unit to sign off on report for each incident to ensure accurate reporting (Action 1683).

Agenda Item 3, Corporate Governance Code & Control Framework

SM explained the proposed approach to updating ARC on the approach to compliance with the Corporate Governance Code for the year ended 2015/16 and the creation of a control framework.

JM advised that she had been requested to bring a paper to the October Board addressing the desired level of compliance with the UK Corporate Governance Code and that a key part of this would be the ability of the Board to rely on the control framework.

PV noted that the arrival of a new chairman, and a new chair for ARC meant that there was a possibility to reshape thinking about compliance with the Corporate Governance Code. A couple of years ago the Board wanted POL to comply with the Code, but now given all else that is going on perhaps the approach should encompass the minimum that the business needs to do to keep safe.

AC recommended that GE, and then Board, should have a discussion about the different dimensions of the Code by determining where POL was on a scale, and examining the cost implications of moving POL along it in increments of activity. The three options were: do nothing, a middle action (plus cost) and compliance with the Code. The Committee requested that a paper be prepared for GE (Action 1684).

Agenda Item 4, Business continuity planning & management

SM presented the proposed Business Continuity resource plan covering both the business resources (1st line) and the Central Business Continuity team (2nd line). JM clarified that the £700k request included the opportunity cost of using frontline people to resolve the existing gaps in POL's business continuity framework, and that the suggested model was to bring in specialist expertise to help develop the framework and to assist people within the business to draw up specific impact assessments for each business area. The anticipated cost for this resource was £100 - £150k.

The Committee discussed the extent to which POL has existing business continuity and incident reporting plans in place. KG noted that he felt recent changes within the business meant there were some serious gaps in business continuity arrangements, but that he was unable to identify them. DHu noted that most organisations have a dedicated person who is charge of BCP and who ensures that plans are reviewed and tested regularly.

PV noted that as CEO she could not countenance POL having unidentified gaps in its business continuity arrangements, and requested that KG and Lesley Sewell go away and scope the gaps in their respective areas. It was noted that there were other parts of the business that would need to be included (for example the call centres), not just the branch network and IT, so other people would need to be involved.

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ML and AM explained how they had developed an interim incident reporting process with the assistance and oversight of AK from Risk in response to a recent failure in the notification process when an out of hours fire alarm happened at Finsbury Dials. The Committee asked whether there were any business continuity processes in place in the event that there was a real fire at Finsbury Dials, which made the building unavailable for a number of days. AM confirmed that there had once been reciprocal arrangements with Royal Mail, but that these were no longer valid, so there was no provision in place.

ML noted that Kevin Parker, Estates Manager, is currently looking at alternative locations; for example, it was likely that some essential staff could be accommodated in ones and twos in Crown Offices in London.

PV requested that the work covering assessment of current business continuity planning within IT, Network and Property should be completed by end of September and that incident management planning across Post Office be coordinated with the work ML is doing on buildings incident management (Action 1685).

The Committee confirmed that resource for three months (approx £100k) should be provided.

Agenda Item 5, Corporate Insurance Programme renewal

JM asked the Committee to note this paper, and explained it would be presented to ARC. AC questioned why the paper was going to RCC, GE, ARC and Board, and it was agreed that there was no need for the paper to go to GE and Board.

Agenda Item 6, Litigation report

JM asked the Committee to note this paper.

Agenda Item 7, Internal Audit Report

DHe updated the Committee on recent audit activity. The Committee noted that some of the outstanding audit actions were very out of date, and it was agreed that the Audit team would require the owners of the actions to confirm dates such that by the next meeting all the actions have been updated or completed (Action 1686).

Agenda Item 8, Committee minutes and actions

The Committee was asked to review the minutes and actions of the previous meeting and notify the Chair of any comments or amendments.

Agenda Item 9 – Noting paper, POMS RCC minutes

JM asked the Committee to note the POMS RCC minutes. JM noted that there was a need to understand how POMS was going to assure itself that POL was complying with its compliance requirements (as POL would be POM's Appointed Representative). JH explained that it was likely that it would be a mirror of what Bank of Ireland does at the moment. The Committee requested that this be clarified (Action 1687).

Agenda Item 10 - Noting paper, Updated Cyber Security Charter

JM requested that the Committee read the Charter, but noted that the Committee was not approving it and that she had comments to feed back to Julie George. JM noted there was a lack of clarity between IT and ISAG and the role of ATOS was unclear. It was agreed that clarity would be obtained on the relationship between IT, ATOS and ISAG; AC requested that resources were compared to accountabilities (Action 1688).

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Action Summary and Updates					
Date	Ref	Action	Lead	By	Update
07/09	1688	Obtain clarity on relationship between IT, ATOS and ISAG.	Jane MacLeod/ Julie George	26 Oct	AC & JM met Julie George and Colin Plett to discuss. See Agenda Item 6.
07/09	1687	Clarify how POMS will assure itself that POL is complying with POM's compliance requirements	Susie Hayward	12 Jan	Paper is being prepared for POMS Board and will be shared with RCC when ready.
07/09	1686	Require owners of audit actions to complete or update actions	Garry Hooton	26 Oct	See Agenda Item 9.
07/09	1685	Complete work covering assessment of current business continuity planning within IT, Network and Property; coordinate business wide incident management planning with work on buildings incident management	Mike Morley-Fletcher	30 Sept	Action completed – see update in Agenda Item 12.
07/09	1684	Prepare a paper for GE & then Board about approach to compliance with the Corporate Governance Code	Jane MacLeod	26 Oct	Paper in preparation. Will go to GE and then ARC due to timing constraints.
07/09	1683	Amend format of RCC Incident Reporting to include details requested by Committee	Steve Miller	26 Oct	Partly completed – see Agenda Item 3.
07/09	1682	Submit paper to September ARC explaining next steps in improving the risk assessments	Mike Morley-Fletcher	16 Sept	Paper submitted to September ARC – action closed.
07/09	1681	Meet individually with Committee members and risk champions to improve articulation of top risks	Mike Morley-Fletcher	12 Jan	
08/15	1674	Provide a regular short update on Vulnerable Customer approach until this work is completed	Martin George	12 Jan	Work is underway – update will be given in January
05/15	1666	Conduct Risk Audit (FS) to be presented to the Committee	Garry Hooton	26 October	See Agenda Item 9.
01/15	1655	Prepare and implement a communications plan to raise awareness of the whistleblowing line	Steve Miller	26 October	Policy will be updated in line with policy framework review (see Agenda Item 2). Comms will be tailored to requirements of policy.

Next Meetings – 26 October 2015 Room 1.19 Wakefield 12.00 – 14.00
12 January 2016 Room 1.19 Wakefield 12.00 – 14.00