

Appendix F - Internal Audit Report Whistleblowing Process

POST OFFICE LIMITED – INTERNAL AUDIT REPORT

AUDIT TITLE: Whistleblowing Process

REFERENCE: 2018/19-11

DATE ISSUED: 2 January 2019



Executive Summary

Background

Whistleblowing is an essential safety valve and forms part of a business's internal control environment. At Post Office the General Counsel has overall accountability to the Board for the implementation of controls ensuring that Post Office meets its whistleblowing obligations.

Post Office utilises a company called Expolink Ltd (previously InTouch Ltd) to manage its whistleblowing hotline facility. Any whistleblowing reporting received via Grapevine, Customer Support, Executive Correspondence Team and NBSC is e-mailed to a secure address monitored by the Financial Crime Team.

Scope

The objective of this audit was to assess the design and operating effectiveness of the controls over the Whistleblowing process. The audit assessed the following scope areas:

- Governance arrangements
- Staff awareness and understanding
- Managing whistleblowing concerns
- Management information and reporting

The agreed terms of reference is attached as appendix 1.

Conclusion

The Whistleblowing process is well managed by the Financial Crime Team and monitoring and reporting has been improved since they assumed responsibility a year ago. The further improvements, both in progress and highlighted here, will help ensure that Post Office colleagues have confidence to use the process when appropriate.

Management Comment

"Post Office takes seriously its obligations to provide a safe and confidential framework within which whistleblowing reports can be made. The improvements identified by the audit are helpful and will be addressed to ensure that all Post Office employees and those others to whom the policy applies, feel able to report instances of wrongdoing or other behaviours which do not meet Post Office's standards."

Jane MacLeod - Group Director of Legal, Risk & Governance

Report rating:



Satisfactory

Summary of Findings

The table below provides a summary of the findings and their ratings.

Finding		Rating*	Action Owner	Date
Scope Area: Governance Arrangements				
1.	Opportunities to enhance the Whistleblowing Policy and supporting guidance	P3	Sally Smith	31/7/19
2.	Lack of signed Expolink contract	P3	Vitor Camara	31/3/19
Scope Area: Staff Awareness and Understanding				
3.	Lack of a mechanism to confirm staff awareness	P2	Sally Smith	31/3/19
4.	Lack of targeted training and clear guidance for whistleblowing investigators	P2	Jane MacLeod	31/3/19
Scope Area: Management Information and Reporting				
5.	Lack of formal root cause analysis	P2	Vitor Camara	Complete

* P1 = High Priority, P2 = Medium Priority, P3 = Low Priority

Detailed findings and agreed actions

Scope Area: Governance Arrangements

Post Office practices good governance over its Whistleblowing arrangements and maintains appropriate levels of confidentiality. The Policy and supporting guidance would be further improved with minor amendments and updating.

1. Opportunities to enhance the Whistleblowing policy and supporting guidance***Finding (P3)***

The Whistleblowing Policy was most recently updated in July 2018 and is broadly in line with good practice. The policy included old contact details for the independent whistleblowing charity, Public Concern at Work (PCAW), which has also since changed its name to 'Protect'.

The policy would benefit from the addition of the following good practice points:

- Clarification that any so-called 'gagging clauses' in settlement agreements do not prevent colleagues from making disclosures in the public interest;
- The method and type of feedback that a whistleblower can expect to receive after making a report, including an explanation that anonymous whistleblowers will not ordinarily be able to receive feedback and that any action taken to look into a report could be limited;
- An indication of the time frame for investigating and responding to reports raised (we note this information is captured by the Financial Crime team, however it is not currently reported); and
- Clarification that the whistleblower does not need to provide evidence in order for the report to be investigated.

Supporting guidance in the form of a whistleblowing process document was being drafted at the time of the audit. A review of this draft highlighted that, whilst the end to end process for regular reports was fully covered, there were no defined criteria for the reporting of serious incidents (Policy states that these must be reported to the Chair of the Post Office Audit, Risk and Compliance Committee).

Risk

There is a risk that staff are not aware of the process for investigating whistleblowing reports and the support and protection available to them if they make a report, potentially resulting in whistleblowing concerns not being reported.

Agreed Management Action

The updates will be addressed and reflected in the July 2019 Policy review which is due before the July 2019 RCC and ARC meetings.

Action Owner: Sally Smith

Date: 31 July 2019

2. Lack of a signed Expolink contract and evidence of review***Finding (P3)***

The 2017/18 Whistleblowing Report to the ARC (dated July 2018) indicated that the Expolink contract renewal would be finalised in 2018/19, however, a signed copy of the contract and evidence of review could not be produced by either PO or Expolink. A review of e-mails provided during the audit indicated an historic lack of clarity over operational responsibility for the contract.

Additionally, there was a need to reflect the changes since the original agreement in GDPR and a need to update the Data Processing Agreement, including Post Office's General Data Protection Regulation (GDPR) clauses. This work is still being progressed.

Risk

There is a risk that the existing Expolink contract does not meet Post Office's needs and data protection requirements.

Agreed Management Action

The document is currently with the PO GDPR team for updating of the relevant clauses. Once this has been done the terms of the Data Processing Agreement will need to be finalised and the contract signed and stored in line with PO contract processes.

Action Owner: Vitor Camara

Date: 31 March 2019

Scope Area: Staff Awareness and Understanding

The levels of awareness and understanding across the business is difficult to assess without regular communications and survey activities. Standardisation of investigation processes across all areas of the business will benefit all investigating managers and add robustness to the process.

3. Lack of a mechanism to confirm staff awareness of whistleblowing arrangements and inform future awareness campaigns

Finding (P2)

A whistleblowing awareness campaign was launched in May 2018, which included a branch focus article for directly-managed branches (DMBs), an intranet article, Yammer posts and whistleblowing awareness posters in customer support centres, supply chain sites and DMBs. We were advised that a further awareness campaign is planned for December 2018, however a whistleblowing communications plan had not been documented at the time of audit to define the key messages and target audiences for this campaign.

At the time of audit there was no mechanism in place to confirm and measure staff awareness of Post Office's whistleblowing arrangements and to gauge the success of the May 2018 awareness campaign. (We noted that the number of whistleblowing reports increased in June 2018 following the campaign, from two reports in May 2018 to six reports in June 2018, dropping to an average of two reports in each of the next three months).

Risk

There is a risk that whistleblowing concerns are not reported because staff are not aware of the Whistleblowing Policy and process, and potentially unethical and / or unacceptable behaviour may go unreported.

Agreed Management Actions

The next survey is scheduled for Q4 (January 2019) and a comms and awareness plan is being produced to address the need to improve awareness across the business at all levels.

Action Owner: Sally Smith

Date: 31 March 2019

4. Lack of targeted training and clear guidance for whistleblowing investigators**Finding (P2)**

Whilst all Post Office staff are required to undertake annual Anti-Bribery and Corruption training, which covers the organisation's whistleblowing arrangements, there is no additional training provided to staff with responsibility for investigating whistleblowing reports.

We appreciate that investigators are senior staff with responsibility for managing and administering their teams on a day-to-day basis, however, targeted training for these colleagues would help to ensure that whistleblowing investigations are being conducted consistently across the organisation and key messages are being communicated and adhered to.

The Whistleblowing Policy states that investigations should be conducted in accordance with the Investigations Policy available on the Post Office intranet. Review of the Investigations Policy identified that it had not been reviewed and/or updated since September 2016.

Risk

There is a risk that potentially unethical and / or unacceptable behaviour occurs within PO due to root causes and mitigating actions not being identified and implemented.

Agreed Management Action

Jonathan Hill and Ben Foat will agree the approach to update the Investigations Policy. This will then be subject to external legal review by Cartwright King (solicitors) before presentation to the RCC and ARC for formal adoption.

Action Owner: Jane MacLeod

Date: 31 March 2019

Scope Area: Management Information and Reporting

Regular and relevant MI and reporting is key to the understanding of the potential underlying issues that are of concern to those raising whistleblowing reports. Visibility of any action taken as a result of reports is essential to maintain the credibility of the process.

5. Lack of root cause analysis and action plans to address recurring cases**Finding (P2)**

The period six Financial Crime team report to the Whistleblowing Officer referred to a Speak Up line report related to allegations of theft against a postmaster and stated that similar reports had been previously received about the same subject. Although the report noted that the matter was being investigated, no root cause analysis had been performed and specific actions had not been identified to try to prevent similar cases occurring in future.

Risk

There is a risk that potentially unethical and / or unacceptable behaviour continues within the organisation due to root causes and mitigating actions not being identified and implemented, respectively.

Agreed Management Action

A revised suite of MI has been produced and implemented, which is provided to the Whistleblowing Officer on a monthly basis and is consolidated into the regular RCC and ARC reporting.

Action Owner: Vitor Camara

Date: 31 January 2019 **Completed**

Distribution List

Executive Sponsor:	Jane MacLeod – Group Director of Legal Risk and Governance
Distribution:	Paula Vennells – Group Chief Executive Mo Kang – Group HR Director Sally Smith – Head of Financial Crime
Audit Team:	Garry Hooton Deloitte Co-source Johann Appel
Key Dates:	ToR Agreed: September 2018 Fieldwork: 8 October 2018 Close Meeting: 10 November 2018 Draft Report: 21 December 2018 Final Report: 02 January 2019 ARC scheduled: 29 January 2019

Appendices

Appendix 1 - Terms of Reference

Background:

Whistleblowing is an essential safety valve and forms part of a business's internal control environment.

At Post Office the General Counsel has overall accountability to the Board for the implementation of controls ensuring that Post Office meets its whistleblowing obligations.

Post Office utilises a company called Expolink Ltd (previously InTouch Ltd) to manage its whistleblowing hotline facility. Any whistleblowing reporting received via Grapevine, Customer Support, Executive Correspondence Team and NBSC is emailed to a secure address monitored by the Financial Crime Team.

Key Risks:

- Legal and regulatory
- Unethical behaviour of employees
- Financial mismanagement
- Theft / fraud
- Misreporting
- Failure to protect confidentiality of whistleblower

Scope of Audit:

Governance arrangements

- Roles and responsibilities and accountabilities for governance, including the appointment of those with responsibility for whistleblowing arrangements and designated contacts for raising concerns.
- Process to develop the whistleblowing policy, including the appropriateness of stakeholders consulted in their development.
- Definition of the scope of the policy, including the individuals and the types of concerns to which the policies apply, e.g. Consideration of concerns and grievances.

Staff awareness and understanding

- The process to provide communications, learning and guidance to raise awareness and support staff's understanding of how to manage whistleblowing concerns.
- The processes to provide learning to designated contacts on the whistleblowing processes, including consideration of legal rights and duties owed to third parties concerned.

Managing whistleblowing concerns

- The process to record, manage and respond to concerns, including feedback on the outcome and remedial action.
- The processes to securely manage information related to concerns.

Management information and reporting

- The processes to monitor, report and escalate concerns to those charged with governance.
- Measurement of staff awareness of the whistleblowing policies.
- Identification of themes arising from concerns raised and the development of action plans to address their root causes.

Timeline:

Pre Work:	September 2018
Field Work:	8 th October 2018
Draft report:	30 th October 2018
Final report	12 th November 2018

Audit Team:

Garry Hooton - Audit Manager

Ben Gedge – Co-source support (Deloitte)

Johann Appel – Head of Internal Audit

Appendix 2 - Report and findings rating guide

Audit finding rating descriptions:

Ratings	Description
P1 (High priority)	Issues arising referring to important matters that are fundamental and material to the system of internal control. The matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency .
P2 (Medium priority)	Issues arising that if not addressed may in time adversely impact the controls environment.
P3 (Low priority)	Issues arising that would, if corrected, improve internal control or efficiency in general but are not vital to the overall system of internal control.

Report ratings:

The specific rationale for the report opinion rating will depend on a variety of factors including:

- The number of control issues identified
- The priority rating given to these issues
- The significance of the risks attaching to the area under review
- The overall status of the control environment for the business area under review

We will categorise our report opinion according to the below rating:

Rating	Description
Satisfactory	Generally appropriate design and operation of the key controls tested with only minor control weaknesses or process inefficiencies identified.
Needs Improvement	Some weaknesses in internal controls which need resolving. A number of non-compliance issues with internal and external guidelines and weaknesses in records, systems and controls were identified.
Needs Significant Improvement	Inadequate internal control environment which requires management attention and improvement as priority. A high number of non-compliances with internal and external guidelines and weaknesses in records, systems and controls were identified. Examples may include reputational damage or inappropriate use of assets.
Unacceptable	Major breakdown in internal control environment which requires urgent Senior Management intervention. A significant number of non-compliances with internal and external guidelines and weaknesses in records, systems and controls were identified. Non-compliance with regulatory/contractual requirements, significant reputational damage or significant inappropriate use of assets.