

Post Office Limited Audit, Risk & Compliance Committee Terms of Reference (ToR) Evaluation 2021/22

Relevant extracts from the ARC ToR except where text is shown in italics	Was it complied with?	18 May 2021	29 June 2021 (additional meeting)	26 July 2021	28 Sept 2021	30 Nov 2021
The Terms of Reference are at Appendix 2, the relevant section(s) of the ToR are shown before each item.						
B. Duties and Responsibilities						
Financial Reporting						
The Committee shall:						
2. Monitor the integrity of the financial statements of the Company, including its annual report and half yearly reports and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.	✓	N/A	✓ Reviewed the progress made with the audit and Annual Report and Accounts, including External Auditor's Audit Summary Memorandum for the Post Office Limited external audit of the financial statements for the year ended 28 March 2021.	N/A	✓ Noted the Annual Report and Accounts update for the year ended 28 March 2021.	✓ Noted Annual Report and Accounts update for the year ended 28 March 2021 [note: a three-month filing extension to 31 March 2022 has been sought].
3. Review and approve for recommendation to the Board the Annual Report and Accounts, including but not limited to: i. Reports of the External Auditor; ii. any proposed changes in presentation of the financial statements or accompanying notes which the auditors may recommend; and iii. the Management letter.	Reviewed Annual Report and Accounts 2020/21 but not ready to recommend to the Board for signing as at 06/01/2022 (see 2 above).					
4. Review and approve for recommendation to the Board the half year financial report or trading statement for publication.	N/A – Post Office Group does not produce half year results.					
5. Review and report to the Board on significant financial reporting issues, including, but not limited to: i. the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;	✓ Reviewed the Annual Report and Accounts for the year ended 28 March 2021 (see 2 above).					

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<p>ii. the methods used to account for significant or unusual transactions where different approaches are possible;</p> <p>iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the External Auditor;</p> <p>iv. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;</p> <p>v. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management; and</p> <p>vi. an overview of the extent to which the Annual Report and Accounts are fair balanced and provide the information necessary to the Shareholder to assess the Company's performance, business model and strategy.</p>	
<p>6. Report to the Board where the Committee is not satisfied with any aspects of the proposed financial reporting by the Company;</p>	<p>N/A</p>
<p>7. Approve the Group Treasury policies, including methods of mitigating against foreign currency exposure and any use of financial derivatives.</p>	<p>✓ Treasury Policy approved by written resolution on 28 May 2021.</p>
<p>8. Approve for recommendation to the Board any changes to the accounting reference date, practice or policy by any Group Company, if different from those previously adopted by the Group, unless required by law or generally accepted accounting principles.</p>	<p>N/A – there were no changes.</p> <p>The Committee discussed the Department of Business, Energy & Industrial Strategy (BEIS) Consultation White Paper on restoring trust in audit and corporate governance and approved the proposal that POL should respond to the consultation at its meeting on 18th May 2021.</p>
<p>9. Approve any changes to accounting policies required by law or generally accepted accounting</p>	<p>N/A – there were no changes.</p>

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policies.						
Internal Controls and Risk Management Systems						
The Committee shall:						
10. Along with the external and internal auditors, monitor the adequacy and effectiveness of the Company's internal financial controls and other internal control and risk management systems.	✓ Discussed the Risk, Internal Audit & Compliance Reports at each scheduled meeting.	✓ Discussed the Risk, Internal Audit & Compliance Reports.	N/A	✓ Discussed the Risk, Internal Audit & Compliance Reports. Also noted: (1) the Transformation Office update within the Risk Report (2) the IT Controls Deep Dive paper and update (3) the Supply Chain Controls update.	✓ Discussed the Risk, Internal Audit & Compliance Reports.	✓ Discussed the Risk, Internal Audit & Compliance Reports. Also noted: (1) the IT Controls Deep Dive update (2) Service and Support Controls update (3) Financial Assurance over SPM (4) Financial Reporting Controls Environment update (5) Tax - IR35 update.
11. Review recommendations for the improvement of the Company's internal controls, processes and systems.	✓ Noted the Internal Audit report, incorporating reports and actions from reviews undertaken by Internal Audit at each scheduled meeting.	✓ Noted the Internal Audit report, incorporating reports and actions from reviews undertaken by Internal Audit.	N/A	✓ Noted the Internal Audit report, incorporating reports and actions from reviews undertaken by Internal Audit.	✓ Noted the Internal Audit report, incorporating reports and actions from reviews undertaken by Internal Audit. Noted the Contract Management Framework Controls paper. Noted and approved the Bulk Cheque Clearing Account paper.	✓ Noted the Internal Audit report, incorporating reports and actions from reviews undertaken by Internal Audit.
12. Review and approve the statements to be included in the Annual Report concerning internal controls and risk management.	✓ Reviewed the Annual Report and Accounts for the year ended 28 March 2021 which incorporated these elements (see 2 above) but the ARA was not ready to be recommended to the Board for signing as at 06/01/2022.					
13. Review the overall risk management framework and strategy in place for the Group	✓ As above, Risk report is noted at each	✓ The Risk report was noted.	✓ (1) Risk Management Workshop.	✓ The Risk report was noted.	✓ The Risk report was noted.	✓ The Risk report was noted.

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including its risk appetites and tolerance.	scheduled meeting.	<ul style="list-style-type: none"> (1) Operational Risk Appetite Statement approved. (2) Legal & Compliance Risk Appetite Statement approved. (3) Top down and bottom up risk assessment considered. 	<ul style="list-style-type: none"> (2) Network and Postmaster risk discussion. (3) IT infrastructure risk discussion. (4) Brand and reputation risk discussion. 	(1) The People Risk Appetite Statement approved.		
14. Review the Company's overall risk position and periodically invite management to outline risk management strategy and status within their specific business units.	✓ As above, Risk report is noted at each scheduled meeting.	<p>✓ The Risk report was noted.</p> <p>Also noted:</p> <ul style="list-style-type: none"> (1) Postmaster Management Information Overview (2) Joiners, Movers, Leavers update noted (3) Cyber Security update (4) Procurement Governance and compliance paper 	<p>✓ Risk Workshop held.</p>	<p>✓ The Risk report was noted.</p> <p>Also noted:</p> <ul style="list-style-type: none"> (1) Procurement Governance & Compliance paper (2) Belfast Datacenter (Horizon) Disaster Recovery Post Test Briefing (3) Payment Practices Reporting (4) Law & Trends (5) Corporate Insurance Renewal (6) Policy Update – Summary Paper 	<p>✓ The Risk report was noted.</p> <p>Also noted:</p> <ul style="list-style-type: none"> (1) Postmaster Management Information & Data Governance Framework Update (2) Postmaster Remuneration – Third Party Assurance (3) Legal Risk Review (4) Procurement Governance & Compliance paper (5) Modern Slavery action plan 	<p>✓ The Risk report was noted.</p> <p>Also noted:</p> <ul style="list-style-type: none"> (1) Business Continuity Update (2) Procurement Governance and Compliance paper (including approvals on Vocalink, Bulk Cheque Clearing and internal and external audit re-tendering recommendations) (3) Mails Deep Dive and Dangerous Goods Update Paper (4) Strategic Partner Risk Update (5) Payment Practices Reporting Compliance.
15. Review management's assessment of the degree of risk the	<p>✓ The Committee has regularly invited management from different areas of the business to meetings and reviewed their assessment of risk (see 14 above).</p>					

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<p>Company prudently incurs in achieving a reasonable balance between the cost of managing risk and control systems and the benefits derived.</p>						
<p>16. Review areas of specific risk as highlighted by management, including enterprise and business risk.</p>	<p>✓ Specific areas of risk are regularly reviewed to the Committee, alongside the Risk Report presented at each scheduled meeting (see 14 above).</p>					
<p>17. Monitor the Risk and Compliance Committee activities and receive summary reports as appropriate.</p>	<p>✓ RCC draft minutes noted at each ordinary meeting.</p>	<p>✓ Noted RCC's draft minutes and report.</p>	<p>N/A</p>	<p>✓ Noted RCC's draft minutes.</p>	<p>✓ Noted RCC's draft minutes.</p>	<p>✓ Noted RCC's draft minutes.</p>
<p>18. Review legal, regulatory and any other matters that may have a material impact on the financial statements, related Group compliance policies, and programmes and reports prepared to manage and monitor Group compliance policies and approve Group Key Policies as required under the Group Key Policy Framework as amended from time to time by the Committee, including the Tax Strategy.</p>	<p>✓ A Compliance update incorporating regulatory matters is presented to each ordinary Committee meeting (see 10 above) The following policies were approved by written resolution during the year: Procurement; Health & Safety; Business Continuity Policy; Group Key Policy Framework; Financial Crime Policy; Anti-Money Laundering & Counter Terrorism Funding Policy.</p>	<p>✓ The following policies were approved: i. Postmaster Contractual Performance ii. Postmaster Contract Suspension iii. Postmaster Contract Termination iv. Accounting Dispute Resolution (revised)</p>	<p>N/A</p>	<p>✓ Approved the Modern Slavery Statement for recommendation to the Board.</p>	<p>N/A</p>	<p>N/A</p>
<p>19. Review, in conjunction with the Remuneration Committee, whether any remuneration policy adopted by either the Company or its subsidiaries, or the implementation of any such policy is consistent with the risk appetite particularly in relation to conduct risk.</p>	<p>N/A – new policies were not adopted during the year.</p>					
<p>20. Monitor the impact of any new legislative, regulatory, market or other developments which could</p>	<p>✓ Regular Law & Trends Updates are provided</p>	<p>✓ Compliance Report noted.</p>	<p>N/A</p>	<p>✓ Compliance Report noted.</p>	<p>✓ Compliance Report noted.</p>	<p>✓ Compliance Report noted.</p>

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materially or adversely affect the Group.	to the Committee, alongside the Compliance Report presented at each ordinary meeting (see 18 above).			Law & Trends Report noted.		
21. Receive reports on specific breaches and incidents and review management plans for resolution. The Committee will also review management plans for root cause analysis resulting from breaches and issues.	✓ Compliance reports presented at each scheduled meeting, including details on any breaches and incidents, including details of actions being taken to resolve/identify root cause.	✓ Compliance Report noted.	N/A	✓ Compliance Report noted.	✓ Compliance Report noted.	✓ Compliance Report noted.
22. Approve the overall levels of insurance for the Group, including directors' and officers' liability insurance and any arrangements for indemnity of directors.	✓ Approved at meeting on 28 th September 2021.					
Compliance, Whistleblowing and Fraud						
The Committee shall:						
23. Review with the internal auditors and the external auditors the results of any review of the compliance with the Company's codes of ethical conduct and similar policies including whistleblowing	✓ The Internal & External Auditors attend each scheduled Committee meeting. Compliance reports are presented at each scheduled meeting, including a whistleblowing update.	✓ Compliance Report noted.	N/A	✓ Compliance Report noted.	✓ Compliance Report noted. Noted the Whistleblowing Policy Interim Review.	✓ Compliance Report noted.
24. Review at least annually the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting, regulatory breaches or other matters. The Committee shall determine that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.	✓ Compliance reports presented at each scheduled meeting, including a whistleblowing update.	✓ Compliance Report noted.	N/A	✓ Compliance Report noted.	✓ Compliance Report noted. Noted the Whistleblowing Policy Interim Review.	✓ Compliance Report noted.

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25. Review the Group's procedures for detecting fraud and the systems and controls for prevention of bribery and any non-compliance.	✓ Compliance reports presented at each scheduled meeting includes a financial crime update.	N/A	N/A	✓ Approved the Anti-Bribery & Corruption Annual Report and Policy Review.	N/A	N/A
26. Review any summary of frauds, thefts and other irregularities of any size.	✓ Any frauds, thefts and other irregularities are reported in the Compliance report presented to each scheduled meeting. Other specific matters otherwise detailed.	✓ Compliance Report noted.	N/A	✓ Compliance Report noted.	✓ Compliance Report noted.	✓ Compliance Report noted.
27. Review the regular reports from the Money Laundering Officer and monitor the adequacy and effectiveness of the Group's anti-money laundering systems and controls.	✓ Compliance reports presented at each scheduled meeting includes a financial crime/AML update.	N/A	N/A	✓ Anti-Bribery & Corruption Annual Report and Policy Review approved.	N/A	N/A
28. Review regular reports from the Director of Compliance and monitor adequacy and effectiveness of the Group's compliance function.	✓ Compliance reports presented at each scheduled meeting.	✓ Compliance Report noted.	N/A	✓ Compliance Report noted.	✓ Compliance Report noted.	✓ Compliance Report noted.
29. Review late statutory filings and the circumstances around such lateness.	N/A					
Internal Audit						
The Committee shall:						
30. Approve the appointment or termination of appointment of the Head of Internal Audit.	N/A					
31. Approve the Internal Audit Charter every two years.	✓	N/A	N/A	✓ Approved.	N/A	N/A
32. Review and approve the annual Internal Audit Plans, including any changes to these plans, to ensure they are aligned to the key risks of the business and review reports on work carried out.	✓ Internal Audit Updates, including updates on progress against the plan are presented at each scheduled	✓ Revised Internal Audit Plan of 2021/22 approved.	N/A	✓ Internal Audit Report noted.	✓ Internal Audit Report noted.	✓ Internal Audit Report noted.

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<p>The review should include methods employed by the internal auditors to assess risk and to prioritise the various audit proposals identified in the annual plan.</p>	<p>Committee meeting.</p>					
<p>33. Ensure internal audit has unrestricted scope, the necessary resources and access to information to fulfil its mandate.</p>	<p>✓ There have been no reported issues in the current financial year and regular updates have been presented to the Committee (see 32 above).</p>					
<p>34. Ensure the Internal Auditor has direct access to the Board Chair and to the Committee Chair and is accountable to the Committee.</p>	<p>✓ Internal Audit Updates are presented at each scheduled Committee meeting. Direct contact or meetings with Board or Committee Chair occurs where required.</p>					
<p>35. Monitor and review the effectiveness of the internal audit function in the context of the Group's overall risk management system and the work of compliance, finance and the external auditor and as part of this assessment:</p> <p>i. Meet with the Head of Internal Audit without the presence of management ii. Review the annual internal audit plan work and results iii. Determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business iv. Review actions taken by management to implement the recommendations of internal audit and to support the effective working of the function.</p>	<p>✓ Internal Audit Updates are presented at each scheduled Committee meeting including outcomes of audit reports and audit actions.</p> <p>Note: There is no formal annual review of Internal Audit i.e., documented discussion of (iii). However, under Internal Audit standards, external review is required at least every 5 years.</p>					<p>[Meeting with Internal Audit and Non-Executive Director including Chair, without management. Deferred until sign of point for ARA?]</p>
<p>36. Ensure the independence of the internal auditor including an annual review of any non-audit services provided by internal audit.</p>	<p>?</p>					
<p>37. Determine whether an independent, third party review of processes is appropriate.</p>	<p>?</p>					
<p>External Audit</p>						
<p>The Committee shall:</p>						
<p>38. Approve for recommendation</p>	<p>✓</p>					

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<p>to the Board the appointment, reappointment or removal of the independent external auditors, the proposed fees (in consultation with management) and the acceptance of the scope and general extent of the engagement.</p>	<p>The Board approved the re-appointment of PWC as the external auditor for Post Office Limited on 18th March 2021. The Committee considered the internal and external audit re-tendering recommendations on 30th November 2021.</p>					
<p>39. Review and approve the selection procedure for the appointment of the audit firm in accordance with applicable regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.</p>	<p>N/A</p>					
<p>40. If an Auditor resigns, review the issues leading to this and determine whether any action is required.</p>	<p>N/A</p>					
<p>41. Review and approve the agreed annual external audit plans and approach to risk assessment and the scope and plan of their audits.</p>	<p>✓</p>	<p>✓ approved the scope and proposed fee structure for the audit and assurance work to be delivered by PWC.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>42. Review the findings of the audit with the external auditor. This shall include discussing any major issues which arose during the audit including (but not limited to) key accounting and audit judgement and the levels of error identified.</p>	<p>✓</p>	<p>N/A</p>	<p>✓ External Auditor's Audit Summary Memorandum for the Post Office Limited external audit of the financial statements for the year ended 28 March 2021 noted. ✓ Noted the Agreed Upon Procedures Paper.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>43. Review any representation letter(s) requested by the External Auditor before they are signed by management.</p>	<p>N/A</p>					
<p>44. Review the management letter and management's response to the auditor's findings and recommendations.</p>	<p>N/A – the Annual Report and Accounts for the year ended 28 March 21 was not ready for signing as at 01/06/2022.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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<p>45. Monitor and review annually the independence of the external auditors including level of fees paid, an annual review of any non-audit services provided by the external auditors and auditor's processes for maintaining independence.</p>	<p>✓ Whilst, there has been no formal annual review of independence of the external auditors by the Committee, independence and non-audit fees are addressed in the Auditor's reports and can be challenged as required.</p>	<p>✓ approved the scope and proposed fee structure for the audit and assurance work to be delivered by PWC.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>46. Approve the Group's policy on non-audit services by the auditor.</p>	<p>✓ The Committee considered the non-audit fees in September 2019 and agreed IRRELEVANT by the external auditor. Non-audit fees are considered within regular external audit updates.</p>					
<p>47. Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.</p>	<p>✓ External auditor attends all Committee meetings.</p>	<p>✓ approved the scope and proposed fee structure for the audit and assurance work to be delivered by PWC.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A [Deferred until sign of point for ARA?]</p>
<p>48. Review annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures, an assessment of the quality of the audit, handling of key judgement by the auditor and the auditor's response to questions from the Committee.</p>	<p>? [Last year's entry: ✓ This has not been done in a formal way, but it is covered in the audit report for FY 2019/20 and FY2020/21 Audit Plan. It is suggested that a more formal annual review is carried out following the approval of the Annual Report and Accounts moving forwards (this could include matters set out in 45 above).]</p>					
<p>49. Ensure co-ordination of the external audit with the activities of the internal audit function.</p>	<p>✓ Internal and Internal Audit attend all Committee meetings meaning each are aware of the other's activities.</p>					
<p>C. Reporting Responsibilities</p>						
<p>50. The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its</p>	<p>✓ ARC Chair provides an update on ARC matters at each scheduled Board meeting as required, otherwise this is dealt with via Board members attending the ARC or being briefed outside of the meeting by the Chair.</p>					

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<p>responsibilities. This report shall include:</p> <ul style="list-style-type: none"> i. the significant issues that it considered in relation to the financial statements (required under paragraph 5) and how these were addressed; ii. its assessment of the effectiveness of the external audit process (required under paragraph 48), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and iii. any other issues on which the board has requested the Committee's opinion. 	
<p>51. Advise the Board on any area it deems appropriate within its remit where action or improvement is needed.</p>	<p>✓ The ARC Chair provides updates to the Board on key ARC matters as required.</p>
<p>52. Report on its activities in the Group's annual report. The report should describe the work of the Committee, including:</p> <ul style="list-style-type: none"> i. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed; ii. an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and iii. an explanation of how auditor independence and objectivity are safeguarded if the external auditor 	<p>✓ The draft Annual Report for the year ended 28 March 2021 includes a report covering the work of the Committee.</p>

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provides non-audit services, having regard to matters communicated to it by the auditor.						
53. The Company's Subsidiary Companies shall provide reports to the Committee on a regular basis and as requested by the Committee.	✓	✓ Noted the update from Post Office Insurance ARC.	N/A	✓ Noted the update from Post Office Insurance ARC.	✓ Noted the update from Post Office Insurance ARC.	✓ Noted the update from Post Office Insurance ARC.
E. Composition and Governance						
60 - 65 & 67. <i>Membership & Attendance</i>	✓All membership and attendance requirements were adhered to. The Chair of the Board does attend the Committee but is not a member (61).					
66. Quorum shall be two members, of whom one will have recent and relevant financial experience.	✓ Adhered to at all meetings.					
68. The Committee shall meet as often as required but at least three times per year.	✓ The Committee will have meet 6 times in FY 2021/22, including the meeting on 24 th January 2022.					
69 - 71. <i>Meetings requirements</i>	✓ All meeting requirements were adhered to in FY 2021/22.					
72. The Chair will report regularly to the Board. Minutes of each Committee meeting will be circulated to all members of the Committee and once agreed, to all members of the Board.	✓ ARC Chair provides an update on ARC matters at each scheduled Board meeting as required, otherwise this is dealt with via Board members attending the ARC or being briefed outside of the meeting by the Chair. Minutes are circulated to members once approved by the Chair, but not to the full Board, who have access to the Committee Reading Room containing signed minutes of the Committee.					
73. The Company will provide current and new Committee members with any training, briefings or induction required. The Group Company Secretary (or his/her nominee), the Group Chief Financial Officer, the Group General Counsel, the Head of Risk, the Director of Compliance, the Head of Internal Audit (or those holding positions with responsibility for such roles, howsoever named) and the External Audit Partner will keep members informed of relevant published guidance as necessary.	✓ Law & Trends Updates are included in ARC papers. The Board receives an email (typically monthly) with a Boardroom briefing and information on training/ briefing sessions being offered by PWC, BEIS and Pinsent Masons.					

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F. Annual Review and Approval						
74. The Committee will undertake an annual review of its performance and the Terms of Reference. The outcome of these review will be recommended to the Board for approval (notwithstanding amendments approved by the Committee whenever so required).	✓ This Terms of Reference Review for financial year 2021/22 will be submitted to the ARC meeting on 24 th January 2022.	✓ Approved the plan of action to address the Independent Audit Limited's external Board & Committee Evaluation report's findings and recommendations relating to the Committee.	N/A	N/A	N/A	N/A