

From: "Neville-Rolfe MPST" <[REDACTED] GRO >
Sent: Tue 08/12/2015 11:41:37 AM (UTC)
To: "Callard Richard \(\ShEx\)\" <richard.callard@[REDACTED] GRO >, "Javid MPST" <[REDACTED] GRO >, "SpAd Javid MPST" <[REDACTED] GRO >
Cc: "Perm Sec \(\BIS\)\" <[REDACTED] GRO >, "Russell Mark \(\ShEx\)\" <[REDACTED] GRO >, "Orme Howard \(\FCDT\)\" <[REDACTED] GRO >, "Manson Justin \(\ShEx\)\" <[REDACTED] GRO >, "ShEx POL Team" <[REDACTED] GRO >, "Gorasia Charu \(\Finance\)\" <[REDACTED] GRO >, "Gordon Nick \(\ES\)\" <[REDACTED] GRO >, "Adetimilehin Tobi \(\DG CT\)\" <[REDACTED] GRO >, "French Claire \(\Communications\)\" <[REDACTED] GRO >, "Barker Matthew \(\Communications\)\" <[REDACTED] GRO >, "Bye Emma \(\LEGAL B\)\" <[REDACTED] GRO >
Subject: RE: Submission on POL Restatement of Accounts and IT

Richard,

Baroness Neville-Rolfe has seen this submission, she has asked me to pass on her note below:

"These are very disappointing developments on top of earlier difficulties in the Post Office with the Horizon IT system. The good news is that we have a new Chairman- Tim Parker and two new Non-Execs- Carla Stent and Ken McCall. Carla Stent will chair the Audit, Risk and Compliance (ARC) Committee and Ken McCall the Senior Independent Director (SID). Tim is working on these issues with their management and I have discussed the matter with Mark Russell who is engaged with this issue. I will be kept informed on matters progressing."

Many thanks,

Charlie



Department
for Business
Innovation & Skills

Charlie Merritt

Assistant Private Secretary to Baroness Neville-Rolfe, Parliamentary Under Secretary of State and Minister for Intellectual Property

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 BIS | Connecting people to opportunity and prosperity

From: Callard Richard (ShEx)

Sent: 07 December 2015 16:55

To: Javid MPST; SpAd Javid MPST

Cc: Neville-Rolfe MPST; Perm Sec (BIS); Russell Mark (ShEx); Orme Howard (FCDT); Manson Justin (ShEx); ShEx POL Team; Gorasia Charu (Finance); Gordon Nick (ES); Adetimilehin Tobi (DG CT); French Claire (Communications); Barker Matthew (Communications); Bye Emma (LEGAL B)

Subject: RE: Submission on POL Restatement of Accounts and IT

George

As discussed, an update on the matter of the accounting provision issue following the submission over the weekend:

Measures being taken

- The SoS has asked whether anyone has been removed from post on this. The answer is yes, the Financial Controller has been removed and has been replaced by a colleague known and trusted by the new CFO
- The CFO, who joined in January, recognised that there were a number of accounting / reporting weaknesses during the last annual report process, and as outlined in the sub has taken measures to rectify this by conducting a full review of controls and responsibilities, supported by KPMG.
- Importantly he has restructured reporting lines such that the four business pillars (Mails, Network, Financial Services, Government Services) have their own financial director, who is directly accountable for issues within those pillars, and who are responsible for ensuring that the revised controls regime developed by the KPMG review are implemented.
- POL have been working through the error with auditors, E&Y. Clearly serious consideration will need to be given to their re-appointment for subsequent years.
- Next steps: ShEx (G3 Justin Manson, and I) are meeting with the CFO tomorrow with the view to providing a further note to Baroness Neville-Rolfe later this week. This is in addition to the CFO meeting with Mark Russell (CEO ShEx) and others as part of the Board meeting of POL's parent (Postal Services Holding Company Ltd (PoSH), 100% owned by SoS)

Making this public:

- This will be highlighted primarily in the Business Review section of POL's interim accounts, which is found toward the front of the report. (The accompanying notes to the accounts also explain the restatement). The current draft of that Business Review sets the issue out on the first page of that section (straight after headline profit figures).
- We therefore consider that this has sufficient prominence and this is the proper place to declare the error. This is a serious issue that needs to be addressed. However it is important to remember that this is a non-cash accounting error, being a failure to provide for / create a liability in the accounts as a postmaster signs an agreement to leave the network and receive compensation in due course.
- As far as we can tell this has not affected *actual* payments being made to subpostmasters and no one has lost out financially from the error. The interims are expected to be published as soon as the restatement description and amount is confirmed (which we anticipate being next week at the earliest).

Impact on BIS:

- POL's accounts 2014/5 will be restated. POSH 2014/5 won't be restated as they have not yet been published. They might however be delayed whilst POL resolves the restatement issue.
- POL doesn't affect BIS accounts because POL, as a public corporation, is outside BIS's boundary. POL is in whole of government accounts but the adjustment is too small to warrant a restatement.
- POSH is included in BIS accounts which will have been based on draft accounts for PoSH but again the amount is not material enough to warrant a restatement.
- We will provide further finalised advice on this issue in the mid week note.

Kind regards

Richard

From: Javid MPST
Sent: 07 December 2015 14:23
To: Callard Richard (ShEx); SpAd Javid MPST
Cc: Neville-Rolfe MPST; Perm Sec (BIS); Russell Mark (ShEx); Orme Howard (FCDT); Manson Justin (ShEx); ShEx POL Team; Gorasia Charu (Finance); Gordon Nick (ES); Adetimilehin Tobi (DG CT); French Claire (Communications); Barker Matthew (Communications); Bye Emma (LEGAL B)
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Richard,

The SoS saw this over the weekend.

He said that:

1. The material accounting error was "very poor of POL", and asked who's been fired as a result.
2. Post Office need to make public how and when this problem occurred.
3. He wants an understanding what the implications are for BIS.

As discussed, on 1. I will put a note to him clarifying that the Financial Controller was fired over this, but I'd be grateful if you could provide a few additional lines on what the CFO has done to bolster the financial reporting lines within POL as a result. I will also explain that the CFO will be speaking to senior officials within BIS this week.

On 2 and 3, I would be grateful if you could comment on these in your update to BNR and SoS on Wednesday.

Regards,

George



George Thomson
Private Secretary to the Secretary of State for Business, Innovation and Skills, MPST
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From: Callard Richard (ShEx)
Sent: 03 December 2015 12:11
To: SpAd Javid MPST
Cc: Javid MPST; Neville-Rolfe MPST; Perm Sec (BIS); Russell Mark (ShEx); Orme Howard (FCDT); Manson Justin (ShEx); ShEx POL Team; Gorasia Charu (Finance); Gordon Nick (ES); Adetimilehin Tobi (DG CT); French Claire (Communications); Barker Matthew (Communications); Bye Emma (LEGAL B)
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Rob

Please find attached a short submission for Nick and/or Salma's review prior to this going to SoS and BNR. Whilst routine, I would like to get this to ministers for the weekend box please.

Kind regards

Richard

Richard Callard | Executive Director | Post Office Limited and Green Investment Bank Shareholder Teams |
Shareholder Executive

BIS, 1 Victoria Street, London SW1H 0ET |

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www.gov.uk/government/organisations/the-shareholder-executive

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