

RCC 14 July 2016

PAPER ONE

Post Office Ltd – Confidential

Risk and Compliance Committee (R&CC)		Reference: R&CC May 16
Date: 05 May 2016	Venue: Boardroom, Finsbury Dials	Time: 13:00 – 16:00
Attending:		
Jane MacLeod (JM)	General Counsel	Chair
Alistair Cameron (AC)	Chief Finance Officer	Member
Alwen Lyons (AL)	Company Secretary	Member
Nick Kennett (NK)	Financial Services Director	Member
David Hussey (DH)	Transformation Director	Member (mid-Item 2 onwards)
Kevin Gilliland (KG)	Network and Sales Director	Member
Martin George (MG)	Commercial Director	Member
Mike Morley-Fletcher (MMF)	Head of Risk and Assurance	Report
Garry Hooton (GH)	Head of Internal Audit	Report
Adnan Killedar	Risk Business Partner	Minutes
John Scott (JS)	Head of Security	Report (Item 9)
Jonathan E. Hill (JH)	Head of Risk – Financial Services	Report (Item 6)
Tom Moran (TM)	Crown Transformation Programme Manager	Report (Item 10)
Steve Norris (SN)	Head of Property	Report (Item 10)
Apologies:		
Paula Vennells (PV)	Chief Executive Officer	Member
Neil Hayward (NH)	Group People Director	Member
The meeting began at 13.00		
<p>The Chair declared the committee quorate and opened the meeting.</p> <p>JM noted apologies from PV and NH due to train service disruption.</p> <p>JM explained that the RCC needs to focus on four areas in today's meeting. The areas being:</p> <ul style="list-style-type: none"> - Executives' declaration (see item 4) - Policies (see item 4) - Financial Services deep dive paper on oversight of regulatory activity in branches (see item 6) - Internal audit reports (see item 3). 		
Agenda Item 1, RCC minutes and actions		
<p>The Committee agreed the minutes of the previous meeting and the attached actions.</p> <p>The Committee discussed the actions and agreed the following:</p> <p>Action 1710a – MG stated that Peter Markey has left the business and sought clarification on what was required. MG to oversee drafting of the policy for the next RCC meeting.</p> <p>Action 1715 - MMF updated the committee that Deana Herley (Internal Audit) will be taking this forward. KG confirmed that he has allocated budget for this activity and that Kevin Seller will be responsible from his team to take this forward.</p> <p>Action 1707 – NK and JM to take this forward and report to the next RCC.</p>		

Post Office Ltd – Confidential**Agenda Item 2, Review of effectiveness of RCC against ToR**

JM stated that it is a requirement to annually review the terms of reference of the RCC and also to review its effectiveness against the ToR. JM stated that Georgina Blair has performed a review and has noted a couple of exceptions which need to be considered by the Committee.

- The first exception being that the RCC is required to review any whistleblowing reports. This is being done in today's meeting as Agenda item 8.
- The second exception is that the RCC should receive reports from various sub-committees and review them before they are presented to the ARC. During the year as part of a review of governance, the sub-committees reporting to the RCC have ceased to exist. JM stated that the Committee needs to consider the scope of the sub-committees and ensure that high risk areas such as Pensions are covered as part of the RCC agenda and ToR. JM stated that the ARC needs to annually review the pensions risk and a deep dive is being planned for the GE before reporting to the ARC.

The Committee expressed satisfaction with the review of the RCC ToR. It was agreed that the RCC members will individually review the Terms of Reference and suggest amendments based on the changes in structure. ToR to be reviewed in next RCC meeting (**Action 1717**). It was also agreed that the Corporate Services team to review RCC calendar to ensure provides comprehensive coverage of relevant items (per ToR) and delivers to ARC on a timely basis (**Action 1718**).

Agenda Item 3, Internal audit report**Current audit status**

GH explained the status of the internal audit reviews. Seven reviews were completed since the last RCC of which four were part of the Internal Audit (IA) plan while three reports covered reviews related to Business Transformation Assurance (BTA). These reports have been finalised. Four reviews are in the process of being finalised with their reports with the respective GE members for their review and approval. GH listed the reports that have been finalised and those under review. MG requested GH to provide the Social Media review report to him for clearance (**Action 1719**).

AC stated that he has gone through three reports in his area of responsibility and has approved the Treasury Operational risk and Critical Metric Management reports. He also stated that he will discuss responses to findings for the review of SISD with IT Management to ensure they are achievable as some of the issues are constrained by the existing contracts (**Action 1720**).

GH also stated that three reports namely, CDP, Agents Remuneration and Data Protection are being finalised. Three BTA reports were also presented to the Committee. AC enquired from MMF as to how will the changes in the Transformation Programme (Project Trinity) be considered for future BTA scope and budget. MMF informed that following Transformation bootcamps in May (and impact of Trinity), the Business Transformation and Risk and Assurance teams will review coverage of Transformation Assurance and split with main Internal Audit plan and present the revised plan to the RCC (**Action 1721**). AC also requested GH send report on the Separation Programme review to him (**Action 1722**).

Audit actions

GH presented an update on the outstanding actions from previous IA reviews. GH stated that there is now a revised process whereby GE members receive a monthly list of outstanding actions list in their areas of responsibility. At the time of the last RCC, 32 actions were overdue of which 26 have been cleared and 6 have been carried over and are being monitored for completion.

Agenda Item 4, Risk report**Risk Management Framework**

MMF stated that the Risk Management Framework development plan was on schedule. There have been some changes, due to requests for new areas to be included such as the controls self-assessment which has resulted in a rescheduling of the plan. Development of the Corporate Governance Compliance route map has therefore been moved back to September.

Risk sections of the annual report and accounts (ARA).

MMF briefed the Committee on the risk sections of the annual report and accounts (ARA). AC updated the Committee on his meeting with EY (external auditors) to discuss areas to be included

RCC 14 July 2016

PAPER ONE

Post Office Ltd – Confidential

in the ARA. EY were of the opinion that, based on the structure and shareholding, POL could provide more limited disclosures, for instance, much less detail on directors' remuneration. AC stated that he is expecting advice from EY on what sections need to be included in the POL ARA and would update as appropriate, with Corporate Services to adapt Governance section of ARA as appropriate (**Action 1723**). RCC wanted to know what do other BIS funded organisations cover in their annual reports and JM requested AL to do research and report (**Action 1724**). MMF also referred the RCC to the details of the Principal Risks in the ARA. RCC members were requested to review the wording of principal risk, consequences and mitigations for inclusion in ARA (**Action 1725**).

Risk management objective

MMF reminded the GE members of the ARC request to reflect management of risks in their objectives for 2016-17. Research with Chief of Staff and HR had suggested that this would be better in role descriptions, which were likely to be revised after the new TOM was approved. MMF will work with Chief of Staff and HR to develop proposal (**Action 1726**).

Policy Framework

MMF updated the RCC on the progress on the development and implementation of the Policy Framework. As drafting of Corporate Services' policies was coming to an end, MMF stated that a lessons learnt exercise will be carried out to assess what can be done better from this pilot phase. The next step is to start the implementation of policies which will include communicating with stakeholders and training (if required). MG requested that MMF keeps him updated on the plan to communicate policies to stakeholders and colleagues and how this will be rolled out/communicated. MG stated that it is very important for embedding policies that the communication should make clear what is required of people and also the consequences for non-conformance with approved policies (**Action 1727**).

JM stated that some of the policies being reviewed today as agenda item number 5 are required for the Banking Framework Agreement. Policies will be reviewed periodically and if required modified based on implementation issues and/ or "user experience". JM also stated that all policies are aligned with POL's Risk Appetite. JM stated that an implementation plan for policies will be presented at the next RCC (**Action 1728**).

MMF stated that the list of policies have been benchmarked through EY and Appendix 3 of the paper contains the list of policies. The highlighted policies are those that POL has not documented. It was agreed that the need for policies will be reviewed. AC stated that the Travel and Expense policy is already covered through a well-documented guidance which is periodically reviewed. It is sufficient and meets requirements. The Committee agreed that this will be taken off the policies list. The Committee also agreed that policies 26 to 29 should be part of a single overall HR policy. MG stated that his team is developing a Customer Treatment policy which will cover all POL business areas. The policy will be completed by end of May 2016. JM suggested that Sharon Rai within the Security team might be able to help as the Security team have done a lot of work in this area. MG to develop straw man (including Vulnerable and Elderly aspects) and share with RCC members (**Action 1729**).

The Committee agreed that the framework should be presented to the ARC in its next meeting for approval (**Action 1730**).

DH joined the meeting.

BCP framework

MMF presented the BCP framework development update to the RCC. The plan was on schedule and some BAU work is being supported by a risk business partner to ensure the framework is developed and implemented in time. MMF informed the RCC that a Business Protection Team test is being planned for this month.

RCC 14 July 2016

PAPER ONE

Post Office Ltd – Confidential**Executive's Declaration**

MMF updated the RCC and confirmed that the Executive's Declaration have been completed except for two areas. Mobile communication which is being drafted and extent of POMS and FRES oversight which NK has to review and approve.

AC enquired about the details of the oversight required. JM stated that POL sells a number of products across its network. The two regulated products sold across the network are Travel Insurance and Over 50s Life Insurance. There have been no significant complaints or POL has not learnt that there are any systemic issues across the network of any significant local issues relating to this area. In light of this, JM stated that we should focus on developing our reporting and oversight on regulated products with a view to expand this to other products. This is what is disclosed in the Principal Risk note for "FS Regulatory Compliance". NK confirmed that this was not a major risk and that no further disclosure was required.

Agenda Item 6, Financial services deep dive

JM informed the RCC that the POMS ARC have requested PV to attend the POMS ARC meeting. POL has two regulated products, namely Travel Insurance and Over 50s Life Insurance which it sells through its network. These are POMS products and the POMS ARC seeks to satisfy itself that the products are not miss-sold. KG informed the RCC that he will be attending the POMS ARC on behalf of PV. JM stated that POL is already reviewing this area and have found no systemic issues. There have been no major complaints or issues reported in this area as well. This paper has been developed by NK and JM. JH attending this session for Agenda Item 6 presented the report. The RCC appreciated the paper.

Agenda Item 5, Policies

MMF informed the Committee that seven policies (Financial Crime, Anti-Bribery and Corruption (ABC), Anti-Money Laundering (AML), Business Continuity, IT Disaster Recovery, HR Vetting and Whistleblowing) were included in the meeting papers for review and approval.

NK stated that he was in a HMRC session earlier and there was a lot of emphasis from the HMRC in their audits on organisations' vetting procedures. AC challenged whether we may might be drafting policies that we are not compliant with and that considerable effort may be required to implement the documented policies, resulting in additional costs that business units had not budgeted for. He also commented that some of the language in the policies might be too onerous for practical implementation. The RCC agreed that a Policy Impact Gap Analysis should be carried out for all redrafted or new policies to determine what actions will be required for implementation, including resources and costs, and consider balance between cost and level of controls in line with Post Office's risk appetite. AML, ABC and HR Vetting policies should be covered as a matter of urgency. **(Action 1731).**

In consideration of the discussion above, the AML, ABC and HR Vetting policies were withdrawn for gap analysis review. In addition, Neil Hayward was requested to review the Vetting policy for approval (and it was noted that it does not need RCC or ARC approval) **(Action 1732)** and Al Cameron agreed to review the Disaster Recovery policy for approval (and it was noted that it does not need RCC or ARC approval) **(Action 1733).**

Agenda Item 9, AML update

JS provided the Committee with an update on the HMRC audit. JS stated that currently the audit is in Phase 1 which includes Induction and Discovery to understand the framework and identify which services POL is regulated for. One of the discussions concerns the services we provide to Santander. The discussion is around whether POL is an agent (regulated by FCA) or a principal (regulated by HMRC). HMRC are going through the contract, but this has become complicated as Santander's contract is an old one and since then Santander has acquired a number of other businesses. JS stated that HMRC are working at determining which branches they will be visiting / covering as part of their audit. They are also looking at our on-boarding procedures. Next steps in the audit will be branch visit, HMRC will inform POL in advance (two weeks before branch visit) of which branches they have selected for their audit. A detailed audit plan will also be provided by

RCC 14 July 2016

PAPER ONE

Post Office Ltd – Confidential

HMRC, this will be determined by HMRC and POL Security. They will shortlist 200 branches of which 150 will be selected for audit after discussions between HMRC and POL Security.

JS also updated the Committee on the implementation of the Promontory report. JS is looking to recruit staff which is proving to be difficult keeping in view the role requirements and the compensation budget. A risk assessment will be carried out as soon as the positions have been recruited to.

Agenda Item 10, Property compliance update

SN provided an overview on Property compliance and briefed the Committee on the risks. SN stated that as per plan, risk assessments have been nearly completed, with the final ones to be done by end of May 2016. All residential properties have had alarms fitted. There is one exception to this where POL has not been able to gain access to the property.

SN stated that the overall risk has come down and by end of the financial year POL will be within its risk appetite. Training of relevant staff will be completed by June 2016 and this will be followed by regular site visits and checks. The Committee requested Head of Property to update the RCC on progress in its next meeting (**Action 1734**).

Agenda Items 8, Whistleblowing

JM provided an update on the whistleblowing process. JM stated that there have been no major incidents of whistleblowing during the financial year. A total of seven incidents were reported which have been investigated and closed. JM stated that in the coming financial year the whistleblowing process will be further publicised to increase awareness.

Agenda Item 7, Gifts and hospitality

JM stated that annually the RCC needs to review the Gifts and Hospitality register. The current process is for all staff to report any events they attend to the Central Risk team who maintain a register. The Committee agreed that all GE members will review their Gifts and Hospitality registers and provide updates to the Head of Risk and Assurance (**Action 1735**).

Agenda Item 11, 12, 13 Noting papers

JM referred the Committee to the three noting papers. The Committee had no comments.

Agenda Item 13, Any Other Business

No AOB was raised.

The meeting closed at 16.00

Next Meetings – 14 July 2016 Room 1.19 Wakefield 12.00 – 14.30
8 September 2016 Room 1.19 Wakefield 13.00 – 16.00