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Risk and Compliance Committee (R&CC)		Reference: R&CC May 2017
Date: 04 May 2017	Venue: Boardroom, Finsbury Dials	Time: 13:00 – 16:00
Members:		
Jane MacLeod (JM)	Group Legal, Risk & Governance Director	Chair
Al Cameron (AC)	Chief Finance & Operations Officer	Member
Alwen Lyons (AL)	Company Secretary	Member
Kevin Gilliland (KG)	Chief Executive - Retail	Member
Martin Kirke (MK)	HR Director	Member
Nick Kennett (NK)	Chief Executive – Financial Services & Telecoms	Member
Rob Houghton (Rob H)	Group Chief Information Officer	Member
Attendees:		
Richard Williams (RW)	Senior Risk Manager	Report (Paper 3.1)
Johann Appel (JA)	Senior Audit Manager	Report (Paper 5)
Deana Herley (DH)	Senior Assurance Manager	Report (Paper 3.2)
Georgina Blair	Risk Business Partner	Secretariat
Jonathan Hill (JH)	Head of Risk, Banking Regulation and Strategy	On behalf of Chief Executive – Financial Services and Telecoms (Paper 5.4)
Jenny Ellwood (JE)	Head of Transformation Risk and Assurance	Report (Paper 5.6)
Amanda Radford (AR)	Financial Controller	Report (Paper 5.2)
Martin Hopcroft (MH)	Head of Health and Safety	Report (Paper 5.5)
Sally Smith (SS)	Head of Financial Crime	Report (Paper 5.3)
James Dingwall (JD)	Interim MLRO	Report (Paper 5.3)
Angela Van Den Bogerd (AVB)	People & Change Director	Report (Papers 5.5 & 5.6)
Russell Hancock (RH)	Supply Chain Director	Report (Paper 4.1)
Sharon Gilkes (SG)	Business Performance and IT Transformation Director	Report (Paper 3.2)
James Carter (JC)	HR Projects Manager	Report (Paper 7.1)
Kelly Taylor (KT)	Employee Relations Manager	Report (Paper 7.1)
Apologies:		
Paula Vennells	Group Chief Executive	Member

The meeting began at 13.00

Agenda Item 1, Welcome, introduction & conflicts of interest

The Chair declared the committee quorate and opened the meeting. The Chair asked for any conflicts of interest to be declared. Standing conflicts of interest were acknowledged and no other conflicts were raised.

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Agenda Item 2, RCC minutes and actions

The Committee agreed the minutes of the previous meeting and reviewed the open actions.

AP 1771 (Vulnerable Customers) – The Chair noted that a partner bank had recently asked whether POL had a Vulnerable Customer Policy. JH explained that there is a standard procedure for responding to such queries, and noted that there is an increasing focus on vulnerable customers by the FCA. An update on the policy is expected at the next RCC meeting.

AP1770 (GE accountabilities) – The Chair reported that she would speak to Ben Gray about work he might be doing in this area, and update the action.

AP1768 (Fraud Reporting) – AC noted that there was a need to confirm accountabilities in this area given the recent reorganisation. NK explained that Bank of Ireland will start providing fraud data to POL, and that FRES already provides data. AC and JM agreed to meet to discuss accountabilities and to report back to the Committee (AP 1774).

AP1767 (Tax Governance) – AR explained that a paper was being prepared for May ARC giving the context of current tax governance arrangements, the background to the HMRC report and how POL is addressing HMRC's findings. A strategy paper will follow later in the year. AR confirmed she would circulate the ARC paper to RCC Committee members prior to the ARC meeting.

Agenda Item 3, Risk Submission & Supporting Papers for the Annual Report and Accounts

3.2 Executive Declarations

DH introduced the paper and explained the categorisation of declarations, and asked the Committee to consider which declarations should be reported in the ARC paper. The Committee discussed the declarations and requested that DH produce a summarised paper updated to reflect their comments and recirculate it prior to ARC (AP 1775).

The Committee discussed the Camelot audit issue, and requested that KG prepare a lessons learned report on Camelot describing what happened, how it was discovered and what the consequences are, for the next RCC meeting (AP 1776).

3.1 Top Risks and Risk Appetite

The Chair introduced the paper, explaining that the top risks had been referenced to the group risk profile reviewed by the Committee in January 2017 and reorganised into a format consistent with the risk placemat. Risks had also been linked to risk appetite statements, although key risk indicators had not yet been identified but it was expected that these would come out of the placemat work. The Committee discussed the risks and noted that not all members had yet commented on their risks. Accordingly they were requested to provide updates to RW so that the risks could be updated to reflect their comments prior to submission to ARC (AP 1777).

3.3 Risk Section of the Annual Report and Accounts

The Committee noted that this section would be reviewed to reflect the changes to the top risks.

Russell Hancock joined the meeting.

Agenda Item 4, Risk Update

4.1 Supply Chain Pilot of the Placemat

The Chair introduced the placemat pilot and explained that it would be extended to the other areas in Finance and Operations. AC noted that the pilot had been very useful but that the assessment process was still being developed, and that his leadership team were committed to running the process across Finance and Operations with a full report going to September RCC. The Committee requested an update on progress at the July meeting (AP 1778).

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RH explained how the process had worked in Supply Chain, and how it had helped him identify wider risks in his area and given him a format to help monitor them. He confirmed that even though it had been a pilot, and involved an amount of pre-work, it had not been onerous. The Chair noted that a benefit of the placemat process was to enthuse members of the business unit about risk management. RH noted that the challenge going forward will be to keep the outputs up to date, and the Chair confirmed the expectation that each business unit will update their assessment once a quarter, in an activity led by the business unit Risk Champion and supported by the Central Risk Team. The Chair advised that at the July meeting the Committee would be requested to consider the roll out timetable for the placemat across the business.

RH left the meeting. Rob H and SG joined the meeting. AR left the meeting.

Agenda Item 5 Key Operational Risks

5.1 IT Controls

Rob H introduced the paper. AC asked if the work described in the paper was meant to reassure the Committee about the state of IT Controls. Rob H explained that the work had confirmed that POL is outside its risk appetite with regard to IT Controls. The Committee asked Rob H to confirm what he was most worried about. Rob H explained that it was POL SAP/HR SAP falling over and that the current control environment would still let these systems go down but that the response time would be better. He noted that focus was on improving the control environment through a combination of improving hardware and improving identification of threats. Rob H explained that SG had been preparing an operational risk 'Tube map' to enable informed decision making. The Committee requested that this be brought to the July meeting (AP 1779).

AR re-joined the meeting. Rob H and SG left the meeting.

5.2 Financial Controls

AR introduced the paper and explained that Phase 2 of the project would tackle the master data, that the team is currently making good progress and that a controls manager is being recruited.

MH and AVB joined the meeting.

5.5 Health and Safety

MH introduced the paper noting that performance was strong for all four of the key health and safety metrics, including absence accidents and lost days. The Committee discussed the presentation of metrics and noted the difficulty in benchmarking H&S metrics. MH noted that reporting and oversight were to be re-considered during Q1 and new metrics identified. The H&S subcommittee deep dive on the following day would include a review of road risk, which was a current area of concern. AC noted a recent incident in which a driver in Supply Chain had revealed his licence had been removed for alcohol dependency, and explained that they were looking at the introduction of an enhanced method of breath testing and using fingerprint testing as a permission to release keys in Supply Chain. The Network Operations Director had been asked to review safety procedures for people who drove either their own or company cars for Post Office business

MH & AR left the meeting. SS and JD joined the meeting.

5.3 Financial Crime

SS introduced the paper. The Committee discussed the disappointing completion rate for AML/CTF training for all back office employees, which was due to be completed by 21st April but only appeared to have been completed by 53% of employees. Difficulties in tracking who had completed compliance tests would be resolved once the EUM project was implemented, although there was a great deal of data cleansing to be done before implementation.

JD explained that work commenced in February on risk-assessment work on further products and services and is currently on track, although there has been a need to accelerate the risk assessment of POMS and the insurance products under its umbrella. The Drop & Go risk

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assessment was much improved, and Laura Plunkett, the Product Manager, had been exemplary in her approach to tackling the problems. Workshops with other product managers were being planned. The Committee discussed the role of product managers. SS explained that HMRC are to review Bill Payments later in 2017. The Committee noted that additional resource will be needed to review bill payment services and this should be viewed as a priority.

The Chair noted that the Financial Crime team had flagged that vetting procedures for corporate agents needed to be reviewed and we needed to determine what assurance was required for changes to directors and shareholders, etc.

SS and JD left the meeting.

5.6 Transformation

JE introduced the paper noting that there had been some changes to the top risks reported in March, namely that the Resourcing – Off Payroll risk had reduced but that Complex Change Portfolio Delivery and IT Vendor Renegotiation / IT Supplier Capacity remained red. The Committee noted the emerging risk posed by a Royal Mail strike.

TA joined the meeting.

5.4 FS Conduct

JH introduced the paper and explained that the conduct scorecards from Bank of Ireland and POMS had not been ready for the RCC meeting but might be ready for ARC. The Committee noted that the ARC would want to know how the business ensures that Customer Relationship Managers aren't mis-selling. JH explained that this was set out in the paper, and that the next phase of work would be focussed on counter staff and insurance products. The Committee noted that the themes of current FCA focus were culture and vulnerable customers. NK noted that there were no updates as to whether the Senior Manager Regime will apply to appointed representatives, however it will apply to POMS.

Agenda Item 4.2 Business Continuity and Crisis Management Update

TA introduced the paper, explaining that business continuity planning continues across all sites, with recent activity focussed on Swindon. Plans are underway for a full day exercise at the Chesterfield (Finance Service Centre) recovery site. A business continuity workshop with Royal Mail is planned to help assess the potential impact of a Royal Mail strike. The Committee briefly discussed the proposed workshop and requested that TA include somebody from POL who had experienced the last Royal Mail strike in the working group (AP 1780).

Agenda Item 6, Internal Audit Report

JA updated the Committee on recent audit activity, noting that two audit reports had been issued since March ARC with a further seven reports in the process of being cleared with management for reporting at the May ARC. The Committee noted the reviews planned for the first quarter of 2017/18 and KG thanked JA for bringing the review of Mails Processes forward.

JC and KT joined the meeting.

Agenda Item 7, Decision Papers

7.1 Modern Slavery

JC updated the Committee on recent activity, explaining that due diligence had been undertaken on POL business and supply chains to identify potential areas of risk for modern slavery. A revised Statement on Modern Slavery had been prepared in line with the legislation which must be published within 6 months of year end.

The Committee agreed to recommend to the ARC and Board that the 2017-2018 Modern Slavery Transparency Statement should be adopted.

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MK, JC and KT left the meeting.

Agenda Item 8, Noting Papers

The Committee noted the following papers

8.1 Horizon Scanning

8.2 POMS RCC minutes (February and March 2017)

8.3 Whistleblowing Report

8.4 Identity Fraud Incident Report

Agenda Item 11, Any other Business

Nothing raised.

The meeting closed at 16.10

Next Meeting – 20 July 2017, Room 0.03 Moorgate 13.00 – 16.00