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MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON MONDAY 27th JULY 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 14.30 PM (VIA CONFERENCE CALL)[1]

Present:	**Invited Attendees:**
Carla Stent (Chair)	Amanda Jones (Group Retail and Franchise Network Director, Interim): Item 2 **(AJ)**
Ken McCall (SID) **(KM)**	James Scutt (Head of Customer Experience): Item 2 **(JS)**
Tom Cooper (NED, UKGI) **(TC)**	Maxine Cross (Head of Reward and Pensions): Item 4 **(MC)**
Zarin Patel (NED) **(ZP)**	Giannis Waymouth (Solicitor, Norton Rose Fulbright): Item 4 **(GW)**
Regular Attendees:	Tim Perkins (Head of Security, Safety & Loss Prevention): Item 5 **(TPE)**
Alisdair Cameron (Group CFO) **(AC)**	Amanda Bowe (Post Office Insurance ARC Chair): Item 6 **(AB)**
Ben Foat (Group General Counsel) **(BF)**	Ian Holloway (POI Director, Risk & Compliance): Item 6 **(IH)**
Andrew Paynter (Audit Partner, PwC) **(AP)**	Jeff Smyth (Interim Group Chief Information Officer): Item 8 **(JS)**
Sarah Allen (Senior Audit Manager, PwC) **(SA)**	Tony Jowett (Chief Information Security Officer): Item 8 **(TJ)**
Johann Appel (Head of Internal Audit) **(JA)**	Joseph Moussalli (Programme Manager): Item 8
Mark Baldock (Head of Risk) **(MB)**	Rob Wilkins (Cloud Services Director): Item 8
Jonathan Hill (Compliance Director) **(JH)**	Tim Armit (Business Continuity Manager): Item 9 **(TA)**
David Parry (Senior Assistant Company Secretary) **(DP)**	Sarah Gray (Group Legal Director): Item 10 **(SG)**
Apologies:	Hugo Sharp (Deloitte Partner) **(HS)**
Tim Parker (Chairman, POL) **(TP)**	
Nick Read (Group Chief Executive Officer) **(NR)**	

		Action
1.	**Welcome and Conflicts of Interest**	
1.1	A quorum being present, the Chair opened the meeting and noted that participation was solely by conference call given the current Government guidance on home working. However, given the requirements of the Company's Articles of Association, the location of the meeting was agreed to be the Company's Registered Office.	
1.2	The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	

[1] Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chair's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.

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1.3	The Chair reminded management of the importance of paper submission deadlines.	
2.	**Policies for Approval**	**Action**
2.1	*Amanda Jones and James Scutt joined the meeting.* **Modern Slavery Statement 2020/21**: AJ and JS presented the Modern Slavery Statement. Good progress has been made in the year to increase knowledge and understanding within the network (where the risk remains highest), and recent media coverage has highlighted the need to demonstrate a clear commitment to combating modern slavery.	
2.2	With support from the NFSP, the team has introduced a more robust training scheme for all new and existing Post-Masters (which KM remarked should be mandatory, if agreement can be reached with unions and other external bodies), and implemented a new IT system, Procure2Pay, to track and monitor the on-boarding of new suppliers. A phased re-registration of suppliers was completed between October 2019 and March 2020, which put them through enhanced due diligence process checks including Modern Slavery.	
2.3	AJ noted there had been no reports of modern slavery but that the team had received plenty of questions from area managers and the network whilst investigating incidents, evidencing that the training had been beneficial and supporting the statistic that 87% of those trained felt more confident regarding the topic and its implications. An evaluation of the programme to date would be completed by external consultants to benchmark POL against similar organisations, along with a more extensive audit review programme of suppliers.	
2.4	Noting the legal requirement to publish a statement on POL's website within six months of year-end, the Committee congratulated the team on the improvements made throughout the year and took comfort in the more robust approach to meeting the legal requirements. The following was **AGREED**: 1. External consultants should be brought into benchmark POL against similar organisations. 2. The Committee recommended the statement be submitted for Board approval in September. *Amanda Jones and James Scutt left the meeting.* ***Action**: DP to arrange for the Modern Slavery Statement to be added to the September Board agenda.*	AJ **DP**
2.5	The following policies were **APPROVED** by the Committee: • Anti-Bribery and Corruption Policy – TC questioned the absence of GE disclosures and requested this be reviewed. • Whistleblowing Policy	

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	• Financial Crime Policy • Anti -Money Laundering and Counter Terrorist Financing Policy • Document Retention Policy The Procurement Policy was withdrawn for approval, further work is required.	
2.6	JH advised the Committee that a compliance manager had now been appointed to govern the policy programme and a more robust automated policy programme would be introduced to ensure policy holders could evidence embedding the policy into POL, as well as a summary of any key changes identifying who would be impacted.	
3.	**Previous Meetings**	
3.1	The minutes of the meetings of the Audit and Risk Committee held on 19 May 2020 and 16 June 2020 (subject to minor amendment) were **APPROVED** and **AUTHORISED** for signature by the Chair.	
3.2	Progress against the completion of actions as shown on the action log was **NOTED**.	
3.3	The draft minutes of the Risk and Compliance Committee held on 13 July 2020 were **NOTED**.	
4.	**Pensions Assurance**	
4.1	*Maxine Cross and Giannis Waymouth (Norton Rose Fulbright, Solicitor) joined the meeting.* AC introduced the paper which was taken as read. He explained that in preparation for the partial buyout of POL's liabilities of the Royal Mail Pension Plan (RMPP), material errors had been identified which affected only POL members of the RMPP. The unions had not been informed as yet, and no conclusions would be made until the exposure had been quantified. Management had received strong legal advice not to notify The Pensions Regulator, however POL Directors can obtain their own independent legal advice, as well as notify the regulator should they wish.	
4.2	MC explained that the errors were predominantly linked to the incorrect configuration of Success Factors, and the misinterpretation of how promotional increases are treated. The team was in on-going discussions with the Pension Trustees and legal/pensions experts to understand what mitigating actions could be taken, and where monies for those underpaid would be paid from.	
4.3	GW advised the Committee that it was very unusual to report to the regulator. She did not believe it was appropriate to notify the regulator at this stage for the following reasons: 1. Exposure had not been quantified.	

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	2. The issue had been identified by POL rather than the Pension Trustees. 3. Resource and response had been implemented quickly to mitigate any risks. 4. The regulator has been clear in stating that matters should not be raised to them unless they are material in nature (value alone is not a determinant).	
4.4	By notifying the regulator, GW explained the consequences were subtle rather than aggressive, with increased investigation and enquiries likely. However, as a legal advisor she was under a duty to track and monitor the remediation process in place but would notify the regulator should there be significant delay or a lack of co-operation in remediation on POL's part.	
4.5	The Committee recognised the precarious position faced, including the process of recovering money which would have to be handled carefully. GW remarked that there had only been five cases in 50 years where individual directors had been pursued by the regulator – these were mostly in instances where directors had held significant personal control/influence to impact pensions.	
4.6	Until the Committee was fully aware of the quantum involved, and in view of the current circumstances, the following was **AGREED**: 1. The Directors would only seek independent legal advice (if required) as a team rather than on an individual basis. 2. The Pensions team are to inform the Unions to avoid a whistle blow. A communication plan should be developed with Richard Taylor (POL Group Communications Director) should the issue become public knowledge. 3. A quantification of the error, a remediation plan and debrief should be presented to the Committee in September, where the Committee will consider the position/status. 4. Pensions Assurance will remain as a standing agenda item until further notice. *Maxine Cross and Giannis Waymouth (Norton Rose Fulbright, Solicitor) left the meeting.* ***Actions:*** *1) MC* - The Pensions team are to inform the Unions to avoid a whistle blow. A communication plan should be developed with Richard Taylor (POL Group Communications Director) should the issue become public knowledge. 2) *MC* - A quantification of the error, a remediation plan and debrief should be presented to the Committee in September, where the	 **MC** **MC** **DP**

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	3) Committee will consider the position/status. 4) *DP* - Pensions Assurance would remain as a standing agenda item until further notice.	
5.	**Suspense Accounts**	
5.1	*Tim Perkins joined the meeting.* BF introduced the paper taken as read. KPMG had now completed a review of the current suspense accounts, following longstanding allegations pre and post GLO that POL had profited from these. Four suspense accounts currently in operation had been identified where money is: (1) Either not taken to a profit and loss account; or (2) Relates to unmatched transactions due to customers (not Postmasters); or (3) Relates to surpluses rather than shortfalls. No malpractice was identified, and approval was sought and **RECEIVED** to review the historical suspense accounts at a cost of £47,000.	
5.2	The Committee noted the risk(s) of reviewing the historical suspense accounts and requested details of the following: 1) The balance information presented to Post Masters. 2) A trend analysis review of the end to end process of the financial operational controls process, to provide assurance to the Committee that there are no further potential issues. An update would be presented to the Committee in September. ***Actions:*** 1) TP: details of information presented to Post Masters i.e. balances, shortfalls etc. 2) AC: A trend analysis of the end to end review of the financial operational controls process to provide assurance to the Committee that there are no further potential issues. *Tim Perkins left the meeting.*	**Action:** **TP** **AC**
6.	**Update from Subsidiaries:**	
6.1	*Post Office Insurance (POI) Audit, Risk & Compliance Committee (ARC)* *Amanda Bowe and Ian Holloway joined the meeting.* Amanda Bowe provided a verbal update from the POI ARC. She remarked management was monitoring the challenging trade environment, particularly within the travel insurance sector, and that commission payments from POI to POL would be reduced temporarily (from 30 to 10%) to improve cash-flow. A formal variation of this arrangement within the Master Services Agreement (MSA), is currently	

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	being completed. BF is tasked to complete this by September.	**BF**
6.2	Along with the current financial risks, management had been reviewing the risks associated with a second Covid wave occurring, and treating customers fairly following a rise in customer complaints, especially as regards travel and household insurance. Customers had been advised there was insufficient data to collect their household premiums as part of their annual renewal. Management had challenged the contact centres to improve standards/explain solutions more clearly to reduce complaints.	
6.3	The regulator had recently requested details on claims handling over the last 12 months. It was unknown whether this was a blanket wide industry request or targeted request. Team morale was reasonably positive in general, although there was concern about the return to work using public transport. TC requested product information be made more specific. ***To do:*** IH and TC to discuss product information. *Amanda Bowe and Ian Holloway left the meeting.*	**To do: IH**
7.	**GDPR Update**	
7.1	JH presented the GDPR update. A review of contracts not previously remediated or de-scoped during the original GDPR remediation programme had been completed, identifying seven risk key contracts including CWU; Unite; Fujitsu Telecoms; Global Payments; OH Assist; RAPP; and Selenity. Work was now underway to support the contract owners and get these remediated.	
7.2	The Committee noted the high-risk contracts and requested this be kept under review by the Compliance team to avoid further risk. Future updates would be provided in the compliance report.	
8.	**PCI-DSS, Cyber Security and Joiners, Movers, Leavers**	
8.1	*Jeff Smyth, Tony Jowett, Joseph Moussalli and Rob Wilkins joined the meeting.* **PCI-DSS:** Jeff Smyth presented the update. Further funding has been agreed by the Board (26 May 2020 Board meeting) to progress the programme until completion. He and Nick Read had met with Paula Felstead, Ingenico Group CTO, where Ingenico confirmed a renewed commitment to achieve Vocalink Accreditation by the end of December 2020. **Banking Forum**: the banking forum has been updated with a	

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	plan/timetable of key dates for 2021, indicating Pilot and Branch rollout commencing in February 2021. Formal PCI DSS accreditation expected to be achieved by June 2021. **PED Upgrade (firmware upgrade and installation of EMV and banking transaction keys)**: **the team had c**ompleted 85% of the rollout across POL estate, deployment re-started 1 July 2020 after being paused 25 March 2020 due to Covid. JS confirmed that the team are on track to complete this at the end of September, noting that c.900 branches remain closed due to Covid. **Retail Solutions**: Ingenico has completed the development of the software to support retail transactions, and testing is underway with Global Payments. There are some challenges with VISA, but the teams are on site and any delays can be absorbed within the contingency days. Formal accreditation of the retail part of the solution is on track to be ready for pilot on 23 October 2020. **POCA:** the team is working closely with suppliers to ensure POCA can be fully integrated. ZP questioned whether the integration would work considering all the component parts. JS remarked that there would be snags/issues on the way as the integration is tested and that he would not hesitate to pause the go-live date should there be any significant risks. The committee thanked JS for the comprehensive update and asked for him/the team to maintain forward momentum.	
8.2	**Cyber Security** TJ presented the cyber security update. Good progress has been made with the Deloitte cyber security maturity assessment and a report from Deloitte is expected in July listing detailed actions for further mature Cyber controls. In the interim, Internal Audit has worked with Deloitte to provide an overarching report giving key recommendations and maturity assessments. It was noted that the remaining areas are of a higher complexity and are therefore taking more time to complete. Compared to last year, TJ believes maturity is more secure, and that focus should be on developing a cyber security strategy as the business and IT strategies unfold. A road map will be presented to ARC in September on access v targets. **Covid-19:** TJ noted that during the pandemic, phishing traffic/attempts have increased but that SPAM-based mail attacks now appear to have returned to normal levels. The team completed a targeted phishing simulation to raise awareness within POL. ZP sought assurance that data held by third party providers was	

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	securely held to avoid ransomware attacks. TJ reported he was working with CISO's of respective organisations regarding this.	
8.3	**Joiners, Movers, Leavers (JML)** TJ presented the JML report. JML remains a key focus for the team. A draft reference model has been developed identifying the role and accountability of each department in the JML process, helping to reduce single points of failure. Good progress has been made enhancing the integrity of the links between Success Factors, Microsoft Identity Manager and Active Directory which controls access administration and the project is expected to be completed in August 2020. The Committee raised concern that this had been a long running project, that it appeared to be slipping and that ownership was lacking. JS advised a breakdown of issues and deadlines would be presented to the Committee in September. *Jeff Smyth, Tony Jowett, Joseph Moussalli and Rob Wilkins left the meeting.*	
9.	**Business Continuity Update and Business Continuity Policy**	
9.1	*Tim Armit joined the meeting.* TA presented the Business Continuity update. The current approach to resilience remains effective, but a complete failure of Horizon across both data centres remains POL's key risk. This risk would be mitigated following the migration to the cloud (Belfast Data Centre project currently underway). Covid19 has demonstrated that POL can run effectively via home working for an unlimited period of time, and the ability to maintain call centres with home working including supporting a third party POCA call centre has been considered and explored. The 'Post Office on Wheels' (deployed for contingency purposes) has proved effective during the pandemic. Plans are being developed to mitigate against a second Covid wave. ZP questioned whether POL was resilient to a large data breach and whether a rehearsed exercise had been completed. TA assured ZP that plans were in place to cover this threat, that the scenarios had been the focus of a recent GE exercise and that he planned to carry out a similar exercise with IT.	
9.2	**Business Continuity Policy** TA advised there have been no material changes to the policy since last year and that it remains suitable for purpose. The Business Continuity Policy was **APPROVED** by the Committee.	

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	The Committee congratulated TA on the progress that he and the team had made. *Tim Armit left the meeting.*	
10.	**Law Trends Update**	
10.1	*Sarah Gray joined the meeting.* SG presented the Law and Trends update paper and brought the following items to the Committee's attention: • Covid 19 Employment Legislation Updates. • ATM Additional Business Rates Update. • Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations.	
10.2	**Covid-19 Employment Legislation Updates:** The Coronavirus Act 2020 (effective 25 March 2020) introduces emergency powers to handle the COVID-19 pandemic. Working groups continue to review and monitor guidance to ensure POL is compliant.	
10.3	**ATM Additional Business Rates Update:** a recent UK Supreme Court case has ruled that ATM facilities do not need to be assessed separately for business rates. POL has approximately 53 ATMS where claims can be made via an online system, however, only the occupier of the site can make the claim. In this instance, BOI would have to make the claim for POL backdated to 31 March 2018. POL had been advised that we should not make the claim. The Chair asked for this to be investigated.	BF
10.4	**Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations**: public sector websites have a legal duty to make sure their websites meet accessibility requirements by 23 September 2020. Mobile apps are expected to be compliant by 23 June 2021. The digital innovation team believed POL's website is compliant and work is ongoing to meet the mobile applications compliance by the June 2021 deadline. *Sarah Gray left the meeting.*	
11.	**Combined Risk, Compliance and Audit Update**	
11.1	**Risk** MB presented the risk report. Since the last meeting, team focus had been on embedding the three lines of defence model into POL and Archer had now been populated with 453 clearly identified risks and owners (15 overarching enterprise risks, 70 linked intermediate risks and 350 subsidiary local risks)). The risks from Covid-19 had also been included into the wider enterprise risk and the first set of Archer dashboards were presented in the reading room.	
11.2	Work was now underway to refresh the corporate risk appetite	

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	statements (last reviewed in 2015) and to establish a supporting set of key risk indicators using existing KPI data. Pilot sets of KRI data are being produced with the Operations, Legal, IT and Finance teams.	
11.3	The Committee noted the current risks to POL and noted that there was only now one central reference point for all risks and that the reporting was in development with more work to do to refine it and ensure consistency of reporting between the business and risk reports.	
11.4	**Compliance** JH presented the compliance report noting the following: **Telecoms**: Weekly updates continue to be requested from Ofcom who have now resumed their monitoring and enforcement programme. POL remains reliant upon 3rd party providers for information but the team remains focused on questioning the accuracy of data provided. **Fairness:** Ofcom is reporting on fairness in early 2021 and considers POL to be at the top end of the table for having a high number of customers considered 'vulnerable' i.e. those who have been paying higher prices than customers in contract for more than 2-3 years. **GLO/Freedom of Information Requests:** resource has been stretched responding to Historic Shortfall Scheme, related/linked FOI requests (55 as at 24.06.2020) and CCRC requests. The sensitivity/complex nature of the FOI requests has required external legal support, as well as approval from the GLO Steerco and notification to UKGI before release. **Cookies**: A solution has been developed to meet the Directive 2009/136/EC, (known as the Cookie Law), however the solution does not fully satisfy all regulator (ICO) consents. A recent case in Germany where a company used a similar solution to POL's but was deemed to be non-compliant with EU legislation. The Data Protection and legal teams are reviewing the implications to POL. **Financial Crime:** there has been a large increase in suspicious activities reports during lockdown, with 930 SARs and 159 investigations in April & May (cf 598 and 84 in April & May 2019). The team is working closely with the banks to understand the reasons for the spike. TC questioned the reason for the rise, JH believed this was down to better reporting and understanding in the network as well as having a reduced volume of transactions.	
11.5	**Internal Audit** JA presented the IA report. He advised that a summary of findings from last year's IA programme (2019/20) noted 171 audit actions across 25 audits in total (cf 271 actions across 24 audits in 2018/19). The lower	

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	number of actions could be attributed to a general improvement in the control environment. Some improvements are required in core controls following system and organisational changes during the year, risk management and governance oversight has slightly decreased, but information, communication and report turnaround has improved. HS recognised that control standards had improved in POL even though there had been significant change. He believed that risks around non-financial controls and IT controls required improvement, but that it was expected the work BF and AC were undertaking would improve this. The covid pandemic had shown that minimum control standards could be maintained during difficult times.	
11.6	The Committee thanked HS for his input.	
11.7	JA reported the following reports had been completed since the last ARC meeting, • FS Branch Sales (FY20 IA Plan) (Final Report) • CV-19 Programme Assurance - Ph1 Set-up & Governance • Minimum Control Standards – Ph1 Cash Controls • Minimum Control Standards – Ph2 Minimum Control Standards – Ph2 • Cyber Security Maturity Assessment • Effectiveness of Second Line during CV-19 – Ph1.	
11.8	TC questioned the green rating for the branch sales report findings considering the issues previously faced with mystery shopping. JA advised that the assessment was made considering several factors, of which mystery shopping was one.	
11.9	AC advised that he and BF would ensure IA audits and reports are built into a new controls framework being developed.	
12.	**AOB**	
12.1	The Committee agreed that an additional meeting would be required to review going concern and the risks associated with GLO. Once numbers for historical claims are known, a meeting will be arranged.	
12.2	There being no further business, the meeting was closed at 17:06pm.	

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Chair **Date**