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3.4

"What we've built up in the banking team in the last year or two is it – there is no other skilled ATM knowledge within the business. As noted, this has been compounded by organisational change, which has further removed awareness of current processes within the support teams regarding how POL has done things over the past 15 years. So the problem is getting worse, not better.

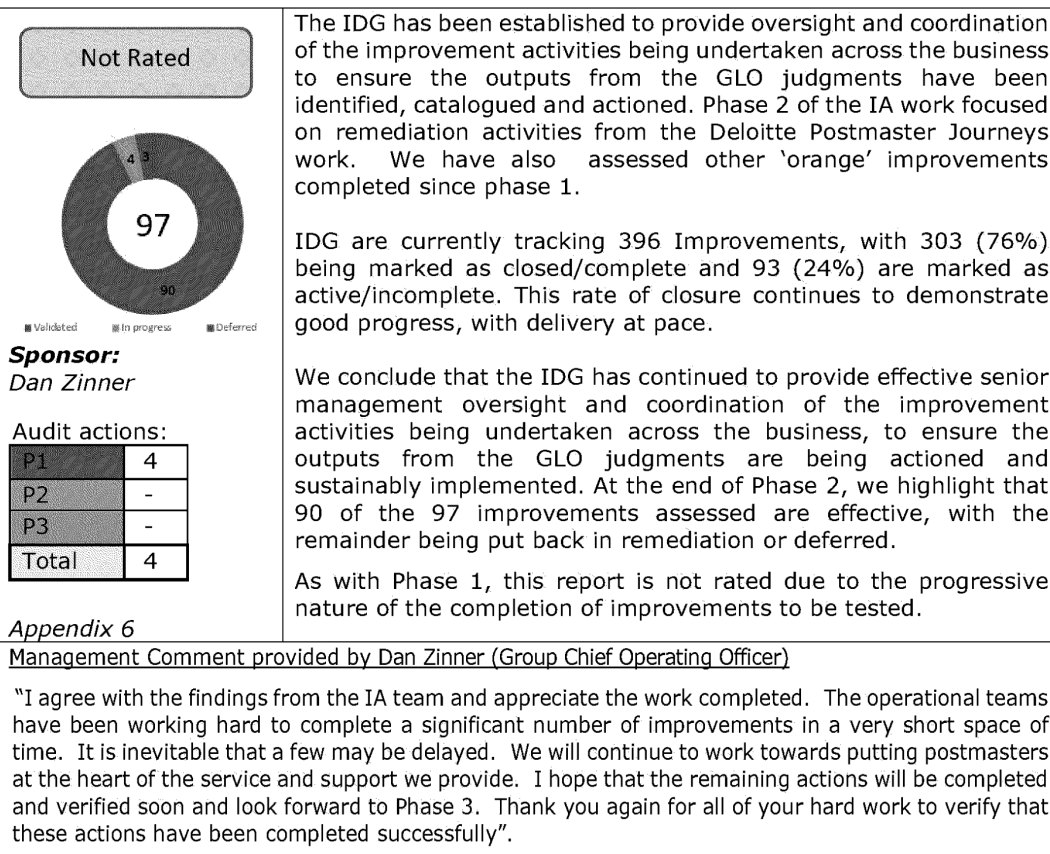
The problems identified are difficult to address – the obvious answer being to bring in further resource. In the absence of that available resource, the programme will simply have to support a) doing the job itself right now (to meet the timelines) b) then, reporting on the job to support the process load that sits over the programme and c) then track the project business benefits. These cannot happen in parallel, and must happen in series as a result of the resource challenges we face.

The key in all of this is actually delivering: doing the job successfully, joining LINK, completing the development work with Cennox, delivering the new solution and then rolling out the new hardware in the time left.

We acknowledge that the programme is by definition tight and tightly controlled. The team is indeed stretched but managing engagement and delivery pace using key resources to ensure tight timelines can be met. There is little room for error/change/illness etc."

*Martin Kearsley - Product Portfolio Director – Banking, Payments & Transactional Products*

#### 15. IDG Assurance Phase 2 (Ref.2021/22-01)





## 16. Payzone Control Environment (Ref. 2021/22-08)

3.4



Needs Improvement

**Sponsor:**

Owen Woodley

## Audit actions:

P1	-
P2	6
P3	4
Total	10

Appendix 7

The objective of this audit was to review the control environment operating within Payzone Bill Payments Ltd.

The review assessed the design, operating effectiveness and maturity of key Finance, commercial and IT controls, as well as the effective operation and reporting of risks and control deficiencies into Payzone Board and POL governance structures. The review revisited the areas reported on after the previous audit in 2019 and also followed up on the progress to fully exit TSA and reverse TSA.

Payzone have continued to develop their Finance capability and have put in place a structure that facilitates good control disciplines. Whilst the remote working situation has provided challenges with formally evidencing some activities, the overall control environment remains effective. Work on implementing POL policies and procedures where applicable is progressing well and links with POL Finance are being explored and developed. Some housekeeping tasks around the documentation of processes remain, although this audit confirmed that the majority of controls were working as intended. The programme to exit the TSA is on target for the end of October 2021 with the bank account due to be in place by August 2021. In-house development of Payzone's own Credit Control System, 'Debtman', has successfully delivered a significant improvement in capability and has delivered efficiencies.

Likewise, we noted that Payzone have continued work to develop and secure their IT control environment with a documented strategy in place covering short, medium and long term IT objectives, supported by the ongoing ISO27001 and ISO22301 accreditations. They are implementing a comprehensive programme management framework, supported by a clear process for the development, test and release of software. Controls are in place to secure the Payzone network and associated end-user devices, and to provide operational support for most key platforms.

Activity is ongoing to migrate the webhosting environment in-house, and to provide support for the Navision ERP tool. Additional work is required to update development and coding standards, and to refine policies to facilitate data loss prevention.

Management Comment provided by Andrew Goddard (Managing Director Payzone Bill Payments Ltd)

"The latest update represents a fair and accurate appraisal of the significant work completed to date since the last audit at the end of 2019. It is encouraging that the audit team acknowledge that the finance governance routines carried out by the team are done to a high standard and segregation, supervision, checks and balances are all in place.

The PZBP management team and myself acknowledge and will action the improvements to be made by the end of December 2021, specifically with regards to i) finance governance control processes (purchase orders, month end checklists, and management of bad debts) and ii) IT development documentation, website GDPR compliance, and data loss prevention amends."



## 17. Historical Shortfall Scheme (HSS) (Ref. 2021/22-04)

**3.4**


Needs Improvement

**Sponsor:**  
*Declan Salter*

Audit actions:

P1	-
P2	4
P3	1
Total	5

*Appendix 8*

HSS has successfully processed and settled almost 300 shortfall claims from current and former Postmasters. The focus on lower value and simple claims (under £8k and shortfall only, or 'de minimis') has provided an opportunity to identify and address operational and governance challenges before the Scheme moves on to more complex cases.

This review assessed the scheme governance arrangements, including oversight, reporting, escalation and claimant journey. We also assessed operational controls to ensure the prompt and proper resolution of claims.

Continuing changes to governance arrangements at HMBU level has provided a challenging backdrop against which to design and operationalise processes over claims and payments. However, the HSS team has been successful in developing a coherent set of processes, and no errors were found within our sample testing.

Some weaknesses over process governance was identified, with actions required to strengthen approvals and to clarify HMBU's oversight of claims processing undertaken by the law firm, Herbert Smith Freehills. The need to maintain a complete and accurate audit trail of all elements of the claims lifecycle is critical to enable the Scheme to demonstrate that all claims have been treated fairly and equitably.

The report is rated 'Needs Improvement' to reflect the findings, which should be substantially actioned before the next phase of the Scheme is underway.

### Management Comment

"It is true to reflect that the governance process has been extended involving HM Committee, POL Board, UKGI, BEIS SteerCo before the Independent Panel after which the recommendations from the Panel have to traverse the same route again before an offer can be made. BEIS admitted today that these new governance arrangements are "probably over-cooked" and need reducing.

It would be advisable to conduct an audit of HSF's processes and governance to ensure that all decisions are correctly recorded and complied with, particularly as such a great volume of the administration of the scheme is being undertaken by HSF. This could be by POL IA or an external provider."

*Declan Salter (HM Director)*

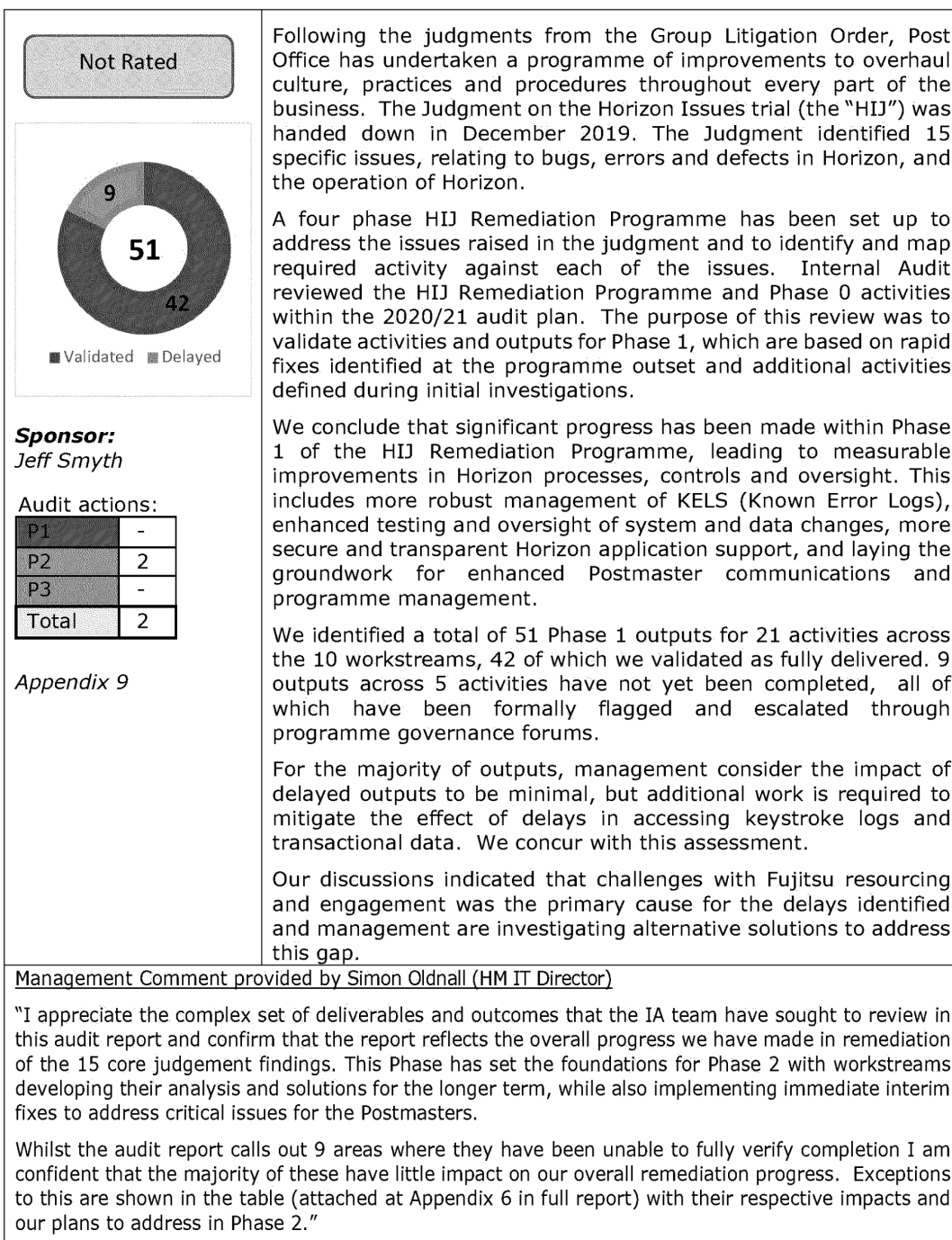
"Thank you to the audit team for their review. Going forward, we need to ensure that these issues are addressed by the team including that claims and payments have the necessary approvals in place (whether from Board or delegated). Such processes and approvals need to be documented. The broader risk environment around the claims investigation and payments processes needs to be better identified and reported upon. I have asked the team to review these findings and we will revert with appropriate procedures and governance."

*Ben Foat (Group General Counsel)*

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## 18. HIJ Improvement Programme – Phase 1 (Ref. 2021/22-09)

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