



POST OFFICE LIMITED

MINUTES OF A MEETING OF THE RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON THURSDAY 12 JANUARY 2021 AT 10:00 VIA MICROSOFT TEAMS

Present:	Attendees:
Alisdair Cameron (Chairman) (AC)	Rob Wilkins (Cloud Services Director) (RWI) : Item 3.4 & 4
Lisa Cherry (Group Chief People Officer) (LC)	Tony Jowett (Chief Information Security Officer) (TJ) : Items 4 & 5
Ben Foat (Group General Counsel) (BF)	Russell Hancock (Supply Chain Director) (RH) : Item 6
Amanda Jones (Group Retail and Franchise Network Director) (AJ)	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime) (SS) : Item 7
Cathy Mayor (Finance Director, Commercial) (CM)	Maxine Cross (Head of Reward and Pensions): (MC) : Item 8
Jeff Smyth (Group Chief Information Officer) (JS)	Helen Rhodes (Head of HR Organisation Effectiveness, Project Lead) (HR) : Item 8
Regular Attendees:	Andy Jamieson (Head of Tax) (AJ) : Item 9
Johann Appel (Head of Internal Audit) (JA)	Tim Perkins (Service and Support Optimisation Director) (TP) : Items 10, 11 & 12
Mark Baldock (Head of Risk) (MB)	Declan Salter (GLO Director) (DS) : Item 13
Jonathan Hill (Compliance Director) (JH)	Graham Hemingway (Historical Matters Portfolio Lead) (GH) : Item 13
Tom Lee (Financial Controller) (TL)	Barbara Brannon (Procurement Director) (BB) : Item 16
Rebecca Whibley (Senior Assistant Company Secretary) (RW)	Sarah Gray (Group Legal Director) (SG) : Item 17
Apologies:	
N/A	

1.	Welcome and Conflicts of Interest	Action
	The Chair opened the meeting and advised that all papers would be taken as read. No conflicts of interest were declared.	
2.	Minutes and Action Lists	
2.1	The minutes of the Committee meeting held on 12 November 2020 were APPROVED .	
2.2	<p>Progress on completion of actions as shown on the action log was NOTED as follows:</p> <p><u>Action 1 from 12 November 2020 para 3.1 Risk, Compliance & Internal Audit Update - Risk Dashboard</u>: These changes have not been made for January 2021 due to the Risk Team having moved off the RSA Archer system and are now building ServiceNow (IRM Pro) system. As such it was difficult to run Dashboards. The reporting in the new ServiceNow system would be built to take account of this action where possible. The action remained open.</p> <p><u>Action 2 from 12 November 2020 para 3.1 Risk, Compliance & Internal Audit Update - Risk Policy</u>: These changes were made and the policy was approved by the Audit, Risk & Compliance Committee (ARC) at its meeting in November 2020 and then the Board in January 2021. The action was closed.</p> <p><u>Action 3 from 12 November 2020 para 3.3 Risk, Compliance & Internal Audit Update - Compliance Update (Anti-Bribery & Corruption Training)</u>: Current HR figure stands</p>	

<p>at 92.4%, which includes contractors. Work was being undertaken to ensure contractors complete the training. The action was closed.</p> <p><u>Action 4 from 12 November 2020 para 3.3 Risk, Compliance & Internal Audit Update – Compliance Update (Access to Cash):</u> The submitted version was sent by Martin Kearsley to the GE on Thursday 26th November 2020. The action was closed.</p> <p><u>Action 5 from 12 November 2020 para 3.4 Risk, Compliance & Internal Audit Update – Internal Audit (Effectiveness of the Second Line):</u> A update on this work was contained within the Compliance Paper (see paragraph 3.3 below). A further update will be provided when further work has been undertaken. The action remained open.</p> <p><u>Action 6 from 12 November 2020 para 3.4 Risk, Compliance & Internal Audit Update – Internal Audit (Joiners, Movers, Leavers):</u> IT have worked through the leavers and work was continuing on the movers. This work would be completed prior to the January 2021 ARC meeting. The action remained open. The Committee also requested that a list of what is required to be put together and for this to be tracked against for the next Committee meeting.</p> <p><u>Action 7 from 12 November 2020 para 3.4 Risk, Compliance & Internal Audit Update – Internal Audit (Actions):</u> These changes were made to the report which was submitted to the ARC for its meeting in November 2020. A separate paper on the data privacy action was provided to the ARC for noting and it was agreed by the ARC that the management action would be revised in line with the solution that was presented to the ARC. The action due date will be re-set to 31 March 2021. The action was closed.</p> <p><u>Action 8 from 12 November 2020 para 3.4 Risk, Compliance & Internal Audit Update – Internal Audit (Special Investigation):</u> A verbal briefing was provided in confidence to Al Cameron on 19 November. The action was closed.</p> <p><u>Action 9 from 12 November 2020 para 3.4 Risk, Compliance & Internal Audit Update – Internal Audit (Deletion of Data):</u> Ben and Jeff have met to discuss the rules regarding data preservation in “legal-hold” situations and we have confirmed that there is no automatic deletion of any Outlook Email, SharePoint or OneDrive based data. Data access was deactivated in employee leaver situations but that data was still retrieval on request by line management or other authorised requestors. Data Protection have recommended that to keep within Post Office risk appetite that IT, in conjunction with Compliance, need to start working towards an initial purge of the emails systems and the implementation of an auto delete solution when the Legal Hold is removed. The action remained open. The Committee also requested that a clear plan of action was developed for the next Committee meeting.</p> <p><u>Action 10 from 12 November 2020 para 4.2 Cyber Security (Phishing Training):</u> This will be provided to all GE members ahead of ARC paper submission on 18 January 2021. The action remained open. Committee commented that this list should be provided asap and that there should not be a reluctance to call people out when they have not completed mandatory training.</p> <p><u>Action 11 from 12 November 2020 para 4.2 Cyber Security (Phishing Comms):</u> This was highlighted to the Leadership Group and mentioned in a 10@10. The action was closed.</p> <p><u>Action 12 from 12 November 2020 para 4.2 Cyber Security (ARC Paper Update):</u> This was included in the paper for the ARC in November 2020. This action was closed.</p>	<p>TJ</p> <p>BF/JH</p>
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Action 13 from 12 November 2020 para 4.2 Cyber Security (Culture Shift): Initial meeting has been held with Juliet Lang in People team and plans are in development. An update will be provided at the March Committee meeting. The action remained open.

Action 14 from 12 November 2020 para 4.3 Joiners, Movers, Leavers: This was included in the paper for the ARC in November 2020. The action was closed.

Action 15 from 12 November 2020 para 4.4 Belfast Data Center (Horizon) Disaster Recovery Post Test Briefing: This item is targeted to be presented to the GE for a decision on 20 January 2021. The action remained open.

Action 16 from 12 November 2020 para 5 Suspense Accounts: The ARC was asked to approve disclosure and felt it necessary to refer to the Board. This was therefore discussed and approved by the Board in November 2020. The action was closed.

Action 17 from 12 November 2020 para 6 Notification of Transaction Error: Since the last RCC, Post Office has completed a Request to Quote (RTQ) process and raised a Purchase Order for work to be completed to prevent duplicate auto transaction corrections from being issued in the future. This work would also include a non-related enhancement that will prevent any transaction correction narrative from being cut off after 500 characters. These enhancements would cost £9,860 and were due for completion by 19 March 2021. The action remained open.

Action 18 from 12 November 2020 para 8 Agreed Upon Procedures: This change was made to the paper which was submitted to the November 2020 ARC. The action was closed.

Action 19 from 12 November 2020 para 9 Historical Matters Unit (HMU) Governance Review: This change was made to the paper which was submitted to the November 2020 ARC. The action was closed.

Action 20 from 12 November 2020 para 11 Terms of Reference: These were approved at the December GE meeting and were available on the intranet and in the Diligent Reading Room. The action was closed.

Action 21 from 12 November 2020 para 12 Deepdive: Multiple partner financial stability update: Commercial Partners were faced with the same challenges of all retailers in this current climate, however, there were no significant concerns. Reduction in trading hours were being discussed with some Commercial Partners but none fall below the minimum/core trading hours. From the 1st January, WHSmith have reduced to core trading hours in 102 of their Post Offices (Monday to Friday 9am to 5:30pm; Saturday 9am to 12:30pm; Sunday closed) to ensure commercial viability, and a PO service offering. Increased hours would be reviewed in line with customer demand. In regard to resignations, CJ Lang (SPAR retailer) resigned on 28 of their Post Office branches during July/August last year, all but 4 of these would be closed this financial year. This was not driven by COVID-19, but the non-commercial viability of the PO in these sites. The retail continues to trade, and the PO would be replaced by a Food to Go offering. WHSmith have resigned on 10 of their Post Office branches, which has been driven by commercial terms not reaching agreement between WHSmith and their Landlord. Where commercial terms were agreed, WHSmith will renege on the Post Office termination. If no terms agreed, both the WHS retail and Post Office would close. Out of the 10 pending terminations five will close in Q4 (this financial year); three in Q1; one in Q3 and one in Q4 2022. With

	<p>regard to the specific recourse for the closing branches, it has been confirmed that there is recourse for Post Office and this being worked through with Legal. The action was closed.</p> <p><u>Action 22 from 12 November 2020 para 16 Data Governance (Data Storage Contracts):</u> Procurement have advised that the only providers are Box-It/Oasis & Postal Museum. The action was closed.</p> <p><u>Action 23 from 12 November 2020 para 16 Data Governance (Data Search):</u> The action was set out in the Data paper that was noted by the ARC in November 2020 and was being actioned. An update was provided in the Compliance paper (see paragraph 3.3). The action was closed.</p> <p><u>Action 24 from 12 November 2020 para 16 Data Governance (Data Retention Policy Implementation):</u> This was addressed in the Compliance paper (see paragraph 3.3). Progress was being made and the primary focus was to provide information as required for Group Litigation Order (GLO) disclosures on 5 February 2021 (deadline date for disclosure for the 41 past convictions referred for appeal by the CCRC to the Court of Appeal (Criminal Division)). A further update would be provided at the March Committee meeting. The action remained open.</p> <p><u>Action 25 from 12 November 2020 para 17 Procurement Governance & Compliance Report:</u> This paper was prepared for the ARC and was shared offline with Lisa Harrington (only member of the Board who does not attend ARC meetings). The action was closed.</p> <p><u>Action 26 from 10 September 2020 para 4 Pensions Assurance:</u> The Trustee has now received reconstructed pensionable pay and allowances data. This was being reviewed to assess both the differences to the 2017 data that formed the basis of the Rothesay buy-in and the quantum of the overpayments. A report was expected to be presented to the Trustee Board in March 2021 along with the Trustee rectification plans. The regulator has been updated and is expecting more information from POL at the end of the March. The action remained open.</p> <p><u>Action 27 from 13 July 2020 para 3.5 Compliance Report (Fairness):</u> The Committee requested that this action remained open until such time that the sale of the business had been completed. The action therefore remained open.</p> <p><u>Action 28 from 13 July 2020 para 10.6 Money Laundering Reporting Officer (MLRO) Report:</u> The HMRC supervisor who took over when the previous supervisor retired in May 2020 moved to a new role in the summer. A further supervisor was appointed in August 2020 and an initial virtual meeting has been held, but due to continuing COVID-19 restrictions, HMRC were not undertaking any supervisory visits or meetings, and it was unclear when this will recommence in 2021 or what the frequency or format of meetings will be with this new supervisor. The Committee requested that this action remained open, noting that there was also a requirement in the action to talk to retail on enforcing the three lines of defence and this needed to be done. The action therefore remained open.</p> <p><u>Action 29 from 11 November 2019 3.2 Supplier Contracts out of Governance (SSK):</u> Commercial and legal negotiations were ongoing but were on track to complete a compliant support renewal of the legacy SSK estate by end of January. The action remained open.</p>	
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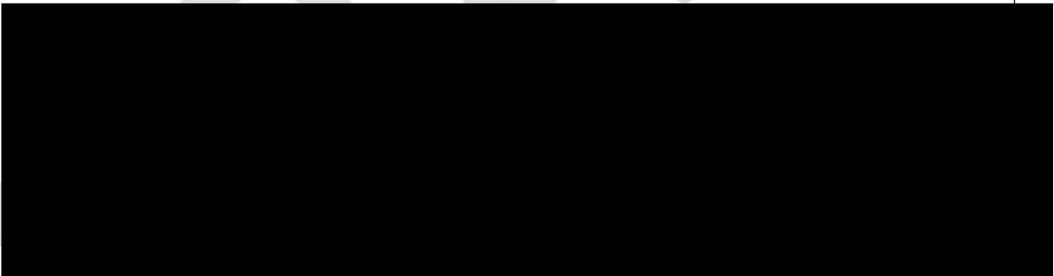
	Action 30 from 11 November 2019 3.2 Supplier Contracts out of Governance (Brands/RAPP): A compliant tender process has been run and the contract has been awarded to the incumbent provider, with operational costs reduced. The contract has been signed and is available on Web3. The action was closed.	
3.	Risk, Compliance and Audit Update	
	Risk	
3.1	<p>Mark Baldock introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted:</p> <ul style="list-style-type: none"> - The report was an interim report as the team were presently moving from Archer to ServiceNow. The March Report would therefore have data from ServiceNow which was due to go live on 18 January 2021 and would be rolled out to the business in March/April (subject to the business case approval). - The paper gives helicopter review of big risk groups, alongside narrative round each risk - The paper also sought approval for the differentiation of risk reporting to the Board and the ARC. The proposal was that the Board would oversee enterprise risks with ARC focussing on policy compliance, trends and three lines of defence. This was discussed and it was agreed that the approach should more be about the nature of the risk concerned. ARC should deal with any risks relating to audit, controls or compliance. The Board should oversee risks relating to the commercial side of the business, including where regulatory changes might affect this. In the first instance this should be addressed at GE and then the Board if necessary. - It was requested that the report be updated to reflect the change in risk profile due to the signing of Master Distribution Agreement 2 (MDA2) with Royal Mail before it was submitted to the ARC. - Work was being undertaken to review the risks given the new purpose and the business was being challenged to explain the impact of each risk on Postmasters. It was also requested that a risk should be added about whether the business was doing enough on day-to-day support for Postmasters to ensure a network was sustained (for the March 2021 meeting). - Cathy Mayor questioned how the business could be encouraged to think about risks more regularly and proactively. Mark Baldock explained that this was phase two of his work and there would be a carrot and stick approach. The approach was to be presented to the Committee and the ARC in March 2021. The Chair noted that the Group Executive (GE) should also discuss this once a quarter. - Jeff Smyth also noted that there needed to be a specific risk around the Telco sale and behavioural changes this had caused for BAU. It was agreed Jeff and Mark Baldock would discuss this further for update at the March 2021 meeting. <p>Accordingly, the Committee:</p> <ol style="list-style-type: none"> NOTED the current status of key risks and Governance, Risk & Compliance (GRC) tool implementation; and APPROVED an approach to the role of the Board and the RCC/ARC with respect to oversight of risk management that was issue based whereby: <ul style="list-style-type: none"> - the ARC would oversee risks relating to audit, controls or compliance; and - the Board would deal commercial risks; <p>for onward submission to the ARC.</p>	<p>MB</p> <p>MB</p> <p>MB</p> <p>MB/JS</p>
	Risk Appetite Statement: Legal & Compliance	
3.2	Ben Foat introduced the paper, which had been circulated previously and was taken as read, noting it was about the Risk Appetite for legal and regulatory risks, not risks for the Legal, Compliance and Governance directorate. The following points were discussed:	

	<ul style="list-style-type: none"> - Appendix A to the paper (setting out ARC approved Risk Appetite Scale) was conservative view of risk appetite and as such, the ARC would be asked to confirm it is content with this approach at its meeting on 26 January 2021. - The paper was still a work in progress to be finalised before submission to the ARC and it would also be submitted to the Chair prior to the ARC, as per her request. - The process to prepare the paper had been intensive and the Chair questioned how useful the document was for making decisions, given the effort involved. It was explained that it would not give an answer to each and every decision but it would provide a benchmark for decision-making. Jeff Smyth noted that the outcome needed to be real and actionable, modulated against how much recourse and investment was available to manage the risks identified. Ben Foat also highlighted that it must remain up-to-date and as such should be reviewed regularly to remain useful. - Lisa Cherry raised the People risks mentioned in the paper, specifically relating to Modern Slavery and payment of the minimum wage. The appetite was adverse to Modern Slavery (for example), but there was concern that this implied controls would be put in place which would require investment. However, the approach was more monitoring and as such there seemed to be a misalignment between the appetite and the action to be taken. Ben Foat explained that the position was that Post Office was adverse and, as there were criminal sanctions for Modern Slavery, controls needed to be put in place. The risk appetite discussion was useful in that it helped to draw out these issues. The Modern Slavery Statement was normally addressed in the autumn (which was too late to address the controls requirement) and as such, this should be addressed in the Risk Appetite Paper. <p>Accordingly, the Committee APPROVED the draft corporate Legal & Compliance Risk Appetite Statements (subject to the points raised in its discussions) for onward submission to the ARC.</p>	BF
	Compliance	
3.3	<p>Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. The following points were discussed:</p> <p><u>Controls Framework</u>: The Chair and Ben Foat raised concerned about the lack of progress in this area and that there did not appear to be a coherent, funded programme. It needed to be on the prioritised Change list for next financial year and it was agreed the Chair, Ben Foat and Jonathan Hill would discuss further how the Framework would work for update at the next Committee meeting. The Chair stated that the Framework needed to be based on self-assessment by the Control owners. Jonathan Hill confirmed that this is the principle of the Framework, with assurance being provided by Compliance.</p> <p>Jonathan Hill explained:</p> <ul style="list-style-type: none"> - That he has agreed with Tim Perkins and the new HMU Operations Director to accelerate the controls work with operations for completion in early February, pending the HMU's deep dive on process maps. - HMU was looking at what activities have been done to address individual points raised in the Common Issues Judgment (CIJ) and Horizon Issues Judgment (HIJ) and the Stamps work. - Process maps were also being built by the HMU team, but this took considerable time. building process maps. - Compliance was responsible for checking with business owners what controls were in place and ensuring that there was the right reporting/management 	AC/BF/JH

	<p>information (MI). The Controls Framework includes a guidance document to support business owners.</p> <p>The Chair requested that this work be fed into the Deloitte programme and requested that Jonathan Hill link in with the Chair, Ben Foat, Tom Lee and Johann Appel (for update at the next Committee meeting), asking the controls project should use ServiceNow.</p> <p>Jeff Smyth also noted that IT were engaging with Procurement on sourcing support to enhance the IT controls infrastructure. It was agreed that there would be a collective decision on any support partner and Jonathan Hill was asked to discuss this with Jeff Smyth for update at the next Committee meeting.</p> <p><u>Data Management</u>: The Chair highlighted the request to approve the recommendation to establish a Post Office-wide Data Governance framework and SteerCo, based on the Digital Data Governance framework but extended to encompass all forms of data. It was agreed that this was a matter for the GE and that a paper should be presented that sets out the purpose and how this could work (including the wider implications of the Framework, the cost and the accountabilities).</p> <p><u>Cookies</u>: The Chair highlighted the request to approve the recommendation to assess the impact on Post Office's approach to cookies of new European regulatory rulings against Google and Amazon. Jonathan Hill explained that the suggestion was that the Digital and Compliance teams work together to consider the commercial implications of the rulings. It was agreed that this should be done, but that it was a commercial decision for Owen Woodley (Group Chief Commercial Officer) and, if necessary, the GE.</p> <p><u>Financial Services</u>: Jonathan Hill was requested to provide the final report relating to Multi Principal Review of 1st line controls to the Committee before the next Committee meeting.</p> <p>Jonathan Hill was also asked to add deadlines to the agreed way forward for continuing with mystery shopping before the next Committee meeting.</p> <p>Accordingly the Committee NOTED the Compliance update, in particular:</p> <ul style="list-style-type: none"> • The Controls Framework update; • The Data Management activities; • Post Office's approach to cookies; <p>and;</p> <p>APPROVED the recommendation for the Digital and Compliance teams to assess the impact on Post Office's approach to cookies of new European regulatory rulings against Google and Amazon and that any decision on a change in approach was for Owen Woodley (Group Chief Commercial Officer) and, if necessary, the GE.</p>	<p>JH</p> <p>JH</p> <p>JH</p> <p>JH</p>
	Internal Audit	
3.4	<p>Johann Appel introduced the paper, which had been circulated previously and was taken as read. The following points were discussed:</p> <p><u>IT Control Framework</u>: The five P2 audit actions were driven by absence of single individual and this has been mitigated by taking away the key person dependency.</p> <p><u>Mails and Parcels</u>: The Chair raised a concern that it did not seem that someone was taking responsibility for these actions. Johann Appel explained that the actions were being discussed with Mark Siviter (Product Portfolio Director - Mails, PUDO, Retail</p>	

	and Branch Identity Services) to try and make more specific. Johann Appel was asked to address this before the ARC or amend his paper to note that this report was not supported by the Committee.	JA
	<p>Historic Matters – CIJ Operations Improvement Programme (Interim Report): Johann Appel explained that the actions arising from this report were due to be completed by the end of February and if they were to go beyond this date, there needed to be a good reason and a clear timetable for completion. It was also noted that there were actually only two P1 actions outstanding and Johann Appel was asked to update the report with the latest action numbers and management comments before the January ARC meeting.</p> <p>In response to a questions from Ben Foat, Johann Appel confirmed that audit was also tracking the completion of the HMU actions, including the RACI model and it was highlighted that this needed to be within the next couple of weeks and not wait until March (when it was currently due).</p> <p>Belfast Exit Follow-up & PCI Compliance (Programme Assurance): Jeff Smyth explained that the management comment was in train.</p> <p>Post Office Insurance: The Chair felt that the summary table provided was not helpful and more detail as required as to the outcome of reports. It was agreed that the audit report rating would be added to the table and if the rating was adverse, there would be an explanation as to why.</p> <p>Audit actions: The majority of the actions were to be completed before the January 2021 ARC. The action to “agree the list of Crown Jewels with Post Office’s GE” was to be done by Jeff Smyth before the January 2021 ARC meeting.</p> <p>Otherwise, the Committee NOTED the Internal Audit update, specifically progress being made with delivery of the Internal Audit programme and completion of audit actions.</p>	JA
4.	PCI-DSS and Cyber Security Update	
	PCI-DSS Programme Update	
4.1	<p>Rob Wilkins introduced the paper, which had been circulated previously and was taken as read. The following points were raised:</p> <ul style="list-style-type: none"> - In response to a question from the Chair, it was confirmed that progress was being tracked by this Committee as it was a quasi-regulatory issue. - There was a major risk of Santander not responding in time for the May delivery date. This was an issue because Santander transactions could not be split out from those of other banks easily. It was requested that this be escalated by Cathy Mayor to Owen Woodley (Group Chief Commercial Officer) and Nick Read (Group CEO). It was also noted that this was to be discussed the GE on 13 January 2021. - The retail pilot was running successfully and the banking accreditation with Vocalink was also working well. <p>Otherwise, the Committee NOTED the progress made since the last reporting period and the key risks as outlined in the paper.</p>	CM
	Cyber Security	
4.2	Tony Jowett introduced the paper, which had been circulated previously and was taken as read. In response to questions from the Committee, Tony Jowett explained that Post Office was not particularly exposed to attacks similar to that of Solar Winds but more work was needed, including on the frequency of scanning the network and more data from Third Parties who attest they have scanned their networks. The	

	<p>Crown Jewels analysis was also part of this work. Jeff Smyth noted that IT certainly wanted to do more and any projects would be added to the Change list for next year.</p> <p>Otherwise, the Committee NOTED the status and plans regarding the reduction of risk associated with Cyber Security including the Crown Jewels analysis for onward submission to ARC.</p>	
	Joiners Movers Leavers (JML)	
4.3	<p>Tony Jowett introduced the paper, which had been circulated previously and was taken as read.</p> <p>The Committee NOTED the status and plans regarding the reduction of risk associated with JML) – in particular those associated with Joiners during the current hybrid operating model for onward submission to the ARC, subject to the paper being updated to remind the ARC of the inherent risk across each JML area, how it has been reduced and what was still to do.</p>	TJ
5.	IT Controls Assessment	
	<p>Tony Jowett introduced the paper, which had been circulated previously and was taken as read. In response to a question from the Chair, it was explained that 10% of controls were not working, but ¾ these were not working because of the absence of a key person and not having a disaster recover manager in place. This had now been resolved.</p> <p>The Committee otherwise NOTED the status and plans regarding the reduction of risk associated with IT Controls for onward submission to the ARC.</p>	
6.	Supply Chain Historical IT Risks	
	<p>Russell Hancock introduced the paper, which had been circulated previously and was taken as read. The Chair questioned how the business can ensure there are no further instances of “off network” IT equipment being used and the following points were raised:</p> <ul style="list-style-type: none"> - Tony Jowett explained that IT had started a scan of all Supply Chain locations as well as in person audits to check all equipment. - Jeff Smyth noted that there was a “bring out your dead” exercise and it was agreed that that a questionnaire would also be developed to ask the relevant locations what equipment they had in place and identify anything that might be “off network.” It was flagged that these questions should include examples and be as simple as possible. It was further explained that ultimately it came down to whether the equipment was supported by the Post Office IT team. The key was to encourage vigilance. - Russell Hancock also suggested that Post Office IT equipment should include asset numbers as this would be a clear sign if something had not been provided centrally. - It was also highlighted that some of the supply chain teams still had discretionary spend and there needed to be increased governance around this. Unfortunately, monitoring the discretionary spend could not have been used to discover the present issue because the records did not go back far enough, but moving forwards this could be monitored. <p>It was also confirmed that Data Protection team were engaged on the present issue.</p> <p>The Committee NOTED the issues highlighted, the steps being taken to identify and reduce any potential risks, AGREED the next steps and requested that a further update be provided to the Committee at its next meeting in March 2021.</p>	<p>JS</p> <p>RH</p>

7.	Money Laundering Annual Report	
	<p>Sally Smith introduced the paper, which had been circulated previously and was taken as read. The following points were discussed:</p> <ul style="list-style-type: none"> - <u>Resources</u>: There were some resourcing issues within the Financial Crime team caused by (1) structural changes in the business meaning things that were no longer being picked up elsewhere and had to be picked up by the team and (2) a massive increase in issues within the general Financial Crime landscape (in December 2019 there were 219 Suspicious Activity Reports (SARs), but in December 2020 this figure stood at 700). The Committee felt that too much of the financial crime work was being centralised and it needed to be properly distributed within the business. As such, Lisa Cherry and Sally Smith were asked to discuss if there were enough people across the business with the accountability for Financial Crime controls, noting that it was the Financial Crime's team to simply check if these controls were good enough and report accordingly. - <u>Banks & Money Service Businesses (MSBs)</u>: The 2020 National Risk Assessment (NRA) released in December 2020 had stated to quite a lot of noise and momentum for the banks to do more to prevent financial crime. In response to questions from the Chair, Sally Smith confirmed that responsibility for checking customers are genuine did rest with the banks, but Post Office, as a regulated entity, needed to demonstrate that it had controls in place to deal with high risk businesses. Work was being done on improving the mechanism by which the banks confirm that customers were genuine. <p>It was requested that Sally Smith write to the banks and make it clear that MSBs cannot be used through the Post Office network. It was agreed that a deep dive on the issue was required. Both actions were to be updated for the next Committee meeting.</p>	<p>LC/SS</p> <p>SS</p>
		
	<ul style="list-style-type: none"> - <u>Amazon Vouchers</u>: The potential for these to be sold in a way that was being used fraudulently needed to be urgently addressed and accountability taken within the Bill Payments/Payzone team. Part of the issue was that the relationship was managed by Payzone and they did not have access to Post Office systems. This needed to be resolved. Cathy Mayor and Sally Smith were asked to follow up with Andrew Goddard and provide an update at the next Committee meeting. 	CM/SS
	<p>Sally Smith was also asked to ensure that the report properly addressed the three questions asked in the report within the conclusion and ensure that the actual remediation steps were articulated as well as the materiality and scale of each issue. This should be done prior to the report being submitted to the ARC.</p>	SS
	<p>Jeff Smyth also questioned what controls under the PCI-DSS programme could be used to the support the financial crime controls work. It was agreed that Sally Smith and Jeff would meet to discuss this further, to update the Committee at its next meeting.</p>	SS/JS

	<p>Otherwise, the Committee:</p> <ul style="list-style-type: none"> i. NOTED the annual report and its conclusions as part of its role in monitoring the adequacy and effectiveness of the Group's anti-money-laundering systems and controls which ensures Post Office's meets its regulatory obligations under the Money Laundering Regulations; and ii. APPROVED the recommendations within paragraphs 9 – 25 of this report and paragraph F of the Annual Report of the Money Laundering Reporting Officer, prior to the Annual Report being issued to our regulator, HMRC; for onward submission to the ARC (subject to the amendments as set out by the Committee in their discussions). 	
8.	HR Update	
	Pensions Assurance	
8.1	<p>Lisa Cherry introduced the paper, which had been circulated previously and was taken as read. The Chair raised concerns about the potential liability and timescales of this issue, noting that it might need to be escalated to Nick Read (Group CEO). Lisa Cherry explained that ultimately, the issue was caused by a Post Office mistake and as such, it was vital a good relationship with the Trustee was maintained. There was a Trustee meeting on 23 March 2021, which Lisa Cherry was attending and it is after this point that any escalation to Nick Read would be considered.</p> <p>The Chair also highlighted that the longer this was left, the greater the liability became and there needed to be communication with those affected. Maxine Cross explained that there was already a comms plan in place to advise those affected that there might be a problem. In addition Lisa Cherry was working closely with the team to ensure conversations were taking place at the right level with the CEO of the Trustees in advance of the Trustee Board meeting in March. Disclosures regarding the issue might need to be included in the Annual Report and Accounts and as such, comms would need to be released before such disclosures. The liability was not likely to be understood until March/April and the ARC Chair indicated that this might need to be considered by the Board in April.</p> <p>Ben Foat also requested more information on the data and how far it went back. This was to be provided to Ben directly outside of the Committee before its next meeting in March 2021.</p> <p>The Committee otherwise NOTED:</p> <ul style="list-style-type: none"> - the progress on Project Assurance, the programme of work to resolve the closed defined benefit scheme errors; - the progress against actions from the previous ARC; and - the continued reporting/dialogue with The Pensions Regulator (TPR); <p>for onward submission to the ARC.</p>	LC/MC
	Success Factors	
8.2	<p>Lisa Cherry introduced the paper, which had been circulated previously and was taken as read. It was explained that the Success Factors system configuration was likely to cost £250,000 and this was already on the change list. It was noted that this was a legitimate cost as it was for improving controls and reducing errors.</p> <p>The Committee NOTED the progress of the process improvement work ongoing in People Shared Service Centre (PSSC) (including Success Factors) for onward submission to the ARC.</p>	
9.	Tax Update & Tax Strategy	
	<p>Andy Jamieson introduced the paper, which had been circulated previously and was taken as read. The Committee NOTED the Tax Update and APPROVED the annual review of the Tax Strategy for onward submission to the ARC.</p>	
10.	Update on branch losses and balances on Postmaster accounts	

	<p>Tim Perkins introduced the paper, which had been circulated previously and was taken as read. The Chair noted that there had been much improvement in this area and also praised Russell Hancock's team for their work on cash in this area. The following was raised:</p> <ul style="list-style-type: none"> - A proper piece of analytical work was required to identify the route cause of discrepancies. The capability to do this was to be built within Tim Perkin's team but HMU were supporting. - There were numerous approved change budgets relating to service improvements for Postmasters and it was agreed that these budgets should be added together and an activity prioritisation list prepared such that the budget could be properly prioritised. It was noted that the Deloitte programme would be the overarching programme in this area, with smaller programmes under this. - Jeff Smyth highlighted that changes to Horizon were also needed. Tim Perkins explained that Simon Oldnall (Horizon & GLO IT Director) was already engaged on this and highlighted the need to get data all in one place such that checks for discrepancies could be run. - Jeff Smyth also noted that the thinking seemed to be solidifying quickly but the solution cost was not. This needed to be addressed quickly. Tim Perkins concurred, noting that the goal was to move to a proactive and preventative model. <p>Otherwise, the Committee NOTED the update on balances posted to Postmaster customer accounts for onward submission to the ARC.</p>	AJ/TP
11.	Postmaster Policies	
	<p>Tim Perkins introduced the paper, which had been circulated previously and was taken as read. It was confirmed that:</p> <ul style="list-style-type: none"> - The policies had been agreed with HMU, the National Federation of Sub-Postmasters (NFSP) and Legal, Compliance and Governance (LCG). - The policies were broad with the underlying processes being narrower. - Approval of these policies would close off some outstanding actions within the Internal Audit Common Issues Judgement report. <p>It was agreed that the operationalisation of the policies was key and Tim Perkins would provide an update on the controls implemented to the Committee at its next meeting.</p> <p>The following policies were APPROVED for onward submission to the ARC:</p> <ul style="list-style-type: none"> • Postmaster Account Support Policy; • Postmaster Accounting Dispute Resolution Policy; and • Network Monitoring and Audit Support Policy; <p>and that, moving forwards, these policies be reviewed and approved annually by the Committee only.</p>	TP
12.	Mails Fraud Update	
	<p>Tim Perkins introduced the paper, which had been circulated previously and was taken as read. Two points were discussed:</p> <ul style="list-style-type: none"> - There was a sense that Post Office was always "coming from behind" when identifying these issues and there needed to be analytical capability in house to support identification. Tim Perkins explained that change funding had been assigned and consideration was being given as to how to procure the best people for this work. Johann Appel also explained that his team were currently recruitment a data analytical manager who could support this work. Tim Perkins, Jeff Smyth and the Chair agreed to discuss the need for more 	TP/JS/AC

	<p>analytical capability with Dan Zinner (Group Chief Operations Officer) and provide an update to the Committee at its next meeting.</p> <ul style="list-style-type: none"> - Post Office was now dependent on Royal Mail to continue the investigation (to allow Horizon data to be consolidated against the actual mail) and as yet they had not provided a date as to when this investigation would be conducted. <p>Accordingly, the Committee NOTED a mails fraud identified on 25 November 2020 through a whistleblow received by an Area Manager from a member of staff in an agency Post Office.</p>	
13.	Historical Matters Unit: Fraudulent Claims Controls & Delegation of Authority	
	<p>Graham Hemingway introduced the paper, which had been circulated previously and was taken as read. It was highlighted that:</p> <ul style="list-style-type: none"> - The action relating to responsibilities, accountabilities and decision-making authorities (including the extent of delegation of authority) to be clarified via completion of a RACI matrix was ongoing due to discussions with UK Government Investments (UKGI) and the Department of Business, Energy and Industrial Strategy (BEIS). It was thought this would be ready for the ARC on 26 January 2021 and it was requested that the matrix was sent to the Committee before being submitted to the ARC. - In response to questions from the Committee, it was explained that risks by workstream were reported to the Board and Declan Salter was to report to the GE once a month. As such it was agreed that this topic need not be reported through to this Committee and the ARC, but that the GE report should include risk and controls. <p>Otherwise, the Committee NOTED how are risks relating to fraudulent claims being managed in the Historical Shortfall Scheme (and the Stamps Scheme) and that controls are in place to confirm the eligibility of claims for onward submission to the ARC.</p>	<p>GH</p> <p>DS/GH</p>
14.	Policies for Approval	
	<p>Jonathan Hill presented the paper, which had been circulated previously and was taken as read. The following was highlighted:</p> <ul style="list-style-type: none"> - <u>Cyber and Information Security Policy</u>: This was a regular annual update with minor changes included in the updated policy. - <u>Vetting Policy</u>: The original has been considerably updated and split out into two separate policies for employees and Postmasters/Assistants as the vetting procedures were considerably different. - <u>Investigations Policy</u>: This was a significant revision. The policy set the minimum standards for investigation practices across the business and where there were other specific policies which specific requirements (i.e. relating to Postmasters) those policies would take precedence. An investigations group would be set up to create effective minimum control standards and management information (MI). <p>The following policies were APPROVED for onward submission to the ARC:</p> <ul style="list-style-type: none"> - Cyber & Information Security; - Investigations (subject to Jonathan Hill/Ben Foat checking the reference to reporting concerns to the CEO as raised by Amanda Jones); and - Employee, Postmaster & Postmaster Assistant Vetting Requirements (subject to the policy being reviewed to ensure that the job titles included were up-to-date following the recent restructure). 	<p>JH/BF</p> <p>JH</p>
15.	Subsidiary Policy Mandate	

	<p>Jonathan Hill presented the paper, which had been circulated previously and was taken as read. It was explained that all Group Policies were, by default, to be adopted by Post Office's subsidiaries unless there was a legal, regulatory or other material reason why they could not. It was also confirmed that Payzone were presently working through the Group Policies to establish which could be adopted. The Payzone Board had discussed the adoption of policies and concluded that Payzone should not adopt different policies to those of the Group where at all possible. Lisa Cherry also highlighted that it must be clear that Post Office Limited only People policies should not apply to subsidiaries, although this would be addressed by being clear that the mandate applied to Group Policies only. It was agreed that this would be rectified before the paper was presented to the ARC.</p> <p>Otherwise, the Committee APPROVED the following Subsidiary Policy Mandate:</p> <ol style="list-style-type: none"> Subsidiaries must adopt all Group Policies unless it cannot do so for a legal, regulatory or other material reason; Where subsidiaries cannot adopt a Group Policy for one of the above reasons, subsidiary shall adopt its own policy in that area that is aligned to the Group Policy; This adapted subsidiary policy must be reviewed and approved by the Post Office Limited (POL) Compliance team and the POL Policy Owner, who shall confirm alignment to the Group Policy; and This process would not apply to Post Office Insurance (POI) regulatory policies, being Risk, Conduct Risk, Vulnerable Customers, Ex Gratia, Remuneration and any other policies as required by the Financial Conduct Authority (FCA). Where these policies are adopted by the POI Board, the Company Secretariat shall notify POL Compliance of the adoption such that their records can be updated; <p>for onward submission to the ARC (subject to the amendment of the paper to define "Group Policy" within the paper).</p>	JH
16.	Procurement Compliance & Governance	
	<p>Barbara Brannon presented the paper, which had been circulated previously and was taken as read. It was highlighted that the GE were due to discuss the proposed nine month extension to the contract for Cheque Processing for Postal Orders and Camelot, which was required to make the contract co-terminus with the existing Corporate Banking contract as the would be operational issues if the services from separated. The Corporate Banking contract was due to be re-procured in Q3 2021 and the cheque processing services would be brought within the scope of this re-procurement. Overall, Procurement Compliance was an improving area.</p> <p>The Committee NOTED the Procurement Compliance & Governance report specifically, the Procurement Risk Exceptions submitted to the Post Office Limited Group Executive and Board since November 2020 and the contracts in the Procurement pipeline.</p>	
17.	Law & Trends Update	
	<p>Ben Foat presented the paper, which had been circulated previously and was taken as read. The following was highlighted:</p> <ul style="list-style-type: none"> - New guidance has been published on Data Subject Access Requests (DSARs) and there was "stop the clock" provision which allowed the business to ask questions of requestees - The London Interbank Offered Rate ("LIBOR") would change to Sterling Overnight Indexed Average ("SONIA") later in 2021, which would have an impact on commercial loan agreements. - There were some areas of concern which were being monitored relating to property litigation. 	

	The Committee NOTED the Law & Trends report and the new or proposed material changes to laws and regulations since its last meeting for onward submission to the ARC.	
18.	Review of draft Audit, Risk and Compliance Committee meeting agenda for 26 January 2021	
	The draft ARC agenda for 26 January 2021 was NOTED . The Chair suggested that the Mails Fraud paper could be noted at the ARC (without presentation) if the ARC Chair agreed.	
19.	Any other Business	
	There was no other business.	

DRAFT