



POST OFFICE LIMITED

MINUTES OF A MEETING OF THE RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 16 MARCH 2021 AT 10:00 VIA MICROSOFT TEAMS

Present:	Attendees:
Alisdair Cameron (Chair) (AC)	Tony Jowett (Chief Information Security Officer) (TJ) : Item 5
Helen Rhodes (People Shared Service Director) (deputising for Lisa Cherry, Group Chief People Officer) (HRh)	Peter Mitchell (Treasurer - Tax, Treasury and Supply Chain Finance) (PM) : Item 6
Ben Foat (Group General Counsel) (BF)	Jonny Lonsdale (Business Continuity Manager) (JL) : Item 9
Amanda Jones (Group Retail and Franchise Network Director) (AJ)	Martin Hopcroft (Head of Health & Safety, Environment & Business Continuity) (MH) : Item 9
Cathy Mayor (Finance Director, Commercial) (CM)	Andrew Goddard (Managing Director, Payzone) (AG) : Item 10
Jeff Smyth (Group Chief Information Officer) (JS)	Mark Siviter (Product Portfolio Director – Mails, Retail, PUDO & Gov services) (MS) : Item 11
Regular Attendees:	Andy Kingham (Franchise Partnering Director) (AK) : Item 11
Johann Appel (Head of Internal Audit) (JA)	Dan Zinner (Group Chief Operations Officer) (DZ) : Item 12
Mark Baldock (Head of Risk) (MB) (for Items 1 – 6)	Katie Secretan (Head of Strategic Partnerships) (KS) : Item 12
Jonathan Hill (Compliance Director) (JH)	Barbara Brannon (Procurement Director) (BB) : Item 13
Tom Lee (Financial Controller) (TL) (for Items 1 – 8)	Tim Perkins (Service and Support Optimisation Director) (TP) : Item 15
Sarah Gray (Group Legal Director) (SG)	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime) (SS) : Item 16
Rebecca Whibley (Senior Assistant Company Secretary) (RW)	
Apologies:	
Lisa Cherry (Group Chief People Officer)	

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 January 2021 were APPROVED .	
2.2	Progress on completion of actions as shown on the action log was NOTED as follows: Action 1 from 7 November 2019 para 3.2 Supplier Contracts out of Governance SSK: Commercial negotiations did not conclude as planned due to GDPR complexities and the contract has been extended on an interim basis again to the end of March. The completed contract was received on Monday and was now awaiting review and approval from Post Office Legal. This review was expected to complete prior to 22nd March in order that the risk is closed by the submittal of the Audit, Risk & Compliance Committee (ARC) paper. Further update to be provided at the next Committee meeting. <u>The action remained open.</u> Action 2 from 14 January 2020 para 10.6 - Money Laundering Reporting Officer (MLRO) Annual Report: MRC were still not conducting any meetings. <u>The action remained open.</u>	

<p><u>Action 3 from 13 July 2020 para 3.5 Compliance Report – TelCo: The Telco sale completed on 15 March 2021 and the action was closed.</u></p> <p><u>Action 4 from 10 September 2020 para 4 Pensions Assurance:</u> The final data has been sent to the Royal Mail Pension Plan (RMPP). This will form the basis for the Trustee's report to the Trustee Board on 23 March 2021. HR has have requested advanced sight of the data to be presented. This was expected to give an initial view of the quantum of the errors. A paper was being prepared for Project Assurance Steerco on 8 April 2021 that will bring together the data, Post Office's obligations and wider considerations so that an approach to discussions with the Trustee can be agreed. A further update will be provided at the next Committee meeting. <u>The action remained open.</u></p> <p><u>Action 5 from 12 November 2020 para 3.1 Risk, Compliance & Audit Update – Risk Dashboard:</u> Updated Dashboard presented to the Committee on 16 March 2021 (see para 3.1 below) with data derived directly from ServiceNow following successful data migration of Post Office risk data set in January 2021. Draft format has been shared with ARC Chair. Format would be flexed in light of changing needs and requirements. <u>The action was closed.</u></p> <p><u>Action 6 from 12 November 2020 para 3.4 Risk, Compliance & Audit Update – Internal Audit (Controls):</u> An update on this work was contained within the Compliance paper presented on 16 March 2021. [Please also refer to Action 19]. However this work has been paused and was not expected to restart for circa six months. Accordingly, <u>the action was closed</u> with further updates in the Compliance Paper in due course.</p> <p><u>Action 7 from 12 November 2020 para 3.4 Risk, Compliance & Audit Update – Internal Audit (Joiners, Movers, Leavers):</u> The IT actions for this have now been completed with no discrepancies reported. HR have also confirmed this is complete. <u>The action was closed.</u></p> <p><u>Action 8 from 12 November 2020 para 3.4 Risk, Compliance & Audit Update – Internal Audit (Data Deletion):</u> Further action by IT to create an auto-delete capability was subject to funding, which will be reviewed during 2021/22. <u>This action remained open.</u></p> <p><u>Action 9 from 12 November 2020 para 4.2 Cyber Security (Phishing Training):</u> This list was provided as requested. <u>The action was closed.</u></p> <p><u>Action 10 from 12 November 2020 para 4.2 Cyber Security (Culture):</u> The next steps on culture/cyber awareness were now factored into the planning for the 2021/22 Cyber programme described in March paper (see para 5.2 below). <u>The action was closed.</u></p> <p><u>Action 11 from 12 November 2020 para 4.4 Belfast Data Center Disaster Recovery Testing:</u> Jeff Smyth has agreed to schedule the next Disaster Recovery (DR) test at a time in June which coincides with an opportune time in the Belfast exit programme and a least invasive time in the PCI-DSS programme. There was some further discussion around the dates now given some of the milestones in these projects will be moved but the DR testing would remain in the same place (relative to milestones) for those two programmes. In addition, IT were also looking at doing further testing between now and the full DR test to ensure that more assessment of resiliency was done (as far as practically possible) in parallel to the programmes in question. <u>The action was closed</u>, but the Chair requested that it be fed back that the test in June must go ahead (Rebecca Whibley to advise team).</p> <p><u>Action 12 from 12 November 2020 para 6 Notification of Transaction Error:</u> The changes required in CFS have been agreed with Finance and Accenture. The date</p>	<p>RW</p>
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for completion was to be confirmed, but will be later than 19 March 2021 as indicated in previous updates. The subsequent Branch Focus article would also be delayed. The action remained open, with the Chair noting that the delay in implementing this was uncomfortable. Amanda Jones explained that the issue was discussed on 12 March at the Improvement Delivery Group (IDG) and direction was that the action needed to be completed.

Action 13 from 12 November 2020 para 16 Data Governance: An updated was in the Compliance Paper (see para 3.3 below). The action remained open.

Action 14 from 12 January 2021 para 3.1 Risk Update (MDA2): Risk rating was reduced to 4:2 in line with signing of MDA2. The action was closed.

Action 15 from 12 January 2021 para 3.1 Risk Update (Purpose & Postmasters): This was ongoing: Central Risk were currently supporting Retail & Franchise Network in the identification of intermediate and local postmaster-centric risks (as well as existing risks that that have impact postmasters). Update dataset was to be included on GRC in next reporting period. The aim was for this to be underpinned by appetite statement on which ARC approval would be sought in May 2021. The action remained open.

Action 16 from 12 January 2021 para 3.1 Risk Update (GRC Tool): Business Case approval was being sought for GRC Phase 2 rollout from April 2021. This would support the rollout of risk management capacity to all Business Unit Heads and Risk Owners thereby ensuring accountability was positioned appropriately. There would be a requirement for Risk Owners to their review their risks every 2 months to allow for accurate Committee/ARC updates. The action was closed.

Action 17 from 12 January 2021 para 3.1 Risk Update (Telco Sale): In light of Telco sale the status of all associated risks have been changed to 'inactive.' The action was closed.

Action 18 from 12 January 2021 para 3.2 Risk Update (Legal & Compliance Risk Appetite): Legal & Compliance risk appetite paper was presented at the Committee in March (see para 3.2) which provides advice on how the approach to risk appetite would address the challenges around Modern Slavery risks. The action was closed.

Action 19 from 12 January 2021 para 3.3 Compliance Update (Controls Framework): An update on this work was contained within the Compliance paper (see para 3.3). [Please also refer to Action 6 above]. However this work has been paused and was not expected to restart for circa six months. Accordingly, the action was closed, with further updates in the Compliance Paper in due course.


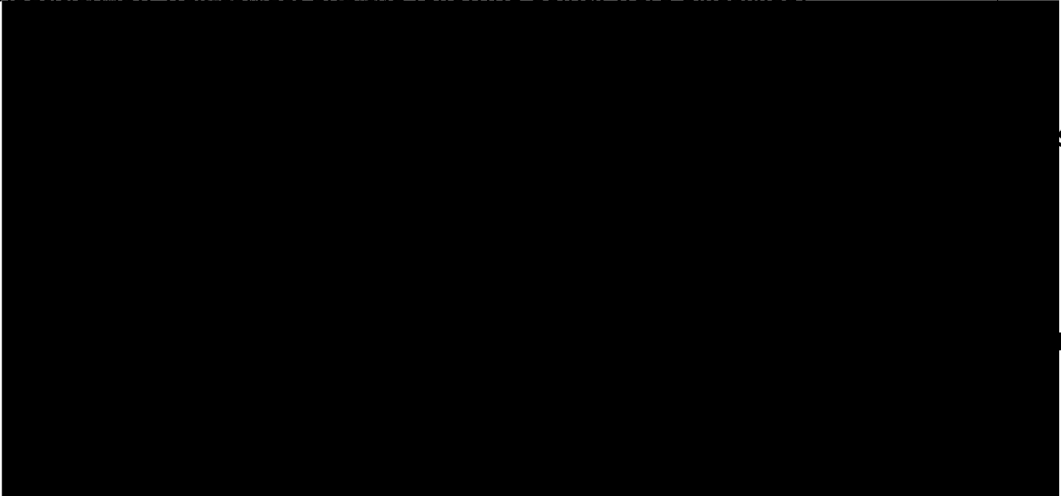
Action 20 from 12 January 2021 para 3.3 Compliance Update (Data Management): The Data Governance Steerco was already established for the data strand and was up and running. A dedicated Data Governance lead role was being recruited (an offer has been made) to take over the ownership of data governance and pick up the initial work already conducted in this area e.g. identification of data owners / stewards / SME's etc. The project was currently being led by Matthew Warren. Further update to be provided at the next Committee meeting. The action remained open, with the Chair commenting that this work was important and the Committee commented the key was to be clear on overall accountabilities and a timetable. Jonathan Hill explained this would be further addressed once the Data Governance lead was in post.

Action 21 from 12 January 2021 para 3.3 Compliance Update (Cookies): An update on this work was contained within the Compliance paper (see para 3.3). The action was closed.

<p><u>Action 22 from 12 January 2021 para 3.3 Compliance Update (Financial Services – Multi-Principal Review):</u> The team were still awaiting the first draft of this review from the Principals. It has been chased and a response was expected within the next 2 weeks. Further update to be provided at the next Committee meeting. <u>The action remained open.</u></p> <p><u>Action 23 from 12 January 2021 para 3.3 Compliance Update (Financial Services – Mystery Shopping):</u> An update on this work was contained within the Compliance paper (see para 3.3). <u>The action was closed.</u></p> <p><u>Action 24 from 12 January 2021 para 3.4 Internal Audit (Mails & Parcels):</u> More detailed actions were agreed with Mark Siviter and the report was re-circulated. <u>The action was closed.</u></p> <p><u>Action 25 from 12 January 2021 para 3.4 Internal Audit (Historic Matters – Common Issues Judgment (CIJ)):</u> Management comment was added for the ARC summary and the report was updated to reflect the latest status. A verbal update would be provided at the ARC to reflect any further progress. Internal Audit now track and report the remaining actions on a weekly basis. <u>The action was closed.</u></p> <p><u>Action 26 from 12 January 2021 para 3.4 Internal Audit (Post Office Insurance):</u> Audit report rating has been included in the table. <u>The action was closed.</u></p> <p><u>Action 27 from 12 January 2021 para 3.4 Internal Audit (Audit Actions):</u> GE have provided their approval of baseline crown jewel systems. No further follow-up action required as update process is triggered by retirement/implementation of key systems to baseline inventory. <u>The action was closed.</u></p> <p><u>Action 28 from 12 January 2021 para 4.1 PCI-DSS Update:</u> This risk has been closed off by the tech team in discussion with Santander tech team. They have confirmed that Santander service will continue even while migration for the dedicated link to the common Vocalink connection is undertaken, and all banks (including Santander) can continue to use existing transaction types – so no change was required from any bank. <u>The action was closed.</u></p> <p><u>Action 29 from 12 January 2021 para 4.3 Joiners, Movers, Leavers:</u> The paper was updated as requested prior to submission to the ARC on 26 January 2021. <u>The action was closed.</u></p> <p><u>Action 30 from 12 January 2021 para 6 Supply Chain Historical IT Risks (Questionnaire):</u> IT have developed a “shadow IT” questionnaire and were testing this approach locally within IT. This activity will be completed by 30 April 2021. Then the IT will progressively use the same “amnesty and sweep” approach across the wider business to determine scale and importance of non-IT supported systems. The team will report back in May on IT progress findings with a proposal for how to rollout across wider business. <u>The action remained open.</u></p> <p><u>Action 31 from 12 January 2021 para 6 Supply Chain Historical IT Risks (Further Update):</u> Following on from the previous update given to the Committee in January, KPMG who undertook forensic examination of the impacted PCs have found that no external access had been made to the devices. As a result no compromise of Post Office data has occurred and no breach of any GDPR obligations. KPMG made recommendations around password security and ensuring the business had a robust asset register of all IT assets in order to ensure that this issue could not be repeated again. The Supply Chain / IT review of all Supply Chain sites has not uncovered any further breaches and as such no further actions are required. <u>The action was closed.</u></p>	
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<p><u>Action 32 from 12 January 2021 para 7 Annual Money Laundering Report (Money Service Businesses (Resources))</u>: Meeting held between Lisa Cherry, Jon Hill and Sally Smith to discuss pressures caused by recent structural changes and impacts to team, together with increasing workloads caused by changing criminal behaviours – there was alignment that there were resource requirements and that these did sit within Financial Crime. <u>The action was closed.</u></p> <p><u>Action 33 from 12 January 2021 para 7 Annual Money Laundering Report (Money Service Businesses (MSBs))</u>: Following the last meeting, there has been more movement at an industry level on driving focus on resolving the issues with cash deposits, with several banks now being more proactive and have tightened their controls. Martin Kearsley and Sally Smith have had several meetings with UK Finance, and the National Economic Crime Centre (NECC) Project Admiralty is now meeting monthly. The NECC were also meeting with UK Finance and Sally Smith to discuss further ways to drive control improvements. At this stage, the issue with MSBs has not been raised specifically with the banks, as if they implement required controls, this ceases to be an issue for Post Office. We were also aware of ongoing Law Enforcement/Regulator activity with certain MSBs which will likely result in better controls. A further update will be provided to the next Committee meeting. <u>The action remained open</u>, with the Chair noting that a clear outcome was needed by May 2021.</p> <p><u>Action 34 from 12 January 2021 para 7 Annual Money Laundering Report (Amazon Vouchers)</u>: Payzone were progressing changes, but do not yet have implementation dates, transactional changes and limits to the product are also being pursued by EPay, but they have not yet confirmed date of changes. Financial Crime have requested that Payzone press EPay for a delivery date, or 'pause' sales of the product. Payzone have provided the following update: weekly meetings were scheduled with the Financial Crime team were ongoing to ensure progression. Talks with EPay and Amazon regarding fraud mitigations were continuing with feedback expected for the next meeting. A ticket has been raised with Service Now for a pop up message. A further update would be provided to the next Committee meeting. <u>The action remained open</u>, and at the request of the Chair, Jonathan Hill further explained that the team was also looking to impose a basket limit and a pop up warning, which were subject to deployment time. This would reduce the risk. The Chair noted that the data on transactions should be tracked to monitor this issue.</p> <p><u>Action 35 from 12 January 2021 para 7 Annual Money Laundering Report (Report revision)</u>: This was addressed in ARC report in January. <u>The action was closed.</u></p> <p><u>Action 36 from 12 January 2021 para 7 Annual Money Laundering Report (PCI DSS Programme)</u>: Session held between Jeff Smyth, Sally Smith and relevant team members to understand types of data analysis that the team perform. As part of data platform activity, the Financial Crime Team "use cases" will be incorporated into the overall platform demand plan. Their needs will be prioritised versus other business demand. It was anticipated that requirements gathering/analysis phase will occur in FY21 Q1, although this is subject to Investment Committee funding prioritisations. <u>The action was closed.</u></p> <p><u>Action 37 from 12 January 2021 para 8 Pensions Assurance</u>: David Scothern replied to Ben Foat on 22 January 2021. Further update since then: The pensionable pay data shows errors that date back to 2014 and contains both overpayments and underpayments: It should be noted that this was data on pensionable pay and allowances. This data will need to be processed by Royal Mail Pension Plan (RMPP_ administrators to convert it into pension benefits. RMPP processes included the application of various underpins so errors in pensionable pay data do not necessarily become errors in pension benefits. <u>The action was closed.</u></p>	
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	<p><u>Action 38 from 12 January 2021 para 10 Update on Branch losses and balances on Postmaster accounts (Change Spend):</u> The change budgets relating to service improvements, and including the Deloitte work, have all been put under a single programme of work (Postmaster Service Improvement Programme) and this programme has been approved at Project Review Board and Investment Committee. The programme will manage prioritisation of activities taking its lead from the Deloitte work. <u>The action was closed.</u></p> <p><u>Action 39 from 12 January 2021 para 12 Mails Fraud Update (Analytical Capability):</u> the scope for this work was being looked at in the wider context of a forensic capability being stood up within Horizon IT: there are natural synergies around the set of capabilities to provide analytical services across a broad range processes and these can leverage off the work being looked at around rapid surfacing of transactional data. Further update was to be provided in May 2021. <u>The action remained open.</u></p> <p><u>Action 40 from 12 January 2021 para 13 Historical Matters Unit (HMU) (RACI Matrix):</u> A draft RACI matrix was shared with Historical Matters Committee on 18 February 2021 and with GE w/c 22 February 2021. Additionally, draft RACI shared with internal audit for feedback. Feedback from CFO was being reviewed and discussions are ongoing with Finance and with Strategy and Transformation Director relating to governance arrangements which will then be incorporated into an updated RACI. The action remained open and it was agreed that there remained uncertainty about the roles within HMU and its interaction with BAU. The Chair also highlighted assurance within HMU and Johann Appel explained that the Internal Audit had found that governance was taken too long to formalise within HMU. It was agreed that Graham Hemingway should meet with Gareth Clark of IDG to finalise the RACI from both sides (HMU and BAU) and then this should be reviewed by the Chair, Ben Foat, Dan Zinner, Declan Salter and Johann Appel. (Rebecca Whibley to inform relevant individuals)</p> <p><u>Action 41 from 12 January 2021 para 13 HMU (GE Report):</u> The HMU GE reports to contain risks and controls. Risk Log for Scheme additionally shared with UKGI and top risks reviewed at monthly monitoring meetings. Programme updates for each workstream are included in the reading room for every Board submission. Declan Salter calls-out any issues in his monthly report for both GE and Board. <u>The action was closed.</u></p> <p><u>Actions 42 - 44 from 12 January 2021 paras 14 & 15 Policies:</u> These were corrected prior to submission to the ARC. <u>The actions were closed.</u></p>	RW
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 paper was now again in dashboard format as ServiceNow was implemented. The team was now seeking approval for the next phase of the ServiceNow roll out at the Project Review Board, which would email risks to be managed beyond the Central Risk team by the relevant owners across the business. - There has been some challenges getting information on risks from the HMU and all HR risks have been reviewed and added to the system. - Postmaster risks were still being worked through but a Postmaster centric risk view and appetite statement would be prepared soon. In a response to a question from Amanda Jones about whether the local risk on non-compliance with GLO findings should in fact be an intermediate risk, it was explained that there was no difference between the importance or visibility of a local risk and an intermediate risk 	

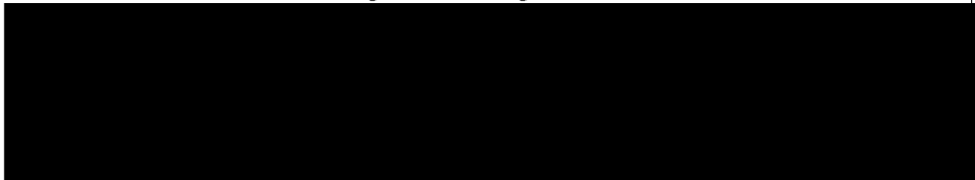
	<ul style="list-style-type: none"> - Risks have been included for the post-COVID future workplace based on returning to the office round September 2021. - Around a third of the risks were acceptable risks, meaning that if rating are satisfactory, the business can be guided to focus on higher level risks. The risks identified as the "top risks" were taken from ratings made by the business and were mainly in the commercial space. - The risk numbers and risk weights within the paper showed all risks across the business, grouping by area and type. There might be some churn in these risks, but ultimately the these were thought to be about right. <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> -  - - - - <p>The Committee otherwise NOTED the Risk Dashboard for onward submission the ARC.</p>	<p>MB</p> <p>MB</p> <p>MB</p> <p>MB</p>
	Risk Appetite Statement: Legal & Compliance	
3.2	<p>Sarah Gray introduced the paper, which had been circulated previously and was taken as read. The Chair questioned whether position on modern slavery and competition law was correct and the following points were discussed:</p>  <p>The Committee therefore:</p> <p>i. NOTED the latest position on the Post Office's appetite to corporate</p>	<p>SG</p> <p>MB</p>

	<p>ii. Legal & Compliance risks and our response to the comments provided by the Committee and the ARC in January 2021, and along with our proposed Next Steps and timeline;</p> <p>iii. APPROVED the Post Office's appetite position to corporate Legal & Compliance risks, subject to the amends discussed regarding competition law and modern slavery, for onward submission to the ARC.</p>	
	Compliance	
3.3	<p>Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted and discussed:</p> <ul style="list-style-type: none"> - <u>Controls Framework</u>: A decision has been taken to pause this work and review this at the end of the summer, given Public Inquiry work and the need for business to have processes properly mapped. Controls work was to be done as needed, with Jeff Smyth particularly highlighting the IT controls given the KPMG report. - <u>Telco</u>: The transaction completed on 15 March 2021 and the team has moved to Shell.-Ofcom has confirmed it won't investigate the comms incident and in respect of PSD2, the audit was accelerated. It passed for all but two individuals and for these individuals remediation actions have been agreed. Close down report on Telco sale was expected later in the week. - <u>Cookies</u>: Compliance has worked with the Digital team in Commercial and it was agreed that there would be negligible commercial impact to put in changes to place Post Office back "in the middle of the pack." The Chair agreed that good progress has been made, but highlighted that being middle of pack was not a commitment and if it becomes further discussion was required. - <u>Financial Crime</u>: PipIT contract has now been formally exited. The Chair questioned whether individuals depositing high values onto numerous cards belonging to multiple partner banks at branches located in Scotland advising that the funds are to pay university tuition fees was an issue. Jonathan Hill explained the question was whether if this was what the deposits were actually for and whilst it was the banks job to establish this, Post Office supported because of its work with NECC Project Admiralty. It was also noted that the nationality of the individuals was irrelevant and should be removed from the paper. - <u>Supply Chain Compliance</u>: It was identified that there were issues with the Note Circulation Scheme Bond, with incorrect values being paid in. Subsequently it was established that there were 14 late Bond incidents over the last year. These have now been investigated, root causes established and corrective actions to prevent recurrence have been implemented. Compliance has undertaken assurance reviews at both Birmingham and London to ensure new controls are effective and no further issues were identified. A formal response to the Bank of England was sent on 26 February 2021. The Bank will decide if the incident warrants losing the late Bond facility, issuing a fine or if they take no action. No response has been received as yet. - <u>Documents from the Postal Museum</u>: The Chair also noted that he had been asked to help allow better access to the Postal Museum to examine documents before the deadline for filing at Court of 22 March 2021. Ben Foat agreed he would follow up with Nick Vamos on this. <p>The Committee otherwise NOTED the Compliance Update for onward submission to the ARC.</p>	<p>JH</p> <p>BF</p>
	Internal Audit	

3.4	<p>Johann Appel introduced the report, which had been circulated previously and was taken as read. The following points were discussed:</p> <ul style="list-style-type: none"> - Good progress had been on the current year plan but the last three audits had been delayed in order to provide assurance to the IDG in preparation for the Public Inquiry. - <u>CIJ Improvement Programme</u>: Four actions were outstanding which would be tracked through the IDG and normal action tracking process. Johann Appel was meeting with Declan Salter later on 16 March 2021 to agree the management comment. <p>The Committee also made clear that this report should be shared with Deloitte to ensure they were working from the same data and Internal Audit discussions with Deloitte on this topic should continue.</p> <ul style="list-style-type: none"> - <u>Historic Matters – Set-up and Governance</u>: Johann Appel would also agree management comment and finalise outstanding actions with Declan Salter later on 16 March 2021. Johann Appel was asked to ensure the report was discussed with Nick Read before it was finalised for the ARC. <p>Ben Foat highlighted that when discussing HMU governance, it needed to be made clear that governance has only been lacking/not formalised over the last six months or so, since the creation of the HMU and particularly in relation to the Historical Shortfalls Scheme (HSS) and the Stamps scheme.</p> <ul style="list-style-type: none"> - <u>Postmaster Reporting</u>: This has concluded that the Management Information (MI) currently provided was not fit for purpose and was largely reliant on Area Managers providing the information, with no self-serve option. Actions were being finalised with Nick Beal and then the report would be issued. Amanda Jones highlighted that there was no “silver bullet” answer to this issue as it depended on a number of things including data and system investment. The Chair noted that there were a number of MI issues across the business and any fixes would need funding. This needed to be highlighted in the commentary and conclusions of the report before it was submitted to the ARC. <p>In response to a question from Ben Foat, Amanda Jones confirmed that a Postmaster scorecard was being developed as part of the Voice of the Postmaster meeting. This particular audit was about the information provided to Postmaster to help them run and grow their Post Offices. The team were considering what could be done on Branch Hub support the provision of this information.</p> <ul style="list-style-type: none"> - <u>Post Office Insurance Pricing Audit</u>: The Chair requested that Johann Appel add more information to the report before submission to ARC as to why the audit was rated as needs significant improvement. - <u>Audit Actions</u>: It was highlighted that the outstanding audit action regarding Cyber Security Maturity Assessment should not be postponed a third time. <p>The Committee NOTED the Internal Audit update, specifically progress being</p>	<p>JA</p> <p>JA</p> <p>JA</p> <p>JA</p> <p>JA</p>
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	made with delivery of the Internal Audit programme and completion of audit actions.	
4.	Internal Audit Plan 2021/22	
	<p>Johann Appel introduced the paper, which had been circulated previously and was taken as read. It was explained that the initial plan had been adapted to address IDG requirements. The plan was dynamic and would be reviewed quarterly. Depending on outcome of the planned IDG reviews in Q1, some of the Postmaster focussed reviewed could be brought into the main plan. The plan was Postmaster centric, but the challenge was completing these Postmaster focussed reviews alongside the required IDG work.</p> <p>The Committee NOTED the draft audit programme for 2021/22 and APPROVED the 2021/22 Internal Audit plan, for the onward submission to the ARC.</p>	
5.	IT Updates	
	PCI-DSS	
5.1	The Committee NOTED the progress made during the last reporting period and the key risks. It was also agreed that this need not be a standing agenda item for the Committee moving forwards.	
	Cyber Security	
5.2	<p>Tony Jowett introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted and discussed:</p> <ul style="list-style-type: none"> - The Security Architecture document was late but was in progress. It was agreed that an interim update should be provided to the ARC in March and Tony Jowett was asked to add this to the paper before it is submitted to the ARC. - On the 2021/22 Cyber Programme, the focus was on Postmaster support and Post Office's underlying maturity. The programme was now going through portfolio and financial approval. - A second desktop exercise has been completed and the report contained report from Nettitude (red team and pen test supplier). Essentially the rest went well across IT, but gaps were found in Post Office's technical capabilities to quickly identify the location of Personal Information within their network. The need for this capability will be assessed as part of programme planning for 2021/22 and could cost around £1.5m. It was requested that that the potential £1.5m cost be "brought to life" including the cost of the software, potential cost or risk of not doing anything and any alternatives. This needed to be added to the paper before it was submitted to the ARC. - On the Dashboard, a follow up with GE members on the recent fake phishing attack has been completed. Those who clicked on the link but did not complete the follow up 5 minute training task have been individually contacted by the relevant GE members. Another fake attack will be done and better behaviour was required. <p>The Committee NOTED the status and plans regarding the reduction of risk associated with Cyber Security.</p>	<p>TJ</p> <p>TJ</p>
6.	Foreign Currency and Hedging	
	<p>Tom Lee and Peter Mitchell introduced the report, which had been circulated previously and was taken as read. The following points were highlighted and discussed:</p> <ul style="list-style-type: none"> - Post Office holds inventory (foreign currency) on its balance sheet (hedging) for which there is a policy and this needed to be accounted for and reported correctly. - An issue was picked up in December 2020 relating to an automated programme (from Accenture) which should revalue any stock and then post 	

	<ul style="list-style-type: none"> - the value. The programme was revaluing but was not then posting correctly. This meant that Post office was slight overstating its balance sheet and under stating its Profit & Loss. This affected around £25m and as stock reduced significantly during COVID-19, the issue was not picked up sooner. Foreign currency holdings as at the end of December 2020 were manually revalued. - Helen Rhodes questioned whether there was any redress with Accenture. Peter Mitchell explained that this was being discussed with IT and that Accenture had acknowledged they were partly at fault. However, ultimately, Post Office had not lost money, it was just slow to recognise accounting entries. - Jeff Smyth questioned whether another opinion on the issue was required. Peter Mitchell explained that himself and Tom were looking at it from a Treasury and Accounting perspective respective, with Accenture considering the technical solution. Manual revaluation has been used for the last three months and this proved effective. Another opinion or internal audit view could be sought, but the crux was making sure the manual calculation was correct. - Ben Foat questioned the ramifications of this issue including exposure to First Rate Exchange Services (FRES) and other operational implications. Peter Mitchell explained the only implications were for the Post Office balance sheet. An adjustment has been put through to "catch up" the balance sheet. There was no fundamental issue for the balance sheet or P&L, it was just delayed recognition. There has been no loss to FRES or the customer. However there were clearly lessons to be learnt about governance and testing of systems before accepting the handover of them. <p>The Committee NOTED:</p> <ol style="list-style-type: none"> i. the process of revaluing foreign currency and the hedging of foreign exchange risk at Post Office; and ii. the summary of issues identified in year, the manual fix implemented and planned changes to create a better process. <p><i>Mark Baldock left the meeting.</i></p>	
7.	Bi-Annual Legal Risk Review (Non GLO/Starling)	
	<p>Sarah Gray introduced the paper which had been circulated previously and was taken as read. The following items were highlighted:</p> <ul style="list-style-type: none"> - The categories of risk remained the same as the previous report in September 2020. There had been good progress in a number of areas: LCG Academy training on the Contract Management Framework (CMF), Exit Management, Banking Framework, Post Office Current Account as well as for policy owners and Payzone on competition. Further training for Post Office on competition was planned. - The previous report focussed on contract management. There were still a number of risks in this area as the CMF was still embedding but it was expected there would be a reduction in future. - Overall it was a "healthy" report. <p>The Committee NOTED the Bi-Annual Legal Risk Review for onward submission to the ARC.</p>	
8.	Law & Trends Update	
	<p>Sarah Gray introduced the paper, which had been circulated previously and was taken as read. Two areas were highlighted:</p> <ul style="list-style-type: none"> - Following the revocation of the £95,000 cap on redundancy payments, one 	

	<ul style="list-style-type: none"> - individual in Post Office was identified as affected by the cap and the difference was repaid in February pay roll. This area was rated amber because the Department of Business, Energy and Industrial Strategy (BEIS) has indicated that similar regulations might be introduced in future. -  <p>The Committee NOTED the new or proposed material changes to laws and regulations since its last meeting for onward submission to the ARC.</p> <p><i>Tom Lee left the meeting.</i></p>	
9.	Business Continuity	
	<p>Jonny Lonsdale and Martin Hopcroft introduced the paper, which had been circulated previously and was taken as read. It was explained that a gap analysis of the alignment the Business Continuity Management System (BCMS) to the BSI ISO 22301 (Business Continuity) standard has been completed. The Gap Analysis has found that the overall status of the Post Office BCMS was non-compliant with some aspects of the industry standard, and in particular the lack of detailed Business Impact Analysis (BIA) for each department. A BIA should be in place for each department to enable prioritisation of activities with the biggest impact in the event of an issue. This underpins the BCMS and testing. There was definitely a lot more work to do. The Committee raised the following points:</p> <ul style="list-style-type: none"> - Johann Appel was concerned that some of the gaps identified were those that had been identified before through Internal Audit and that had been confirmed as closed. IT was agreed that Johann Appel and Jonny Lonsdale would discuss this offline. - The Internal Audit Plan also included a review of Business Continuity in Q4. - The Chair was pleased to see progress in this area and questioned whether Business Continuity Plan owners had been identified to ensure accountability. Jonny Lonsdale explained that the majority of owners had been identified, along with BIA Champions and meetings has started to guide individuals through the BIA and Business Continuity Plan. The key was to document the accountability. - Hele Rhodes questioned whether there were any inherent risks or whether it was simply an issue of lack of documentation. Jonny Lonsdale explained that ultimately, the risks were unknown because the BIA was not documented. - The Chair further highlighted that an end-to-end test of Horizon and cloud migration had not been completed and this was one of the biggest risks. Jonny Lonsdale was asked to discuss this with Howard Booth and provide an update to the Committee at its next meeting. <p>The Committee NOTED the summary findings of the Business Continuity Gap Analysis review for Post Office Group for onward submission to the ARC.</p>	JL
10.	Deep Dive: Payzone Governance	
	The Committee NOTED the Payzone Risk & Compliance Update report for onwards submission to the ARC.	
11.	Deep Dive: Dangerous Goods	
	Amanda Jones, Mark Siviter and Andy Kingham introduced the paper, which had	

	<p>been circulated previously and was taken as read. The Committee discussed the following points:</p> <ul style="list-style-type: none"> - This has always been an area of concern as branches are the first line of defence so ultimately, Post Office could not control completely. However, responsibilities needed to be taken seriously as the consequences of breaches would have significant financial and reputational impacts. However, it was a complex area and not easy for Postmaster. The key was to improve and systemise where possible so to reduce the risk of breaches. - Andy Kingham explained that the first phase of improvement was to offer a Horizon menu-based alternative to the manual scanning of the dangerous goods laminate (which requires individuals to remember to scan the laminate). This was currently being trialled in 167 branches for feedback. Provided this feedback was positive, this would be rolled out in waves from April 2021 onwards with the potential of a full roll-out across the entire network by the end of quarter one 2021/22. Further phases were outlined in the paper. The Chair requested that the timeframes were made clearer in the paper before the paper was submitted to the ARC. - Around half of the failures from mystery shopping visits were because the mystery shopper did not see the Postmaster put the relevant label on the parcel. This could be addressed by printing the label with the transaction (phase two). This required permission from the Civil Aviation Authority (CAA). This required a three way dialogue including the CAA and Royal Mail, but Mark Siviter was confident the CAA would agree to the proposal. - Phase three was subject to a business case and involved simplification on Horizon to move the Dangerous Goods transaction start point earlier and customer self-certification via the Pin-Pad. These changes could increase the transaction time so this needed to be considered carefully. - It was also explained that the pandemic had had the benefit of Area Managers being in more frequent contact with branches, meaning Branch Insight Tool data could be acted on more quickly. <p>Accordingly, the Committee NOTED:</p> <ol style="list-style-type: none"> i. the activity undertaken and planned in order to improve conformance to the required process; and ii. the anticipated improvement in mystery shopping conformance as a result of the proposed system changes <p>for onward submission to the ARC.</p>	AK/MS
12.	Strategic Partner Financial Stability Update	
	<p>Katie Secretan and Dan Zinner introduced the paper, which had been circulated previously and was taken as read. The following points were raised in discussion:</p> <ul style="list-style-type: none"> - The Chair questioned the strategy for building relationships with these partners given it was clear that shops like McColls had benefited from the pandemic but were still reducing the number of Post Offices in their network. Dan Zinner explained that there was a hill to climb because of Post Office's history with its partners, but that the key was considering different propositions of Post Office and ensuring better value for money, technology and processes. Katie Secretan noted that for many smaller stores an integrated Post Office proposition would help sell the partnership. The partners' approach has shifted from looking at having Post Office's over the whole estate to a branch by branch view. The key was to get them to see the value of having Post Offices across their whole estate: the idea being that partners would have Post Offices across their whole network but that they could have flexibility on what format was used in each branch. - The Chair also questioned whether there was a place for cashless branches. Katie Secretan explained that for most partners simplicity was key, but 	

	<ul style="list-style-type: none"> - whether cashless was the best approach would depend on looking at data on what services customers utilise in a particular branch. A further consideration was what services drive additional basket spend in store. <p>The Committee otherwise NOTED the Strategic Partner Financial Stability update for onward submission to the ARC.</p>	
13.	Procurement Compliance & Governance	
	<p>Barbara Brannon 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"> - Lexington Communications Ltd was subject to approval by GE on 17 March 2021. - Cheque Processing for Postal Orders and Camelot risk was due to be closed by the end of March. - Digidentity was to be discussed at GE on 17 March 2021. It was explained that essentially, Digidentity were the only supplier able to offer the services required for the UK Verify contract, however, Procurement were working to ensure Post Office was not committed to an extension with Digidentity if the requirements of UK Verify changed. - Largely, the picture on Procurement was unchanged since January with a two large, compliant contracts forming part of the GE paper for 17 March 2021. <p>The Committee otherwise NOTED the Procurement Risk Exceptions submitted to the Post Office Limited Group Executive and Board since January 2020 and the Procurement Pipeline for onward submission to the ARC.</p>	
14.	Policies for Approval	
	<p>The following policies were APPROVED for onward submission to the ARC:</p> <ul style="list-style-type: none"> • Health and Safety; and • Procurement. 	
15.	Postmaster Policies	
	<p>Amanda Jones and Tim Perkins introduced the report, which had been circulated previously and was taken as read. The following points were highlighted and discussed:</p> <ul style="list-style-type: none"> - Six policies were presented for approval, which were part of a suite of 12 new policies. They have been reviewed by Legal and had input from the National Federation of Sub-Postmasters (NFSP). - A Guide for Postmaster on the policies was also included which was a specific request from the ARC. The policies were internal i.e. for colleagues and the guide sets out Post Office's obligations to Postmaster as part of the Postmaster support guide. - The Chair highlighted the need to measure the outcomes of these policies to demonstrate that they were effective and it was critical to build in compliance and assurance testing. Tim Perkins agreed that this was vital and that an interim set of controls were already in place to ensure policies were working effectively. A self-assessment of controls was carried out on a monthly basis, feeding into measure of policy effectiveness. More broadly, there was a complaints and investigations dashboard and reporting to the Voice of the Postmaster meeting on transaction corrections. Tim Perkins was asked to add this detail to the ARC paper prior to submission. - It was also noted that the Chair was listed as the GE Sponsor for the Network Cash and Stock Management Policy but he had not been asked to review. Jonathan Hill was asked to ensure that policy sponsors were properly briefed before policies were submitted for approval. - On the Termination Policy, the Committee discussed whether someone 	<p>TP</p> <p>JH</p>

	<ul style="list-style-type: none"> - independent should be given the opportunity to review the termination decision. Amanda Jones explained this was still being considered and she was keen to understand what other franchises do. One option was to use the Postmaster Non-Executive Directors. It was agreed that the policy should be amended to include the intention that there would be some form of independent review prior to submission to the ARC. - On the Training Policy, questions were raised about how Post Office could tell whether training was effective and the Chair felt that the policy should state that onsite training would include times when cash deliveries and pick ups happened as well as when monthly balancing was done. Tim Perkins explained that training reviews were done at three and six month intervals and the plan was to use branch data for better insight and to produce dashboards. It was agreed that the policy would be amended to include more detail on measures of training effectiveness. Ben Foat further suggested that operational examples needed to be included in the policy to bring it to life and this was to be done before the policy was submitted to the ARC. It was also agreed the Tim Perkins would feedback to Tracy Marshall (Postmaster Effectiveness Director): <ol style="list-style-type: none"> 1. Concerns about the reduction in training time from 5 weeks to a digital offer with two days face to face training and a week of shadowing. 2. Whether the half day course on loss recovery/balancing should be compulsory or longer. - It was also requested that the MI from the monitoring of these policies was reported on a quarterly basis to the Committee, with more regular reporting to the Voice of the Postmaster meeting. (Rebecca Whibley to add to the Committee agendas moving forward). - Jeff Smyth also highlighted that there were some products that you could not train on in the Counter Training Office and some support processes could not be practiced in full. Thought needed to be given as to how full training on these products and processes could be given. <p>The following policies were APPROVED for onward submission to the ARC, alongside the cover paper, subject to the amendments discussed above:</p> <ul style="list-style-type: none"> • Guide to Policy Standards for Postmasters; • Postmaster Complaints Handling Policy ; • Network Transaction Corrections Policy; • Network Cash and Stock Management Policy; • Postmaster Termination Decision Review (see amendments above); • Postmaster Training Policy (see amendments above); and • Postmaster Onboarding Policy. 	<p>TP</p> <p>TP</p> <p>TP</p> <p>TP</p> <p>RW</p>
16.	Whistleblowing Policy	
	The Committee APPROVED the proposed amendments to the Whistleblowing Policy and the appointment of the Whistleblowing Champion, for onward submission to the ARC.	
17.	Review of draft Audit, Risk and Compliance Committee meeting agenda for 30 March 2021	
	<p>The draft ARC agenda for 30 March 2021 was NOTED with the following comments:</p> <ol style="list-style-type: none"> 1. The Payzone Governance Report could be a noting only item; 2. The Foreign Currency and Hedging Paper presented to the Committee should be added to the agenda for noting only; and 3. Tracy Marshall (Postmaster Effectiveness Director) should be invited to attend the Postmaster Policies section; 	RW

	subject to the agreement of the ARC Chair.	
18.	Any other Business	
	There was no other business, save that it was noted that at future meetings, the Chair would agree with the Committee at the beginning if there were any papers that need not be discussed, such that presenters could be stood down in good time.	

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