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POST OFFICE LIMITED

Meeting:	Audit, Risk & Compliance Committee
Date:	30 March 2021
Time:	09.00 – 11.30
Location:	1.19 Wakefield, Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ / Microsoft Teams

Present:	**Invited Attendees:**
Carla Stent (Chair)	Alison Rodwell (BEIS ARAC NED Observer)
Tom Cooper (NED, UKGI)	Tim Perkins (Service and Support Optimisation Director): Item 2
Zarin Patel (NED)	Tracy Marshall (Postmaster Effectiveness Director): Item 2
Regular Attendees:	Amanda Jones (Retail and Franchise Network Director): Item 2 & 9
Tim Parker (Group Chairman, POL)	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime): Item 3
Nick Read (Group CEO)	Tom Lee (Financial Controller): Item 4.3
Alisdair Cameron (Group CFO)	Amanda Bowe (Post Office Insurance ARC Chair): Item 7
Ben Foat (Group General Counsel)	Jonny Lonsdale (Business Continuity Manager): Item 8
Andrew Paynter (Audit Partner, PwC)	Martin Hopcroft (Head of Health & Safety): Item 8
Sarah Allen (Senior Manager, PwC)	Andy Kingham (Franchise Partnering Director): Item 9
Rosie Clifton (Manager, PwC)	Mark Siviter (Product Portfolio Director – Mails, Retail, PUDO & Gov services): Item 9
Johann Appel (Head of Internal Audit)	
Mark Baldock (Head of Risk)	
Jonathan Hill (Compliance Director)	
Rebecca Whibley (Senior Assistant Company Secretary)	
Hugo Sharp (Deloitte Partner)	
Regular Attendees:	
Ken McCall (SID)	
Join Microsoft Teams Meeting GRO United Kingdom, London (Toll) Conference ID: GRO Pin (if applicable): GRO	

Time		Item		Owner	Action
09.00	1.	Welcome & Conflicts of Interest		Chair	Noting
09.05	2.	Postmaster Policies		Tim Perkins, Tracy Marshall & Amanda Jones	Approval
		2.1	Postmaster Complaints Handling Policy		
		2.2	Network Transaction Corrections Policy		
		2.3	Network Cash and Stock Management Policy		
		2.4	Postmaster Termination Decision Review Policy		
		2.5	Postmaster Onboarding Policy		
		2.6	Postmaster Training Policy		
		2.7	Guide to Policy Standards for Postmasters		

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09.30	3.	Whistleblowing Policy Review		Sally Smith	Discussion & Approval
09.40	4.	Previous Meetings		Chair	
		4.1	Minutes (26 January 2021 & 26 February 2021)		Approval
		4.2	Action List		Noting
		4.3	Update from External Audit	Andrew Paynter	Noting
		4.4	Draft Risk and Compliance Committee Minutes (16 March 2021) *(subject to RCC Chair review)*		Noting
09.45	5.	Risk, Compliance and Internal Audit Updates			
09.45		5.1	Risk Update	Mark Baldock	Noting
09.55		5.2	Risk Appetite Statement: Legal & Compliance	Ben Foat & Jonathan Hill	Noting & Approval
10.05		5.3	Compliance Update	Jonathan Hill	Noting
10.15		5.4	Internal Audit Update	Johann Appel	Noting
10.25	6.	Internal Audit Plan 2021/22		Johann Appel	Noting & Approval
10.35	7.	Update from Subsidiaries: Post Office Management Services (ARC)		Amanda Bowe	Noting
10.45	8.	Business Continuity Review		Jonny Lonsdale & Martin Hopcroft	Noting
11.00	9.	DeepDive: Dangerous Goods		Andy Kingham, Mark Siviter & Amanda Jones	Noting
11.20	10.	Committee Terms of Reference Review		Rebecca Whibley	Noting
11.25	11.	Any other business		All	Noting

Items for Noting

These items will not be presented to the Committee and any questions should be sent to the Secretary for submission to the author for response. Questions and answers will be recorded as appendices to the meeting minutes.

	1.	Cyber Security	Tony Jowett	Noting
	2.	Procurement Governance & Compliance	Barbara Brannon	
	3.	Law & Trends	Sarah Gray & Ben Foat	
	4.	Bi-Annual Legal Risk Review (Non GLO/Starling)	Sarah Gray & Ben Foat	

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	5.	Strategic Partner Financial Stability Update	Emma Conway/Dan Zinner	
	6.	DeepDive: Payzone Governance	Andrew Goddard	
	7.	Foreign Currency and Hedging	Tom Lee & Peter Mitchell	
Items for approval via Written Resolution *These items will not be presented to the Committee and approval will be sought via Written Resolution to be signed by members prior to the meeting. Any questions relating to these items should be sent to the Secretary for submission to the author for response.*				
	1.	Policies for Approval/Noting	Jonathan Hill	Approval
		1.1 Summary Paper		
		1.2 Health & Safety		
		1.3 Procurement Policy		
Next ARC Meeting: Tuesday 18 May 2021 at 09.30 to 12.00 in 1.19 Wakefield, Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ				

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AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Postmaster Policies	**Meeting Date:**	30 March 2021
Author:	Tim Perkins, Service and Support Optimisation Director	**Sponsor:**	Amanda Jones, Retail and Franchise Network Director Reviewed & approved by sponsor for presentation to the Committee.

Input Sought: Decisions

The Committee is asked to approve the six new Postmaster policies (set out in the Appendices), to be effective from the date of Audit, Risk & Compliance Committee's (ARC) approval:

- Postmaster Complaint Handling Policy
- Network Transaction Corrections Policy
- Network Cash and Stock Management Policy
- Postmaster Termination Decision Review Policy
- Postmaster Onboarding Policy
- Postmaster Training Policy

The Committee is asked to separately approve the issuing of a policy guide for postmasters (also set out in the Appendices), considering the legal advice, to be issued from a date to be confirmed after ARC's approval:

- Postmaster Guide to Policies

Previous Governance Oversight

The policies listed above were approved by the Risk and Compliance Committee on 16th March, subject to the following additions, which have been completed.

1. In the Termination Decision Review Policy, to make clear that the Review Panel referred to is independent and external.
2. In the Postmaster Training Policy, to make clear that a trainer will be present at the postmaster's first cash collection, delivery and branch monthly balancing.

Executive Summary

Following the Group Litigation Order (GLO), Post Office set about ensuring that its processes complied with the findings of the GLO.

The focus on processes delivered a large number of changes to the support that Post Office offers postmasters, but these processes were not necessarily governed by a policy at the point of process changes being made. Primarily this was the case because no policy existed in the first instance or the policy was so dated that it was irrelevant to the processes undertaken pre or post the GLO.

Having policies in place for the support Post Office provides postmasters will bring Post Office in line with best practice franchise businesses. The purposes of the policies are to provide

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guidance, set down principles and highlight risk areas, while also ensuring that Post Office is able to support postmasters effectively and compliantly with the GLO.

As part of an overall review of postmaster support policy requirements, this paper seeks approval for four new postmaster policies to reflect how Post Office will provide support to postmasters as well as a guide to policies that will be made available to postmasters.

Questions addressed

1. What policies are required to support the changes made to postmaster support following the GLO?
2. What policies have recently been developed and now require approval?
3. What further policy work is required to ensure there is a full complement of postmaster support policies in place and how will these be continually reviewed in the future?

Report

Background

1. Following the Common Issues Judgment and Horizon Issues Judgment in the GLO, Post Office focused on improving processes to ensure compliance with the outcomes of the judgments.
2. Whilst process improvements were delivered, Post Office has identified that there was an absence of overarching policies for these processes to sit under. Where policies previously existed, they were often very aged and did not bear relevance to the processes that Post Office had improved.
3. As such, Post Office has set about developing a set of postmaster policies across key areas of postmaster support.

Postmaster Policies

4. Post Office has identified that a comprehensive suite of postmaster policies is required to demonstrate and ensure GLO compliant support to postmasters in the following areas:
    - Network Monitoring and Audit Support
    - Network Cash and Stock Management
    - Network Transaction Corrections
    - Postmaster Account Support
    - Postmaster Accounting Dispute Resolution
    - Postmaster Contractual Performance
    - Postmaster Suspension
    - Postmaster Termination
    - Postmaster Termination Decision Review
    - Postmaster Complaint Handling
    - Postmaster Training
    - Postmaster Onboarding
5. The policies relating to Network Monitoring and Audit Support, Postmaster Account Support, Contractual Performance, Postmaster Suspension and Postmaster Termination are already approved and in use.
6. The policy relating to Postmaster Accounting Dispute Resolution is ready for ARC approval by written resolution following offline reviewing with members of the ARC and legal.

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7. This paper seeks approval of the policies relating to Postmaster Complaint Handling, Network Transaction Corrections, Network Cash and Stock Management, Postmaster Termination Decision Review, Postmaster Onboarding and Postmaster Training. These policies can be found in the appendices to this paper.
8. This paper also seeks approval of the Postmaster Guide to Policies which can be shared with postmasters. This document can also be found in the appendices to this paper.
9. Previous papers to the RCC and ARC indicated that a Postmaster Accountability policy would also be developed. Following a review of the requirements for this particular policy, the requirement for such a policy has been de-scoped.
10. All policies and the policy guide have been reviewed by Post Office internal stakeholders, the National Federation of Subpostmasters (NFSP) and have had external legal oversight from Herbert Smith Freehills or Norton Rose Fulbright.

Policy Overviews

11. The Postmaster Complaint Handling policy sets out the standards relating to the management of postmaster complaints, that a fair process is followed for all postmaster complaints and that any complaint raised is taken seriously and investigated fully. It also gives guidance on the identification of whistleblowing reports. To help the ARC understand the application of the policy in practice, the Complaint Handling process is included in Appendix 8 and the template used for internal reporting of complaints and progress against resolving them is at Appendix 9.
12. The Network Transaction Corrections policy details the standards behind how Post Office identifies and issues Transaction Corrections and Transaction Acknowledgements, ensuring that postmasters are notified without undue delay and that support is provided to understand the reasons behind the issuing. The process for issuing a Transaction Correction is included in Appendix 10 to this paper to help the ARC understand the application of the policy in practice and the list of controls that are monitored within Service and Support are in Appendix 11 (Operational Controls Self-Assessment) for the same purpose.
13. The Network Cash and Stock Management explains the principles to ensure that postmasters are supported effectively in managing cash and stock provisions in branch.
14. The Postmaster Termination Decision Review policy sets out how Post Office will deal with any situation whereby a postmaster does not agree with a decision to terminate their agreement, either by notice or immediately.
15. The Postmaster Onboarding policy details the principles that ensure that new postmasters are supported effectively in their early days, ensuring that the onboarding process meets regulatory and contractual obligations.
16. The Postmaster Training policy sets out the standards for ensuring that postmasters receive a comprehensive training provision to support the effective running of their branch(es).

Postmaster Guide to Policies

17. The Postmaster Guide to Policies is a document that can be shared with postmasters and is a guide to the principles that Post Office teams need to follow and how these principles are linked to specific policies.
18. A legal review of this document has identified some legal risks in the publication of this document. These are:
    - [redacted]

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[redacted]

19. These risks have been mitigated to some extent by including wording in the guide and each policy to state that they do not form part of the contract with postmasters, and through ensuring that the guide will not be issued to postmasters prior to them entering into a contract with Post Office.
20. These risks should also be taken in perspective with Post Office's desire to provide reassurance to postmasters that Post Office has robust policies in relation to postmaster support following the GLO and its desire to be transparent in its dealings with postmasters.

Next Steps & Timelines

21. Following approval of the six policies, Post Office will ensure that:
    - all relevant teams are fully trained on the new policies by the end of April 2021.
    - the policies will be reviewed annually, for approval at RCC, beginning April 2022.
22. Policies previously approved at RCC and ARC in 2020 and 2021, will be updated and resubmitted with a list of changes at the RCC meeting to take place on the 4th May 2021, and the ARC meeting on the 18th May (following the request from the ARC Chair), in line with the annual review requirements of the policies.
23. In addition to the annual review of policies, as requested by the RCC, there will be quarterly reporting to the RCC on compliance with the Postmaster policies.
24. Following approval of the policy guide, Post Office will ensure that:
    - the guide is published to postmasters in line with the re-issue of the Postmaster Support Guide.
    - the guide is made available for postmasters to access online.
    - the guide will be reviewed annually in line with policy approvals beginning April 2022.

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Appendices

1. Postmaster Complaint Handling Policy
2. Network Transaction Corrections Policy
3. Network Cash and Stock Management Policy
4. Postmaster Termination Decision Review Policy
5. Postmaster Onboarding Policy
6. Postmaster Training Policy
7. Postmaster Guide to Policies
8. Postmaster Complaint Handling Process
9. Postmaster Issue and Complaints Dashboard Template
10. Transaction Correction Issuing Process
11. Operational Controls Self-Assessment

Internal

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

3

Title:	Whistleblowing Policy Review & Report	**Meeting Date:**	30 March 2021
Author:	Sally Smith, Money Laundering Reporting Officer & Head of Financial Crime	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Discussion & Approval

The Committee is asked to:

- review and discuss the whistleblowing review and its conclusions as part of its role in monitoring the adequacy and effectiveness of the Group's whistleblowing systems and controls; and
- approve the proposed amendments to the whistleblowing policy[1] and the appointment of the Whistleblowing Champion.

Previous Governance Oversight

Annual Whistleblowing report and policy review July 2020. These proposed policy amends and the accompanying report were approved at POL Risk & Compliance Committee on 16th March 2021.

Executive Summary

Post Office is able to demonstrate that it has good policies and procedures in place which have been followed. Post Office's Whistleblowing Team have reviewed past whistleblowing reports for evidence of subsequent 'detriment' to the reporters which found no evidence of 'detriment'.

[redacted]

As a result of the review of whistleblowing policy, processes and culture, there are a number of recommended enhancements to improve and mature these areas, including the creation of a Non-Executive Board Director Whistleblowing Champion.

[1] The revised Whistleblowing Policy (clean and track changed) is available in the Reading Room.

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Questions addressed

1. Are the current whistleblowing arrangements adequate in light of the GLO and the Public Inquiry?
2. Is there any evidence of detriment to whistleblower reporters or subjects?
3. What improvements are required to enable anyone who is aware of, or suspects, wrongdoing which affects others (e.g. Postmasters, customers, members of the public, colleagues or the Post Office) to raise their concerns and be confident that those concerns will be acted upon

Report

4. A number of improvements have been implemented since 2017, these include:

    - Enhancing Post Office policy and procedures, including attendance by whistleblowing team at industry forums to learn best practice
    - Raising awareness through communications and posters (which in turn has led to an increase in reports received)
    - Developing monthly MI and providing to key stakeholders
    - Regular reporting to RCC and ARC, including an annual whistleblowing report which summarises all whistleblowing reports received over the previous 12 months, compared to the prior 12 months. This report also details any issues or outcomes, together with key activities delivered to drive reporting

    However, it was recognised that more could be done to improve the maturity of the Post Office approach and as part of the review of this, Post Office approached Protect (the UK whistleblowing charity) for support. This has included a self-assessment and industry benchmarking of the regulatory requirements, current industry best practice and Protect's Code of Practice on effective whistleblowing arrangements, and a training workshop which was attended by some GE members and senior managers.

5. A review of high-level summaries of the 163 whistleblowing reports and investigations received since 2013 was undertaken by Post Office to identify if there was any evidence of 'detriment' to reporters and specifically Postmasters. These cases were also considered, at a high level, for conformance to Post Office's obligations arising from the Common Issues Judgment (CIJ) from the GLO. The review is summarised in Appendix 1 which shows 103 cases where no detriment was suffered by the whistleblowing reporter, the subject or anyone associated with the report, and 15 cases which show acts which could be argued to be detriment to the subject of the report, but which were considered by Post Office to be justified in the circumstances. [redacted]

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6. The monthly MI pack produced on whistleblowing has been updated to provide more granular data on issues that are raised by or about Postmasters.

7. As part of the work reviewing Postmasters complaints and issues handling, a review has also been undertaken to ensure that there is sufficient understanding across teams that interact with and capture those complaints and issues, so that any that are in fact whistleblowing reports are passed to the Whistleblowing Team and investigated and resolved in accordance with the whistleblowing policy.

8. [redacted], and as part of the work with Protect a review was undertaken of the oversight, governance and resourcing for whistleblowing. It is agreed that we should have a dedicated Whistleblowing Manager within the Compliance Team to manage whistleblowing but also to assist in the conduct of investigations. External recruitment for this role is nearing completion and it is hoped to have this in place for end April/early May. In addition, an approach was made to the ARC Chair to discuss creating a Whistleblowing Champion at Non-Executive Director level, following which Zarin Patel has been asked to fulfil this role, and has agreed, subject to ARC approval.

9. Following migration of the external speak up line and website to the new Navex Global EthicsPoint platform, call enhancements have been implemented to include an IVM that is specific to Post Office and provides reassurance to callers as below:

    - Thank you for calling the Post Office Whistleblowing Speak Up line. Post Office is committed to ethical behaviour in all our business dealings and your call and any related reports will be treated confidentially and respectfully to the extent legally permissible. Protecting our colleagues, Postmasters and customers is the number one priority for Post Office, and this includes protecting those that raise concerns. To maximize confidentiality, this Speak Up line is operated by NAVEX Global, an unaffiliated, third-party service provider.

10. To address the lack of formal training, a new module has been developed in Success Factors and is currently being undertaken by all employees for completion by 1st April 2020, together with a number of planned communications for employees and Postmasters to raise awareness.

Self-assessment and benchmarking

11. The outcome of the Protect self-assessment and industry benchmarking was in line with expectations given that the benchmark is modelled around best practice and the bar is deliberately set very high.

12. Post Office achieved a score of 86% for its written policy and procedures and there were no specific recommendations, indicating that the basic foundations put Post Office in a good place to improve.

13. It was in the areas of training, engagement and communications that further work was identified.

14. The need for formal training and awareness in Post Office had already been recognised, with budget to develop a training module included in 2020/21.

15. The table below shows the overall performance of Post Office v. organisations with a comparable number of employees and also within the financial services sector which has a

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more mature approach to whistleblowing, given the additional regulatory obligations for this sector (see Appendix 2 for scores within these overall areas):

Total	Your Score	Group
Governance	72%	67%
Engagement	24%	39%
Operations	36%	55%
Total	46%	60%

- It should be noted that nearly all organisations come out very poorly for Engagement the first time they do self-assessment – this is because the main resolution for this area is training which is generally costly, and most often not seen as a priority. Usually selected people and teams have some form of training, but not enough and not company-wide. Also, there is a heavy score weighting for Line Manager training, and this is an area that Post Office was unable to demonstrate.
- Organisations also tend to score poorly in the area of Operations and there are a number of factors here:
  - Whistleblowing process maturity tends to reflect the cases organisations have had to deal with – if an organisation has not had any cases that are material/significant, or had whistleblowing reporter claims of detriment, then they are less likely to have matured their processes.
  - Included in this area are questions about seeking feedback from whistleblowers about their experiences or doing 'tests' or 'stress tests' of the whistleblowing processes – most organisations do not do this, but it is best practice.
- A number of organisations re-run the self-assessment and benchmarking exercise annually to help them demonstrate continuous improvement as part of their Board reporting which means the benchmark is continually rising as organisations improve. We will re-run the self-assessment in June 2020 (and annually thereafter) following the implementation of planned enhancements to show how Post Office is building on its improvements.

Whistleblowing Policy Review

16. In addition to further enhancements suggested by the Protect self-assessment work and the changes to whistleblowing roles, [redacted]

17. The policy has been amended to reflect the following new roles and governance oversight:
    - The creation of a Non-Executive Director Whistleblowing Champion to oversee that:
      - A 'whistleblowing culture' is promoted across Post Office, ensuring employees are genuinely encouraged to speak openly and honestly about their concerns and misgivings
      - The current arrangements are always challenged and assessed for areas of continuous improvement

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- Employees are always supported in raising a concern
- Barriers to speaking up are uncovered and addressed
- The whistleblowing team, senior managers and leaders receive training on the importance of whistleblower support
- Root cause analysis is undertaken for all cases and issues, so that continual improvements can be made in the relevant areas

- The creation of a new dedicated Whistleblowing Manager to manage whistleblowing processes and investigations, triaging reports and assigning to investigating managers, completing root cause analysis and ensuring any corrective controls are implemented, designing and delivering a programme of training and awareness

18. A number of amendments and additions have been made to reflect best practice, enhance the policy and help encourage reporting. These include:

- Removal of some duplication and clarifying the definition of whistleblowing, the investigations process and the treatment of reporters
- Providing more information to reporters (e.g. other external advice available)
- Clarification of some of the definitions used in the policy
- Clarification that reporters do not need to provide evidence and the different reporting types along with the benefits and disadvantages of open/confidential/anonymous reporting
- A new minimum control standard for line managers.
- A new minimum control standard for checking that whistleblowers feel supported

Conclusions and Recommendations

19. Post Office has a good policy and reports received have been managed in accordance with that policy, although clearly further work on engagement including training together with operational improvements are needed and are being quickly remediated Whilst the policy and process were intended to cover employees and the protections afforded them under the law, reports have historically been received from postmasters, their teams, customers and the general public, and these reports have always been investigated and managed under the whistleblowing policy. Improvements to communications and awareness have been made in recent years, but the lack of training for all employees and, in particular, line managers needs addressing.

20. The work with Protect has highlighted that whistleblowing process maturity tends to reflect the cases organisations have had to deal with. To date, Post Office has not had any material reports, or found evidence of significant or material (or disclosable) wrongdoing through the whistleblowing channel. By quickly implementing the recommendations within this report, management believes that it would put Post Office in a good place.

21. Prior to the Protect self-assessment, it had been recognised that a training and communications programme was required in 2020/21 and this was budgeted for, although this was hampered by Covid, and the loss of the role supporting this work in November 2020.

22. The following lists key recommended activities to be delivered in 2021/22 (see Appendix 3 for full actions and timescales):

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- Continue to work with Protect to identify improvements and enhancements
- Provide the monthly whistleblowing MI pack to all GE members to ensure visibility
- Quarterly meetings with the Whistleblowing Champion to review cases and activities, together with monthly meetings with the postmaster and customer complaints teams to ensure that complaints or issues they receive that are in fact whistleblowing, are appropriately identified and investigated.
- Work with the People Function and L&D to enhance on-boarding and line manager training relating to whistleblowing
- Review and update the Whistleblowing Team's procedures, including those relating to the whistleblower and mechanisms to obtain feedback from whistleblowers
- A programme of continual communication and awareness, including refreshing posters for office locations as staff return to work locations following Covid
- Update Settlement Agreements to remove potential ambiguity
- The Protect self-assessment benchmarking should be undertaken again in June 2021 and annually thereafter to test and demonstrate improvements achieved from planned activities

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Appendix 1 – Whistleblowing Report Review

Number of Whistleblowing Records Reviewed (From 25/04/2013 to 25/01/2021)	**163**
REVIEW FOR DETRIMENT	
Number of cases ongoing (no apparent detriment and no CIJ breaches identified in investigation of complaint to date).	*6*
Number of historic cases where information is insufficient for assessment *These predate whistleblowing falling under the remit of the Financial Crime Team. The most recent record is 23.09.2017*	*9*
Number of Whistleblowing Reports NOT within Scope of the Whistleblowing Policy • *Employment matters between Postmaster and the Postmaster's employees: 5* • *Properly dealt with outside of Whistleblowing channels e.g. dignity at work: 11* • *Properly referred to external organisations such as RMG: 5* • *Other cases which did not meet WB criteria (These cases are quite varied but include for example, PMs are calling for advice from the Security team; a report raised by a known individual harassing branch staff, and errors/mistakes relating to applications for hardship grants): 9*	*30*
Number of Whistleblowing Reports WITHIN scope of the Whistleblowing Policy • *No detriment suffered by the Reporter, the Subject or anyone associated with the Report: 103, including* ○ 6 cases where inadequacies with POL's policies and procedures alleged but where no specific detriment to an individual identified (for example, two complaints related to the same alleged incident of sexual harassment which took place outside of POL premises. The reporters were not the victim of the alleged incident; one of the POL managers was present at the time and the reporters were concerned that the manager didn't take any action/ provide support when the alleged victim returned to work. HR could not investigate any further due to lack of information). ○ 1 case where reporter withdrew complaint due to slow response time. The Reporter was subject to a grievance which was raised by the Subject of the WB report. Legal advised the WB disclosure should be investigated subsequent to the grievance being heard. The POL employee who was due to investigate the WB disclosure left the business without informing the WB team which caused delays. The WB team did contact the Reporter to encourage them to pursue the case, but did not receive any response. • *Detriment suffered by the Subject, with Detriment justified based upon evidence and rationale: 15* ○ 12 cases where PMs have been suspended and/or terminated due to ongoing operation issues. ○ 2 cases where the agent assistant/clerk was dismissed by the PM for suspected/admitted theft. ○ 1 case there were formal consequences for the Branch Manager, which were justified upon investigation. In addition, in this case, the Subject was said to have obtained copies of witness statements which, had the WB disclosure not been made anonymously, could have compromised the Reporter's identity. Enquiries were made but these were not able to determine how or if the witness statements had been shared with the Subject.	*118*
CIJ CONFORMANCE REVIEW	
CIJ Issues NOT relevant	142

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CIJ Issues ARE relevant: 21 (including 1 case still ongoing) ○ Dealt with in a GLO conformant Manner: 12 (including 1 case still ongoing) ○ Not dealt with in a GLO Conformant Manner: 9 - While suspensions appear to be justified by the circumstances, the PMs were suspended without pay (predates the CIJ). This is being separately considered by the Historical Matters Unit and will be remediated as appropriate.	21

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Appendix 2 – Protect Review Recommendations

Section	Score
Accountability	61%
Written Policy and Procedures	86%
Review and Reporting	59%
Total	72%

Accountability – 61% Considers the roles different individuals have and their engagement with the whistleblowing arrangements. Clear accountability structures will help staff better understand their roles in relation to the whistleblowing arrangements. Active engagement from senior leaders may improve staff trust and confidence in your whistleblowing arrangements.

Recommendation - You have a good score in this area. In order to improve on this score in line with best practice, you need to show how senior leaders within your organisation engage with the whistleblowing arrangements and actively demonstrate a commitment to workers raising concerns without fear of reprisal. You also need to ensure that designated personnel (for example the whistleblowing champion and team) clearly understand their roles and responsibilities.

Written Policy & Procedures – 86% A well drafted whistleblowing policy helps to provide staff with a clear understanding of what whistleblowing is and the processes by which an individual can raise and/or escalate a concern. It will also provide staff with assurances about victimisation and confidentiality

Recommendation - You have achieved a good score in this area and there are no specific recommendations at this stage

Review & Reporting – 59% Considers the processes by which you review and report on whistleblowing arrangements. Conducting reviews enables organisations to practically see whether whistleblowing arrangements are effective in practice and action learning points.

Recommendation - You have achieved a good score in this area, but additional work should be considered to strengthen governance. When reviewing the arrangements, recommendations should be assigned ownership with a timeline for completion. Serious concerns raised and positive outcomes from whistleblowing cases should be reported to the Board. These should be redacted in order to protect the identity of the whistleblower. You could consider incorporating an overview of management information on whistleblowing in published data e.g. annual reports.

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Section	Score
Communications	30%
Training	8%
Total	24%

Communications - 30% Engaging regularly with staff is essential to building a strong speak up culture. Staff will not have confidence in whistleblowing arrangements if they are not aware of them.

Recommendation - This section requires improvement. We recommend that you review your communications materials to ensure that you engage with different staff groups and cultures. Messages encouraging staff to raise concerns might be included in various media such as posters and staff training. Finally, think about how you test staff awareness and confidence in the whistleblowing arrangements (for example by using staff surveys, focus groups and exit interviews)

Training – 8% Clear and detailed training on whistleblowing provides your workforce with a good understanding of arrangements. Training can help embed the importance of whistleblowing and key policy messages.

Recommendation - This section requires improvement. We recommend that staff, designated managers and line managers receive in-depth training on whistleblowing. In most circumstances line managers or named designated contacts are the first people to receive a whistleblowing concern. Accordingly, line managers should receive appropriate training in order to accurately identify concerns and effectively handle the individual raising the concern. This minimises the likelihood that concerns will be escalated further and helps make best use of your resources. You may wish to review how you provide training to your workforce (e.g. instructor led by e-learning).

Section	Score
Support and Protection	41%
Recording and Investigations	56%
Resolution and Feedback	18%
Total	36%

Support & Protection – 41% Considers internal processes in place for supporting and protecting staff who raise whistleblowing concerns. Implementing effective processes for managing confidentiality and victimisation will help to ensure staff are appropriately supported and protected when they raise concerns. Implementing clear policy messaging and protocols for supporting and protecting staff who raise concerns is essential.

Recommendation - This section requires improvement. We recommend that you operate multiple support networks within your organisation to enable whistleblowers to seek support when raising concerns (such as whistleblowing advocates trade unions and Employee

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Assistance Programs). Consider how you ensure that confidentiality is maintained throughout the whistleblowing process. You should ensure the risk of victimisation is considered in each whistleblowing case and that appropriate safeguards are put in place to prevent this. Finally, you should ensure that any settlement agreement that you have with staff clearly states that nothing in the agreement prevents staff from making a whistleblowing disclosure.

Recording & Investigations – 56% This section considers the processes by which you record and investigate concerns. Having clear processes and principles for recording and investigating concerns will help to ensure consistency in handling a whistleblower.

Recommendation - You have achieved a good score in this area. We recommend that you periodically review management information to ensure consistency of processes in recording concerns. You should ensure that investigation guidance is clear on the key principles that are to be followed when whistleblowing concerns are investigated (such as confidentiality, competence and independence). You should ensure that an independent internal function conducts periodic reviews of your investigations, to ensure that the principles have been followed.

Resolution & Feedback – 18% This looks at your processes for resolving concerns and how you provide feed receiving feedback from whistleblowers. Clear processes on feedback after the investigation will help give your staff confidence that their concerns have been addressed.

Recommendation - This section requires improvement. We recommend that you implement standard processes for resolving any substantiated concerns. Where possible ensure that you provide feedback to whistleblowers on the outcome of concerns that are raised (subject to limitations imposed by confidentiality). Consider how you seek feedback from whistleblowers at the end of the process and use this information to improve your arrangements.

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Appendix 3 – Whistleblowing Action Timetable

Action	By when	Status
Protect training workshop	January	Complete
Review how complaints are captured by various back office teams and enhance procedures to correctly triage potential whistleblowing complaints and pass to whistleblowing team	February	Complete
Design and deliver employee survey via One Comm (440 responses fed into Protect self-assessment)	February	Complete
Enhanced Whistleblowing monthly MI to provide more granular detail about Postmaster/agent assistant reports	February	Complete
Protect self-assessment and benchmarking	February	Complete
Review all historic whistleblowing reports	February	Complete
Whistleblowing Manager role designed, approved and advertised	February	Complete
Whistleblowing Champion role approved in principle	February	Complete
Navex Global Speak Up Line - call enhancements to include IVM that is specific to Post Office and provides reassurance to callers	February	Complete
Review and update Whistleblowing Policy	March	Complete
Determine whether there is any evidence of detriment to whistleblower reporters or subjects	March	In progress
RCC and ARC whistleblowing approach and policy approval	March	Pending
Interviews for new Whistleblowing Manager role and recruitment	End April	In Progress
Design and deliver new employee Success Factors whistleblowing training module	1st April	In progress
Design and deliver new Team Talk whistleblowing training module for DMB staff and Supply Chain (non-Success Factor users)	1st April	Complete
Design and deliver postmaster whistleblowing awareness communications	April	In progress
Establish monthly meetings with the postmaster and customer complaints teams to review complaints or issues	April	
Training and induction for Whistleblowing Manger	May	
Design a programme of continual communication and awareness	May	
Establish quarterly meetings with Whistleblowing Champion	May	
Design and deliver employee survey via One Comm	May	
Review and update all whistleblowing processes and guidelines	May	
Re-run Protect self-assessment benchmarking	June	
Annual whistleblowing report to RCC and ARC	July	
Enhance on-boarding and line manager training relating to whistleblowing	July	

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Refresh and deliver new whistleblowing posters to all Post Office back office locations and DMBs	July (dependent on Covid)	

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MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 26th JANUARY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 08.30AM (VIA CONFERENCE CALL)[1]

Present:	**Invited Attendees:**
Carla Stent (Chair)	Sam Banks (Analyst Independent Audit): Observer
Ken McCall (SID) **(KM)**	Richard Sheath (Partner, Independent Audit): Observer
Tom Cooper (NED, UKGI) **(TC)**	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime): Item 5 **(SS)**
Zarin Patel (NED) **(ZP)** (to 10:00am only)	Ian Holloway (Director of Risk & Compliance, Post Office Insurance): Item 6 **(IH)**
Regular Attendees:	Tom Lee (Head of Finance Financial Accounting and Controls): Item 7 **(TL)**
Tim Parker (Chairman, POL) **(TP)**	Christine Kirby (Financial Controls Manager): Item 7 **(CK)**
Nick Read (Group Chief Executive Officer) **(NR)**	Andy Jamieson (Head of Tax): Item 8
Alisdair Cameron (Group CFO) **(AC)**	Amanda Jones (Retail & Franchise Network Director): Items 9 & 10 **(AJ)**
Ben Foat (Group General Counsel) **(BF)**	Tim Perkins (Service and Support Optimisation Director): Item 9 & 10 **(TP)**
Andrew Paynter (Audit Partner, PwC) **(AP)**	Declan Salter (GLO Director): Item 11 **(DS)**
Sarah Allen (Senior Manager, PwC) **(SA)**	Graham Hemingway (Historical Matters Portfolio Lead): Item 11 **(GH)**
Rosie Clifton (Senior Manager, PwC) **(RC)**	Tony Jowett (Chief Information Security Officer): Item 12 **(TJ)**
Johann Appel (Head of Internal Audit) **(JA)**	
Mark Baldock (Head of Risk) **(MB)**	
Jonathan Hill (Compliance Director) **(JH)**	
Rebecca Whibley (Senior Assistant Company Secretary) **(RW)**	
Hugo Sharp (Deloitte Partner) **(HS)**	
Apologies:	
Zarin Patel (from 10:00 onwards)	

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

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

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	requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	**Policies: Investigations Policy**	
2.1	Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. The following points were discussed: - The existing policy had not been used for some time and as such, the policy has been completely overhauled, following an industry approach. - The policy sets out minimum standards for how Post Office will conduct investigations wherever they might take place in the business to ensure a consistent approach, building on comments in Fraser J's judgment. - The Chair noted that an issue that was made clear from the Group Litigation Order (GLO) was the attitude of the investigator. Whilst issues like the duty of good faith would only apply in the Post Office/Postmaster relationship (not commercial relationships), it was agreed that the attitude of the investigator should be addressed in the policy. - It was also noted that matters such as the independence of the investigator and the level of expertise needed should also be clear in the policy. It was explained that the policy was simply a framework and other policies were still relevant such as Conflicts of Interest. Nonetheless, it was agreed that these matters should be made clear in the policy, including references to other policies as appropriate. - Ken McCall questioned whether the policy considers service level agreements (SLAs) with Postmasters and Board/Committee review of the relevant metrics in this regard. Ben Foat explained that such matters were for specific Postmaster polices and this policy was very much a minimum standards framework. - Ken McCall was also concerned about the accessibility of the policy, particularly for Postmasters, and how the policy would be rolled out. It was explained that this was an internal policy, rather than Postmaster facing. Nonetheless Compliance was developing a one to two page summary to make the policy more accessible as well as engaging with relevant Policy Owners to ensure they understand the requirements and can evidence compliance. - Tom Cooper requested that the policy also be externally reviewed. Accordingly, the Committee **APPROVED** the Investigations Policy, subject to: i. The inclusion of details on the appropriate attitude of the investigator; the need for the investigator to be independent and have the appropriate expertise and appropriate references to other relevant policies; and	**ACTION: BF**

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	ii. The policy being externally reviewed, and the results of this review being considered and included as appropriate.	
3.	**Previous Meetings**	
3.1	The minutes of the meeting of the Audit and Risk Committee held on 24 November 2020 were **APPROVED** and **AUTHORISED** for signature by the Chair.	
3.2	Progress against the completion of actions as shown on the action log was **NOTED**. Action 1 from 27 July 2020 (para 4) Pensions Assurance: See update to action 5 from 22 September 2020 below. Quantification to be known in March 2021 and an update to be provided to the Audit, Risk & Compliance Committee (ARC) or Board as required at this point. An update paper was also presented to the Committee for noting (see para 14 below). The action remained open. Action 2 from 27 July 2020 (para 6) Update from Subsidiaries: The Master Services Agreement and Master Distribution Agreement amendments were executed by both parties on 5 January 2021 via Web3. The action was closed. Action 3 from 22 September 2020 (para 4.1) Risk Appetite Statements: Legal and Compliance Risk Appetite Statement paper was presented to the Committee for noting (to be approved at a later date) (see para 4.2). Further statements were in train including IT (with Jeff Smyth, Group Chief Information Officer) and Operations (Postmasters) (with Amanda Jones, Retail and Franchise Network Director). There was further discussion regarding prioritisation during the meeting, see para 4.2 below. The action remained open. Action 4 from 22 September 2020 (para 5.5) SuccessFactors: This action was address by a noting paper presented to the Committee (see para 14). The action was closed. Action 5 from 22 September 2020 (para 6.4) Pension Assurance: The quantum is likely to be known in March 2021 following analysis and review by the Trustee. The approach to correcting the members benefits including any proposed clawback will be discussed by the Trustee and Post Office following the Trustee Board meeting on 23 March 2021. The intention was to engage early with the Trustee to ensure Post Office's preferred approach was known. A further update was to be provided to the ARC or Board as required in March 2021. An update paper was also presented to the Committee for noting (see para 14 below). The action remained open. Action 6 from 22 September 2020 (para 7.3) Suspense Accounts: An update paper was provided to the Committee (see para 9). The action was closed. Note: Action 7 in the papers was a duplicate of Action 2 above (due to copy and paste error).	

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	Action 8 from 24 November 2020 (para 3.1) Risk Dashboard: At this point the Risk team was not in position to provide system-aggregated Dashboards as it was finalising the risk management transition from RSA Archer to ServiceNow (IRMPro). This had just been completed. A refreshed set of GRC risk reports in line with ARC requirements was to be presented to ARC in March 2021. The action remained open. Action 9 from 24 November 2020 (para 3.2) Risk Policy (Legal & Compliance Risk Appetite): The Legal & Compliance Risk Appetite paper has been developed and has been shared with the Chair. However, this is still a work in progress and as such, the Committee was not asked to approve the Risk Appetite statement at its January meeting. Accordingly, the Committee may discuss and feedback as required in the meeting. The further iteration was to be shared with the Committee prior to its next meeting if so required. (See para 4.2 below). The action remained open. Action 10 from 24 November 2020 (para 3.2) Risk Policy (Risk Management Responsibilities): See para 4.1 where the ARC has approved the division of risk management responsibility between the ARC and Board. The action was closed. Action 11 from 24 November 2020 (para 3.2) Risk Policy (Approval subject to amendments): Risk Policy scope was amended as required and the Board approved the final policy in January 2021. The action was closed. Action 12 from 24 November 2020 (para 3.2) Risk Policy (Page Numbers and Policy Paper): Page numbers were viewable on the tabs created by Diligent Boardbooks, this included the page range for each section. The policies before the Committee in January 2021 are to be approved by parallel Written Resolution included as either a track changes version (where changes are minor) or the existing policy (where the changes are more substantial i.e. a complete re-write). The action was closed. Action 13 from 24 November 2020 (para 3.4) Internal Audit (Data Privacy (Document Retention)): A revised action was agreed, and the completion date re-stated to 31 March 2021. This was to be tracked through the usual process and reported back to the ARC. The action was closed. Action 14 from 24 November 2020 (para 3.4) Internal Audit (Deep Dives): Deep dive audits to be added to IA plan as follows: Financial Crime Q4 FY21, Loss Prevention FY22 tbc, Compliance Function FY22 tbc and Risk Management Framework FY22 tbc. The action was closed. Action 15 from 24 November 2020 (para 4.3) Suspense Accounts: All elements have been completed and the report was approved by the Board for publication. The action was closed. Action 16 from 24 November 2020 (para 7.1) Post Office Insurance Travel Refund Complaints: A memo in response to this action was	

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	provided to the Committee via email on 4 January 2021. The memo was also available in the Reading Room. The action was closed. Action 17 from 24 November 2020 (para 9.1) Historical Matters Unit (RACI Matrix): Discussions concerning UK Government Investments (UKGI)/Department of Business, Energy & Industrial Strategy (BEIS) involvement in Historical Shortfall Scheme (HSS) approvals, which directly affects the operation of the schemes, have continued during December and were expected to be finalised during January. A verbal update was provided to the ARC (see para 11 below). Further update will be provided in March 2021. The action remained open. Action 18 from 24 November 2020 (para 9.2) [redacted] [redacted] Action 20 from 24 November 2020 (para 10.1) Payzone Risk Report: Capita have confirmed to PipIT that they need to stop using Post Office branches and find another method. PipIT have asked if they can have two weeks to sort out a new provider which Post Office/Payzone has agreed to and the proposal was for PipIT to stop using Post Office by 31 January 2021. (Note: PipIT is the gateway for Zeepay, Glow remit etc. If PipIT stop using Post Office branches, then the others will also be stopped). A further update will be provided when it is confirmed PipIT have stopped using Post Office. The action remained open. Action 21 from 24 November 2020 (para 12.1) Deep dive: Transformation Office Change Update 2020: Dan Zinner and Saira Burwood met with Tom Cooper on 15 January 2021 to discuss the action regarding metrics on Change controls. Mark Baldock also joined the meeting as he was transitioning all the controls into a new tool (ServiceNow) which would then be able to provide a suite of reports on the controls. These reports and dashboards would be provided to ARC on a regular basis once ServiceNow transition was complete and Mark agreed to give Tom early sight of these when available. The action was closed.	
3.3	The draft minutes of the Risk and Compliance Committee held on 12 January 2021 were **NOTED**.	
4.	**Risk, Compliance and Internal Audit Updates**	

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4.1	**Risk Update**
	
	Mark Baldock introduced the paper, which had been circulated previously and was taken as read. The key points were summarised as follows:
	
	- Governance, Risk & Compliance (GRC) tool (move from Archer to Service Now): Phase 1 was now complete with 520 risks moved, with the system was now live in the central risk team and Archer has been decommissioned. Work had now started on phase 2 which was rolling out the risk capability to the business and migration of controls for IT, Finance and the Portfolio Office, which would allow formal links of the controls to the risks.
	- Key Risks:
	  ○ Commercial: There has been a long standing risk around the Master Distribution Agreement (MDA) with Royal Mail, however this has reduced due to the signing of MDA2. However, the team was still speaking to business to ensure the score was correct and consider whether more mitigation was required. A further risk noted was adverse trading due to macroeconomic environment.
	  ○ Operational: Postmaster risks were already articulated, but further work was to be carried out, as well as considering whether other risks had an impact on Postmasters. The Chair noted a discussion in the Internal Audit meeting that morning about how to implement controls around Postmaster risks and how to validate GLO initiatives. Mark Baldock was asked to pick this up with Jonathan Hill with an update to be provided at the March meeting. Multiple partner fragility was also noted as a key operational risk due to the economic threats to the high street.
	  ○ People: There were long standing risks about work life balance and work pressures on colleagues, which had been exacerbated recently given the greater degree of uncertainty about easing of lockdowns. Much was being done by management, however there was a concern that some colleagues may suffer from burnout. Zarin Patel questioned how this might affect work being done in the risk and control environment. Nick Read explained that the risk and need for improved engagement in the current lockdown was recognised and Lisa Cherry (Group Chief People Officer) and Richard Taylor (Group Corporate Affairs, Brand and Communications Director) were working through the engagement strategy.
	- Risk management by the Board & ARC: Recognising that there was a need to clearly differentiate where risk was managed, it was recommended that:
	  ○ the Board should provide oversight of (and direction on) management of the key strategic business risks that could
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	threaten the delivery of the Post Office's strategic objectives, including setting the risk appetite and focus on key risks. ○ ARC should support the Board and consider what needs to be referred to the Board. Otherwise, it should focus on audit and compliance risks and controls. The Committee made it clear that the ARC should get an overall picture of risks, with material commercial, strategic and reputational risks escalated for Board consideration. Ken McCall requested that the following be reviewed: - The wording of paragraph 13 relating to the financial risk around "insufficient" funding reflect the risk of uncertainty about funding; - Paragraph 25 relating to the risk of prolonged industrial action as this should refer to pace of response rather than the risk of material long term industrial action; and - Paragraph 27 relating to adverse external economic factors, noting that much of this was outside Post Office's control and that, some elements had upsides for Post Office. Mark Baldock was asked to review these sections, discuss further with Ken McCall and provide an update for the next Committee meeting. The Committee **NOTED** the current status of key risks and GRC implementation and **APPROVED** the proposals on the role of the Board and ARC with respect to oversight of Post Office risk management as set out in paragraph 31 of the paper.	**ACTION: MB**
4.2	**Risk Appetite Statement: Legal & Compliance** Ben Foat introduced the paper, which had been circulated previously and was taken as read. It was summarised as follows: - This is a noting paper for the direction of travel for the risk appetite statement for Legal and Regulatory risks across the business and as such, the business needed to be comfortable with the appetites. - There were six statements and risks have been split into statutory and regulatory. - There were three areas which were adverse to appetite: competition, Anti-Money Laundering(AML) and pensions. - The paper was a living document and would change over time. The next steps were to ensure there were Key Risk Indicators (KRIs) in place and then operationalise, with engagement with the 1st line of defence. The Committee discussed the following points: - Ken McCall questioned why the risk rating for competition was adverse. Ben Foat explained that this was due to the consequences of the risk being so severe as well as Post Office's	

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	dominant mails position and being number two or three in the bill payments market. There were no specific breaches or incidents, but the controls were not considered sufficient. Competition law was not well understood in the business and needed to be such that it was in the minds of colleagues engaging with other market players. As such training by Pinsent Masons was being arranged. It was requested that Ben Foat consider the wording of paragraph 14 relating to "breaching tolerance" as, in fact, it was more about needing stronger controls. - Tom Cooper highlighted that Pick Up Drop Off (PUDO) was a competition risk given the investment being made in the Express Post Office proposition and noted an argument could be made about state aid. This was to be considered and, if appropriate, added to the paper. - The Chair noted that the risk relating to Post Office being in a less competitive position due to new legislation or regulation was really a commercial risk. This should be corrected in the paper. - Following a question from the Chair, it was explained that whilst AML risk was rated red, the financial crime risk was rated green as AML was a subset of financial crime where there had been some specific breaches. The Chair noted the extensive work that had gone into the paper and questioned whether, given the resourcing pressures, it was better to work on KRIs to trigger a red/amber/green rating. The Committee agreed but noted that Legal and Compliance and Postmaster related activity were important areas in which to have risk appetite statements. There was also a suggestion that areas that were less under pressure in the short term could also be considered (such as finance). As such, Mark Baldock was asked to look at identifying the KRIs for Postmasters with the Network team and consider working on statements for one or two other areas for update at the March Committee meeting (in the usual Risk Paper). Otherwise, the Committee **NOTED** the draft corporate Legal & Compliance Risk Appetite Statements which will be shared with the Senior Leadership Team so that these can be further refined and assessed within the business in commercial decision making.	**ACTION: BF** **ACTION: BF** **ACTION: BF** **ACTION: MB**

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4.3	**Compliance Update** Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. It was summarised as follows: - Controls Framework: Work was being undertaken with the Historical Matters Unit (HMU) to ensure the correct controls were embedded into the relevant areas, so as to meet obligations arising from the Common Issue Judgment (CIJ), Horizon Issue Judgment (HIJ) and the stamps review. There was an existing controls framework in Finance and IT (although the latter was being overhauled), but there was no consistent approach across the rest of the business. This was what the Framework was to provide, such that the business could self-assess controls with assurance provided by Compliance. Ken McCall noted that the report outlined that there had been changes to the Postmaster Onboarding process and questioned whether this meant the onboarding process was quicker. Jonathan Hill was asked to confirm this point for update at the next meeting. This area was ultimately owned by Dan Zinner, Group Chief Operating Officer, but supported by Amanda Jones (Retail and Franchise Network Director), Finance and Legal. Nick Read highlighted that recruitment of the Postmaster Director and the Customer Experience Director was critical but would require careful recruitment criteria. In response to questions from Ken McCall raising concerns about the wording of this section in the report (paragraph 11), it was confirmed that it was the mapping of processes for activities addressing the CIJ that had no consistent approach, rather than the controls themselves. Key was evidence of controls and a consistency of approach. The HMU team was working with the relevant business areas to address this. However, the Chair asked Jonathan Hill to further consider before the next meeting any underlying issues (not just related to mapping), what controls were in place and whether or not they were appropriate. Zarin Patel also requested that the Committee have sight of the KMPG review of the HIJ when this was ready, noting that there were a lot of papers regarding Postmasters before the Committee and the Board and therefore questioned whether the issue was under control. Al Cameron explained that much work had been done to ensure legal compliance with the judgment, but work was on-going and KMPG and Deloitte were likely to raise issues that had not yet been considered. As such the controls framework was very important and must be sustainable. - Data: The site review was now coming to an end and the main focus was now on disclosures required for 5 February 2021. So	**ACTION: JH** **ACTION: JH** **ACTION: JH**

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	far, nothing had been found in the reviews that had not already been disclosed. However, work was on-going. - Cookies: Previous direction was that Post Office should look to be in the "middle of the pack" when it comes to cookies. The recent decision in France against Google and Amazon Europe was noted and it was explained that typically (pre-Brexit), the Information Commissioner's Office (ICO) aligned with Europe. As such, the Digital and Compliance teams were looking at the commercial impact of tightening the approach to cookies, with a view to still remaining in the "middle of the pack." The Chair requested that the team carefully consider appropriate benchmarking in a post Brexit world. - Fire Risk Assessments: The Committee requested to be kept up to date regarding the outstanding actions in respect of fire risk assessments undertaken in June and July which are currently being investigated by the Head of Health & Safety. This was to be included in the Compliance report for the March meeting. The Committee **NOTED** the Compliance update, in particular: - The Controls Framework update; - The Data Management activities; and - Post Office's approach to cookies.	**ACTION: JH**
4.4	**Internal Audit (IA) Update** Johann Appel introduced the paper which had been circulated previously and was taken as read. The following points were discussed: - The team continued to make good progress and have finalised a further five audits since November 2020 and issued one interim report. - IT Controls Framework (ITCF): This was continuing to improve but the report highlighted that the operation of the ITCF had been interrupted by the absence of key personnel and no second line assurance. This was further discussed in paragraph 12 below. - Mails and Parcels: The audit highlighted several issues concerning worsening performance with respect to compliance with Prohibited and Restricted Items (Dangerous Goods) requirements. Segregation of parcels and accuracy of Mail Redirection forms were similarly underperforming. Unless segregation performance improved, there was a risk that Post Office could be liable for increased service credits under the new agreement with Royal Mail. Tom Cooper and Ken McCall were concerned that this was an on-going issue that did not seem to be being addressed. Johann Appel was asked to send Tom Cooper a summary of the audit actions from the report and a detailed review of this issue, including what could be done at	**ACTION: JA**

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	source and what other carriers were doing in this area. An update was requested for the next meeting in March 2021 (accountability sitting with Amanda Jones (Retail and Network Franchise Director) and Mark Siviter (Product Portfolio Director - Mails, PUDO, Retail and Branch Identity Services)). - Interim Report on Historic Matters - CIJ Operations Improvement Programme: It was noted that the chart in the report was outdated and there were now 23 green actions, 10 amber and 1 red. The key finding was that there was no formal handover process between the HMU and Operations. Nick Read highlighted that in this area, the business was legally compliant, but not necessarily fit for purpose. This was a key focus for the next six months to ensure Operations, IT and culture were all fit for purpose. A GLO Dashboard would be presented to the Board on a monthly basis to give an overview of progress. - Belfast Exit Follow-Up and PCI Compliance: These were both follow up reviews. Governance and day-to-day management have improved since previous reviews, but there were still significant risks that were largely outside the control of programme teams and this reduced confidence that objectives will be achieved as planned. Nick Read was requested to re-establish the regular dialogue with the Ingenico CEO. - There was one outstanding audit action (Health & Safety Response to COVID-19) and this was on track for completion by the end of January 2021. - It was noted that the planned audits on GLO Historical Shortfall Scheme - Claims and Payments and Strategic Platform Modernisation were due to be deferred from March 2021 to the next audit year as evidence was not yet available. Otherwise, the Committee **NOTED** the Internal Audit update, specifically progress being made with delivery of the Internal Audit programme and completion of audit actions. *Zarin Patel left the meeting.*	**ACTION: RW (agenda, inform)** **ACTION: NR** **ACTION: NR**
5.	**Money Laundering Annual Report**	
5.1	Sally Smith introduced the paper, which had been circulated previously and was taken a read. The following points were discussed: - The conclusion was that the framework of Anti-Money Laundering (AML) / Counter Terrorist Financing (CTF) controls were generally effective and Post Office was complying with its regulatory requirements under the Money Laundering Regulations (MLRs). - However, the challenges were: the increase in scams, increasing regulatory scrutiny and the potential introduction of the Economic Crime Levy. A particular challenge was the increasing volume of Suspicious Activity Reports (SARs) due to increased cash deposits. Furthermore, the additional SARs were causing a	

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	resourcing issue within the central team. Roles and responsibilities changing across the business was making Fit & Proper a challenge, but this was being managed. - There were some on-going data issues impacting premises and agent data with manual work arounds in some areas. - The Financial Conduct Authority (FCA) has written to all banks requesting updates on their controls regarding cash deposits. The team was working closing with the Banking Framework 3 (BF3) team to ensure the AML accountability requirements were clearly assigned in the Framework. Ultimately, accountability was with banks and Post Office cannot replicate a Know Your Customer (KYC) process for all banking customers in the UK. Ken McCall noted that with increasing bank closures, the pressure on Post Office would only increase and questioned whether there could be cost recovery under BF3. Nick Read explained commercial discussions with the banks were on-going with the role of Post Office, regulation and costs all being live issues. - Tom Cooper questioned what key change was required to resolve the AML and BF3 issue. Sally Smith explained that there were existing controls that the banks have at their disposal that can be deployed, but each bank has different infrastructures and customer needs. Some banks used chip and pin for deposits which made setting limits on volume and value easier. Other banks still use paper deposits, and others were made up of smaller institutions with different processes and levels of sophistication. In addition, the pace of change in the banks is slow. However, pressure from the National Economic Crime Centre (NECC) Project Admiralty and the 2020 National Risk Assessment would likely bring the issue further onto the banks' radar, together with work through the Banking Framework Agreement (BFA) AML Sub Group. The problem arose as the banks had fully considered the challenges when depositing through Post Office. The Chair advised that whilst conversations regarding the banks' responsibilities should continue, Post Office could not rely on banks entirely and investment in analytics was also important. It was noted that the fundamental challenge is not having real time data or analytical capability at point of deposit in the branches. This linked to loss prevention and honouring the CIJ (see paragraph 9 below). - In response to questions from Ken McCall, it was explained that MoneyGram can block transfers to certain countries and change limits at a branch level. This was an on-going daily contact with the MoneyGram. - On technology, Sally Smith explained that she was discussing this area with Jeff Smyth (Group Chief Information Officer) to see if there was anything that could assist the team, noting that Post Office did not currently actively monitor cash and MoneyGram (as this is the responsibility of the Banks and Moneygram, respectively and would be a significant task for Post Office to	

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	replicate). Post Office could demonstrate that enough was being done internally to augment the bank / Moneygram controls. The Chair highlighted that additional resources/technology must be part of the BF3 commercial negotiations. - On resourcing, more was required but this should be in the business and banking team (1st line of defence), rather than the central team (2nd line of defence). Accordingly, the Committee **APPROVED** the recommendations within paragraphs 9 – 12 of the report (including the table on pages 3-7), noting that all actions must have due dates, and paragraph F of the Annual Report of the Money Laundering Reporting Officer, prior to the Annual Report being issued to the regulator, Her Majesty's Revenue and Customs (HMRC).	
6.	**Update from Subsidiaries: verbal update** **Post Office Management Services (ARC)**	
6.1	The Committee **NOTED** the update from the Post Office Insurance (POI) ARC.	
7.	**Annual Report & Accounts Update**	
7.1	Al Cameron introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted: - Work was actively progressing to complete the Annual Report and Accounts (ARA) for the financial year end 29 March 2020. The ARA was largely drafted but needed some considerable updates given the events over the last six to eight months. Outstanding issues included: 1. A provision for Post Group Litigation Order and the calculation of the accounting estimate in respect of the HSS, as well as disclosure updates in respect of this scheme, the contingent liability for Starling litigation and subsequent events disclosure for the historical criminal cases. 2. Impairment on insurance business investment which was likely to be around IRRELEVANT 3. A provision for hard to place branches, which might be up to IRRELEVANT, although there was a question as to whether this was a past event or a new decision for inclusion in accounts to the financial year end 29 March 2020. (Tom Cooper noted that this was a joint reputational issue for Post Office and the Government and needed to be discussed at the Board). *Note: This was subsequently discussed at the Board meeting later on the same day.* 4. The wording regarding contingent liabilities needed to be discussed. 5. The Committee would need to agree that the CCRC issue was included as a subsequent event (as it was in the future as at 29 March 2020).	

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	- A detailed going concern assessment then needs to be completed for a period of 18 months (rather than 12 months) from accounts submission. Therefore, forecasts were being examined. PWC have made it clear that unless a viability statement covers a period of 18 months, they would likely include an emphasis of matter paragraph in their opinion. Tom Cooper remarked that his team were discussing this disclosure with BEIS Finance. - The intention was for the Committee to review the accounts for approval (for onward submission to the Board) on 26 February 2021. - The sections relating to Risk and Remuneration would largely be unchanged but the CEO and Chairman's report were being completely redrafted. The Committee **NOTED**: i. the status of the Post Office Limited Group Annual Report and Accounts for the year ended 29 March 2020 ii. the key items required for completion and signing of the ARA; and iii. the plan for completion and signing.	
8.	**Tax Update & Tax Strategy**	
8.1	Andy Jamieson introduced the paper, which had been circulated previously and was taken as read. The key points were highlighted as: - VAT: This was complex to manage on a day-to-day basis and this year has seen some additional challenges, namely Brexit (with new reporting requirements for goods to Northern Ireland), making tax digital, changes of income and introduction of Web3 which has allowed automation of tax coding. COVID has meant no "in person" HMRC audits, but an online audit had been completed. - Corporation tax: As performance was improving, Post Office would likely be in a position to pay this tax in 2022/23. - Employment taxes: Historically, Post Office has not had any expertise in this area and HMRC have expressed concerns. However, an expert has now been recruited to review HR processes and build in improvements. - Feedback was to be provided by HMRC on the IR35 implementation in their March report. The Committee **NOTED** the Tax Update and **APPROVED** the annual review of the Tax Strategy.	
9.	**Update on branch losses and balances on Postmaster accounts**	
9.1	Tim Perkins introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted: - Performance has continued to be positive. Average loss per branch has fallen from just under IRRELEVANT per trading period per branch to IRRELEVANT per trading period per branch. This has been	

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	driven by proactive intervention, less cash in network, timeliness of corrections and improved training. - Next steps were to continue with these interventions and see what can be done to improve the speed of corrections and improvement in stock. Work was being done with HMU to remove the "settled centrally" terminology from Horizon and add a dispute button at the point of settling. - Tom Cooper queried when the minimum value that can be settled centrally would be changed from £150 to £0, noting he thought this had been removed previously. Tim Perkins explained that Accenture had just quoted to do this, and it was requested that Tim Perkins provide the date as to when this would happen to the Committee once he is advised of it. - In response to further questions about branches being able to be 'rolled' into the next trading period and how disputed items were dealt with, Tim Perkins explained that balances are moved to a Postmaster account to allow an investigation to take place to establish the cause of the loss. A button would also be added to Horizon to allow immediate dispute. - Age of the transaction error was the crucial, rather than the number of errors. At present, measurements were based on transactions over two months old. A measurement of 45 to 60 days (depending on the type of transaction) was being considered to take into account how long client reconciliation takes. - At the request of Ken McCall more detail was provided on the process where a cash declaration had not been done for 10 days or for trading period roll overs (where not done for 60 days). First, the Postmaster would be called by the team (bearing in mind any branch closure) and the issue would be escalated to the Area Manager. Where repeated contact has to be made, the branch will also be visited to ensure they understand the requirement and to understand the barrier(s) to completion. There would also be a conversation with the contract advisor team about contract performance. - It was confirmed that branches with high cash holdings or highest levels of cash deposits have excellent compliance with the branch accounting requirements. However, for branches with high levels of cash deposits, more transaction errors were seen, and this was an area of focus, particularly as to whether better equipment could be provided. Additional support from Area Managers and Security Managers was being provided with a visit every month. The Committee commented that key was to tackle this issue at source. Al Cameron explained that any proposed changes had been postponed given ongoing process reviews in this area. - The Chair noted that it was good to see the figures decreasing but that it would be useful to see a dashboard of branch balances and transaction corrections, possibly as an addition to the	**ACTION: TP**

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	reporting on post GLO remediation. (Tim Perkins and Amanda Jones to action for the next Committee meeting). - Via email outside the meeting, Zarin Patel also suggested that route cause analysis should be undertaken into the gross losses/gains and net balances as these seemed very high (paragraph 8 of the paper). (Tim Perkins and Amanda Jones to consider for update at the next Committee meeting). The Committee **NOTED** the update on balances posted to Postmaster customer accounts following a request at the Committee in September 2020.	**ACTION: TP/AJ** **ACTION: TP/AJ**
10.	**Postmaster Policies**	
10.1	Amanda Jones introduced the paper, which had been circulated previously and was taken as read. It was explained that these three policies were being proposed to formalise the improvements made to a number of processes in response to the CIJ. Each policy was taken in turn: - Network Monitoring and Audit Support Policy: Norton Rose Fulbright (NRF) (external lawyers) have reviewed the Postmaster process changes which this policy covers. The Chair questioned why the Risk Appetite section was missing. It was confirmed that the risk appetite was averse, but that this linked back to the earlier discussion regarding the risk appetite statement for Postmasters and the need for clear KRIs, which were particularly required to judge if the policy was being embedded and enforced. This section should be added into the policy in line with the work to be completed on KRIs for Postmasters (see action above in paragraph 4.2). There was also an action to carefully consider references to "employee" throughout the document. It was also confirmed that this was an internal policy (not Postmaster facing), but a similar version would be created as part of the Postmaster manual. It was explained there would be an overarching document demonstrating how the policies fit together and it was agreed this would be presented to the Committee in March 2021 with the Chair requesting that it be clear in this document who was the audience of which policy. - Postmaster Account Support Policy: This policy had been reviewed by NRF. A different approach was being taken by the former loss recovery team, which was to be supportive and understanding of discrepancies. It was explained that the three policies interfaced to provide support to Postmasters. The Network Monitoring policy related to	**ACTION: TP/AJ/ MB** **ACTION: TP/AJ** **ACTION: TP/AJ**

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	investigation, Account Support was for proactive support and Dispute Resolution sets out the tiers of support provided in the event of a discrepancy (section 4 of the policy). The Chair questioned the wording of the risk appetite section and it was requested that this was reviewed before the policy was published/implemented. With respect to the writing off of discrepancies, it was explained that the team were working hard to reduce the number and size of discrepancies. There were no caps on amounts that could be written off over a period of time as the controls to approve the write offs ultimately formed part of the finance processes. - Postmaster Accounting Dispute Resolution Policy: NRF have reviewed the Postmaster process changes which this policy covers. Tom Cooper questioned whether after the Tier 3 support level (section 4 of the policy) litigation was the only option, considering that the amount could be small. Tim Perkins explained that the account support processes were used to consider how the discrepancy should be dealt with and whether it should be written off, with a lot of engagement with the Postmaster. Where there were persistent losses or carelessness, then this would be dealt with from a contractual performance perspective i.e. termination on notice. The Committee requested that the following elements were included in the policy: 1. A suggested timetable for decision-making; 2. Who would be involved in making decisions under Tier 3 (indicating that it should be people of appropriate seniority); 3. Information that would be provided to the Postmaster through the dispute resolution process (i.e. accounting records, Horizon data etc.); 4. Reference to classroom training that would be provided to Postmasters on investigating balance discrepancies; and 5. A checklist for each tier. Zarin Patel (by email outside of the meeting) also raised the following points: i. Both the Postmaster Account Support Policy (para 2.5 and 4.1) and the Network Monitoring and Audit Support Policy (para 2.5) referred to "reasonable and fair investigations" without adequately defining this; and ii. The Network Monitoring and Audit Support Policy should address skill set and attitude of lead auditors and how the	**ACTION: TP/AJ/ MB** **ACTION: TP/AJ** **ACTION: TP/AJ**

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	new culture would be embedded so they did not approach the audit with preconceived biases. Accordingly, the following policies were **APPROVED** by the Committee: • Postmaster Account Support Policy (subject to a review of the wording of the risk appetite section and addition of a definition of a "reasonable and fair investigation"); and • Network Monitoring and Audit Support Policy (subject to the addition of a risk appetite section and a definition of a "reasonable and fair investigation" as well as the skill set and attitude of the lead auditors and how the new culture would be embedded). The Postmaster Accounting Dispute Resolution Policy was to be revised in line with the Committee's discussions (including a review of all risk appetite references) and approved by written resolution after the meeting.	
11.	**Historical Matters Unit: Fraudulent Claims Controls & Delegation of Authority**	
11.1	Declan Salter and Graham Hemingway introduced the paper which had been circulated previously and taken as read. The key points were highlighted as: - Responsibilities, accountabilities and decision-making authorities: Work was being done to produce an operating charter and a RACI, including delegated authorities and accountabilities. This has taken longer due to engagement with BEIS and UK Government Investments (UKGI). A ways of working document has been agreed, but a decision-making flow chart was still being updated. Once complete, it was to be circulated to the Board at its CCRC meeting. Further discussions were being held on reporting to BEIS/UKGI. - Mitigations against risk of fraudulent claims: Fraud risks were being actively managed by Herbert Smith Freehills (HSF) and the Project team covering 21 separate fraud risks as set out in appendix 1 of the report. By way of email outside the meeting, Zarin Patel suggested that the team consider best practice for fraudulent claim controls, such as those used for Payment Protection Insurance (PPI) claims. Graham Hemmingway provided the following response: the mitigations have been compiled and reviewed by his team, which included programme and project managers as well as business analysts with experience of managing PPI-type claim schemes at Lloyds Banking Group, Barclays, Nationwide, RBS and Co-op Bank. Further Declan Salter's experience has also fed into the ongoing risk management activities, particularly around risk of interception of emails. Internal Audit or an external team could review the mitigations as part of their planned reviews.	**ACTION: GH/DS**

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	- Data relating to fraudulent claims and eligibility to be appended to the CCRC Board pack: MI showing latest eligibility results (values and volumes) from HSS was already being distributed as part of an MI pack that HSF share with Board members on a weekly basis. Information relating to identification of fraudulent claims has been shared as part of the CCRC Board packs since 14 January 2021. In response to questions from the Committee, Graham Hemingway further explained that eligibility checks were a standard under the Terms of Reference of the HSS. Work was still being done to work through the data and evidence available on each claim, which was difficult due to the age of some claims. It was also confirmed that the team was looking to instruct legal counsel to understand rules around deceased estates and bankruptcy in other jurisdictions (mainly Scotland and Northern Ireland), which was necessary for a small sub-set of claims. Otherwise, the Committee **NOTED** how risks relating to fraudulent claims are being managed in the Historical Shortfall Scheme (and the Stamps Scheme) and that controls were in place to confirm the eligibility of claims.	
12.	**IT Controls Assessment**	
12.1	Tony Jowett introduced the paper, which had been circulated previously and was taken as read. The main focus of work in the IT Controls was the Internal Audit Report actions and focus of the improvement effort was on the controls of greatest risk, namely those areas connected with the management of the third-party estate through the lens of Post Office's crown jewel systems. The Committee requested that there be a detailed review of this, and this review would be reported to the Committee, targeting the next meeting. On resource constraints flagged by the Internal Audit report, Tony Jowett further explained that the size of the team had been doubled and someone had been appointed to the business continuity role but was not yet in post. The Committee **NOTED** the status and plans regarding the reduction of risk associated with IT Controls.	**ACTION: TJ**
13.	**AOB**	
13.1	There being no further business, the meeting was closed at 11:27.	
14.	**Items for Noting**	
14.1	The following papers were circulated to the Committee prior to the meeting, but were not discussed at its meeting and **NOTED** by the Committee: - Pensions Controls - Success Factors - Cyber Security - Joiners, Movers, Leavers (JML)	

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	- Law & Trends - Accountable Person* - Mails Fraud Update** *Outside of the meeting, Tom Cooper requested that paragraph 18 needed to be amended to remove the following line: "*There is a UKGI representative on the POL Board, who have oversight of the Group Executive ("GE") and are able to challenge and review relevant decisions made by the AP and the GE team*" as his role on the Board was not linked to the role of the Accountable Person. ** Subsequent to the meeting, Tom Cooper questioned whether power outages (affecting label printing) had implications for the integrity of branch accounting and accuracy of postmaster balances. Declan Salter has confirmed that, absent fraudulent activity, there would be no financial loss. Furthermore, that, in this regard, there are no system related integrity issues.	

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Chair **Date**

Meeting Actions:

Para No.	Action Detail	Action
2.1	**Investigations Policy:** Accordingly, the Committee **APPROVED** the Investigations Policy, subject to: i. The inclusion of details on the appropriate attitude of the investigator; the need for the investigator to be independent and have the appropriate expertise and appropriate references to other relevant policies; and The policy being externally reviewed, and the results of this review being considered and included as appropriate.	**Ben Foat**
4.1	**Risk Update:** The Chair noted a discussion in the Internal Audit meeting that morning about how to implement controls around Postmaster risks and how to validate GLO initiatives. Mark Baldock was asked to pick this up with Jonathan Hill with an update to be provided at the March meeting. Multiple partner fragility was also noted as a key operational risk due to the economic threats to the high street.	**Mark Baldock**
4.1	**Risk Update:** Ken McCall requested that the following be reviewed: - The wording of paragraph 13 relating to the financial risk around "insufficient" funding reflect the risk of uncertainty about funding;	**Mark Baldock**

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	- Paragraph 25 relating to the risk of prolonged industrial action as this should refer to pace of response rather than the risk of material long term industrial action; and - Paragraph 27 relating to adverse external economic factors, noting that much of this was outside Post Office's control and that, some elements had upsides for Post Office. Mark Baldock was asked to review these sections, discuss further with Ken McCall and provide an update for the next Committee meeting	
4.2	**Risk Appetite Statement: Legal & Compliance:** It was requested that Ben Foat consider the wording of paragraph 14 relating to "breaching tolerance" as, in fact, it was more about needing stronger controls.	**Ben Foat**
4.2	**Risk Appetite Statement: Legal & Compliance:** Tom Cooper highlighted that Pick Up Drop Off (PUDO) was a competition risk given the investment being made in the Express Post Office proposition and noted an argument could be made about state aid. This was to be considered and, if appropriate, added to the paper.	**Ben Foat**
4.2	**Risk Appetite Statement: Legal & Compliance:** The Chair noted that the risk relating to Post Office being in a less competitive position due to new legislation or regulation was really a commercial risk. This should be corrected in the paper.	**Ben Foat**
4.2	**Risk Appetite Statement: Legal & Compliance:** As such, Mark Baldock was asked to look at identifying the KRIs for Postmasters with the Network team and consider working on statements for one or two other areas for update at the March Committee meeting (in the usual Risk Paper).	**Mark Baldock**
4.3	**Compliance Update:** Ken McCall noted that the report outlined that there had been changes to the Postmaster Onboarding process and questioned whether this meant the onboarding process was quicker. Jonathan Hill was asked to confirm this point for update at the next meeting.	**Jonathan Hill**
4.3	**Compliance Update:** In response to questions from Ken McCall raising concerns about the wording of this section in the report (paragraph 11), it was confirmed that it was the mapping of processes for activities addressing the CIJ that had no consistent approach, rather than the controls themselves. Key was evidence of controls and a consistency of approach. The HMU team was working with the relevant business areas to address this. However, the Chair asked Jonathan Hill to further consider before the next meeting any underlying issues (not just related to mapping), what controls were in place and whether or not they were appropriate.	**Jonathan Hill**
4.3	**Compliance Update:** Zarin Patel also requested that the Committee have sight of the KMPG review of the HIJ when this was ready, noting that there were a lot of papers regarding Postmasters before the Committee and the Board and therefore questioned whether the issue was under control.	**Jonathan Hill**
4.3	**Compliance Update:** Fire Risk Assessments: The Committee requested to be kept up to date regarding the outstanding actions in respect of fire risk assessments undertaken in June and July which are currently being	**Jonathan Hill**

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	investigated by the Head of Health & Safety. This was to be included in the Compliance report for the March meeting.	
4.4	**Internal Audit Update:** Johann Appel was asked to send Tom Cooper a summary of the audit actions from the [Mails & Parcels] report.	**Johann Appel**
4.4	**Internal Audit Update:** a detailed review of [the Dangerous Goods] issue, including what could be done at source and what other carriers were doing in this area. An update was requested for the next meeting in March 2021 (accountability sitting with Amanda Jones (Retail and Network Franchise Director) and Mark Siviter (Product Portfolio Director - Mails, PUDO, Retail and Branch Identity Services)).	**Rebecca Whibley**
4.4	**Internal Audit Update:** Nick Read highlighted that in this area, the business was legally compliant, but not necessarily fit for purpose. This was a key focus for the next six months to ensure Operations, IT and culture were all fit for purpose. A GLO Dashboard would be presented to the Board on a monthly basis to give an overview of progress.	**Nick Read**
4.4	**Internal Audit Update:** Belfast Exit Follow-Up and PCI Compliance: These were both follow up reviews. Governance and day-to-day management have improved since previous reviews, but there were still significant risks that were largely outside the control of programme teams and this reduced confidence that objectives will be achieved as planned. Nick Read was requested to re-establish the regular dialogue with the Ingenico CEO.	**Nick Read**
9.1	**Update on branch losses and balances on Postmaster accounts**: Tom Cooper queried when the minimum value that can be settled centrally would be changed from £150 to £0, noting he thought this had been removed previously. Tim Perkins explained that Accenture had just quoted to do this, and it was requested that Tim Perkins provide the date as to when this would happen to the Committee once he is advised of it.	**Tim Perkins**
9.1	**Update on branch losses and balances on Postmaster accounts**: The Chair noted that it was good to see the figures decreasing but that it would be useful to see a dashboard of branch balances and transaction corrections, possibly as an addition to the reporting on post GLO remediation. (Tim Perkins and Amanda Jones to action for the next Committee meeting).	**Tim Perkins / Amanda Jones**
9.1	**Update on branch losses and balances on Postmaster accounts**: Via email outside the meeting, Zarin Patel also suggested that route cause analysis should be undertaken into the gross losses/gains and net balances as these seemed very high (paragraph 8 of the paper). (Tim Perkins and Amanda Jones to consider for update at the next Committee meeting)	**Tim Perkins / Amanda Jones**
10.1	**Postmaster Policies:** It was confirmed that the risk appetite was averse, but that this linked back to the earlier discussion regarding the risk appetite statement for Postmasters and the need for clear KRIs, which were particularly required to judge if the policy was being embedded and enforced. This section should be added into the policy in line with the work	**Tim Perkins / Amanda Jones /**

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	to be completed on KRIs for Postmasters (see action above in paragraph 4.2).	**Mark Baldock**
10.1	**Postmaster Policies:** There was also an action to carefully consider references to "employee" throughout the document.	**Tim Perkins / Amanda Jones**
10.1	**Postmaster Policies:** It was explained there would be an overarching document demonstrating how the policies fit together and it was agreed this would be presented to the Committee in March 2021 with the Chair requesting that it be clear in this document who was the audience of which policy.	**Tim Perkins / Amanda Jones**
10.1	**Postmaster Policies:** The Chair questioned the wording of the risk appetite section and it was requested that this was reviewed before the policy was published/implemented.	**Tim Perkins / Amanda Jones / Mark Baldock**
10.1	**Postmaster Policies:** The Committee requested that the following elements were included in the policy: 1. A suggested timetable for decision-making; 2. Who would be involved in making decisions under Tier 3 (indicating that it should be people of appropriate seniority); 3. Information that would be provided to the Postmaster through the dispute resolution process (i.e. accounting records, Horizon data etc.); 4. Reference to classroom training that would be provided to Postmasters on investigating balance discrepancies; and 5. A checklist for each tier.	**Tim Perkins / Amanda Jones**
10.1	**Postmaster Policies:** Zarin Patel (by email outside of the meeting) also raised the following points: i. Both the Postmaster Account Support Policy (para 2.5 and 4.1) and the Network Monitoring and Audit Support Policy (para 2.5) referred to "reasonable and fair investigations" without adequately defining this; and ii. The Network Monitoring and Audit Support Policy should address skill set and attitude of lead auditors and how the new culture would be embedded so they did not approach the audit with preconceived biases.	**Tim Perkins / Amanda Jones**
11.1	**Historical Matters Unit: Fraudulent Claims Controls & Delegation of Authority**: A ways of working document has been agreed, but a decision-making flow chart was still being updated. Once complete, it was	**Graham Heming way /**

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	to be circulated to the Board at its CCRC meeting. Further discussions were being held on reporting to BEIS/UKGI.	**Declan Salter**
12.1	**IT Controls:** The main focus of work in the IT Controls was the Internal Audit Report actions and focus of the improvement effort was on the controls of greatest risk, namely those areas connected with the management of the third-party estate through the lens of Post Office's crown jewel systems. The Committee requested that there be a detailed review of this, and this review would be reported to the Committee, targeting the next meeting.	**Tony Jowett**

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MINUTES OF AN ADDITIONAL MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON FRIDAY 26th FEBRUARY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 08.30AM (VIA CONFERENCE CALL)[1]

Present:	**Invited Attendees:**
Carla Stent (Chair)	Tom Lee (Financial Controller) **(TL)**
Ken McCall (SID) **(KM)**	Christine Kirby Financial Controls Manager **(CK)**
Tom Cooper (NED, UKGI) **(TC)**	
Zarin Patel (NED) **(ZP)**	
Regular Attendees:	
Tim Parker (Chairman, POL) **(TP)**	
Nick Read (Group Chief Executive Officer) **(NR)**	
Alisdair Cameron (Group Chief Finance Officer) **(AC)**	
Andrew Paynter (Audit Partner, PwC) **(AP)**	
Sarah Allen (Senior Manager, PwC) **(SA)**	
Rachel Owens (Director, PwC) **(RO)**	
Rosie Clifton (Senior Manager, PwC) **(RC)**	
Rebecca Whibley (Senior Assistant Company Secretary) **(RW)**	
Apologies:	
N/A	

		Action
1.	**Welcome and Conflicts of Interest[2]**	
1.1	A quorum being present, the Chair opened the meeting and noted that participation was solely by conference call given the current Government guidance on home working. However, given the requirements of the Company's Articles of Association, the location of the meeting was agreed to be the Company's Registered Office.	
1.2	The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	**Annual Report & Accounts**	
2.1	Alisdair Cameron introduced the papers, which had been circulated previously and were taken as read. He also referred to a short summary note that had been circulated via email to the Committee on 25 February 2021. It was noted that Her Majesty's Treasury (HMT) had approved the £285m funding for the Historical Shortfalls Scheme (HSS) late on 25 February 2021. There were conditions attached to this approval which were still being clarified, however it was agreed that these were not	

[1] Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chair's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.
[2] This meeting is an addition to the scheduled meetings so standard items, such as minutes and matters arising, have been carried over to the 30 March 2021 meeting.

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	material such that the Committee could not consider the review and approval of the Post Office Limited Group Annual Report and Accounts for financial year end 29 March 2020 (ARA) at its meeting. Alisdair Cameron outlined that there was a lot of documentation that required signature before the ARA could be finalised, namely the Funding Agreement with the Department of Business, Energy & Industrial Strategy (BEIS), letter of support from BEIS, three year working capital facility extension, loan agreement with BEIS, HSS Operations agreement and Equity agreement. The Funding Agreement included a change to the definition of a Post Office location, subject to a Cabinet write around to other Government departments. Tom Cooper confirmed one department had raised an issue, on which there would some back and forth, but it was not thought the definition would change as a result. The letter of support was highlighted as important for the Committee and the Board as it would state : *"However, we confirm that it is our present intention that BEIS's support for Post Office will continue and we will inform Post Office immediately if that situation changes."* This was key for the HSS payments and going concern assessment.	
2.2	[redacted]	

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	[redacted]	
2.3	On the going concern assessment, Al Cameron explained that: - [redacted] IRRELEVANT	NR/AC

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	IRRELEVANT	
2.4	Zarin Patel questioned how the disclosure regarding Defined Benefit Pension Scheme would be made. Al Cameron explained that the disclosure was minimal because (1) there was not much information available, (2) those affected had not yet been advised of the issue and (3) it was unclear that there would be material exposure for Post Office. Any figures would only be available in the next month or so, which would be after the signature of the accounts. The figures would fall into three categories: (1) those who have not yet had their pension quote (quotes would be corrected and liability would be zero), (2) those who have drawn their pension, and these would be honoured and not reduced and (3) those who have had a quote but have not drawn their pension and it depended on the cost as to whether these could be honoured. There would also be discussions around the proportion of costs that the Trustees should share. At present, as there was no clarity over the amounts involved, it was not clear that more should be disclosed. In response to a question from Tom Cooper, Al Cameron also confirmed that a 7% contribution by Post Office had not been confirmed due to lack of paperwork: the Scheme was in surplus, although there was a theoretical risk that if the Scheme went into deficit, Post Office might be asked to contribute more. However, Post Office could argue against this, but this would involve discussions with Royal Mail. Andrew Paynter stated the auditors had proposed a couple of additional words to the disclosure to make it clear this was based on the current funding contribution.	
2.5	At the request of Al Cameron, the Committee also confirmed that the tone struck the right balance between apologising for the past and demonstrating that Post Office was now moving forwards. Tom Cooper mentioned that he had a few comments about the budgeting cycle that he would share with Al Cameron directly.	**AC/TC**
3.	**Audit Summary Memorandum FY 2019/20**	
3.1	Andrew Paynter introduced the paper, which had been circulated previously and was taken as read. He noted that many items had already been discussed but highlighted the following:	

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	- Impairment of fixed assets: The assets of Post Office needed to be underpinned by future cash flows. This was an exercise done every year with cash flows updated and the same cash flows have been looked at for the going concern assessment. The auditors were comfortable with the impairment calculation. There was headroom over carrying value of fixed assets: this was IRRELEVANT in June and was now down to IRRELEVANT The auditors were comfortable with this, the discount model used and impairment on the insurance business. - Defined Benefit Pension Scheme disclosure: As the Scheme was IRRELEVANT in surplus, the auditors were comfortable with the disclosure. - CCRC: Given timing of the accounts and the unfolding of the events, this was a post balance sheet event as at 31 March 2020 and not a contingent liability. - Going concern: This was addressed on page 10 of the report, with auditors concluding that this basis of preparation was appropriate, with the material uncertainty identified. - Controls: These were discussed with the Committee last June and most were now closed. - Telco unadjusted misstatements: At the Chair's request, Al Cameron confirmed these would be corrected/cleared when the sale completes. Andrew Paynter further highlighted the incremental costs of the audit for financial year 2019/20, which had run for circa 9 months and that these were being discussed with Al Cameron. It was also noted that fees for financial year 2020/21 also needed to be agreed. All fees were to be approved by the Committee and should be brought back for approval once agreed with the auditors.	**AC**
3.2	Given the confirmation of the HSS funding, the Committee agreed it was appropriate to recommend the ARA for approval to the Board, with a delegation to the Group Chief Finance Officer, the Group Chief Executive Officer and the Chair of the ARC to finalise prior to signature. Tim Parker confirmed he was content with this approach.	
3.3	Accordingly, the Committee: i. **NOTED** the status of the Post Office Limited Group Annual Report and Accounts (ARA) for the year ended 29 March 2020; ii. **NOTED** the main changes in the ARA since they were last presented to ARC in June 2020; iii. **NOTED** the plan for completion and signing of the ARA; iv. **NOTED** and **DISCUSSED** the key judgements and decisions made in determining the disclosures made in the ARA in respect of key estimates, judgements and other significant matters (see above minutes); v. **NOTED** the Audit Summary Memorandum financial year 2019/20; and	

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	vi. **APPROVED** the ARA for onward submission to the Board, subject to the matters discussed and agreed during the meeting, and with a delegation to the Group Chief Finance Officer, the Group Chief Executive Officer and the Chair of the ARC to finalise prior to signature.	
4.	**Audit FY 2020/21 Update: IT Controls**	
4.1	Rachel Owens introduced the paper, which had been circulated previously and was taken as read. It was highlighted that there was good progress being made and more progress would be seen as Tony Jowett's (Chief Information Security Officer) initiatives continue into the next financial year. The Committee otherwise **NOTED** the Audit FY 2020/21 Update on IT Controls.	
5.	**AOB**	
5.1	There being no further business, the meeting was closed at 09:30. The Board met immediately after the Committee to approve the accounts.	

....

Chair **Date**

Meeting Actions:

Para No.	Action Detail	Action
2.3	The Committee carefully considered the Starling disclosures, especially in light of the recent legal case vs Uber. The Committee requested that an update on Starling be brought to the Board in May 2021.	Nick Read/Al Cameron (Dan Zinner)
2.5	Tom Cooper mentioned that he had a few comments about the budgeting cycle that he would share with Al Cameron directly.	Al Cameron /Tom Cooper
3.1	Andrew Paynter further highlighted the incremental costs of the audit for financial year 2019/20, which had run for circa 9 months and that these were being discussed with Al Cameron. It was also noted that fees for financial year 2020/21 also needed to be agreed. All fees were to be approved by the Committee and should be brought back for approval once agreed with the auditors.	Al Cameron

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Post Office Limited Audit, Risk & Compliance Committee
OPEN ACTIONS

Number	Meeting Date	Minute Reference	Action	Action Owner	Due Date	Comment
1	27/07/2020	4	**Pensions Assurance** [redacted] 2.The Pensions team are to inform the Unions to avoid a whistle blow. A communication plan should be developed with Richard Taylor (POL Group Communications Director) should the issue become public knowledge. 3. A quantification of the error, a remediation plan and debrief should be presented to the Committee in September, where the Committee will consider the position/status. 4.Pensions Assurance will remain as a standing agenda item until further notice.	Maxine Cross	Before May 2021 ARC/Board Meeting & at May 2021 ARC/Board meeting ~~March 2021 ARC or Board Meeting January 2021 ARC or Board Meeting~~	23/032021: See update to action 8 below. 19/01/2021: See update to action 6.4 from 22/09/2020 below. Quantification to be known in March 2021 and update to be provided to ARC or Board as required at this point. An update paper will also be presented to the Committee for noting on 26 January 2021. 02/11/2020: Points 1 & 2 are completed - Issue has been reported to the Pension Regulator. Richard Taylor has put in place reactive communications and a joint statement has been issued to employees. Point 3 is still outstanding and will be reported to January ARC or Board as required.
2	22/09/2020	2.1	**Procurement Policy:** The team are also supported by the Legal Procurement manual supplied for context but currently being refreshed, which was to be completed by November 2020.	Barbara Bannon	March 2021 ARC	08/01/2021: This has been completed and was reviewed again in January post Brexit. The Procurement Policy is due to re-approval by the Committee on 30 March 2021 via written resolution. **Recommended for closure.** Note: This action was, unfortunately, missed from the ARC actions list for previous meetings and as such has not been previously updated.
3	22/09/2020	2.2	**Procurement Policy:** Procurement were to present sourcing options to the GE and Board on a consulting OJEU to appoint a POL panel for professional services by March 2021.	Barbara Bannon	March 2021 ARC	08/01/2021: This has been completed and the OJEU process is due to commence in the summer. **Recommended for closure.** Note: This action was, unfortunately, missed from the ARC actions list for previous meetings and as such has not been previously updated.
4	22/09/2020	2.2	**Procurement Policy:** Appendix A was to be removed and replaced with a sub-section in main Procurement Policy on sub-threshold procurement by November 2020.	Barbara Bannon	March 2021 ARC	08/01/2021: This has been completed and was reviewed again in January post Brexit. The Procurement Policy is due to re-approval by the Committee on 30 March 2021 via written resolution. **Recommended for closure.** Note: This action was, unfortunately, missed from the ARC actions list for previous meetings and as such has not been previously updated.
5	22/09/2020	2.3	**Procurement Policy:** Tom Cooper advised his UKGI procurement specialist would review the policy by November 2020.	Barbara Bannon	March 2021 ARC	08/03/2021: A positive response received from UKGI who reviewed the Procurement Policy with no changes recommended. **Recommended for closure.** Note: This action was, unfortunately, missed from the ARC actions list for previous meetings and as such has not been previously updated.

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6	22/09/2020	2.4	**Procurement Policy:** A working framework be developed with secured CCS panels to reduce the need for advertising professional services opportunities (due by 31 March 2021).	Barbara Bannon	March 2021 ARC	08/01/2021: This has been completed and the OJEU process is due to commence in the summer. **Recommended for closure.** Note: This action was, unfortunately, missed from the ARC actions list for previous meetings and as such has not been previously updated.
7	22/09/2020	4.1	**Risk Appetite Statements**: Updated risk appetite statements for Legal, Compliance & Governance and technology would be presented to the Committee in November and further statements would be brought before the Committee in January and March 2021 .	Mark Baldock	March 2021 ARC ~~January 2021 ARC Meeting (then Mar.2021)~~	07/03/2021: LCG risk appetite update paper tabled for RCC/ARC 3/2021 meetings. Following initial noting in 1/2021, formal ARC approval now sought to LCG risks appetite position Central Risk in discussion with Retail and Franchise Network to put in place an Operational RAS (given this will cover postmaster-centric risks). The plan is get to an internally agreed position by end of 3/2021 which can then be tabled for ARC in 5/2021. **Recommended for closure.** 20/01/2021: Legal and Compliance Risk Appetite Statement paper has been produced and to be presented by Ben Foat to the Committee on 26 January 2021 for noting (to be approved at a later date). Further statements are in train including IT (with Jeff Smyth) and Operations (Postmasters) (with Amanda Jones). One of these statements will be presented in March 2021.
8	22/09/2020	6.4	**Pensions Assurance:** ZP raised concern at the levels of stress/upset the clawback could cause for members, particularly where members had passed away, and requested the following be presented: 1.A strategic plan for claw-back. 2.Sight of the complications and controls in place. 3.A review of all quantum figures.	Maxine Cross	Before May 2021 ARC/Board Meeting & at May 2021 ARC/Board meeting ~~March 2021 ARC or Board Meeting~~ ~~January 2021 ARC Or Board Meeting~~	23/03/2021: HR will meet the Trustee on 24 March 2021 following their Board meeting on 23 March 2021. This will be the first sight of the impact of the errors. Once the impact is understood, the teams will meet with Lisa Cherry and Al Cameron on 31 March 2021 and then discuss with Steerco on 8 April 2021. It should be noted that the Trustee's calculations are based on Post Office's data which is believed to be final. However the Trustee has asked for assurance that the Unions are supportive of the reconstruction work. Work to get that assurance from them is on going. Further update to be provided before and at the May 2021 Committee meeting. 19/01/2021: The quantum is likely to be known in March 2021 following analysis and review by the Trustee. The approach to correcting the members benefits including any proposed clawback will be discussed by the Trustee and POL following the Trustee board meeting on 23rd March. We intend to engage early with the Trustee to ensure our preferred approach is known. A further update will be provided to the ARC or Board as required in March 2021. An update paper will also be presented to the Committee for noting on 26 January 2021. 02/11/2020: This will be addressed at the January 2021 ARC or Board Meeting as required.

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9	24/11/2020	3.1	**Risk Dashboard**: Mark Baldock was asked to review the dashboard and make key (bigger picture) risks and trends clearer, pulling this out from the detail already in the dashboard and including the "so what" factors. The revised dashboard approach should be presented to the January 2021 Committee meeting.	Mark Baldock	March 2021 ARC Meeting ~~January 2021 ARC Meeting~~	07/03/2021: Updated Central Risk Dashboard tabled for RCC/ARC meetings in 3/2021. Draft format shared in advance with ARC Chair and approach sensed checked with Gartner. Format will be flexed to accommodate changing need as new topics come to the fore. **Recommended for closure.** 19/01/2021: At this point we are not in position to provide system-aggregated Dashboards etc as just finalising the risk management transition from RSA Archer to ServiceNow (IRMPro). This has just been completed. A refreshed set of GRC risk reports in line with ARC requirements will be presented to ARC in March 2021.
10	24/11/2020	3.2	**Risk Policy**: The Policy and Risk Appetite approach looked sensible but without a worked example, it was hard to know if it could be applied in practice. Mark Baldock was asked to provide a specific application of the approach to Risk Appetite via email to the Committee before the next Committee meeting so that the Committee could see how the approach worked in practice.	Mark Baldock / Jonathan Hill / Ben Foat	Prior to March 2021 ARC Meeting ~~Prior to January 2021 ARC Meeting~~	07/03/2021: LCG risk appetite update paper tabled for RCC/ARC 3/2021 meetings. The plan is to report on the latest LCG appetite and KRI trends as part of standard RCC/ARC Dashboard in 5/2021. **Recommended for closure.** 21/01/2021: The Legal & Compliance Risk Appetite paper has been developed and has been shared with the Chair. However, this is still a work in progress and as such, the Committee is not being asked to approve the Risk Appetite statement at its January meeting. Accordingly the Committee may discuss and feedback as required in the meeting. The further iteration will be shared with the Committee prior to its next meeting, if the Committee so requires.
11	24/11/2020	9.1	**Historical Matters Unit:** Responsibilities, accountabilities and decision making authorities were still being clarified with RACI matrixes. The Chair noted that the delegation of authority to the HMU needed to be clearer. It was agreed that this would be presented to the January 2021 ARC meeting.	Graham Hemmingway	May 2021 ARC Meeting ~~March 2021 ARC Meeting~~ ~~January 2021 ARC Meeting~~	23/03/2021: The RACID is being expanded to include HSS governance changes, specifically, monthly reviews with UKGI/BEIS and quarterly reviews to also include Treasury. Additionally, RACID updates are required pending agreement as to funding and POL governance arrangements relating to CIJ and HIJ conformance, which remains under discussion at IDG based on recent proposals for this work. Further update to be provided at the May 2021 Committee meeting. Work associated with Fraudulent Claims controls is now being addressed as part of standard project management processes/activities. (see also action 37) 20/01/2021: Discussions concerning UKGI/BEIS involvement in Historical Shortfall Scheme (HSS) approvals, which directly affects the operation of the schemes have continued during December and are expected to be finalised during January. A verbal update will be provided to the ARC relating to the latest position agreed as at the meeting dates in January 2021. Further update to be provided in March 2021.

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12	24/11/2020	10.1	**Payzone Risk Report:** Andrew Goddard and Jonathan Hill were asked to discuss the previously raised issue relating to Capita and Money Service Businesses (see para 3.3) and update the Committee by its meeting January 2021.	Andrew Goddard & Jonathan Hill	Before the March 2021 ARC Meeting ~~January 2021 ARC Meeting~~	23/03/2021: An update confirming the cessation of PipIt in Post Office is included in the Compliance paper. **Recommended for closure.** 18/01/2021: Capita have confirmed to PipIt that they need to stop using Post Office branches and find another method. PipIT asked if they can have 2 weeks to sort out a new provider which we have agreed to, so to be clear the proposal is for PipIT stop using PO by 31/01/2021. (Note: PipIT is the gateway for Zeepay, Glow remit etc. if this service is stopped using Post Office branches, then the others will also be stopped). A further update will be provided when it is
13	26/01/2021	2.1	**Investigations Policy:** Accordingly, the Committee APPROVED the Investigations Policy, subject to: i.The inclusion of details on the appropriate attitude of the investigator; the need for the investigator to be independent and have the appropriate expertise and appropriate references to other relevant policies; and The policy being externally reviewed, and the results of this review being considered and included as appropriate.	Ben Foat	Before the March 2021 ARC Meeting	23/03/2021: External review completed by HSF, with independence wording added. A Working Group has been established to ensure workability of the GIP cf affected policies and finalise the GIP. **Recommended for closure.** 25/02/2021: Norton Rose Fullbright are undertaking an external review of the policy.
14	26/01/2021	4.1	**Risk Update:** The Chair noted a discussion in the Internal Audit meeting that morning about how to implement controls around Postmaster risks and how to validate GLO initiatives. Mark Baldock was asked to pick this up with Jonathan Hill with an update to be provided at the March meeting. Multiple partner fragility was also noted as a key operational risk due to the economic threats to the high street.	Mark Baldock	Update @ March 2021 ARC Meeting	07/03/2021: Central Risk are reviewing the current Post Office risks dataset to ensure they have a focus on postmaster risks where appropriate. Work also underway with Retail & Franchise Network to put in place an operational risks appetite to cover such risks. The Compliance-led wider control review will pick up associated controls which will mapped against the risks on the corporate GRC tool. **Recommended for closure.**
15	26/01/2021	4.1	**Risk Update:** Ken McCall requested that the following be reviewed: -The wording of paragraph 13 relating to the financial risk around "insufficient" funding reflect the risk of uncertainty about funding; -Paragraph 25 relating to the risk of prolonged industrial action as this should refer to pace of response rather than the risk of material long term industrial action; and -Paragraph 27 relating to adverse external economic factors, noting that much of this was outside Post Office's control and that, some elements had upsides for Post Office. Mark Baldock was asked to review these sections, discuss further with Ken McCall and provide an update for the next Committee meeting	Mark Baldock	Update @ March 2021 ARC Meeting	07/03/2021: Requisite adjustments have been made to associated financial, industrial action and external economic factor risk descriptions. **Recommended for closure.**
16	26/01/2021	4.2	**Risk Appetite Statement: Legal & Compliance**: It was requested that Ben Foat consider the wording of paragraph 14 relating to "breaching tolerance" as, in fact, it was more about needing stronger controls.	Ben Foat	March 2021 ARC Meeting	23/03/2021: Legal & Compliance risk appetite update paper tabled for RCC/ARC 3/2021 meetings. **Recommended for closure.**
17	26/01/2021	4.2	**Risk Appetite Statement: Legal & Compliance:** Tom Cooper highlighted that Pick Up Drop Off (PUDO) was a competition risk given the investment being made in the Express Post Office proposition and noted an argument could be made about state aid. This was to be considered and, if appropriate, added to the paper.	Ben Foat	March 2021 ARC Meeting	23/03/2021: Legal & Compliance risk appetite update paper tabled for RCC/ARC 3/2021 meetings. Summary is included in this paper **Recommended for closure.**
18	26/01/2021	4.2	**Risk Appetite Statement: Legal & Compliance:** The Chair noted that the risk relating to Post Office being in a less competitive position due to new legislation or regulation was really a commercial risk. This should be corrected in the paper.	Ben Foat	March 2021 ARC Meeting	23/03/2021: This has been corrected. **Recommended for closure.**

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19	26/01/2021	4.2	**Risk Appetite Statement: Legal & Compliance:** As such, Mark Baldock was asked to look at identifying the KRIs for Postmasters with the Network team and consider working on statements for one or two other areas for update at the March Committee meeting (in the usual Risk Paper).	Mark Baldock	March 2021 ARC Meeting	07/03/2021: LCG risk appetite update paper tabled for RCC/ARC 3/2021 meetings which provides an update on work to produce a set of supporting LCG Key Risk Indicators (KRIs), their supporting data sources and the relevant tolerances. The plan is to including the latest LCG appetite and KRI trends in standard RCC/ARC Dashboard in 5/2021. **Recommended for closure.**
20	26/01/2021	4.3	**Compliance Update:** Ken McCall noted that the report outlined that there had been changes to the Postmaster Onboarding process and questioned whether this meant the onboarding process was quicker. Jonathan Hill was asked to confirm this point for update at the next meeting.	Jonathan Hill	March 2021 ARC Meeting	23/03/2021: An update will be provided at the meeting in March.
21	26/01/2021	4.3	**Compliance Update:** In response to questions from Ken McCall raising concerns about the wording of this section in the report (paragraph 11), it was confirmed that it was the mapping of processes for activities addressing the CIJ that had no consistent approach, rather than the controls themselves. Key was evidence of controls and a consistency of approach. The HMU team was working with the relevant business areas to address this. However, the Chair asked Jonathan Hill to further consider before the next meeting any underlying issues (not just related to mapping), what controls were in place and whether or not they were appropriate.	Jonathan Hill	May 2021 ARC Meeting ~~March 2021 ARC Meeting~~	23/03/2021: The Controls Framework programme has been put on hold. Please refer to the Compliance paper. Furthe update to be provided in May.
22	26/01/2021	4.3	**Compliance Update:** Zarin Patel also requested that the Committee have sight of the KMPG review of the HIJ when this was ready, noting that there were a lot of papers regarding Postmasters before the Committee and the Board and therefore questioned whether the issue was under control.	Jonathan Hill (Declan Salter / Jeff Smyth)	Before the March 2021 ARC Meeting	23/03/2021: The report was sent to Carla Stent on 12/2, following on from a briefing to Carla on 08/02/21. Jeff Smyth and Dan Zinner jointly presented action plan on Deloitte and KPMG to the Board on 25/2 (as part of the CCRC session). **Recommended for closure.**
23	26/01/2021	4.3	**Compliance Update: Fire Risk Assessments:** The Committee requested to be kept up to date regarding the outstanding actions in respect of fire risk assessments undertaken in June and July which are currently being investigated by the Head of Health & Safety. This was to be included in the Compliance report for the March meeting.	Jonathan Hill	May 2021 ARC Meeting ~~March 2021 ARC Meeting~~	23/03/2021: An update is provided in the Compliance paper. Further update to be provided in May confirming actions closed.
24	26/01/2021	4.4	**Internal Audit Update**: Johann Appel was asked to send Tom Cooper a summary of the audit actions from the [Mails & Parcels] report.	Johann Appel	Before the March 2021 ARC Meeting	23/03/2021: Mails & Parcels audit actions with Tom Cooper (and the rest of the committee) on the 27th of January. **Recommended for closure.**
25	26/01/2021	4.4	**Internal Audit Update**: a detailed review of [the Dangerous Goods] issue, including what could be done at source and what other carriers were doing in this area. An update was requested for the next meeting in March 2021 (accountability sitting with Amanda Jones (Retail and Network Franchise Director) and Mark Siviter (Product Portfolio Director Mails, PUDO, Retail and Branch Identity Services)).	Rebecca Whibley (Inform the relevant colleagues)	March 2021 ARC Meeting	23/03/2021: This item is on the agenda for the March meeting, see item 9. **Recommended for closure.** 12/02/2021: Amanda Jones, Mark Sivitier, Owen Woodley and Andy Kingham have been informed of this action and agenda item. It has been added to the March ARC agenda.
26	26/01/2021	4.4	**Internal Audit Update:** Nick Read highlighted that in this area, the business was legally compliant, but not necessarily fit for purpose. This was a key focus for the next six months to ensure Operations, IT and culture were all fit for purpose. A GLO Dashboard would be presented to the Board on a monthly basis to give an overview of progress.	Nick Read	Update @ March 2021 ARC Meeting	23/03/2021: The GLO Dashboard is in draft form and will be shared ahead of the next Board Meeting on 30th March 2021. **Recommended for closure.**

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27	26/01/2021	4.4	**Internal Audit Update:** Belfast Exit Follow-Up and PCI Compliance: These were both follow up reviews. Governance and day-to-day management have improved since previous reviews, but there were still significant risks that were largely outside the control of programme teams and this reduced confidence that objectives will be achieved as planned. Nick Read was requested to re-establish the regular dialogue with the Ingenico CEO.	Nick Read	Update @ March 2021 ARC Meeting	23/03/2021: Following the recent acquisition of Ingenico by Worldline IT have requested the re-establishment of quarterly CEO-CEO review sessions to maintain senior relationships for the PCI-DSS programme. Worldline are marshalling the correct senior representatives with the initial session targeted for April 2021. Nick and Jeff have agreed that Post Office will establish a monthly Fujitsu governance session which will include both CEOs and CIOs for the account to monitor account delivery plans (for Belfast Data Centre Exit and PCI-DSS) , commercials and controls. This will commence on 1st April. **Recommended for closure.**
28	26/01/2021	9.1	**Update on branch losses and balances on Postmaster accounts:** Tom Cooper queried when the minimum value that can be settled centrally would be changed from £150 to £0, noting he thought this had been removed previously. Tim Perkins explained that Accenture had just quoted to do this, and it was requested that Tim Perkins provide the date as to when this would happen to the Committee once he is advised of it.	Tim Perkins	Update @ May 2021 ARC Meeting ~~Update @ March 2021 ARC Meeting~~	23/03/2021: A new test and launch plan for the Horizon change is underway with launch dates mid-end April (either 14th April or 28th April depending on the number of test cycles which need to be completed). Further update to be provided in May 2021.
29	26/01/2021	9.1	**Update on branch losses and balances on Postmaster accounts:** The Chair noted that it was good to see the figures decreasing but that it would be useful to see a dashboard of branch balances and transaction corrections, possibly as an addition to the reporting on post GLO remediation. (Tim Perkins and Amanda Jones to action for the next Committee meeting).	Tim Perkins & Amanda Jones	March 2021 ARC Meeting	23/03/2021: The number of aged balances and transaction corrections are now tracked monthly as one of the metrics on the Voice of the Postmaster dashboard. See example from February (29_9.1 Voice of the Postmaster Dashboard February 21 in Reading Room). **Recommended for closure.**
30	26/01/2021	9.1	**Update on branch losses and balances on Postmaster accounts:** Via email outside the meeting, Zarin Patel also suggested that route cause analysis should be undertaken into the gross losses/gains and net balances as these seemed very high (paragraph 8 of the paper). (Tim Perkins and Amanda Jones to consider for update at the next Committee meeting)	Tim Perkins & Amanda Jones	Update @ May 2021 ARC Meeting ~~Update @ March 2021 ARC Meeting~~	23/03/2021: Tim Perkins will provide a verbal update on this point, upon his return from leave, at the ARC meeting on Tuesday 30th March. Further update to be provided at the May 2021 meeting.
31	26/01/2021	10.1	**Postmaster Policies (Network Monitoring and Audit Support Policy):** It was confirmed that the risk appetite was averse, but that this linked back to the earlier discussion regarding the risk appetite statement for Postmasters and the need for clear KRIs, which were particularly required to judge if the policy was being embedded and enforced. This section should be added into the policy in line with the work to be completed on KRIs for Postmasters (see action above in paragraph 4.2).	Tim Perkins / Amanda Jones / Mark Baldock	Update @ May 2021 ARC Meeting ~~Update @ March 2021 ARC Meeting~~	23/03/2021: Alongside the postmaster policies creation and review, we are also reviewing risk appetite statements with Mark Baldock, with the aim of defining a set of operational risk appetite statements for use in these and future policies. Update to be provided in May 2021.
32	26/01/2021	10.1	**Postmaster Policies (Network Monitoring and Audit Support Policy):** There was also an action to carefully consider references to "employee" throughout the document.	Tim Perkins & Amanda Jones	Update @ March 2021 ARC Meeting	23/03/2021: This point is noted and will be considered in the review of this policy which is currently taking place. Further update to be provided in May 2021.
33	26/01/2021	10.1	**Postmaster Policies:** It was explained there would be an overarching document demonstrating how the policies fit together and it was agreed this would be presented to the Committee in March 2021 with the Chair requesting that it be clear in this document who was the audience of which policy.	Tim Perkins & Amanda Jones	March 2021 ARC Meeting	23/03/2021: The overarching document is called the Postmaster Guide to Policies and has been submitted to ARC for review on 30th March. It is Appendix 7 of the Postmaster Policies submission. **Recommended for closure.**
34	26/01/2021	10.1	**Postmaster Policies (Postmaster Account Support Policy):** The Chair questioned the wording of the risk appetite section and it was requested that this was reviewed before the policy was published/implemented.	Tim Perkins / Amanda Jones / Mark Baldock	Update @ May 2021 ARC Meeting ~~Update @ March 2021 ARC Meeting~~	23/03/2021: Alongside the postmaster policies creation and review, we are also reviewing risk appetite statements with Mark Baldock, with the aim of defining a set of operational risk appetite statements for use in these and future policies. Update to be provided in May 2021.

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35	26/01/2021	10.1	**Postmaster Policies (Postmaster Accounting Dispute Resolution Policy):** The Committee requested that the following elements were included in the policy: 1.A suggested timetable for decision-making; 2.Who would be involved in making decisions under Tier 3 (indicating that it should be people of appropriate seniority); 3.Information that would be provided to the Postmaster through the dispute resolution process (i.e. accounting records, Horizon data etc.); 4.Reference to classroom training that would be provided to Postmasters on investigating balance discrepancies; and 5.A checklist for each tier.	Tim Perkins & Amanda Jones	March 2021 ARC Meeting	23/03/2021: The policy was updated accordingly and reviewed by the Chair before being sent to the Committee for approval via written resolution. **Recommended for closure.**
36	26/01/2021	10.1	**Postmaster Policies:** Zarin Patel (by email outside of the meeting) also raised the following points: i.Both the Postmaster Account Support Policy (para 2.5 and 4.1) and the Network Monitoring and Audit Support Policy (para 2.5) referred to "reasonable and fair investigations" without adequately defining this; and ii.The Network Monitoring and Audit Support Policy should address skill set and attitude of lead auditors and how the new culture would be embedded so they did not approach the audit with preconceived biases.	Tim Perkins & Amanda Jones	Update @ May 2021 ARC Meeting ~~Update @ March 2021 ARC Meeting~~	23/03/2021: The point about "reasonable and fair investigations" in both policies is noted and is being considered in the review of these policies which is currently taking place. As part of the training plan, we'll also address some of the cultural aspects that influence the attitude of our postmaster facing teams. An update will be provided at the May 2021 Meeting.
37	26/01/2021	11.1	**Historical Matters Unit:** Fraudulent Claims Controls & Delegation of Authority: A ways of working document has been agreed, but a decision-making flow chart was still being updated. Once complete, it was to be circulated to the Board at its CCRC meeting. Further discussions were being held on reporting to BEIS/UKGI.	Graham Hemingway / Declan Salter	Update @ May 2021 ARC Meeting ~~Update @ March 2021 ARC Meeting~~	23/03/2021: The RACID is being expanded to include HSS governance changes, specifically, monthly reviews with UKGI/BEIS and quarterly reviews to also include Treasury. Additionally, RACID updates are required pending agreement as to funding and POL governance arrangements relating to CIJ and HIJ conformance, which remains under discussion at IDG based on recent proposals for this work. Further update to be provided at the May 2021 Committee meeting. Work associated with Fraudulent Claims controls is now being addressed as part of standard project management processes/activities. (see also action 11)
38	26/01/2021	12.1	**IT Controls:** The main focus of work in the IT Controls was the Internal Audit Report actions and focus of the improvement effort was on the controls of greatest risk, namely those areas connected with the management of the third-party estate through the lens of Post Office's crown jewel systems. The Committee requested that there be a detailed review of this, and this review would be reported to the Committee, targeting the next meeting.	Tony Jowett	Update @ March 2021 ARC Meeting (report to be provided at July 2021 ARC Meeting)	23/03/2021: IT controls being updated with the following actions: - Platform update through Service Now integration – agreed with PRB - KPMG review of existing IT controls underway - Controls second line TOM in development – aligned with Finance but with input from KPMG - Sample of Controls for Managing Suppliers focusing on Horizon initially being analysed as a joint exercise with Horizon IT GLO team with lessons to be spread across all 3rd party suppliers once complete. Further update to be provided at the May Committee meeting.
39	26/02/2021	2.3	Annual Report & Accounts 2019/20: The Committee carefully considered the Starling disclosures, especially in light of the recent legal case vs Uber. The Committee requested that an update on Starling be brought to the Board in May 2021.	Nick Read/Al Cameron (Dan Zinner)	June 2021 Board Meeting	23/03/2021: This is to be addressed at the June 2021 Board Meeting.

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40	26/02/2021	2.5	Annual Report & Accounts 2019/20: Tom Cooper mentioned that he had a few comments about the budgeting cycle that he would share with Al Cameron directly.	Al Cameron	Update @ March 2021 ARC Meeting	23/03/2021: The budget is due to be presented to the Board on 30 March and finance have held meeting with Tom Cooper. **Recommended for closure.**
41	26/02/2021	3.1	Audit Summary Memorandum FY 2019/20: Andrew Paynter further highlighted the incremental costs of the audit for financial year 2019/20, which had run for circa 9 months and that these were being discussed with Al Cameron. It was also noted that fees for financial year 2020/21 also needed to be agreed. All fees were to be approved by the Committee and should be brought back for approval once agreed with the auditors.	Al Cameron	May 2021 ARC Meeting	23/03/2021: Approval of fees will be requested at the May 2021 ARC.

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Post Office Limited
Year ending 28 March 2021

Audit and Risk Committee Report - Update
Private and confidential
March 2021



We have prepared this report solely for the use of Post Office Limited. This report forms part of the continuing dialogue between the company and us and therefore it is not intended to include every matter, whether large or small, that has come to our attention, through our audit. For this reason, this report should not be made available to third parties, and if any third party were to obtain a copy without prior written consent, we would not accept any responsibility for any reliance that they might place on it.

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Update to the Audit & Risk Committee ("ARC")

Completion of 2019/2020 accounts

We have now completed the 2019/2020 audit and we signed the Post Office Limited consolidated financial statements on 22 March 2021. We concluded our work over significant areas such as impairment of goodwill / PPE, Going Concern, "Historical Matters" (HSS and CCRC), Pensions and "Hard to Place" branches, as well as our detailed review of the revised financial statements. There were no further findings beyond those identified and communicated to you at the February 2021 Audit & Risk Committee. The accounts for Payzone Bill Payments Limited were signed on 23 March 2021, with the POMS accounts expected to be signed on 26 March 2021.

Update to planning and interim 2020/2021

Our 2020/2021 audit risks remain consistent with those communicated to the Audit & Risk Committee in our Audit Plan presented in November 2020. See appendix 1 for an extract from that Audit Plan showing our current risk assessment.

Ahead of the year-end fieldwork commencing, we will meet with key stakeholders across the business to update our understanding of business issues and performance. We will engage in early discussions to conclude on the appropriate accounting treatment for key transactions/contractual arrangements. These include accounting for the Telco disposal, the new contract with Yoti, the recognition of an asset in respect of the BEIS HSS settlement funding guarantee, as well as the most appropriate Income Statement presentation (following the change in the Investment funding approach by Government). We will report on these and other issues (as well as any updates to our risk assessment) as part of our normal year-end reporting to the Audit & Risk Committee.

We have continued to attend cash counts at branches throughout December to March. By the time of the ARC we will have attended year end cash counts at London, Birmingham, Glasgow, Hemel Hempstead and Sheffield.

In November and December, we performed some interim testing across revenue, property, plant and equipment, intangible assets, journals and payroll. We were unable to finalise our work in this area, in part due to impact of the ongoing finalisation of the 2019/2020 audit. We will complete this testing as part of the year end fieldwork.

Fees

As part of the finalisation of the 2019/2020 year end audit, additional fees of IRRELEVANT have been agreed in relation to the additional work required since June 2020. This included work over the judgements relating to Going Concern; provisions and disclosures in respect of the HSS and CCRC positions; updated impairment assessments in light of COVID-19; and work on the revised financial statements.Total audit fees for 2019/20 were IRRELEVANT with audit hours more than 10,500.

A dialogue in relation to the 2020/2021 audit fee is ongoing, with an agreement in principle by management to move away from a "fixed fee" landscape, such that POL assumes more of the hours "volume risk" with an underpinned rate per hour of IRRELEVANT

The detail in relation to this approach will be progressed in the next few weeks now that the 2019/20 audit has concluded. We will agree specific working practices and project management protocols (for both management and the audit team), aimed at optimising the delivery of an efficient audit.

A key factor in budgeting the quantum of hours required for the 2020/2021 audit will be whether or not a "two phase" audit process is again required, as well as agreeing the level of complexity associated with key risks such as HSS/CCRC and Going Concern that should be assumed heading into the audit. We will be discussing this with management during April, in tandem with discussions regarding the most appropriate accounts timetable around which to plan the audit.

Timetable

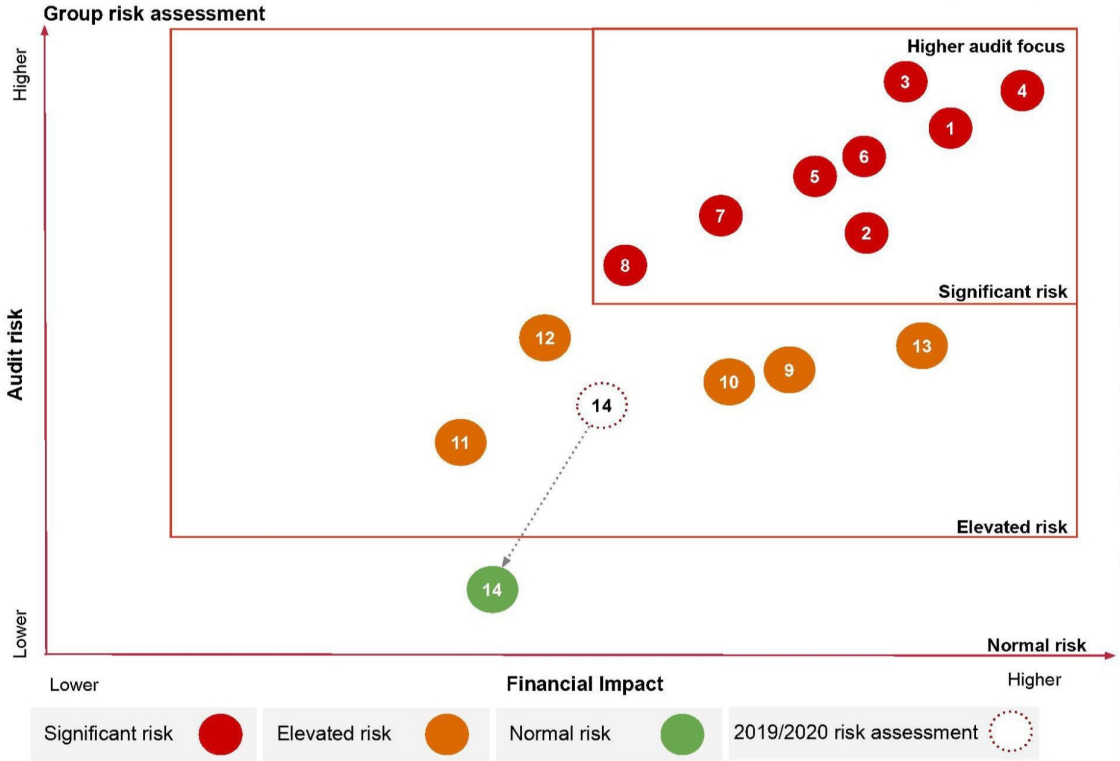
We are currently scheduled to commence the main audit fieldwork in the week commencing 26 April 2021, with work concluded by the time of the Audit & Risk Committee meeting on 29 June 2021.

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Appendix 1 - extract from Audit Plan presented in November 2020

2.3 Risk assessment

For those risks that we have assessed as an audit risk, we have considered whether they give rise to an elevated or significant risk as described below. This assessment is performed for each individual financial statement line item. Further detail of our assessment of risk, and our proposed approach, is detailed in the following pages.



	Identified risk
1	Risk of management override of control*
2	Fraud in revenue recognition*
3	Going concern
4	Postmaster litigation
5	Impairment of fixed assets
6	Impairment of intangible assets subject to amortisation
7	Impairment of goodwill - POMS
8	Accuracy of telecoms revenue
9	Telecoms disposal
10	Capitalisation of intangible assets
11	VAT accounting
12	Assumptions in the pension schemes' liabilities
13	Classification and recognition of Trading Profit
14	IFRS 16 - first year full adoption

** These risks are required by auditing standards, applicable to all audits.*

Significant risk: These areas require specific focus because they require significant judgements or are not routine. Testing includes an evaluation of the controls in place as well as substantive testing.

Elevated risk: Although not considered significant, the nature of the balance/area requires specific consideration.

Changes to our risk assessment:

- *Accounting for the potential disposal of the Telecoms business has been identified as an elevated risk for 2020/21, reflecting the proposed sale and potential complexity re the associated accounting treatment.*
- *IFRS 16 - first year full adoption has been reduced to a normal risk, reflecting the second year application of IFRS 16 accounting.*
- *Whilst fraud in revenue recognition remains a significant risk, we have updated our assessment to reflect the impact of COVID-19 on trading and have identified completeness of revenue as a potential additional significant risk for the following streams; Fixed, Horizon to CFS and Third Party. See Appendix 4 for our detailed assessment of all revenue streams. At this time Existence/occurrence remains a significant risk and we will update our risk assessment closer to the year end date*

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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

4.4

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) **(HR)**	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) **(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. The action remained open. Action 2 from 14 January 2020 para 10.6 - Money Laundering Reporting Officer (MLRO) Annual Report: MRC were still not conducting any meetings. The action remained open.	

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	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. Action 4 from 10 September 2020 para 4 Pensions Assurance: 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. The action remained open. Action 5 from 12 November 2020 para 3.1 Risk, Compliance & Audit Update – Risk Dashboard: 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. The action was closed. Action 6 from 12 November 2020 para 3.4 Risk, Compliance & Audit Update – Internal Audit (Controls): 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, the action was closed with further updates in the Compliance Paper in due course. Action 7 from 12 November 2020 para 3.4 Risk, Compliance & Audit Update – Internal Audit (Joiners, Movers, Leavers): The IT actions for this have now been completed with no discrepancies reported. HR have also confirmed this is complete. The action was closed. Action 8 from 12 November 2020 para 3.4 Risk, Compliance & Audit Update – Internal Audit (Data Deletion): Further action by IT to create an auto-delete capability was subject to funding, which will be reviewed during 2021/22. This action remained open. Action 9 from 12 November 2020 para 4.2 Cyber Security (Phishing Training): This list was provided as requested. The action was closed. Action 10 from 12 November 2020 para 4.2 Cyber Security (Culture): 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). The action was closed. Action 11 from 12 November 2020 para 4.4 Belfast Data Center Disaster Recovery Testing: 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. The action was closed, but the Chair requested that it be fed back that the test in June must go ahead (Rebecca Whibley to advise team).	**RW**

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Action 12 from 12 November 2020 para 6 Notification of Transaction Error: The changes required in CFS have been agreed with Finance and Accenture. The date 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.

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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.

Action 22 from 12 January 2021 para 3.3 Compliance Update (Financial Services – Multi-Principal Review): 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. The action remained open.

Action 23 from 12 January 2021 para 3.3 Compliance Update (Financial Services – Mystery Shopping): An update on this work was contained within the Compliance paper (see para 3.3). The action was closed.

Action 24 from 12 January 2021 para 3.4 Internal Audit (Mails & Parcels): More detailed actions were agreed with Mark Siviter and the report was re-circulated. The action was closed.

Action 25 from 12 January 2021 para 3.4 Internal Audit (Historic Matters – Common Issues Judgment (CIJ)): 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. The action was closed.

Action 26 from 12 January 2021 para 3.4 Internal Audit (Post Office Insurance): Audit report rating has been included in the table. The action was closed.

Action 27 from 12 January 2021 para 3.4 Internal Audit (Audit Actions): 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. The action was closed.

Action 28 from 12 January 2021 para 4.1 PCI-DSS Update: 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. The action was closed.

Action 29 from 12 January 2021 para 4.3 Joiners, Movers, Leavers: The paper was updated as requested prior to submission to the ARC on 26 January 2021. The action was closed.

Action 30 from 12 January 2021 para 6 Supply Chain Historical IT Risks (Questionnaire): 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. The action remained open.

Action 31 from 12 January 2021 para 6 Supply Chain Historical IT Risks (Further Update): 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

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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. The action was closed.

Action 33 from 12 January 2021 para 7 Annual Money Laundering Report (Money Service Businesses (MSBs)): 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. The action remained open, with the Chair noting that a clear outcome was needed by May 2021.

Action 34 from 12 January 2021 para 7 Annual Money Laundering Report (Amazon Vouchers): 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. The action remained open, 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.

Action 35 from 12 January 2021 para 7 Annual Money Laundering Report (Report revision): This was addressed in ARC report in January. The action was closed.

Action 36 from 12 January 2021 para 7 Annual Money Laundering Report (PCI_DSS Programme): 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. The action was closed.

Action 37 from 12 January 2021 para 8 Pensions Assurance: 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

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	application of various underpins so errors in pensionable pay data do not necessarily become errors in pension benefits. The action was closed. Action 38 from 12 January 2021 para 10 Update on Branch losses and balances on Postmaster accounts (Change Spend): 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. The action was closed. Action 39 from 12 January 2021 para 12 Mails Fraud Update (Analytical Capability): he 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 if transactional data. Further update was to be provided in May 2021. The action remained open. Action 40 from 12 January 2021 para 13 Historical Matters Unit (HMU) (RACI Matrix): A draft RACID matrix was shared with Historical Matters Committee on 18 February 2021 and with GE w/c 22 February 2021. Additionally, draft RACID 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 RACID. The action remained open and it was agreed that there remained uncertainty and 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 reviewed by the Chair, Ben Foat, Dan Zinner, Declan Salter and Johann Appel. (Rebecca Whibley to inform relevant individuals) Action 41 from 12 January 2021 para 13 HMU (GE Report): 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. The action was closed. Actions 42 - 44 from 12 January 2021 paras 14 & 15 Policies: These were corrected prior to submission to the ARC. The actions were closed.	**RW**
3.	**Risk, Compliance and Audit Update**	
	Risk	
3.1	Mark Baldock introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted: - 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	

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	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 - 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. The Committee discussed he following points: - Ben Foat highlighted the need for the relevant business areas to consider risks before they are reported to the Committee and Mark Baldock confirmed the system reports would be run a week after the end of each two-monthly reporting period and would then be circulated to GE for input. - Ben Foat also questioned the 63 risks listed for Legal, Compliance and Governance (LCG_. Mark Baldock advised that these were a combination of LCG-owned risks and legal & compliance risks owned by other parts of the business (such as Commercial). He would include such 'horizontal' analysis of such corporate-wide risks in the next version of the Dashboard. - It was also agreed that Mark Baldock would consider how to present the Enterprise risks (see slide 6 of the paper) in relation to legal and regulatory non-compliance as the risk was very dependent on what law/regulation was not complied with. - It was agreed that Mark Baldock would share the risk dashboard with Deloitte and that he should join up with Deloitte as part of their work on post GLO compliance. - The Chair requested that Mark Baldock produce a covering paper for the dashboard to make it clear which risks were changing. The Committee otherwise **NOTED** the Risk Dashboard for onward submission the ARC.	**MB** **MB** **MB** **MB**
	Risk Appetite Statement: Legal & Compliance	
3.2	[redacted]	**SG**

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	[redacted]	**MB**
	Compliance	
3.3	Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted and discussed: - Controls Framework: 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 be done as needed, with Jeff Smyth particularly highlighting the IT controls given the KPMG report. - Telco: 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 bar two individuals and for these individuals remediation actions have been agreed. Close down report on Telco sale was expected later in the week. - Cookies: 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. - Financial Crime: 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. - Supply Chain Compliance: 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. - Documents from the Postal Museum: 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. The Committee otherwise **NOTED** the Compliance Update for onward submission to the ARC.	**JH** **BF**
	Internal Audit	

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3.4	Johann Appel introduced the report, which had been circulated previously and was taken as read. The following points were discussed: - 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. - - CIJ Improvement Programme: 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. - Historic Matters – Set-up and Governance: 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. 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. 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. - Postmaster Reporting: 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. 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. - Post Office Insurance Pricing Audit: 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. - Audit Actions: It was highlighted that the outstanding audit action regarding Cyber Security Maturity Assessment should not be postponed a third time. The Committee **NOTED** the Internal Audit update, specifically progress being made with delivery of the Internal Audit programme and completion of audit actions.	**JA** **JA/AJ** **JA**
4.	**Internal Audit Plan 2021/22**	
	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	

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	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. 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.	
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	Tony Jowett introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted and discussed: - 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 IRRELEVANT. It was requested that that the potential IRRELEVANT 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. The Committee **NOTED** the status and plans regarding the reduction of risk associated with Cyber Security.	**TJ** **TJ**
6.	**Foreign Currency and Hedging**	
	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: - 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 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	

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	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. The Committee **NOTED**: 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. *Mark Baldock left the meeting.*	
7.	**Bi-Annual Legal Risk Review (Non GLO/Starling)**	
	[redacted]	
8.	**Law & Trends Update**	
	[redacted]	

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	[redacted] *Tom Lee left the meeting.*	
9.	**Business Continuity**	
	Jonny Lonsdale and Martin Hopcroft introduced the paper, which had be 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: - 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. The Committee **NOTED** the summary findings of the Business Continuity Gap Analysis review for Post Office Group for onward submission to the ARC.	**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 been circulated previously and was taken as read. The Committee discussed the following points: - 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	

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	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 (CCA). This required a three way dialogue including the CCA and Royal Mail, but Mark Siviter was confident the CCA 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. Accordingly, the Committee **NOTED:** 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 for onward submission to the ARC.	**AK/MS**
12.	**Strategic Partner Financial Stability Update**	
	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: - 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 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. The Committee otherwise **NOTED** the Strategic Partner Financial Stability update for onward submission to the ARC.	
13.	**Procurement Compliance & Governance**	
	Barbara Brannon introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted: - 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.	

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	- 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. 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.	
14.	**Policies for Approval**	
	The following policies were **APPROVED** for onward submission to the ARC**:** • Health and Safety; and • Procurement.	
15.	**Postmaster Policies**	
	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: - 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 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	**TP** **JH** **TP** **TP**

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	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): 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 produced 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. The following policies were **APPROVED** for onward submission to the ARC, alongside the cover paper, subject to the amendments discussed above: • 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.	**TP** **TP** **RW**
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**	
	The draft ARC agenda for 30 March 2021 was **NOTED** with the following comments: 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 Marshal (Postmaster Effectiveness Director) should be invited to attend the Postmaster Policies section; subject to the agreement of the ARC Chair.	**RW**
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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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Risk Report	**Meeting Date:**	30 March 2021
Author:	Mark Baldock, Head of Risk	**Sponsor:**	Alisdair Cameron, Chief Finance Officer

5.1

Input Sought: Noting

The Audit Risk & Compliance Committee (ARC) is asked to note the current status of key risks, our risk appetite activity and GRC implementation.

Executive Summary

ARC is asked to

- **note** the key risks we currently face with particular focus on those in the Strategic, Postmaster, Commercial, People, Operational and Financial space
- **note** our risk appetite activity
- **note** current progress on the design and build of the GRC tool

Report

- What are our key risks (new and existing) and their materiality?
- What is the status on risk appetite?
- What is the status of GRC implementation?

Key Risks

1. As at the end 2/2021 the Post Office had **556** active risks (14 enterprise, 90 intermediate, 453 Local). Detailed analysis is provided in the appendix.

2. Overall the Post Office's risk profile is broadly stable and being effectively managed with clear focus on priority areas such as Postmaster and HMU risks. The key risks we face (new & existing, top-down & bottom-up) are primarily in 6 areas namely **Strategic**, **Postmaster**, **Commercial**, **People**, **Operational** and **Financial**.

Strategic

3. These concern risks arising from pursuing a strategy which is subsequently seen as poorly defined, and/or is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment. Risks are increasing.

4. There is a need to secure shareholder alignment/agreement on the optimal balance between securing the requisite trading profit and the importance of maintaining ongoing support for Postmasters, given the challenges faced in a pandemic environment. It is also the case the Post Office Brand could be threatened by the imminent court judgements and the outcome of the Judge led Inquiry.

5. A key workstream in this area is our support of the Historical Matter Unit in articulating a set of risks which can be mitigated and tracked. Work continues but risks already

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identified include (i) **the possibility of additional claims being against the Post Office from postmasters not part of the original court action** and (ii) **the possibility the ongoing Inquiry is critical of the Post Office response to the findings**. On the latter effective participation in the Inquiry is being managed by a specific workstream with work is overseen by an executive chaired Steering Group. External support is also being provided by Lexington

6. To ensure all risks in this complex and multi-layered environment are being surfaced Central Risk are sighted on the outputs of the recent established Improvement Delivery Group. We have also agreed with emerging recommendations from the Deloitte Postmaster journey review. This seeks to place Central Risk at the heart of the Voice of the Postmaster forum to understand all the risks associated with postmasters, the controls in place to mitigate these risks, setting a clear risk appetite for each area as well as identifying out assurance requirements across the 3 Lines of Defence over the key risks.

Postmasters

7. It is important to note the Post Office have proactively supported Postmasters during the pandemic such that remuneration has increased overall this year (compared to 2019/20) and is forecast to increase slightly in 2021/22. Clearly the pandemic has a material (but reducing) impact on the number of branches such that we needed to request a waiver in 6/2020 to the 11,500 network target. More recently the Deloitte Postmaster journey review has been shared with the Board. In addition, we are aiming for mediation on workers' rights claim. We acknowledge that although there is great deal of work to do we consider a lot of progress has been made, particularly in recent months. In light of this we consider the risk profile is reducing.

8. Central Risk are proactively supporting the business in the identification of a wide range of postmaster-centric risks around, for example, **dispute resolution**, **transaction corrections**, **cash & stock management**, **complaints handling**, **on-boarding**, **training** and **contract performance**. The recently produced Postmaster policies (with their minimum control standards) are a key input into this work. Urgent discussions are already underway to ensure the risks are correctly articulated, rated and appropriate mitigation plans in place. They will have a supporting risk appetite statement as well. The outcome of this work will be reported to ARC in 5/2021. As we have advised before notwithstanding such risks evidence shows Postmasters continue to trade strongly during the ongoing difficult trading conditions (particularly around Mails & Parcels) and have not reacted strongly to the GLO judgements.

Commercial

9. The overarching risk we face in this space is that our **Commercial proposition is unattractive** because existing products are too complex or confusing and new products are cost ineffective, unable to be scaled and/or unattractive to the market. Overall risk position is flat.

10. Key downstream risks include (i) **existing and emerging requirements of Post Office (new and existing) customers across the various sectors not being met** and (ii) the Post Office being **unable to offer a relevant ID Service** which meets customer need and remains relevant to the market. A series of recent initiatives are a direct response to such risks.

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11. For example, the Post Office's joint venture with Yoti will enable companies to use Post Office and Yoti identity verification services for fraud detection, E-signatures and customer authentication services. This will support the expansion of our identify services and help secure new additional revenue for Postmasters.

12. In addition, we have also partnered with Amazon to launch a click and collect trial in 200 branches in Newcastle, Preston, and Edinburgh. This will allow customers to pick up Amazon parcels at their local Post Office. If the trial works the click and collect system could expand to other parts of the UK.

13. Finally the Post Offices' decision to sell its Broadband and Home Phone service to Shell Energy allows for a greater focus on our core services, albeit we are unable to invest the outcome of the sale for profit. This sale had the advantage of reducing our overall risk profile given the residual Telco risks were formally closed following completion of the sale.

14. IRRELEVANT

IRRELEVANT which ended our exclusive mail distribution agreement with them, hence the Amazon partnership mentioned earlier.

15. We are also at an advance stage of our work on Banking Standard Framework 3.

16. There remain commercial risks around **adverse trading performance** in part prompted by the ongoing consequences of the pandemic although trading continues to be strong in Mails and Parcels. Nevertheless a risk remains that **travel insurance** will continue to be adversely impacted. Although POI have successfully launched a COVID compliant product (and a travel product is back on sale) ongoing and unpredictable European travel restrictions is likely to continue to hamper travel recovery well into 2021.

People

17. These concern risks of potential ineffective leadership and engagement, a sub-optimal business culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance. Since 1/2021 Central Risk and HR have undertaken a significant review of risks in this area. Overall risk position is flat.

18. A risk remains around **prolonged industrial action** in the event the Post Office fails to proactively engage with CWU and Unite, albeit we have recently secured a pay deal with the former. There is concern some form of industrial action will take place due to the planned reduction of the DMBs (albeit the re-commencement of DMB franchising has not yet been agreed). In terms of mitigation a dispute resolution has been put in place (including GOLD teams), relevant stakeholders engaged and supporting operational contingency plans designed.

19. A further risk recently identified is that as the macro-pandemic environment extends and unemployment rises we could **experience increased resistance from impacted colleagues during any consultation around any further organisational re-structure** . The Organisational Design team are utilising macro unemployment data

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and internal data to understand risk categories for potentially impacted individuals and will plan accordingly. This work is planned to complete by end of 5/2021.

20. Post Office continue to face potential risks around an **inadequate Work-Life balance**. In this context Central Risk are supporting the HR-led 'Future of the Workplace' workstream to identify risks and mitigations associated with the various options being considered. This includes flexible home/office models that could be put in place/piloted from 6/2021 with limited changes in 9/2021.

Operational

21. These are risks that would arise from potentially inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money. A key focus here is **around whether the Post Office are being sufficiently supportive of Postmasters**. Overall risk position is flat.

22. Another operational risk remains the potential **financial fragility of multiple partners**, albeit the current financial monitoring of large multiple partners suggests the situation is relatively stable. Retail partners are having a mixed lockdown. Convenience section is doing better than the High Street. It is also the case that McColls and WHS are reducing their number of branches (which improves risk over time) and the recent Telco sale will reduce our regulatory and compliance risk profile.

23. Safety performance remains strong. A new audit is being planned. We continue to rely heavily on Fujitsu and the contract extension has not yet been signed.

24. Finally, work continues on the development and delivery of a refreshed network strategy coupled with the delivery of new flexible & attractive propositions (including increased automation).

Financial

25.

26. IRRELEVANT

27.

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IRRELEVANT

5.1

Risk Appetite

28. A separate update paper has been tabled on Legal & Compliance appetite on which ARC approval is being formally sought. In parallel with this Central Risk have been working with the business in pulling together an initial set of supporting KRIs along with potential data sources and indicative tolerances. Although work continues such KRIs might include, for example, the number of Gifts & Hospitality breaches, the number of material AML breaches), a percentage increase in the number of Suspicious Activity reports. We plan to include the latest LCG appetite and KRI trends in the standard Dashboard from 5/2021.

29. Building on this Central Risk are in discussion with Retail & Franchise Network around an Operational risk appetite which will pick up our work on articulating postmaster-centric risks (see paragraphs 21 and 7). We plan an internally agreed position by end of 3/2021 with ARC approval being sought in 5/2021.

GRC implementation

30. As ARC will be aware the Post Office have embarked on a journey to implement a corporate approach (and supporting tool) to Governance, Risk and Compliance (GRC).

31. Phase 1 went live, on time, in mid 1/2021 and involved, essentially, migrating the Central Risk dataset from RSA Archer to Service Now. This forms the backbone of the Risk Dashboard. We have now secured Phase 2 funding. This focuses on the rollout of risk management capability beyond Central Risk to Business Unit Heads and individual Risk Owners and migrating the POI risk dataset from Xactium. In addition we will migrating the IT, Finance Controls and Strategic Portfolio Office controls onto Service Now (linking them to their associated risks for the first time) as well as deliver a Vendor Risk Management capability.

32. We plan a phased deployment between April-July 2021 within initial focus on the rollout of risk management (potential piloted first in IT, Comms and Legal), then the migration of the IT Controls before, finally, the Finance Controls. The latter is targeting 7/2021 to avoid extensive workload during the 'year end' period.

33. GRC does not directly impact on Postmasters. However, a more efficient and effective identification, assessment and response to Postmaster-centric risks, other broader risks (which have a direct impact on Postmasters) and a linked assessment of the effectiveness of the associated controls will clearly enhance our ability to deliver our Strategic Purpose. We will report on progress at the next ARC.

Next Steps

34. The ARC are asked to
    - **note** the key risks we face with particular focus on those in the Strategic, Postmaster, Commercial, People, Operational and Financial space.
    - **note** the update on risk appetite

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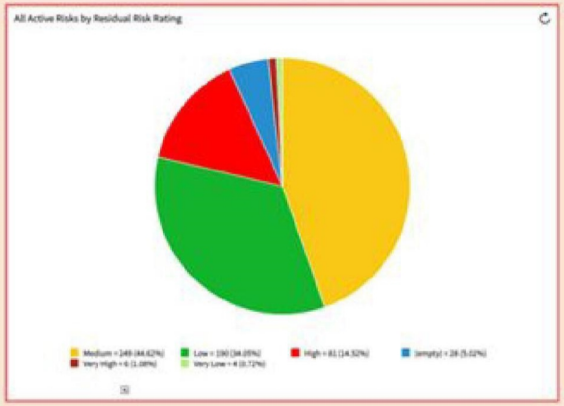
- **note** current progress on the design and build of a GRC tool

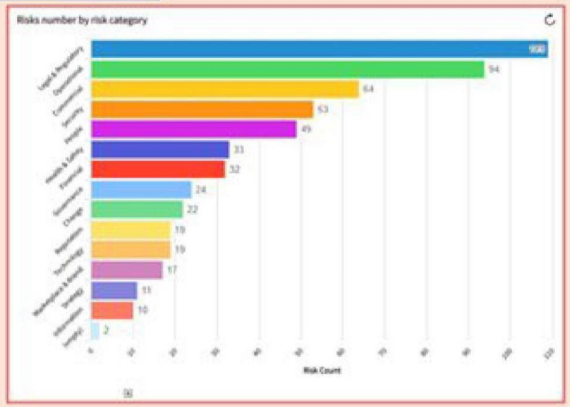
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Appendix: Central Risk Dashboard (January-February 2021)

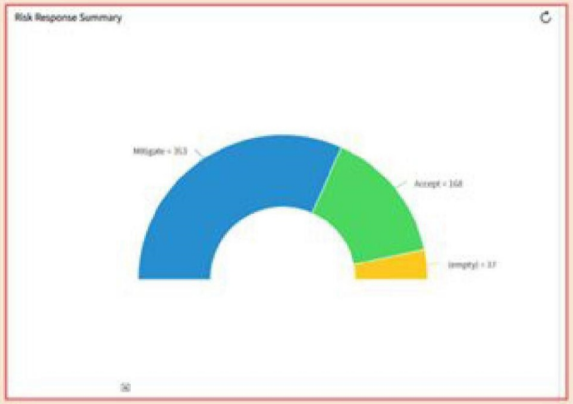
1. Ratings, Categories & Response





Summary

Residual Ratings: Banding satisfactory. Will be assuring 6 very high risk ratings are compliant and, if so, secure detailed mitigations. 28 risks have no rating. These are in the Tech/Security space as just been added to the system. Now being addressed.
Risk Category: Shows 109 risks (of 556) are in Legal & Regulatory space. Although recent risk appetite work has seen an increase in the number of such risks classification to be reviewed in next report. It is expected this will result in a more equitable spread across the categories. Cross-thematic report to be included in next Dashboard.
Risk Response: 168 risks have an 'accept' response. Need to align this with the RAS. In most cases the residual rating is low but some are not. Challenging in next reporting period.
17 risks do not have a response – the majority are result of internal risk transfer where importing business unit need to formally reconfirm response. To be addressed in next period.



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2. Risk numbers

Summary

This table provides a corporate 'horizontal' view of the Post Office's 556 active risks **by number**. The 'x' axis lists the individual GE Commands with the 'Y' axis providing the enterprise risk categories.

Key headlines

- This is work in progress and is influenced by the accuracy of risk allocation (by GE Group and individual classification). Central Risk now assuring this data so there may be some further recalibration
- Group Commercial: has a material number of Legal & Regulatory risks (generally in the non-compliance space)
- Group Finance: a reasonable spread but interestingly has no Change or Technology risks
- General Counsel: not surprisingly has a significant number of Legal risks in part influenced by the recent work on appetite. Central Risk will be check this allocation
- Group Information: a high proportion of risks are in the (cyber) security space
- Group Operations: a material number of change related risks but little classified as operations as these are picked up within Retail & Franchise Network
- Group People: a reasonably equitable spread
- Group Historical Matters: very light on the number of identified risks. Central Risk in proactive discussions to ensure increased articulation in the next reporting period.

Post Office Risks Number (by GE command and Enterprise Category)

Category \ Business Unit	Group Commercial	Group Finance	Group General Counsel	Group Information	Group Operations	Group People	Group Retail & Franchise Network	Group Corporate Affairs, Communications & Brand	Group Historic Matters	Post Office	Count
Change	1	0	0	0	18	1	1	0	0	1	22
Commercial	45	2	0	14	1	0	0	1	0	1	64
Financial	5	21	0	0	2	0	3	0	0	1	32
Governance	1	12	8	0	0	1	0	0	1	1	24
Health & Safety	0	19	0	0	0	7	6	0	0	1	33
Information	0	5	0	1	1	1	1	0	0	1	10
Legal & Regulatory	27	8	63	0	0	3	5	0	2	1	109
Marketplace & Brand	13	0	0	2	0	0	0	1	0	1	17
Operational	8	38	3	10	3	1	29	0	1	1	94
People	3	4	3	2	0	29	7	0	0	1	49
Reputation	2	1	0	0	0	0	1	13	1	1	19
Security	1	2	0	45	0	0	4	0	0	1	53
Strategy	2	3	0	0	3	2	0	0	0	1	11
Technology	0	0	0	15	0	3	0	0	0	1	19
Sum	108	115	77	89	28	48	57	15	5	14	556

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3. Risk weighting

Summary

This table complements the earlier table by providing a corporate 'horizontal' view of the Post Office's 556 active risks but this time by **average risk rating** (i.e. a summary total of the individual risk ratings divided by the number of risks). The 'x' axis lists the individual GE Commands with the 'Y' axis providing the enterprise risk categories.

Key headlines

- As before this is work in progress as the data is influenced by the accuracy of risk allocation. Central Risk now fully assuring this data so there may be some recalibration at end of the next period
- Group Commercial: their 108 risks are equitably spread but have a higher weight in the Financial, Security and Strategy space
- Group Retail & Franchise : their 57 risk have a higher risk weighting in H&S, Legal and People in part because of the work underway around postmaster risks
- Group Historical Matters: even though very light on the number of risks the risk weight is relatively high compared to other GE Groups. This is not surprising and is likely to increase as more risks get articulated.

Post Office Risks Number (by GE command and Enterprise Category)

Category \ Business Unit	Group Commercial	Group Finance	Group General Counsel	Group Information	Group Operations	Group People	Group Retail & Franchise Network	Group Corporate Affairs, Communications & Brand	Group Historic Matters	Post Office	Group
(empty)							9				9
Change	6				8	9	9			9	8
Commercial	6	6	5	7	9					16	7
Financial	10	8	5		11		8			15	9
Governance	6	6	5			6			12	4	6
Health & Safety		9	5			7	16			16	9
Information		7	5		4	8				9	7
Legal & Regulatory	6	7	6	8		6	14		15	15	6
Mkt.place & Brand	9		6							12	6
Operational	6	6	6	10		12	7		8	12	7
People	7	5	5			6	10			12	6
Reputation	5	2					8	6	12	12	6
Security	10	10		8			6			9	8
Strategy	10	7	6		6	7				12	9
Technology			6	10		7				15	8
Average	6	6	6	8	5	6	10	6	13	12	7

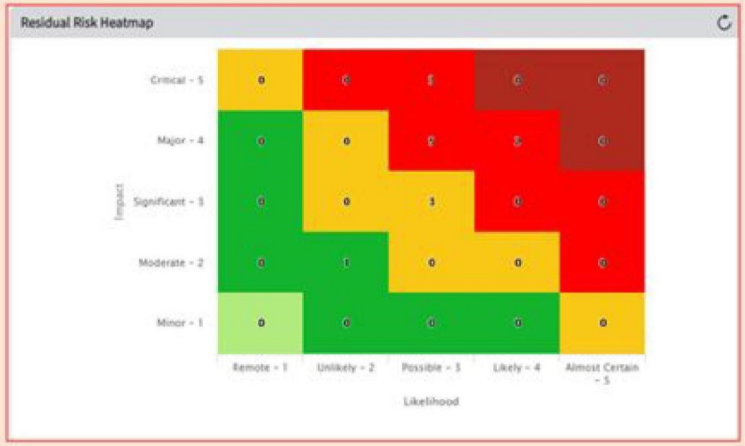
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4. Enterprise Risks: Summary



Risk #	Risk Owner	Enterprise Risk Title	Inherent RAG (I/L)	Previous Residual RAG (I/L) [Jan-20]	Latest Residual RAG (I/L) [Mar-21]	Trend
RK0 020 005	Owen Woodley	**Commercial:** Risk the Post Office Commercial proposition is unattractive because the existing products are too complex or confusing, new product are cost ineffective, unable to be scaled and unattractive to the market.	(4/4)	(4/4)	(4/4)	⇨
RK0 020 008	Martin Hopcroft	**Health and Safety:** Risk that the Post Office business and its staff are adversely impacted by health and safety event (e.g. pandemic), detrimental business activities and/or physical security.	(4/5)	(4/4)	(4/4)	⇨
RK0 020 006	Al Cameron	**Financial:** Risk that the Post Offices has insufficient funding and/or uncontrolled costs in the short-, medium and long-term.	(5/3)	(5/3)	(5/3)	⇨
RK0 020 010	Ben Foat	**Legal:** Risk the Post Office is unable to comply with legislative and regulatory changes.	(5/3)	(5/3)	(5/3)	⇨
RK0 020 017	Gary Walker	**Technology:** Risk that the Post Office is unable to deliver a new Front Office system and has an ineffective Disaster Recovery regime.	(5/3)	(5/3)	(5/3)	⇨
RK0 020 014	Richard Taylor	**Reputation:** Risk that the Post Office reputation becomes severely damaged as a result of perceived ethical violations and/or adverse stance to corporate social responsibility	(4/3)	(4/3)	(4/3)	⇨
RK0 020 011	Owen Woodley	**Marketplace and Brand:** Risk the demand for Post Office services and products across the various sectors declines and/or loyalty to the Brand reduces.	(5/4)	(4/3)	(4/3)	⇨

Summary

14 enterprise risks of which 11 have a rating of 16+. These risks are the apex of the overall risk data set with their ratings shaped directly by their downstream risks and the effectiveness of their mitigating activity. These risks tend to get managed through the aggregated activity at the intermediate and local level. Key risks in this area include:
Commercial: Risks the Commercial proposition is unattractive because existing products are too complex or confusing, new products are cost ineffective, unable to be scaled and unattractive to the market.
Health & Safety: Because of external H&S events (e.g. pandemic), detrimental business activities and/or external factors there is a risk that the Post Office business and its staff are adversely impacted.
Financial: Risks the Post Office has insufficient funding and/or uncontrolled costs in the short-, medium and long-term such it is unable to deliver its strategic objectives.
Legal: Risks the Post Office is unable to comply with legislative and regulatory obligations and/or the outcome of other external legal activity (i.e. litigation, Disputes).

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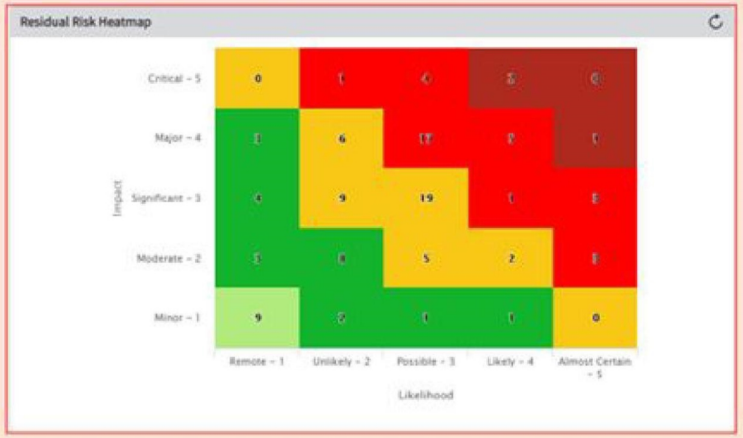
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5. Intermediate Risks: Summary



Risk #	Risk Owner	Business Unit	Enterprise Risk Title	Inherent RAG (I/L)	Previous Residual RAG (I/L) [Jan-20]	Latest Residual RAG (I/L) [Mar-21]	Trend
RK0 020 064	Henk Van Hulle	Group Commercial	**Customer requirements not met**: Risk the existing and emerging requirements of Post Office (new and existing) customers across the various sectors are not met.	(5/4)	(5/4)	(5/4)	⇨
RK0 020 074	Ed Dutton	Group Commercial	**Non-compliance with Pricing Super-Complaint FCA notice**: Risk that POI is not ready or has misjudged the outcome.	(5/4)	(3/3)	(5/4)	⇧
RK0 020 085	Mark Siviter	Group Commercial	**Failure of ID Services to meet customer need**: Risk that the Post Office may not be able to offer a relevant ID Service which meets customer need and remains relevant to the market.	(5/4)	(5/4)	(5/4)	⇨
RK0 020 034	Ed Dutton	Group Commercial	**POI product sales below forecast**: Risk that Post Office Insurance product sales remain significantly below forecast.	(4/4)	(4/4)	(4/4)	⇨
RK0 020 622	Ed Dutton	Group Commercial	**Decline in Network Engagement**: Risk that a decline in network engagement leads to a significant loss of low-cost acquisition leads from the branch channel.	(5/4)	(4/4)	(4/4)	⇨
RK0 020 079	Henk Van Hulle	Group Commercial	**Reduced income from Digital products and services:** Risk that Post Office digital products and services income is materially reduced when compared to physical products and services.	(5/4)	(4/4)	(4/4)	⇨
RK0 020 019	Ed Dutton	Group Commercial	**Insufficient POI EBITDAS**: Risk that Post Office Insurance EBITDAS contribution is significantly below forecast	(5/4)	(4/4)	(4/4)	⇨

Summary

90 intermediate risks of which 37 have a rating of 16+ including:

POI (Non-compliance with Pricing Super-Complaint): Risk that POI is not ready for new FCA price walking regime rules go live. Central Risk working with the business on detailed mitigation plan. POI Board paper on dealing with FCA changes and winning within market. Key controls include project plan, project quality control and development of strategy for maximising return within the market. .

POI: Risk Post Office Insurance product sales remain significantly below forecast resulting in reduced revenue Travel product back on sale. Significant uncertainty remains around rate of recovery. quarantine restrictions increase doubt. Branch sales continue to be at low level.

Commercial (Customer requirements not met): Risk existing/emerging requirements of Post Office (new and existing) customers across the various sectors are not met such that customer demand declines rapidly. Central Risk working with the business on detailed mitigation plan

Commercial (ID Services): Risk may not be able to offer a relevant ID Service if requisite Government funding is not forthcoming. Reviewing a faster roll out of the tablet services to ensure ready for the travel bounce-back period. Discussing an awareness campaign with Marketing. Regular meetings with Government Departments on role PO can play

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6. Local Risks: Summary



Risk #	Risk Owner	Department	Enterprise Risk Title	Inherent RAG (I/L)	Previous Residual RAG (I/L) [Jan-20]	Latest Residual RAG (I/L) [Mar-21]	Trend
RK0020405	Tim Perkins	Service & Support Optimisation	**Mental and physical health and safety through crime such as, violence and hate crime**: Risk to their mental and physical safety through crime such as, violence and hate crime.	(5/4)	(5/4)	(5/4)	⇨
RK0020388	Tim Perkins	Service & Support Optimisation	**External fraud**: Risk of fraud being carried out by external parties.	(5/4)	(5/4)	(5/4)	⇨
RK0020188	Max Jacobi	Financial Performance & Business Analysis	**Insufficient liquidity (COVID & BREXIT)**: Risk that Post Office is facing months of exceptionally poor trading conditions.	(4/4)	(4/4)	(4/4)	⇨
RK0020162	Andrew Kingham	Franchise Partnering	**Health and Safety Breach - Branch Network**: Risk of harm or breach of regulatory requirements.	(5/4)	(5/4)	(4/4)	⇩
RK0020579	Tim Perkins	Service & Support Optimisation	**Non-compliance with GLO findings**: Risk of non-compliance with the findings of the GLO across Postmaster.	(4/4)	(4/2)	(4/4)	⇧
RK0020524	Brian Kelly	Tax & Treasury	**Net Liabilities**: Risk that the group may enter a position of Net Liabilities	(4/4)	(4/4)	(4/4)	⇨
RK0020066	Declan Salter	HM Legal	**Historical Matters overturned convictions**: Risk that the Post Office is perceived as dishonest, disrespectful or incompetent in its dealings with its employees, Agents, partners and/or customers	(5/4)	(5/3)	(5/3)	⇨

Summary

453 local risks of which 51 have a rating of 16+ including:

H&S: Risk to postmasters & supply chain employees' mental and physical safety given their visibility and accessibility and the demand of the pandemic . Safety video on Branch Hub and increasing the number of Health Check calls to branches.

Net Liabilities: Risk that Group may enter a position of Net Liabilities which may trigger a number of events such as default on commercial agreements and funding arrangements. Situation is being closely monitored along with pre-emptive action for impacted arrangements if required

Non-compliance with GLO (Service Support) findings: Rating recalibrated this period. Mitigations include removal of maintained error limits, removal of Limit on settling centrally <£150, review of ATM transaction corrections and investigation of Camelot data integrity issue.

Historical Matters overturned convictions: Because of ongoing Group Litigation actions the Post Office is perceived as dishonest, disrespectful or incompetent in its dealings with its employees, Agents, partners and/or customers which leads to loss of sales and and/or increased costs through fines and legal fees.

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Corporate Legal & Compliance Risk Appetites: An Update	**Meeting Date:**	30 March 2021
Author:	Jonathan Hill, Director of Compliance Sarah Gray, Group Legal Director	**Sponsor:**	Ben Foat, Group General Counsel

5.2

Input Sought: Noting/Approval

The Committee are asked to:

i. note the latest position on the Post Office's appetite to corporate Legal & Compliance risks and our response to the comments provided by RCC/ARC in 1/2021, along with our proposed Next Steps and timeline; and

ii. approve the Post Office's appetite position to corporate Legal & Compliance risks.

Executive Summary

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POST OFFICE LIMITED
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Compliance and Audit Report	**Meeting Date:**	30 March 2021
Author:	Jonathan Hill, Director: Compliance Johann Appel, Head of Internal Audit	**Sponsor:**	Al Cameron, Group Chief Finance Officer Ben Foat, Group General Counsel

5.3

Input Sought: Noting & Decision

The Committee is asked to:

1. note the Compliance update.
2. note the Internal Audit update, specifically progress being made with delivery of the Internal Audit programme and completion of audit actions.

Executive Summary

This paper provides an update on key and emerging risks, compliance matters and an update on the latest internal audit position.

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Compliance

Controls Framework

1. Following a decision made by members of the Investment Committee in February, the Controls Project work was stopped, pending a review at the end of the summer.
2. The value of having one master controls framework and IT enabling tool was recognised in the Investment Committee sub-group discussion. Although the approach was to be on a modular, tranche basis, carrying out controls and process mapping in parallel, it was decided that;
   i. The business has enough to focus on now, especially with the Public Inquiry,
   ii. in order to put controls in place, the business first needs to have processes mapped, and
   iii. it needs to have a clear standardised process framework on which to put controls.

Summary of work completed:

3. A Controls Framework was designed together with the user requirements for an operational controls ServiceNow-based system. Deloitte had agreed to review and benchmark the Controls Framework and offer advice on the design and use of the controls tool. This work has been put on hold pending the review in the summer.
4. Recruitment of 3 Controls Analysts to support the project to review, assess and assure the controls identified. The initial scope of work was to capture controls for process improvements that had been put in place following the GLO.
5. It had been assumed there would be process maps in place for each of the business units impacted by the Common Issues judgement ("CIJ") and Horizon Issues judgement ("HIJ"), which the analysts could review for controls. However, few process maps were identified and where they did exist, they were not up to the required standard, with some being out of date.
6. During the period November – December, ahead of a comprehensive Controls tool being built in ServiceNow, a temporary Power Apps workflow tool was developed. This tool would 'house' the controls and allow self-assessment by the business prior to assurance by the analysts. Following testing of the system, a training pack was produced to support the system users.
7. The Business Analysts in the Historical Matters Unit CIJ team started workshops with business units in January; the first being the Branch Reconciliation team (BRT).
8. Further sessions were held with the business areas to gain more information on the controls and provide training on the use of the Power Apps tool.
9. The Controls team also started work with the Postmaster Onboarding Team. An initial review indicated that more work was required to create effective process maps and document controls.
10. As at 19th February, 40 Branch Reconciliation controls had been added to the Power Apps tool and were awaiting assessment by the Controls Analysts.

Telecoms

Data Protection in relation the Telecoms Sale to Shell

11. Compliance has established a post-completion BAU process for management of Subject Access Requests (SARs), including requests regarding personal data for ex-customers of the Telecoms business, for whom Post Office will remain responsible.
12. During the transaction it was identified that that c5,000 ex-customers were still using a Post Office provided e-mail account. All impacted customers with closed accounts were

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contacted on 15th February to inform them that their email accounts were expired and that they would be deleted in 28 days' time. The incident and investigation documents have been updated to reflect this closure task

Ofcom

13. Communications Incident - Ofcom has now confirmed it will not be investigating the comms incident reported in September 2020 on the basis that we have put in corrective actions and self-reported.
14. Complaints data – Ofcom will continue to publish the details of Post Office complaints in this year's annual service report because it focuses on historical information. Ofcom has not yet decided when it will remove Post Office from the quarterly complaints reports as the Post Office brand will remain in use post sale for up to 12 months.

FCA

15. PSD2 - The FCA has approved the ECE notification and received both audits confirming conformance.

Data Protection

Data Management – Remote Location / Back Office and Oasis Searches:

16. A project ran in conjunction with Legal, the Historical Matters Unit and Compliance has been progressing since Q3 2020.
17. The objective of this was to provide an assurance to Post Office, our legal team and the Courts that we have conducted reasonable and appropriate searches for any relevant information and have considered any documentation that may be found
18. A review of the boxes identified was completed with all relevant material assessed by the appropriate external law firms for relevance to the various work streams.
19. Any in-scope materials were added to disclosure packs or further analysis was carried out to test for significance to the various workstreams.
20. This work is now completed for the Criminal Cases Review Commission (CCRC), the Post-Conviction Disclosure Exercise (PCDE) and Starling. An assessment is to be run for applicability for applicants to the Historical Shortfall Scheme (HSS) with a recommendation due to go the Historical Matters Committee the week commencing 15th March.

Record Retention

21. All Data Owners were identified and provided with a copy of the Retention Schedules, Remediation Logs and copies of the Document Retention and Disposal and Protecting Personal Data policies.
22. The Compliance and CISO teams are starting to work with the business on the remediation logs. There are concerns around the remediation plans and how these can be progressed with initial thoughts that a remediation project may be required.

Record management in branches

23. Compliance, Property Services and the Network team are in the process of standing up a mini-project to implement a change programme for Records Management with the Branches. This project will look to:
24. There are several outstanding issues on this yet, these are:
    - Designing a robust indexing system based on the products and services offered in branch so that we can be sure that the right information is being archived
    - Designing the correct Standard Operating Procedures for the indexing, boxing up and transporting of boxes to Oasis
    - Identifying the best method for transportation of boxes and a decision on where the funding is being provided for associated costs

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- Procuring enough boxes to ensure that we can cover the entire network
- Developing Comms to go out to PMs on this project.
- Create a new process for record archiving on a regular basis and not just on the closure of a branch as is the process today

25. Given the demands to complete the Data Management exercise for 22nd February for the CCRC this project is due to start in late Q4 2020-21 or early Q1 2021-22

Post Office Ltd approach to Cookies:

26. We have updated our cookie banner, which has addressed concerns that our previous approach was increasing the risk of being non-compliant and falling outside of the agreed "middle of the pack" approach. It now delivers a clear and simple guide to why cookies are used and how customers can tailor their preferences. The Digital team has assessed that these changes will have a negligible commercial impact
27. With the recent publication of the draft e-Privacy Directive proposing browser solutions which give individuals more control over their consent to cookies through whitelisting and major organisations such as Google phasing out the use of third party cookies, Data Protection and the Digital team are agreed that prudent actions are appropriate to reflect our evolving approach balanced against maintaining Post Office's ability to be competitive in the market.

General Data Protection Regulation (GDPR) Contract Remediation

28. The Contract Remediation project was formally closed at the end of July as reported to the previous RCC. Work is ongoing on and the number of outstanding contracts is 3 fewer than reported at the previous Committee meeting.
29. We now have an agreed approach on the Fujitsu Horizon Contract and, as part of the Telecoms sale, a signed Data Processing Agreement for Fujitsu Telecoms.
30. Monthly Contract Review Group meetings continue to monitor progress and support negotiations. This will continue until all outstanding contracts are finalised.

Freedom of Information Requests:

31. As a direct result of the GLO, HSS, the public inquiry and having Postmaster seats on the Board we are seeing a change in the number and complexity of Freedom of Information requests.

Freedom of Information Requests (1st September 2020 – 2nd March 2021)

	Historical Matters Related Requests	General Requests	Total Requests
01.09.20 – 02.11.20	12	27	**39**
03.11.20 – 02.03.21	25	35	**60**
Total Requests	**37**	**62**	**99**

32. The more complex cases deal with information which may be either Legally Privileged, Commercially Sensitive, Provided in Confidence or containing Personal Data. There is a balancing act between transparency and protecting Post Office's commercial and legal interests.
33. As a result of this complexity, Legal and Compliance are having to prepare briefs for GE and Board as many of the requests involve sensitive subjects such as the decision by POL to seek to have Justice Fraser recused during the Common Interests hearing.

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34. Compliance and Legal meet on a weekly basis with internal and external counsel to ensure that any released information is in line with information released to the Inquiry and to responses made for similar requests by BEIS/UKGI.

Financial Crime

Compliance with Money Laundering Regulations

35. Suspicious Activity Reports (SARs) continue to rise, with 2,955 between 27th October 2020 to 25th February 2021 (compared to 1,074 in the same period last year). The rise is primarily driven by:
    - The continued identification of cases linked to complex banking investigations
    - Branches raising concerns about customers undertaking multiple consecutive high value cash deposits, and
    - Reports from cash centres concerning an increase in branches returning high volumes of Scottish and N.I notes.
    - We also continue to see an increase in suspicious activity from Bureau de Change transaction monitoring despite international travel restrictions and lockdown.
36. In this same period there were 375 Financial Crime investigations (compared to 218 in the same period last year), 38 of these were cash deposit cases (up 65% on 2019/20).
37. IRRELEVANT
38. The risk assessment process was presented at the Commercial lead team meeting in October 2020, and this led to an improvement in stakeholder engagement, however, this has since declined. We are engaging with the product teams to refresh the approach.
39. Payzone - Capita's contract with PIPIT was exited on 31st January and remaining re-seller contracts are being reviewed as part of ongoing Bill Payment and Payzone assessments.
40. The product team is continuing to progress controls for Amazon vouchers, with a pop-up warning being deployed week commencing 22nd March. 39 transactions by 12 customers totalling £27.8k were identified in SAR reports in February, of which c.£11.3k was refused and prevented by branches following targeted training and awareness via Area Managers. The pop-up warning will be applied to other high-risk vouchers, but there is no deployment date yet. In respect of other more robust controls, the product team had hoped that EPay (the client the vouchers are processed through) would implement these (e.g. voucher volume/value limits), but the only option identified so far is to set a sales limit that would trigger the sales at that location being switched off, which is likely to cause genuine customer disruption and confusion in the Network. A solution is needed if the product is to remain on sale.
41. As highlighted in the 2021 MLRO report, the accredited Financial Investigations Officer within Security Operations who assisted with the review of SAR disclosures relating to

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possible Post Office employees and postmasters left the business at short notice in December and the replacement resource will not have the required accreditation. The Financial Crime team are monitoring volumes and assessing resource impact and at the time of writing this report there are a number that are awaiting initial review.

Anti-Bribery and Corruption ("ABC") update

42. An issue was reported in December in relation to a Network employee who received a gift from a customer, which included £60 in cash. This was not identified until after the customer left the branch. The branch was advised to return the funds to the customer but as they have not returned to the branch the branch has been advised to give the cash to charity and provide evidence that this has been done.

Whistleblowing Update

43. Please refer to the separate agenda item.

Fit & Proper (F&P) update

44. Redeclarations for Cohort 1 were completed in good time, with a large number of sole traders completing via the new Branch Hub option. This option is not yet available to limited companies and partnerships, and there is currently not a timescale for delivering this solution. A number of issues were fixed with the release of the changes to accommodate MoneyGram-only and 'paused' branches, but there are still some outstanding issues and a meeting is planned to understand the extent of these and ensure a smooth handover to the new team responsible for agent F&P declarations.
45. Work continues with HR and recruitment to implement better processes for direct employee F&P tests, and there have been no issues in the last 2 months.

External Threats

46. The FCA have started a consultation into Strong Customer Authentication (SCA) and they are exploring the option of increasing the contactless limit from £45 to £100. The risk of increased card fraud has been assessed and it is not believed that this will pose a significant financial crime risk to Post Office.
47. MT Global Limited, a Money Service Business, was fined £23.8 million by HMRC for significant breaches of the regulations between 2017 and 2019. This is the largest ever fine issued by HMRC. The failings related to risk assessments and associated record keeping, policies, controls and procedures. We do not believe Post Office is at risk as the Compliance team carries out risk assessments before product and service go-live and periodically throughout their lifecycle, as stated in the group policy.
48. The FCA has launched criminal proceedings against NatWest for allegedly failing to prevent money laundering, in the first prosecution brought under rules introduced in 2007. It is alleged that NatWest systems and controls failed to adequately monitor and properly scrutinise transactions linked to a corporate customer account that was undertaking increasingly large cash deposits between November 2011 and October 2016. It is alleged that £365m was paid in over that five-year period, including £264m in cash. No individuals are being charged.

Supply Chain Compliance

49. During the remote Supply Chain assurance work at the end of 2020, 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 26th

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February. The Bank will decide if the incident warrants losing the late Bond facility, issuing a fine or if they take no action.

50. A number of issues were also raised in the remote assurance relating to H&S, many relating to fire door issues. Six are on track to be resolved by end February and the remaining one is likely to be resolved in March, all other fire door issues have been resolved.

Financial Services

Multi Principal Review of 1st line controls.

51. This was reported at the previous meeting. The final report is now due at the start of April, which we will share at the following Committee meeting.

ATM strategy and Post Office LINK membership.

52. As part of the Post Office strategy of taking over the Bank of Ireland (BoI) ATM estate it has become clear that 2nd and 3rd line oversight needs to be in place for this business activity. In particular LINK membership, which is required as part of this programme, requires control obligations to be met, as ATMs are part of the UK's critical infrastructure and LINK is overseen by the Bank of England.
53. Compliance and Internal Audit are working closely with the 1st line product team through workshops to determine both the type and amount of 2nd line oversight that will be required for both LINK membership but also more widely over our running of the ATM estate.
54. The first milestone will be the end of April 2021 when Post Office will send a draft application to LINK for membership. This will need to include identified controls.

Compliance Monitoring

55. With the implementation of the latest Covid-19 lockdown we agreed with our Principals to suspend branch mystery shopping. Following the Government announcement of the planned easing of restrictions, our mystery shopping company is undertaking a survey of their mystery shoppers to see when they would be willing to commence activity. This is unlikely to be before mid-April and subject to national variations within the UK.
56. Sales of Travel Insurance are currently suspended in branch; all of our other financial services products remain on sale and promotional activity is ongoing for both protection and savings business. As with previous lockdowns, we have been focussing on remote monitoring measures to review performance such as cancelations, complaints and customer validation calls and regular governance meetings with the Principals remain in place.

FS Key Regulatory updates

57. A summary slide of the key future developments is included in the reading room at Appendix 1.
58. As part of the Government and FCA's focus on access to cash, the FCA is assessing what role it should play in overseeing Post Office as part of this critical cash infrastructure. Nick Read is meeting with the Chief Executive of the FCA to discuss this on 22nd March 2021. In advance of this meeting Ed Smith, the Head of FCA Retail Banking Supervision, has asked for some additional clarity from Post Office in relation to the wide array of financial and related services we provide and their regulatory status. We have provided a response to the FCA with the support of legal and external counsel. Our hope is that this summary information provided will give FCA a rounded view of our services in this area rather than leading into further scrutiny and regulation. This dialogue needs to be managed carefully.

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Compliance and external counsel are providing advice and a brief for the 22nd March meeting.

Vulnerable Customer FCA Forward Guidance publication in February.

59. The published guidance has followed the lines of the previous vulnerable customer consultations. The FCA expects regulated firms and its Appointed Representatives to ensure the interests of vulnerable customers are protected throughout the product life cycle. There are no new hard rule requirements, but it expects to see firms meet good practice by following the guidance and it has outlined examples of good and poor practice.
60. Post Office has had vulnerable customer on our agenda for some time and we have a number of good practices we put in place, particularly during the pandemic. However, our Principals are undertaking a gap analysis on the guidance to assess if there is anything additional, that they or the Post Office should be doing.
61. The Overall Compliance Dashboards (Appendices 2 and 3) are included in the reading room.

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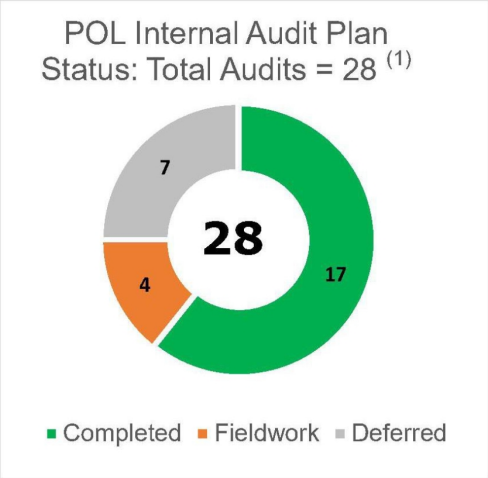
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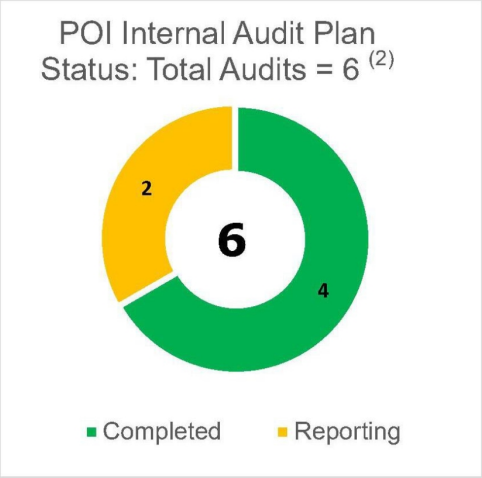
Internal Audit

Progress against Internal Audit plan

62. Delivery of the 2020/21 programme is making good progress, with a further four audits completed in the current reporting cycle (3 POL and 1 POI).

63. Current delivery status is as follows:





(1)Target number of reviews based on revised plan for 2020/21 approved by ARC (18 Internal control reviews & 10 change assurance reviews). Details of the audit plan status are included in the reading room (Appendix 7).
(2)POI ARC approved baseline plan for 2020/21. One additional audit is currently being planned for delivery in Q4/Q1.

64. A re-prioritised Internal Audit programme was approved at the May ARC meeting in response to Covid-19. A more dynamic (quarterly rolling) audit plan was adopted and is being reviewed at each ARC. Further revisions to the plan was approved at the September ARC meeting and is included in the reading room (Appendix 7).

65. An urgent request was received from the GE to support the Improvement Delivery Group (IDG) in assuring all improvements (c.400) in preparation for the Public Inquiry. Three reviews from the 2020/21 IA plan have been deferred in order to create capacity to support this work.

66. The following audits are in progress or planned for delivery in Q1:

	Review	Sponsor	Timing	Status
1	HIJ Operations Improvement Programme	Declan Salter	Feb	Fieldwork
2	Change Controls Effectiveness	Dan Zinner	Feb-Mar	Fieldwork
3	IDG Support & Assurance - Phase 1	Dan Zinner	Feb-May	Fieldwork
4	Third Party Revenue Data Assurance	Al Cameron	Feb-Apr	Fieldwork
5	IDG Support & Assurance - Phase 2	Dan Zinner	May	Not Started
6	Historical Shortfall Scheme – Claims & Payments	Declan Salter	April	Not Started
7	Note Circulation Scheme (BoE Controls)	Al Cameron	May	Not Started
8	Payzone Control Environment	Owen Woodley	June	Not Started
9	Treasury Operations	Al Cameron	June	Not Started
10	Strategic Platform Modernisation (SPM) Set-up	Zdravko Mladenov	April	Not Started

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Internal Audit reviews completed

67. The following POL audits were completed during the current reporting cycle:

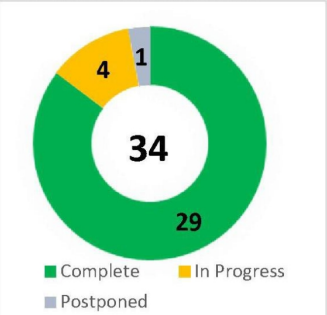
1	Historical Matters – CIJ Improvement Programme (Final Draft Report)	
2	Postmaster Reporting (Management Information) (Final Draft Report)	
3	Historical Matters – Set-up & Governance (Final Draft Report)	

68. Our findings and observations from these reports are summarised below (para. 69-71), with the full reports available in the reading room (appendices 4-6).

69. **Historical Matters – CIJ Operations Improvement Programme** (Ref.2020/21-15)

Not Rated

Progress with completion of NRF recommendations:



Sponsor:
Declan Salter

Audit actions:

P1	5
P2	1
P3	0
Total	6

Appendix 4

Following the judgments from the Group Litigation Order, Post Office has undertaken a programme of improvements to overhaul culture, practices and procedures throughout every part of the business. In addition to launching the Historical Shortfall and Stamps Schemes, as part of its operational improvement plan, and to address issues which arose from group litigation concluded last year, Post Office has established a new Historical Matters business unit (HM) to oversee and deliver the programme of improvements.

Work on formally implementing operational improvements as a result of the CIJ findings has been ongoing since June 2019 and has involved teams from across the whole of POL's operations.

This report is not rated due to the evolutionary nature of the audit work. Our interim report was issued in January 2021 and this has since been adopted as a management tracking tool to drive actions. The Ops Improvement Project was originally planned to have concluded their work in December 2020, but the complications introduced by the OE activity have meant that the project had to be extended until March 2021.

Whilst the remaining actions will not be fully completed until the end of March 2021, there is a clear route to ensure that this deadline is achieved (detailed in the body of the report). A key lesson to be learned by the Ops Improvement Project and HMU is around the need for robust handover processes when passing changes into BAU operations.

Internal Audit will continue to track and validate the remaining actions as part of the assurance provided to IDG in preparation for the Public Inquiry.

<u>Management Comment provided by Declan Salter (Director – Historical Matters)</u>

The Internal Audit of the CIJ Operations Improvements has provided reassurance that the set up and governance of the CIJ related workstreams has been effective and robust with the formal handover of operational improvements to BAU now agreed and in place. While much work has been undertaken, with 29 of 34 NRF action completed (with one postponed) the report clearly identifies the outstanding work to be completed; Item 4 - Policies and Procedures , item 12 - Operator engagement (both on track to be completed by the end of the financial year) and Items 15 - Policies and procedures Operator engagement and 16 – Trading Statements which are being progressed. The latter two involve HM IT and progress is being made to provide a postmaster centric solution.

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70. **Postmaster Reporting (Management Information)** (Ref.2020/21-19)



Sponsor:
Amanda Jones

Audit actions:

P1	2
P2	3
P3	1
Total	6

Appendix 5

This audit assessed the provision of management information to Postmasters and the controls in place to ensure that the Postmaster has the means to effectively manage and develop their business. The scope included assessment of data accuracy, integrity & reliability, management information presentation, variation & usability, and ease of accessibility.

We conclude that the provision of management information to Postmasters in its current form, is not fit for purpose. The frequency and quantity of information provided to Postmasters varies depending upon their volume of weekly customer sessions, with all branches categorised according to a three-tier system. The area manager structure was revised in April 2019 to ensure every branch receives support. Each area manager is responsible for between 75 and 125 branches of all types and sizes and is the main source of provision of management information for those branches.

The three-tier system means that, of necessity, there is a greater priority afforded to the needs of the busier branches, leaving the smaller branches feeling unsupported. There is limited information available to Postmasters on a self-serve basis, largely due to a legacy of under-investment which imposes a significant administrative burden on the area manager population and results in disparity in the frequency that branches receive management information, with smaller (tier 3) branches receiving information as infrequently as once every six months.

Our audit also considered the output from the recent Postmaster consultation, where participants indicated that readily available access to more and improved management information is a priority for the majority of Postmasters. Additionally, Internal Audit have directly consulted with Postmasters to understand their perspective and requirements for management information.

Management Comment provided by Amanda Jones (Retail and Franchise Network Director)

I am pleased that this audit has identified the current limitations we have in being able to provide relevant and timely MI for Postmasters, in a format that works best for them; this finding is consistent with one identified by the current Deloitte review. Having access to key Management Information is critically important to enable Postmasters to operate their Post Offices effectively and for POL to support them to thrive.

The report notes that MI provision of MI is limited due to the variability of Area Manager visits (e.g. smaller branches receive visits less frequently). Whilst this statement is true, the limitations are largely driven by the lack of MI specifically developed for Postmasters. For example, when an Area Manager visits a branch face to face, they will go through the Branch Insight Tool data with the Postmaster, but aren't able to electronically send it to them, neither is the PM able to self-serve. Other reports such as Sales reports, will be emailed to Postmasters if a face to face visit isn't due. This has been the only way to share MI whilst Area Managers have been remote working due periods of lockdown. Therefore, it is important to note that whilst it is timely to review the appropriateness of the current branch tiering support model, this in itself will not address the issue of limited MI for Postmasters.

Being able to provide meaningful MI to Postmasters will require input and investment from across business areas. As part of the 'Hot-Housing' programme which started in 2019, a piece of scoping work was completed to determine the MI requirements for Postmasters as-well as the Area Manager. I expect much of this scoping is still relevant, however, properly addressing the MI requirements for PMs will require funding and this is currently not on the plan for FY 21/22.

To deliver some improved MI to Postmasters in the short term, the Business Transformation Unit are exploring options and costs, e.g. making existing Postmaster MI such as Remuneration and sales reports available to self-serve on Branch Hub.

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71. **Historical Matters – Set-up and Governance** (Ref.2020/21-15)

Not Rated (Advisory Review) ***Sponsor:*** *Declan Salter* *Appendix 6*	Following the judgments from the Group Litigation Order, Post Office has undertaken a programme of improvements to overhaul culture, practices and procedures throughout every part of the business. In addition to launching the Historical Shortfall Scheme, as part of its operational improvement plan and to address issues which arose from group litigation concluded last year, Post Office has appointed a new Director, reporting to Tim Parker and Nick Read, to head up a separate business unit responsible to implement the claims schemes and the programme of measures that will oversee the delivery of the operational improvements to address the criticisms from the Common Issues Judgment (CIJ) and the Horizon Issues Judgment (HIJ). Historical Matters Business Unit (HMBU) has been through a period of clarification and refinement of its governance and structure. The design and implementation of the operating model has taken significantly more time and effort than initially anticipated and was initially under-resourced. It has not yet been fully formalised, agreed and embedded. However, this does not mean that HMBU is operating without governance and control. The claimant schemes activities operate within well-defined governance principles supported by the adoption of core 'change' controls since they were launched. As such, key activities could be carried out without an overarching HMBU level governance being present. The core 'Change' controls are being phased out, but its transition has not been well structured and clearly articulated. Working in collaboration with HMBU, we have identified areas that require management focus in order to deliver a clear, complete and agreed operational model which must be clearly communicated across Post Office. In addition, we have made suggestions and proposed improvements intended to assist management in their efforts. Although there are key elements pending completion, in our opinion, HMBU is implementing the elements of governance required, although, its pace of delivery must be increased.
Management Comment provided by Declan Salter (Director – Historical Matters) HM is confirmed by IA as operating effectively, with expected elements of governance in place since its formation in August 2020 and appropriate controls over scope and change mirroring those in place in wider POL BAU areas. As the areas of work being managed are both complex, non-discretionary and with extreme time pressures, focus remains on supporting these key activities and achieving as positive an outcome for POL as possible taking into account the serious nature of the historical events and the far-reaching impacts both on Postmasters, as well as on the wider organisation and beyond. These challenging activities are beginning to bear fruit, both in terms of favourable outcomes (for example the recent positive CCRC feedback on the necessary disclosure exercise), completion of key pieces of work (for example the Settled Centrally change implemented recently) and positive outcomes for Postmasters (the commencements of compensation payments for c. 300 Postmasters as part of the Historical Shortfall Scheme), along with our positive participation in the Inquiry, which is supporting and helping manage the impact of this crucial, extensive and demanding activity for POL, both across GE/business areas and also at an individual level where necessary. All of these are helping to contribute to changing the perception of POL for the wider public and importantly for Postmasters both past and present. These activities remain ongoing, and challenging in nature, but we are approaching the end	

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of the beginning and have an appropriate structure and team in place to face into these challenges.

During this seven month period since its inception, while effort has been spent on establishing expected elements of governance, structure and formality – focus has necessarily been on the extensive demands of the work, both in responding to the changing demands of the work itself, but also in securing support and funding from our shareholder, BEIS and Treasury. This has taken a lot of senior management time and effort and resulted in some elements of governance and control, such as an Operating Charter and RACID being largely drafted but not yet finalised. The impact of changes in organisation during this period has additionally impacted on the completion of this activity and wider discussions remain ongoing within the wider business, the resolution of which are a necessary precursor to final agreement to and implementation of full governance/control arrangements.

Work to agree protocols for the handover of work to BAU areas has been accelerated and as some of these BAU areas themselves undergo change, have been revised and it is expected this will continue to happen, but the importance of establishing this is fully acknowledged and remains a key objective.

The feedback of Internal Audit as part of the production of this report has been welcomed, with a number of areas highlighted in the report being confirmed as addressed and with actions in train to address the remaining outstanding areas. It is accepted that the pressures of work as outlined above have impacted on the speed of delivery, particularly on work to extend work on controls. Due to the size of the significant financial impact of the work involved, it has been necessary to ensure continued focus on management of both general workload and external legal firm spend, which will continue to be necessary to ensure value for money.

As interaction with UKGI, BEIS and Treasury has increased in the last quarter – and is expected to continue over an extended period – heralding the introduction of new governance requirements, it is expected that delivery of key control elements as part of this interaction (e.g. Measurements of success, KPI monitoring, financial reporting etc.), will help address some areas highlighted in this report.

Looking ahead, it is envisaged that some of the 'ongoing' areas of work, for example in Operations and IT, will naturally transition to BAU accountabilities, with handover arrangements planned to support this. Other discrete activities with little crossover into BAU, for example the completion of the Historical Shortfall Scheme, are expected to complete with handover activities limited to closure processes, knowledge transfer and archiving – again, with support and involvement from IA being sought to ensure the appropriateness of these closure activities for the organisation.

Post Office Insurance (POI) Audit Programme

72. The table below shows the status of the POI audit programme:

	Review	Timing	Status / Rating
1	Cyber Security (POL-POI Gap Analysis)	Aug	Satisfactory
2	Incident and Breach Management	Aug	Reporting [N1]
3	Data Governance: Ethics, security and privacy • Phase 1 – Third Party Data Security • Phase 2 – Data Governance	Sept Dec	Needs Improvement
4	Special Investigation (Confidential)	Sept	Complete (not rated)
5	Pricing: Principles, policies and process	Nov	Needs Significant Improvement
6	Financial Promotions Communications	Jan	Reporting
7	Effectiveness of Risk Management – original plan	Q4	Planning
8	Channel review: Non-branch sales – original plan		Cancelled (no longer compelling).

[N1] This audit was delayed due to special investigations undertaken at management request and with POI ARC approval.

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73. Post Office Insurance: Pricing principles, policies and process – Due to the adverse audit rating, a summary of the audit findings is provided below for information:

> Internal Audit undertook a review of Pricing within POI as part of its 2020/21 plan. This was predicated on the conclusion of the Morpheus and Nemesis programmes, whereby POI had set up an in-house pricing capability for Travel and Home products. As an FCA regulated entity, POI has a responsibility to treat customers fairly. Pricing is a significant element of fairness and is an area facing ongoing scrutiny and challenge from the regulator, as well as being of critical strategic importance to the commercial success of the entity.
>
> We found that the POI pricing function had developed significantly in the past year to meet the demands of the new operating model, and a continuing drive to increase maturity was evident. However, a number of weaknesses in the risk and control environment were identified. Specifically, operating risks and the related controls were not clearly documented, and controls were not subject to regular review. As a result, the expected control standards were unclear and did not reflect certain operational changes that had increased the inherent risk around price changes. The report was rated 'Needs Significant Improvement'.
>
> A pricing error, resulting in financial loss, was reported by the business immediately prior to the start of fieldwork. Management conducted its own review (with Board oversight) into the cause and impact of this incident. A number of actions were instigated to improve risk and controls management across Pricing and the wider business. All due audit actions have been completed on time, and the area continues to receive significant management and Board focus.

Status of Audit Actions

74. The movement and ageing of audit actions are shown in the table below (status at 22 March 2021). There are currently no overdue actions.

Audit Action Status (POL):	
Open actions at last ARC	35
Less: Actions closed in period	17
Add: New actions in period	15
Total open actions	**33**

Ageing:	
Open (not yet due)	33
Overdue (<60 days)	0
Overdue (>60 days)	0
Total open actions	**33**

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Appendices[1]

Compliance

Appendix 1: FS Regulatory Calendar
Appendix 2: Compliance Dashboard summary
Appendix 3: Compliance Dashboard

Internal Audit

Appendix 4: IA Report: Historical Matters – CIJ Improvement Programme
Appendix 5: IA Report: Postmaster Reporting (Management Information)
Appendix 6: IA Report: Historical Matters - Set-up and Governance
Appendix 7: Internal Audit Plan for 2020/21

[1] Appendices are accessible in the Diligent Reading Room.

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	2021/22 Internal Audit Plan	**Meeting Date:**	30 March 2021
Author:	Johann Appel: Head of Internal Audit	**Sponsor:**	Al Cameron: Chief Financial Officer

Input Sought: Decision

The Committee is asked to:

- note the proposed internal audit programme for 2021/22;
- consider if the proposed reviews individually and collectively represent an appropriate programme to support management in their activities and to provide assurance to the Audit, Risk & Compliance Committee (ARC) over key risks to Post Office;
- approve the internal audit programme for 2021/22.

6

Previous Governance Oversight

The proposed internal audit programme was reviewed by the POL Risk and Compliance Committee (RCC) on 16 March 2021.

Executive Summary

An integrated audit plan has been prepared to provide assurance over principal business risks and significant change activities. This paper sets out the process followed to identify and select the audit candidates.

The proposed internal audit programme for 2021/22 consists of 24 audits (16 internal control reviews and eight change / programme assurance reviews). In addition, we will also perform around five audits in POI.

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Introduction

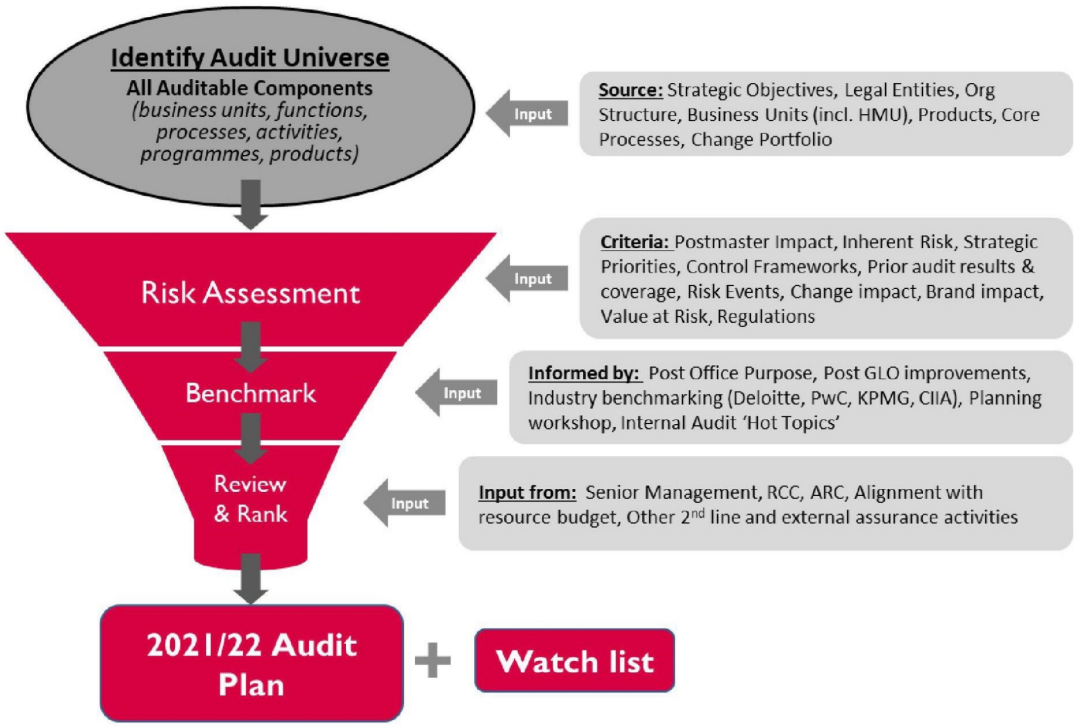
1. The Post Office annual risk-based Internal Audit plan for 2021/22 has been prepared in accordance with the applicable requirements of the Internal Audit Charter as approved by the ARC in May 2020, as well as the professional standards of the Chartered Institute of Internal Auditors (CIIA).
2. The proposed Internal Audit Plan was developed with input from Post Office GE and the wider business, and was benchmarked against industry.

The Planning Context

3. Post Office risk profile is impacted by continued and significant internal change, increased regulatory scrutiny and market pressures. The 2021/22 Internal Audit plan is designed to provide assurance over the organisation's principal risks, core processes and material change activities.
4. The proposed 2021/22 Internal Audit plan is 'Postmaster Centric' and supports the new Purpose and Post GLO improvement activities.
5. In 2017/18 we introduced a three year rotation plan for core processes. Core processes are usually mature and generally expected to be well controlled, but warrant cyclical validation due to their criticality to the business. The first 3-year rotation was completed in 2019/20; the 2020/21 plan included the start of the second cycle of core process reviews, however, many of the core process reviews had to be delayed in light of Covid-19 priorities. The 3-year rotation plan is therefore being re-assessed and reprioritised. The full three rotation plan is included in para 13.

The Planning Process

6. The following diagram shows the process we followed to identify, assess and prioritise the processes and activities to be assured in 2021/22:



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The Planning Results

7. The proposed list of audits was discussed and agreed with GE members and senior management and their feedback and requests have been incorporated.

8. The tables below outline the proposed internal audits to take place in 2021/22. Internal and external events may cause priorities and risk profiles to change, and management may have additional requests during the year for advisory support or audit assistance. In consequence, we may consider amending the plan as the year progresses. We will also re-assess and refresh the plan at least quarterly to ensure it remains relevant. We will seek ARC approval for all material changes to the plan.

9. Table 1 represents the baseline plan for internal control reviews, including reviews of the Historic Matters Unit and Post GLO improvement activities. The target delivery is 16 reviews. High level audit scopes for each review can be found in Appendix 1.

Table 1: Internal Control Reviews (target = 16 reviews)				
Rank	Proposed Review	GE Sponsor(s)	Postmaster Impact?	Timing
Priority Audits				
1	IDG Support & Assurance - Phase 2	Dan Zinner	Direct	Q1
2	GLO Historical Shortfall Scheme – Claims & Payments	Declan Salter	Direct	Q1
3	Note Circulation Scheme (BoE Controls)	Al Cameron	No	Q1
4	IDG Support & Assurance - Phase 3	Dan Zinner	Direct	Q2
5	GLO Stamp Stock Scheme	Declan Salter	Direct	Q2
Rolling Plan				
6	Payzone Control Environment	Owen Woodley	No	Q1
7	Treasury Operations	Al Cameron	Indirect	Q1
8	Effectiveness of Second Line – Financial Crime Function	Ben Foat	Indirect	Q2
9	CFS Application Controls	Al Cameron	No	Q2
10	Effectiveness of Compliance Function	Ben Foat	Indirect	Q2
11	JML Deep Dive	Jeff Smyth	Indirect	Q3
12	IT Operations and Incident Management	Jeff Smyth	Indirect	Q3
13	Cyber Security	Jeff Smyth	Indirect	Q3
14	ATM Link Scheme Assurance	Owen Woodley	No	Q4
15	Third Party Data Validation	Al Cameron	Indirect	Q4
16	Business Continuity (Incl. Post-crisis assessment and ITDR)	Al Cameron	Direct	Q4

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10. Table 2 below shows a list of reviews with a Postmaster Focus. We expect that many of these processes will be covered through our IDG assurance work. We will assess the need for end-to-end reviews of these areas based on the outcome of the IDG assurance work and the Public Inquiry.

Table 2: Alternative reviews with a Postmaster Focus			
Rank	Proposed Review	GE Sponsor(s)	Postmaster Impact?
1	Horizon Application Controls (follow up KPMG recommendations)	Jeff Smyth (Simon Oldnall)	Direct
2	Postmaster Journey Follow-up (Placeholder)	Amanda Jones	Direct
3	Postmaster Performance Management & Offboarding	Amanda Jones	Direct
4	Postmaster Issue Resolution	Amanda Jones	Direct
5	Revenue Protection (Deep Dive)	Dan Zinner	Direct
6	Postmaster On-boarding Process	Dan Zinner	Direct
7	Branch Cash Forecasting	Al Cameron	Direct
8	TransTrack Application Controls	Russell Hancock	Direct
9	Stamp Stock Controls	Al Cameron	Direct

11. Table 3 represents assurance provided over Post Office's change risk. The baseline plan is for eight change assurance reviews. This is an indicative list based on the current change portfolio and will be reviewed and updated continuously as the portfolio of change programmes develop and the risk profile changes.

Table 3: Programme Assurance (target = 8 reviews)				
	Proposed Review	GE Sponsor	Postmaster Impact?	Timing
1	Strategic Platform Modernisation (SPM) Setup & Business Case	Zdravko Mladenov	Direct	Q1
2	Belfast Follow-up – Part 2	Jeff Smyth	Direct	Q1/2
3	PCI Follow-up - Part 2	Jeff Smyth	Direct	Q2
4	SPM Mobilisation/Delivery	Jeff Smyth	Direct	Q3/4
5	Change Controls effectiveness	Dan Zinner	No	Q4
6	Belfast Follow-up - Part 3	Jeff Smyth	Direct	Q3/4
7	Placeholder Change Project (TBC)	TBC	tbd	TBC
8	Placeholder Change Project (TBC)	TBC	tbd	TBC

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12. Table 4 is our 'watch list' of alternative topics and additional areas for consideration during the year, should either the assurance needs for the priority areas decrease or risk levels for items on our watch list increase. The watch list will also inform the 2022/23 internal audit plan.

Table 4: Watch list alternative topics (top 10 items only)	
	Topic / Area
1	ITCF Follow up
2	Financial Controls Framework
3	Management of Strategic Partners
4	Compliance with Prompt Payment Regulations
5	Product Risk Assessment (MoneyGram / Lottery Products / ATMs)
6	Top Down / Overarching People Review / Onboarding Process
7	ServiceNow Implementation
8	IT DR (Deep Dive After Belfast Exit – Q4/2021/22)
9	Effectiveness of IT Security - Operational (2nd Line)
10	Management Information (Fit for purpose / standardised / one version of truth)

Three Year Rotation Plan

13. We introduced a rotational audit plan in 2017/18 to assess core business processes over a three year cycle in order to provide regular assurance on the effective operation of controls over critical business processes. The rotational plan in the table below has been based on the last review of these processes, known issues and ongoing remedial programmes.

Core Processes – 3 Year Rotation Plan		
Year 1: 2021/22	**Year 2: 2022/23**	**Year 3: 2023/24**
Financial Reporting Controls N2	Financial Reporting Controls	Financial Reporting Controls
Third Party Data Validation N1	Third Party Data Validation	Third Party Data Validation
Contract Management (Strategic Partners) N2	Sales (Product tbc)	Supply Chain Management (CViT)
Branch Cash Forecasting N2	Payroll	Employee Expenses
Business Continuity N1	Financial Close Process	Agents Remuneration
IT Operations N1	Fixed Assets	FS Conduct Management
Cyber Security N1	Procure to Pay	Bill to Cash (Accounts Receivable)
Treasury Operations N1	Client Settlements Process	Sales (Product tbc)
Regulatory Compliance N2		

N1 – Included in 2021/22 rolling plan. N2 – To be prioritised once other priority audits have been completed.

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Post Office Insurance Internal Audit Plan

14. We will carry out a programme of internal audit reviews on behalf of Post Office Insurance (POI), as per the Master Service Agreement between POL and POI. The 2021/22 plan is pending approval by the POI ARC, and will be reported to the POL RCC and ARC once this is done.

Financial Impact

15. The approved headcount for the internal audit team is 6 FTEs. We are currently at full headcount. The co-source requirement to support delivery of the 2021/22 plan was estimated at approximately 470 days with a total cost of IRRELEVANT (excluding POI).

16. The cost implications of the co-source element of delivering the internal audit plan is as follows:

Category	Number of audits	Estimated effort (days)		Co-source cost	
		Total	Co-source	2021/22	2020/21
Core Internal Audit	16	IRRELEVANT			
Change Portfolio	8				
Total	**24** [N1]				

[N1] 2020/21 plan was for 26 audits.

[N2] The increase in forecasted cost for change assurance is to provide for SME input into complex programmes, such as Belfast Exit, SPM and PCI.

17. During 2018/19, we benchmarked the cost of providing Post Office internal audit services against Deloitte's 2018 Global Auditing Information Network (GAIN) Survey. Post Office spends around IRRELEVANT of revenue on internal audit, which was found to be comparable with similar size FS organisations IRRELEVANT and higher than similar size retail organisations IRRELEVANT. We believe that the level of spend on internal audit is appropriate for the nature and size of the organisation and that this benchmark is still relevant.

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Appendix 1 - High level audit scope statements

Rank	Proposed Review	High Level Scope
1	IDG Support & Assurance - Phase 2	To provide independent validation and assurance over key improvements in support of the Inquiry. Around 400 improvements have already been identified, which will be validated for completeness and effectiveness. Testing will prioritise highest Postmaster impact actions and will be proportionate to the risk.
2	GLO Historical Shortfall Scheme – Claims & Payments	Review of the scheme governance arrangements, including oversight, reporting, escalation and claimant journey. Review of operational controls to ensure the prompt and proper resolution of claims.
3	Note Circulation Scheme (BoE Controls)	Review the controls over BoE notes held in vaults, the process of moving notes to 'borrow' from BoE and accuracy of declaration to BoE and accounting treatment.
4	IDG Support & Assurance - Phase 3	Same as item 1. This is a placeholder to validate additional improvement in preparation of the Inquiry or as a result of the Inquiry.
5	GLO Stamp Stock Scheme	Review of rationale, set up and controls of the scheme, including controls over the logging, assessment and payment of claims.
6	Payzone Control Environment	To include compliance with POL Group Policies and progress to bring IT systems, equipment, security and resilience up to an acceptable standard.
7	Treasury Operations	Assess the design and operating effectiveness of end to end Treasury operations, including Governance, Policies & Procedures, Skills & Capabilities, SOD, bank mandates, & DOA.
8	Effectiveness of Financial Crime Function	Review of Financial Crime function activities, to include team resilience. Will consider both first and second line activities, and clear separation between the lines.
9	CFS Application Controls	Review general application controls including OS, Database and application access, system and change control, IT operations and DR.
10	Effectiveness of Compliance Function	Review of scope vs. expectations across business, particularly of the interaction between first and second line activities and the split between compliance and the first line.

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Rank	Proposed Review	High Level Scope
11	JML Deep Dive	Review status of JML roadmap, in-depth testing of joiners, movers, leavers, PAM, RBAC, SoD and re-certification. Review integration/automation, etc.
12	IT Operations and Incident Management	Provide assurance that IT services are delivered consistently, reliably and at an appropriate level of service. This includes management of infrastructure changes, monitoring of operational IT infrastructure, and issue diagnosis and resolution. The backup and recovery of systems in the event of an incident or service interruption is covered separately under IT DR (incl. in Business Continuity).
13	Cyber Security (Maturity Assessment)	Assess the implementation of the agreed actions and evaluate the level of progress towards increased Cyber Security Maturity following the 2019 and 2020 Deloitte assessments. Progress will be assessed across the highest risk domains and those areas highlighted by the 2020 review to be in most need of improvement.
14	ATM Link Scheme Assurance	Following the takeover of ATMs from BoI, Post Office need to join the Link Scheme, which has a requirement for annual attestation by the 3rd line that the Link Scheme controls were complied with.
15	Third Party Data Validation	Review Business Process and IT controls for key revenue generating third parties to ensure accuracy, reliability and integrity of data. Perform data analytics as necessary.
16	Business Continuity (Incl. Post-crisis assessment and ITDR)	To assess how the learnings from the business response to Covid-19 have been embedded in BC management. To include a review of overall BCP processes and focus on ITDR for Horizon.

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Post Office Insurance Audit & Risk Committee Update	**Meeting Date:**	30 March 2021
Author:	Ian Holloway, Director of Risk & Compliance, Post Office Insurance	**Sponsor:**	Amanda Bowe, Chair of the Audit & Risk Committee, Post Office Insurance

Input Sought: Noting

The Committee is asked to note the report from the Post Office Insurance Audit & Risk Committee.

Executive Summary

This paper provides a concise update for the Post Office Limited Audit, Risk & Compliance Committee (POL ARC) on matters which the Post Office Insurance Audit & Risk Committee (POI ARC) considered on 25 March 2021.

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Questions addressed

1. What are the key points which will be considered at the POI ARC meeting?

Report

What are the key points considered within the POI ARC meeting?

2. At and extraordinary meeting of the POI ARC and Board on 23 March 2021, the **financial statements for the 19/20 year** were reviewed and a plan agreed for their completion and filing at Companies House. Following consideration of all relevant matters, the accounts were signed on a going concern basis. After thorough analysis, it was agreed to write down non-travel goodwill by IRRELEVANT, leaving a residual balance of IRRELEVANT. This reduction does not have an impact on POI's regulatory capital, cash / liquidity or our operational capability. The FCA have been informed of this reduction. The accounts were filed on 27 March 2021.

3. **Internal Audit** has completed a review of data governance. It has recommended a clearer operational structure for data ownership within POI which Management are currently developing. The Internal Audit plan for 2021/2, the budget for Internal Audit, and the Internal Audit Charter were approved by the Committee.

4. The **risk management report** noted the ongoing risks to POI's travel business. Considerable uncertainty remains as to whether European travel will be allowed before the middle of August, and therefore the bulk of the Summer travel season may now be lost. Cashflow and capital continue to be monitored closely and management has produced a 'resilience' plan in mitigation of liquidity risk. Third parties supporting POI have largely performed well within the Covid environment, but concerns were noted on the performance of Ageas (for household claims), and Cardif (for pet claims), where service handling for post first notification claims calls are significantly out of tolerance. Management have

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agreed to come back with clearer actions and timescales for bringing these performance measures back within agreed parameters.

5. The Committee also requested further work to demonstrate our approach to **vulnerable customers**, including the timing and use of a vulnerable customer flag, and if necessary, to update the POI vulnerable customer policy. This will come back to the next ARC given its importance.

6. A joint principal report (involving POI, Bank of Ireland and Capital One), covering oversight of **Post Office Limited** as **Appointed Representative** presented to the Committee. This identified a number of issues concerning the planning and execution of mystery shopping which is a key network sales control tool. Overall POI identified that the mystery shopping based oversight framework falls short of principal requirements and the Committee was concerned that earlier steps to improve with oversight of POL as the AR of POI may not be fully embedded. Significant change is required to ensure that these issues are rectified. Management is considering steps to improve the overall structure of oversight. It was recognised that there are no indications of actual customer detriment and the volume of business conducted through by POL branches has reduced considerably in recent years, reducing the impact of this risk. Nonetheless, the Committee will be keeping this risk under close review.

7. The Committee reviewed the **Conduct Dashboard** and agreed a number of minor changes to conduct metrics. It was noted that travel insurance cancellations are again climbing following further pessimism around the timescales for it being possible to take holidays in Europe. Broadly other metrics are where Management would expect them to be.

8. The Senior product managers with **SMCR responsibility** for motor, household, pet, travel and protection presented on risks and controls within their areas and attested on the quality of controls in terms of risk coverage.

9. **Policies** on data and cyber security, pricing and product reviews were recommended to, and approved by, The Board.

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Business Continuity Gap Analysis	**Meeting Date:**	30 March 2021
Author:	Jonny Lonsdale (Business Continuity Manager)	**Sponsor:**	Alisdair Cameron, Chief Finance Officer

Input Sought: Noting

The Committee is asked to **note** the summary findings of the Business Continuity Gap Analysis review for Post Office Group.

Previous governance oversight

The Risk & Compliance Committee on 16 March 2021.

Executive Summary

Background: In an effort to determine the status of the Business Continuity Management System ("BCMS") the Business Continuity Manager has completed a gap analysis on its alignment to the BSI ISO 22301 (Business Continuity) standard. The folders of documentation provided by Tim Armit have been assessed as part of this review.

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Standard: A BCMS aligned with ISO 22301 is based on Business Impact analysis and takes into consideration the organisation as an entirety. It includes disaster recovery and business continuity plans that focus on the recovery of specific activities, operations, functions, sites, services,etc.

Conclusion: The Gap Analysis has found that the overall status of the Post Office BCMS is non-compliant with some aspects of the industry standard, and in particular the most concerning gaps are in the following areas;

1. Business Impact Analysis
2. Business Continuity Plans
3. Governance Framework
4. Exercising and Testing

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Questions addressed

1. Does Post Office have a fit for purpose BCMS in line with the BSI ISO22301 standard?

2. What changes are needed to the BCMS to meet the requirements of the standard?

Report

Audit, risk and control

4. Post Office does not have a detailed Business Impact Analysis for each department; therefore, the organisation does not have a process of determining the criticality of business activities and associated resource requirements to ensure operational resilience and continuity of operations during and after a business disruption. Although the Post Office does not have documented BIA's, the RCC and ARC should take assurance that disruption to key activities have been limited during the pandemic and its work from home strategy which displays that the organisation is aware of its key activities.

5. Not recognising the critical activities in an organisation prevents identification of risks which need to be prioritised in preparedness for a major incident resulting in an unacceptable standard of resilience. However, the Post Office manages major incidents effectively through its escalation process and should have some comfort in the response to the pandemic outbreak which limited impacts to the continuity of its products and services.

6. A departmental business continuity plan allows those accountable to design their own recovery strategy. This includes the minimum business continuity objective (staff resource), the time of which to resume the key activities and location. Although I have seen some departmental plans (Supply Chain) which detail response procedures and alternative locations, this is not replicated through the business and if we do not have these documented procedures our ability to respond to incidents will be impacted.

Stakeholder and workforce engagement

7. A group of Business Continuity Plan owners and BIA Champions have been identified to roll out the refreshed BCMS. These stakeholders will be required to complete a Business Impact Analysis and Business Continuity Plan with the guidance of the Business Continuity Manager. Completion of these sessions will be held on a 1-1 meeting basis to ensure the information is completed effectively and consistently.

Critical Systems

8. It is also noted that the critical branch supporting system, Horizon, has not been fully disaster recovery tested therefore confidence in that the system would remain operational in the event of a Data Centre outage is not established. Testing on Horizon is planned for this year and it is expected a full failover test will be completed.

Financial Impact

3. There is limited financial impact to implement the refreshed BCMS. However, a Service Now module has been identified as a useful tool to aid the BCMS effectiveness although

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this is in the early stages of discovery therefore no business case has been put forward for approval.

Risk Assessment, Mitigations & Legal Implications

4. The present work area recovery strategy for the Chesterfield office is to relocate to the SunGard site in Leicester. This contract expires on the 31st March and a decision has been made not to extend the contract. The Post Office is aware of the risks associated with ending this contract and have plans in place to mitigate this. With many colleagues now working from home this decision will have limited impact. If laptops are damaged in an incident, there may not be enough spare laptops in storage to replace a large number. A desktop strategy is currently being considered with IT in order to mitigate this risk and for colleagues to leave laptops at home when coming to work in one of the offices.

5. There is no defined list of up to date critical suppliers of products and services that support the strategies of the BCMS. This may result in not identifying risks associated with suppliers which could be mitigated or used to plan contingencies if they become unavailable. For example, COVID response, impacts and business resilience.

6. A list of our most high value or most dependent external partners have not been established which prevents appropriate Business Continuity strategies being developed to ensure we meet the needs of those customers. By creating this list, we can identify our SLAs and ensure these timescales can be achieved in the event of a Business Continuity incident.

Stakeholder Implications

7. Each department or team will be required to complete a BIA during Q1 with the assistance of the Business Continuity Manager. Each BIA will take approximately 1 hour to complete with an additional hour for the Business Continuity plan.

8. There is a risk that due to the lack of training and awareness for colleagues in regard to the identification of Business Continuity risks we currently a number of unknown risks which require mitigation in order to ensure the Post Office can continuity to provide its products and services at an agreed level. A competency matrix will be established to identify what training would be the most appropriate for the BCMS stakeholders.

9. Once BIA's and Business Continuity plans have been created, a series of scenario-based testing exercises will be scheduled that each Business Continuity plan holder will require to attend. The Gap Analysis found that one department of the organisation has a robust testing and training programme of Business Continuity activity in place which was Supply Chain.

10. An annual audit should be agreed for our Internal Audit team to review the BCMS against the BSI 22301 standards to ensure a degree of compliance is achieved and improvements measured following this gap analysis.

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Other Options Considered

11. Implementing a BCMS framework is to inform and drive continual, effective, cross-functional, multi-level continuity planning through holistic, integrated risk management practice in the following ways;

12. Establish a control environment to link corporate governance, risk management, business planning and operational performance to the Post Office strategic direction (business continuity programme);

13. Invest time, tools and techniques to ensure BCMS is a fully embedded, auditable business management process;

14. Provide senior managers with opportunities to obtain a sound understanding of business continuity management and requisite skills to implement business continuity effectively;

15. Ensure the framework is sufficiently flexible to meet the challenges of scalability, different department business profiles and various geographic needs coupled with governance, regulatory and legal regimes;

16. Assist and manage events that require information and resource coordination across multiple business functions;

17. Uphold a resilience philosophy in which the Post Office business continuity capability always reflects the needs, technology, structure and culture of its business.

Next Steps & Timelines

18. For Post Office BCMS to achieve compliance with ISO22301 standard the following BCMS schedule of work is to be completed over the course of the next 12 months;

Q1	Q2	Q3	Q4
Creation of BIA	Create BC Plans	Testing Schedule	Plan Internal Audit of BCMS
BIA Roll Out	Create Internal / External Incident Communications statements	Create Competency Matrix for Stakeholders	Create BCMS annual workflow
Identify Key Suppliers & Review BCP Status	Create BC Sharepoint site for document repository	Create Improvement Tracker	
Identify Contractual Obligation	Training & Awareness Sessions		
Create Framework Document	Create BCMS invocation Severity Matrix		

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Review and update BC Risks in Risk Register (SNOW)	Review Business Continuity Policy		

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Prohibited and Restricted Items Progress Update	**Meeting Date:**	30 March 2021
Author:	Mike Elliott, Network Sales Development Manager Andy Kingham, Franchise Partnering Director	**Sponsor:**	Amanda Jones, Retail & Franchise Network Director

Input Sought: Noting

The Committee is asked to note:

i. the activity undertaken and planned in order to improve conformance to the required process.

ii. anticipated improvement in mystery shopping conformance as a result of the proposed system changes.

Executive Summary

Since 2012, Post Office has contracted with Royal Mail to help meet its obligations to the CAA (Civil Aviation Authority) for checking the list of prohibited and restricted items and any applicable packaging, volume, quantity, labelling and product restrictions that apply prior to posting any item. Royal Mail provides a comprehensive A-Z list that gives detailed information about the things that cannot be posted with us, or where restrictions are in place and covers all our UK mail and International mail services. This list of prohibited and restricted items reflects Royal Mail's general terms and conditions.

During the most recent audits, the CAA have highlighted that Post Office Ltd. can only act in the capacity as the first line of defence regarding the acceptance or refusal of prohibited and restricted items. Whilst the ultimate responsibility lies with Royal Mail, Post Office Ltd. takes this responsibility seriously.

To monitor compliance levels for Prohibited and Restricted Items (P&RI), Mystery shopping is completed on a monthly basis by IPSOS. Since its inception, POL results have been inconsistent, falling below acceptable levels in most months. Over the last 6 months compliance levels for International performance peaked at 77% and inland 56% - (latest wave was Period 9, due to mystery shopping being paused due to the pandemic).

This paper provides an update on the progress to date to deliver performance improvements and outlines the next steps we are and need to take to improve compliance levels further for the acceptance of Dangerous goods items.

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Questions addressed

1. Why do we need to improve conformance levels for Prohibited and Restricted items?
2. What is the impact of not doing this?
3. What steps have been implemented since the last update (July 2020) to address this?
4. What additional steps are planned to improve compliance further?
5. What is the current focus in the network to address this?

Report

1. Why do we need to improve conformance levels for Prohibited and Restricted items?

To comply with national and international regulations governing the carriage of mail, and to ensure that mail in transport does not present a danger to the general public, we restrict or prohibit certain items from entering our network and the Royal Mail pipeline.

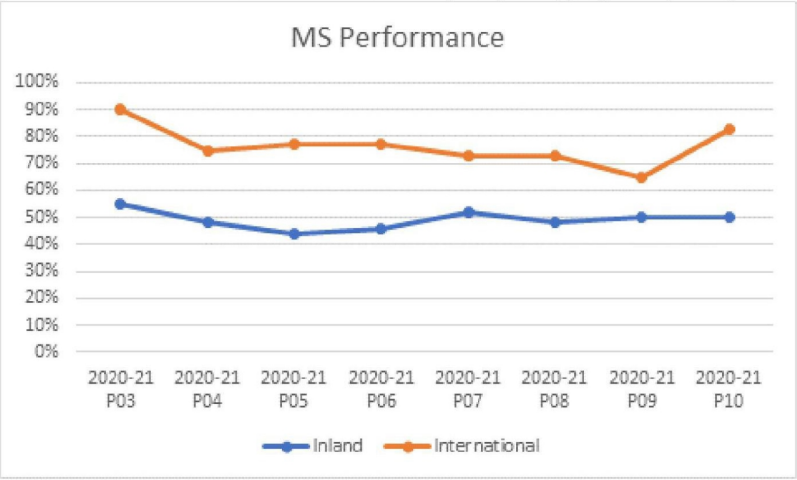
We want to ensure the mail is safe for everyone, with many items, such as batteries, aerosols, nail varnish and perfumes (amongst other items and substances), considered as dangerous goods under transport legislation. For items posting overseas, other postal administrations may have different prohibitions and restrictions. All the individual and country specific restrictions and prohibitions add further complexity to the transaction at the counter.

Area Managers have continued to focus their efforts on driving increased awareness and understanding in order to deliver improvements in conformance as BAU activity on branch visits and Teams calls. This has been underpinned with additional training where required and through frequent communications.

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The latest mystery shop results described below, show performance levels for Inland continue to remain static ranging between 44% and 55%* with International between 65% and 90%*.
*number of branches correctly following the correct process based on mystery shopping

2020/21 YTD Mystery Shop Performance - periods 3:10
(N.B. limited P10 data due to cessation of Mystery Shopping mid-period)



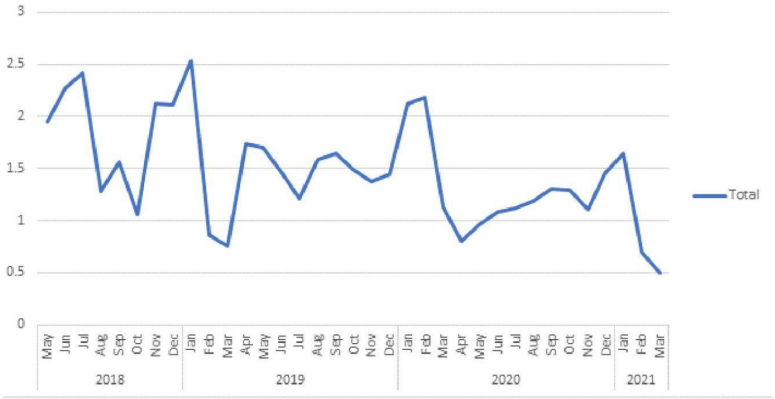
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The graph below shows the number of parcels disposed of per 100,000 items of mail accepted, as a result of the parcel containing a prohibited or restricted item. This data is provided by Royal Mail. This shows an improving trend year on year as follows:

2018/19	1.7 items disposed of per 100,000 items of mail
2019/20	1.6 items disposed of per 100,000 items of mail
2020/21 YTD	1.1 items disposed of per 100,000 items of mail (Period 11 0.6)

The target for 2021/22 is 0.5 items per 100,000 items, and we are confident that this will be achieved following on from the planned Horizon system updates. Area Managers will continue to make targeted interventions with branches using the Branch Insight Tool (BIT).



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2. What is the impact of not doing this?

The Civil Aviation Authority may withdraw the authorisation of individual PO Branches to sell parcels in the event of non-compliance. The limitation of POL liability to an aggregate amount of £20 million per year – although POL has not to date received any claims for compensation from RMG for non-compliance with the MDA dangerous goods compliance requirements. In addition to this, there are reputational risks to the POL brand in the event of an incident occurring as a result of mail accepted in branch.

3. What steps have been implemented since the last ARC update (July 2020) to address this?

A meeting was held with RM and the CAA to discuss performance at the end of April, this was attended by senior members of the POL mails and network teams. POL and RM have continued their monthly Dangerous Goods working group to discuss performance and monitor improvement activities.

Following these meetings, and after several consultations with Postmasters during lockdown 1, there were a number of suggestions made for improvements. All improvements were scoped, prioritised and are being tracked in a project plan, some of which have already been implemented as part of phase 1 and some are in flight within phases 2 and 3. Following the implementation of each phase, we expect to see marked improvements across all Prohibited and Restricted metrics.

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We are confident that the planned system changes described below, will drive a significant improvement in conformance as we are minimising risk by removing the reliance on the counter colleague to follow the correct process.

Phase One:

- Horizon System Changes - We will be able to offer a Horizon menu-based alternative to the manual scanning of the dangerous goods laminate. The Dangerous Goods process will be integral to the Mails transaction and will form a key part of the Mails conversation with customers without the need to use additional support aids such as the existing Dangerous Goods laminate. The current process relies on the colleague remembering to use the laminate. This new process is currently going through Network gateway for UAT testing and Postmaster feedback.

  Trial across 167 branches commenced on 11th March 2021 and finished on 20th March 2021, feedback from Postmasters is currently being reviewed with the potential of a full roll-out across the entire network by the end June 2021.

(Accompanying this paper is a PDF document that demonstrates the changes from the existing to the new Horizon customer journey).

- Branch Insight Tool (BIT) enhancements – The initial review in July 2020 identified the need for improved management information to support the identification of 'At Risk' branches. Following this review, from Q3 of last year, individual branches are now scored and ranked to prioritise those branches with significant non-conformance. This is based on overall Mails volumes, interception volumes, previous mystery shop results and Dangerous Goods laminate scan percentages. This development within the BIT tool, now provides Area Managers with improved visibility of overall performance across their areas. Looking forward, this will facilitate both reactive and pro-active actions to drive improvements in conformance.

4. What additional steps are planned to improve compliance further?

Phase Two (subject to CAA approval):

- Labels Compliance – We are working on a solution to enable the Horizon system to print both the ID8000 and Lithium battery label. Our worst performing mystery shop scenario is where these labels are required. Forcing the label to print during the transaction will drive further improvements in conformance by removing the option to add the label at a later stage. (The current anticipated to go live for phase two is mid-June 2021).

Phase Three (subject to business case):

- Simplification – We have requested a quote to update Horizon from our IT suppliers to see if we can move the DG transaction start point to earlier in the Post Mail items journey and will be subject to costings and appropriate finance approval.
- Customer Self-Confirmation – Further system changes are planned as part of phase 3 leading to a requirement for customers to confirm their self-declaration using Pin-Pad devices for Mails items. (The current anticipated to go live date for phase 3 is the end of July 2021, with a dependency on the availability of Ingenico resource).

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5. What is the current focus in the network to address this?

The current focus in the network is as follows:

- Postmaster Engagement – The Horizon system changes, (described in phase 1) above, are now ready for testing and we have engaged with Postmasters to seek their input regarding the original needs analysis and whether the new system design will deliver against these needs.

- Targeted Activity – Conformance Champions are in place across the 9 regions and they have been asked to lead regular sessions with their teams to increase focus and awareness across each area. Area Managers are now contacting their worst 20 branches based on zero scans of the Dangerous Goods laminate which highlights marginal/non-existent activity at the counter. This activity will continue ongoing which will lead to greater reach and positive impact across the network in the worst performing branches.

- Contractual Intervention – Work is progressing to agree and deploy a formal contractual process, where following three interventions and support provided by Area Managers, a branch continues to be non-conformant. We expect this to be in place by the beginning of the new financial year.

Conformance improvements expected

As a result of the anticipated Horizon improvements we expect to see a significant improvement in conformance to the process, as the necessary prompts and interventions are systems generated and will address current failure points.

For phase 1 we expect to see conformance improve as follows:

- Increase inland dangerous goods conformance to c.70%
- Increase international dangerous goods conformance c.85%

For phase 2 we anticipate conformance for inland and international dangerous goods conformance to improve to c.90%.

The anticipated improvements from the implementation of phase 3 changes would see conformance improvement to c.95% with the inclusion of customer confirmation.

N.B. *In addition to the Management Information we have available to report on the use of new Horizon screens versus the use of the laminates, with Mystery Shopping due to recommence on 12/04, we will also be able to report on actual conformance improvements. We should start to see the benefits in the next wave of Mystery Shopping, but it will take two or three Mystery Shop waves to fully embedded each phase.*

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Review against Terms of Reference 2020/21	**Meeting Date:**	30 March 2021
Author:	Rebecca Whibley, Senior Assistant Company Secretary	**Sponsor:**	Veronica Branton, Group Company Secretary

Input Sought: Noting & Approval

The Committee is asked to:

1. note the outcome of the review against the Terms of Reference, confirming that the responsibilities under the Terms of Reference for financial year 2020/21 have been met save for the exceptions outlined in the report;
2. note and approve the actions to address the matters not adhered to; and
3. approve the revised Terms of Reference for onward submission to the Board.

Executive Summary

The Financial Reporting Council's (FRC) Guidance on Board Effectiveness 2018 refers to the need for "properly structured and appropriate terms of reference." As part of the annual Governance Report to the Board, the Board Committees review their Terms of Reference to see whether any changes are required and to evaluate whether the Committee's responsibilities have been discharged.

The complete review against Terms of Reference is available in the Reading Room alongside the Terms of Reference applicable in FY 2020/21.

The following elements of the Terms of Reference have not been complied or have only been partially complied with in FY 2020/21 and suggested remedial action is outlined below:

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Item	Remedial Action Commentary
7. Approve the Group Treasury and banking policies	This last approved in March 2020 and was due to be approved in March 2021 but has been moved to May 2021 due to capacity issues in the Treasury team. This will therefore be reviewed and approved in May 2021.
36. Independence of internal audit including an annual review of any non-audit services provided by internal audit	There has been no review of non-audit services provided by, particularly, Deloitte as Internal Audit Co-Source. It is recommended that the Committee receive a report from Deloitte and Internal Audit covering non-audit services and fees annually moving forwards.
38. External Audit reappointment, fees and scope of engagement approval	The Committee has not formally reappointed the auditors for FY 2020/21, due to the delay in approving the Annual Report & Accounts. The Board reappointed the auditors for FY 2020/21 at its meeting on 18 March 2021. As already recognised at its meeting on 26 February 2021, Committee should approve the fees and this should also include scope of engagement for onward submission to the Board

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	in early 2021/22 (Latest action update is that this is due to be completed in May 2021). Moving forwards, these matters should be dealt with at the Committee meeting dealing with the Annual Report and Accounts approval and the Company Secretariat will ensure that these matters are subsequently approved by the Board.
41. Approval of External Audit Plan	The Committee noted this plan, but moving forwards the Committee should approve.
43. Review of Representation Letter	The Committee did not review this letter and it is suggested this review is undertaken in future years.
45 & 48. Annual Review of External Audit services including independence, non-audit fees, qualifications, expertise and resources of the external auditor and the effectiveness	This has not been done in a formal way, but it is covered in the audit report for FY 2019/20 and FY2020/21 Audit Plan. It is suggested that a more formal annual review is carried out following the approval of the Annual Report and Accounts moving forwards.
72. Circulation of Committee Minutes to the whole Board	This has not been done previously, but now all Board members have access to the Committee Reading Room on Diligent Boardbooks containing all signed minutes and draft minutes (post Chair approval) will be circulated to all members of the Board. The majority of the Board attend the ARC in any event with standing invites to the Chair of the Board and Lisa Harrington should they wish to attend.

The review has also shown that the Terms of Reference does not include the following items which are, in practice, responsibilities of the Committee or are not responsibilities of the Committee and as such, the Terms of Reference should be revised accordingly (subject to Board approval):

1. The Committee has authority to approve policies under the Group Key Policy Framework pursuant to the Matters Reserved to the Board and in practice, approves most Group Key Policies.
2. The Tax Strategy is approved annually by the Committee.
3. Banking policies are not approved by the Committee so should be removed.

Appendices

1. Table of Review against the Terms of Reference
2. Current Terms of Reference
3. Revised Terms of Reference (Clean)
4. Revised Terms of Reference (Track Changed)

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POST OFFICE LIMITED
AUDIT & RISK COMMITTEE REPORT

Title:	Cyber Security Update	**Meeting Date:**	30 March 2021
Author:	Tony Jowett, Chief Information Security Officer	**Sponsor:**	Jeff Smyth, Group CIO

Input Sought: Noting

The Committee is asked to note the status and plans regarding the reduction of risk associated with Cyber Security.

Previous Governance Oversight

Rolling item at each Committee.

Executive Summary

- We continue with our programme of work to develop higher levels of cyber maturity. Progress continues on track in all areas.
- We describe the focus of our 21/22 programme balancing the needs for focus on inquiry, postmasters and cyber maturity increase.
- We describe the results from our second desktop cyber incident drill.
- Our current cyber operations dashboard and resulting highlights are discussed.

Questions addressed

1. What is the latest update on the cyber programme?
2. What is the focus of our 21/22 cyber programme?
3. What are the results from the recent cyber incident desktop drill?
4. What are the highlights from the current Cyber Operations dashboard?

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Report: Programme Update

1. The Status of the actions from the recent cyber maturity audit is as per the table below all are complete or on track within target dates

Finding	Status	Target Date
Target maturity levels for cyber security should reflect POL's risk profile	**Completed** – target maturity levels to stay as is unless risk appetite changes significantly	30/9/20
POL's list of crown jewels should be agreed with the business	**Completed –** approved by GE	30/11/20
Security architecture is not fully documented	**Completed –** next update Q3 2021	28/2/21 revised date
There is no documented long-term cyber strategy	**Completed** – next update Q2 2021	31/12/20
There is no end-to-end programme defined for Cyber	**In Progress** – being developed in line with 21/22 planning cycle – programme focus discussed in this paper	31/3/21
The cyber action tracker requires updating	**Completed**	30/9/20
JML processes are not fully integrated	**Covered under JML paper** – requirement is to introduce automation of workflow where feasible	31/3/21
There is no documented strategy for Cloud security	**Completed**	28/2/21 revised date

2. The roadmap for the cyber programme and dependencies is described in the next section.

Report : What is the focus of our 21/22 cyber programme?

3. Since we planned our 2020/21 programme the world of the Post Office has changed significantly. As per the above table we have developed a new cyber strategy which we have adapted to focus on three themes:
    a. **Postmaster support**
        i. **Activities that directly support postmasters** which will cover but not be limited to hardening of counter terminals, detection/prevention of external fraud against postmasters, fraud detection within the network and rationalisation of access management controls.
        ii. **Indirect postmaster support** – through providing cyber input to key programmes that are aimed at keeping postmasters at the centre of what we do e.g., SPM, PCIDSS, Banking Framework
    b. **Inquiry-related improvements** – resulting from the CIJ, HIJ and other inquiry-related activity
    c. **Group-wide Cyber maturity increases** – those activities that reduce the overall risk to the whole organisation and help ensure that the Post Office exists/is not taken out for a significant amount of time. The Group functions cannot exist without postmasters and vice versa. These improvements are aimed at us reaching our cyber maturity targets.

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4. A one-page view of the programme is at Appendix 1.

5. The programme is now going through portfolio and financial approval.

Report : What are the results from the recent cyber incident desktop drill?

6. We previously reported to the committee that, whilst we had confidence in our defences, we were keen to perform a number of desktop incident drills. We have recently completed the second of these and this is described below.

7. We engaged Nettitude (our red team and pen test supplier) to run the test for us using skilled personnel to simulate potential large-scale loss of customer data.

8. The test was designed to be as realistic as possible and was run remotely due to COVID restrictions. The following constraints applied:
    a. No malicious code was to be introduced by Nettitude during the incident.
    b. Any PII data used during the exercise was fake and randomly generated.
    c. Nettitude would not provide any 3rd party Incident Response resources – we could only use our own and other third party if we had them.

9. The scenario we tested was as follows:
    a. You have this morning received communication from a freelance security researcher at email address stumpyuk1[GRO], sent via the "Contact Us" web form on the Post Office website.
    b. The researcher claims to have found some interesting data on the internet: An individual who posted the data on the paste site claims to be in possession of full dump of customer data from the Post Office.
    c. The researcher has sent you 3 x sample of records. The security researcher has copied and pasted the message in his message to the Post Office.

10. During the exercise a number of interruptions were made by Nettitude as the incident progressed with new and emerging facts.
    a. **Inject 1** - You are unable to find the claimed information online. After communication with the security researcher, he enquires if Post Office offer a bug bounty and if so suggests 0.1 BTC might be a suitable bounty to pay in return for the URL to the paste site.
    b. **Inject 2** - The Post Office may pay the bounty or convince the researcher to supply the URL (or completely disengage with the researcher). If more interaction with researcher, they send the URL to the paste.
    c. **Inject 3** - The Post Office confirm that the 2x samples are consistent with data that they hold. The samples claim to come from The Post Office and the paster has provided an email address and demand for 0.1BTC for full copy of the dump. Researcher eventually discloses the URL:Pastebin.com/VEBjcYBB

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d. **Inject 4** - Multiple Post Office customers contact The Post Office claiming that they have received phishing emails that contain specific and accurate information only held by the Post Office.

11. The results of the test are discussed below – taken directly from the Nettitude report with no edits.

12. The scenario presented to the Post Office was complex and contained uncertainties along with issues that cut across multiple departments. As such, representatives from the Cyber Security Team, Major Incident Management Team and Data Protection Team were involved in the exercise.

13. In terms of ***People***, The Post Office staff performed to a very high standard during the exercise. They were presented with a wide range of complex issues and they were quickly able to identify the risks and develop strategies for managing the risk. They closely followed the processes documented in relevant policies. Each of the relevant stakeholders demonstrated that they had an excellent grasp of the documented policies that they were responsible for. The decision making, based on available information was also excellent. All the representatives on the exercise pooled their knowledge in order to work their way through an increasingly complex set of problems.

14. In terms of ***Process***, during the exercise, documented processes were tested to their limits and withstood complex issues that progressively escalated in severity. It was apparent to Nettitude that a lot of thought and planning had gone into the development of the documents. As the scenario progressed The Post Office correctly escalated their response at the appropriate junctures, and seamlessly handed off ownership to the correct stakeholders. In the previous tabletop exercise delivered to the Cyber Security Team, gaps were found in the documented Cyber Security Incident Response processes. Those gaps have now been closed, thus during the initial phase of the incident, the incident was correctly categorised and subsequently correctly escalated into the Major Incident Management Team. The participants in the exercise were able to identify which team had overall ownership of the incident during its progress and were able to identify the correct organisations and Post Office stakeholders to notify at the correct time.

15. IRRELEVANT

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16. In summary
    a. The Post Office Cyber Security, Major Incident and Data Protection staff successfully completed the tabletop exercise.
    b. Gaps previously identified in the Post Office's Cyber Security Incident Response documentation were confirmed to have been closed.
    c. No gaps were found in respect of the Post Offices current documentation for managing security incidents.
    d. IRRELEVANT

Report: What are the highlights from the Current cyber dashboard?

17. Appendix 2 shows the current cyber operational metrics dashboard.

18. Key points to note:
    a. IRRELEVANT
    b.
    c.
    d.

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Appendix 1 Cyber 21/22 Programme & Alignment with Priorities

Item	Description	Alignment		
		Inquiry	Postmasters	Cyber Maturity

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Appendix 2 Cyber Dashboard

Cyber Operations 1

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Cyber Operations 2

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Cyber Compliance

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Procurement Governance & Compliance Report	**Meeting Date:**	30 March 2021
Author:	Barbara Brannon, Procurement Director	**Sponsor:**	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting

The Committee is asked to review the report, noting the Procurement Risk Exceptions submitted to the Post Office Limited Group Executive and Board since January 2020 and to consider and give direction in respect of the contracts in the Procurement pipeline which are high value and at risk of being awarded or extended non-compliantly.

Previous Governance Oversight

- November 2020 – RCC & ARC Report
- January 2021 – RCC & ARC Report [no Board submission required]

Executive Summary

As a business in receipt of public funds Post Office Limited (POL) is bound by the Public Contract Regulations (2015). PCR 2015 oblige POL to behave in a fair, objective & transparent way when contracting with 3rd party suppliers. Additionally, set procedures must be followed for spend above £25k and £189k.

The purpose of this report is to set out both breaches to Post Office governance and key controls around contracts and compliance to PCR regulation in the award of contracts.

The aim of collating this information is to drive improvement in awareness and compliance behaviour across the organisation. The second and primary aim is to work with GE and Business Units to commence commercial reviews in a more timely way ensuring POL obtains value, commercial and contractual flexibility fitting the requirements and business strategy of the organisation.

In March 2020, Post Office Board requested prior approval of all Exceptions. This was revised in September 2020 to above threshold Exceptions >£189k only in a revision to existing governance. From November 2020 sub threshold exceptions will be submitted to the Group Executive for prior approval and reported retrospectively to RCC and to ARC.

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A Procurement Risk Exception Note is required to accompany all Exception Requests and a Legal Risk note for requests >£189k.

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Questions addressed

1. *How many and what types of procurement risk exceptions have occurred in the past quarter?*

   Since the last RCC report at the end of January there have been two Procurement Risk Exceptions submitted to the Group Executive for approval.

   - NCR SSK Support – Interim extension of 30 days to 28.02.2021
   - NCR SSK Support – Interim extension of 30 days to 31.03.2021

   We also have a lapsed contract with our auditors, PWC which is an internal governance breach. A compliant extension option exists to extend but they are currently working at risk preparing an audit plan for 2020/21 while commercial terms are negotiated. This has not been resolved since the last RCC report in January.

2. *What are we doing about it?*

   Active reviews continue with Business Units with the highest values relating to non-compliance.

   Our overall non-compliance value has reduced from IRRELEVANT in July, IRRELEVANT in January and is now IRRELEVANT.

   A visual breakdown on all Open incidents at 5/03/2021 is available in Appendix 1.

3. *What is in the current Procurement pipeline which is high value and at risk of being awarded or extended non-compliantly?*

   One Procurement risk exception has been submitted for Board approval.

   a) **Lexington Communications – Circa** IRRELEVANT

   The PR&Comms team wish to extend the existing non-compliant contract IRRELEVANT with Lexington Communications out to September 2021 in order to cover immediate business requirements relating to GLO.
   Aggregated value is forecast at circa IRRELEVANT to September 2021.
   A Procurement Risk Exception request has been submitted to the March Board for consideration.

   There are two pending Procurement Risk Exceptions

   b) **Digidentity – TBC**

   Contract and settlement negotiations with Digidentity are continuing. A full commercial overview and risk analysis will go to GE and Board in due course, noting that by

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accepting a non-compliant extension from GDS, and therefore, commercially entering into an extension with Digidentity to provide the services, a Procurement Risk exception must be considered and approved.

c) **Grant Thornton – TBC**

Further services will be required in order to close the sale process for Home Phone and Broadband. The services are described as subject matter expert review and assistance with negotiating challenges/questions arising from the Shell draft Completion Statement. A Procurement Risk Exception request shall be raised in May for the services which are anticipated for delivery in late May/early June into July.

Conclusion

Risk Exceptions are subject to extensive internal governance, legal and risk review, in line with POL governance guidance on value and risk. This is reflected in the material reduction in the value of open risks over the past 3 years.

Individually, all large value non-compliant contracts have been reviewed by appropriate Post Office governance forums with agreement on next steps and actions towards remediation allocated where appropriate and/or available.

Executive support towards moving POL towards a more compliant footing is very strong, but equally as important there is extensive support towards the cultural change required to ensure that Procurement activities and outcomes will support longer term business strategies and we reduce commercial risk making our 3rd party arrangements fit for purpose.

Report

4. What are the potential consequences of non-compliant awards?
   a) Pre-contractual remedies overview: During a Procurement, an aggrieved party can seek an interim injunction suspending the tender or the implementation until the court decides on an outcome.
   b) Post-contractual remedies: The court can order an 'ineffectiveness order' rendering the contract void &/or can award damages.

5. Why are these incidents of non-compliance occurring, and what can be done about it?

   Non-compliant awards may be made for a number of reasons at the Post Office.

   a) Low value, time constrained or highly sensitive/specialist engagements are not uncommon.
   b) Large commercial arrangements cannot often be easily competed or unravelled without operational impact, and re-procurement may be subject to a pending evolution of a supporting Business Strategy and/or completion of large, and complex technical programmes of work to maintain or enhance services prior to a possible exit.
   c) The contractual arrangements may pre-date PCR 2015 regulations or the contract novated during separation from RMG, automatically becoming non-compliant at the

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renewal point. Non-compliant awards are frequently made on a tactical basis to extend contractual services while public tender processes are executed.

d) Delays to public sector panels of suppliers becoming available. The Post Office makes extensive use of this low-cost route to market and new/refreshed panels are subject to frequent delays from Crown Commercial Services. Single interim extensions [of periods under 12 months] while tender processes are run are considered to be low risk legally.

e) Changes in scope or value over the term of a contract may render the extension or renewal of services non-compliant. Material changes to the scope of a contract may render the whole contract non-compliant.

f) Disregard for, or lack of understanding of the regulations.

6. Why are we receiving this report?
A decision to collate this information into a single location was taken in the Autumn of 2016. The aim is to track and improve our overall compliance and commercial results as an organisation, while also ensuring perceptions are accurate. However, it should be noted that it will facilitate timely responses to Freedom of Information requests which adds risk to the Post Office commercial landscape.

7. Are any of these breaches arguable on regulatory grounds or are they all breaches?

A full explanation of the individual compliance breaches for direct awards over £189k [previously £164k & £181k] threshold is attached in Appendix 1. Each entry details the nature of, and the value of the breach. The threshold is altered every two years based on the FX rate between GBP and the Euro.

The Procurement Compliance Register does not at present give an indicative risk level attached to the award. This information is provided to the accountable executives under internal governance processes in the form of a PCR risk note before a contract above threshold is entered into, and if necessary, under Legal Privilege. In addition, all signatories to a contract have sight of the Risk note as part of the Contract Authorisation Form [CAF].

All entries are compliance breaches. A period of challenge applies to each PCR breach once an aggrieved party becomes aware or ought to have become aware. This risk finally expires at 6 years from the date of breach. The defensibility of a legal challenge is outlined within a Risk Note.

8. How many of the breaches were approved in advance and how many retrospectively?
All contracts entered into during this period were compliant with internal governance processes on contract and commercial review.

9. Why were the approvals given?
The rationale for approval is relevant to the individual service and is detailed within Appendix 1.

10. What were the unapproved, material breaches?
There were no unapproved, material breaches during this period.

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11. Describe what you are doing about the breaches. Where we are in breach, do we have a plan to come back into compliance and over what time period will that plan take effect?
    a) A forward view of material contracts falling under each Business Unit is currently prepared by the relevant Procurement Manager for discussions with their key stakeholders. The maturity of this look ahead view does vary currently and is consistently a high priority activity within the team.
    b) Sourcing options papers are prepared for review by contract managers and key stakeholders [risk, legal, security] with routes to market agreed. In many cases these are dependent on evolving business and operating model strategies and the Procurement team are actively involved helping to advise and review options as thinking evolves.
    c) Where a non-compliant award is proposed due to time pressure, Procurement are actively working on long term mitigation with awards made on an interim basis to meet urgent operational needs.
    d) Each RCC member now receives a regular report on compliance within their business unit[s].
    e) A Risk & Governance process requires a Risk Exception report to be created for non-compliant direct awards with GE sign off.
    f) Awards over £189k must have prior Board approval before being entered into.
    g) All Professional Services engagements must be approved in writing in advance by the CFO/COO. A compliant panel of preferred consulting partners has been appointed and proposed engagements outside of this panel are subject to additional review and challenge.
    h) Procurement provides training as part of the revised Induction process for new staff. Training packs are being updated for existing staff and a new training module made available on Successfactors. Ad hoc training sessions for interested Business Units are also run.
    i) A new Intranet site has been launched for Procurement to improve visibility of process, regulation, and the panels of approved compliant suppliers available to POL business units.
    j) A revised POL Procurement Policy and supporting processes is in progress giving more granular guidance.
    k) Using Crown Commercial Services frameworks, panels of Preferred Suppliers are being refreshed and updated across a wide range of spend categories to reduce time to market, improve compliance and greatly improve commercial outcomes and legal risk.
    l) A planned change to operational systems will, once live, give Procurement earlier visibility of potential compliance issues eg: contractual value thresholds.

12.2

Risk Assessment, Mitigations & Legal Implications

12. As a business in receipt of public funds POL is bound by the Public Contract Regulations (2015). PCR 2015 oblige POL to behave in a fair, objective & transparent way when contracting with 3rd party suppliers. Additionally, set procedures must be followed for spend above £25k and £189k.

13. Failure to abide by the legislation or "slicing and dicing" contracts exposes POL to risk, both as far the commercial outcomes of the contracts as well as the reputational damage,

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legal remedies, censure & fines that can follow the discovery of a breach. Our compliance to PCR can be requested under a Freedom of Information request at any time.

14. The PCR Compliance Register allows for the tracking of breaches to PCR regulations at the Post Office and internal governance processes. One aim of collating this information is to drive improvement in awareness and compliance behaviour across the organisation. The second and primary aim is to work with GE and Business Units to commence commercial reviews in a more timely way ensuring POL obtains value, commercial and contractual flexibility fitting the requirements and business strategy of the organisation.

15. Contract and financial governance policy and processes at Post Office are set by the Legal, Risk and Governance team with clear guidelines for staff availably on the Company Secretariat team intranet site. This sets out steps to be taken to obtain financial and contractual approvals prior to making a binding commitment to an external party. Non-compliance to internal governance processes are also captured within this report.

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Appendix 1 - All Open Material Incidents

Date	Procurement Category	Function	GE Member	Supplier Name	Value	Mitigation	Breach Type 1 - PCR Threshold	Reason for Breach
10/01/2018	IT Software	Retail & Franchise	Amanda Jones (interim)	NCR	IRRELEVANT	In flight	PCR OJEU level	Annual maintenance and support previously provided under Regulation 32 exemption for IPR. Cover is now expired and a compliant route found. Negotiations are underway.
23/12/2019	PR	Corporate Affairs & Comms	Richard Taylor	Cardew Group		Pending	PCR OJEU level	Direct award - no procurement engagement
27/03/2020	IT Software	IT	Jeff Smyth (interim)	Interchange		In flight	PCR OJEU level	POL inherited the Galaxy system and support contracts from Royal Mail was part of, then descoped from compliant OJEU tender for Back Office in 2015
29/03/2020	IT Software	IT	Jeff Smyth (interim)	CSM Accent		In flight	Medium threshold	Part of the Galaxy solution for Swindon stocks, the future of Swindon has been under consideration for sometime and these licenses and support contracts have been rolled over year on year in the absence of a long term direction
29/03/2020	Media	Marketing & Brand	Emma Springham	Carat		In flight	PCR OJEU level	Contract extended to cover OJEU process time line which has been extended due to Covid19. Completion due March 2021
29/03/2020	Marketing	Marketing & Brand	Emma Springham	CACI		None	PCR OJEU level	No frameworks and no appetite in business for full OJEU. Limited other suppliers who have access to the market or simillar software. Software Reseller not an option. Approved by Board March 2020
21/05/2020	Supply Chain	Operations & Supply Chain	Alisdair Cameron	Kings Secure Technologies		In flight	Medium threshold	Interim contract put in place while POL exits ATM terminals from WHSmiths. Board approval granted
21/05/2020	Supply Chain	Operations & Supply Chain	Alisdair Cameron	Cardtronics		In flight	PCR OJEU level	Interim contract put in place while POL exits ATM terminals from WHSmiths. Board approval granted
25/06/2020	IT SaaS	Marketing & Brand	Emma Springham	Splash		Pending	Medium threshold	Re-procurement exercise was underway but due to Covid-19 and budget restraints this exercise had to be put on hold. Also require input from solution architect and workload has prevented this

Date	Procurement Category	Function	GE Member	Supplier Name	Value	Mitigation	Breach Type 1 - PCR Threshold	Reason for Breach
25/06/2020	Banking Services	Retail & Franchise	Owen Woodley	Barclays	IRRELEVANT	Pending	PCR OJEU level	Contract extended with Barclays beyond the limits the OJEU allowed.
25/06/2020	Banking Services	Retail & Franchise	Owen Woodley	Barclays		Pending	PCR OJEU level	Postal Orders/Camelot cheques. Service originally with Co-Op. they terminated the contract in order to exit cheque clearing market. Barclays stepped in to pick up service as very similar to cheque clearing. Work underway to review if it can be tendered alongside the main cheque clearing services.
10/07/2020	Public Affairs	Corporate Affairs & Comms	Richard Taylor	Lexington Communications		None	Medium threshold	Direct award for GLO related PR services. Board approval given.
10/07/2020	Marketing	Marketing & Brand	Emma Springham	CPA global		Pending	Medium threshold	Direct award - trademark services. Contract transferred across to Marketing but compliance status was unknown and it was too late to retender. WIP for 2021
10/07/2020	Professional Services	Finance	Alisdair Cameron	Lexus Nexus		Pending	Medium threshold	Threshold breached - was previously compliant
02/11/2020	Auditors	Finance	Alisdair Cameron	PwC		Pending		A compliant contract is in place but has lapsed during contract negotiations. 1-2 year extension should have been signed before October. This hasn't happened as we have not agreed fees for next years audit with PwC thus far.
01/09/2020	Professional Services	Commercial	Owen Woodley	Grant Thornton		None	Medium threshold	Urgent financial support required in relation to HPBB sale
11/11/2020	Professional Services	Finance	Alisdair Cameron	Smith & Williamson		None	Medium threshold	Board requested additional professional advice support to form an independent view of the way in which the Group's funding agreements, financing arrangements, headroom limits, cross-defaults, commercial contract implications and net liability exceptions (the "Facilities") have been forecast
16/12/2020	Professional Services	Commercial	Owen Woodley	Grant Thornton		None	Medium threshold	Urgent financial support required in relation to HPBB sale
30/01/2021	IT Hardware	IT	Jeff Smyth (interim)	NCR		Pending	Medium threshold	Interim 1 month extension while commercial negotiations conclude.
28/02/2021	IT Hardware	IT	Jeff Smyth (interim)	NCR		Pending	Medium threshold	Interim 1 month extension while commercial negotiations conclude.
					excluding Audit Value			

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Law & Trends Report	**Meeting Date:**	30 March 2021
Author:	Sarah Gray, Group Legal Director	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

The Committee is asked to note the new or proposed material changes to laws and regulations since the last Audit, Risk & Compliance Committee (ARC).

Executive Summary

There are 6 matters for the Committee to note (details of which are set out in the Appendix):

1. **The Restriction of Public Sector Exit Payments Regulations 2020 revoked**
   The Restriction of Public Sector Exit Payments Regulations 2020 ("the Regulations") came into force on 4 November 2020 and set a £95,000 cap on exit payments ("the Cap") for public sector authorities. After extensive review of the application of the Cap, the Government has concluded that the Cap may have had unintended consequences and the Regulations were revoked from 12 February. HR have identified one former employee who was affected by the Cap and will be entitled to the additional sums that would have been paid had the Cap not been applied.

2. **Supreme Court rules Uber drivers are workers**
   The Supreme Court has unanimously ruled that Uber drivers are employees under the Employment Rights Act 1996 and are entitled to the national minimum wage, annual leave entitlements and other legal protections afforded to employees. The judgment represents part of a continuing trend for courts to find 'worker' status where they consider it appropriate to do so on the facts. Whilst unhelpful, it should be noted that the Uber case focused on a different strand of the 'worker' definition to the one being argued in the Starling case.

3. **Public Contract Regulations ("PCR") Post-Brexit**

   The key changes to PCR following the UK's separation from the EU are mostly practical changes which will impact how POL conducts its new procurements from 1 January 2021, including limitations on the enforceability of EU law and treaties; introduction of "Find a tender service" the new UK e-notification service to replace OJEU; and inflight procurements, new procurements and concluded frameworks. Procurements inflight as at 1 January will continue to be subject to the unamended PCR regulations. New procurements will be subject to the amended PCR regulations. Also, the operation of framework agreements concluded prior to 1 January will be subject to the unamended PCR regulations. POL is compliant with the post-Brexit requirements.

4. **State Aid - Update**

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A consultation (closing at the end of March) has been launched on the proposed approach for establishing a new subsidy control regime to replace the state aid regime of the EU. POL is preparing a response.

5. **FCA finalised Guidance on the Vulnerable Customer**
The FCA have issued finalised Guidance for firms on the fair treatment of vulnerable customers. The Guidance highlights the actions firms should take to understand the needs of vulnerable customers to make sure they are treated fairly. This has become a key focus for the FCA due to the impact of coronavirus. Post Office Compliance Team have been aware of the guidance and are considering the collection of vulnerability data to assist with their review of current practices.

6. **Trial Witness Statements in the Business and Property Courts**
From 6 April 2021, witness statements for use at trial in the Business and Property Courts only will have to comply with the newly published Practice Direction 57AC (the "PD"). The PD therefore will not affect any matters brought before employment tribunals e.g Starling nor will it have any impact on the Public Inquiry. It was introduced following judicial disapproval of witness statements crafted by lawyers containing extensive reference to documents rather than embodying the language of the witness. It makes substantial changes to the preparation and content of witness statements. POL Legal will put a guidance document on the LCG Academy intranet page.

Questions addressed

1. What new or proposed material changes to laws and regulations should the Committee be aware of?
2. What are the implications to the Post Office business?

Report

See Appendix.

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Appendix 1

1. Law & Trends Report: New material updates

Issue	Why it matters?	Latest Developments	Impact on Post Office	Action	RAG
1. **The Restriction of Public Sector Exit Payments Regulations 2020 revoked**	As reported at RCC in November 2020, a Cap of £95,000 on exit payments in the public sector was introduced and applied to employees' exit payments from 4 November 2020. The Regulations provided that Post Office "must not" pay exit payments (such as those due upon redundancy) at amounts in excess of £95,000. As such they purport to override employees' existing expectations (some of which are contractual) to redundancy payments. However, the Government revoked these Regulations on 12 February this year.	A former employee has been identified who was directly affected by the Cap whilst it was in force. They will be entitled to request from Post Office as their former employer, the amount they would have received had the Cap not been in place.	As the Regulations have only been in force for a short period of time, Post Office does not have significant steps to undo/ reverse. Payment to a former employee who exited during the period the Regs were in force the sum they would have been due [£x] had the Cap not been in place. Future exits by senior employees may cost Post Office more as a result of the revocation of these Regs.	The Government still has the power to implement legislation and they have indicated they may have another attempt at bringing in similar regulations. Post Office HR will continue to monitor any developments. It is anticipated that if they do revisit exit cap regs, that they will only apply to new joiners rather than existing employees.	
2. **Supreme Court rules Uber drivers are workers**	[redacted]		[redacted]		

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Issue	Why it matters?	Latest Developments	Impact on Post Office	Action	RAG
	[redacted]				
3. Public Contract Regulations (PCR) post-Brexit	Post – Brexit, PCR 2015 remains but, the Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 has been published as a UK statutory instrument to amend procurement legislation to reflect necessary changes required by the UK leaving the EU.	The key changes are: 1. The UK's new "Find a Tender" service for publishing contract notices went live on 1 January 2021, replacing the Official Journal of the European Union (only for United Kingdom). 2. EU references have all been deleted from PCR. 3. The Government have published new guidance for Below Threshold Contracts allowing for more flexibility. This will allow POL the option to reserve contract opportunities by location; and/or reserve contracts to SMEs/VCSEs only (subject to restrictions). 4. Cross-Border Interest test - no longer applies to England, Wales and Scotland contract opportunities. 5. EC Treaty Principles - no longer applies to England, Wales and Scotland contract opportunities. As a result of the NI Protocol Agreement where POL procures below threshold supplies into NI and there is cross border interest (ie from a supplier in a EU Member State) POL must advertise the contract opportunity and conduct a competition in accordance with the EC	For the time being, there is no reason to see why the current changes would not work or how they would not be anything but favourable for POL. POL may want to support local business and have the option to procure from local suppliers, subject to complying with POL internal procurement guidance. POL still has the option to contract with a supplier across the border but would have to follow the old process of advertising in the OJEU with the burden adhering to the competitive EC Treaty principle process. Gov Guidance in Procurement Policy Note 11/20: Reserving Below Threshold Procurements will allow POL to reserve procurements by location and or to SMEs/VCSEs. Certain restrictions apply (eg, ensuring value for money, management of risk, use of model contracts) and POL must also comply with its own internal procurement policy.	To ensure compliance, POL's Web 3 solution for contract management/e-procurement tool has been re-configured so that it interfaces with the Find a Tender Service. Procurement notices can therefore be published direct from Web 3 into the new e-notification hub. POL is otherwise ensuring compliance with the changes to PCR (of which there are few procedural changes) and the business may take advantage of the new freedom to reserve procurement. Separately, the Government has issued a Green Paper consultation on reforms to procurement law. The aim is to streamline tendering procedures, make them more open, flexible (to replace negotiated and competitive dialogue) and limit tendering (in crisis or extreme urgency). There are proposals for publication of annual pipelines and any contract amendments. The Government also aims to carry out a review of the court process and introduce a Tribunal System for some challenges and remedies other than damages. The consultation closes on 10 March 2021. The Procurement Director (Barabara Brannon) is currently reviewing the Green Paper and co-ordinating a proposal for the consultation. Anyone who wishes to contribute, should contact Barabara.	

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Issue	Why it matters?	Latest Developments	Impact on Post Office	Action	RAG
		Treaty Principles and POL's internal procurement policy.		Thereafter, POL is to await publication of response to consultation and update accordingly.	
4. State Aid – Update	From 31 December 2020, the State Aid (Revocations and Amendments) (EU Exit) Regulations 2020 revokes EU State aid rules and the EU no longer has any power to investigate and take decisions on state aid measures granted by the UK. [The exception is state aid that affects trade between Northern Ireland and the EU – this would be subject to the Protocol on Ireland/Northern Ireland.]	From 1 January, until the UK establishes detailed rules for a domestic subsidy regime, it will be now operating under an interim subsidy regime. After 1 Jan 2020, when awarding subsidies, public authorities should take into account: 1. Giving a subsidy correctly (subject to international obligations)- a subsidy is currently defined as a measure which is given by a public authority; makes a financial or in-kind contribution to an enterprise; and affects international trade; 2. Whether the subsidies are prohibited; and 3. Whether the subsidy meets the terms of the principles in the UK-EU Trade and Cooperation Agreement (if over £350,000). The Government has launched a public consultation to consider and inform the further development of its new Subsidy Control regime. The Consultation closes on 31 March 2021. In its consultation the Government is asking for views on: • whether the UK should apply its own additional principles on subsidy control, as well as those set out in the UK-EU Trade and Co-operation Agreement • how best to ensure transparency across the system • the possible roles and responsibilities of the independent body that will oversee the new system	The new regime consists of a subsidy control system and consists of: • long-term replacement for the EU's prescriptive state aid regime, • more dynamic in providing support to businesses to encourage job creation and growth across the UK, • based on principles ensuring delivery of strong benefits and good value for money in a timely and effective way, • local authorities, public bodies and the devolved administrations in Edinburgh, Cardiff and Belfast will be empowered to decide if they can issue taxpayer subsidies.	POL is currently coordinating a response to the Consultation.	

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Issue	Why it matters?	Latest Developments	Impact on Post Office	Action	RAG
		• how this independent body could have some role in supporting enforcement of the principles, alongside normal judicial review standards • how the system could seek to introduce exemptions consistent with our international obligations (for example, natural disaster relief or in response to global economic emergencies).			
5. FCA finalised guidelines on the Vulnerable Customer	Following consultations in July 2019 and 2020, the FCA published a draft consultation Guidance for Firms on the Fair Treatment of Vulnerable Customers. The Guidance is on how regulated firms would meet the FCA Principles for Business and they apply to POMS, Capital One, BOI and POL (as an appointed representative of POMS). Since then, the business have been considering further work, notably around culture and understanding the makeup of our customer base. The FCA considers 47% of the population could be regarded as potentially vulnerable.	The FCA has now finalised its Guidance for firms on the fair treatment of vulnerable customers. The Guidance aims to provide a framework that allows firms to accurately assess whether they are treating vulnerable consumers fairly, ensuring consistency across the financial services sector. The Guidance sets out the FCA's expectations on: understanding the needs of vulnerable consumers; ensuring that frontline staff have the necessary skills and capability to recognise vulnerability; and for firms to consider the characteristics of vulnerability present in their target market or customer base and how they can meet customers' needs through the design of products and services, their customer services and their communications.	The FCA's view of vulnerability is as a spectrum of risk. All customers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability. These could be poor health, such as cognitive impairment, life events such as new caring responsibilities, low resilience to cope with financial or emotional shocks and low capability, such as poor literacy or numeracy skills. As such, one key requirement for POL is to better understand our customer database. Post Office would be required to consider anything that would have an impact on vulnerability. Consideration needs to be made across the whole life cycle of a product from its design to distribution and thereafter. POL has provided vulnerable customer training on SuccessFactors and produced accessibility guidance.	It should be noted that this is guidance rather than mandatory and there is no immediate requirement to implement any changes. Notwithstanding the above, our two principals are both doing a gap analysis to review processes to evaluate where the needs of vulnerable consumers have not been met, so that improvements can be made. For example in POMS call centres they will be asking customers to self-identify their vulnerability.	
6. [redacted]					

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Issue	Why it matters?	Latest Developments	Impact on Post Office	Action	RAG
[redacted]		[redacted]			

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	H2 Legal Risk Report 20/21	**Meeting Date:**	30 March 2021
Author:	Sarah Gray, Group Legal Director	**Sponsor:**	Ben Foat, Group General Counsel

Input Sought: Noting

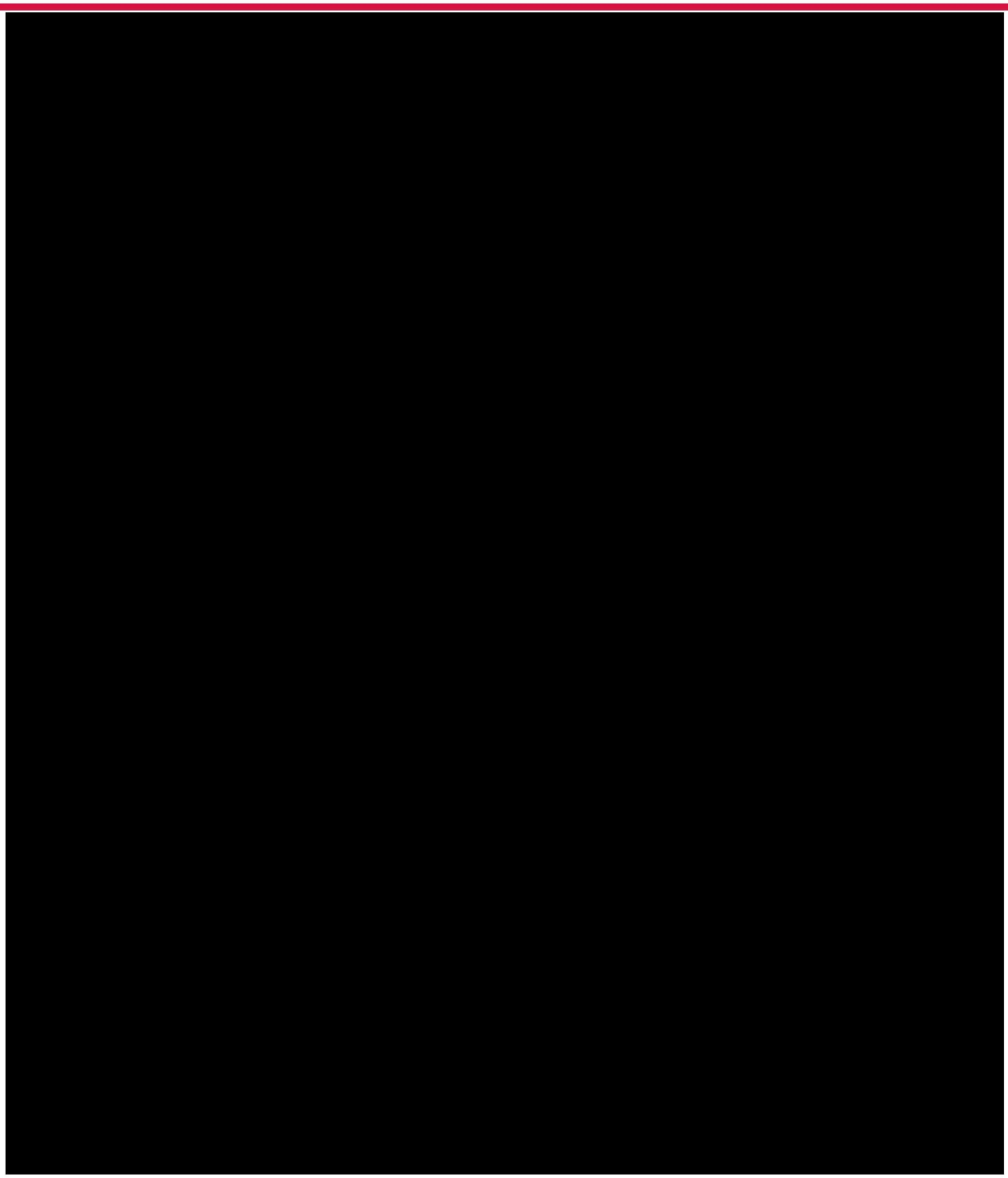
The Committee is asked to note this report and endorse current actions designed to mitigate the risks identified and suggest any further actions that should be implemented.

[redacted]

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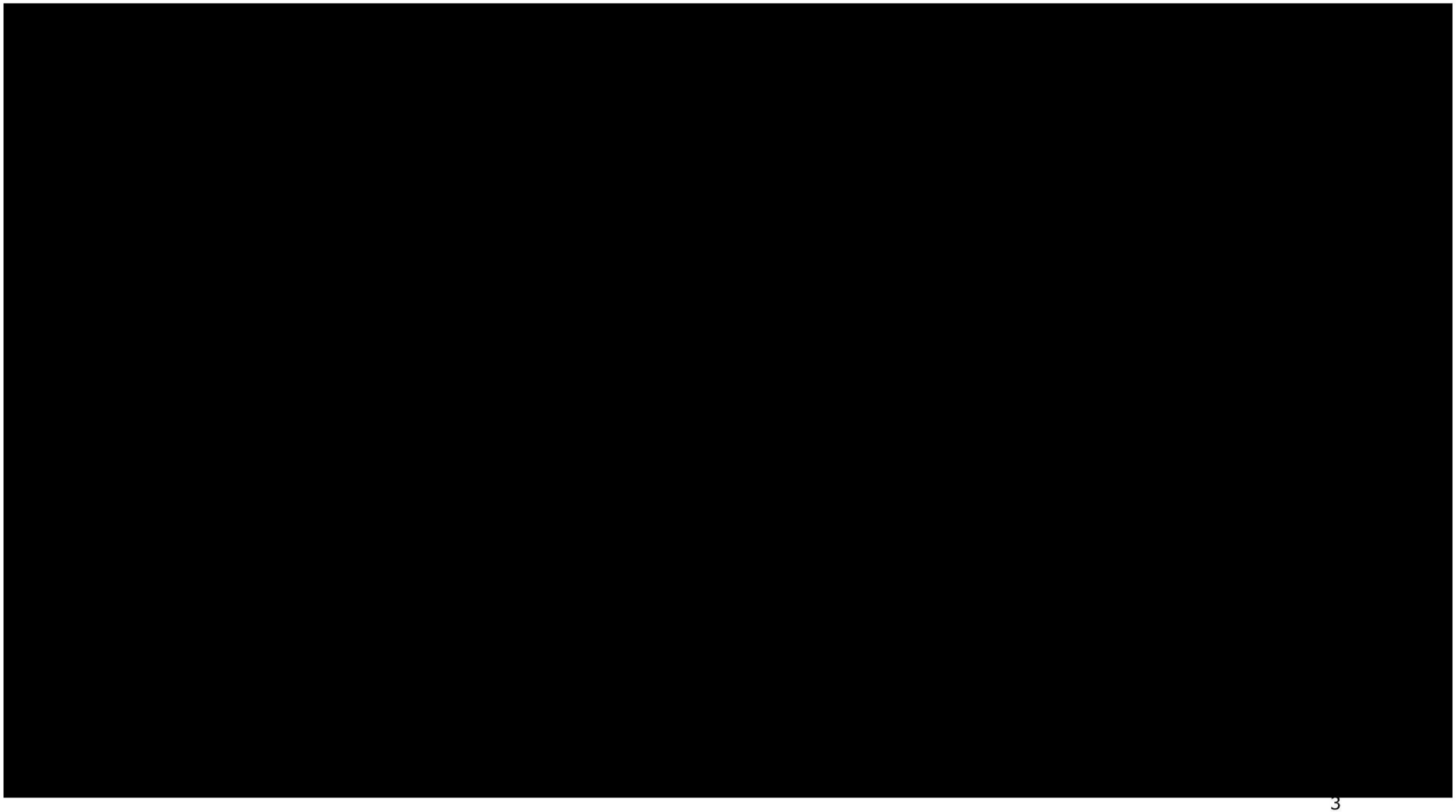


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Appendix 1: Annual Legal Risk Report



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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Strategic Partner Financial Stability update	**Meeting Date:**	30 March 2021
Author:	Emma Conroy, Interim Head of Strategic Partnerships / Ed Dyer, Working Capital & Cash Management Lead	**Sponsor:**	Dan Zinner, Group Chief Operations Officer

Input Sought: Noting

The Committee is asked to note the partner financial stability update.

Previous Governance Oversight

Audit, Risk & Compliance Committee (ARC) papers Mar 20 and Nov 20, Risk & Compliance Committee (RCC) Mar 21

Executive Summary

1. At the ARC meeting Nov 20, discussion was held as to the rigour around the monitoring and tracking of Strategic Partners, the ask was to provide the committee with confidence that the business had a robust solution in place to support monitoring and mitigation of risk and to come back to you in May, we are on track in delivering this for the May committee.

2. This paper provides an update specifically on IRRELEVANT where risk has been greater over the past 18 months. We update on the current trading position of IRRELEVANT, where some positive news has been communicated in the last few weeks, and given previous concerns, this news should provide the business with some comfort around the stability of trading conditions within the IRRELEVANT estate. Appendix 1 provides an updated Dashboard on IRRELEVANT

3. IRRELEVANT has also been cited by the committee in similar regard by way of level of risk, no material change has been seen since the last update, albeit news in the last few days has been positive in terms of Jan & Feb trading vs PY performance up at 74% & 84% retrospectively. Interim HY results are due from IRRELEVANT on 29 April, therefore we propose to provide a further update at the ARC meeting in May.

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Questions addressed

4. What is the current financial status & risk to the most concerning of our strategic partner IRRELEVANT?

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Report

What is the current financial status & risk to the most concerning of our strategic partner IRRELEVANT?

IRRELEVANT (status: AMBER)

5. IRRELEVANT preliminary results for the 53-week period ended 29 November 2020 are due to be published on 23 March 2021. The trading update published on 10 December 2020 pointed to adjusted EBITDA pre IFRS 16 of between IRRELEVANT Revenue growth of 2.3% has been offset by margin pressures driven by a change in shopping behaviours during the pandemic to deliver EBITDA lower than the previous financial year.

6. IRRELEVANT continues to suffer from an overleveraged balance sheet, with a net debt to EBTIDA ratio of c.3.1x as at 29 November 2020.

7. Importantly, IRRELEVANT announced support from its banking syndicate on 1 March 2021 which has agreed to amend IRRELEVANT facilities to offer improved headroom against covenants, a realigned amortisation schedule and an extended maturity date to February 2024. The updated facility consists of a IRRELEVANT revolving credit facility and an amortising IRRELEVANT This follows the sale of its head office for IRRELEVANT in January 2021, which appears to have been a condition of the debt facilities restructure.

8. In the same update, IRRELEVANT announced new terms with IRRELEVANT to become the single wholesale supplier to the whole of the IRRELEVANT estate until January 2027. The agreement also covers the IRRELEVANT to the IRRELEVANT over the next three years. Whilst IRRELEVANT expects this to drive improved profitability, it raises its key partner risk.

9. The market reacted positively to the 1 March 2021 announcement with IRRELEVANT share price increasing from IRRELEVANT before to trading around IRRELEVANT as at 9 March 2021.

10. Prior to the extension of its banking facilities, Experian's reporting of supplier payments beyond terms showed IRRELEVANT delay payments to suppliers on a growing basis from 63 days in February 2020 to 156 days by January 2021. This suggests cash conservation in order to comply with banking covenants. The support from IRRELEVANT banking syndicate should enable the business to improve payments to suppliers, which we will monitor over the coming months.

11. IRRELEVANT continues to deliver against its closure plan announced last year which has seen the Post Office branches reduced from 608 to 522, with a view to this reducing to 456 by June 2021. We are currently collating with the network a RAG status report by partner of those locations that are critical / important / managable risk, to ensure we understand at any one time the level of critical risk within the partner estates.

12. In conclusion, the recent announcement from IRRELEVANT is positive as it provides a period of stability to deliver against the turnaround plan. However, it is important that POL remains alive to the risk of failure given IRRELEVANT overleveraged financial position which leaves it vulnerable to trading downsides or adverse shocks. We will continue to monitor IRRELEVANT closely.

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Appendix 1

IRRELEVANT risk overview & update

IRRELEVANT Red Flag Report: Mar-21

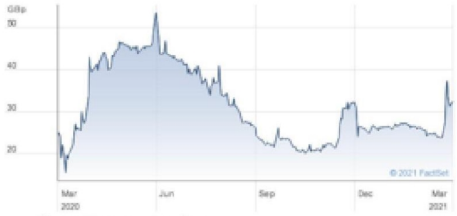
IRRELEVANT Retail Group plc		£m
Revenue	Nov-19	IRRELEVANT
Operating Profit/(Loss)	Nov-19	
Net Debt/EBITDA	Nov-20	
Net assets	24-May-20	
Market cap	09-Mar-21	
Experian Delphi Score (out of 100)		
Experian - Odds of Failure (next 12 months)		
Value of outstanding CCJs		
Number of POL branches		
POL Income YTD (£m)		
POL Income YoY (%)		
POL Income YTD v Target (%)		

Year end: November
Interim period end: May

Red flags:

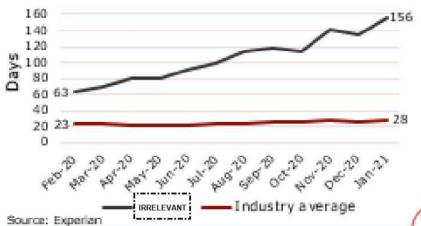
- Announced plans to close 300 stores in Feb-20 (including 152 PO branches).
- Bank debt of c. IRRELEVANT is approx. 5.7x pre-IFRS 16 EBITDA of IRRELEVANT which is high relative to typical lending limits of 4x.
- Supplier payments being stretched (see graph below), suggesting cash flow pressures.
- Obtained support from its banking syndicate on 1 March 2021 to offer improved headroom against covenants, a realigned amortisation schedule and an extended maturity date to February 2024. The updated facility consists of a IRRELEVANT revolving credit facility and an amortising IRRELEVANT. This follows the sale of its head office for IRRELEVANT in January 2021, which appears to have been a condition of the debt facilities restructure.
- Delayed release of interim results from 14 July to 4 August (indication that something needed resolving).
- 4 of the 8 directors appointed in 12 months: IRRELEVANT (CFO), IRRELEVANT IRRELEVANT (CCO), IRRELEVANT (Non-Exec) and IRRELEVANT (Non-Exec).
- Operating profit in y/e Nov-19 driven by IRRELEVANT goodwill impairment.

1-year share price trend



Source: Hargreaves Lansdown

Supplier Payments Beyond Terms



Source: Experian

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Payzone Bill Payments Deep Dive Report	**Meeting Date:**	30 March 2021
Author:	Michelle Embrey, Quality & Risk Manager	**Sponsor:**	Andrew Goddard, Payzone Bill Payments Managing Director

Input Sought: Noting

The Committee is asked to note the Payzone Risk & Compliance Update report.

Previous Governance Oversight

This is a follow up action for a deep dive from the previous Audit, Risk & Compliance Committee (ARC) meeting on 22 September 2020. The paper was reviewed at the Risk & Compliance Committee on 16 March 2021.

Executive Summary

This paper provides a summary of the following items within the Payzone Bill Payments (PZBP) business:

- Key risks and mitigations
- Internal governance
- Compliance with regulation
- Internal audit
- Complaints and whistleblowing
- Customer and employee satisfaction

A comprehensive risk register exists within PZBP, with mitigations in place and reviewed monthly by the senior management team. Improvements in the internal governance have been implemented in the areas of risk management, change control, business continuity and information security as well as the ongoing project to align key PZBP policies with the Post Office (POL). The internal audit conducted by POL concluded that the control environment in PZBP is appropriate for the size and complexity of the organisation. Ownership of the PZBP legal register has been transferred from POL group legal to PZBP and reviewed annually at the PZBP Board.

Complaint handling improvements have been identified to incorporate feedback from customers, retailers and client. The overall Trustpilot scores remain high at 4.5, reflective of strong retailer and customer helpdesk support, with some of the highest scores in the last 12 months in Period 11. Employee satisfaction levels remain positive, with small negative changes in wellbeing during the lockdown, and engagement following the first of two major organisational restructures within 6 months.

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Overall, the business has progressed significantly in incorporating controls, policies, and risk management practices, with further improvements identified and resourced.

Questions addressed

1. What are the key risks within PZBP and what are the mitigations for these?
2. How is the internal governance embedded into the PZBP operation?
3. Are PZBP fully compliant with relevant regulations?

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4. What is the complaints and whistleblowing process?
5. What are the customer and employee satisfaction levels?

Report

1. Key Risk

The following risks are extracted from the PZBP risk register that is aligned with the POL risk register;

a. Intermediate Risk – the ability for PZBP to deliver the 5 yr plan (risk score 9)

This risk has been promoted to become the intermediate risk at group level. The 5-year plan on revenue and cost lines has been re-forecasted as a response to the changing priorities due to the demands on the business from the Covid-19 pandemic. At this stage, we continue to monitor the changes in customer buying behaviour (cash to digital) and the requirements / desire of clients to enter into exclusive contracts as well as plans to migrate to digital payments.

b. Poor trading conditions in the current pandemic (risk score 9)

The lockdowns during 2020/21 have had a significant impact on the bill payment trading conditions with performance running behind original budget whilst holding up against LY at 95%, and 96% of target (year to date week 49). Performance has been impacted due to vulnerable customers shielding at home, clients working with customers to offer credit and payment holidays, and branch and store closures/reduced opening hours driving non-cash customers to pay through alternative means. We have continued to negotiate with key clients by signing new Energy clients in Bright and Jersey and driven new volume from agreements re-signed with E.On, EDF and via our energy platform partners, Siemens and Itron, and we will drive additional revenue from new deals with Allpay and Capita.

c. The impact of the Covid-19 pandemic on clients (risk score 6)

We are starting to see some of the smaller Energy companies struggle and fail due to bad debt and cash flow impact. Their customers however are being absorbed by the big 6 suppliers e.g., Robin Hood Energy taken over by British Gas, and this will drive transactions into our networks. The transport industry has been significantly impacted and will continue until people can travel freely, albeit we have positive engagement with the likes of National Express Coach & Bus, GoAhead, First Group, Transport for Wales, and Lothian Bus.

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d. The long-term impact of the pandemic on finances (risk score 6)

Notwithstanding the changeable impact from Covid-19, the actions completed within the PZ credit management function has resulted in a reduction in retailer debt to below the levels seen pre-pandemic at only 0.5% for failed direct debits and a collection rate at 99%. Close daily monitoring and integrated credit, helpdesk and field support have resulted in the improved performance.

e. The dependency on third parties (risk score 6)

Throughout the 12 months of the pandemic there is a risk to business-critical activities that have a high dependency on third parties which have a possibility for high exposure,

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for example, PLS which provide PZBP's device engineering resource. The key suppliers were contacted and requested to complete a questionnaire to understand their business continuity plan arrangements in place to enable service levels to resume during the pandemic situation. Regular calls are in place with key suppliers to monitor the service during this changeable situation.

2. Internal Governance

a. Responsibilities

The PZBP Board of Directors are responsible for the overall business strategy and ensuring that an efficient system of internal controls are in place. These functions include risk management, compliance, internal audit, change control, financial accounting, information security and business continuity.

The senior management team are responsible for overseeing the process of communications with the board by regularly reporting and informing on relevant aspects and be actively engaged with the business to enable well informed decisions. The senior management team also oversees the implementation of the strategy, the risk culture, code of conduct and the integrity of the financial information. The senior management team identify, manage and mitigate actual or potential conflicts of interest.

b. Framework

PZBP have ensured that the organisational framework is suitable, effective and transparent. The effectiveness is a result of appropriate human resource allocation.

A particular focus being on the improvement of the following internal controls:

- Improvement of the risk culture and management
- Change control with the implementation of the change advisory board and will be further enhanced with the introduction of the gating process
- Business continuity and information security evidenced by PZBP's ability to efficiently continue operations in the current pandemic crisis and the achievement of the UKAS accredited certifications ISO 27001 information security and ISO 22301 Business continuity.

The overall framework and relationship with POL governance is detailed in the process flow map in Appendix 1.

c. Policy Update

In an effort to align the key policies within PZBP, a gap analysis exercise was conducted comparing PZBP and Post Office policies. The result of this was a list of 28 policies that should be adopted, or PZBP specific policies created where adoption is not possible.

This paper provides a summary of the current status of the review with full detail in Appendix 2. The recommendations put forward to the PZBP board are as follows:

- Adoption of 19 policies with no addendums or variations which will be submitted to the PZBP April Board meeting

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- A variation required for 1 policy (the variants of Modern Slavery and Vulnerable Customer have already been approved by PZBP board), to be actioned by the July PZBP board meeting
- There are 5 policies that are currently classed as under review and will be implemented by the July PZBP board meeting

3. Compliance with Regulation

Compliance with regulations within PZBP is externally audited by a UKAS accredited certification body as part of the ISO 27001 Information Security and ISO 45001 Occupational Health and Safety certifications. PZBP were found to be compliant with applicable legislation.

A dedicated PZBP legal register is now managed by PZBP Legal Counsel and linked into the POL legal register and is reviewed annually by the PZBP Board.

4. Internal Audit

An internal audit was conducted within the finance and IT functions by the POL audit team in 2019. This audit concluded that the control environment in PZBP is appropriate for the size and complexity of the organisation. There were 15 findings raised and of these only 2 are ongoing (See Appendix 3), to be completed by August 2021. PZBP are due to be audited again in Q1 of the 2021/2022 auditing schedule once the schedule is approved by ARC.

PZBP have 2 internal auditors responsible for the internal audit programme across all functions within PZBP. This process assesses the quality of the internal control framework by reviewing existing policies and procedures to ensure they remain suitable and comply with the requirements of the ISO certifications. PZBP is also externally audited as part of the UKAS accredited ISO standards. PZBP are currently certified to the following ISO standards:

- ISO 9001:2015 Quality Management Systems
- ISO 45001:2018 Occupational Health and Safety Management Systems
- ISO 14001:2015 Environmental Management Systems
- ISO 27001:2013 Information Security Management Systems
- ISO 22301:2014 Business Continuity Management Systems

5. Complaints and Whistleblowing

The total number of customer complaints logged during 2020 were low, with an average of just 2 complaints per month.

There are a series of improvements to the made that have been instigated and will be completed by Q3 2021

- SLAs to be introduced on response and completion
- Targets should be introduced and linked into business KPI's
- Complaints to be formally defined to ensure all complaints received are logged
- Technical upgrade to CRM system to capture complaints
- Complaint reporting to be included in business performance KPI's regularly communicated to the senior management team.

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There have been no instances of whistleblowing within PZBP during 2020. However, a number of improvements have been identified, including adopting the group Whistleblowing policy, appointing a whistleblowing officer and improved awareness of the process. This will be completed by the July PZBP Board meeting

6. Customer and Employee Satisfaction

a. Customer Satisfaction

The customer satisfaction is currently evaluated via a monthly customer satisfaction survey and ongoing Trustpilot reviews. The results from the 2020 data show that customer satisfaction is high with a Trustpilot score of 4.5 and the customer satisfaction survey producing an average satisfaction level of 94%. Appendix 5 highlights the improving Trustpilot scores with P11 showing the highest scores in the year against categories such as friendly, going the extra mile, and overall satisfaction. Any retailers that are highlighted via these channels that have provided a customer with a poor service are issued an etiquette form and followed up, and this process needs to be enhanced.

There are a series of improvements that are currently being implemented and are scheduled for completion August 2021

- Alignment of the PZBP surveys to the POL survey
- Customer satisfaction follow-up process and reporting
- NPS improvements

b. Employee Satisfaction

PZBP has assessed employee satisfaction via two pulse surveys in both April and December 2020. The individual pulse surveys showed an increase in mental and physical wellness from April to December and also showed a slight increase in individuals' productivity in this same period. This increase from April to December is likely to be a reflection of employees accepting the working from home requirement that was introduced in March 2020, in response to the pandemic crisis. There was also a major restructure implemented in September 2020 which explain the few areas that saw a minor decrease in satisfaction (see Appendix 4). The high-level responses collated from these pulse surveys were presented to the management team. Engagement champions were involved in order to generate and implement the action plan.

A further pulse survey will be released in April 2021 and full engagement survey will be released in November 2021, and then annually thereafter.

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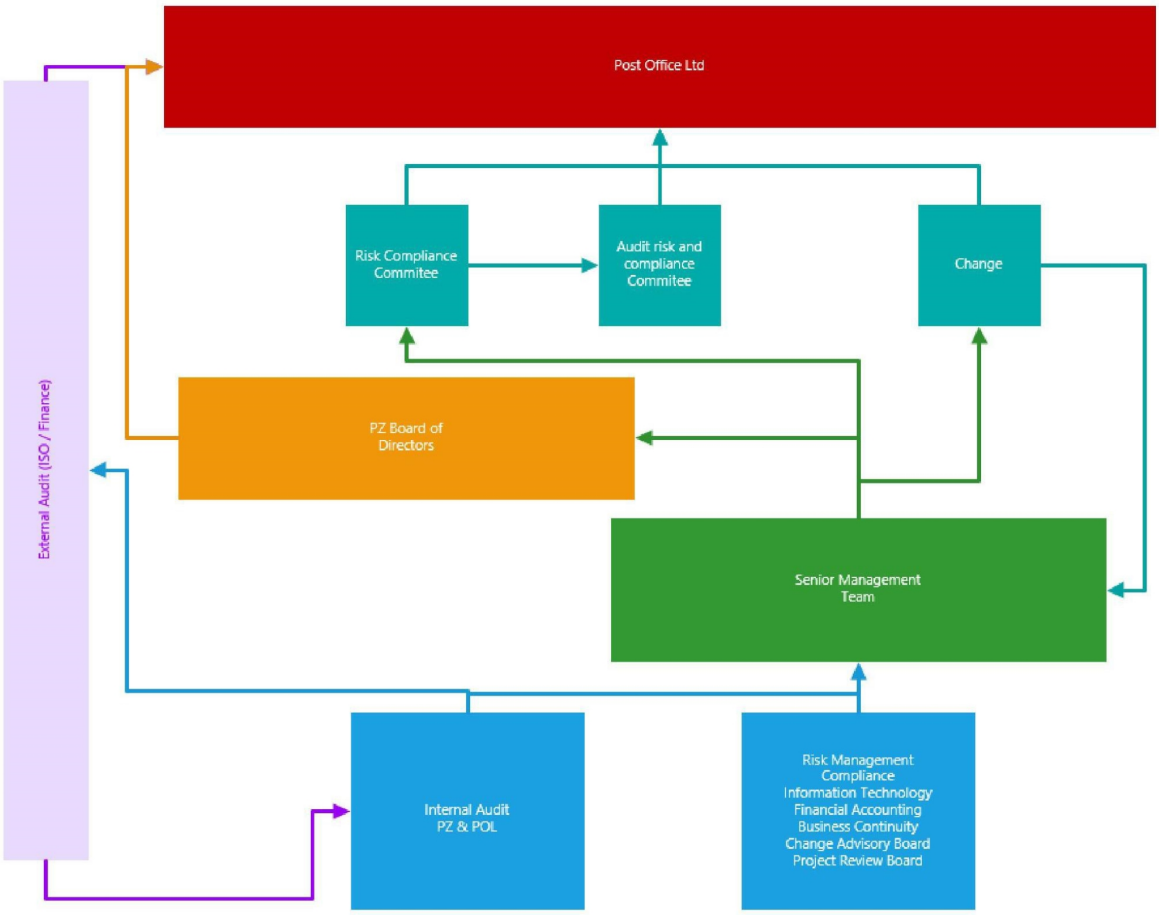
Next Steps & Timelines

7. The key group policies recommended for adoption to be submitted for approval to the April 2021 PZBP Board meeting, with the physical security variation and review of the remaining key group policies submitted to the July 2021 PZBP Board meeting.
8. The implementation of the complaints process improvements scheduled to commence May 2021, customer satisfaction improvements to be implemented by August 2021, pulse survey in April 2021 and the engagement survey will be released in November 2021.

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Appendix 1: Governance Framework



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Appendix 2: Policy Update

Department	Policy	Recommendation			Justification
		Adoption	Variation	Review requirs	
Corporate Governance	Conflict of Interest	✓			
	Contract execution	✓	✓		
	Modern slavery statement		✓		Current statement can not be adopted due to PZ not having DMBs. PZBP could be included in future iterations with amendments
Risk	Risk Appetite Statement	✓			
	Risk	✓			
Financial Crime	Financial crime	✓			
	Anti-money laundering & counter terrorism funding	✓			
	Vulnerable customer		✓		Current policy can not be adopted due to PZ not having DMBs
	HMRC fit & proper standards			✓	
	Anti-bribery & corruption	✓			
Business Continuity	Business continuity management	✓			
Legal	Investigations			✓	Investigations policy is in draft form
	Law enforcement agencies	✓			
Data Protection	Freedom of information	✓			
	Protecting personal data	✓			
	Document retention policy	✓			
Internal Audit	Internal audit charter	✓			
IT	IT DR	✓			
Cyber Security	Cyber & information security	✓			
Procurement	Procurement			✓	Procurement policy is in draft form
Health & Safety	Health & safety			✓	Discussion with MH with regard to applicability to PZBP
Physical Security	Physical security		✓		
Human Resources	Conduct Code	✓			
	Code of business standards	✓			
	Whistleblowing		✓		An adendum will be required to include PZ specific whistle blowing manager and contact details
	Equality diversity & inclusion	✓			
Finance	Post Office treasury			✓	Further review by an individual with specific experience

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Appendix 3: Internal Audit

	Finding	Rating*	Action Owner	Date	Response	Status
Finance						
Scope Area: Governance						
1.	Financial policies and processes do not fully reflect the current operation	P2	Stephenie Smith	31/12/19	The main process are documented. Further work required regarding VAT and debtman but these are due to changes. Completion date scheduled for July 2021	Ongoing
2.	No formal internal delegation of authorities matrix	P2	Stephenie Smith	30/11/19	Document of authority has been created and authorised. Last reviewed Dec 2020	Complete
Scope Area: Core Financial Processes						
3.	Goods Receipting is inconsistent	P3	Stephenie Smith	31/12/20	This is mitigated by ensuring that the invoice is approved by the originator prior to payment being made	Mitigated
4.	Client Trust bank accounts remain in the name of PZUK	P2	Stephenie Smith	25/10/20	A TSA is in place with Takepayments. A project is underway to enable the separation of the banking structure. Completion date scheduled for Aug 2021	Ongoing
5.	Credit Control policy does not reflect actual merchants credit limits or payment terms in operation	P2	Andy Munro	31/12/19	Credit limits have been set and the policy updated to reflect this	Complete
Scope Area: Retail						
6.	Process for the onboarding of new merchants is not documented	P3	Andy Munro	31/12/19	The onboarding process has been documented within the updated Credit Control policy	Complete
IT						
Scope Area: IT Governance						
7.	IT Strategy is not fully defined or documented	P2	Lee Blackburn	31/3/20	The PZ IT strategy is now clearly defined. The overall objective of the strategy is to reposition its core system hosting platform into AWS whilst delivering IT software solutions centred on product offerings (Energy, telco etc). Supporting these offerings are a consistent device strategy that underpins the offerings of the PZ business and also additional post office services where applicable.	Complete
Scope Area: System Development						
8.	Coding standards are not defined	P2	Ralph Wort	31/3/20	PZ it uses a consistent development framework that is underpinned by the over-arching strategy. In addition to industry frameworks we also adopt internal policies and procedures	Complete

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					such as peer reviews, internal audits etc. Structured coding standards are at the core of our software development processes	
Scope Area: Infrastructure and Systems Integration						
9.	There are no processes for ongoing third party assurance	P2	Neil Davey	31/3/20	Supplier code of conduct and questionnaire in place	Complete
Scope Area: Access Controls						
10.	There are no JML processes for dormant AD or application accounts	P2	Michelle Embrey	31/12/19	The JML process has been documented	Complete
11.	No monitoring of wireless network creation	P2	Lee Blackburn	31/12/19	Only admin users (IT Ops) can create SSIDs. JD has disabled discoverable feature on all machines	Complete
12.	The Sophos XG firewall controlling traffic into and out of the Northwich HO location is not securely configured	P2	Lee Blackburn	31/12/19	Fire wall is for internet monitoring and control only (block FTP). Mitigation in place: Filters in place to stop malicious content, end point protection (Sophos), User names and passwords required for logins, IT Ops admin accounts, Firewall in DC controlled and managed by Vodafone@ IP address level. POL auditor wanted network level firewall, implementing this will cause disruption and incur extra cost. This is an unnecessary action	Complete
13.	Lack of consistency of controls over physical access to Northwich site	P3	Michelle Embrey	30/11/19	Reminder email has been issued detailing the importance of keeping the reception door closed. Visitors and contractors must sign in.	Complete
Scope Area: IT Security and Operations						
14.	Patch management processes are not fully documented	P3	Lee Blackburn	31/12/19	The patch management process has been documented within the Patch Management Policy	Complete
Scope Area: Data Privacy						
15.	Data Protection processes not yet integrated	P1	Michelle Embrey	31/12/19	The data breach and information request processes have been implemented and training is currently being rolled out to the organisation.	Complete

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Appendix 4: High-level Pulse Survey Results

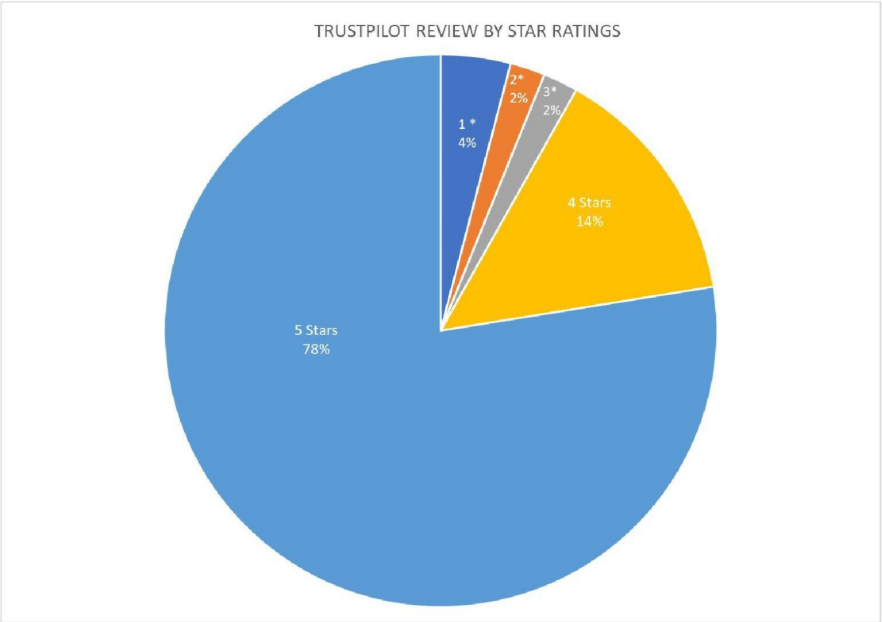
December 2020 Pulse Survey	April 2020 Pulse Survey
53% response rate	75% response rate
100% of respondents are feeling between great and okay physically	93% of respondents were feeling between great and okay physically
98% of respondents are feeling between great and okay mentally	94% of respondents were feeling between great and okay mentally
93% of respondents say their current working environment enables them to be productive within their role	91% of respondents said that their current working environment enabled them to be productive within their role
83% of respondents say that their work schedule is flexible enough for them to balance their responsibilities between family & personal.	91% of respondents said that their work schedule was flexible enough for them to balance their responsibilities between family & personal
93% of respondents say that their manager listens to their ideas and feedback	95% of respondents said that their manager listen to their ideas and feedback
84% of respondents say that their line manager creates an environment which encourages team collaboration and clarify of direction	91% of respondents said that their line manager creates an environment which encourages team collaboration and clarify of direction

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Appendix 5: End user Customer Satisfaction Results

		Driver Score	Friendly	Professional	Knowledge	Understanding	Efficiency	Expectations	Ease	Clean & Tidy
Year 2020/21	Period 01	92.20%	91.50%	92.10%	91.70%	92.90%	91.90%	93.20%	89.50%	90.80%
	Period 02	95.80%	95.80%	96.30%	95.40%	95.60%	95.80%	96.00%	92.90%	94.00%
	Period 03	93.60%	94.20%	93.50%	93.90%	93.90%	93.20%	93.00%	92.10%	89.90%
	Period 04	95.20%	95.60%	95.00%	94.70%	95.20%	95.40%	95.20%	94.30%	91.90%
	Period 05	94.50%	95.30%	94.50%	94.10%	93.40%	95.00%	94.50%	93.40%	94.60%
	Period 06	95.60%	95.30%	96.00%	95.00%	95.50%	96.20%	95.80%	93.20%	91.80%
	Period 07	96.10%	96.30%	96.30%	96.00%	96.00%	96.00%	96.00%	94.10%	93.80%
	Period 08	93.50%	94.30%	93.80%	92.70%	93.80%	93.10%	93.60%	93.10%	92.00%
	Period 09	94.40%	93.90%	95.00%	93.70%	94.80%	94.10%	95.00%	92.20%	91.60%
	Period 10	93.10%	93.50%	93.20%	92.50%	92.30%	93.10%	93.50%	91.50%	89.90%
	Period 11	96.70%	97.10%	97.00%	96.80%	96.90%	96.30%	96.20%	93.70%	92.80%
		Wait Time Acceptable	**Satisfaction**	**Emotional Impact**	**Perceived Wait Time**	**Clear Directions**	**Average (PERCEIVED WAIT TIME)**	**Extra Mile**	**Opportunity**	**Response**
	Period 01	96.00%	90.80%	77.50%	74.10%	92.70%	3.65	372	13	524
	Period 02	97.40%	95.30%	85.80%	74.10%	94.70%	3.73	740	10	910
	Period 03	95.90%	93.30%	83.30%	77.50%	92.60%	3.23	399	5	556
	Period 04	97.80%	94.30%	83.00%	82.30%	93.80%	2.77	413	10	546
	Period 05	96.70%	92.90%	85.60%	86.80%	94.80%	2.54	297	4	424
	Period 06	96.50%	93.90%	85.90%	86.80%	94.10%	2.55	321	5	425
	Period 07	97.90%	95.40%	88.40%	88.50%	95.80%	2.38	1,258	28	1,553
	Period 08	95.80%	92.40%	85.10%	82.20%	92.90%	2.84	411	11	550
	Period 09	96.30%	92.90%	87.10%	71.60%	93.30%	3.52	336	8	464
	Period 10	95.60%	91.90%	85.00%	79.70%	92.10%	3.15	512	11	680
	Period 11	98.40%	96.00%	89.20%	84.20%	95.90%	2.73	1,047	10	1,285



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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Foreign Currency and Hedging	**Meeting Date:**	30 March 2021
Author:	Tom Lee, Financial Controller Pete Mitchell, Treasurer	**Sponsor:**	Al Cameron, Group Chief Finance Officer

Input Sought: Noting

The Committee is asked to note:

- The process of revaluing foreign currency and the hedging of foreign exchange risk at Post Office.
- The summary of issues identified in year, the manual fix implemented and planned changes to create a better process.

Previous Governance Oversight

- Presented to Risk & Compliance Committee on 16 March 2021

Executive Summary

1. Post Office have a requirement to hold foreign currency inventory of notes and coins to support the travel business. They buy and sell foreign currency both centrally from First Rate Exchange Services via Hemel and at individual branch level. The Group's foreign currency risk management objective is to minimise the impact on the profit or loss account of fluctuations in the exchange rates. The Group hedges its foreign currency risk through external forward contracts.
2. The foreign exchange movements are recorded at individual currency level, by branch, in the Core Financial System on the SAP platform. Foreign currency holdings as at the end of December 2020 were manually revalued. This manual revaluation demonstrated issues with the auto-revaluation programme causing a £1.4m understatement of realised exchange differences in profit and loss account. A catchup posting was made in P9 to recognise this amount and a manual fix has been put in to mitigate this risk going forward. Post Office paid Accenture to design and implement the FX programme in SAP. A project is currently underway to fix these issues within the FX programme.

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Questions addressed

1. How is foreign currency revalued at Post Office?
2. Is our hedging strategy and processes fit for purpose?

Report

1. The aim of this paper is to provide an overview of foreign currency revaluation at Post Office and how the Group seeks to hedge against its exposure for foreign currency risk.

Foreign Currency

2. Post Office branches hold numerous foreign currencies that may be bought from, or sold to, customers. Reserves of foreign currency are held at the cash distribution centre in Hemel Hempstead. The bulk of foreign currency holdings relate to Euros (c.65%) and US Dollars (c.20%). Foreign currencies are supplied to Post Office by First Rate Exchange Services, the joint venture with Bank of Ireland.
3. Accounting standards require foreign currency holdings to be recorded at the spot exchange rate between the functional currency (for Post Office, this is Pounds Sterling) and the foreign currency at several points in time:
    a. Initial recognition (purchase of foreign currency).
    b. Reporting date (period end and year end).
    c. De-recognition (sale/settlement of foreign currency).

    Exchange differences arising on the revaluation of foreign currency holdings at period or year end are considered unrealised and are not immediately recognised in profit or loss. Exchange differences arising on the revaluation of foreign currency when it is sold or settled are considered realised and are immediately recognised in profit or loss. Any unrealised exchange differences relating to the sold or settled foreign currency are also now recognised in profit or loss.
4. In February 2020 an auto-revaluation programme was implemented in the Group's Core Finance System ("CFS"). Accenture built and tested the programme, with review and final sign-off performed by Post Office. The programme executes every weekend.
5. Subsequent to implementation, several interrelated issues were identified with the auto-revaluation programme, namely:
    a. The programme does not realise exchange differences in profit or loss unless the branch holding is zero when the programme is executed on a weekend.
    b. The programme assumes that exchange differences should only be realised in profit or loss if the sale results in a branch holding of zero for said foreign currency. Due to this, if the branch holding remains above zero then the exchange difference is treated as unrealised. There is no partial recognition of exchange differences in profit or loss for currency sold during the week.
    c. When the branch holding is zero at the point of revaluation, the programme realises exchange differences in profit or loss. However, there is no associated posting to clear out the unrealised exchange difference to profit or loss. Due to this, the unrealised value builds up on the balance sheet, even if the associated foreign currency has been sold.
6. Foreign currency holdings as at the end of December 2020 (P9) were manually revalued and have been revalued monthly since. This suggested that the issues with the auto-revaluation programme had caused a £1.4m understatement of realised exchange differences in profit or loss. A manual journal adjustment has been posted into CFS to correct

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the profit or loss account, which was effectively a catchup journal for balances which should have flowed within the year.

7. Post Office Limited (POL) were reliant on Accenture's design of the FX programme and hence guided by them on the initial proposal. A common approach adopted by many organisations who do not have internal expertise
8. Accenture have been re-engaged to investigate and correct the issues identified in the auto-revaluation programme. This work is currently underway and is expected to deliver a solution by [year end]. We are working closely with Accenture to ensure that the revised programme is thoroughly tested and addresses all issues identified.
9. In addition, the foreign currency revaluation process at Post Office has been reviewed, and the following improvements are to be implemented by [year end]:
    a. Responsibilities consolidated into Treasury, facilitating more oversight and control over the end-to-end process.
    b. Bi-monthly manual revaluation performed, providing a timely sense-check against the auto-revaluation programme so that discrepancies can be quickly escalate and investigated.
    c. New validation checks and re-calculations built into the balance sheet reconciliations for foreign currency general ledger accounts, providing additional assurance over the accuracy of the auto-revaluation programme.

Hedging

10. The Group is exposed to foreign currency risk resulting from balances held to operate Bureau de Change services. The Group's foreign currency risk management objective is to minimise the impact on the profit or loss account of fluctuations in the exchange rates. The Group hedges its foreign currency risk on Euros and US Dollars, principally through external forward foreign currency contracts to cover near-term future revenues with a number of providers, including First Rate Exchange Services Holdings Limited.
11. FX hedging strategy has been reviewed and benchmarked. POL are hedging 80-120% of their exposure, up to a five weeks in the future. This in line with market practice using FX forwards to manage the exposure. Minor adjustments could be made to both the length and the percentage of hedges, this would not have negated the issue.
12. The FX hedging process is split into 2 parts, the calculation of the hedge is prepared by the Commercial team and executed by the Treasury team. Up until December 2020 when the FX issue was highlighted there was minimal review and oversight by the Treasurer. A monthly review with the commercial team is now in place. We are also discussing the options to give Treasury more control of the end to end process. All hedges are currently recorded on a spreadsheet, which is saved on a secure SharePoint site, however, this opens up risk to manual errors when recording the hedges and is not best practice. We currently place all hedges with one bank and the process is managed by Email and telephone, this is not best practice.

Conclusion

13. The hedging strategy and processes are not the reason for the FX issue, there is some room for improvement but there is no material issue or risk with the hedging.
14. The SAP FX programme implemented by Accenture in February 2020 to revalue the Balance Sheet and post realised gains and losses is not working as expected, overstating the cash position and understating the Profit and Loss, as a result of not sweeping balances to the

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Profit and Loss. The issue was not discovered early, due to the cumulative nature of the problem and reduced trading levels, masking the issue.

15. A good implementation partner should have manually revalued the solution for us, for at least three months post Go Live, to ensure programme was working in different levels of trading. We are paying a premium to Accenture for their depth of expertise.
16. POL were reliant on Accenture's design of the FX programme and hence guided by them on the initial proposal. A common approach adopted by many organisations, who do not have internal expertise to lean on. Other Treasurers and SAP experts I consulted share my view on this. We pay Accenture because they are the experts in SAP development and solution design.

Actions

Action:	**Owner**	**Completion Date**
Realised Gains and Losses for the identified calculation errors manually recalculated	Tom Woodhouse	Monthly until fix in place
Create Request to Quote (RTQ) for Accenture containing the Target actions	Pete Mitchell/Tom Woodhouse	19/03/2021
Accenture to quote time and cost to complete the Target actions	Accenture	26/03/2021
Treasury to start 2nd review of Balance Sheet reconciliations associated with FX movement	Pete Mitchell	12/03/2021
Implement automated FX trading process	Pete Mitchell	23/04/2021

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