



POST OFFICE LIMITED GE MEETING REPORT

Title:	Post Office Investigations: KPMG Review Findings	Meeting Date:	15 September 2021
Author:	Group Legal Director: Sarah Gray	Sponsor:	Group General Counsel: Ben Foat

Input Sought:

The Group Executive is asked to **approve**, for onward submission to the Board, the proposed creation of a Centralised Investigation Unit and its associated costs.

Previous Governance Oversight

- Group Executive Tactical Meeting of 5 May 2021

Executive Summary

1. Following detailed assessment, KPMG has concluded that Post Office should create a Centralised Investigations Unit ("CIU"). This will ensure all investigations are delivered in line with a set of minimum standards and protocols and that high risk investigations are performed by independent investigators. The introduction of the CIU will also ensure investigations are properly planned, resourced and executed; with lessons learnt fed back into the business.
2. At present investigations are not conducted consistently across Post Office, with differing levels of expertise, oversight, reporting and quality assurance. Where investigations touch multiple business teams, accountabilities are confused and lessons learnt are rarely fed back into the business and or acted upon.
3. Investigations are also often undertaken purely from a contractual perspective and without consideration of whether it could result in criminal, civil or disciplinary proceedings. A lack of early engagement with the Legal team also means there is no proper consideration of criminal or civil standards or consideration of when to liaise with Law Enforcement Agencies.

Questions addressed

1. How does Post Office currently conduct its investigations?
2. In terms of the current state assessment, how does Post Office compare to market practice? What areas for improvement have been identified and how will progress against these be tracked?
3. What is the proposed optimum future state Investigations Target Operating Model?

Report

4. Post Office currently operates a decentralised investigations model. Investigations are overseen and conducted by various business teams and individuals across the business. KPMG has now completed a current state assessment and the design of a future state target operating model ("TOM") for how investigations should be conducted at Post Office going forward.
5. The starting point for the work was to identify those teams across the business who carry out investigatory type activities and to then determine which of these actually are



investigations. A number of activities, such as providing additional support to postmasters were found not to be investigations.

6. A working group ("WG") was established and attended by those teams performing investigations¹. The WG agreed a definition for an investigation and a framework for determining 'high risk' investigations. These are set out at annex A and B respectively.

Current State Assessment

7. For each team performing investigations, how they conduct these investigations has been assessed by KPMG against market practice. Findings have been shared with the relevant teams and have been checked for factual accuracy. Where areas for improvement have been identified for particular teams, these have been shared, accepted[tbc by DP] and are being taken forward. Progress is being tracked by IDG. A summary of the findings, by team is provided at annex C with the full KPMG report available in the **Reading Room**.
8. At a more holistic level however, the below summarises KPMG's findings against a framework of governance and process, people, and infrastructure.

Governance and Process

9. There is no clear consistent triage process in place across POL:
 - In some teams there is no formal triage process in place. In others, triaging does take place but this is largely based on product type and case age rather than the risk profile of the incident or its potential outcome. Across Post Office there is no consistent definition as to what constitutes a high-risk case.
10. Investigations are not conducted consistently across Post Office:
 - The current decentralised framework means there is a lack of consistency across the overall Post Office investigations process, including in relation to the documentation of policies. Work on the Group Investigations Policy ("GIP") was paused whilst KPMG conducted their review. As a consequence, the GIP has not been fully embedded across the Business and business teams feel certain elements of the GIP are too onerous if applied to high volume low risk investigations.
 - There are different levels of oversight and inconsistencies in reporting requirements, standards and the use of the Legal team. As consultation requirements are not formalised over when to liaise with Legal (and other SMEs), the wrapper of privilege may not always be applied where it would be beneficial to do so, for instance in high-risk cases.
 - Currently investigations are undertaken from a contractual perspective and there is no consideration at the start of an investigation as to whether it could potentially result in criminal, civil or disciplinary proceedings. A lack of early engagement with the Legal team also means there is no proper consideration of criminal or civil standards or consideration of when to liaise with Law enforcement Agencies.
 - Where investigations touch multiple business teams there is no formal handover or process to monitor which business team currently holds the investigation, next steps or who has accountability for the outcome. As a result, there is a risk that cases will get delayed, lost or the appropriate next steps will not be actioned.
11. There is a lack of consistency in the availability and reporting of MI by the various business teams:

¹ Service & Support Optimisation, Franchise Partnering, Compliance, Human Resources, Cyber, IT.



- HR in particular, due to the use of MyHRHelp, have limited ability to extract MI and there is a risk that not all HR investigations are logged and recorded.
 - There are also inconsistencies in the use of KPIs/SLAs and the reporting of MI to senior leadership, whilst some teams have clear reporting lines, others do not formally report outside of their teams.
12. There is no consistent approach to quality assurance across the business teams:
- Business teams have developed their own individual approach to quality assurance. Whilst some business teams undertake formal monthly quality assurance reviews on a sample of cases and feedback findings to the individual investigators others have a more ad hoc approach.
 - There is also no independent quality assurance reviews undertaken across Post Office to ensure that business teams adhere to common standards, e.g. as set out in the GIP.
13. There is limited evidence of "lessons learnt" and continuous improvement arising from investigations across Post Office:
- Whilst some business teams do monitor investigations in order to identify trends or business improvements this is not consistent across all business teams. Where issues are identified, the process for feedback within the business is informal and relies upon conversations and emails. There is no formal process for collating lessons learnt and no follow up to ensure continuous improvement had been actioned.
14. There is a lack of overarching governance and oversight over high-risk investigations:
- Currently, there is no overarching governance or central oversight over high-risk cases and the majority of business teams do not differentiate between high-risk and other cases when conducting an investigation. In addition, business teams have no specific mechanism for collating and reporting details of high-risk cases meaning there is an overall lack of central visibility over these cases.

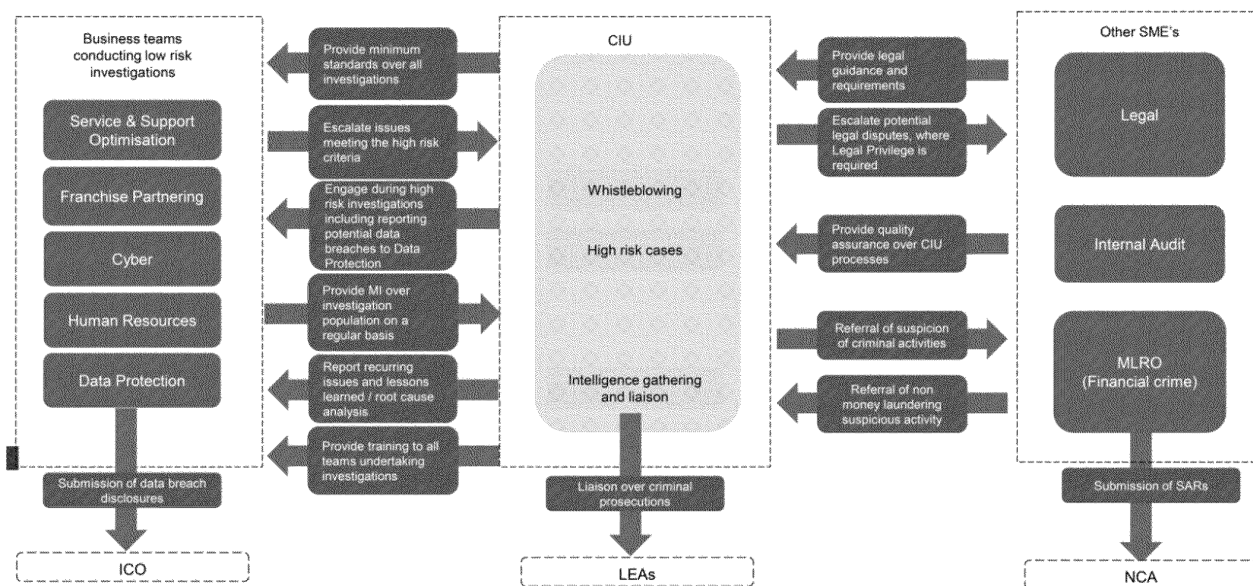
People

15. Business teams often use Area Managers and Line Managers to conduct investigations:
- Teams with specific areas of focus such as Contracts and Cyber ensure investigations are undertaken by staff within their function. In these instances, there are clearly defined roles and responsibilities and clear accountability for outcomes. Other teams such as HR and Whistleblowing rely on Area Managers / Line Managers to conduct investigations on their behalf, in these instances there is a lack of clarity over roles and responsibilities and who is accountable for outcomes. Where Line Managers undertake investigations, into their direct reports there is a potential risk that investigators will not be seen to be independent or there will be a perceived conflict of interest.
 - Area Managers and Line Managers also often have limited investigations experience and there is a risk they are not appropriately qualified to undertake high-risk investigations, not least because there is no specialist investigations training provided to any of the business teams or individuals conducting investigations.

Infrastructure

16. There is no consistent use of an investigations case management tool across Post Office:
- Currently business teams use a mixture of Excel, Dynamics, ServiceNow, MyHRHelp and OneTrust to log cases and record investigations. While Dynamics is used by the majority of teams there is inconsistency over the use of its functionality and there appears to be little understanding of its full capabilities.

- Area Managers do not have access to Dynamics and record investigation findings on Qualtrics, these must be manually uploaded by business teams.
17. To address these issues, KPMG's recommendation is that Post Office centralise its investigation function. This will ensure all investigations are delivered in line with a set of minimum standards and protocols and high risk investigations are performed by independent investigators. The introduction of a CIU will also ensure investigations are properly planned, resourced and executed; with lessons learnt fed back into the business.
18. The Full KPMG report provides greater detail on the services to be provided by the CIU, its core processes, tooling considerations, proposed governance structures, reporting and how it would interface with the business, including a RACI. In essence:
- Investigations which do not meet the 'high risk' threshold would continue to be conducted by the relevant business team but would adhere to the minimum standards and protocols set by the CIU. The CIU would perform periodic quality assurance over the 'low risk' investigations. MI over the 'low risk' investigations would be provided to the CIU on a regular basis and reported on accordingly.
 - Those investigations which are deemed to be 'high risk', would be conducted the CIU. The caveat to this would be whereby a 'high risk' Investigation requires subject matter expertise (e.g. DP, Cyber etc). For these investigations, the CIU would be accountable for the investigation but reliant upon the relevant business teams with the SME knowledge to gather evidence / help conduct the investigation.
 - Internal Audit would undertake a wholesale audit of policies and procedures 18 months after set-up with ongoing close links between Internal Audit and the CIU to ensure consistent approach and alignment of objectives.
19. This and how the CIU would interface with the business is summarised below:

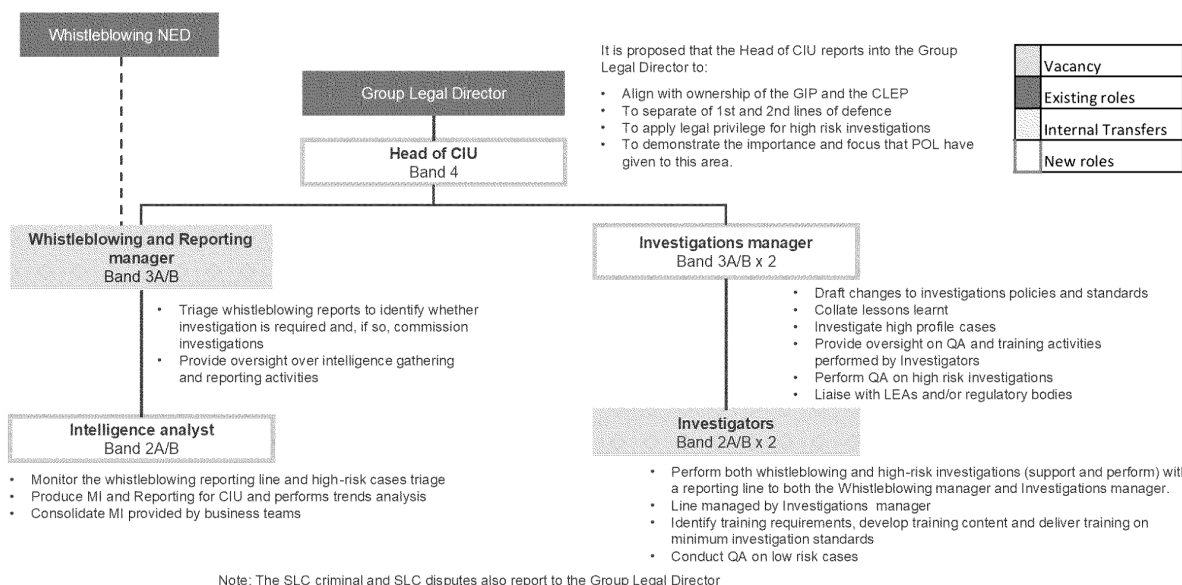


20. No changes would be made to statutory officer roles or their reporting lines. The statutory officer role of the MLRO is not impacted in anyway and has been separated from the CIU. Reporting to regulators would also remain with the relevant business team. The CIU would however liaise with Law Enforcement Agencies if an investigation identified suspected acts of criminal misconduct and/ or concluded that a victim of crime report should be made – in



accordance with the controls set out within the Co-operation with Law Enforcement Agencies Policy ("CLEP").

21. In terms of 'what would change' and additional cost – the Whistleblowing team² would move from the Compliance function into the CIU. This is because all Whistleblowing reports would likely satisfy the 'high risk' test. It is also not an efficient or effective use of resources to run two separate teams with the same skillset.
22. Below is the proposed structure of the CIU. KPMG believe the structure and size to be appropriate based upon the number of investigations known to have been conducted by Post Office over the last 12 months:



23. As detailed above, 4 new roles would be created, at a cost³ of c£320k per annum. The Head of the CIU would lead the CIU, reporting into the Group Legal Director (who is the Policy Owner for the GIP and CLEP). They would be accountable for all 'high risk' investigations.
24. The proposed Investigations TOM has been shared with Organisational Design Team who are supportive of its creation and have confirmed they have budget to support its implementation. Though no offer will be made ahead of the appropriate approvals being received at GE, the Board and from the Finance Team; to accelerate implementation, the recruitment process for the Head of CIU has begun, with x candidates identified to date with interviews pencilled in for x September.
25. The Group Executive is asked to **approve**, for onward submission to the Board, the proposed creation of a CIU and its associated costs.

² Which constitutes a Whistleblowing Manager and the two investigators which are approved by yet to be appointed.

³ In terms of annual salary. Benefits, Bonus, NIC etc would need to be added to this figure.



Annex A – Investigatory Type Activities Performed at Post Office

Category	Description	Relevant team and incident type
Investigations	<p>We have used the following criteria to define a POL investigation:</p> <ul style="list-style-type: none"> Where it is mandated by law or regulatory requirements such as allegations of bribery and corruption, modern slavery, money laundering, or data protection breaches; Where there is a suspicion or allegation of misconduct or wrongdoing; Where an investigation is required to establish the facts and an outcome specific to POL is generated e.g. following up a whistleblowing incident, employee disciplinary action, civil proceedings, Postmaster termination <p>POL receive complaints and allegations of misconduct or wrongdoing from numerous sources. Teams who receive complaints/allegations of wrongdoing often do not undertake the investigation themselves but refer them to Area Managers or Operational Line Managers.</p>	<p>Contracts - contract breaches</p> <p>Whistleblowing - Whistleblowing incidents</p> <p>Issue Resolution - Postmaster complaints</p> <p>Customer Support - Customer complaints</p> <p>Customer Experience - Modern Slavery incidents</p> <p>Financial Crime - SARs reporting*</p> <p>Cyber - Cyber breaches</p> <p>Data Protection - Data breaches</p> <p>Human Resources - Grievances, breaches of Dignity at Work (DaW) and Code of Conduct</p>
Cash, stock and foreign currency balance monitoring verification	POL monitor branch activity to help ensure the accuracy of branch accounting records relating to cash, stock and foreign currency and to assure the integrity of cash, stock and foreign currency is maintained. Monitoring is designed to identify risks and help the branch resolve associated issues. These teams do not conduct investigations but identify potential issues which are then flagged to the relevant teams.	<p>Network Monitoring – Branch monitoring</p> <p>Audit Support – Branch monitoring</p> <p>Financial Crime - Bureau monitoring</p>
Postmaster support	If a Postmaster identifies a discrepancy within their branch accounting, they can raise the issue with POL who will seek to resolve these accounting discrepancies. These discrepancies usually arise as a result of Postmaster error and there is no suspicion of wrong-doing or misconduct.	Postmaster Dispute Resolution – Postmaster disputes
Information gathering	POL respond to a number of external information requests including requests from LEA's, s.7 notices and DPA requests. In addition, internal information gathering is undertaken by the Data Protection team in response to internal investigations.	<p>Security – responding to information requests</p> <p>Financial Crime - s.7 notices and DPA requests</p> <p>Data Protection - email review and data collection)</p>
Compliance and assurance	Compliance reviews are undertaken on the sale of financial services products, and risk assessments are undertaken with product managers to identify and mediate potential financial crime risks. These are not investigations but compliance and assurance reviews.	<p>Conduct Compliance – assurance reviews</p> <p>Financial Crime -product risk assessment & assurance</p>

Annex B – Criteria Against Which to Identify 'High Risk' Investigations

Type of criterion	Possible criteria for BAU investigations	Potential to be high risk if several criteria met	Possible criteria for high risk investigations
Financial impact	Financial impact under e.g. £50,000	Financial impact between e.g. £50,000 and £1m	Financial impact e.g. > £1m
Reputational damage	Unlikely to be reputational damage	Potential for reputational damage	Capable of significant reputational damage to the business / significant media coverage
Seniority of those being investigated	Below Band 4	Band 4 and above	Concerns a member of Board / GE / certified role
Postmaster or employee theft or misappropriation of assets	N/A - No allegation of theft or misappropriation of assets	Suspicion of theft or misappropriation of assets	Serious allegation of theft or misappropriation of assets
Regulatory breaches by Postmaster or employee	N/A - No regulatory involvement	Potential for regulatory notification	Relates to a identified breach or issue
Misconduct by employee	Allegation of misconduct	Potential to be gross misconduct	Relates to gross misconduct
Privilege required	No suggestion of litigation	Possibility of litigation	Likely to result in litigation
Postmaster detriment	N/A – No Postmaster detriment	Potential for individual Postmaster detriment	Potential to lead to pervasive Postmaster detriment
Referral from business	N/A	N/A	Requested by a Director level or above

These criteria are designed to allow flexibility and interpretation, rather than provide a prescriptive approach to ensure that all investigations are given the appropriate consideration in relation to risk.



Annex C: Summary Current State Assessment by Incident type

Findings by theme													
Theme	Investigations are not conducted consistently across POL		Lack of overarching governance and oversight over high-risk investigations	No clear consistent triage process in place	Lack of consistent monitoring and reporting		No consistent approach to quality assurance		Limited evidence of "lessons learnt"	Use of Area Managers and Line Managers to conduct investigations		Lack of training in respect of investigation	No consistent use of an investigations CMT across POL
Finding	Polices and processes	Legal involvement	Oversight	Triage	Monitoring of cases	Production of MI	QA	Performance management	Lessons learnt	Capability	Independence	Training	Technology
Overall investigations	●	●	●	●	●	●	●	●	●	●	●	●	●
Postmaster complaints	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Contracts	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Customer complaints	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Data protection	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Whistleblowing	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Human Resources	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Cyber	●	●	n/a	●	●	●	●	●	●	●	●	●	●
Modern Slavery	●	●	n/a	●	●	●	●	●	●	●	●	●	●

Rating	Description
●	Limited or no evidence of established market practice
●●	Some evidence of established market practice
●●●	In line with established market practice