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MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 30th MARCH 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 09.00AM (VIA CONFERENCE CALL)[1]

Present:	Invited Attendees:
Carla Stent (Chair)	Alison Rodwell (BEIS ARAC NED): Observer
Tom Cooper (NED, UKGI) **(TC)**	Tim Perkins (Service and Support Optimisation Director): Item 2 **(TP)**
Zarin Patel (NED) **(ZP)**	Tracy Marshall (Postmaster Effectiveness Director): Item 2 **(TM)**
Regular Attendees:	Amanda Jones (Retail & Franchise Network Director): Items 2 & 9 **(AJ)**
Tim Parker (Chairman, POL) **(TP)**	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime): Item 3 **(SS)**
Nick Read (Group Chief Executive Officer) **(NR)**	Tom Lee (Financial Controller): Item 4.3 **(TL)**
Alisdair Cameron (Group CFO) **(AC)**	Jonny Lonsdale (Business Continuity Manager): Item 8 **(JL)**
Ben Foat (Group General Counsel) **(BF)**	Martin Hopcroft (Head of Health & Safety): Item 8 **(MH)**
Andrew Paynter (Audit Partner, PwC) **(AP)**	Andy Kingham (Franchise Partnering Director): Item 9 **(AK)**
Sarah Allen (Senior Manager, PwC) **(SA)**	Mark Siviter (Product Portfolio Director – Mails, Retail, PUDO & Gov services): Item 9 **(MS)**
Rosie Clifton (Senior Manager, PwC) **(RC)**	
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:	
Ken McCall (SID) **(KM)**	

		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 requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	

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[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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2.	**Postmaster Policies**	
2.1	Amanda Jones, Tim Perkins and Tracy Marshall introduced the paper, which had been circulated previously and was taken as read. The following points were summarised for the Committee: - ███████████████████████████████████████ - How the policies work in practice and how compliance and assurance checks were built in was a point of discussion at the Risk & Compliance Committee. Therefore the appendices included examples of the complaints dashboard and self-assessment controls. - The Guide to Policy Standards (the Guide) worked to pull together all the Postmaster policies in one document in a way that was easy to understand for Postmasters. It was recognised that this needed to be more sophisticated and integrate with the Postmaster Support Guide. This was the next piece of work, alongside the work to update the operating manuals for Postmasters, led by Tracy Marshall. Ultimately to be an effective, modern franchisor Post Office needed better "how-to" guides for Postmasters covering contractual obligations and how to run their Post Offices more effectively. - The intention was to roll out the Guide alongside the Support Guide in the next six to eight weeks. This would be in the format of a hard copy ring binder and digital offer (following feedback from Postmasters), with regular updates available online. It was recognised that some Postmasters would read it cover to cover, whilst others will only refer to it as and when needed. The Chair noted it was key that any hard copies were kept up to date. In response to questions from Tom Cooper, it was confirmed that the policies were not for publication to Postmasters, but were internal and set out the standards Post Office was to meet. It was expected that the Guide would lead to requests for copies of the policies from Postmasters, but all policies had been prepared with this in mind, including a caveat that they did not form part of Post Office's contractual obligations to Postmasters. - Nick Read highlighted that key to the success of the Postmaster Support Guide and Policy Guide was that it was simple such that it could be used as a tool and become part of the Post Office's DNA. It was an important cultural change.	**BF**
2.2	The Committee then discussed the following points: - Zarin Patel questioned how these policies would be applied to the new express and basic models of Post Office and whether a cost-benefit analysis had been considered. Tracy Marshall explained that	

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		the work was on-going on these formats and she and her team were working with the Propositions team to understand the new models and how the policies might need to be tailored accordingly.	
	-	Termination Decision Review Policy: It was agreed that it should be made clear that the review panel was an independent appeals panel not a decision-making panel. Amanda Jones explained that discussions were still on-going on the make-up of this panel (whether it be internal, external or a mixture of the two). It was also agreed that Tim Perkins would revisit the timeframe outlined in the policy for a 14 day termination period (see para 3.1 of the policy) as Zarin Patel felt this was too short.	**TP** **TP**
	-	Network Transaction Corrections Policy: The Chair noted the importance of this policy. Tim Perkins outlined that an example process flow (used internally) had been shared with the Committee in the Reading Room to show that process maps are in place for all processes in his area. It was agreed that Tim Perkins would amend the policy to make it clear what the service levels are and how long it would take to move through the stages of the transaction corrections process.	**TP**
	-	Onboarding Policy: In response to a question from the Chair, Tracy Marshall confirmed that the policy recorded the current practice but that the onboarding journey for Postmasters was being reviewed given the outcome of the Deloitte review. Continual feedback throughout the process was also being solicited from Postmasters who were currently being onboarded.	
	-	Training Policy: Tracy Marshall explained that following the Risk & Compliance Committee discussion, it was the intention that a trainer would be on site for the first cash delivery, collection and monthly balancing process. There were some questions at the Risk & Compliance Committee over sufficiency of training and this was still being reviewed. There was a view that classroom training should be increased, but feedback was being sought from Postmasters before any decisions were taken. Making certain training mandatory took Postmasters away from their business so this needed to be balanced against the need for the training. It was also requested that the policy be updated to include minimum control standards.	**TP/TM**
	-	It was noted that improvements in the 3rd party / external scores on the dashboards would be the ultimate measure as to whether the improvements in training and onboarding were working. Further it was key that the new Postmaster Non-Executive Directors made sure these policies were operating effectively.	
	-	Johann Appel commented that the minimum control standards seemed to be quite high level, questioning whether there were more specifically documented controls. Tim Perkins explained that the minimum controls standards were high level and the self-assessment controls had been prepared to ensure the teams meet the standards set out in the policies. Appendix 11 included an	

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	example of these and it was greed that Tim Perkins would share the other control process mapping work with Johann Appel.		
	- It was requested that the Complaints Handling Policy be updated to remove the acronyms.	**TP**	
	- There were no questions or comments on the Network Transaction Cash and Stock management policy.		
2.3	Accordingly, the following policies were **APPROVED** by the Committee, subject to a further legal review and changes/comments as outlined by the Committee at its meeting: • Postmaster Complaints Handling Policy (see comments above) • Network Transaction Corrections Policy (see comments above) • Network Cash and Stock Management Policy • Postmaster Termination Decision Review Policy (see comments above) • Postmaster Onboarding Policy • Postmaster Training Policy (see comments above) • Guide to Policy Standards for Postmasters		
3.	**Whistleblowing Policy Review**		
3.1	Sally Smith introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted: - The major changes were that Zarin Patel, as an independent Non-Executive Director, was to be appointed as Post Office's Whistleblowing Champion and a new dedicated whistleblowing manager was being recruited. The policy has been updated to reflect these changes and to align with the Investigations Policy. - The Policy has also been externally reviewed by Protect. - The focus in this area over the next six months was to be on training and awareness via an employee training module on SuccessFactors and working with HR to ensure whistleblowing was part of line management training. - Comments have been received from Zarin Patel outside of the meeting to make some amendments to section 1.9 of the policy to clarify the wording and make clear that the Whistleblowing Champion is an independent Non-Executive Director. These amendments had been agreed prior to the meeting. - Zarin Patel also questioned whether the policy should be benchmarked in June given the level of activity in the business and that this policy was still quite new. Ben Foat explained that he was keen to get this done given the upcoming Public Inquiry. The external review had shown gaps in training and engagement and benchmarking would help the team understand what more needed to be done. - It was also flagged that whistleblowing was not noted on the corporate website. Sally Smith confirmed that this had also been raised in the review along with the suggestion that whistleblowing be part of the Annual Report and Accounts. The team was considering these suggestions carefully to ensure a coordinated		

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	approach, for particular consideration with the new Whistleblowing Manager. This would be resolved within the next six months. - It was agreed that this matter should be reviewed by the Committee in six months' time. Accordingly, the Committee: i. **NOTED** 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 ii. **APPROVED** the proposed amendments to the whistleblowing policy (subject to the amendments agreed with Zarin Patel via email) and the appointment of the Whistleblowing Champion.	**SS**
4.	**Previous Meetings & External Audit Update**	
4.1	The minutes of the meetings of the Audit and Risk Committee held on 26 January 2021 and 26 February 2021 were **APPROVED** and **AUTHORISED** for signature by the Chair.	
4.2	Progress against the completion of actions as shown on the action log was **NOTED**. Action 1 from 27 July 2020 (para 4) & Action 8 from 22 September 2020 (para 6.4) Pensions Assurance: HR was to meet the Trustee on 24 March 2021 following their Board meeting on 23 March 2021. This would be the first sight of the impact of the errors. Once the impact was 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 were 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 was on-going. Further update was to be provided before and at the May 2021 Committee meeting. The action remained open. Actions 2 & 4 from 22 September 2020 (para 2.1 & 2.2) Procurement Policy: This has been completed and was reviewed again in January post Brexit. The Procurement Policy was due to be re-approved by the Committee on 30 March 2021 via written resolution. The action was closed. Actions 3 & 6 from 22 September 2020 (para 2.2 & 2.4) Procurement Policy: This has been completed and the OJEU process was due to commence in the summer. The action was closed. Action 5 from 22 September 2020 (para 2.3) Procurement Policy: A positive response was received from UKGI who reviewed the Procurement Policy with no changes recommended. The action was closed. Action 7 from 22 September 2020 (para 4.1) Legal & Compliance Risk Appetite Statement: Legal & Compliance risk appetite update was discussed in paragraph 5.3. Following initial noting in January 2021, formal ARC approval was now sought for Legal & Compliance risk appetite position (although approval was not granted – see paragraph 5.3 below).	

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Central Risk were in discussion with Retail and Franchise Network to put in place an Operational risk appetite statement (given this will cover postmaster-centric risks). The plan was to get to an internally agreed position by the end of March 2021 which can then be tabled for the Committee in May 2021. The action remained open.

Action 9 from 24 November 2020 (para 3.1) Risk Dashboard: An updated Central Risk Dashboard was discussed in paragraph 5.1 & 5.2. The draft format was shared in advance with the Chair and the approach was sense checked with Gartner. The format will be flexed to accommodate changing needs as new topics come to the fore. The action was closed.

Action 10 from 24 November 2020 (para 3.1) Risk Dashboard: Legal & Compliance risk appetite update was discussed in paragraph 5.3. The plan was to report on the latest Legal & Compliance appetite and key risk indicator (KRI) trends as part of standard Risk Dashboard in May 2021. The action was closed.

Action 11 from 24 November 2020 (para 9.1) & Action 37 from 26 January 2021 (para 11.1) Historical Matters Business Unit: The RACID was being expanded to include Historical Matters Scheme governance changes, specifically, monthly reviews with UK Government Investments (UKGI)/The Department for Business, Energy and Industrial Strategy (BEIS) and quarterly reviews to also include Treasury. Additionally, RACID updates were required pending agreement as to funding and Post Office governance arrangements relating to Common Issues Judgment (CIJ) and Horizon Issues Judgment (HIJ) conformance, which remains under discussion at the Improvement Delivery Group (IDG) based on recent proposals for this work. Further update was to be provided at the May 2021 Committee meeting. Work associated with Fraudulent Claims controls was now being addressed as part of standard project management processes/activities. The action remained open.

Action 12 from 24 November 2020 (para 10.1) Payzone Risk Report: An update confirming the cessation of Pipit in Post Office was included in the Compliance paper (see paragraph 5.4). The action was closed.

Action 13 from 26 January 2021 (para 2.1) Investigations Policy: External review completed by HSF, with independence wording added. A Working Group has been established to ensure the workability of the Group Investigations Policy (GIP) against the affected policies and finalise the GIP. The action was closed.

Action 14 from 26 January 2021 (para 4.1) Risk Update – Postmaster Risks: Central Risk were 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 would pick up associated controls which will be mapped against the risks on the corporate GRC tool. The action was closed.

Action 15 from 26 January 2021 (para 4.1) Risk Update - wording: Requisite adjustments have been made to associated financial, industrial

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action and external economic factor risk descriptions. The action was closed.

Actions 16 & 17 from 26 January 2021 (para 4.2) Legal & Compliance Risk Appetite Statement: Legal & Compliance risk appetite update was discussed in paragraph 5.3. The action was closed.

Action 18 from 26 January 2021 (para 4.2) Legal & Compliance Risk Appetite Statement – Commercial risk correction: This has been corrected (see paragraph 5.3). The action was closed.

Action 19 from 26 January 2021 (para 4.2) Legal & Compliance Risk Appetite Statement – KRIs: Legal & Compliance risk appetite update was discussed in paragraph 5.3. The paper provided an update on work to produce a set of supporting Legal & Compliance KRIs, their supporting data sources and the relevant tolerances. The plan was to include the latest Legal & Compliance appetite and KRI trends in the standard Risk Dashboard in May 2021. The action remained open.

Action 20 from 26 January 2021 (para 4.3) Compliance Update – Postmaster Onboarding: An update was provided in the Compliance Report (see paragraph 5.4). The action remained open.

Action 21 from 26 January 2021 (para 4.3) Compliance Update – Controls Framework: The Controls Framework programme has been put on hold. Please refer to the Compliance paper (see paragraph 5.4). Further update to be provided in May. The action remained open.

Action 22 from 26 January 2021 (para 4.3) Compliance Update – KMPG Report: The report was sent to Carla Stent on 12 February 2021, following on from a briefing to Carla on 8 February. Jeff Smyth and Dan Zinner jointly presented the action plan on Deloitte and KPMG to the Board on 25 February 2021 (as part of the CCRC session). The action was closed.

Action 23 from 26 January 2021 (para 4.3) Compliance Update – Fire Risk Assessments: An update was provided in the Compliance paper (see paragraph 5.4). Further update to be provided in May confirming actions closed. The action remained open.

Action 24 from 26 January 2021 (para 4.4) Internal Audit – Mails & Parcels: Mails & Parcels audit actions were sent to Tom Cooper (and the rest of the Committee) on 27 January 2021. The action was closed.

Action 25 from 26 January 2021 (para 4.4) Internal Audit – Dangerous Goods: This item was discussed in paragraph 9. The action was closed.

Action 26 from 26 January 2021 (para 4.4) Internal Audit – GLO Dashboard: The GLO Dashboard was in draft form and a discussion on IDG work was held by the Board on 25 March 2021. It was agreed a monthly update would be provided to the Board. [Note: This was updated after the Committee meeting to accurately reflect the Board's discussions]. The action was closed.

Action 27 from 26 January 2021 (para 4.4) Internal Audit – Belfast Exit and PCI Compliance: Following the recent acquisition of Ingenico by

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Worldline, IT have requested the re-establishment of quarterly CEO-CEO review sessions to maintain senior relationships for the PCI-DSS programme. Worldline were marshalling the correct senior representatives with the initial session targeted for April 2021. Nick Read and Jeff Smyth (Group Chief Information Officer) 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 was to commence on 1 April 2021. The action was closed.

Action 28 from 26 January 2021 (para 9.1) Branch losses and balances on Postmaster accounts - £150 settled centrally value: A new test and launch plan for the Horizon change was underway with launch dates mid-end April (either 14 April or 28 April depending on the number of test cycles which need to be completed). Further update to be provided in May 2021. The action remained open.

Action 29 from 26 January 2021 (para 9.1) Branch losses and balances on Postmaster accounts - Dashboard: The number of aged balances and transaction corrections were now tracked monthly as one of the metrics on the Voice of the Postmaster dashboard. (See example from February in the Reading Room). The action was closed.

Action 30 from 26 January 2021 (para 9.1) Branch losses and balances on Postmaster accounts – Root Cause Analysis: A root cause analysis has not been performed on gross losses/gains yet. Any form of root cause analysis will require significant data analysis and is likely dependent on the use of the future data platform. Simon Oldnall's (HM Horizon IT Director) work with KPMG will lead on this. The action remained open.

Action 31 from 26 January 2021 (para 10.1) Postmaster Policies (Network Monitoring and Audit Support Policy) – risk appetite: 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. The action remained open.

Action 32 from 26 January 2021 (para 10.1) Postmaster Policies (Network Monitoring and Audit Support Policy) – reference to employee: This point was noted and will be considered in the review of this policy which is currently taking place. Further update to be provided in May 2021. The action remained open.

Action 33 from 26 January 2021 (para 10.1) Postmaster Policies (Guide): The overarching document, called the Postmaster Guide to Policies, was discussed in paragraph 2. The action was closed.

Action 34 from 26 January 2021 (para 10.1) Postmaster Policies (Postmaster Account Support Policy)): 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

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	statements for use in these and future policies. Update to be provided in May 2021. <u>The action remained open</u>.
	<u>Action 35 from 26 January 2021 (para 10.1) Postmaster Policies (Postmaster Accounting Dispute Resolution Policy)</u>: The policy was updated accordingly and reviewed by the Chair before being sent to the Committee for approval via written resolution. <u>The action was closed</u>.
	<u>Action 36 from 26 January 2021 (para 10.1) Postmaster Policies (Zarin Patel's comments)</u>: The point about "reasonable and fair investigations" in both policies was noted and was being considered in the review of these policies which was currently taking place. As part of the training plan, some of the cultural aspects that influence the attitude of our postmaster facing teams would also be addressed. An update will be provided at the May 2021 Meeting. <u>The action remained open</u>.
	<u>Action 38 from 26 January 2021 (para 12.1) IT Controls</u>: IT controls have been updated with the following actions: (1) Platform update through Service Now integration – agreed with Project Review Board, (2) KPMG review of existing IT controls underway, (3) Controls second line TOM in development – aligned with Finance but with input from KPMG and (4) 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. <u>The action remained open</u>.
	<u>Action 39 from 26 February 2021 (para 2.3) Annual Report & Accounts 2019/20 (Starling Update)</u>: This was to be addressed at the June 2021 Board Meeting. <u>The action remained open</u>.
	<u>Action 40 from 26 February 2021 (para 2.5) Annual Report & Accounts 2019/20 (Budgeting Cycle)</u>: The budget was due to be presented to the Board on 30 March 2021 and Finance have held a meeting with Tom Cooper. <u>The action was closed</u>.
	<u>Action 41 from 26 February 2021 (para 3.1) Audit Summary Memorandum FY 2019/20</u>: Approval of auditor fees was to be requested at the May 2021 Committee meeting. <u>The action remained open</u>.
4.3	Andrew Paynter introduced the External Audit update covering the FY 2019/20 audit completion and commencement of work on the 2020/21 audit, which had been circulated previously and was taken as read. The following points were discussed: - The 2019/20 accounts were now completed and had been filed with Companies House. - PwC's fieldwork on the 2020/21 audit was due to start on 23 April 2021. - PwC's view was that Post Office should look to approve its 2020/21 accounts in June/July 2021. The Committee discussed the likelihood of this suggested date being met. Al Cameron explained that whether this could happen would depend on whether Post Office could be considered a going concern at that point as Government

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		funding was only agreed for 2021/22 and it was unknown when the next Government spending review would be. This would make it hard to make the going concern judgement for the next 12-18 months (12 months was required, but 18 months was usually included). Otherwise, the accounts would need to be finalised in the winter to meet the December 2021 filing deadline. Tom Lee was completing a piece of work to consider whether Post Office could be considered a going concern to January 2023 without Government funding. The outcome of this would inform whether the accounts could be completed in summer 2021. This work was due to be completed in April 2021. IRRELEVANT	**TL**
		IRRELEVANT IRRELEVANT Ultimately, the point was still being worked through by Finance and PwC and the Committee would be updated in due course.	
		- Additional fees for the 2019/20 audit of £150,000 were included in the paper and the Committee was asked to approve these additional fees for onward submission to the Board.	
		- The budget and fees for 2021 were still being discussed, with Finance and PwC discussing a joint approach to deliver efficiency as a fixed audit fee was difficult in the current Post Office environment.	
		The Committee thanked the auditors, Al Cameron and Tom Lee for their hard work on the 2019/20 accounts.	
		Accordingly, the Committee:	
		i. **NOTED** the External Audit update; and	
		ii. **APPROVED** the additional fees of £150,000 for the External Auditors for the FY 2019-20 audit, for onward submission to the Board.	
4.4		The draft minutes of the Risk and Compliance Committee held on 16 March 2021 were **NOTED**.	
5.	**Risk, Compliance and Internal Audit Updates**		
5.1	**Risk Update**		
	Mark Baldock introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted:		
	- The cover paper provided the Committee with a helicopter view of the "big" risks facing Post Office.		
	- Strategic: This was largely focused on the ongoing impact of GLO and the Public Inquiry. Central Risk were heavily involved with the HMU and IDG.		
	- Postmasters: This was particularly highlighted by the Deloitte Postmaster Journey review and the Central Risk team are involved in the Voice of the Postmaster group. The Postmaster Policies (see		

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		paragraph 2 above) articulate a number of risks and work was now being undertaken to ensure these were correctly rated, mitigated and tracked. - Commercial: Mitigations were in three key areas: (1) the joint venture with Yoti, (2) launch of click and collect trail with Amazon and (3) sale of the Telco business. There was still adverse trading performance, particularly for Post Office Insurance. - People: Central Risk were particularly supporting on the culture work and the Future of the Workplace project, considering, also commercial and technological risks. - Financial: Signature of the 2019/20 accounts confirmed Post Office's going concern status with net liabilities, but there was still a longer-term uncertainty. - Risk appetite: Central Risk have been supporting Tim Perkins and Amanda Jones in relation to Postmaster risks and ratings as well as providing some constructive challenge on which risks should be focussed on. This will be presented to the Committee in May 2021. The technology risk appetite would then be worked on.	
5.2	The Committee then discussed the following points: - The Chair was concerned that the technological and legal risks had been recognised in the 2019/20 accounts as key risks but were not highlighted as key risks on the Dashboard, noting also that the Board papers for the same day also highlighted many technological risks (including disaster recovery, PCI, Strategic Platform Modernisation (SPM)). Mark Baldock explained that the 2019/20 accounts covered that period and given the other risks highlighted, these risks had not been highlighted as key. However, it was agreed that this would be reviewed by Mark Baldock ahead of the next Committee meeting in May 2021. - Tom Cooper questioned how well the risk appetite work was joined up with the business risk work, noting that the risks (Competition law and Modern Slavery) highlighted in the Legal & Compliance Risk Appetite paper did not appear in the business risk report. It was felt that the team had done a very good "bottom up" exercise, but the "top down" piece was still needed. Al Cameron noted that there had been a discussion at the Risk & Compliance Committee about how this work should be prioritised, noting the other pressures on the business. The Chair noted that care needed to be taken to ensure that the process of assessing the risks did not prevent the business and Committee "standing back" to determine if the resultant report correctly covered all the key risks facing the business. It was urgent that the quality of conversation on key risks improves. A wider discussion about key risks was required and this needed to line up with the risks that were being presented to the Board. It was agreed that Mark Baldock and Al Cameron would consider this point, alongside the prioritisation issue, with input from the Chair as required for update at the Committee in May 2021.	MB MB/AC

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		The Committee otherwise **NOTED** the current status of key risks, the risk appetite activity and GRC implementation (as detailed in the report).	
5.3		**Risk Appetite Statement: Legal & Compliance** Linking to the discussion on risk appetite under the Risk Dashboard section, Ben Foat further explained that operating outside of risk appetite was not the same as breaching the law. With Competition law and Modern Slavery the issue was really about understanding why these areas were considered outside of appetite and what controls were needed. For Competition law, it was very much about training and engagement. There were quick wins in this area that would bring the risk within appetite but there was also a question of prioritisation given current pressures. The Committee **NOTED** the latest position on the Post Office's appetite to corporate Legal & Compliance risks and the response to the comments provided by Committee in January 2021, along with the proposed Next Steps and timeline. Otherwise it was requested that Ben Foat and Jonathan Hill consider the "so what" factor in relation to the risk appetite ratings.	**BF/JH**
5.4		**Compliance Update** Jonathan Hill introduced the paper, which had been circulated previously and was taken as read. The following points were discussed: - Controls Framework: A decision has been made to pause this work given other work pressures and funding requirements. It will be reviewed again after the summer. Compliance were still assisting the business with controls, including the Postmaster policies. In response to a question from the Chair, it was also confirmed that the financial control framework was being moved from TriAction to ServiceNow and, with the GRC implementation, IT controls would also be on ServiceNow. In moving these controls, the system has been set up such that it can be used for other areas. Part of the reason for the delay in the framework was that it was felt it was better to put all controls onto ServiceNow rather than using an interim solution. This was a big piece of work which also required funding and the Investment Committee had decided it was better to look at this later. The Chair and Zarin Patel raised concerns about the dependency on manual controls and the recent organisation effectiveness work, highlighting the need to understand what controls were in place for the top 10 risks, such that the Committee could be comfortable with this project being delayed. Al Cameron agreed that this was a difficult choice in the short term and one key area for more clarity was relationships with Postmasters which was a key focus of the organisation at present. Jonathan Hill was asked to consider if there were other key control areas that needed frameworks whilst the wider project was paused. This should be updated in the next Compliance report in May 2021.	**JH**

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		Zarin Patel also noted that there were a number of control issues in Post Office Insurance and it was agreed that the Chair would talk to Amanda Bowe, Post Office Insurance Audit & Compliance Committee Chair, about this issue and particularly how the culture was being set from the top by the Board for consideration in the next substantive paper.	**CS**
		The Committee was also concerned about the controls in Supply Chain and asked Al Cameron to bring a paper on the issue to the Committee in July 2021.	**AC**
		- Telco: The sale of this business was now complete and prior to completion there were two matters outstanding: the comms incident, on which Ofcom have now confirmed they will not investigate and PSD2 registration for which an exemption has been granted by the FCA.	
		- Data: On cookies, the website banner has now been updated to ensure the agreed "middle of the pack" approach was adhered to and the Digital team has confirmed the changes have negligible commercial impact.	
		- Financial crime: The business was seeing increasing levels of Suspicious Activity Reports (SARs) and investigations. This was partly because detection has become more sophisticated and partly due to the economic downturn (which often leads to more reports). Tracking was done across branches and branches were also encouraged to support. Where a particular issue was identified, direct engagement was mobilised. The team was working closely with the authorities and, particularly, with the banks and the Post Office's Banking Framework team. It was noted that the FCA seemed more interested in what was being done by the banks and the challenge for Post Office was to get the banks to stand up to their obligations. In Banking Framework 3 negotiations and discussions with the FCA, it has been made clear that Post Office is an agent for the banks and that it could support with anti-money laundering measures, but the accountability fell to the banks. Nick Read explained that he believed the FCA recognised the role of Post Office and viewed it as an issue of negotiation between Post Office and the banks. However, the FCA were being lobbied by other banks so Post Office needed to find a balance between supporting and maintaining that it was not accountable. One option to improve the situation would be the use of chip and pin for identification but so far, only one bank was using this option.	
		Accordingly, the Committee **NOTED** the Compliance Update.	
	5.5	**Internal Audit (IA) Update**	

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Johann Appel introduced the paper, which had been circulated previously and was taken as read. The following points were discussed:

- Internal Audit have been asked to support the IDG work and accordingly, three audits in Q4 have been delayed into next year. In response to a question from Zarin Patel, it was confirmed that the approach being taken was that Internal Audit would review improvements once they had been certified by the action owners and the IDG as complete. Then Internal Audit would validate the effectiveness of the improvements. Those actions with the highest impact on Postmasters were to be examined first. The review would consider the design of controls and their operating effectiveness. The review would not consider whether the improvement legally supports the issues raised in the CIJ.
- The Q1 audit deliverables were already underway, subject to the approval of the 2021/22 Internal Audit Plan (see paragraph 6 below).
- Three audits have been completed and reported in this cycle. The Postmaster Reporting audit report was highlighted, noting that this was a known issue, but the audit was rated as needing significant improvement as currently the Management Information (MI) provided to Postmasters was not fit for purpose. Tom Cooper questioned what Postmasters should be getting that they were not receiving. Johann Appel explained that there were numerous issues including quantity, frequency (there was inconsistency between branches based on their size) and format (Excel, rather than PDF to allow manipulation). The key recommendation was for a self-service option. Hugo Sharp also explained that Deloitte had looked at this area as part of their review. The issue seemed to be not that the data did not exist, but that it was hard to obtain. Ideally, there would be a basic layer i.e. remuneration and then value add layers to help Postmasters run a better business.

Al Cameron explained that there could be an opportunity with Belfast Exit, SPM or Branch Hub to consider self-service functionality, but there were big, costly decisions to be made. Nick Read noted that management were setting up co-creation teams with Postmasters to get them to articulate what they want, but the challenge would be how to provide them.

It was agreed that what MI Postmasters should be provided with as a minimum should be considered and an overview provided to the Committee at its meeting in May 2021.

| | AC/NR (AJ) |

- On the Historical Matters – Set-Up and Governance audit report, Zarin Patel questioned whether the governance and process being put in place was too much. It was agreed that Johann Appel and Zarin Patel would have a further discussion regarding this. However, it was explained that Internal Audit's concern was the

| | JA |

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	time it has taken to put governance in place, noting that the role of the unit had evolved over time, with the resolution of issues now moving to the business and HMU retaining its "shine a light role," managing the Inquiry response, Historical Shortfalls Scheme and criminal convictions appeals. - There were no overdue audit actions. The Committee **NOTED** the Internal Audit update, specifically progress being made with delivery of the Internal Audit programme and completion of audit actions.	
6.	**Internal Audit Plan 2021/22**	
6.1	Johann Appel introduced the paper which had been circulated previously and taken as read. The plan was summarised as follows: - The audit plan was risk based and Postmaster centric, taking into account post GLO activities. It has been adapted following the request to provide IDG assurance. Much of this work would cover the Postmaster processes previously proposed for the plan. Once the IDG work was completed, Internal Audit would consider which Postmaster processes required deep dive audits. - There would be 24 audits: 16 core and 8 change assurance reviews. SPM was a major area with 2 audits in this area. There was also a request for ongoing assurance on SPM which was still being discussed. - This would be a dynamic plan which would start with priority audits and a rolling plan, to be reviewed at each Committee meeting.	
6.2	The following points were then discussed by the Committee: - The Chair was concerned that some BAU audits were being put on hold to support IDG work. Johann Appel explained that the team were largely still catching up following the impact of COVID-19 and the plan had been restated due to the IDG work. A shortlist of audits (the rolling plan) to bring forward if the IDG assurance work was less than expected had been developed. This included: review of Horizon application controls (interim review until SPM), IT controls framework and financial controls framework, review of ServiceNow implementation (would cover the two frameworks), Postmaster onboarding and remuneration. It was agreed that Johann Appel would consider the resource and cost implications of bringing this work forward and report back to the May 2021 meeting. - Tom Cooper questioned whether the payroll audit (planned for 2022/23) should be brought forward given the pensions issue. Johann Appel explained that a high level information review had been completed to ensure previous actions were resolved but that in his view, the pensions issue was resolved and there was no need to bring the audit forward. This was particularly as the payroll processes have recently been reviewed and were just embedding.	JA

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		Internal Audit could review after this work was complete to ensure it had worked. - For the SPM assurance work, in response to a question from Zarin Patel, Hugo Sharp explained a multi-line defence used, with a rigorously checked controls framework and then Internal Audit reviews via intermediate reviews and sitting on steering committees.	
6.3		The Committee **APPROVED** the internal audit plan for 2021/22, subject to the comments made above regarding the rolling plan.	
7.		**Update from Subsidiaries: Post Office Management Services (ARC)**	
7.1		The Committee **NOTED** the update from the Post Office Management Services ARC with the Chair briefly providing a summary. Jonathan Hill noted that the joint principal report covering the oversight of Post Office Limited as Appointed Representative mentioned in the update was still in draft and due to be finalised in April 2021.	
8.		**Business Continuity Review**	
8.1		Jonny Lonsdale introduced the paper, which had been circulated previously and was taken as read. The following points were highlighted: - Jonny Lonsdale has undertaken a gap analysis on the Post Office's Business Continuity Management System (BMCS) alignment to the BSI ISO 22301 (Business Continuity) standard. - The Gap Analysis found that the overall status of the Post Office BCMS was non-compliant with some aspects of the industry standard, particularly Business Impact Analysis (biggest area of concern as this includes the Horizon system), Business Continuity Plans, Governance Framework and Exercising and Testing. - The paper included next steps required to get up to the ISO standard. - Al Cameron explained that this work was part of a plan to formalise business continuity, which previously had demonstrated Post Office was good at reacting to a crisis but did not have a formal, forward-looking risk assessment. The Committee **NOTED** the summary findings of the Business Continuity Gap Analysis review for Post Office Group.	
9.		**Deep Dive: Dangerous Goods**	
9.1		Amanda Jones, Mark Siviter and Andy Kingham introduced the paper, which had been circulated previously and was taken as read. The following points were discussed: - The Committee agreed that the paper was clear and they were pleased to see progress in this area. It was recognised that the issue was fixing the dangerous goods transaction journey so as to address compliance. It was noted that in general there was a need to improve the general commercial/customer journey on the Post	

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	Office system to ensure it was manageable in a retail environment. As such other journeys were also being reviewed. - The changes to Horizon (menu-based alternative to the manual scanning of the dangerous goods laminate) (Phase 1) was due to be rolled out on 6 April 2021. This was expected to see radical improvement in compliance and mystery shopping results. Phases 2 and 3 were longer term changes. Phase 2 (printing of dangerous goods labels via Horizon) was dependent on approval from the Civil Aviation Authority (CCA), who were supportive of the idea, but wanted to run a pilot, which was now being developed. This change was expected to improve mystery shopping results as many mystery shopping issues are caused by the mystery shopper not seeing the label applied. Andy Kingham was confident that the deadline as set out in the paper (mid-June 2021) could be met. - The Chair questioned the reliance on IT and particularly, Ingencio, resources. Mark Siviter explained that as it currently stood, Ingencio allocated sufficient resources and that this work was running side by side with their other work at Post Office. - Mark Siviter, Andy Kingham and Amanda Jones were asked to return to the Committee in September with a further update on progress and particularly an update on the improved compliance results. Accordingly, the Committee **NOTED**: i. the activity undertaken and planned in order to improve conformance to the required process; and ii. anticipated improvement in mystery shopping conformance as a result of the proposed system changes.	**MS/AK /AJ**
10.	**Committee Terms of Reference Review**	
10.1	Rebecca Whibley introduced the paper, which had been circulated previously and was taken as read. It was noted that the outcome of the review of Terms of Reference was that most matters had been complied with in FY 2020/21, save for a few matters which were outlined in the report. Minor amendments to the Terms of Reference were proposed to align these to the actual responsibilities of the Committee. Zarin Patel highlighted particularly the need to review the quality of audit and requested that Internal Audit should have an independence policy. Johann Appel was asked to develop such a policy for consideration by the Committee (for update to the Committee in May 2021). The Committee: i. **NOTED** 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;	**JA**

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	ii. **NOTED** and **APPROVED** the actions to address the matters not adhered to, subject to the comments made above; and iii. **APPROVED** the revised Terms of Reference for onward submission to the Board.		
11.	**Foreign Currency and Hedging**		
11.1	This paper was presented to the Committee for noting and as such, was not presented, however, the following points were discussed: - The Chair questioned whether the Committee ought to be concerned about the need for a manual revaluation process. Al Cameron explained that an automated solution had been put in place, but that this had not worked as required and accordingly, a manual revaluation process had to be put in place. No money had been lost, there was just a delay in recognising the Profit & Loss and Balance Sheet split. Finance were presently putting in place a stronger Treasury team to have more control of hedging, which was previously being managed by the commercial business. It was noted that the team were talking to Accenture on remediating the issue associated with the automated system. - Tom Cooper questioned the need for hedging at Post Office, noting that it retains a level of stock in the system at all times and the resource cost of this activity. Al Cameron was therefore asked to consider this question and look at the material difference in FX value over a material period versus the resource cost of hedging and the degree of volatility hedging removes from Post Office's results with a paper to be brought back to the Committee in May 2021.	AC	
12.	**AOB**		
12.1	There being no further business, the meeting was closed at 11:15.		
13.	**Items for Noting**		
13.1	The following papers were circulated to the Committee prior to the meeting, but were not discussed at its meeting and **NOTED** by the Committee: - Cyber Security - Procurement Governance & Compliance - Law & Trends - Bi-Annual Legal Risk Review (Non GLO/Starling) - Strategic Partner Financial Stability Update - Deep Dive: Payzone Governance		
14.	**Post meeting note: Policies for approval via written resolution**		
14.1	The Committee were asked to approve the Procurement Policy and Health & Safety Policies via separate written resolution. The Chair raised the following points outside the meeting to the Policy Owners and their responses were recorded after the meeting for completeness: - *What assurance work was being carried out on these policies?* These policies were to be tested as part of Compliance's 2021/22 plan and		

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	updates would be provided in the policy summary paper in due course. - *Should the minimum controls in the Health & Safety policy be more specific to Health & Safety?* The Policy Owner agreed with this point and revised the minimum control standards (section 3) of the Policy. This version of the policy was approved by written resolution dated 1 April 2021. Tom Cooper had approved the policy prior to this change but confirmed his approval of the revised policy via email.	

GRO

Chair   21/05/2021 08:15

Meeting Actions:

Para No.	Action Detail	Action
2.1	**Postmaster Policies**: ██	**Ben Foat**
2.2	**Postmaster Policies**: Termination Decision Review Policy: It was agreed that it should be made clear that the review panel was an independent appeals panel not a decision-making panel. Amanda Jones explained that discussions were still on-going on the make-up of this panel (whether it be internal, external or a mixture of the two).	**Tim Perkins**
2.2	**Postmaster Policies**: Termination Decision Review Policy: It was also agreed that Tim Perkins would revisit the timeframe outlined in the policy for a 14 day termination period (see para 3.1 of the policy) as Zarin Patel felt this was too short.	**Tim Perkins**
2.2	**Postmaster Policies**: Network Transaction Corrections Policy: It was agreed that Tim Perkins would amend the policy to make it clear what the service levels are and how long it would take to move through the stages of the transaction corrections process.	**Tim Perkins**
2.2	**Postmaster Policies**: Training Policy: It was also requested that the policy be updated to include minimum control standards.	**Tim Perkins / Tracy Marshall**
2.2	**Postmaster Policies**: It was requested that the Complaints Handling Policy be updated to remove the acronyms.	**Tim Perkins**

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3.1	**Whistleblowing Policy Review:** It was agreed that this matter should be reviewed by the Committee in six months' time.	**Sally Smith**
4.3	**Annual Report & Accounts 2020/21:** Tom Lee was completing a piece of work to consider whether Post Office could be considered a going concern to January 2023 without Government funding. The outcome of this would inform whether the accounts could be completed in summer 2021. This work was due to be completed in April 2021.	**Tom Lee**
5.2	**Risk Dashboard:** The Chair was concerned that the technological and legal risks had been recognised in the 2019/20 accounts as key risks but were not highlighted as key risks on the Dashboard, noting also that the Board papers for the same day also highlighted many technological risks (including disaster recovery, PCI, Strategic Platform Modernisation (SPM)). Mark Baldock explained that the 2019/20 accounts covered that period and given the other risks highlighted, these risks had not been highlighted as key. However, it was agreed that this would be reviewed by Mark Baldock ahead of the next Committee meeting in May 2021.	**Mark Baldock**
5.2	**Risk Dashboard:** A wider discussion about key risks was required and this needed to line up with the risks that were being presented to the Board. It was agreed that Mark Baldock and Al Cameron would consider this point, alongside the prioritisation issue, with input from the Chair as required for update at the Committee in May 2021.	**Mark Baldock / Al Cameron**
5.3	**Legal & Compliance Risk Appetite Statement:** The Committee **NOTED** the latest position on the Post Office's appetite to corporate Legal & Compliance risks and the response to the comments provided by Committee in January 2021, along with the proposed Next Steps and timeline. Otherwise it was requested that Ben Foat and Jonathan Hill consider the "so what" factor in relation to the risk appetite ratings.	**Ben Foat & Jonathan Hill**
5.4	**Compliance Update (Controls Framework):** Jonathan Hill was asked to consider if there were other key control areas that needed frameworks whilst the wider project was paused. This should be updated in the next Compliance report in May 2021.	**Jonathan Hill**
5.4	**Compliance Update (Post Office Insurance Controls):** Zarin Patel also noted that there were a number of control issues in Post Office Insurance and it was agreed that the Chair would talk to Amanda Bowe, Post Office Insurance Audit & Compliance Committee Chair, about this issue and particularly how the culture was being set from the top by the Board for consideration in the next substantive paper.	**Chair**
5.4	**Compliance Update (Supply Chain Controls):** The Committee was also concerned about the controls in Supply Chain and asked Al Cameron to bring a paper on the issue to the Committee in July 2021.	**Al Cameron**
5.5	**Internal Audit Update (Postmaster MI):** It was agreed that what MI Postmasters should be provided with as a minimum should be considered and an overview provided to the Committee at its meeting in May 2021.	**Al Cameron / Nick Read (Amanda Jones)**

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5.5	**Internal Audit Update (Historical Matters – Set-Up and Governance audit report):** Zarin Patel questioned whether the governance and process being put in place was too much. It was agreed that Johann Appel and Zarin Patel would have a further discussion regarding this.	**Johann Appel**
6.2	**Internal Audit Plan 2021/22:** The Chair was concerned that some BAU audits were being put on hold to support IDG work. Johann Appel explained that the team were largely still catching up following the impact of COVID-19 and the plan had been restated due to the IDG work. A shortlist of audits (the rolling plan) to bring forward if the IDG assurance work was less than expected had been developed. This included: review of Horizon application controls (interim review until SPM), IT controls framework and financial controls framework, review of ServiceNow implementation (would cover the two frameworks), Postmaster onboarding and remuneration. It was agreed that Johann Appel would consider the resource and cost implications of bringing this work forward and report back to the May 2021 meeting.	**Johann Appel**
9.1	**Dangerous Goods Deep Dive:** Mark Siviter, Andy Kingham and Amanda Jones were asked to return to the Committee in September with a further update on progress and particularly an update on the improved compliance results.	**Mark Siviter, Andy Kingham and Amanda Jones**
10.1	**Terms of Reference Review (Internal Audit):** Zarin Patel highlighted particularly the need to review the quality of audit and requested that Internal Audit should have an independence policy. Johann Appel was asked to develop such a policy for consideration by the Committee (for update to the Committee in May 2021).	**Johann Appel**
11.1	**Foreign Currency and Hedging:** Tom Cooper questioned the need for hedging at Post Office, noting that it retains a level of stock in the system at all times and the resource cost of this activity. Al Cameron was therefore asked to consider this question and look at the material difference in FX value over a material period versus the resource cost of hedging and the degree of volatility hedging removes from Post Office's results with a paper to be brought back to the Committee in May 2021.	**Al Cameron**

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Voting Results for ARC Minutes from 30.03.2021

The signature vote has been passed. 1 votes are required to pass the vote, of which 0 must be independent.

Vote Response	Count (%)
For	1 (100%)
Against	0 (0%)
Abstained	0 (0%)
Not Cast	0 (0%)

Voter Status

Name	Vote	Voted On
Stent, Carla	For	21/05/2021 08:15