RCC 7 SEPTEMBER 2015   PAPER EIGHT

Post Office Ltd – Confidential

Risk and Compliance Committee (R&CC)		Reference: R&CC August 15
Date: 06 August 2015	**Venue: Boardroom, Finsbury Dials**	**Time: 14:00 – 16:00**
Attending:		
Jane MacLeod (JM)	General Counsel	Chair
Alisdair Cameron (AC)	Chief Financial Officer	Member
Nick Kennett (NK)	Financial Services Director	Member
Paula Vennells (PV)	Chief Executive Officer	Member (Items 1 – 7)
Alwen Lyons (AL)	Company Secretary	Member
Neil Hayward (NH)	Group People Director	Member (Items 1 – 8)
Steve Miller (SM)	Head of Risk	Report
Georgina Blair	Risk Manager	Minutes
Garry Hooton (GH)	Head of Internal Audit	Report
Martin George (MG)	Commercial Director	Report (Item 7)
Andy Garner (AG)	Head of Managed Services	Report (Item 7)
Andy Phillips (AP)	Graduate Trainee, Commercial	Report (Item 7)
John Scott (JS)	Head of Security	Report (Item 8)
Mike Morley-Fletcher (MMF)	Head of Risk and Audit	Guest
Apologies:		
None		

The Chair declared the committee quorate and opened the meeting.

Agenda Item 1, Committee minutes and matters arising

Action 1667 (refresh the gifts and hospitality process with Commercial) was discussed and SM confirmed that the risk team were in the process of reminding the Commercial team of the requirements. NK queried why the action was confined to Commercial and was reminded that the Gifts and Hospitality report at the last meeting had shown very few reports from Commercial.

Action 1666 (present the Conduct Risk Audit to the Committee) had not in fact been closed, as a timing issue meant the papers were not cleared in time to be presented to the meeting. The audit will be presented at the September meeting.

For Action 1660 (clarify Business Transformation reporting line for risk and assurance) JM noted that there were regular BT risk workshops but that these were not governance meetings, and it had been agreed with the Transformation Director that transformation risks would be presented to the RCC as a regular item from October onwards.

For Action 1657 (POMS reporting at RCC) JM confirmed that going forward POMS RCC minutes would be presented to the POL RCC (see item 2) and noted that POMS ARC papers would be presented to the POL ARC.

The committee agreed the minutes of the previous meeting and the attached actions.

Agenda Item 2, POMS RCC minutes and actions

The committee asked NK whether there were any concerns arising as a result of the Collinsons audit. NK noted that POMS had recently undergone a series of audits which had generally shown that it was in good order, despite having only recently been established.

JM asked if the approach to customer detriment was the same in POL and POMS, and NK confirmed that as customer delivery is managed through POL the approach is the same.

Post Office Ltd – Confidential

NK clarified that POMS has regulatory authority and responsibility for online and telephone sales at present but does not commence oversight of sales within POL branches until 1st October.

AC noted that the style of minute taking in the POMS minutes was more detailed than in the POL RCC meeting, and wondered if this created a risk of recording something that might be taken out of context at a later date. The Committee discussed the more comprehensive style of minute taking required by a regulatory authority and JM noted that the FCA would be looking for evidence of challenge to be demonstrated in the meeting. The Committee requested that JM speak to Victoria Moss to stress importance of capturing this in the POMS RCC minutes (**Action 1668**).

Agenda Item 3, Risk profile update

SM presented the updated risk profile, which included a method of comparing POL's stated risk appetite to the risk exposure of each top risk. This enabled the Committee to consider whether the level of risk exposure was in line with the amount of risk the business was comfortable taking. Incidents and metrics were used to demonstrate whether the qualitative evaluation of risk exposure (the risk score) was correct. The Committee discussed the report and agreed that it was a good start and that work should continue to improve the articulation of controls, and the quality and number of metrics and incidents. It was agreed that SM would engage with Committee members to gain their feedback on the top risks prior to presentation of the revised risk profile in the September meeting (**Action 1669**).

PV queried why Sparrow was not included in the list of the top risks and it was agreed that there would be a separate discussion with JM to determine the appropriate treatment for Sparrow (**Action 1670**).

Agenda Item 4, Risk incidents

The Committee was asked to note the examples contained in these papers as further detail on incidents as mentioned in the risk profile update.

Agenda Item 5, Business continuity planning – status and action plan

SM gave an update on the current status of business continuity planning in the business. The Committee discussed the situation and agreed that there was both a need to understand POL's business continuity landscape in order to identify the gaps, and to test and improve business continuity arrangements on existing key systems.

JM explained that there is no existing resource in the business who can do this (the business continuity function is currently being backfilled by a risk business partner who is spending most of his time on business continuity elements in current procurement processes). JM agreed to determine the scope of the task and estimate the cost and then discuss with AC (**Action 1671**).

The Committee noted that it was likely that there were existing business continuity processes in place covering key systems used in customer critical functions such as Supply Chain and the call centres. PV requested that the key systems were identified and the relevant SLT members asked if they were confident that business continuity arrangements were in place (**Action 1672**).

Agenda Item 6, Incident management process – update

SM briefly explained that there was no single POL-wide incident management process but instead a series of disparate reporting lines, and that further work was needed to identify the optimum solution for POL. The Committee approved the suggested next steps which include a report to the September RCC (**Action 1673**).

Agenda Item 7, Elderly and vulnerable customers review – update

MG and AP updated the Committee on the work that had been done on POL's approach to elderly

Post Office Ltd – Confidential

and vulnerable customers since the last Committee meeting. This had included a review of the existing processes and procedures in place and identification of the gaps. It had been discovered that a Disability and Discrimination working group had been established and it was proposed that the vulnerable customer work would include their input.

The Committee discussed the definition of vulnerable customers, and recommended that the word 'elderly' was dropped from the description, as not all elderly customers are vulnerable, nor all vulnerable customers elderly. It was noted that it was sometimes challenging to identify vulnerable customers, particularly in the case of temporary vulnerability such as bereavement. AC requested that the costs of any proposed initiatives be reported.

MG agreed to provide a one page update to each successive Committee meeting until this work is completed (**Action 1674**).

PV requested that MG identify the most common sensitive situations where vulnerable customers were encountered (for example, an elderly person whose phone line has developed a fault, or a customer whose relative has died) and ensure that special arrangements were in place and had been communicated to the relevant staff. A short summary of this activity should be provided to the next meeting (**Action 1675**).

Agenda Item 8, AML Annual report

JS provided the Committee with key highlights from the Anti-Money Laundering (AML) report.

It had been identified that up to 2% of branch transactions exceeded the 15,000 Euro limit imposed by POL's class of registration with HMRC. A top-performing branch was currently being investigated for performing transactions above permitted limits and the Committee agreed that it was important that correct action was taken with regard to the agent who had failed to follow the required procedure. The Committee discussed whether POL should consider offering higher value transactions; JM explained that a higher value of transaction brought more onerous customer due diligence requirements and any proposal would need to take this into account. JS explained that the 4th Anti-Money Laundering Directive will reduce the Euro limit to 10,000 Euros and the Committee noted that this is a relatively small amount. JS explained that HMRC was concerned because we cannot track customer spending between different branches.

JS also explained that HMRC were suggesting that POL has ownership and liability for AML matters relating to bill payments on six of our bill payment clients, because of the structure of the contracts.

The Committee discussed the potential mismatch between the contractual responsibility for AML which lies with our banking partners, and the regulatory expectation that we will be carrying out appropriate monitoring and training.

JS explained that there was currently no dedicated AML resource at managerial level, although he was recruiting for a band 4 position which was intended to cover both Financial Crime and AML. JM explained that in order to get a clear understanding of what POL's risk and responsibilities were around AML an external review would be commissioned which would, initially, be funded from the legal budget.

JS mentioned that they were also looking at possible technological solutions to help with monitoring, and the Committee recommended that this be discussed with the Back Office programme. NK asked JS to meet him and Jono Hill to discuss forex and bill payment issues (**Action 1676**).

Agenda Item 9, Internal Audit Report

GH updated the Committee on recent audit activity.

With regard to contract management, the Committee requested that a list of the big contacts and

Post Office Ltd – Confidential

those responsible for them be produced (**Action 1677**). The Committee also requested clarification of the assurance programme over IT transformation (**Action 1678**).

Agenda Item 10, Any other business
JM proposed that David Hussey, Transformation Director, be co-opted on to the Committee. The Committee agreed (**Action 1679**) and asked whether there should be someone from Network present. JM said she would discuss Network representation with Kevin Gilliland (**Action 1680**). JM stated that the rolling agenda would be reviewed at the September meeting.

4

RCC 7 SEPTEMBER 2015   PAPER EIGHT

Post Office Ltd – Confidential

Action Summary and Updates					
Date	**Ref**	**Action**	**Lead**	**By**	**Update**
08/15	1680	Discuss Network representation on the RCC with Kevin Gilliland, Network Director	Jane MacLeod	7 Sept	Kevin Gilliland or Network representative to attend on 7 September – closed.
08/15	1679	Co-opt Transformation Director onto Committee	Jane MacLeod	7 Sept	David Hussey to attend on 7 September – closed.
08/15	1678	Provide the Committee with clarification of the assurance programme over IT transformation	Garry Hooton	7 Sept	Included in agenda item 7 (Internal Audit report)- closed.
08/15	1677	Produce a list of the big contracts and those responsible for them	Garry Hooton	7 Sept	List of top contracts by spend obtained from Procurement – closed.
08/15	1676	Meet NK and JH to discuss forex and bill payment issues.	John Scott	7 Sept	Meeting set up for 8 October – closed.
08/15	1675	Identify the most common sensitive situations where vulnerable customers were encountered and ensure that special arrangements are in place and have been communicated to the relevant staff - provide short summary of this activity	Martin George	7 Sept	Summary of activity completed provided – closed.
08/15	1674	Provide a regular short update on Vulnerable Customer approach until this work is completed	Martin George	26 Oct	Next report 26 October.
08/15	1673	Present plan, scope of the work required and resourcing model for POL's Incident Management Process	Steve Miller	7 Sept	Included in agenda item 4 (Business Continuity Planning & management) - closed.
08/15	1672	Identify key systems and operations and ask SLT members if they are confident that business continuity arrangements are in place	Steve Miller	7 Sept	Included in agenda item 4 (Business Continuity Planning & management) – closed.
08/15	1671	Scope business continuity resource needed and estimate the cost and discuss with Alisdair Cameron	Jane MacLeod	7 Sept	Included in agenda item 4 (Business Continuity Planning & management) – closed.
08/15	1670	Determine the appropriate treatment (risk or issue) for Sparrow	Jane MacLeod	7 Sept	Reputational risk to be included in POL's risk register, which incorporates the impact of Sparrow – closed.
08/15	1669	Gain feedback from Committee members on top risks prior to presentation of the revised risk profile	Steve Miller	7 Sept	Completed in preparation for Risk Champions Meeting on 19 August – closed.
08/15	1668	Speak to Victoria Moss to stress importance of	Jane MacLeod	7 Sept	

5

RCC 7 SEPTEMBER 2015   PAPER EIGHT

Post Office Ltd – Confidential

		capturing evidence of challenge in POMS RCC minutes			
05/15	1667	To refresh Gifts and Hospitality Policy awareness and discuss reporting process with Commercial	Steve Miller	7 Sept	
05/15	1666	Conduct Risk Audit (FS) to be presented to the Committee	Garry Hooton	7 Sept	FS senior management leave commitments meant audit not yet cleared. Due to be cleared in w/c 14/09.
05/15	1663	Corporate governance code 'gaps' and proposal on work to improve compliance for 15/16 ARA to be presented to the Committee in preparation for presentation to the ARC in September and Board in October	Steve Miller	7 Sept	Included in agenda item 3 (Corporate Governance Code & Control Framework).
03/15	1657	Discuss interaction between POL and POMS with regard to reporting at RCC with Financial Services Director	Jane MacLeod	6 August	Done – POMS RCC minutes to be presented to POL RCC – action closed.
01/15	1655	Prepare and implement a communications plan to raise awareness of the whistleblowing line	Steve Miller	26 October	Whistleblowing framework currently under review. Action point carried forward to next meeting.
01/15	1649	Commercial Director to give an update on vulnerable customers- definition and proposed best practice at the next meeting.	Martin George	6 August	Done – see item 7 of August 2015 meeting - action closed.

Next Meeting – 26 October 2015 Room 1.19 Wakefield 12.00 – 14.00