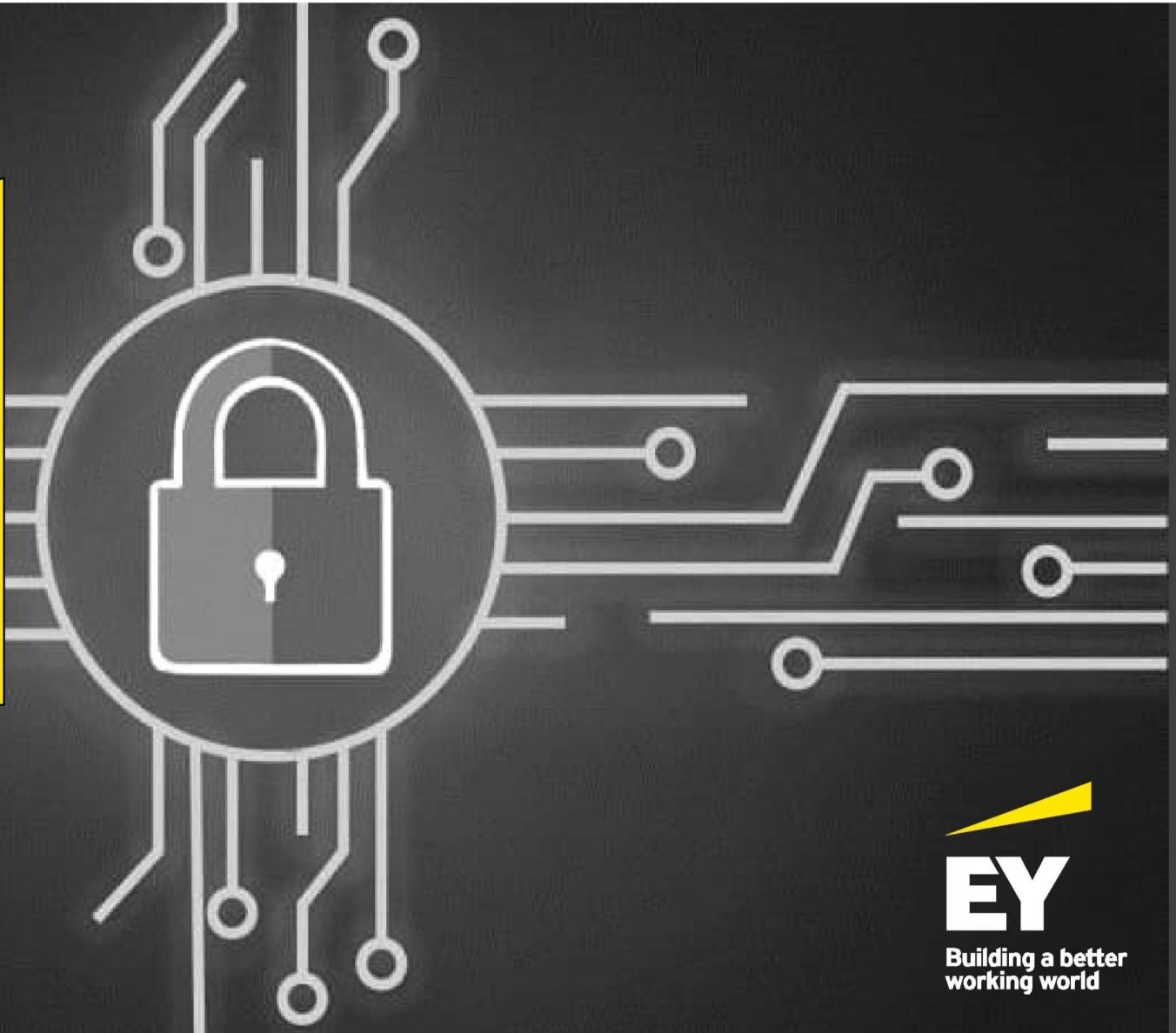


Forensics and Integrity Services – Whistleblowing Assurance Review

July 2022

Confidential



							
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EY understands the importance of having an effective whistleblowing framework

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Our understanding of your requirements

- The Post Office requires an independent assessment of the current whistleblowing policy, processes and controls with a specific focus on:
 - The current Speak Up policy (last updated c. one year ago)
 - The appropriateness of the Conversant system for the Speak Up framework as well as of how it is used within the Post Office
 - The communication with Speak Up reporters (from initial report through to case closure)
 - The operational conduct of the investigations arising from Speak Up reports
 - The effectiveness of protection provided to Speak Up reporters
- You require this assessment of the extant policies, processes and controls to independently verify the quality, effectiveness and current status of the existing frameworks, including the consistency of application across the franchise business model of the Post Office Limited Structure.
- You require a comparison to best practices (to include mandatory requirements), identifying where improvements can be made and providing recommendations as to any changes that should be implemented to enhance those policies, processes and controls, including identifying a target end state.
- We have assumed that this assessment should also include operational effectiveness testing, focusing on the likely areas of weaknesses, to test how well the policies, processes and controls are understood and embedded within the business culture and how effective the controls are in enforcing the policies and processes.
- You have articulated that this project is of a highly sensitive nature and communication within your own business is required to be on a need-to-know basis. As a consequence, the project team has been sized accordingly and due to the sensitivity of the project kept to minimum numbers.

Key deliverables

A written report to the Post Office, providing:

- An assessment of the current state of the Post Office's whistleblowing policies, processes and controls
- An assessment of the Post Office's whistleblowing investigations and the compliance with internal process, regulatory standards and industry standards
- A comparison to best practices including relation to both whistleblowing and information gathering
- Recommendations as to the target end state for those policies, processes and controls identified in the assessment

A half day workshop to socialise our observations and recommendations with key stakeholders and discuss potential next steps

Scope of the assessment

- Geography – This assessment will draw on global best and leading practices, with operational effectiveness testing of controls limited to the UK
- Entities – This assessment will be specifically for The Post Office Limited
- Timeline – We understand that this engagement shall commence at the start of August 2022 with a final report and action plan to be delivered by October 2022
- Should you wish this work to be performed under legal privilege, this can be discussed prior to commencing work. We have experience working with the clients' legal representatives and also in partnership with EY Law.



HOME



Understanding of your needs



Why EY & credentials



Industry insights & best practices



Proposed team



Approach & methodology



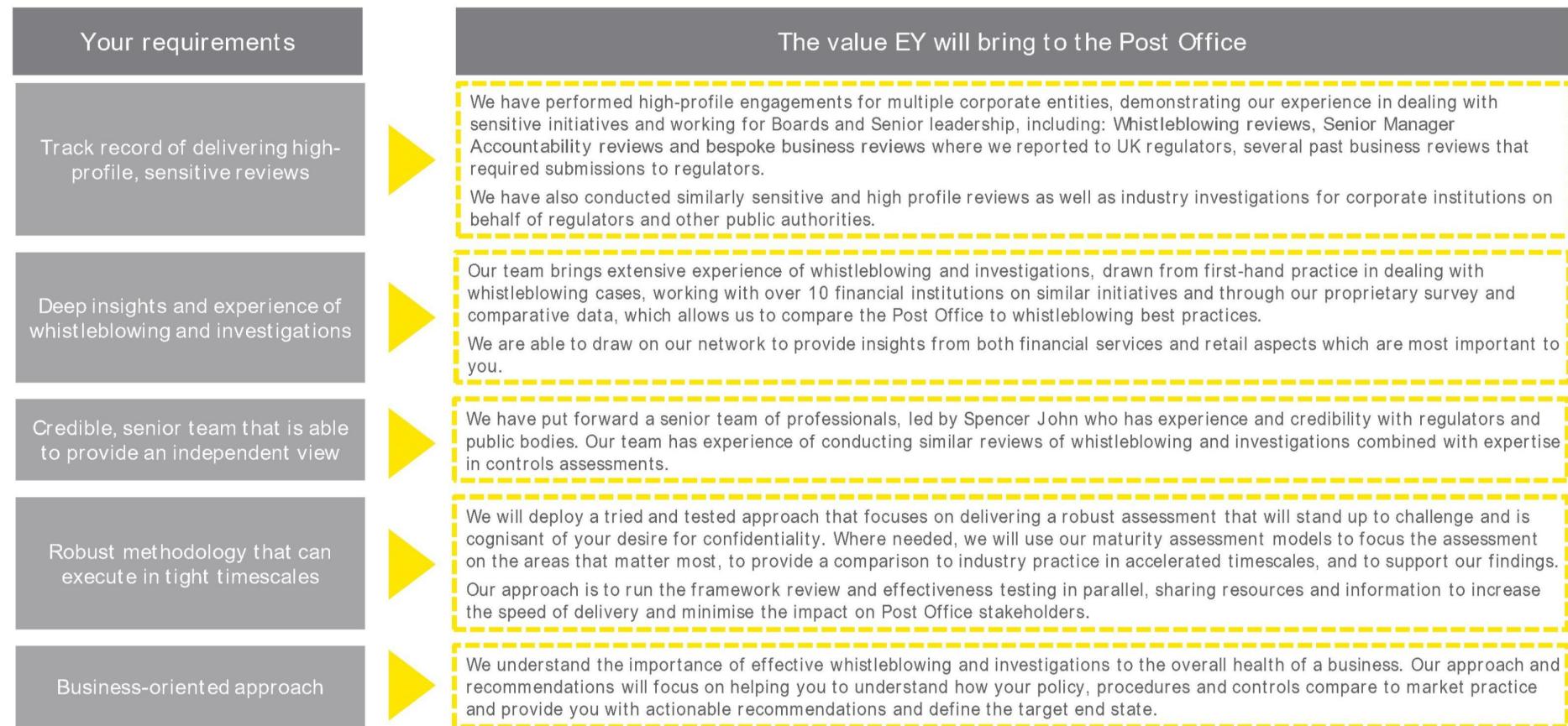
Commercials



Dependencies

We have the experience to conduct high profile, sensitive reviews under accelerated timescales

3



Our experience and industry insights put us in a unique position to conduct this assessment⁴

Sample credentials	EY value added
<p>UK headquartered financial institution Our client identified the assessment and enhancement of its whistleblowing framework as a key priority in preparation for forthcoming regulations</p>	<ul style="list-style-type: none">► We provided our client with an assessment of each element of the whistleblowing framework against the EY maturity model, to indicate how the bank compared to leading practice, allowing them to prioritise initiatives for improvement.► We were able to provide valuable insights from our experience of current leading practice that were relevant to the bank, and give practical recommendations to help them further enhance the whistleblowing framework.► Our client valued our practical recommendations and have requested us to assess the enhanced framework following implementation of our recommendations.
<p>Multinational grocery and general merchandise retailer EY provided SME and fieldwork resource during a Group Internal Audit review of our client's whistleblowing framework</p>	<ul style="list-style-type: none">► Our team displayed sound judgement and knowledge of best practice in relation to the creation and operation of whistleblowing frameworks beyond a central whistleblowing line.► We worked alongside the internal audit team to upskill them in the technical area of whistleblowing and we received positive feedback on our support to the team.► EY assisted the client's Internal Audit team to provide deliverables of a high standard which stood up to testing when challenged by senior stakeholders within the business.
<p>Major North American financial institution EY was engaged in a large Fraud Risk Management and Whistleblowing Programme</p>	<ul style="list-style-type: none">► A major North American financial institution engaged EY to assist in benchmarking its Fraud Risk Management (FRM) against industry leading practices and to provide recommendations to improve overall FRM effectiveness. Given that a large proportion of fraud is identified through whistleblowers, our work included an assessment of the bank's whistleblowing policies, procedures and reporting.
<p>UK headquartered financial institution EY were engaged by the FCA Enforcement division to investigate past governance and lending practices of a large UK bank</p>	<ul style="list-style-type: none">► Our work focused on four work-streams (corporate governance, accounting and risk management, loans and impairments and rights issues) and included evidence gathering, multi-disciplinary analysis and regulatory reporting.► This was a high profile and highly sensitive investigation with interest from the highest levels of the FCA. Due to the sensitivity, strategic importance and scale of the investigation it was critical to have a high level of partner and specialist involvement.► Our team included relevant industry experience, technical and investigation skills and knowledge of FCA processes.► The final notice issued by the FCA resulted in the largest penalty imposed on a senior executive in the UK.
<p>Review of whistleblowing program for global logistics company EY was engaged to review a whistleblowing programme because of concerns about its operation</p>	<ul style="list-style-type: none">► The Board of a global logistics company operating in over 50 countries approached us to conduct a review of its whistleblowing programme because of concerns about its general operation, the quality of reporting and adherence to international legislation and regulation.► Our recommendations have led to a significant uplift in reports across the entire business.



EY has proprietary market insights on industry best practices

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EY has developed leading maturity models which we will employ to assess the strength of design, suitability and operational health of the Post Office's whistleblowing framework. In doing so, we will compare the Post Office against the current legal and regulatory landscape as well as against our experiences working with other organisations, including franchise model risks

In applying EY's whistleblowing maturity model to the Post Office, we will consider the following:



Legislation and regulatory focus – Including relevant legislation and regulations from the UK and US and global bodies such as the FCA's SYSC requirements including the Senior Managers Regime (appointment of a whistleblowing Champion), BCBS corporate governance principles, the G30 study on Conduct and Culture, and OSHA guidance. Additionally, EY shall consider drawing on the most appropriate elements of the Regulation of Investigatory Powers Act and the National Intelligence Model, where it is practical to apply in a commercial environment.



EY's experience – EY has practical experience of performing similar assessments in corporate and financial services industries, as well as performing whistleblowing investigations, and has developed a view on what would be considered best practice. Spencer John has significant experience in control ownership roles in the financial services sector and has delivered assessments of whistleblowing frameworks in the FS sector. Rachel Sexton, who will act as the EY Quality Partner, has founded and chairs the Financial Services Investigators forum, providing unique insight into investigations best practice within the financial services sector.



EY whistleblowing Survey – EY conducted a survey across over 40 companies from multiple industry sectors in the UK to discuss their whistleblowing arrangements. "Across the companies surveyed, the average ratio of whistleblowing disclosures to staff was seven disclosures per 1,000 staff per year, however almost 60% of respondents are not confident that they capture all disclosures made directly to a manager."



EY EMEA Integrity survey – The 2022 EMEA Integrity Survey, which is our largest yet, represents the views of 4,762 board members, managers and employees in 54 countries and provides compelling insight into perceptions of fraud, bribery and corruption across the region, including insights into attitudes towards whistleblowing. Within the UK, 81% of respondents answered no to personally ever reporting issues of misconduct to management or to a whistleblowing hotline



HOME



Understanding of your needs



Why EY & credentials



Industry insights & best practices



Proposed team



Approach & methodology



Commercials



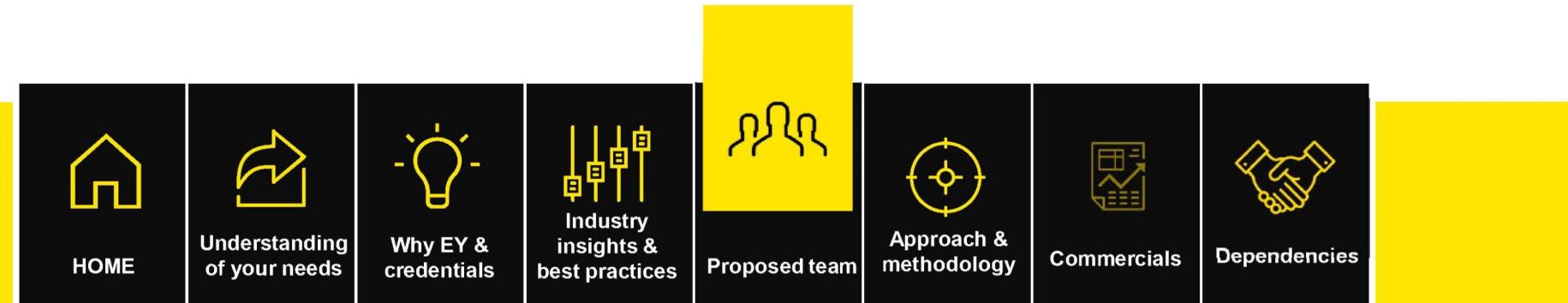
Dependencies



We bring an experienced pragmatic team that will deliver tangible value to the Post Office ⁶

Delivery team

Spencer John Engagement Partner	► Spencer is a forensic investigations and financial crime compliance partner. He has 22 years' experience working in the financial services sector, with the last 10 years in leadership roles. He has experience in large scale change programmes, both as a control owner and as a change control and internal audit specialist in international financial services entities, and has significant experience in stakeholder management and remediation projects.
Rachel Sexton Quality Partner	► Rachel is a forensic investigations and financial crime compliance partner with 24 years' experience specialising in working with financial services organisations ► She has previously reviewed the operations of investigations teams at two universal banks based in Switzerland to assess their investigation methodology and internal escalation of issues. The review highlighted several areas of improvement including the centralisation of investigations. ► Rachel founded and runs a quarterly meeting of the Heads of Investigation at eight major banks in London. The purpose of this forum is to share best practice in investigations ► She is currently working with a global bank to review their whistleblowing programme. This work includes meeting with the bank quarterly to review the report the Board on whistleblowing, understand trends that need investigating, reviewing investigation trends and benchmarking their whistleblowing process against peers
Abbie Steele Engagement Lead	► Abbie works in the Financial Crime and Forensics team at EY with a focus in investigations and compliance. Having spent 4 years at EY and 8 years within the investigations field, Abbie has experience in conducting whistleblowing, conduct and regulatory investigations at both EY, financial institutions and public sector organisations. ► She has led a number of whistleblowing reviews and benchmark exercises at across financial institutions and insurance.
Michelle Acton- Phillips Engagement Lead	► Michelle has 10 years' experience working within the EY Forensics practice, conducting investigations and supporting clients in control assessment and remediation projects. She has assisted clients in drafting target operating models, policy and procedure documents, establishing control frameworks and running risk assessment workshops and trainings across ABC, AML, Anti-Fraud, Whistleblowing/Speak-Up, Investigations and Facilitation of Tax Evasion.
Evan Sarosik Delivery and SMR	► Evan works in the Financial Crime and Forensics team at EY. Evan is highly experienced in delivering whistleblowing framework reviews having spent extensive periods on secondment within in house investigation functions delivering quality assurance reviews for whistleblowing investigations. ► Evan recently completed a Global and UK based whistleblowing assessment where his recommendations were well received by the client
Tom Bendor- Samuel Delivery and SMR	► Tom works in the Financial Crime and Forensics team at EY. Tom is highly experienced in delivering whistleblowing framework reviews, including for numerous FTSE 100 financial firms. ► Tom has also worked on the implementation phase of a FTSE 100 bank's whistleblowing enhancement project, including policies and procedures updates, developing a communications plan and protection program for employees facing detrimental treatment, and intranet site refresh.
Senior Consultant	► Our senior consultants have experience of working across a range of organisations in the compliance space. Specifically, they have experience of operational effectiveness exercises and testing adequacy of design of processes and procedures. ► A number of our Senior Consultants have also worked on s166 reviews, assessing the fairness of a financial institution's determinations by reviewing documentation submitted by customers



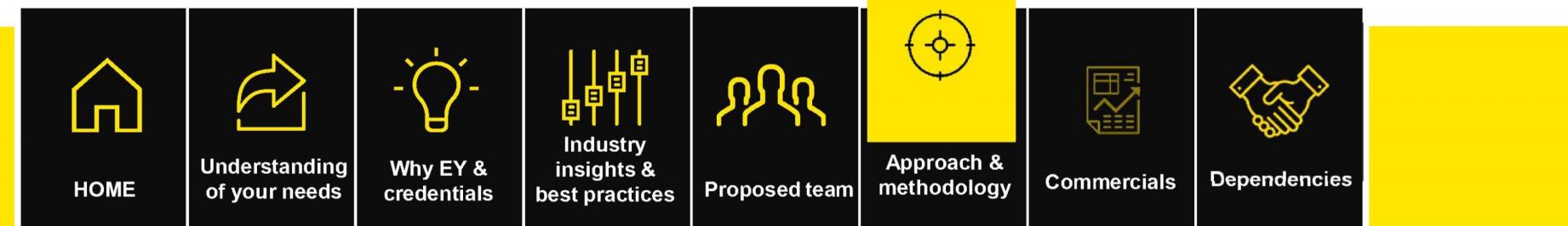
Our proposed approach - overview

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 <h3>Document Review and Interviews</h3> <p>Through a desktop review of available documentation and interviews with relevant key stakeholders, we shall perform a review covering:</p> <p>Policy – Where we can build on the recent implementation of the Speak Up policy to present potential enhancements that may make policy more accessible, understandable and actionable</p> <p>Process/ Procedures – Presenting opportunities for enhancement across training, comms and awareness, case escalation and triage as well as relevant stakeholder contributions such as Internal Audit, external Counsel and SME support</p> <p>Governance – Providing options for improved Speak Up arrangements and greater alignment to global regulator expectations. This can also include a common challenge area: Management Information and Whistleblower protection</p> <p>Our review will also be conducted with reference to the requirements and standards of relevant regulation and legislation such as SYSC 18.</p>	 <h3>Operational Effectiveness</h3> <p>In our experience desktop reviews and discussions can be very valuable, but do not provide an organisation with a view on how well a Whistleblowing Framework design is working. We know from previous reviews at other organisations that whistleblowing frameworks tend to be challenged by poor communication of the policy and framework, employee confidence in the process and the speed of investigation. For this reason we propose to conduct a walkthrough of a small sample of cases, focusing on qualifying Speak Up reports as well as those determined to be out of scope, as well as exploring other options for testing Operational Effectiveness.</p> <p>The sample case walkthroughs will focus on, for example: triage decisioning; time taken to investigate and close case; communications with, and treatment of, the whistleblower; interviews with key stakeholders with operational control of the program.</p> <p>Other potential Operational Effectiveness exercises include: a staff awareness assessment; review of policy downloads/views; training completion.</p>	 <h3>Maturity Comparison</h3> <p>Since the introduction of the FCA and PRA rules relating to Whistleblowing, UK regulated Financial Institutions have embarked upon a process of continual enhancement of their Whistleblowing programmes.</p> <p>When assessing the Speak Up Framework at the Post Office we shall compare the existing arrangements with those of other organisations we have worked with, including institutions known to have had recognition by regulators for operating an effective Whistleblowing programmes.</p> <p>There are many non-FS corporate institutions that have also invested in significant enhancement of their own Whistleblowing programmes. EY has partnered many such institutions in assessing or implementing these programmes and we can therefore leverage this experience to bring the Post Office additional examples of the features and capabilities of leading programmes.</p>
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Deliverable: a written report that will highlight recommendations for enhancement to The Post Office's Speak Up Framework, as well as any insights derived from operational effectiveness activities and market comparison and a half day workshop with key stakeholders to discuss our observations and next steps

- Efficient use of your time: We shall ensure that stakeholders are interviewed across subjects where possible, limiting the need for multiple interviews. We aim to interview once, test once.
- Framework approach: Our tried and tested framework approach means consistent assessments throughout the engagement.

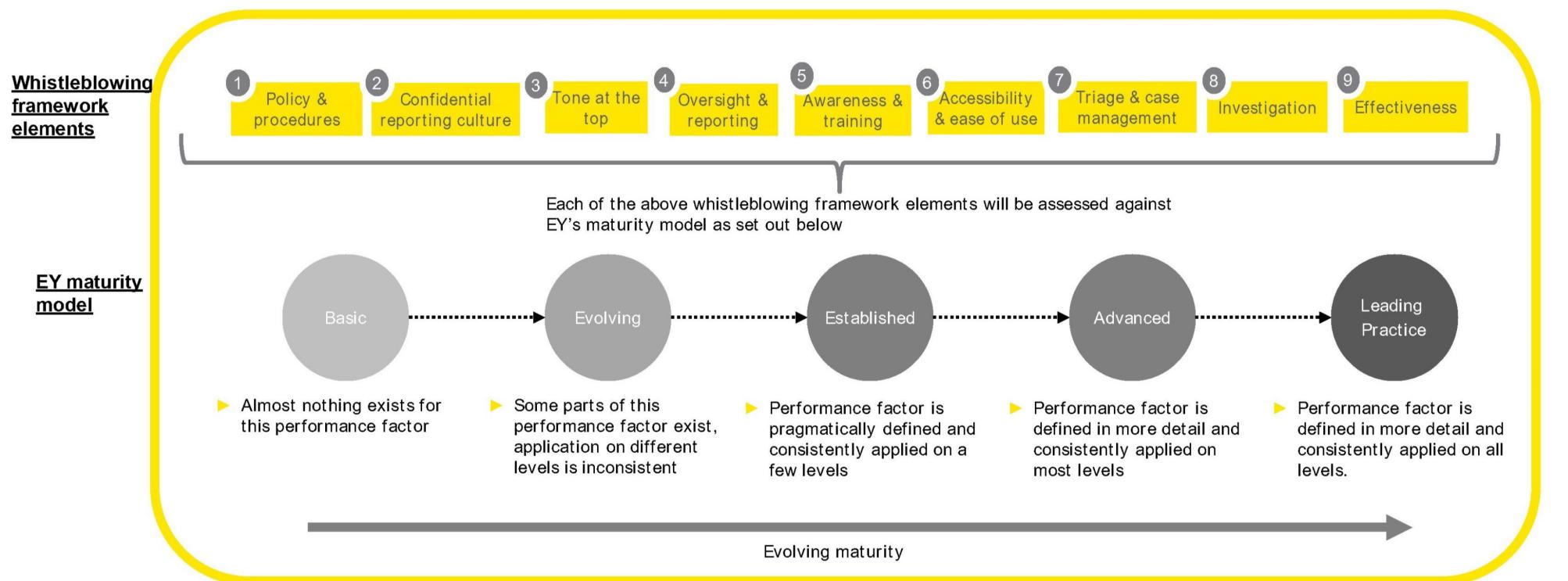


Whistleblowing maturity model

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EY will use our whistleblowing maturity model which is comprised of nine key areas against which we will consider the Post Office's maturity which will inform our assessment of the Post Office's overall whistleblowing framework. The model will also drive recommendations based on leading industry practice and non-attributable examples from other organisations.

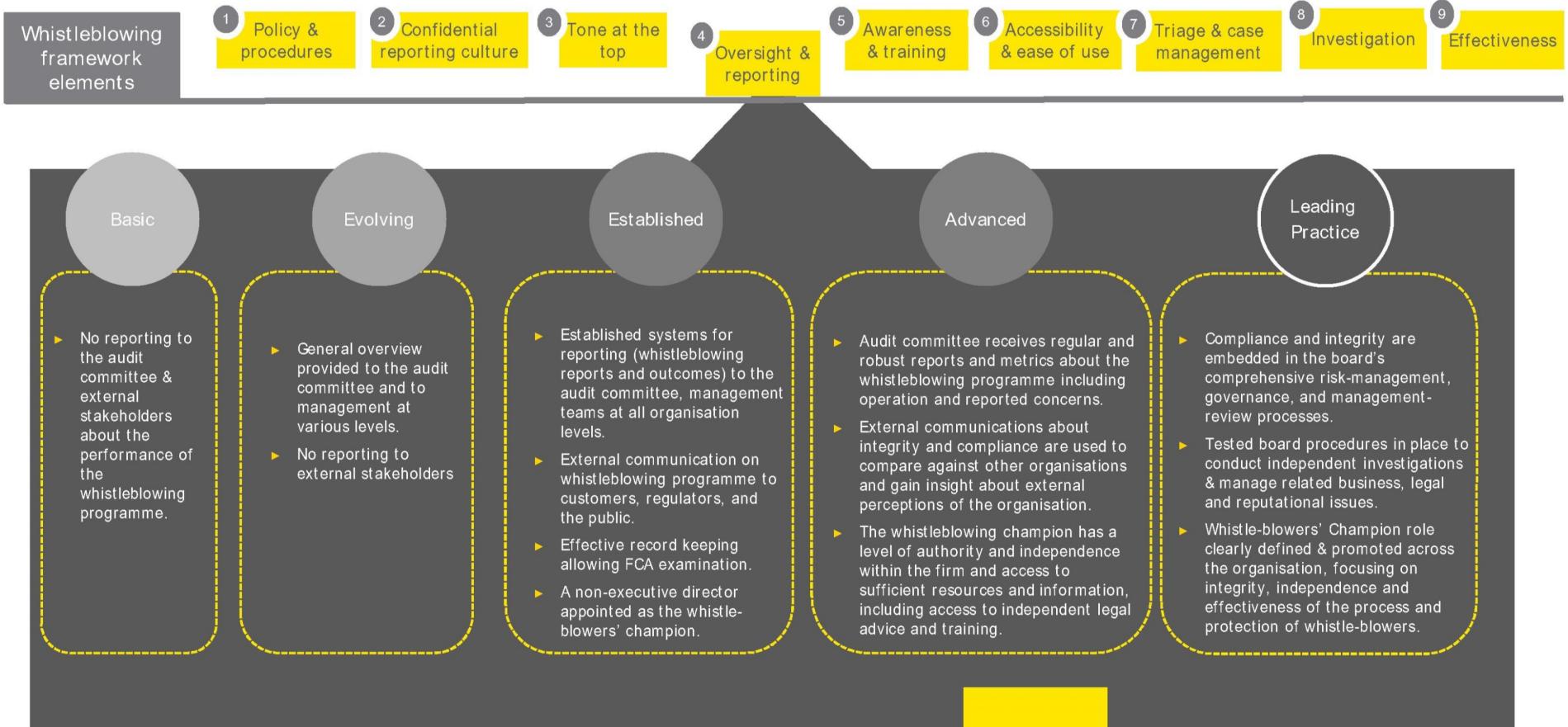
Our model is outlined below:



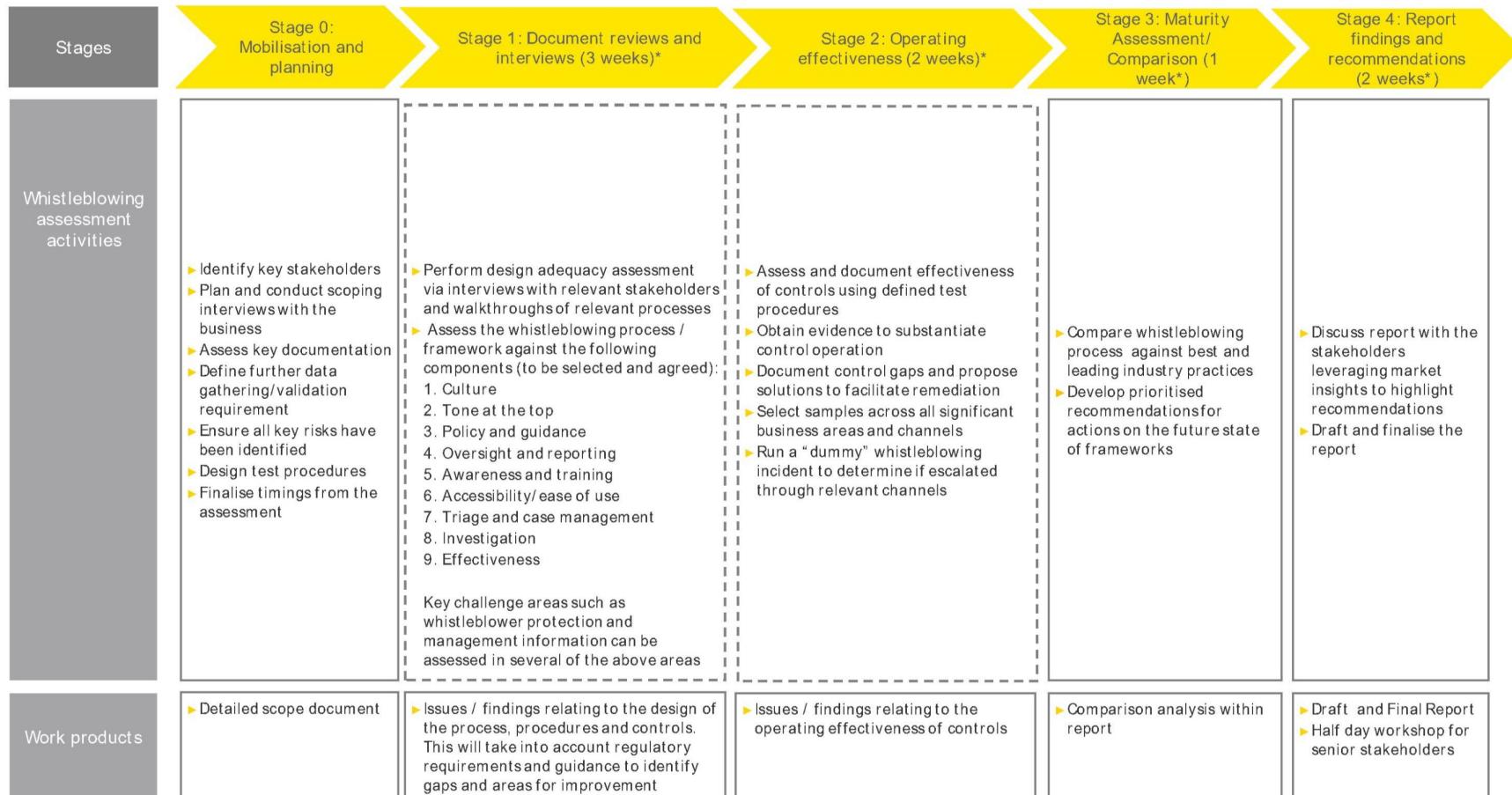
Whistleblowing maturity model

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Each of the EY whistleblowing framework elements are assessed against established control expectations. Below is an illustrative example of EY expectations of Oversight and Reporting at each maturity level



Our proposed approach - detailed



* To be run in parallel over a project period of four weeks



Our commercial proposition – EY fee estimate

- Our commercial proposition is based on our understanding of the brief provided and the assumptions documented in this proposal. We are happy to discuss the scope, approach and further to meet your specific requirements.
- Rates are based on the fees charges for similar scope and projects with a similar sensitive nature. Our fee estimate excludes VAT and expenses.

Activities and assumptions	Fee (GBP)	Dependencies and assumptions
Whistleblowing core capability assessment - 4 weeks - Document review and interviews - Operational effectiveness activities - Market comparison - Output: A report with findings and recommendations for opportunities for enhancement and a ½ day workshop to discuss the results and next steps	£64,000	<ul style="list-style-type: none"> Availability of Post Office stakeholders and contributors for detailed discussions or workshops Access to "as is" documentation to quickly assess current state. To be provided prior to starting Operational effectiveness exercise is dependent upon the availability of data Only closed investigations will be part of the scope of the engagement
Potential additional area: Investigation QC/ QA Process 1-2 weeks - Target completion by mid-September - Can be run concurrently with core capability assessment	To be agreed based on detailed scoping, indicative fee of £10,000 - £20,000	
Potential additional area: Additional Deep dives on specific areas e.g. Investigations, triage and case management, conflicts of interest, operating model, etc.	To be discussed and agreed based on the findings and priorities identified by previous phases	
Implementation support		The information in this pack is intended to provide only a general outline of the subjects covered. It should not be regarded as comprehensive or sufficient for making decisions, nor should it be used in place of professional advice. Accordingly, Ernst & Young LLP accepts no responsibility for loss arising from any action taken or not taken by anyone using this pack.



Working together to deliver project objectives



Assumptions

EY is making the following assumptions

- ▶ The Post Office will have one policy and a set of processes for whistleblowing which are applied across the business
- ▶ Due to the sensitive nature of the work the number of stakeholders we will interview will be agreed upfront and will be focused to give us adequate insight
- ▶ We will perform a sample of 10 whistleblowing cases, sample selection to be agreed with you



Dependencies

- ▶ Timely access to documents and availability of relevant staff for interviews. To assist the interview scheduling process, we would suggest a representative of the Post Office is assigned responsibility for arranging interviews with an agreed list of key individuals.
- ▶ Provision of relevant documentation prior to starting. We will provide a detailed document request list when the scope is finalised, however we anticipate this will include:
 - ▶ Whistleblowing policy
 - ▶ Whistleblowing training and awareness documents
 - ▶ Any relevant internal audit reports relating to whistleblowing
 - ▶ Investigations policy
 - ▶ Whistleblowing MI and reports to the board
- ▶ Timely feedback on our initial findings



Senior engagement

- ▶ We anticipate that we would want to interview the following senior staff:
 - ▶ Whistleblowing team, including:
 - Head of Whistleblowing
 - NED/whistleblowing Champion
 - Whistleblowing steering committee
 - ▶ Compliance professionals including Chief Compliance Officer
 - ▶ Legal and investigations professionals including General Counsel
 - ▶ Internal Audit



HOME



Understanding of your needs



Why EY & credentials



Industry insights & best practices



Proposed team



Approach & methodology



Commercials



Dependencies

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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