Agenda

POST OFFICE

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Meeting:	Audit, Risk & Compliance Committee
Date:	10 July 2023
Time:	14:30 – 17:00 hrs
Location:	100 Wood Street, London, EC2V 7ER /Microsoft Teams. Meeting Room: Birch

Present:	Invited Attendees:
Simon Jeffreys (Chair)	Kathryn Sherratt (Finance Director, IT & Transformation)
Elliot Jacobs (NED)	Simon Recaldin (Historical Matters Director): Item 3
Lorna Gratton (NED, UKGI)	Martin Roberts (Group Chief Retail Officer):Item 5
Andrew Darfoor (NED)	Mel Park (Central Operations Director): Item 5
	Ian Holloway (Director of Risk and Compliance, Post Office Financial Services): Item 6
	Tom Lee (Group Financial Controller): Item 7
Regular Attendees:	Pete Marsh (Retail Operations Director): Items 8 & 9
Henry Staunton (Group Chairman)	John Bartlett (Head of Central Investigations Unit): Item 13
Nick Read (Group CEO)	
Sarah Allen (Director, PwC)	
Haydn Horner (Senior Manager, PwC)	
Anshu Mathur (Group Assurance Director)	
Johann Appel (Director of Internal Audit and Risk Management)	
Rebecca Barker (Head of Risk)	
Jonathan Hill (Group Compliance Director)	
Carol Murray (Deloitte Partner)	
Rachel Scarrabelotti (Company Secretary)	
Marie Molloy (Senior Assistant Company Secretary)	
Apologies:	
Andrew Paynter (Partner, PwC)	
Ben Foat (Group General Counsel)	
Alisdair Cameron (Group CFO)	

Time		Item	Owner	Action
14.30	1.	Welcome & Conflicts of Interest	Chair	Noting
14.30	2.	Previous Meetings		
		2.1 Minutes (i) 16 May 2023	Chair	Approval
		2.2 Action List	Chair	Noting

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		2.3 Draft Risk and Compliance Committee Minutes (27 June 2023)			Noting
14.35	3.	HMU Risks		Simon Recaldin	Noting
	4.	Risk, Compliance and Internal Audit Updates			
14.50		4.1	Risk Report & Dashboard	Johann Appel/ Rebecca Barker	Noting
15.00		4.2	Compliance Report	Jonathan Hill	Noting
		4.3	Assurance Update	Anshu Mathur	Noting
15.20		4.4	Internal Audit Report	Johann Appel	Noting
15.30	5.	Postmaster Losses		Martin Roberts/ Mel Park	Noting
15.45		*Break*			
15.50	6.	POI Deep Dive		Ian Holloway	Noting
16.05	7.	Year End Audit (Verbal Update)		PwC /Tom Lee/ Kathryn Sherratt	Noting
16.15	8.	Postmaster Policies		Pete Marsh	Approval
		8.1	Postmaster Contract Performance Policy		
		8.2	Postmaster Contract Suspension Policy		
		8.3	Postmaster Contract Termination Policy		
		8.4	Postmaster Decision Review Policy		
16.25	9.	Modern Slavery Statement		Pete Marsh	Approval
16.30	10.	Policies for Approval		Jonathan Hill	Approval
		10.1	Financial Crime Policy		
		10.2	Anti-Bribery and Corruption Policy		
		10.3	Anti-Money Laundering & Counter Terrorism Funding Policy		
16.40	11.	Any other business		All	
16.45	12.	External Audit to meet with ARC Members			
16.55	13.	Speak Up Report		John Bartlett/ ARC Members	Noting

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Items for Noting *These items will not be presented to the Committee and any questions should be sent to the Secretary for submission to the author for response. Questions and answers will be recorded as appendices to the meeting minutes.*				
	1.	Procurement Governance & Compliance	Liam Carroll	
	2.	Fraud Risk	Johann Appel	
	3.	Committee Forward Plan	CoSec	

Next ARC Meeting:
- Monday 24th July 2023 at 14:00 – 15:30 via Microsoft Teams.

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Tab 2.1 Minutes of 16 May 2023

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| MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 16th MAY 2023 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 09:00 AM |

Present:	Invited Attendees:
Simon Jeffreys **(Chair)**	Andrew Darfoor (Observer) **(AD)**
Elliot Jacobs (NED) **(EJ)**	Amanda Burton (NED, Observer) **(AB)**
Lorna Gratton (NED, UKGI) **(LG)**	Rebecca Barker (Head of Risk): Item 3.1 **(RB)**
	Tim Bennett (Senior Internal Audit Manager): Item 3.3 **(TB)**
	Zdravko Mladenov (Group Chief Digital and Information Officer): Items 3.3, 4 and 5 **(ZM)**
	Matt Taylor (Head of Data Management):Item 4 **(MT)**
Regular Attendees:	Vishal Thanki (Data Governance Lead Contractor): Item 4 **(VT)**
Ben Foat (Group General Counsel) **(BF)**	Kayleigh Dodd (Digital/Physical Records Manager): Items 4 & 5 **(KD)**
Andrew Paynter (Partner, PwC) **(AP)**	Dan Pearson (Director, PwC): Item 6 **(DP)**
Sarah Allen (Director, PwC) **(SA)**	Martin Kearsley (Product Portfolio Director - Banking, Payments and Transactional Products): Item 6 **(MK)**
Anshu Mathur (Interim Group Compliance Director): **(AM)**	Tom Lee (Group Financial Controller): Item 6 **(TL)**
Johann Appel (Head of Internal Audit) **(JA)**	Sarah Gray (Group Legal Director): Item 7 **(SG)**
Jonathan Hill (Group Compliance Director)**(JH)**	
Carol Murray (Deloitte Partner) **(CM)**	
Marie Molloy (Senior Assistant Company Secretary) **(MM)**	
Apologies:	
Henry Staunton (Chairman, POL) **(HS)**	
Nick Read (Group Chief Executive Officer) **(NR)**	
Alisdair Cameron (Group Chief Finance Officer) **(AC)**	

		Action
1.	**Welcome and Conflicts of Interest**	
1.1	A quorum being present, the Chair opened the meeting. LG's first ARC as a Director was noted. The ARC acknowledged the attendance of AD and AB as observers at this meeting. As observers, the ARC is aware that all contributions made by AD and AB to this meeting are observations only, and do not constitute advice, recommendations, directions or instructions. The ARC confirms that it will take due care not to be unduly influenced solely by contributions made by AD and AB and that it will reach its conclusion based on a balanced and diligent assessment of all of the facts available to it.	

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1.2	EJ reminded the meeting of his conflict of interest as a Postmaster. The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	**Previous Meetings**	
2.1	The minutes of the Audit, Risk and Compliance Committee meeting held on 28th March 2023 were **APPROVED** and **AUTHORISED** for signature by the Chair.	
2.2	In relation to stock control and stamps, EJ had become aware that some Postmasters were having stamp stock applied onto the system without being counted, which may also impact Postmaster losses. **ACTION:** Martin Roberts to clarify the impact of the Post Office centrally e logging onto the system adjusting Postmaster stock.	**Martin Roberts**
	Action deadlines being pushed back, particularly in relation to the Self-service action and the associated impact on progress was highlighted by EJ. **ACTION:** Progress on the self-service action to be presented at the July ARC.	**ZM/ Martin Roberts**
	Progress against the completion of actions as shown on the action log was **NOTED**.	
2.3	BF had Chaired the RCC on 9th May and highlighted key points. There were concerns regarding controls over contracts and a paper would come to ARC in July regarding the Contract Management Framework. The Chair asked if all contracts were involved. BF confirmed it was upstream and downstream; to third parties POL were providing services to and receiving services from, but that retail/Postmaster contracts were not encompassed and employment contracts were processed by the People Team. BF observed that when Postmaster contracts were requested there was a delay in obtaining them.	
	BF had also flagged to the GE, following the RCC, the overarching themes around governance and culture. **ACTION:** A governance paper to the June RCC/July ARC.	**Rachel Scarrabe-lotti**
	In terms of culture, BF considered that there was progress but critical steps were required to be executed at pace and it was not moving quickly enough. BF had flagged that an Ethics Director had yet to be appointed. EJ considered that the office move to Wood Street was an opportune time for a cultural shift.	
	AB asked if there was a clear understanding of the POL culture now and where it wanted to be. The Chair also considered the measuring/auditing of culture. **ACTION:** The Chair to discuss POL culture, in the context of the Board Agenda with the POL Board Chair.	**Chair**
	LG asked if governance and culture would be covered in the 6 June Board. LG was also interested in CIJ/IDG work against implementation being covered **ACTION:** BF to advise the ARC members if these items would be covered at Board meeting on 6 June.	**BF**
	The draft minutes of the Risk and Compliance Committee held on 9th May 2023 were **NOTED**.	
3.	**Risk, Compliance and Internal Audit Updates**	
3.1	Risk Report & Dashboard	

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	LG asked about JA's assessment of a view of a credible plan, progress against mitigations and if implementation of mitigations gave a credible reduction in risk. JA considered that this would be completed in the Deep Dives. RB requested approval of the people risk appetite and tolerance levels, which the committee approved. EJ discussed the link to Postmaster risk with the Postmaster survey results being worse than last year's. JA confirmed that the Risk appetite statements would enable the risks to be assessed and reported against. The ARC: • **NOTED** the status of key intermediate risks and • **APPROVED** the proposed appetite & tolerance levels for People risks. *RB left the meeting.*	
3.2	Group Compliance Update JH introduced the Group Compliance Update and highlighted that hard copy data management and control continued to remain a significant risk. There had been a significant increase in FOI/DSAR requests. From the nature of the requests, it was evident that these increases are being driven by the Inquiry and Compensation Schemes. Historical Matters Assurance update. AM confirmed that CIJ assurance fieldwork has now been completed with the HIJ assurance fieldwork completion quickly following. AM reported that culture/behaviours were a common thematic. An assurance update would be provided at July ARC. The ARC **NOTED** the Group Compliance and Historical Matters Assurance update.	
3.3	*ZM and TB entered the meeting* Internal Audit Report JA introduced the Internal Audit Report and advised that seven POL audits and one POI audit were completed in the current reporting cycle. The final two audits are being delayed due to challenges in getting information from third parties. EJ discussed the SPM – R2 Readiness & Governance Internal Audit and slippage to R2 and R3 and implications on Fujitsu, the freeze on technology and self-service. JA highlighted his biggest concern, being that governance over the SPM technology programme is still paused. The Chair asked for thoughts on what was missing or should be in place and the steps to good governance. JA suggested independent oversight of how the SPM programme was managed, dealt with challenges and the pace of decision making. TB discussed a steering group with a linked assurance function alongside. JA noted the progress made on the technical assurance but an overarching assurance plan was required.	

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	The meeting discussed the lines of defence. The work of the Improvement Development Group was outlined by BF.	
	LG enquired if specialists were required and JA outlined the Internal Audit programme which Deloitte helped to deliver. LG considered conversations with the department regarding assurance running in parallel/their requirements. CM outlined assistance that Deloitte could provide in relation to their branded third line of defence reporting, should they be approached to do so.	
	ZM confirmed that a paper would be presented to 6 June Board detailing the timelines and assurance around the technology and retail components. Automation was being considered independently of NBIT/Horizon. Nick Read and ZM had met with Fujitsu and the cost impact would be tabled for the Board meeting. EJ was conscious of the risks around Belfast. ZM confirmed work was in flight to take over from Fujitsu part of Belfast to reduce financial expenditure.	
	The Chair asked that the paper to the Board be open on the funding requirements. ZM confirmed that it would be explicit on the funding requirements.	
	LG discussed the Legal Costs Internal Audit Report and the lack of a formal contract with expenditure averaging £2m per month. The reasons for difficulties in forecasting were outlined by BF and strict controls would be in place with the new law firm in the future and lessons had been learned	
	LG asked about BAU and change spend. **ACTION:** BF to check with Tim McInnes, Strategy and Transformation Director, whether the BAU and change process were mirrored and report back to ARC.	**BF**
	The ARC **NOTED** the progress being made with delivery of the Internal Audit programme and completion of audit actions.	
	TB left the meeting	
4.	**Data Governance Framework Approval**	
	MT, VT & KD entered the meeting.	
	ZM outlined the Data Governance Framework (DGF) which was anchored on an industry standard customised for the requirements of POL. The framework set the criteria for the basis to achieve a 'level 2' maturity for all areas of the organisation.	
	The Chair asked how the appropriate outturn could be ensured. ZM acknowledged that the framework was only as good as the people who execute/implement it. ZM would have liked to pursue a more aggressive timetable but this was constrained by BAU reasons.	
	The Chair explored the reasons and ZM confirmed it was the knowledge required to address the various issues. The bandwidth of the organisation had led to the aspiration to achieve Level 2 maturity by February 2024.	
	EJ discussed the impact of home working on data governance. ZM confirmed there was guidance provided and acknowledged it was a challenge for all	

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	organisations with remote working. **ACTION**: re-iteration of training on data management.		**Kayleigh Dodd**
	The ARC **APPROVED** the Data Governance Framework.		
	MT, VT & KD left the meeting.		
5.	**Technical Assurance plan for SPM (Verbal Update)**		
	ZM was aware that all components needed to be assured and an integrated plan was required. AM now had accountability for co-ordinating all the different components.		
	In relation to technical assurance, Mazars were finalising their recommendations which would be detailed at the July ARC. A missing component was external assurance recommendations to have a set of criteria for 'go live' and ZM confirmed that Mazars had been tasked to work on this element.		
	The Chair requested a separate meeting was scheduled to go through the Integrated Assurance Plan for SPM in an appropriate level of detail. **ACTION**: AM to schedule meeting with ARC members once the integrated Assurance Plan for SPM has been developed.		**AM**
	The ARC **NOTED** the verbal update on the Technical Assurance plan for SPM.		
6.	**Outcome from the Banking Framework assurance engagement**		
	DP, MK and TL entered the meeting		
	AP discussed the audit plan and the ARA update that would be provided to ARC at the additional meeting on 21st June.		
	AP introduced the paper which was non audit work other than closely related. It considered whether POL had complied with the banking framework and was binary as in yes or no POL were in compliance or not.		
	MK confirmed that the report had been issued to the banks which had signed up. Phase 1 had highlighted shared logins as an issue. MK advised that the Banks were looking for POL to mirror their own compliance requirements.		
	The Chair asked about the degree of seriousness of the assurance engagement outcome. DP explained that the qualified conclusion, which would be rare in a financial audit, was more common in costs and process auditing. In 90% of the 300 clauses POL had received a clean opinion. There was an intention that an updated piece of work would be undertaken in the future and POL were keen to remediate issues identified.		
	LG asked about the feedback from the Banks to the report, particularly in the context of re-negotiation. MK advised there had been no feedback as yet from the Banks and MK had service meetings individually with each, since publication of the report six or seven weeks ago.		
	MK outlined the shared login challenge and this was being discussed at GE to take systematic action. EJ discussed building in biometrics and MK confirmed		

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	this would not be in NBIT, they would be working to enforce contractual commitments on Postmasters, rather than physical system prevention. EJ considered the 3 x volume of cash Postmasters were now working with, and anticipated the error rate and losses would increase, particularly as there was no automation and the associated risk. MK outlined the steps being undertaken with Tele Cash registers and 500 enhancements that Cash Access UK were funding. There was also direct Post Office investment, along with Banks investing for Banking Framework 4. LC considered how POL were focusing on the volume/value of losses. JA confirmed that data analytics software had been stood up and the algorithms were being refined to better target and identify contributors to established losses. The ARC **NOTED** the Outcome from the Banking Framework assurance engagement. *DP, MK and TL left the meeting*	
7.	**Policies for Approval** *SG entered the meeting.*	
7.1	Internal Audit Charter. The ARC **APPROVED** the Internal Audit Charter.	
7.2	Business Continuity Policy The ARC **APPROVED** the Business Continuity Policy.	
7.3	Speak Up Policy JH highlighted that the previous Speak up Champion had left POL. A new NED would be approached to fill this role. EJ discussed Speak up within the Postmaster community, in addition to internal staff. BF highlighted the operational improvements made and was mindful of the communications and genuine engagement with Postmasters. AD asked about other mechanisms Postmasters could utilise to feedback. BF confirmed this could be via area managers or they contact the CEO; there were mechanisms in place and it could come in many forms. AB discussed culture and a lack of trust which could result in people not speaking up and the importance of the tone and language used. SG outlined the outreach programme for area managers to increase awareness of how to Speak Up and the protections around doing so. Also, that by highlighting speak up successes which had led to positive change people could see that it was the right thing to do. AD asked about the data points and BF confirmed there was a monthly dashboard that was viewed at GE. The ARC **APPROVED** the Speak Up Policy.	

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7.4	Group Legal Policy	
	The ARC **APPROVED** the Group Legal Policy	
	SG left the meeting.	
8.	**Committee Evaluation**	
	MM outlined that across all evaluation areas the effectiveness of ARC was rated as 'very good' which is broadly in line with prior year ratings. It was acknowledged that the NED membership of ARC had changed since the evaluation questionnaire was undertaken. The four actions from the previous Committee Evaluation 2021/22 were completed.	
	The proposed the actions to address the areas of relative lower scores and constructive feedback were: • ARC coverage to ensure all key risk areas are reviewed to provide a holistic view of the control and operational risk environments within POL, particularly those exposed legal and regulatory environments; • Strict enforcement of templates and ensuring papers in the reading room are appropriately cross referenced and or summarised in the main pack • Enhance coverage of lines of defence to ensure this is adequate to provide early warning/lead indicators; • Consideration of whether balanced scorecard regarding Postmaster detriment should be developed; • The Committee to formally review the ' Forward Plan' on a 6 monthly basis to ensure this remains in line with the risk profile of POL.	
	EJ requested that when reports were pushed back to later meetings, the presenter still attended ARC to provide an explanation.	
	LG outlined that she considered papers should be more action focused and include whether what should be being done was actually being undertaken. The Chair agreed and had a preference for more analysis, interpretation and recommendations in the papers.	
	AD had seen a one page top sheet on issues the committee should consider work well at other organisations and the Chair was supportive of this.	
	ACTION: The additional member feedback to be incorporated into 2022/23 Committee actions to address points raised for improvement.	**MM**
	The ARC **NOTED** and **DISCUSSED** the ARC Committee Evaluation for 2022/23.	
9.	**AOB**	
	AB had observed there were many programmes/projects running in the organisation and asked about a hierarchy of projects/project review to focus on critical projects. BF acknowledged that additions were made to projects at GE but that projects were rarely stopped. EJ would also find it helpful to know where projects sat in terms of Historical/BAU and future timelines. **ACTION**: A report back to ARC on the list of projects, with the GE having reviewed in terms of criticality to the organisation.	**Tim McInnes**
	There being no further business, the meeting was closed at 10.57.	

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10.	**Private session with External Audit** AP and SA met with the Chair and LG. EJ apologised as he had a commitment and could not stay for this part of the ARC. AD and AB attended as observers. MM was present to capture notes of the meeting.	
11.	**Items for Noting**	
11.1	The following papers were circulated to the Committee prior to the meeting, but were not discussed at its meeting and were **NOTED** by the Committee: - Procurement Governance & Compliance - Post Office Insurance ARC update - Payment Practices Reporting Compliance - Strategic Partner Risk & Failure Monitoring Paper & Dashboard - Committee Forward Plan	

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Tab 2.2 Action List

Post Office Limited Audit, Risk & Compliance Committee
OPEN ACTIONS

Number	Meeting Date	Minute Reference	Action	Action Owner	Due Date	Comment
1	3/29/2022	4.3	**Internal Audit (IA) Update -** JA further advised that the change process in Postmaster remuneration was not properly documented, and that a small team covered this space so key person dependency was an issue. The Chair queried the timeline for resolving these weaknesses. IA advised that a timeline was proposed and IA would report back on this at the next Committee meeting.	Johann Appel	Sep-23	16/06/23: The two remaining actions are progressing, but not yet complete. 04/05/23: Only 2 out of the original 13 actions remain open. One action has been overdue since 31/01/23 due to delays in recruiting staff. Two additional staff members have now been recruited and are making progress in updating the process documentation. The second action is on track for completion by 31/05/2023 03/03/23: Ten out of 13 actions have been completed. Challenges in recruiting staff delayed completion of the remaining 3 actions. Further extension was granted until 31/1/23 for 2 actions and to 31/3/23 for 1 action. An additional team member has now been recruited and will start on the 1st of April. Paul Liddiard (action owner) feels confident that with this additional resource, they will be able to complete the outstanding actions. 29/12/2022: Challenges have been experienced in recruiting staff, which further delayed completion of the remaining 3 actions. Further extension was granted until 31/1/23 for 2 actions and to 31/3/23 for 1 action.
2	7/12/2022	3.3	AC said they were looking to lighten the load where possible and were looking at the CAF process, for example, to make things easier. BF spoke about procurement and templates/training to reduce legal and compliance involvement where it was not needed. **ACTION**: information regarding these items to be shared with ARC and RCC	Sarah Gray/Rachel Scarrabelotti	Sep-23	16/05/2023: A Contract management Framework item will go to September ARC after GE review. 04/05/2023: This CAF process is being discussed at RCC on 9 May 21/03/2023: A Contracts Manager has recently joined the Secretariat as a dedicated resource supporting the contract approval (eCAF) process. Training is being refreshed alongside plans to reintroduce regular eCAF clinic drop in sessions. The categories of documents exempted from the contract approval process (subject to agreed governance) have been reviewed and agreed with Legal and are proposed to be taken to the POL Board for consideration via the Authorised Signatory List which has been reviewed as part of the Annual Governance Report. Provided the POL Board approves the changes proposed to the Authorised Signatory List, the (internal) intranet support pages will be updated in April, with comms scheduled to support the rollout of the new categories. 05/01/2023: Ongoing at present.
3	7/12/2022	5.1	ZP acknowledged the good progress on IT controls and requested a dashboard so there could be a focus on the gaps and the top 10 technology risks in the organisation. The Chair added it should include IT being built, running the old and the risk in that. **ACTION:** ZM to include this as part of regular dashboard reporting with the underlying narrative.	Zdravko Mladenov	Sep-23	14/04/2023: This item is on the agenda for ARC September 2023 and will tie in with the NED IT training delivered by Zdravko. 16/03/2023: This item has been deferred to ARC May 2023. 28/11/2022: Remains work in-progress. Targeted to present overall dashboard and Top 10 risks to ARC at the March 2023 ARC.
4	7/12/2022	8.1	**ACTION** AC confirmed management were obtaining expert third party advice in relation to IR35 and that a copy of this advice would be circulated.	Tom Lee/Andy Jamieson	Sep-23	18/05/2023: Response is being compiled and we expect to respond in June. 14/04/2023: Further queries received from HMRC on 11/4/23 which is currently under review alongside our external advisor, KPMG, prior to responding 16/03/2023: Still awaiting HMRC's follow up queries. Linked to Action no 7. 08/02/2023: still awaiting HMRC's follow up queries. 12/01/2023: Response issued to HMRC re their initial queries, with advice sought from POL legal and KPMG. We await further queries which are overdue from HMRC. HMRC are yet to provide a view as to their position.
5	12/5/2022	3.1	ZP raised that with so much going on in the business, which may impact health and wellbeing, the People risks did not 'feel' green. NR concurred. ZP requested a deep dive on People risks. **ACTION:** Deep dive on people risks to be undertaken by the March 2023 ARC.	Rebecca Barker	Sep-23	19/05/2023: The deep dive will be performed for the September RCC/ARC. The people appetite statements are now approved and the central risk team will ensure all people risks are correctly aligned to the approved statements, which will provide a horizontal view of all risks categorised against the statements. 03/05/2023: Unfortunately due to the number of colleague changes within the people team we haven't been in a position to discuss the current risk set with regards to people risks for the May RCC. We have concentrated on revising the People risk appetite statements which will be presented in May for approval at the ARC. The people deep dive will take place as per our schedule in September. I agree with the comment from Zarin. One of the reasons that the people risks were showing as green, is that the "old" risk appetite statements were mainly a flexible response to risk which meant that the risks were reporting as green, this was one of the main triggers to review the appetite statements and the risk approach is now either averse or cautious. 10/02/2023: Due to personnel changes in the People Team this has been postponed to May 2023 ARC. 12/01/2023: The review (deep dive) of people risks will be carried out and presented at the March ARC. I have made reference to this within the ARC paper for the 23rd January 2023.
6	12/5/2022	3.1	NR accepted that better self service solutions were required. **ACTION**: Self-service solutions to be presented to ARC in May 2022.	Zdravko Mladenov/ Martin Roberts	Jul-23	02/07/2023: The legacy self service solutions (SSKs) had significant issues in late 2022/early 2023, which triggered the request by ARC for updating. Those issues are now resolved, or as resolved as they can be given the age of the equipment, so the action is proposed for closing. The legacy SSKs are going to be replaced by modern ones (NextGen SSK) and that programme work is intensively progressing, with a view of having an MVP in early 2024 and the ability to start rolling legacy kit later that year. Upon request, the Technology team will provide further information offline or in pre briefings to ARC members. **Action proposed for closure.** 11/01/2023: Progress on self-service solutions is delayed. This action is postponed for the ARC in July
7	12/5/2022	3.1	The Chair asked about the strategic risk relating to non-compliance with IR35. Following his meeting with HMRC and for the avoidance of doubt, AC was considering drafting a letter to HMRC in conjunction with lawyers. **ACTION**: AC to inform ARC when the HMRC decision is issued.	Tom Lee	Sep-23	18/05/2023: Response is being compiled and we expect to respond in June. 14/04/2023: Further queries received from HMRC on 11/4/23 which is currently under review alongside our external advisor, KPMG, prior to responding 16/03/2023: Still awaiting HMRC's follow up queries. Linked to Action number 4. 08/02/2023: still awaiting HMRC's follow up queries. 12/01/2023: response issued to HMRC re their initial queries, with advice sought from POL legal and KPMG. We await further queries which are overdue from HMRC. HMRC are yet to provide a view as to their position
8	12/5/2022	11	TC was concerned about stock control and stamps. AP confirmed, post the meeting, that PwC no longer count the stamps in branches when doing the cash counts as stamps are no longer held on POL's balance sheet. **ACTION:** The Chair requested regular reporting showing the number of breaks and key trends.	Colette Mcateer ~~Russell Hancock~~	May-23	03/05/2023: The Stock Enquiries Team within Branch Reconciliation Team (BRT) carries out various activities in relation to Stock: •From the end of June 2020, Swindon began to check 100% of all returned Stock pouches. All pouch discrepancies are recorded and sent via email to the Stock Team on a weekly basis for further investigation. These investigations are usually resolved with either a phone call to branch supporting them through making adjustments on Horizon or by issuing a Transaction Correction to correct stock holdings on the Horizon system. Analysis completed for 6 months between 1/11/2022 and 30/04/2023 showed 37,222 pouches processed at Swindon identified 4,861 pouches with discrepancies (13%) this included 7,323 different discrepancies of which 61% were shortages, 39% surpluses with a net value of £764,657.25 shortage which BRT worked with branches to resolve •Proactive work – The team use a Stock risk tool which pulls together 9 different strands of data including pouches that have been delivered to branch but not entered onto Horizon, pouches that have been dispatched from branch on Horizon but that haven't arrived at Swindon Stock Centre, and unusually large volumes/value of Stock movement. The tool ranks branches according to risk. There are 2 x FTEs who investigate highest ranking branches, these investigations may result in one or more of the following activities, a phone call from the Stock Team, a Transaction Correction being issued, a support call/visit from a trainer or a Branch Assurance Visit to verify actual physical assets •Monitoring of Obsolete Stock There are currently 9 x FTEs solely focused on all Stock activity and there is a commitment from Martin Roberts to recruit a further 3 x 12 month temporary fixed term contracts to bolster this activity in preparation to support branches experience a smooth transition to NBIT. 20/03/2023: Supply Chain team in Swindon will count 100% of all returned stock. This information is then supplied to the branch reconciliation team in Chesterfield who will amend where necessary and work with branches to identify any gaps between what has been reported within our systems and what has physically been returned to Swindon. This action has been reassigned to Colette Mcateer, Senior Network Monitoring & Reconciliation Operations Manager.
9	3/28/2023	3.2	**ACTION**: The Chair requested a compare/contrast exercise with the situation at William Hill.	Jonathan Hill	Jul-23	26/06/2023: This is contained in the paper to July ARC. **Action proposed for closure.**

Tab 2.2 Action List

No	Date	Item	ACTION	Owner	Due	Update
10	3/28/2023	3.2	**ACTION:** An overall plan for HTJ including timetable, governance and assurance activity to be presented to ARC and POL Board.	Jeff Smyth/Simon Oldnall/Dean Bessell	Sep 23	16/06/2023: This will be presented to September ARC.
11	3/28/2023	4	**ACTION:** A plan to be presented to ARC regarding branch data.	Kay leigh Dodd	Sep 23	16/06/2023: This will be presented to September ARC having been reviewed by GE.
12	3/28/2023	6	**ACTION:** Lessons learned from the ransomware attack at Royal Mail Group to be presented to ARC. DB to prepare lessons learned for the ARC. DB to reach out to RMG CISO to seek an update on the incident.	Dean Bessell	Jul 23	06/06/2023: Our own ransomware preparedness is already in flight and has been for some time (and before this incident) with the support of external SMEs. We have initial funding for our cyber/ransomware maturity and there are a number of initiatives in flight. This work is part of a larger piece of funding that is being prepared and that is sizeable in balance of cycles. The interaction with RMG is still very much high on my agenda and this will hopefully give us more specifics of the attack (method, vector on and the like) they suffered so we can ensure we understand it and work to ensure we are not exposed to it. I'm hopeful the call with my RMG counterpart will be next week and I can see some dates have been proposed.
13	5/16/2023	2.2	In relation to stock control and stamps, EJ had become aware that some Postmasters were having sharp stock app all once the system without being counted, which may also impact Postmaster losses. **ACTION:** Martin Roberts to clarify the impact of the Post Office centrally e-logging onto the system adjusting Postmaster stock.	Martin Roberts	Jul 23	03/07/2023: The activity referred to has historically taken place as part of the stock reconciliation activity when a stock asset has been flagged as scanned into a branch but its contents have not been added to stores...
14	5/16/2023	2.2	**ACTION:** Progress on the self service action to be presented at the July ARC.	Zdravko Mladenov/Martin Roberts	Jul 23	02/07/2023: The legacy self service assumes ESKos had a significant issue in late 2022/ early 2023... **Action proposed for closure.**
15	5/16/2023	2.3	BF had also flagged to the GE, following the RCC, the overarching themes around governance and culture. **ACTION:** A governance paper to be presented to the June RCC/July ARC.	Richa Scarnapeletti	Sep-23	16/06/2023: This will be presented to GE initially.
16	5/16/2023	2.3	**ACTION:** the chair to discuss POL culture, in the context of the Board Agenda with the POL Board Chair.	Simon Jeffreys	Jul-23	26/06/2023: This has been discussed with Henry Staunton. **Action proposed for closure.**
17	5/16/2023	2.3	**ACTION:** BF to advise the ARC members if these items would be covered at future meeting and in June.	Ben Foat	Jun 23	26/06/2023: Culture was discussed by the GE/POL Chair. Governance paper to be presented to POL board. **Action proposed for closure.**
18	5/16/2023	3.1	**ACTION:** Martin Roberts and POL back to present a paper to ARC on Postmaster Losses and Investigation.	Martin Roberts/Ra Peak	Jul 23	16/06/2023: This will be presented to July ARC. **Action proposed for closure.**
19	5/16/2023	3.1	The chair asked how the scopes were following up to ground completion. JA confirmed there was escalation to GE sponsors. BF confirmed the second line oversight at RCC. **ACTION:** JA to highlight to the RCC executive staff level so that we are realising this is re effective attention and reasons behind this.	Johan Appel	Jul-23	03/04/2023: The table that provides the data for all actions overdue >60 days with reasons for the delays. **Action proposed for closure.**
20	5/16/2023	3.1	BF asked about ROI and change speed. **ACTION:** BF to check with Tim Hickmore, Workforce and Transformation Director, whether the 3AU and change process even is planned and report back to ARC.	Ben Foat	Jul-23	Tim Hickmore to discuss with Lorne Geddes during their meeting on 14th July. **Action proposed for closure.**
21	5/16/2023	4	EJ discussed the impact of home working on data governance. ZM confirmed there was guidance provided and acknowledged it was a challenge for all organisations with remote working. **ACTION:** no iteration of training on data management.	Kay leigh Dodd	Jul-23	20/06/2023: A Hybrid Working Policy was published in May 2023 by the People Team. The policy covers topics including Data Protection, Confidentiality and Security while working away from the workplace. The Data Management Team have requested funding (currently declined by 3ADC comm ttee) to support the creation of training packages in relation to data management with the intention to also reiterate guidance on managing this effectively when working from home.
22	5/16/2023	5	**ACTION:** AB to schedule meeting with ARC members once the Integrated Assurance Plan for SPR has been developed.	Anita Hall way/Franesko Hall way	Jul-23	07/07/2023: The action will be closed after the September ARC. The integrated Assurance Plan for M&J will be presented in detail in this session, proceeded by an optional pre-brief for ARC members.
23	5/16/2023	8	**ACTION:** The additional member feedback to be incorporated into 2022/23 Committee actions to address points raised for improvement.	Marie Molloy	Sep 23	
24	5/16/2023	9	AB had observed there were many programmes/projects running in the organisation and asked about a hierarchy of projects/project review to focus on critical projects. AB acknowledged yet additions were made to projects at GE but that projects were rarely stopped. EJ would also like it helpful to know where projects sat in terms of Historical/BAU and future timelines. **ACTION:** A report back to ARC or the list of projects, with the GE having reviewed in terms of criticality to the organisation.	Tim McIntyre	Sep-23	

POL ARC Meeting-10/07/23

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POST OFFICE

POST OFFICE LIMITED

MINUTES OF A MEETING OF THE RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 27 JUNE 2023 AT 10:30 AT WOOD STREET

Present:	Attendees:
Zdravko Mladenov (Group Chief Digital and Information Officer) Chair in the absence of Alisdair Cameron	Simon Recaldin (Historical Matters Director): Item 2 **(SR)**
Max Jacobi (Finance Director – Commercial) **(MJ)**	Mark Underwood (LCG Operations Director): Item 3 **(MU)**
Kathryn Sherratt (Finance Director - Finance IT & Transformation) on behalf of Alisdair Cameron (Group Chief Finance Officer) **(KS)**	Liam Carroll (Procurement Director): Item 3 **(LC)**
Tracy Marshall (Retail Engagement Director) **(TM)**	Mel Park (Central Operations Director): Item 4 **(MP)**
Juliet Lang (Leadership and Culture Director) on behalf of Jane Davies (Group Chief People Officer) **(JL)**	David Southall (Head of Contract and Deployment): Item 6 & 7 **(DS)**
Sarah Gray (Group Legal Director) on behalf of Ben Foat (Group General Counsel) **(SG)**	Matt Taylor (Head of Data Management): Item 8 **(MT)**
Apologies	Kayleigh Dodd (Digital/Physical Records Manager): Item 8 **(KD)**
Ben Foat (Group General Counsel)	Vishal Thanki (Data Governance Lead Contractor): Item 8 **(VT)**
Alisdair Cameron (Chair)	Ian Holloway (Director of Risk and Compliance): Item 10 **(IH)**
Jane Davies (Group Chief People Officer)	Dean Bessell (Interim CISO for Retail and Controls): Items 11 & 12 **(DB)**
Tom Lee (Group Financial Controller)	Simon Oldnall (Horizon and GLO IT Director): Item 12 **(SO)**
Regular Attendees:	Peter Mitchell (Group Treasurer): Item 13 **(PM)**
Johann Appel (Director of Internal Audit & Risk) **(JA)**	Andy Bear (Lockton Insurance Brokers): Item 13 **(AB)**
Rebecca Barker (Head of Risk) **(RB)**	
Jonathan Hill (Group Compliance Director) **(JH)**	
Anshu Mathur (Group Assurance Director) **(AM)**	
Daniel Ward (Head of Financial and Technical Accounting) on behalf of Tom Lee **(DW)**	
Marie Molloy (Senior Assistant Company Secretary) **(MM)**	

1.	**Welcome and Conflicts of Interest**	Action
	In the absence of Alisdair Cameron, the members nominated Zdravko Mladenov to Chair this RCC meeting only.	
	The Chair opened the meeting and advised that all papers would be taken as read. No conflicts of interest were declared.	
2.	**HMU Risks**	
	SR entered the meeting.	

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	The paper was taken as read. SR confirmed that the term 'historic' was being dropped. SR advised that there were two issues that would be reported to ARC that were not in the paper to RCC. The first related to the risk profile in the operational team; SR had challenged the calculation of a payment when it had come to him for sign off. JA asked if this was in relation to Pot A suspension payments and SR confirmed that it was and that this showed that the first line controls worked ie they had spotted an issue. SR had requested Group assurance to perform a review. AM advised that this review was prioritised and it was now completed and it affirmed SR's concerns and that significant design gaps were identified, rendering the control environment for suspension payments unsatisfactory. SR discussed the refresher training that would be undertaken and how the operational issue occurred as it was between the pre offer and post offer processes. This would be mapped out and communicated. The second issue that was to be reported was in respect of the non-payment of tax and NI contributions to HMRC in relation to circa 100 Interim Payments made in the HSS. SR was working with the POL tax team on this matter. JA enquired if there was sums to be recovered from claimants and SR confirmed there was not. **ACTION:** AM requested that SR bring out in the paper for July ARC whether, based on these two incidents, he assessed HMU was operating within tolerance and if HMU had the appropriate metrics to support the monitoring and assessment of their control environment. The RCC **APPROVED** the HMU Risks update paper for onward submission to the ARC. *SR left the meeting.*	**SR**
3.	**Contract Management Framework (Verbal Update)**	
	LC and MU entered the meeting. LC outlined that the Contract Management Framework (CMF) was owned by the legal team but the business units implemented it. However, the business units were failing to comply with the CMF. There was training available and LC considered the issue with the failure to comply was due to prioritisation/time constraints. SG agreed with LC's assessment. LC advised that of the 2,000 contracts in Web 3, 45% contained wrong information which made the reporting from Web 3 ineffective. LC, SG and MU were taking a paper for GE in August 2023 for decision on options regarding the way forward, including whether the issues should be 'fixed forward' or 'fixed back' and if there should be concentration of specific tiers of contracts. The Chair requested the paper to GE articulated 'quick wins' that could be identified with little or no cost/resources and how progress would be measured. MJ outlined the similarity to work undertaken on the data framework to embed in BAU and roles, with performance linked to objectives. KS considered the role of 'early warning' systems in the CMF. JA discussed the different roles of the first line and the resource/skill set in that body. JA considered that the purchase	

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	to pay audit report contained overarching controls that could be implemented to assist in the CMF arena. **ACTION:** RCC and ARC were to receive a progress update on the CMF in September 2023. The RCC **NOTED** the Contract Management Framework Verbal Update. *LC and MU left the meeting.*	**LC/MU/ SG**
4.	**Postmaster Losses**	
	MP entered the meeting. MP outlined that the process was being looked at end to end with improvements to each element of the process and a newly formed branch discrepancy improvement programme. There was an action plan with accountability for delivery of step change improvement. MP discussed the support to the network via the field teams and provision of better support to Postmasters. MP anticipated that the progress against actions, making a difference to the Postmaster losses figure, would be seen by the end of the year and she planned to report back to RCC/ARC in November 2023. **ACTION**: AM asked for the report back to RCC/ARC include whether the risk was back in tolerance or on track to moving towards tolerance and by when. TM discussed the assurance work that was undertaken and which was feeding into the programme outlined by MP. AM asked about the benefits to Postmasters of the programme outlined. MP confirmed it was all about providing better support to Postmasters and branches and trying to decrease issues at source and provide a better service where there were issues. TM discussed the refreshing of knowledge and operational objectives and more resource to investigate/identify and resolve issues with work around root cause analysis. MP was conscious of engaging with the NSFP and Postmaster NED's so their feedback could be incorporated into the work that was being done. **ACTION**: AM requested that the July 2023 ARC paper clearly incorporated what the plans proposed and those already implemented meant or impacts from a Postmaster lens and not just a POL lens. Challenges around the use of the discrepancies button was outlined by MJ. MP discussed understanding why the button was utilised and helping support branches to resolve issues and providing clarity around best practice and daily/weekly cash checks. JA noted that there were some compliance challenges. MJ discussed funding regarding the MI piece. MJ also offered assistance from the commercial team where there was a commercial element and they could assist. The Chair considered if £30m provisioned on the balance sheet was enough. TM added there was further provisioning of £1m a month. The Chair noted the pattern of escalation of losses. The joining up of this piece of work with the RTP was discussed.	**MP** **MP**

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	The RCC **APPROVED** the Postmaster Losses paper for onward submission to the ARC. *MP left the meeting.*	
5.	**Self service solutions (Verbal Update)**	
	The Chair advised that he would provide the update on the self service solutions in the comments section of the ARC action log as this related to an outstanding action.	
6.	**Postmaster Policies: Postmaster Contract Performance Policy, Postmaster Contract Suspension Policy, Postmaster Contract Termination Policy & Postmaster Decision Review Policy**	
	DS entered the meeting. DS acknowledged that, subject to the impact of assurance work AM and the Assurance team were undertaking on these policies, the policies may potentially return to RCC and ARC in September 2023 for further approval. The Chair discussed the process that the business went through to sign off on these policies before they came to RCC and ARC. DS outlined the engagement with legal services but accepted there maybe room to do further work with stakeholders going forwards. The RCC **APPROVED** the Postmaster Contract Performance, Postmaster Contract Suspension, Postmaster Contract Termination & Postmaster Decision Review Policies for onward submission to the ARC, provided the ARC was sign posted that these would return for approval later in the year, to allow Group Assurance feedback to be incorporated.	
7.	**Modern Slavery Statement**	
	DS outlined the 2023/2024 Modern Slavery Statement. AM discussed how this was risk assessed in the supply chain, especially given the position of the CMF outlined by LC at item 3, and that the key risks for a retail network like POL lies within our tiers in supply chain both network facing and beyond. **ACTION:** TM was to review due diligence procedures and assess the risk with a logistic and supply chain lens and incorporate this in the July ARC paper.	TM/DS
	ACTION: SG requested DS clarify with the Speak Up Team regarding whether the term should be investigation of concerns or investigation of report in relation to suppliers, as it may be the case that a report is made to the Police.	DS
	JA asked about the assurance undertaken on the metrics. DS advised that the statement was published on the website but not the metrics and he took the point that there would be assurance on the processes/metrics for next year. TM agreed there needed to be clarity. **ACTION** The metrics at Appendix 3 'Modern Slavery Observation Information' were to be removed prior to submission to ARC to avoid confusion.	DS
	AM asked what Assurance had taken place on material that would be published on the external website. **ACTION:** JH agreed to perform a review of material published on the website before their posting.	JH

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	The RCC **APPROVED** the Modern Slavery Statement for onward submission to the ARC. *DS left the meeting*	
8.	**Branch Data/Unstructured Data plan (Verbal Update)**	
	MT, VT & KD entered the meeting. MT advised that structured (digital data) and unstructured data (physical data in the network) had been decoupled. The previous plan that had been proposed and agreed at ARC had been rejected by IADG. MT and the team were now looking at utilisation of a cash centre in Hemel Hempstead as a central hub site to process all new physical documents created across administration sites. This location had good motorway connections. Branch data was not included in this project. TM asked if there was an aspiration regarding the timescale of this hub. KD advised that subject to funding approval, the aim was for September 2023. However, the vetting time for staff as it was at a cash centre was also a consideration. TM asked about the focus and communication to wider teams. MT confirmed that the primary focus was administration sites. JH was conscious of DMB's which had back offices or upstairs areas that may not have been checked or cleared. TM was cognisant of that risk. SG ask about linkage of the proposed hub at Hemel Hempstead and the Postal Museum. MT confirmed that he would be working with the Postal Museum. JH asked about accountability at this central unit regarding what items would be kept or not. KD confirmed that accountability would not be taken away from the teams sending the items regarding what items would be kept. The RCC discussed the policies/procedures that required to be in place for the central hub to fulfil its potential and make the correct decisions and that general principles that had to be adhered to needed to be articulated. **ACTION:** MT and KD to work on the decision making policies and processes required by the central hub. MT was proposing to update RCC and ARC in November 2023 on the risks that the actions were addressing, the current position/activities being done and the path to remediation. There was acknowledged on the impact of funding on descoping and the impact of this on non-physical data management risks. The RCC **NOTED** the Branch Data/Unstructured Data plan verbal update. *MT, VT & KD left the meeting.*	**MT/KD**
9.	**Technology Deep Dive**	
	The Chair advised that this would be deferred to September 2023 RCC and ARC to link in with NED training in September 2023.	
10.	**POI Deep Dive**	
	IH entered the meeting. IT highlighted POI's positive trading performance. IH highlighted cyber risk as the most prominent and whilst there has been strengthening within the POI estate around the firewall and credential checking, POI has a dependency on	

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	POL for a number of important services and POL currently regards cyber risk as out of appetite. The risk of inflation/recession was outlined by IH as the travel and protection businesses rely on discretionary spend. Work on consumer duty and appointed representative was due for completion July 2023. IH noted that undertaking personal due diligence on Senior Management within POL has been challenging but he was working with POL Management to ensure that the process for gathering the data to support these checks is optimised. JA observed that there were risks called out in IH's paper that he did not recognise and RB noted there were gaps and this should be aligned. **ACTION**: exercise to be undertaken to ensure alignment of POI and POL risks. The RCC discussed information required by POI ARC from POL as the approach had not yet been agreed. POI's regulated status acknowledged. SG confirmed that the legal and data protection teams were still working through how this would operate in practice. **ACTION**: A clear approach was required regarding the POL ARC information that POI has sight of. AM raised whether the POI paper was satisfying POL requirements and duty of care as a Holding Company of POI, as it was currently only written with a POI lens. **ACTION**: IH to revisit his paper prior to submitting to POL ARC in July. The RCC **APPROVED** the POI Deep Dive for onward submission to the ARC. *IH left the meeting.*	**IH/RB** **SG** **IH**
11.	**Cyber Security (Verbal Update)**	
	DB entered the meeting. DB confirmed that he had provided an interim update on the ARC action log and to the ARC Chair. AM discussed cyber risk at group level being outside tolerance and DB affirmed that this was the case due to the external environment moving quicker than actions can be taken to prevent risks. AM mentioned that this was standard across many organisations and the right way to assess this risk. The Chair would incorporate Cyber Security risks in the Technology Deep Dive going to RCC and ARC in September 2023. The RCC **NOTED** the Cyber Security (Verbal Update). *DB left the meeting.*	
12.	**Plan for HIJ**	
	SO entered the meeting. SO confirmed that HIJ Phase 3 was 75-80% complete. SO would be providing an update to the group at the Town Hall the following day. The content of the update was broadly in line with the path set out to the POL Board in January. Phase 4 discussions on the proposed approach had commenced with the Steerco. SO confirmed there was regular engagement with JA and the team. The Chair referenced the risk score of 16 and what would happen to this score and when. SO confirmed there would be a revised risk score at the end of phase 3, which SO anticipated would bring this score down.	

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	The Chair asked if the funding was received for the scope of Phase 4, whether the risk level would be brought down to zero or if it would still be significant. SO advised it would not be zero but there would be reduced risk exposure. KS considered prioritisation and drawing comparisons between activities if not everything could be funded. **ACTION:** The Chair requested SO consider clear metrics that show the progress being made and the impact the changes have brought in relation to HIJ. The plan for HIJ was being taken to the POL Board at the conclusion of phase 3, SO confirmed. The RCC **NOTED** the plan for HIJ. *SO & DB left the meeting.*	**SO**
13.	**Group Insurance Renewal Options**	
	PM and AB entered the meeting. PM confirmed that the group insurance renewal was at the end of October and this paper outlined renewal options. PM confirmed that POL must hold cover for the Bank of England ⌊IRRELEVANT⌋cash position. PM confirmed that ARC had approval of the overall levels of insurance for the Group, under the ARC terms of reference, and the approval paper would be presented to ARC in September. SG asked to what extent the team had reached out to the business units impacted by the policies. PM had spoken on a regular basis to many but acknowledged that he had not reached out to CoSec in relation to D&O cover and would do so. **ACTION:** PM to speak to CoSec regarding the insurance renewal options relating to D&O Cover. RB was concerned about the proposal in relation to cyber cover and the increase in retained risk for a relatively small premium decrease, as there was concern around cyber activity. KS considered if the management team had considered the options. **ACTION:** paper to GE prior to September ARC so that a management recommendation can be made to ARC. The RCC **NOTED** the Group Insurance Renewal Options paper. *PM and AB left the meeting.*	**PM** **PM**
14.	**Risk, Compliance and Audit Update**	
14.1	**Risk Report & Dashboard.**	
	RB advised that during the current reporting cycle, risk deep-dives were performed into Group Finance & Group Technology. Improvements had been made to the existing Risk Exception process, which is now called the Policy Exception process, removing the element of subjectivity. In addition to the deep dives, RB referenced appendix 1 which reported on key intermediate risks and progress with risk responses. RB highlighted that the suite of intermediate risks showed the trends going up or down. In relation to Breach of Facility Headroom risk, the RCC determined this should be for noting at ARC with escalation at the quarterly shareholder meeting.	

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	AM raised that the paper still did not incorporate the feedback from the May ARC. AM recognised that the risk team probably could not change this prior to the July ARC, but consideration should be made to provide a holistic summary of the overall POL risk position with a summary of key movements from the prior reporting periods. The RCC: • **NOTED** the status of key intermediate risks; • **DISCUSSED** if any risks should be highlighted to the ARC for onward visibility/escalation to DBT and • **APPROVED** the Risk Report & Dashboard for onward submission to the ARC.	
14.2	**Compliance Report**	
	JH highlighted the Data Protection Breach in Response to a Rule 9 Request. The ICO had confirmed that no further action is necessary on this occasion. In relation to the GLO scheme, JH updated the DSAR's figure from 328 to its current figure of 358. The team were working through the process of how to prioritise these and on recruiting 10 contractors to help support processing the DSARs. However, even with these roles in place, JH advised that POL will not meet its statutory timescale obligations for processing DSARs. JH outlined the plan to submit a notice to the ICO early next week, requesting a meeting. Although POL were not currently in breach this would shortly be the case. AM asked if it could be said that POL could have been prepared for the DSAR's. KS observed that there were few organisations that would be able to manage the volume POL had received and JH agreed. The RCC discussed the Mandatory Compliance Completion Rates, with several business functions currently below target for completion of mandatory compliance modules against the agreed KPI of 95%. **ACTION:** the Chair to raise the completion rate at GE meeting the following day. The RCC **APPROVED** the Compliance Report for onward submission to the ARC.	**ZM**
14.3	**Assurance Update & Integrated Assurance Plan for SPM**	
	AM outlined that in the period since the last RCC in May 2023, considerable progress had been made in moving the Historical Assurance Plan forward and many elements of the plan are now in draft reporting stage and completed. AM reported that fieldwork for all CIJ areas (1 to 9) is now complete and several factual validation sessions have taken place with the Retail team. For all 9 CIJ areas final draft reports have been issued and the team are in the process of collating and assessing final feedback and comments. AM confirmed that in the majority of cases (c 97%) the Retail team have completed the actions outlined to remediate the CIJ's and they have clear evidence to demonstrate this. However, some original actions have not been completed or have been partially completed and were highlighted in the paper. AM acknowledged that the review undertaken had gone beyond the evidence, to review with a critical lens whether the actions are sustainable, can demonstrate or track the impacts on PM journeys, and, where applicable, there is appropriate	

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	oversight and governance. A number of significant improvement opportunities for the Retail team to consider, which would further strengthen their CIJ response, have been provided. AM confirmed that the assurance Submission to ARC in July will not include a detailed plan on 'integrated assurance' just the proposed approach and the scope elements, which if approved by GE, will then lead the creation of an integrated assurance plan. Also, work with NBIT was already underway. JA confirmed he had provided feedback to AM on the proposed approach. KS asked if AM had spoken to Katie Secretan regarding the RTP. AM confirmed that he had and he had also engaged with Tim McInnes regarding CIJ, JL regarding culture and Tom Lee regarding finance. JL was conscious of potential duplication and JA discussed that, in principle, integrated assurance should not duplicate. AM agreed that the intention of integrated assurance was to perform assurance once and make sure it was appropriate, transparent and timely. AM agreed to make this clearer in his paper. THE RCC: • **NOTED** the Group Assurance update; • **DISCUSSED** Integrated Assurance and next steps and • **APPROVED** the Assurance report for onward submission to the ARC and Integrated Assurance Approach for onward submission to GE.	
14.4	**Internal Audit Report**	
	JA reported that the overall control environment was stable from a BAU perspective but that controls over change delivery control issues have deteriorated. JA confirmed that the audit report turnaround times had deteriorated. The SLA was 20 days and the average was now 31, an increase of 11 days from the previous year. Performance in BAU audits remained strong at 21 days, which was just outside the SLA. However, change audits were taking 56 days to clear, and this clearly indicated some challenges in this area. AM commented positively on the analysis within the paper. JA highlighted that there were currently 27 actions overdue, 10 of which are older than 60 days. JA worked with the action owners and extensions are granted where there are justifiable reasons. JA considered colleague bandwidth as the reason behind the performance deterioration. KS noted the concerning trends from the report. The Chair summarised there was a large escalation in findings and an escalating number of actions unaddressed. **ACTION:** The Chair to raise the deteriorating performance with GE colleagues at the GE meeting the following day. THE RCC: • **NOTED** the audit results for 2022/23 and internal control themes identified; • **NOTED** the turnaround time for internal audit reports;_ • **NOTED** the progress being made with delivery of the internal audit programme and completion of audit actions and • **APPROVED** the report for onward submission to the ARC.	**ZM**

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15.	**Fraud Risk**	
	JA explained that fraud risk management is fragmented across POL and ownership of activities falls to several teams. From the high level assessment undertaken, the team have not identified any material gaps which could cause concern of not being able to comply with proposed new regulations of 'failure to prevent'. TM asked if there had been consideration regarding risk from fraudulent notes in the network. RB advised there had not been. TM accepted this was outside the scope of this report. AM observed that the report was 'top down' and that a 'bottom up' view had to be incorporated for this to reflect the true POL environment. RB took the point, which was due to the fragmented nature of fraud risk management at POL. In terms of next steps, JA advised that going forward any risk relating to fraud in SNOW GRC is tagged to highlight they are a fraud risk. This will enable the Central Risk team to provide assurance over fraud risks across the business. JA also recommended that a deep dive of fraud risks should be presented to the RCC in July 2024. **ACTION:** KS and JA to have an offline conversation regarding the 117 non-compliant controls in relation to impact on the ARA. THE RCC **APPROVED** the Fraud Risk Report for onward submission to the ARC.	**JA/KS**
16.	**Policies for Approval**	
16.1	**Financial Crime Policy**	
	The Financial Crime Policy was **APPROVED** for onward submission to the ARC.	
16.2	**Anti-Bribery and Corruption Policy**	
	The Anti-Bribery and Corruption Policy was **APPROVED** for onward submission to the ARC.	
16.3	**Anti-Money Laundering & Counter Terrorism Funding Policy**	
	The Anti-Money Laundering & Counter Terrorism Funding Policy was **APPROVED** for onward submission to the ARC.	
16.4	**Treasury Policy**	
	SG had a number of areas of concern and requested that the policy owner discuss these with Legal and CoSec. **ACTION**: PM to address outstanding areas with SG and CoSec. The Treasury Policy was therefore deferred to September ARC to enable further work to be undertaken.	**PM/SG/CoSec**
17.	**Previous Meetings**	
17.1	**Minutes (9 May 2023)**	

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		The minutes of the Committee meeting held on 9 May 2023 were **APPROVED**.	
17.2	**Action List**		
		Progress on completion of actions as shown on the action log was **NOTED.**	
18	**Audit, Risk and Compliance Committee pre-meeting review**		
18.1	**ARC Agenda – 10 July 2023**		
		The draft ARC agenda for 10 July 2023 was **NOTED** by the RCC.	
18.2	**Forward Plan (including RCC only items)**		
		• The Contract Management Framework item was to come back to RCC/ARC in September 2023 having been to GE in the intervening period. • The Self service solutions item was being addressed by the Chair providing an update in the ARC action log. • The branch data/unstructured data plan was to return with an update to RCC/ARC in November 2023 • The plan for HIJ would be reported to POL Board on the conclusion of Phase three, which was imminent. • The Technology deep dive was to be deferred to September 2023 to link with NED training. • The Treasury Policy required additional work and was deferred to September 2023. The Committee & ARC forward plan was **NOTED** by the RCC.	
19.	**Any other Business**		
		There being no other business the Chair declared the meeting closed at 14.01.	
20.	**Items for Noting**		
20.1	**Procurement Governance & Compliance**		
		The Procurement Governance & Compliance Paper was **NOTED** by the RCC and **APPROVED** for onward submission to the ARC.	

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AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Historical Matters Risk & Assurance Update	Meeting Date:	10 July 2023
Workstream:	PMO, Governance and Risk	Version:	3.00
Author:	Evelyn Hocking, Programme Lead	Sponsor:	Simon Recaldin, Historical Matters Director

Input Sought: **Noting**

ARC is asked to note:

i.   the work being undertaken, and continued progress made against the Historical Matters (HM) Risk and Assurance Plan, as summarised in this paper; and
ii.   the HMU Intermediate Risks as set out in Appendix 1

Previous Governance Oversight

An Historical Matters (HM) Risk and Assurance Update was provided to the Risk and Compliance Committee (RCC) on 27 June 2022 and to ARC on 12 July 2022, where it was agreed that further progress reports would be provided on a biannual basis.

A further HM Risk and Assurance Update was provided to RCC on 10 January 2023, the Historical Remediation Committee (HRC) on 19 January 2023, and ARC on 23 January 2023.

This paper was presented to RCC on 27 June 2023, and to HRC on 5 July 2023.

Executive Summary

Since last reporting progress to ARC on 23 January 2023, work has continued to build additional controls around Risk and Assurance within HMU.

Working in collaboration with colleagues in POL Compliance, work on providing assurance on the processes and controls across the Stamp Scheme has now been completed (the final report can be found within Appendix 2).

Assurance work is currently being undertaken by both HMU and POL Compliance on processes and controls within the Historical Shortfall Scheme (HSS). Internal Audit have also commenced work reviewing the HSS, with the objective of evaluating the design effectiveness and operating efficiency of the HSS controls in place, to ensure that the progress and status of claims are accurately and consistently managed, monitored, and reported. It should be noted that an issue has recently been highlighted in respect of the non-payment of tax and NI contributions to

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Tab 3 HMU Risks

HMRC in relation to c.100 Interim Payments made in the HSS. The POL Tax Team are currently in discussions with HMRC as to the potential consequences relating to this oversight.

Following concerns raised by HM Governance, the HM Director asked POL Compliance to undertake an assurance audit of the Postmaster Suspension Remuneration Review (SRR) workstream, with a particular emphasis on the remuneration data used to calculate Suspension Remuneration. The Assurance Team performed a desk top review of the SRR process to identify key inherent risks and expected controls. The review has now been completed and has identified that there is insufficient evidence to demonstrate that key controls within the SRR team are being complied with. This review has also confirmed the HM Directors concerns in terms of the remuneration data. A separate paper on these two risks is separately included in this ARC Agenda.

Further assurance work is also planned later in the year in respect of the work being undertaken within the Overturned Convictions (OC) workstream.

Working with POL Central Risk, HMU have undertaken a further review of all Intermediate and Local risks. The reviewed and updated Intermediate risks can be found in Appendix 1.

Report

1. Detailed below is the progress made to date against the HM Risk and Assurance Plan

Key	
⬤	Complete
◑	On track
○	Not started

		Target Date	RAG
Risk & Quality Assurance Governance			
Develop Assurance Plan	Complete	31 Aug 22	⬤
Enhance existing Risk and Control Framework, Principles and Governance Structure	Complete	30 Nov 22	⬤
Review the reporting lines of Risks & Assurance findings to Governance Forums and Stakeholders	Complete	30 Nov 22	⬤
Implement a Risk cadence to present Risk and Assurance updates to the HM Risk Forum, HRC, RCC, ARC and other stakeholders as required	Complete	30 Nov 22	⬤
HM Risk Forum			
Hold inaugural Risk Forum	Complete	15 Nov 22	⬤

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HM Risk Forum Terms of Reference drafted and approved by HMC and Noted by HRC	Complete	15 Dec 22	
HM Risk Forum Terms of Reference reviewed and updated ahead of approval by HMRF, HMC and noting by HRC	Complete	31 May 23	
Review of HM Risks			
Undertake full review of Intermediate Risks and share with HM Risk Partner	Complete	30 Nov 22	
Review Local Risk Register – ensure that the risk register is always maintained in good order, and that the process for identifying and reporting existing risks, emerging risks, and changing risk scenarios is robust	Complete	30 Nov 22	
Review workstream RAIDS	Complete	30 Nov 22	
Share review of Intermediate Risks with Group General Counsel, HRC, RCC and ARC	Complete	31 Jan 23	
Develop a stronger relationship with HMU POL Risk Partner, develop understanding of SNOW and define a process for HMU undertaking updates in SNOW	Complete	31 May 23	
Undertake reviews of existing and new/emerging Intermediate Risks ahead of bi-annual reporting to Group General Counsel, HRC, RCC and ARC	Ongoing	Ongoing	
Stamps Scheme Assurance			
POL Compliance undertake assurance review of Stamp Scheme processes and controls and share initial findings with HMU	Complete	30 Oct 22	
HMU review POL Compliance assurance findings and carry out own testing (1st Line) in readiness for further testing of processes and controls by Group Compliance Team (2nd Line). Consider enhancing controls where appropriate	Complete	15 Dec 22	
POL Compliance complete testing of Stamp Scheme processes and controls and present findings to HMU for review.	Complete	31 Jan 23	

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Tab 3 HMU Risks

HMU review final Stamp Scheme report and deal with any outstanding matters.	Complete	31 May 23	
Final report presented to HMC, HRC, RCC and ARC	In course	31 July 23	
Historical Shortfall Scheme (HSS) Assurance			
HMU undertake own testing	In course	31 July 23	
POL Compliance undertake assurance review of Historical Shortfall Scheme (HSS) processes and controls and share findings with HMU	In course	31 July 23	
HMU review POL Compliance assurance findings and carry out any remedial work and further testing as deemed necessary, consider enhancing controls as required, and reporting back to Compliance	Not started	31 Aug 23	
Internal Audit complete initial review of HSS	In course	31 July 23	
Suspension Remuneration Review (SRR) Assurance			
HMU undertake own testing	In course	15 July 23	
POL Compliance undertake assurance review of the Postmaster Suspension Remuneration Review (SRR) processes and controls and share findings with HMU	Complete	15 June 23	
HMU review POL Compliance assurance findings and carry out any remedial work and further testing as deemed necessary, consider enhancing controls as required, and report back to Compliance	In course	15 July 23	
Overturned Convictions Assurance			
HMU undertake own assurance testing	Not started	31 Aug 23	
POL Compliance undertake assurance review of the Postmaster Suspension Remuneration Review (SRR) processes and controls and share findings with HMU	Not started	30 Sept 23	

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HMU review POL Compliance assurance findings and carry out own testing and remedial work as deemed necessary, considering enhancing controls as required and report back to Compliance	Not started	31 Oct 23	●
Governance Assurance			
Respond to Governance Questions posed by the Inquiry Team ahead of Independent Governance Audit	Complete	31 May 23	●
HMU undertake own assurance testing	In course	31 July 23	●
Draft HMU Governance Handbook ahead of Independent Governance Audit	In course	31 July 23	●
POL Compliance and or Inquiry Governance Expert undertake assurance review of HM Governance processes and controls and share findings with HMU	Not started	TBC	●
HMU review feedback, carry out own further testing and remedial work as deemed necessary, consider enhancing controls as required and report back to Compliance.	Not started	TBC	●

Risk Assessment, Mitigations & Legal Implications

2. It is vital that HMU has a clearly articulated, managed, and monitored Risk Strategy to ensure HMU is operating within the Risk tolerances set by Post Office, but that also reflect the particularly challenging nature of the role of HMU. HMU must not only satisfy PO that it is operating within a robust Risk Framework, it must also satisfy its external shareholders that the outcomes and processes undertaken demonstrate Value for Money, stand up to scrutiny by the National Audit Office, and deliver fair outcomes to Post Masters. The Risk Framework being implemented in HMU is designed to meet all these requirements and will be subject to ongoing and regular review.

Next Steps & Timelines

3. Further updates will be provided to HRC, RCC and ARC on a biannual basis.

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Tab 3 HMU Risks

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Input / Reviewed By:

Name	Role	Comments	Version	Date
Andrew Mortimer	HM Programme Manager	Initial version drafted	0.01	24/05/2023
Evelyn Hocking	HM Programme Lead	Initial version reviewed, and changes made	0.02	28/05/2023
Andrew Mortimer	HM Programme Manager	Updates made for RCC	1.01	18/06/2023
Simon Recaldin	HM Director	No changes made	2.00	19/06/2023
Andrew Mortimer	HM Programme Manager	Updates made for ARC, HRC	3.00	29/06/2023
Additional Comments				

Governance:

Committee	Version	Decision	Date
Historical Matters Risk Forum	01.00	Approved	1 June 2023
Risk and Compliance Committee	02.00	Noted	27 June 2023
Historical Remediation Committee	03.00		5 July 2023
Audit, Risk and Compliance Committee	03.00		10 July 2023
Additional Comments			

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	HMU Risk Update	Meeting Date:	10th July 2023
Workstream:	PMO, Governance and Risk	Version:	1.0
Author:	Evelyn Hocking, HM Programme Lead	Sponsor:	Nick Read, Group CEO

Input Sought: Noting

ARC is asked to note:

i.   the work being undertaken to improve controls and deal with an issue recently highlighted in respect of the non-payment of tax and NI contributions to HMRC in relation to C.100 Interim Payments made in the HSS; and

ii. the work being undertaken to assess and understand concerns recently raised by HM Governance relating to the remuneration data being used in the Postmaster Suspension Review (SRR); and

iii. that at the current time, the HMU control environment may not be fully robust and or satisfactory to manage key inherent risks.

Previous Governance Oversight

HMU reports every 6 months to RCC and ARC, with the last RCC update on 27th June 2023 where the above issues were noted.

Executive Summary

Work continues across HMU to ensure the design of controls and their execution are appropriate to manage the key inherent risks within HMU. This involves working closely with Group Assurance, to strengthen and build additional controls.

Assurance work is currently being undertaken by both HMU and POL Assurance on processes and controls within the Historical Shortfall Scheme (HSS). Group Assurance have also, at our request, concluded an assurance review on Postmaster Suspension Review (SRR), which affirmed our significant risk concerns in this area. Immediately this issue came to light, all payments and issuance of new offers was ceased and will only recommence once the issues have been resolved and the processes reassured. Some organisational and personnel changes have also been implemented.

Internal Audit have also commenced work reviewing the HSS, with the objective of evaluating the design effectiveness and operating efficiency of the HSS controls in place, to ensure that the progress and status of claims are accurately and consistently managed, monitored, and reported. Further assurance work is also planned later in the year in respect of the work being undertaken within the Overturned Convictions (OC) workstream by Group Assurance.

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Tab 3 HMU Risks

The issues that have emerged on Tax payments to HMRC and the inconsistencies in the Remuneration data used within SRR alongside the process failures, have led to increased Assurance reviews in the Detriment and Operations workstreams within HMU.

Report

1. Following the emergence of an issue in respect of the non-payment of tax and NI contributions to HMRC, in relation to c.100 Interim Payments (IPs) made in the HSS, several additional controls have been implemented to ensure the issue does not escalate any further. To be clear here is no impact on payments made to Postmasters, rather the process to subsequently pay HMRC was not followed. Additional actions undertaken include:
    a. the creation of a Process Map which on an E2E basis clearly outlined the key risks and associated controls for the teams involved.
    b. the HM Ops and Remuneration teams agreeing the process and then successfully testing the process, of paying tax and NI in relation to offers for processing IP's,
    c. creating a new folder and report on Relativity to allow the Remuneration team to easily distinguish between the Offer and IP being processed. This is an additional measure to ensure remuneration team had visibility of payments;
    d. developing a new Relativity report to enable the reconciliation of IPs on a weekly/monthly basis. This will be a weekly reconciliation to QA all areas that touch a payment.

2. Following concerns raised by HM Governance, the HM Director requested POL Group Assurance to undertake a review of the Postmaster Suspension Remuneration Review (SRR) workstream, with a particular emphasis on the remuneration data used to calculate Suspension Remuneration.

3. Group Assurance have performed a desk top review of the SRR process to identify key inherent risks and expected controls and selected a sample of three Suspension Payments to perform a walkthrough to assess the effectiveness of controls.   Their review has affirmed the concerns raised by the HM Director in terms of remuneration data, and their conclusion is:

    'sufficient evidence does not exist to demonstrate whether key controls operating within the Historical Matters Suspension Payment team are being complied with. In addition, there are significant gaps and weaknesses in the design of the Historical Matters Suspension Payment Processes whereby completeness, accuracy and or reasonableness of Suspension Payments cannot be assured.

    Consequently the 'Historical Matters Suspension Process' has been rated Unsatisfactory.'

4. The issues highlighted have prompted the Group Assurance Director to ask the question as to whether HMU are confident that their control environment is sufficiently robust. The short answer to that is that currently HMU cannot be 100% confident, and therefore additional work will be undertaken to understand the assurance reviews and details of the

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remediations steps will be submitted to HMC, HRC and an update will be provided to the next RCC on 12th September 2023.

Financial Impact

5. The POL Tax Team are currently in discussions with HMRC as to the potential consequences relating to the non-payment of tax as outlined above. Ordinarily HMRC will charge interest on overdue tax, which should not be substantial as the tax has only started to accumulate since 1 Jan 2023. However, HMRC is bound, by statute, to consider whether a penalty should apply. Given we will disclose the sums owing (rather than an HMRC 'discovery') it should be considered to be a 'careless' mistake for which the maximum penalty would be 30% of the tax owing. If 30% were applied to £1.399m this is ~£420k penalty.

6. In relation to SRR, the financial impact of SRR payments made to date is still being calculated, however the problem was discovered when c100 offers out of a potential c3,000 offers have been made. The SRR offer that was picked up was for a final payment of £257,286.75 for a 388-day suspension. The base remuneration and the number of days suspension have been challenged along with the process that allowed the letter to be sent to the Postmaster before going through the proper Governance channels.

Risk Assessment, Mitigations & Legal Implications

7. While the issues highlighted are disappointing, it should be noted that the HMU first line monitoring controls detected these errors. Whilst this is assuring to some degree, we recognise that our E2E processes have to be further strengthened especially in HMU Operations.

8. It is vital that HMU has a clearly articulated, managed, and monitored Risk Strategy to ensure HMU is operating within the Risk tolerances set by Post Office, but that also reflect the particularly challenging nature of the role of HMU. HMU must not only satisfy POL that it is operating within a robust Risk Framework, it must also satisfy its external shareholders that the outcomes and processes undertaken demonstrate Value for Money, stand up to scrutiny by the National Audit Office, and deliver fair outcomes to Post Masters.

Next Steps & Timelines

9. A full remediation plan for each of these issues will be presented to HMC on Tuesday 11th July 2023, and ARC will also be updated.

10. Once the full remediation plans have been implemented, the Group Assurance Director will be invited to review the revised processes.

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Input / Reviewed By:

Name	Role	Comments	Version	Date
Evelyn Hocking	Author	Drafting	0.01	29/06/23
Andrew Mortimer	HM Programme Manager	Review	0.02	29/06/23

*Mandatory Review Required ** If Applicable

Governance:

Committee	Version	Decision	Date
Historical Remediation Committee	V01.00		

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Risk Update	Meeting Date:	10th July 2023
Author:	Rebecca Barker (Head of Risk), Johann Appel (Director of Internal Audit & Risk)	Sponsor:	Alisdair Cameron

Input Sought: Noting/Discussion

The committee is requested to:
   i.   Note the status of key intermediate risks.
   ii. Discuss if the committee require a detailed update on any risks mentioned within this report.

Executive Summary

During this reporting cycle, we have performed risk deep-dives into Group Finance & Group Technology. Intermediate risks which are currently outside of our extended appetite and may impact our strategic objectives of Improving Branch Profitability, Transforming Technology and Rebuilding Trust, are illustrated in appendix 1.

During our discussions with the business we have identified themes emerging with regards to colleagues' health and well-being, as well as insufficient resource to manage day to day activities. The Central Risk team will continue to work with risk owners to ensure risks are raised and managed via the Governance Risk & Compliance (GRC) tool and correctly aligned to our recently approved people risk appetite statements.

We conclude that, with the exception of the emerging people risk, the risk profile remain stable. However, there is a possibility of risks materialising over the next couple of months, where remediations are reliant on key decisions at Board, funding allocation and programme delivery.

Report

1. **Changes to risk exception process:** We have recently made improvements to the existing Risk Exception process, which is now called the Policy Exception process. The improved process removes the element of subjectivity, ensures we have identified correct approvals from the risk and policy owner, which in turn will improve the ability to track any overdue actions by managing exceptions on our GRC tool. Appendix 2 provides an overview of active policy exceptions. An exception will only be required if the risk being raised is outside of our approved policies. If within policy then the standard risk management process will be followed.

2. **Deep Dives:** During this reporting period we completed the risk deep-dives for Group Finance and Group Technology. Group Strategy & Transformation has been delayed to September. In addition to the deep-dives we will continue to report on key intermediate risks and progress with risk responses (see appendix 1). For transparency, all intermediate risks have been included within the reading room.

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Tab 4.1 Risk Report & Dashboard

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Risk Deep Dives

3. **Group Finance:** Intermediate risks have been reviewed with the senior leadership team. Key Intermediate risks which are being managed and remain stable are:
   - Inability to prevent Health & Safety breaches.
   - Potential failures of procurement process.
   - Material misstatement in financial reporting and Financial Statements.

   There are currently four risks, which to remediate will require funding to be agreed with DBT. The risks have been shared with DBT. These risks are:

   - Investment from shareholder is withdrawn/reduced (going concern risk)
   - Breach of Security Headroom (facility covenant)
   - Breach of Facility Headroom
   - HMU funding and expenditure corporation tax treatment

   If funding is not agreed the risk of breaching Security Headroom could materialise as early as September 2023. If Security Headroom is [IRRELEVANT] Post Office would be in default. **IRRELEVANT** provided by DBT and cause default on other facilities / agreements (NatWest and [IRRELEVANT]). If this were to occur **IRRELEVANT**

   The risk of [IRRELEVANT] levels, with requirements from HMU, SPM and Inquiry being significant and ever increasing.

   Recommendations: Concerns were raised around the wellbeing of staff and the capacity to manage day to day activities - this will be fed back to the People team. A full review and assessment of the Finance local risks will be carried out and completed by September.

4. **Group Technology:** Intermediate risks have been reviewed with the senior leadership team. Key Intermediate risks which are being managed and remain stable are:
   - Inability to have NBIT technology ready for deployment by March 2025.
   - Inability to adequately implement Historical Matters remediations and deliver improvements to Horizon issues.
   - Inability to migrate branches to a fibre-compatible solution by December 2025.
   - Inability to support Horizon after the current Fujitsu contract ends.
   - Inability to support & maintain elements of Horizon legacy platform
   - Inability to prevent Cyber-attacks.
   - Inability to recover from a Cyber-attacks (previously known as data loss).
   - Ineffective management of unstructured data.

   During the deep dive several risks were highlighted which have not previously been tracked via GRC. Risks relating to End User Computing, Branch devices, SSKs, payment devices (PEDs), increase in staff costs, recruitment of senior leadership roles and the ongoing impact of the Inquiry on staff, will all be reviewed, assessed and reported going forward.

   Cyber Security risks remain stable due to our current cyber defences currently being assessed as effective, but require a step change in maturity to mitigate the increasing but also evolving cyber threat landscape, particularly in relation to ransomware. Whilst additional funding is required to improve our cyber posture, initiatives are already in flight - these must now be delivered as planned by October 2023. A prove phase plan is in flight that will deliver 8 initiatives. A business case will be produced in parallel that will detail a further larger funding request as part of our planned multi-year cyber programme. This will be presented to the Board in September 2023.

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Recommendation: It is not clear which risks could be further impacted by delays within the NBIT SPM delivery - this should be reviewed and articulated within the risk as it may result in a risk materialising that could impact the business operationally. Mitigations for supporting Horizon beyond the contract end-date and maintaining the legacy platform are dependent on decisions from the Board which was originally scheduled to be presented to Board in June, this has been delayed to July. As a result of the delays the likelihood could increase, and therefore these risks should be re-assessed following the outcome of the July Board.

Update on other areas

5. **Group Retail:** The remediation plan for risk "RK0021792 - Inability to identify, investigate and resolve discrepancies in the network", has been reviewed. The risk remains stable and a separate paper will be presented to the ARC.

6. **Group General Counsel:** Likelihood has increased from 5 to 4 on risk "RK0021771 - `CONFIDENTIAL` `CONFIDENTIAL` The reason for the increase follows a request from an external legal firm representing Postmasters for c.328 DSARS. The legal firm have declined to work within the government disclosure scheme on such requests. The obligation on Post Office is that we must respond in 30 days, which can be extended to 90 days for complex cases. Given the volume and complexity, POL are unable to meet these deadlines due to system restrictions that no amount of resource can fix. As an example, inherently it took POL 3 months to complete 44 (partial) DSAR requests. Mitigation actions have commenced, which include:
   - External legal advice has been taken
   - Consideration for additional resource c.10 colleagues
   - Work with DBT to provide a response and agree action to minimise the impact on GLO complainants
   - ICO engagement
   - 2-weekly review of mitigation plan between Central Risk and Compliance team

7. **Historical matters:** Two risks have reduced this period;
   - RK0021780 - Breach of the Common Issues Judgement (CIJ) - Outstanding Balances (I5:L4 - risk remains outside of appetite and tolerance). Risk reduced due to agreement that the impact should be reduced following discussion at the Historical Matters risk forum on 1st June as matters have moved on - Board has approved pausing payments and Legal advice has now been taken.
   - RK0021807 - Insufficient Budget and Increasing Costs to deliver HM Compensation Schemes. (I4:L2 - currently no agreed appetite) Risk reduced due to Budgets being sufficiently controlled and monitored to enable adequate forecasting to ensure no budget breaches. Budget has been agreed until 2025.

8. **Governance:** There is a concern around the lack of clarity over GE accountabilities, decision making forums, documenting of decisions, the escalation and appropriate reporting of material issues and decisions to GE and Board to ensure adequate oversight. As a result of these concerns a Governance review is being conducted which includes the risk assessment with the risk owner for the current risk "RK0020051 - UK corporate governance code - unable to demonstrate compliance". The Central Risk team will be reviewing all risks in

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Tab 4.1 Risk Report & Dashboard

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respect of failure of governance and to understand what the risk posture is across the business; the outcomes of this review will be included within the September Risk paper.

9. **Group People**: Risks are currently under review - all assessments are due to complete by the end of July and reported in the September ARC paper. Following discussions with colleagues across the business we will focus on the following themes:
   - Culture/Ways of working misalignment - existing risk to be assessed;
   - Increased workload, pressure and stress (caused by the Inquiry, SPM, HMU, etc) as well as negative media coverage of Post Office - emerging risk to be agreed and assessed.

10. **Group Commercial**: No change to the Intermediate risks. POI management remains concerned over our exposure to cyber risk. For all businesses, notably those with a UK Government connection, cyber risk is currently heightened. POI have raised the lack of 'playbooks' if POL was faced with a ransomware attack. This is being reviewed as part of the remediation activity that the CISO is leading on in Technology.
   Other areas highlighted at the POI ARC;
   - Appointed Representative/Consumer Duty Project, this is for noting that there is a risk to the POL leadership team for failure of adherence.
   - Work on the personal due diligence required for compliance with the new FCA AR regime continues to prove problematic with several returns from POL Senior Managers being outstanding. Bank of Ireland has written to POL to note that this is of concern.

11. **Group Strategy & Transformation:** Following discussions with the Head of Change Risk Assurance, there appears to be a lack of visibility around the key programme risks presented to the RCC and ARC. Appendix 3 provides an overview of the key programme (Platinum & Gold projects) risks scored 16 and above. Change Risk & Assurance continue to escalate programme risks, map dependencies (with the caveat that SPM & RTP are being worked on to identify and define dependencies) and perform scheduled PIR assessments (Belfast exit is concluding and Copper-Stop-Sell is underway).

   Recommendation: To ensure clear lines of accountability in reporting methods, the Central Risk team recommend that the Change Risk Assurance team are invited to the September ARC to provide a deep dive of Platinum and Gold project risks.

Conclusion

12. Engagement of the business with the Central Risk team is increasing and improving. We are seeing a positive change in the first line approach to risk management.

Next Steps & Timelines

13. "Deep Dive" risk review with Group People, Group General Counsel, Group Commercial and Group Strategy & Transformation.

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Tab 4.1 Risk Report & Dashboard

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Appendix 1 – Top 10 risks for June

- **Enterprise Risk:** RAG status relates to the High, Medium or Low scoring Enterprise risk - the score is assessed using the roll-up of Intermediate risks.
- Overall risks remain stable, however dependant on decisions and funding allocated over the next couple of months we could see a change in trend as the likelihood of risks increase.

	Enterprise Risk	Intermediate Risk	Change	Commentary	Status	Impact to Strategic Objective
1	Finance (5:3)	Investment from shareholder is withdrawn/reduced (going concern) (3:3) Tom Lee RK0021853	N/A	Change to risk posture has not been tracked this period, this is due Intermediate finance risks have recently been revised, the next risk assessment will allow trends to be tracked. **MITIGATION** • Funding to be secured and where necessary increased. This relates to multiple areas including: • Historical Matters funding for settlement related activity • Network Subsidy Payments • Investment funding to cover strategic priorities and other requirements as deemed necessary • Adequate access to liquidity through the Working Capital Facility **REVIEW DATE** September 2023	Appetite/ Tolerance to be agreed	Improving Branch Profitability Rebuilding Trust Transforming Technology
2	Finance (5:3)	Breach of Security Headroom (facility covenant) (3:4) Tom Lee RK0021854	N/A	Change to risk posture has not been tracked this period, this is due Intermediate finance risks have recently been revised, the next risk assessment will allow trends to be tracked. **MITGATION** • Obtain a security headroom waiver from DBT • Obtain additional funding from DBT • Halt spending on none BAU activity to delay impact. **REVIEW DATE** September 2023	Appetite/ Tolerance to be agreed	Improving Branch Profitability Rebuilding Trust Transforming Technology
3	Finance (5:3)	Breach of Facility Headroom (3:4) Tom Lee RK0021855	N/A	Change to risk posture has not been tracked this period, this is due Intermediate finance risks have recently been revised, the next risk assessment will allow trends to be tracked. **MITIGATION** • Obtain an extension to the WCF from DBT (extension of size and usage i.e. what it can be used for) • Obtain additional funding from DBT • Halt spending on none BAU activity or pull other levers such as delayed client payments to delay impact **REVIEW DATE** September 2023	Appetite/ Tolerance to be agreed	Improving Branch Profitability Rebuilding Trust Transforming Technology
4	Finance (5:3)	HMU funding and expenditure corporation tax treatment (3:3) Tom Lee RK0021856	N/A	Change to risk posture has not been tracked this period, this is due Intermediate finance risks have recently been revised, the next risk assessment will allow trends to be tracked. **MITIGATION** • Funding will need to be sought from DBT in respect of these. DBT are aware. **REVIEW DATE** September 2023	Appetite/ Tolerance to be agreed	Improving Branch profitability Rebuilding Trust Transforming technology

	Enterprise Risk	Intermediate Risk	Change	Commentary	Status	Impact to Strategic Objective
5	Operational (4:3)	Inability to identify, investigate and resolve discrepancies in the network. (4:5) Mel Park RK0021792	Stable	Risk is Stable The team continue to operate several BAU processes aligned to postmaster policy and processes and internal assurance. **MITIGATION** • Transaction Correction and Review and Dispute data now issued to the RM's and AM's each trading period to initiate a conversation with the Postmaster about support required - June • Branch Discrepancy Improvement Programme initiated. Detailed action plan and timescales to be delivered by the end of June, following which progress against the actions will be managed via the programme governance framework with timely reporting back to GE,RCC & ARC • Retail path clearing activity to support network readiness for NBiT roll out will provide a comprehensive view of network health and enable a reset of POL expectations around branch compliance to back office processes. This is closely linked to point above. • revisit the decision about how we recover losses (including auto deduct from rem) once the end to end discrepancy review programme is complete and we have implemented improvements where applicable. **REVIEW DATE** October 2023	Outside Appetite and Tolerance	Rebuilding Trust
6	Security (5:3)	Unable to prevent Cyber Attacks (4:4) Dean Bessell RK0021056	Stable	Risk is Stable **MITIGATION** A cyber security maturity programme is being designed and developed. Initial funding has been approved for this programme to commence which will focus on a number of key areas: Active Directory Backup, Back Up Strategy, Group Website review, Enhanced reporting for vulnerability management, Ransomware protective tooling, Additional Supplier Assurance , Atlassian and GitHub review, POL Tailored ransomware playbooks. **REVIEW DATE** October 2023	Outside Appetite and Tolerance	Transforming Technology
7	Security (5:3)	Inability to recover from a Cyber attack (4:3) Dean Bessell RK0021055	Stable	Risk is Stable **MITIGATION** • Planning the inclusion of a CMDB (Configuration Management Database) as part of the wider funding request. • Tailoring the Operational and Executive playbooks to them more specific to Post Office. • continue to work through our DR testing calendar and this year we have already executed in the region of 34 DR tests. • planning a major desktop exercise with Fujitsu **REVIEW DATE** October 2023	Outside Appetite and Tolerance	Transforming Technology

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Tab 4.1 Risk Report & Dashboard

Post Office Limited - Document Classification: INTERNAL

Enterprise Risk	Immediate Risk	Change	Commentary	Status	Impact to Strategic Objective
8	Technology (5.4)	Inability to support Horizon after the current Fujitsu contract ends(4:4) Simon Oldnall RK0021031	Stable	No movement to the risk posture. **MITIGATION** • Urgently recruit an Exit & Transition Manager - via a Contractor CRF or via an outsourced supplier. CV's have been received - on hold pending discussions on approach (options will be presented to July Board) • Create an Exit & Transition Roadmap in order to drive an acceleration of the Exit of the Horizon Agreement on hold (pending July Board) • Governance Model for Exit & Transition planning Hold pending July Board • Alternative options for Horizon support (both for Data Centre and broader contracted services) to be explored and costs/risks quantified for submission to July Board **REVIEW DATE** August 2023	Outside Appetite and Tolerance	Transforming Technology
9	Technology (5.4)	Inability to Support & Maintain elements of Horizon Legacy Platform. Simon Oldnall (5:3) RK0020077	Stable	Risk Is Stable **MITIGATION** • Belfast Fortification project being mobilised, this project will focus on critical items that are EOSL and require mitigation/spend. Refresh Programme 3 (also known as Datacentre Fortification) now scoped and funded for all items assessed as critical for service continuity. Detailed programe plan to be baselined by 14/6/23 • Ongoing review of EOSL register to determine approach on a component by component basis being managed via Horizon Architecture & Security teams (Sally Rush & Dean Bessell) • Discussions around approach to Oracle support & potential upgrade ongoing and will be presented to POL Board in July **REVIEW DATE** August 2023	Outside Appetite and Tolerance	Transforming Technology
10	Legal (5.3)	Non compliance with Data Protection and ICO guidelines. Sarah Gray (4:4) RK0021771	Increased	Risk has increased due to an excessive level of DSARS to be responded to within 30 days, given the excessive levels, mitigations are being reviewed to address the requests. **MITIGATION** • Team resource being managed • Team are experienced with high levels of knowledge. Processes in place to ensure adherence. • Additional resource of circa 14 people currently being reviewed to support the DSARS request **REVIEW DATE** 2 weekly review in place	Outside Appetite and Tolerance	Rebuilding Trust

Appendix 2 – Policy Exceptions

No	Risk Number	Exception Title	Risk Owner	Risk score	End Date	Extension in review	Entity	Business Approver	Policy Name	Policy Owner
1	RK0021651	Counter Pilot R1 does not adhere to POL Access Control Standards risk exception	Gareth Clark	12	31/3/2023	Possible extension until October when R1 will be decommissioned, awaiting response from Royal Mail	Branch & Digital Engineering	Zdravko Mladenov	Cyber and Information Security Policy	Dean Bessell
2	RK0021580	Unknown levels of Security for Parallels software REN EXC45	Dan Wood	9	12/09/2022	Extension discussions are in progress	Branch & Digital Engineering	Zdravko Mladenov	Cyber and Information Security Policy	Dean Bessell
3	RK0021649	Counter Pilot R1 screen lock Risk exception	Gareth Clark	9	31/3/2023	Possible extension until October when R1 will be decommissioned, awaiting response from Royal Mail	Branch & Digital Engineering	Zdravko Mladenov	Cyber and Information Security Policy	Dean Bessell
4	RK0021652	Counter Pilot R1 enabling Developer Mode on Production Devices risk exception	Gareth Clark	8	31/3/2023	Possible extension until October when R1 will be decommissioned, awaiting response from Royal Mail	Branch & Digital Engineering	Zdravko Mladenov	Cyber and Information Security Policy	Dean Bessell
5	RK0021864	IT Security Controls not fully evidenced for go-live PEN (PDA Replacements)	Darren Mullen	8	30/09/2023	N/A	Supply Chain	Martin Roberts	Cyber and Information Security Policy	Dean Bessell
6	RK0021865	Medium vulnerabilities found during pen testing not resolved for go-live PEN PDA replacement	Darren Mullen	6	30/08/2023	N/A	Supply Chain	Martin Roberts	Cyber and Information Security Policy Vulnerability Management	Dean Bessell
7	RK0021831	Partner Bank Failure to undertake testing for PIN deposits	Greg Lewis	2	TBC - until deployment	N/A	Product Portfolio-Banking & Payments	Owen Woodley	Business Change Manager Policy v2.3	GE Policy Sponsor Dan Zinner Tim McInnes – Standard Owner Saira Burwood - Standard Implementer

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Tab 4.1 Risk Report & Dashboard

Post Office Limited - Document Classification: INTERNAL

Appendix 3 – Gold & Platinum project risks

Risk Summary (Risks >16)

Short description	Title	Risk response	Current Risk Score	Proximity	Target Risk Score	Estimated cost	Risk owner	Trend	Mitigation plan	Planned mitigation date
Strategic Platform Modernisation	PROG GROUP: R2 is at high risk of not delivering by the end of July	Pending	20	Imminent	4	0	Gareth Clark	Increased	The programme met daily checkpoints on the deployment of code and the resolution of outstanding defects. It is currently reviewing a drop made on 30 May and believes that it will reduce the number of active defects from >100 to c.80. A planned drop on 5 June should reduce these further. The full E2E testing will take two weeks beyond this. It may be possible to absorb this delay with other replanning and this will become clear in w/c 5 June.	31 July 2023
Strategic Platform Modernisation	Change load pipeline across POL affects ability to deliver the programme	Pending	20	Within project next 3 mths	4	0	Gareth Clark	Increased	The revised date for the delivery of N&IT has been based on the existing scope. If this changes, and especially if this is added to, the current given dates of being Deployment Ready (Jan 25) will be jeopardised. Active prioritisation and stopping or significant amount of change activity is required. Direction was given from the CEO towards the end of 2022, but implementation of this direction has not commenced. N&IT team working through change pipelines with commercial and retail team to identify change which can be postponed or not stopped. Teams require permission from senior management to stop change activities where possible.	31 December 2023
Data Centre Fortification	Data Centre Fortification Costs and Timelines dependant on Fujitsu negotiations	Mitigate	16	Within project next 3 mths	4	0	Simon Cherish	No Change	Post Office have to review and potentially challenge all the requests for time and spend with Fujitsu before they can be agreed.	29 May 2023
Transformational Portfolio	Delays in project decisions negatively impacting dependant projects	Mitigate	12	Within project 3-6 mths	4	0	Tim McInnes	No Change	Decisions are a routine item captured within project RAID logs. Work is ongoing to analyse this data to ensure the correct decisions are being escalated and to ensure a meaningful update can be provided to IADG on a monthly basis.	30 June 2023

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Tab 4.2 Compliance Report

POST OFFICE LIMITED
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Group Compliance Update	Meeting Date:	10th July 2023
Author:	Jonathan Hill, Compliance Director	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Noting

The Committee is asked to:

Note the Group Compliance update, particularly:

- The changes made to the FOI reporting processes and SteerCo following the discovery & disclosure of documentation containing racist language

- The impact on the GLO Compensation scheme and the receipt of 358 DSARs.

- Mandatory training completion rates.

POL Compliance Status/Overview
*Please note Group Compliance does not oversee all areas of the business.

1.   The areas in which we continue to identify potential and emerging risks are:

   a. **Data Protection / Information Rights**

   Data Protection Breach in Response to a Rule 9 Request

   On 15th May 2023, the Post Office Horizon IT Inquiry (the "Inquiry") issued a Rule 9 request to Post Office Limited ("POL"), which sought confirmation of whether 188 documents that had previously been disclosed by POL as relevant to certain custodians (pursuant to a Rule 9 request issued on 15th June 2022) were in fact relevant to those custodians. Following a review by POL's external criminal legal advisors, Peters & Peters ("P&P"), we clarified that 175 of the 188 documents were not relevant and were inadvertently included. They were not reviewed due to the truncated process agreed through POL's internal governance process and agreed with the Inquiry.

   Based on an assessment of the risk caused by this chain of events it was determined that this met the threshold of a notifiable breach and the Information Commissioner's Office ("ICO") was informed on 22nd May 2023. POL sent a response on 9th June 2023 to questions raised by the ICO; the ICO subsequently confirmed on 13th June 2023 that, based on the prompt action taken to remove the documents from the Inquiry's Core Participant e-disclosure platform, no further action is necessary on this occasion. POL has an adverse appetite to non-compliance with regulatory and legal obligations.

   There were no mandated actions in the ICO's response on 13th June 2023, although recommendations (e.g., ensuring adherence to processes, effective due diligence prior to disclosure and early breach detection) are in fact already in place. As reported, the issue here was that due to the urgency of the Rule 9 request the usual Due Diligence was not undertaken. Dispensation was granted by the HRC to relax the normal process due to the volumes of data and the timeframe for the specific Rule 9 request. Going forward the proposal from Compliance would be that no dispensation should be given unless there is a compelling reason to do so,

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The Hard Copy Index

It was previously reported that there were concerns regarding the accuracy of Q&A ran by Oasis of the indexing programme. *CONFIDENTIAL*
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Recommendations for next steps for Phases III & IV were presented and agreed at HMC 06/06;

- POL will reindex Phases III & IV, followed by a Quality Assurance exercise
- Tolerance level for any future errors: HMC noted that the Assurance Director was content with a tolerance level of 3% for material errors which could impact retrievability and, 15% for non-material errors which would not impact retrievability. However, given *CONFIDENTIAL* *CONFIDENTIAL*, HMC agreed with the DPO suggestion and recommended to adopt a 1-3% tolerance rate for material errors and for POL to then take a decision thereafter based on how errors were contextualised
- Budget & resource is being secured for the work, after which timelines will be finalised
- It is anticipated that work will commence early July, with timeframes to be finalised and shared by means of verbal update to the RCC
- Updated indexing will be shared with Law Firms on a regular basis, during the re-indexing exercise

FOI requests & DSARs

The number of FOI requests remains at a high level and this is likely to continue and increase given the next phase of the Inquiry commencing in July. At the time of compiling this report (13/06) there were 44 open cases of which at least 38 directly or indirectly relate to the Horizon Inquiry.

POL recently responded to an FOI request for the release of Security Documents that contained inappropriate and racist terminology. This request followed the process set out for internal consultation prior to disclosures following normal governance procedures. However, given the sensitivities of some FOI requests, changes to the FOI process, particularly reporting and changes to the FOI SteerCo have been made. Please see the brief given to the GE, which is in the Reading Room.

GLO Scheme

On 29.05.23 we received 307 DSARs from Freeths and shortly afterwards a further 10, requiring us to provide them with all information held by POL relating to their clients. Since then we have received several more DSARs from Freeths, bringing the total (as at 30.06.23) to 358. We anticipate that more will be received.

These DSARs were submitted as Freeths *CONFIDENTIAL*
CONFIDENTIAL This scheme was established in recognition that the amount the wrongfully convicted Postmasters received from the GLO settlement, after having paid their litigation funders and legal fees was less than they could receive going through other schemes set up by Post Office.

POL, the Department of Business & Trade ("DBT") and the various law firms acting on behalf of claimants agreed a process earlier this year to ensure that all claimants received the necessary information to allow their clients claims to be progressed by the law firms acting on their behalf. This approach followed the same principles as were applied for the HSS scheme.

As the DSARS submitted place a legal obligation on POL these need to be prioritised over support for the HM teams involved the Compensation Scheme. Also, and critically, we are operationally not able to process 358 DSARs within the statutory timescales. The systems we have and the amount of data to be reviewed for each DSAR means that it is estimated it could take us over a year to process them, even if we recruited a large team to do the work.

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Tab 4.2 Compliance Report

Although a fine from the ICO, whilst possible, is considered unlikely given POL's commitment to dealing with the DSARS and the Information Commissioner's commitment not to fine publicly funded organisations given the strain on public finances. POL can expect to be reprimanded by the ICO and other sanctions such as enforced audits leading to POL being heavily criticised in the media for "failing" to provide data needed to support wrongfully convicted postmasters.

We, together with Historical Matters, are working with DBT on this. DBT are in contact with Freeths ███████████████████ *CONFIDENTIAL* ███████████████████.

In the meantime, we are looking at recruiting a team to support the DSARs in case they are not withdrawn and have advised DBT that this needs to be at their cost.

Risks

Unless Freeths withdraw their DSARs the implications of this situation are:

- First and foremost, it will seriously delay the process to provide sufficient compensation to postmaster claimants;
    - We are working on recruiting 10 contractors to help support processing the DSARs, which we are asking DBT to fund. However, even with these roles in place, POL will not meet its statutory timescale obligations for processing DSARs,
    - DBT is hoping Freeths will withdraw the DSARs so that these roles are not needed;

- Secondly, as ███████████████ *CONFIDENTIAL* ████████████ ███ *CONFIDENTIAL* █████████. Recently the ICO has indicated that it will not impose fines on HMG-funded organisations as this would be taking funding from those organisations and handing it back to the Treasury, which would be counterproductive. We are obtaining legal advice on this risk;

- Thirdly, it is anticipated that the legal representatives of other GLO Compensation scheme claimants will submit DSARs for their clients, resulting in over circa 400 DSARs being received, with the commensurate impact on timelines;

- Also, we can expect to be heavily criticised in the media for "failing" to provide data needed to support wrongfully convicted postmasters;

- Lastly, because we have to support the 358 DSARs, we will have to prioritise these over anything that is not essential and not related to the Inquiry, HM, NBIT and on-going investigations/incidents.

Next steps

1. Unless and until the DSARs are withdrawn we will continue to prioritise these over anything that is not essential and not related to the Inquiry, HM, NBIT and on-going investigations/incidents. We will look to prioritise the elements of the DSARs that would enable the GLO scheme to progress the claims.
    - Approximately 10 of the 18 DSARs lines of data are required to support Compensation claims;
    - The remaining 8 are complex/voluminous and in POL's opinion and agreed by claimants' law firms are not required to support the Compensation scheme claims;
    - It is estimated that 1 of the 8 lines (Audit Record Query ("ARQ"), held by Fujitsu) would cost approximately £11m and we have no cost cap as we do for FOIs

2. We have contacted the ICO to advise them informally of the situation. We are planning to submit a notice to the ICO early next week, requesting a meeting.

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3. We are working on recruiting 10 contractors to help support processing the DSARs, which we are asking DBT to fund. However, even with these roles in place, POL ███ *CONFIDENTIAL* ████
    ████ *CONFIDENTIAL* ████

b. **Financial Crime/AML/ABC**

The Fit and Proper Remediation Prove Case approval was obtained on 24th May 2023. A Project Manager and Business Analyst have been appointed and a review of the systems and issues has been undertaken. A proposal has been drafted to implement a phased approach, and if agreed, phase 1 will deliver process improvements and quick wins by December 2023.

The annual re-assessment of POL's medium-high risk Travel Money service has identified a marginal improvement in some controls and corresponding reduction in the residual risk. The level of unusual and suspicious activity has increased in line with sales growth but levels of non-conformance at point of sale have increased at a higher level (splitting transactions to circumvent ID capture limits, and knowingly serving customers not eligible for the product). We are working with the Network and Product teams to deploy communication and awareness. There is a current Prove Case to replace the Travel Money EKYC service from Digidentity with a service from Yoti as the contract expires in October 2023.

Update on William Hill fine (ARC 28.03.23 action 9)

- In March 2023 William Hill Group was fined £19.2m by the Gambling Commission for social responsibility and anti-money laundering failures.
- The vast majority of issues related to failures to protect vulnerable customers from harm through uncontrolled losses. AML failings related in the main to inappropriately training staff on risks and how to manage them, failing to undertake appropriate due diligence and account monitoring, weaknesses in policies, procedures and controls relating to the appropriate action to take following the results of customer profiling and lack of hard stops to prevent further spend and mitigate against money laundering risks before customer risk profiling was completed.
- The William Hill AML failures are not applicable to any Post Office activity and cannot be associated to banking cash deposits transacted at Post Office under the Banking Framework, as regulatory responsibility for due diligence, account monitoring, customer profiling and account blocking rests entirely with the account holding banks. The only potential flow through could be in relation to AML training, but Post Office does undertake training for all employees, Postmasters and their staff on risks and red flags and the correct procedures to be followed, and this training is regularly reviewed and updated in line with current threats.
- As banks roll out their deposit limits, the risk of splitting transactions to avoid transaction limits declines; further attempts to deposit are likely to hit cumulative deposit limits. However, the risk of laundering over Post Office counters is still high due to the amount of cash deposited and the use of mules and couriers who are able to deposit funds across multiple accounts and multiple Post Office locations.

The UK Government's Economic Crime Plan 2 sets out the government's priorities in tackling financial crime over the next three years. It is underpinned by £400 million of investment - a £200 million government investment and £200 million from the Economic Crime Levy.

- It has been determined that both POI and POL will have to pay the new Economic Crime Levy – POI will pay ███*CONFI...* to the FCA and POL will pay ███*CONFID...* to HMRC.

The Plan acts as an overarching document for the UK's Fraud Strategy and alongside a new Anti-Corruption Strategy, which is yet to be published. The three key aims are:

- Reducing money laundering and recovering more criminal assets
- Combatting kleptocracy and driving down sanction's evasion
- Cutting fraud

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Tab 4.2 Compliance Report

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The largest impact to Post Office is likely to be the new 'failure to prevent' fraud offence aimed at preventing corporate misconduct in large organisations. As Post Office Limited is wholly owned by the UK Government and is subject to increased scrutiny and approval for significant decisions, the risk rating is expected to be low. The additional impacts are likely to be dependent on Post Office's exposure to law enforcement activity; the creation of new investigation cells and renewed enforcement focus and appetite to disrupt organised criminal groups' money laundering methods may identify new or emerging risks occurring at Post Office counters over the next 3 years (further information on ECP2 is included in the Reading Room).

c. **Financial Services**

In April 24% of mystery shops were graded red. An improvement has been seen in Over 50's and Travel Insurance as compared to Q4. Over 50's 10.5% in April, 15% in Q4. Travel Insurance 24.3% in April, 33.5% in Q4. However, there is an overall increase in red grades in April 24%, 21.8% in Q4. This is attributed to Savings that has increased from 13.6% to 27.9%. The main reason being summary boxes not being provided with an application form. Investigations are being carried out to identify the root cause of this sudden uplift.

d. **Mandatory Compliance Completion Rates at 12.06.2023**

The following business functions are currently below target for completion of mandatory compliance modules against the agreed KPI of 95%.

9 out of 10 business areas have not achieved 95% for AML training which closed on 22nd May 2023 and 3 areas have not reached 95% for GLO training.

We are working with L&D to see if we can establish formal consequences for non-completion and for these to be added to the PDR / bonus process.

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Tab 4.2 Compliance Report

Appendix 1 - Status of Group Compliance Activities

The table below provides a status of 2022/23 Group Compliance Activities:

Activity	2022/23 Group Compliance Activities	Status of Group Compliance Activities	Current Assurance Results	Comments
Group Policy Assurance	15 policy reviews are due between Sept 2022 and March 2023	PAUSED	PAUSED	Group policies annual renewal cycles being met in majority of cases.
Postmaster Policy Assurance	Review all 12 PM Polices by 31 March 2023			All 12 policies are in draft review stage. **The policies reviewed are fit for purpose**, but improvements are needed on oversight and governance, control standards and consistent policy adherence.
FS Mystery Shopping	c200 shops per month are planned for the rest of 22/23 (excl. Dec)			In April 37 branches were graded red 24%. The new simplified branch travel insurance journey was implemented in March and shopping recommenced in April. This has shown an improvement in results where 24.3% were graded red as compared to 31.6% in Feb, 35.4% in Jan, 47.2% in Nov and 44.7% in Oct. As the new journey beds in we should expect to see a further improvement in the coming months.
Data Protection and Information Rights	Accountability Framework planned actions for 2022.			POL management and control over hard copy data continues to remain a significant risk and an exposure (from an Inquiry and GDPR perspective).
Financial Crime	6 Risk assessments completed, 6 assessments postponed (Insurance), 4 assessments in progress in Q1 2023			Travel Money, Drop and Go, Credit Card, ABC (POL, POI, PZBP) re-assessed with no significant findings. ATM risk assessment is to be finalised imminently. 6 assessments relating to insurance products have been postponed in Q1 23/24, due to product owners not completing PIPs on time - extension has been agreed until mid-June. Banking cash withdrawals will be complete as part of the Q1 cohort. New products/changes are prioritised with continued regulatory landscape monitoring for emerging risks.
Financial Crime	Quarterly policy assurance for AML/CTF, ABC & FC policies and HMRC F&P policy.			Assurance against minimum control standards remains amber due to ongoing issues with Fit & Proper agent data and current manual workarounds and occasional instances of G&H non-conformance. It should be noted that a Prove Case has been approved to identify a solution to correct the F&P data issues.
Supply Chain	2 reviews completed by the end of May 2023. Norwich CViT review was graded Seriously Adverse			The average results of Supply Chain assurance reviews are static, average improvement needs stand at 3.7 at Mat 2023, which is an increase of 0.2 from February 2023. This will continue to be monitored closely as it is still higher than previously seen.

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POL ARC Meeting-10/07/23

Tab 4.3 Assurance Update

POST OFFICE

POST OFFICE LIMITED
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Group Assurance Update	Meeting Date:	10th July 2023
Author:	Anshu Mathur, Group Assurance Director	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Noting/Approval

The Committee is asked to note the Group Assurance update, particularly:
- Historical Matters Assurance progress, key risk themes and opinions
- Outcomes of other assurance reviews:
  o Postmaster Policy Reviews
  o NBIT Business Requirements - Legal and Regulatory

Group Assurance - Status / Overview

1. **Historical Matters Assurance* - Status and outcomes**
   *as previously presented to ARC - 'Historical Matters' Assurance covers Schemes, IDG (HIJ/CIJ), Inquiry, Control Framework.

   In the period since the last ARC considerable progress has been made in moving the Historical Assurance Plan forward and many elements of the plan are either completed or now in draft reporting stage. Please refer to **Appendix 1** for the status of Assurance activities.

   Key findings from our assurance review are summarised below:

   a. **Common Issue Judgements (CIJ 1 to 9) – Draft Reporting**

   As the ARC is aware, our review applied a critical lens to the evidence provided by the Retail Team, to assess its sustainability and whether any further risks or areas of improvement existed from a Postmaster (PM) lens to prevent detriment and ensure appropriate oversight.

   A number of challenges had to be overcome and considerable time invested with the Retail team prior and during the review, this however has resulted in the following benefits for POL:

   - A single CIJ universe of actions, with clear ownership and articulation of risks.
   - A central repository of evidence, including links to sites, clearly tagged to CIJ:
     o 1,594 evidence items, and access to 53 live sites (containing policies, processes, documents, MI, and access to live systems such as Power BI Dashboards).
     o This should now be used for continuous assurance and support Inquiry preparation.

   Preliminary opinion (DRAFT)

   For all 9 CIJ areas we have issued Final Draft reports to the Retail team. Therefore, subject to a final assurance internal review, the key thematic(s) are summarised below:

   - c 97% of the actions have been completed and evidence exists to demonstrate this.

   That said, and as mentioned above, our review has gone beyond the evidence, to review with a critical lens whether the actions are sustainable, can demonstrate or track the impacts on PMs, and where applicable, there is appropriate oversight and governance.

   With this context we have identified a number of significant improvement opportunities:

   - **MI, Dashboards and Reporting (thematic)**
     - Whilst the Retail Team have considerable data, MI, and dashboards it is particularly challenging to assess (on an E2E basis) the overall impact on PMs.
     - It is unclear how KRI's, KPI's and exceptions are tracked holistically or triggered for escalations to ensure timely visibility, and appropriate governance.

1

Tab 4.3 Assurance Update

Whilst the GE receive on a regular basis a CIJ dashboard, this in our opinion requires a revamp and should be created with a E2E view of the PM journeys or akin to a balanced scorecard that many consumer facing organisations have to measure their impact and protection of consumers.

- **Root Cause Analysis (thematic)**

  - Whilst causes or buckets of errors is captured for Transaction Corrections, root cause analysis is not currently used and or reported to support understanding of why issues/errors are occurring. Outcomes of this type of analysis should also be used to improve PM training and support.

- **Quality Assurance (QA)**

  - QA processes are being used/introduced to various teams within Retail such as Branch Assurance, Transaction Corrections and Disputes, this is a positive step to provide assurance on activities completed by these teams. Consideration should be given to how QA (status and outcomes) are monitored.

  - Scripts have been introduced to ensure a consistent approach to contact with PMs, and a call recording system has been implemented allowing call monitoring to take place. However, in some instances, calls made via mobile phones cannot be recorded (or logged) and therefore not able to be monitored.

  - PM Suspension payments are calculated by Finance however these are not independently checked to ensure the accuracy and or completeness of the Remuneration components.

- **Loss Recovery and Investigations**

  - For losses that have been investigated and found to be genuine losses, POL is treating PMs differently. Some PMs who are not engaging with POL are not repaying them whilst other PMs who do engage with POL are repaying losses.

  - Additionally, discrepancy cases identified following Branch Assurance reviews are not prioritised for investigation, not prioritising cases may mean PM suspension periods are extended unreasonably.

- **Other Thematics**

  - A standardised approach to document control (incl. version control) needs to be adopted across the Retail team to ensure POL can demonstrate changes (or no changes) and evolutions to key processes and procedures.

  - Postmaster Support policies – No consistent or effective approach currently exists to monitor or assess the effectiveness or levels of compliance to Postmaster policies.

At an individual CIJ level our DRAFT assurance ratings, using the Internal Audit scale, are summarised in **Appendix 2**.

b. **Speak Up Review – Draft Reporting**

Group Assurance performed a review of Post Office's Speak Up function's (previously known as Whistleblowing) processes and procedures to assess the robustness of their control environment.

The Speak Up team was established approximately 18 months ago and during this period, the team have invested heavily in reviewing and updating processes and procedures and have also introduced monitoring dashboards for Speak Up which is reported to Group Executives and Board members monthly.

Whilst being a relatively new team, they are embedding robust processes and procedures, and have a culture of continuous improvement.

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Tab 4.3 Assurance Update

Consequently, our draft opinion is that the overall control environment is **Satisfactory.**

c. <u>**Postmaster Detriment – Pot A Suspension Payments - Completed**</u>

This review was initiated at the explicit request of the Historical Matters Director who identified a potential risk in connection with accuracy of suspension payments.

The Assurance Team performed a desk top review of the Historical Matters Suspension Payment Processes and performed a walkthrough on three Suspension Payments to assess the effectiveness of controls.

Our review identified that there are significant gaps and weaknesses in the design of the Historical Matters Suspension Payment Processes whereby completeness, accuracy and or reasonableness of Suspension Payments cannot be assured.

Consequently, our assurance review rates the 'Historical Matters Suspension Process' as Unsatisfactory.

The findings from our review and areas of high residual risk have been discussed with the Historical Matters Director, who will present and share remediation steps needed with HRC.

d. <u>**Inquiry- Fieldwork**</u>

Assurance of the Inquiry workstream remains in fieldwork as the legacy control environment for Rule 9 requests has gaps (currently unable to demonstrate Rule 9 completeness and accuracy) which the Inquiry team are working to address with the support of HSF. To be revisited mid July 2023.

The Inquiry team are now finalising new processes and procedures for Rule 9 requests, which the assurance team will review to ensure there are no gaps.

It is anticipated that assurance work will recommence mid-late July, sampling more recent Rule 9's, to ensure the new ways of working have been embedded.

e. <u>**HSS/Stamp Stock (Fieldwork and Completed respectively)**</u>

A sample of HSS claims have been reviewed and initial feedback provided to the HSS and HM Governance team. A further claim remains to be reviewed before a draft report is issued. The main themes of the findings are in relation to the number of duplicate documents and documents that do not have relevance to the history of the claim.

The Stamp Stock Scheme final report has been issued to key business stakeholders. Overall good levels of conformance to processes were found.

2. **Other Assurance Reviews**

a. <u>**Postmaster Policy Compliance Reviews – Draft Reporting**</u>

The key thematics emerging from these reviews are:

- The policies themselves are fit for purpose, however significant improvements would be needed to demonstrate compliance, in areas such as:
  - o Policy monitoring and oversight.
  - o KPI and or KRIs
  - o Clearer articulation, assessment, and monitoring of key controls

Whilst there is a close alignment with CIJ reviews, and we have aligned both reviews where possible, the Committee should be aware the approach of the Postmaster policy reviews was fundamentally more myopic and did not apply a E2E view of the POL universe.

The Retail team are reviewing the reports and are targeting end July to provide comments. Please refer to **Appendix 3** for a breakdown of the PM Policy Compliance reviews.

b. <u>**NBIT Business Requirements – Completed**</u>

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The objective of the assurance review was to assess whether business requirements (from a legal and regulatory perspective) have been captured and documented accurately. Our review sampled 8 key requirements across Release 2 and Release 3.

Our findings are summarised below:

- Release 2 – Banking Framework Services sample selected demonstrated that clear and precise business requirements have been documented consistently, and this was reflected in Epics and User Stories.

- Release 3 – Improvement opportunities identified – Whilst Travel Money Service, at the time of the review was work in progress and had not been fully developed, the review identified that the product requirements had not been accurately or fully captured.

A consistent approach on capturing business requirements has not been implemented between the two releases. In relation to R3 the requirements are captured across Jira via a combination of process flows, EPIC and User Stories, which makes identifying and ensuring accuracy of the requirements extremely challenging and therefore raises the inherent risk of error or inability to assess completeness/accuracy of business requirements.

NBIT have now appointing EY to perform a deeper review of business requirements for R2.

c. **Pause Payments – Outstanding Balances - Completed**

The process used by the HM Legal team to complete and document their assessment to continue recoveries of losses for 21 cases involving PMs is very methodical with good file structures and a clear application of logic to categorise the risk classifications.

That said our review has highlighted the following risks that management need to carefully consider prior to assessing whether recoveries should continue or be paused:

- It is unclear whether the POL individuals involved in these cases (audit, investigation, and security teams) and the processes and practices they adopted (dates range from 2006 to 2020) were similar to those that led to incorrect historical convictions.

- The level of documentation varied for the cases reviewed, in two cases (both CCJ) there was significantly less documentation.

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A verbal update will be provided on the HMC's decision to continue or suspend such recoveries from PMs.

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Tab 4.3 Assurance Update

Appendix 1 - Status of Assurance Activities at 29 June 2023

Area	Status	Update
PM Detriment POT A Suspension Payments	Complete	Assurance review completed, report issued to HM Director 16/6/23 – Affirms the HM Directors significant concerns on accuracy and completeness of payments.
Stamp Scheme	Complete	Report Issued 18/5/23, overall good levels of conformance.
NBIT Business Requirements	Complete	Identifying and ensuring accuracy of business requirements is challenging and therefore raises the inherent risk of error or inability to assess completeness/accuracy of requirements.
Pause Payments – Outstanding Balances	Complete	Our review highlighted that there is significant risk for POL in continuing to recover outstanding balances from Postmaster for 21 cases range between 2006 and 2020.
CIJ	Draft Report	Final Draft summaries issued to the Retail team. – Expected mid July 2023.
Postmaster Policies	9 Draft Reports 3 Reporting	Policy Assurance fieldwork is now complete and 9 PM Policy Review Draft Reports have been issued to the business for response – Expected mid July 2023.
Speak Up	Draft Report	Assurance review completed; final draft report issued to Head of CIU – Expected end June 2023.
Investigations (CIU)	Draft Report	Assurance fieldwork has completed, draft report issued to CIU. Expected mid July 2023.
Shortfall Scheme	Fieldwork	Work in progress and a draft report to be issued by early July 2023.
Inquiry	Fieldwork	Awaiting further information from Inquiry Team to enable completion of review by mid July 2023.
CF- Tech Change	On Hold	The Technology team has completed majority of the work; blocker is the Assurance Directors capacity to finalise the review.
HIJ	Suspended	HIJ review is currently suspended. Preliminary observations have been shared with the Horizon and GLO IT Director. Formal draft not issued. Next steps TBC.
OHC/ PM Detriment		Targeting to commence fieldwork in July/August 2023.

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Tab 4.3 Assurance Update

Appendix 2 - Summary of CIJ – Assurance outcomes (Inquiry lens)

Satisfactory	
Needs Improvement	•CIJ 1 (Onboading) & CIJ 9 (Culture & Comms)
Needs Significant Improvement	•CIJ 3 (Audits - now known as Branch Assurance) •CIJ 4 (Shortfalls) •CIJ 6 (TC & Disputes) •CIJ 7 (Suspensions) •CIJ 8 (Terminations
Unsatisfactory	•CIJ 2 (Training) & CIJ 5 (Loss Prevention)

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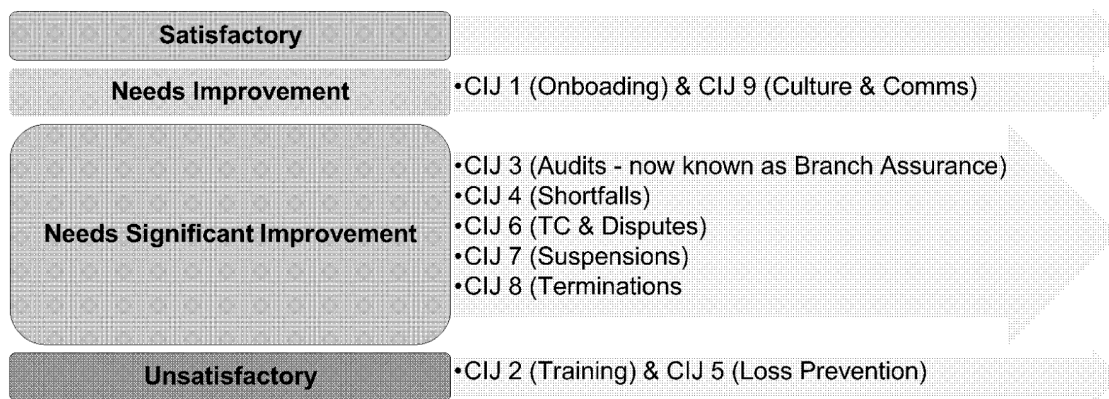
Tab 4.3 Assurance Update

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Appendix 3 – Assurance Postmaster Policy Compliance Reviews - DRAFT STATUS

	Onboarding	Training	Network and Cash management	Network monitoring	Transaction correction	Account support	Account dispute resolution	Complaints handling	Contracts performance	Contract suspension	Contract termination	Decision review	Summary
Overall policy rating													
Is risk adequately identified?													
Is the risk appetite correctly identified?										Draft Report not issued			
Are the key personnel correctly identified?													
Are reported minimum controls actually controls?													
What are the key controls?													
What are the key metrics / KPI's?													
Is the process / procedure correctly articulated?													
Does the evidence show the policy is working?													
Given the above, can we be sure the policy is fit for purpose?													

Scale: - Satisfactory - Needs Improvement - Needs Significant Improvement - Unsatisfactory

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Tab 4.4 Internal Audit Report

POST OFFICE LIMITED
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Internal Audit Report	Meeting Date:	10th July 2023
Author:	Johann Appel – Director of Internal Audit & Risk Management	Sponsor:	Al Cameron - CFO

Input Sought: Noting

The Committee is asked to:

   i.   Note the audit results for 2022/23 and internal control themes identified;

   ii. Note the turnaround time for internal audit reports;

   iii. Note the progress being made with delivery of the internal audit programme and completion of audit actions.

Executive Summary

This paper provides a summary of the internal audit results and control themes, as well as the performance against reporting SLA for 2022/23. We also provide an update on the progress of the 2023/24 internal audit programme and completion of audit actions.

Key Messages

- **Control Themes:** The top three control themes for 2022/23 have remained the same, with a notable increase in findings around change delivery. The control environment for non-change activities appear to have remained stable.

- **Report Clearance:** The time taken to clear audit reports have worsened from 20 days to 31 days against the SLA target of 20 days. It took an average of 56 days to clear programme assurance reports. Our assurance activities aim to remediated programme weaknesses in a timely manner. Delays in finalising reports therefore erode the impact, relevance and the value of our work.

- **Overdue Audit Actions:** The number of overdue audit actions continues to increase, reflecting the constraints that the business are operating under, with ever increasing demands, competing priorities and interdependencies.

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Tab 4.4 Internal Audit Report

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Report

Summary of Audit Results for 2022/23

1. The distribution of audit report ratings for the last three years are shown below. 2022/23 saw audit numbers return to usual levels following the conclusion of additional post-GLO support reviews requested in 2021/22.

22/23   **21/22**   **20/21**

- Satisfactory
- Needs Improvement
- Needs Significant Improvement
- Unsatisfactory
- Not Rated
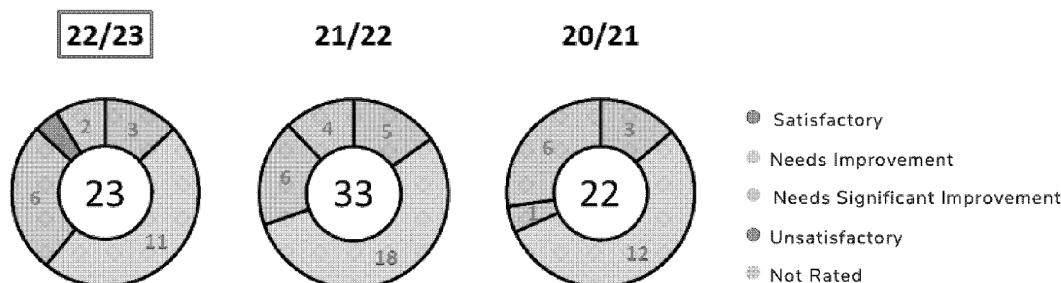
2. During 2022/23 we raised **162** actions across **23** audits (compared to 194 actions across 33 audits in 2021/22). The average number of findings per review has increased from six in 2021/22 to **seven** in 2022/23. Change audits, which historically have generated a high number of actions, have moved closer to the mean for the total population, at **eight**.

Number of Actions and Audits

	20/21	21/22	22/23
Number of actions	130	194	162
Number of audits	22	33	23
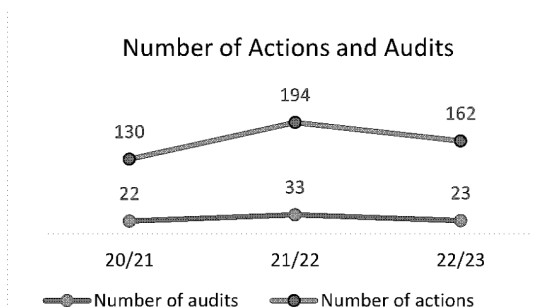
3. The split of findings across our three ratings shows little change from last year. The significant majority of findings are rated Priority 2: *'weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk'.*

22-23   26%   60%   14%

21-22   22%   60%   18%

- P3 (Low Priority) - Scope for Improvement
- P2 (Medium Priority) - Weakness
- P1 (High Priority) - Significant Weakness
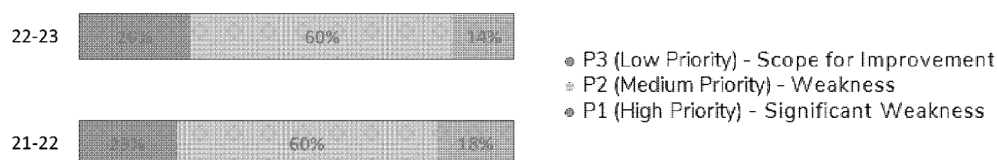
4. Audit findings were analysed to identify recurring control themes and root causes. The top five control themes were as follows, with full results in the reading room (appendix 1).

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Tab 4.4 Internal Audit Report

	Control Theme (by COSO control components)	% of Audit Findings	
		22/23	21/22
1st	Change Delivery[1]: Ineffective change governance, risk management and tracking/ realisation of benefits.	**41%**	27%
2nd	Control Activities: Internal controls are not deployed through policies, procedures and systems and / or internal controls are not designed or operating effectively.	**19%**	19%
3rd	Information & Communication: Unavailability of relevant, quality information to support the internal control function and decision making.	**17%**	22%
4th	Ineffective identification and/or management of operational fraud and change risk.	**6%**	5%
5th	Lack of clarity of structure, authority and responsibility	**5%**	8%

[1] Change Delivery is not a standard COSO control component, however, these findings are shown separately to avoid distortion of BAU controls.

5. The key observations of the year-on-year movements in control themes are:

- **Change Delivery** control issues represent **41%** of all audit findings, up from 27% in 21/22.
- The **top three themes** are the same as 21/22, although the order has changed.
- **Seventy-seven percent** of all actions fall into the **top three themes** (68% in 20/21).

Key messages and our actions

6. The **concentration of results** in the top three control themes shows the importance of doing **change well**, **effectively controlling risk** and **having access to quality information**. Improvements in these areas will have a significant positive impact on the control environment.

7. The **top three themes** have remained the **same for the past four years**. Improvements are seen in some areas; for example, work to improve the quality of key policies has added much needed clarity to the policies themselves, as well to who is required to comply. However, progress is slow. Management must ensure adequate effort is expended to improve these areas.

8. **Change Delivery** continues to be the top theme, now with a larger percentage of audit findings than 21/22. This signals the ongoing challenges of managing a strategic change portfolio that encompasses critical programmes across the business. Programme alignment and delivery remains one of the 13 Enterprise risks, which reflects the importance of this area at a strategic level.

   Work to support the NBIT programme in the period generated **44%** (35 of 67) of all change audit actions, with **34%** of these **rated as P1: Significant Weakness**.

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Tab 4.4 Internal Audit Report

- **We will:** continue to provide focused and independent scrutiny of the NBIT programme.
- **We will:** seek to work collegiately with programme management, and will escalate where appropriate to senior stakeholders.

9. The percentage of audit findings relating to **ineffective control activities** stayed steady at **19%**. This has been a consistent finding for actions across all areas of POL. In the 21/22 themes report we noted activities were underway to address some of the operational challenges, such as the continuing roll-out of ServiceNow for risk management and controls monitoring, and the strengthening of key policies. These initiatives are now in place, and have had a positive impact on the effectiveness of controls across the business. However, some areas, such as the build-out of a comprehensive control framework, have not developed at the pace expected, partly due to competing priorities, such as cost reduction and the resource impact of the Inquiry. Nonetheless, the absence of decline in control activities reflects well on the continued efforts of the business to maintain a sound control environment throughout a challenging year.

- **We will:** use our reach to actively promote the development and integration of POL-wide control frameworks.

10. **Unavailability of relevant, quality information** showed a small improvement this year. Although the anticipated investment to fully leverage the data we hold was deferred, the business has made progress in developing more robust reporting to support decision making. This theme also refers to occasions where information is available, but MI reported upwards for monitoring and decision-making is inaccurate, incomplete or inconsistent.

- **We will:** expect management to keep a critical head over MI, to include regular reviews of the underlying assumptions around the source, content and interpretation of data used. This will be assessed as part of our controls testing work.

Audit report turnaround during 2022/23

11. In 2022/23 it took an average of **31 working days** from the close of fieldwork to issue the final report to management. This is an increase of 11 days on our prior year performance. Our target SLA of 20 days was not met.

Report Turnaround Time in days – year on year

2020/21	17
2021/22	20
2022/23	31

Target SLA = 20 days

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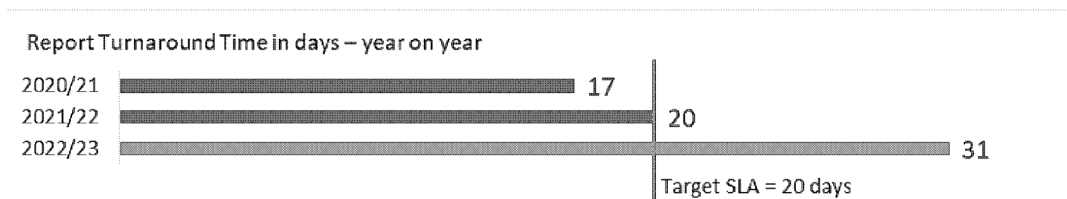
12. Further analysis shows that **programme assurance reviews** took, on average, **2.6 times longer** to clear than **BAU reviews** (56 days vs. 21 days).

Report Turnaround Time in days – Change vs BAU

Change	56
BAU	21

Target SLA = 20 days
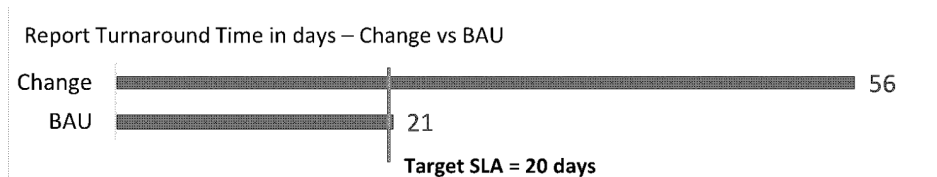
13. Any delay in reporting extends the exposure of the business to untreated risk unnecessarily, which is compounded by the nature of change programmes: our reviews are designed to provide real-time assurance and insights that enable programmes to address any areas of weakness promptly. Any reporting delay dilutes the impact, relevance and, therefore, the value of our work.

14. An initial root cause analysis shows the turnaround time is influenced by the levels of engagement achieved with programme heads, and by difficulties in identifying appropriate action owners for the reported risks. This has been compounded by uncertainty of roles and responsibilities between the SPM and RTP programmes, and at a GE level. IA have taken care to communicate clear expectations before each assignment, to challenge behaviours that are not aligned with PO ways of working, and to escalate promptly where necessary. However, we expect these issues to persist until structural and cultural issues impacting the twin programmes are addressed.

15. Performance in **BAU audits** remained strong at **21 days**, reflecting the good working relationships we cultivate across the business.

Progress against plan for 2023/24

16. We have completed two POL audits during the current reporting cycle.

17. The current status of the 2023/24 plan is as follows:

POL Internal Audit Plan 23/24
Status: Total Audits = 22 [1]

22
2
3
4
15

POI Internal Audit Plan 23/24
Status: Total Audits = 6 [2]

6
1
5

- Completed
- Fieldwork
- Planning
- Not yet started
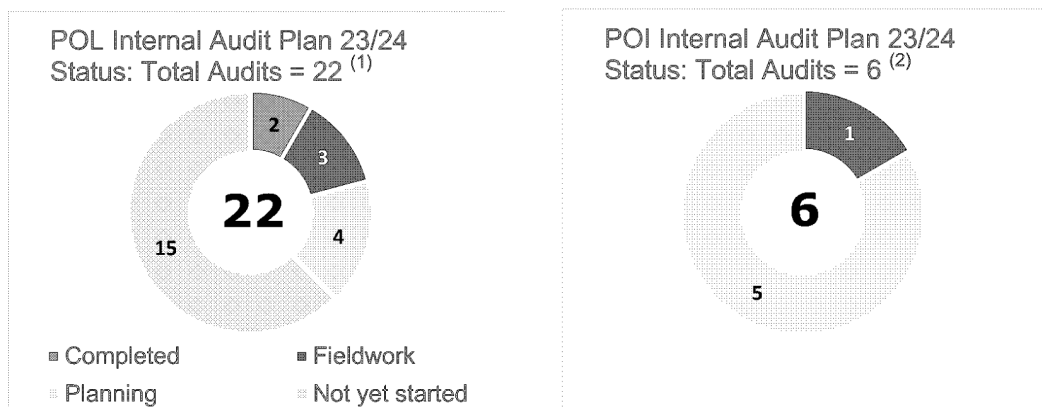
[1] Target number of reviews based on revised plan for 2023/24 approved by ARC was 22 (16 Internal control reviews & 6 change assurance reviews. Details of the audit plan are in the reading room (Appendix 2).
[2] POI ARC approved baseline plan for 2023/24.

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Tab 4.4 Internal Audit Report
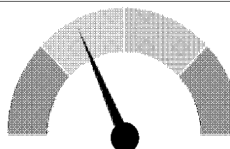
Internal Audit reviews completed

18. The following audits have been completed since the March ARC meeting:

1	Application Modernisation Programme	
2	Validation of 2022/23 STIP Bonus Metrics (Not rated)	

19. Our findings and observations from these reports are summarised below, with the full reports (where applicable) available in the reading room.

20. **Application Modernisation** (Ref.2023/24-01)

	Audit actions:		*Sponsor:* Zdravko Mladenov
	P1	-	*Reading Room appendix 3*
	P2	4	
	P3	1	
Some Delivery Risk	Total	5	

The Application Modernisation programme (App Mod) was spun-off from the Belfast Exit (Belfast cloud migration) programme after its closure in September 2022. App Mod is focused on re-building strategic services in AWS and exiting the legacy Fujitsu 3rd party integrations, to support re-use in the NBIT solution, and is phased to align with NBIT requirements and rollout. It includes two major strategic projects: POETS, a Commercial Of-The-Shelf (COTS) solution, replacing the PODG batch file transfer platform, and APOP solution being built in the Cloud to replace current APOP business voucher authorisation system housed in the Belfast Data Centres. This provides multiple services including, Postal Orders and Pay-out products. A third project, inherited from the Belfast Exit Programme, is to build web services to handle data flows and transactions with partners.

IA assessed effectiveness of project governance and control, risks to delivery, contingency plans for delays, and the relationship with dependent projects including Strategic Platform Modernisation (SPM).

The programme set-up did not fully comply with the Change Excellence Framework as there is no business case. However, most of the key elements of set-up are in place except for certain aspects of benefits management, and action has also been taken to introduce a PID (Project Initiation Document) retrospectively. The programme appears closely managed, but there is a degree of delivery risk which is mainly driven by external factors such as the nature of the current relationship with Fujitsu, and challenges with the SPM programme, with which App Mod has dependencies. If these external issues deteriorate this will lead to an increasing level of risk to delivery.

Management Comment: Graham Bevin, Head of Integration Engineering (Business Sponsor)

We acknowledge the findings of the Audit that the Programme is closely managed but carries an element of Risk.

Regarding the findings on programme initiation, it is recognised that the standard CEF processes were not followed fully. However, as the project was set up via a Change Request as a result of the Belfast Exit programme terminating and the resultant deliveries being split into the App Mod and Datacentre Fortification programmes, it should be noted that all processes, stakeholder engagements, reviews and approvals as directed by the POL Portfolio and Finance teams were complied with fully. As per the report there are predominantly mitigations already in place to address any initial gaps, and actions agreed within the report for all other areas.

The finding of 'Decisions made without a quorum' has been addressed, with DCSN0001460 approved May 18th 2023, to amend the SteerCo Terms of Reference, reducing the Quorum from the full distribution to key stakeholders.

The finding of 'Insufficient access to RTQ information' is a POL wide position, and is not programme specific, this needs to be addressed as an improvement opportunity for the RTQ process itself and is to be picked up by Matt Keefe and Cherise Osei.

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> Weaknesses in communicating NBIT dependencies have been acknowledged by both teams and we are working towards a solution. Planning engagement has been established between the App Mod Programme Manager and the NBIT delivery team.

21. **Validation of 2022/23 STIP metrics** (Ref.2023/24-02)

Not Rated	**Sponsor:** *Jane Davies*
Internal Audit were requested by RemCo, via the People Team, to validate the three metrics of the 2022/23 Short Term Incentive Plan (STIP), which relate to 'Rebuilding Trust'. We have concluded our review and provided a report with our factual findings to the Interim Group Reward Director, which will inform his recommendations to the RemCo. Due to the sensitive and confidential nature of the information, no further details are provided in this paper.	

Changes to the 2023/24 plan

22. We have made the following changes to the approved internal audit programme:
    - Addition to plan (management request) – Validation of 2022/23 STIP Metrics. This work was completed in June 2023.
    - Scope / focus change (management request) – Postmaster Off-boarding will change to Postmaster On-boarding Financial Approvals Process.

Internal Audit reviews in progress

23. The following audits are in progress or planned for delivery at the next ARC:

	Review	Sponsor	Status
1	Financial Reporting Controls	Al Cameron	Fieldwork
2	HSS	Ben Foat	Fieldwork
3	Contractor Hiring Process	Jane Davies	Planning
4	Postmaster Onboarding Financial Approvals Process	Martin Roberts	Planning
5	Stamp Stock Controls	Martin Roberts	Not started
6	Cloud Security	Zdravko Mladenov	Fieldwork
7	IT Vendor Risk Management	Zdravko Mladenov	Not started
8	Data Centre Fortification Programme	Zdravko Mladenov	Planning

Status of Audit Actions

24. There are currently 25 actions overdue, 11 of which are older than 60 days. We are working with the action owners to close these actions and have escalated to the relevant GE sponsors where appropriate.

25. The movement and ageing of audit actions are shown in the table below (status as of 29 June 2023).

Audit Action Status (POL):		Ageing:	
Open actions at last ARC	35	Open (not yet due)	57
Less: Actions closed in period	15	Overdue (<60 days)	14
Add: New actions in period	62	Overdue (>60 days)	11
Total open actions	**82**	Total open actions	**82**

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Tab 4.4 Internal Audit Report

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26. Below is more detail of the overdue actions and latest status update (SPM actions are provided separately in summary format):

Description of audit finding and Priority rating	GE owner and due date	Action Owners and Status Update
Cyber Resilience (Phishing & Ransomware)		
Finding (P1): There is no fully integrated inventory of hardware and software assets (ref. 01) Action: Full implementation of the CMDB, along with additional tools to provide environmental discovery and auditing.	Zdravko Mladenov Original date: 30/11/2022 Revised date: 31/03/2023	**Owner:** Dean Bessell Delayed due to funding constraints. CMDB is now part of full Cyber Maturity Programme funding (IRRELEVANT) due to be presented to GE in September 2023.
Finding (P1): **IRRELEVANT** Action: Undertake a security risk assessment of all branch equipment.	Zdravko Mladenov Original date: 30/06/2022 Revised date: 31/03/2023	**Owner:** Dean Bessell Delayed due to funding constraints. 5 out of 6 sub-actions now complete. Final action expected to be complete by end June.
Finding (P1): **IRRELEVANT** Action: Ensure that Conditional Access Policies are applied to all necessary users.	Zdravko Mladenov Original date: 30/06/2022 Revised date: 31/03/2023	**Owner:** Dean Bessell Delayed due to funding constraints. 3 out of 4 sub-actions now complete. The final action is expected to be complete by September.
Finding (P1): **IRRELEVANT** (ref. 06). Action: Document an overarching Post Office backup strategy that addresses the need to restore systems and data to points in time, to ensure that clean backups are available.	Zdravko Mladenov Original date: 30/06/2022 Revised date: 31/01/2023	**Owner:** Dean Bessell Delayed due to funding constraints and numerous staff changes. Analysis of current backup processes and gaps funded as part of Cyber Maturity Programme Proof of Concept which will inform full (IRRELEVANT) funding request due to go to GE in September.
Postmaster Remuneration		
Finding (P1): Key Person Dependency and lack of documented processes. (ref. 08). Action: Fully documented manual processes used in the completion	Martin Roberts Original date: 30/06/2022 Revised date: 31/01/2023	**Owner:** Paul Liddiard This work took longer than anticipated due to having to recruit additional staff. The work is now nearing completion, expected to be complete by end July.

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Tab 4.4 Internal Audit Report

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of the Postmaster remunerations and establish appropriate succession planning/emergency cover processes.		
Business Continuity		
<u>Finding (P2):</u> There is no overarching back-up policy or strategy for Post Office systems and data (ref. 12). <u>Action:</u> Define an overarching back-up policy or strategy, with supporting standards. The strategy should also address vendors who provide resilience based on service availability rather than recovery objectives (e.g., Ingenico).	Zdravko Mladenov Original date: 30/06/2022 Revised date: 31/01/2023	**Owner:** Dean Bessell Delayed due to funding constraints and numerous staff changes. Analysis of current backup processes and gaps funded as part of Cyber Maturity Programme Proof of Concept which will inform full [IRRELEVANT] funding request due to go to GE in September.

27. Update on SPM (STP & RTP) audit actions:

   - As at the date of reporting there are 18 open actions related to the delivery and rollout of the NBIT system, seven of which are not due for closure until the end of June or beyond. Five actions are overdue for more than 60 days.
   - The recent split of SPM into two programmes (STP and RTP) necessitated six actions to be transferred outside of STP (one to RTP, one to SPO, one to the Director of Assurance and three escalated to GE ownership).
   - Of the remaining 12 actions Management has asked IA to close one action greater than 60 days past due. However, evidence provided was insufficient to support this request and we are seeking additional supporting documentation. We are continuing to work with both programmes to close the remaining overdue actions and those due to close within the month.

POI Audit Programme

28. The table below shows the status of the provisional 2023/24 POI audit programme, which is reported to the POI ARC:

	Proposed Review	Status	Timing	ARC reporting	Rating
1	Demonstrating Independence follow-up review	Fieldwork	Q1	Jul 23	n/a
2	Third Party Oversight	Not started	Q2	Nov 23	n/a
3	Cyber Security	Not started	Q2	Nov 23	n/a
4	Pricing Controls	Not started	Q3	Jan 24	n/a
5	Operational Resilience	Not started	Q3	Jan 24	n/a
6	Placeholder	TBD	TBD	TBD	n/a

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Tab 4.4 Internal Audit Report

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Appendices[1]

Appendix 1: Internal Audit Control Themes for 2022/23
Appendix 2: Internal Audit Plan for 2023/24
Appendix 3: Internal Audit Report – Application Modernisation Programme

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[1] Appendices 1-3 are accessible in the CoSec 'Reading Room'

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Tab 5 Postmaster Losses

Post Office Limited - Document Classification: INTERNAL

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Update on Retail Risk RK0021792 Inability to identify, investigate and resolve discrepancies in the network.	Meeting Date:	10th July 2023
Author:	Mel Park (Central Operations Director)	Sponsor:	Martin Roberts (Group Chief Retail Officer)

Input Sought: Noting

The committee is requested to:
  i.   Note the business risk appetite and tolerance in this area
  ii.   Note the current position of the risk
  iii.   Note the action taken to date and future remediation plan
  iv.   Note the next steps

Report

1. Current risk appetite and tolerance

The risk RK0021792 Inability to identify, investigate and resolve discrepancies in the network- If the branch support teams do not have robust discrepancy management processes and procedures and accurate and timely MI in place there is a risk that Post Office is unable to identify, investigate, resolve, and recover losses in the network effectively, resulting in financial and reputational damage. In addition, the lack of robust management information drives an inability to identify root cause and tackle the reason discrepancies occur at source.

We are risk averse to risks which impact the service and support provided to postmasters. The risk is currently outside of agreed appetite and tolerance levels, we will continue to monitor and manage this risk to an acceptable level.

2. Current position of the risk

This risk is currently assessed as **Impact 4: Likelihood 3** which is out of tolerance for the following reasons:

- A lack of understanding from postmasters regarding their contract responsibilities around back-office operations leading to an inability to manage contracts appropriately
- Shortfalls in the provision of ongoing support and training to postmasters and their teams regarding back-office processes, and no requirement for regular refresher training to be completed. This has been compounded by the reduction in the on-site trainer population over time.
- Reduction in field and desk-based compliance teams have meant a lack of validation around existing performance and operational control standards, resulting in fewer branches being identified as requiring an early support intervention

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Tab 5 Postmaster Losses

Post Office Limited - Document Classification: INTERNAL

- Lack of clarity around roles and responsibilities across the different functions and highly manual processes in both Branch and Central back-office processes, ie Stock deliveries to branch, month end provisioning process, increase the risk of error
- Lack of robust Management Information to enable end to end tracking of discrepancies, understanding drivers of discrepancies and supporting resolution at source

The risk culminates in a significant impact to PO financial performance in terms of postmaster losses - a ¦IRRELEVANT¦ charge to the profit and loss account in 2022/23 and a year end balance sheet provision of ¦IRRELEVANT¦

There are also significant central costs in managing the large volume of discrepancies – in 2022/23 circa 155,000 discrepancies were issued with a gross value of over¦IRRELEVANT¦ In addition, Postmasters used the review and dispute option over 8,000 times to record discrepancies with a gross value of circa ¦IRRELEVANT¦

Due to the points listed above the support provided by PO to its Postmasters, to run operationally robust branches is unsatisfactory and contributes to a lack of PO appetite to recover established losses when they do arise and even when they have been through the appropriate investigation and resolution process.

3. **What actions have we taken already to remediate the risk and what future actions are planned?**

There has been an enhanced focus on managing this risk over recent months with a number of actions already implemented in a bid to deliver the¦IRRELEVANT¦ profit and loss saving included in the 2023/24 cost budget and also enable improved support for Postmasters. Details of these actions can be found in Appendix one.

In order to bring the risk back within tolerance and also provide confidence around the recovery of established losses, the outputs of the EY review and Discrepancy Immersion Day described in points 6 and 7 of Appendix 1 have been merged to create a Discrepancy Improvement Programme.

Workstreams within the Programme will represent the main areas of the Postmaster journey, where improvements have been identified to deliver a step change in the operational support provided to Postmasters thus reducing the value and volume of discrepancies. These workstreams are detailed below with the accountable business owner for each identified:

- Improving the identification, investigation, and resolution of discrepancies on a timely basis **(Mel Park)**
- Reviewing both the onboarding and ongoing Postmaster training provision to ensure it appropriately addresses the requirements around back-office processes **(Tracy Marshall)**
- Adapting the field team structure to allow timely identification of branches exhibiting poor operational compliance, provide the appropriate support intervention and thus enabling the management of contractual operational requirements of our Postmasters in a fair and consistent way **(Pete Marsh)**
- Delivering improvements to both the Postmaster and Central back office operational processes to simplify and limit manual intervention **(Mel Park)**

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Tab 5 Postmaster Losses

Post Office Limited - Document Classification: INTERNAL

- Providing MI and insight to enable us to understand the drivers of discrepancies and understand the interventions and actions required to address root cause **(Michelle Evans)**

A IRRELEVANT saving in branch losses has been included in the 2023/24 budget and the objective for this Programme is to deliver at least this number by the end of the year. This is however dependent on the outputs of the additional network monitoring and assurance activity and the outcome of the resulting investigations.

The activities within the Programme will take time to embed and improve ways of working in both branches and PO central functions, so whilst starting to have an impact in quarter 4 of 2023/24, it is not expected that there will be a significant reduction in discrepancies (both value and volume of transaction corrections and use of review and dispute process), and therefore losses until 2024/25, which is when the risk is expected to become within agreed appetite and tolerance.

4. Next Steps

The detailed workstream action plans will be agreed at the first Programme Steerco at the end of June, following which, progress against the actions will be managed via the programme governance framework with regular reporting back to GE, RCC & ARC.

Several actions identified within the workstreams will be delivered across the next 6 months with little or no additional resource required. The remainder will be longer term actions requiring investment and/or additional resource, but we will look to implement them as soon as possible and before the end of the financial year. Any requests for funding will be governed through the IADG process and timelines and investment requests will be confirmed as part of the project set up and review process.

This workstream activity will also dovetail with a planned programme of work to improve operational excellence across the network. In summary, this will involve enhanced network monitoring to improve data analysis and identify potential issues in branch; enhanced branch assurance and conformance functionality to enable in branch monitoring of operational standards and increased on site trainer resource to provide appropriate interventions to increase knowledge and awareness of key operational processes where needed. This activity will also help pave the way for the successful conversion of branches from Horizon to NBiT in due course.

Gaining input from postmasters will be critical to the success of this programme, to ensure that they are aligned with what we are aiming to achieve and that actions planned are fit for purpose and will make a real difference in how they. run operationally robust branches, delivering a fair and consistent resolution to discrepancies, and ultimately reduce the risk of loss for all parties. As such we will engage with the NFSP and seek input from our two NEDs and Postmaster Director as well as other relevant Postmaster forums at the appropriate time. We will ensure that we communicate effectively with postmasters about our plans and any improvements implemented. The potential risk of external comment on this Programme will also be closely monitored.

We will return to ARC in October to update more fully on progress on each of the actions identified within the workstreams and the impact on postmaster losses and discrepancies.

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Tab 5 Postmaster Losses

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Appendix 1 – Actions already put in place to mitigate the current risk

1. Timely service level reviews with insights and action where required
2. Transaction Correction and Review and Dispute data is issued to the Regional Managers and Area Managers each trading period to initiate a conversation with the Postmaster about support required
3. Use of Business Support Centre capacity to support contacting PM's, to gather discrepancy details within the first week after using review and dispute. Failure to contact within a week decreases the chance of a successful resolution
4. A Discrepancy Trouble Shooting section added to the Operational Training Guide now live on Branch Hub and the Learning Management System and will be incorporated into the Postmaster Onboarding training
5. In the absence of end-to-end discrepancy data, and to support our view of current state, the status of the 21 largest value discrepancies (deficits £1.1m and surpluses £0.9k) within the 712 (gross value £3.75m) P10 (January) Review and Dispute uses is being tracked to resolution. Initial analysis by EY at the end of April highlighted issues with the consistency of data within Dynamics (our case management system) and so we are manually tracking these and will provide a status update at the end of period 2
6. EY conducted an end-to-end discrepancy review earlier this year to document and assess the processes, systems and data flows for the interlinked areas that drive branch discrepancies. This identified 17 key issues and provided 8 high level recommendations to address these.
7. A Branch Discrepancy Immersion Day was held in Chesterfield on Thursday 4th May. Circa 40 key stakeholders attended to review all problem statements and discuss potential solutions in the following areas.
   - Postmaster onboarding and training
   - Postmaster contract management
   - Network Reconciliation (ie 3rd party data, cash and stock discrepancies)
   - Review and Dispute use and discrepancy management and investigations

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Tab 6 POI Deep Dive

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	POI Risk and Compliance "Deep-Dive"	Meeting Date:	10 July 2023
Author:	Ian Holloway, Director of Risk and Compliance Post Office Insurance	Sponsor:	Clare Ryder, Non-Executive Director and Chair POI Audit and Risk Committee

Input Sought: For Discussion and Input

Previous Governance Oversight

This paper is one of a regular series of updates to the Committee, the last update being provided in December 2022.

Executive Summary

POI delivered an impressive performance in 22/23. EBITDAS was £15.5m being £5.1m favourable to budget with travel business proving particularly robust.

Overall Management believe that the POI business operates an effective risk framework which correctly captures all relevant strategic, operational, financial, regulatory and IT related risks. These risks are and in turn controlled to appropriate appetite levels.

POI's top residual risk relates to cyber security. Whilst there has been strengthening within the POI estate around our firewall and credential checking, POI has a dependency on POL for a number of important services. POL currently regards cyber risk as out of appetite. There is a particular focus on Belfast strengthening and Ransomware response planning.

Management also notes the significant risk relating to recession given that our travel and protection businesses rely on discretionary spend. It is noted however that travel sales remain very robust. Inflation also poses a risk given that claims inflation tends to be higher than price increases in the rest of the economy. Motor prices in particular are producing significant year on year increases for customers currently.

Reputation risks also remain significant given the potential impact of Historical Matters on the wider Post Office brand.

Work to deliver on Consumer Duty and AR oversight remains on track and on budget. Consumer Duty has delivered a number of positive improvements to customer outcomes. These improvements include simplification of customer facing documents, greater degrees of self service and enhanced product review and oversight.

POI notes that undertaking personal due diligence on Senior Management within POL has been challenging. The FCA requires these checks now annually within AR/Principal relationships and POI will look to work together with POL Management to ensure that the process for gathering the data to support these checks is optimised.

Tab 6 POI Deep Dive

The POI and POL ARC Chairs have agreed in principle that POI will have sight of relevant material presented to the POL ARC. This will allow POI Managers and Directors to ensure that they are aware of any wider POL issues which might impact on their regulatory responsibilities for effective Risk Management within POI. The exact nature of this exchange is currently being agreed with input from the POL legal team.

Report

1. What are the top risks being managed by POI?

In Appendix A of this paper we have noted all risks graded as "nine" or above. The following risks are particularly worthy of note:

1.1 **Cyber security**. Cyber security has been the subject of a separate POI ARC meeting with an onward escalation to The POI Board. Since the last update to the Committee, POI has undertaken significant strengthening of its firewall, implementing a significantly enhanced structure with the help of Accenture. Credential validation has also been strengthened, including the use of Captcha at log-in. However, Cyber risks have increased over the last year following the invasion of Ukraine and the risk remains heightened. POI has key systems dependencies on POL and POL consider that in some areas, cyber risk is out of appetite, notably in respect of the Belfast Data centre, and preparedness for a Ransomware attack. Under Board supervision, POI has undertaken an analysis of the potential knock-on impacts of the potential failure of POL systems on POI. This would impact areas such as branch sales, Finance and Company Secretariat and would be significant, though it is likely that POI could continue to trade. POI IT team are working closely alongside the group function regarding Ransomware mitigation.

1.2 **Risk information flows from POL to POI.** Our current focus on cyber risk has highlighted the need for better information flows from POL to POI. POI is a regulated business with formal responsibilities to oversee risk and report relevant issues to the FCA where required. POI was not promptly aware that POL considered its cyber risk as being out of appetite and this is clearly relevant to POI and its Senior Managers and Directors who have personal liability to the FCA for their oversight of business risk. Going forward it has been agreed between the POI and POL ARC Chairs, that POI will have access to POL ARC agendas and minutes and that relevant issues will be discussed at the POI ARC.

1.3 **Reputation.** POI Management notes the issues created by the error in the POL accounting statements in respect of the sign off of the provision of information to the Historic Matters enquiry and the collecting of ethnicity data using inappropriate language. A number of media outlets continue to run adverse stories reporting events at the enquiry and ITV has announced that it will be undertaking a drama documentary covering the events relating to the Horizon system. Whilst there is no current evidence that customers are not purchasing POI products on the back of the scandal, Management recognise that risks remain, notably as we move towards the next stage of the enquiry. There is also a risk that the enquiry detracts attention and resources from the core operational business and may impact recruitment and retention of quality staff.

1.4 **Risk of Recession.** POI has core product lines in travel and protection, which are both discretionary spends for customers. There are therefore risks that if the UK enters a recession these products may be disproportionately impacted. At this stage it does not appear that a formal recession is likely and for travel insurance, business is holding up very well. Research indicates that holidays are now higher in customer priorities following the Covid lockdowns.

1.5 **Impact of Inflation**. Inflation is already having a major impact in Insurance. Claims costs are increasing as staff, materials (home repairs), car parts and medical expenses are all rising.

Tab 6 POI Deep Dive

1.6 Premiums are steadily increasing in Motor and Home Insurance, with some large year on year increases currently being seen in motor, and whilst this offers some opportunity (commissions can rise too), the impact on customers and the market is uncertain. Inflation remains stubbornly high.

1.7 **Duck Creek upgrade**. This significant upgrade to our core infrastructure has been achieved with minimum snags. This further demonstrates POI's ability to deliver effective change. Management will now look to remove this risk.

1.8 **People and organisation**. The financial services job market remains buoyant, even as the UK enters a cost-of-living crisis. POI has a number of skilled staff who will be attractive within the market more generally and general wage rates are increasing markedly beyond those paid by POL or POI. Individual retention activity has been undertaken and Management and HR have a significant focus on succession planning. The wage rise agreed by POL for POI staff has also been well received. To date, only limited staff turnover has been seen in POI. Management has considering reducing the scoring of this risk; however we have maintained the risk level given concerns on bonus payments and the timing of payments and increased reputational activity.

2. What have been the key movements in POI risks since the last report?

Risks that have <u>reduced</u> since December 2022:

2.1 **Delivery of Duck Creak Upgrade**- POI has now delivered this change successfully and the risk will be removed.

2.2 **FCA GI pricing** – the anniversary of the changes to FCA rules has passed, and whilst the market remains in flux, this is principally down to inflation pressures and Insurers rebasing their performance following their excellent results during Covid.

Risks that have <u>increased</u>

2.3 **NBIT risk.** POI have recognised a new specific risk relating to NBIT implementation. This reflects the risks to branch based business if NBIT does not deliver the required functionality for POI. This risk score is 6, reflecting the relatively small proportion of branch business to POI and an increasing sense of progress with our elements of the programme, but recognising the importance of this programme to the group.

2.4 **Transition to a single call centre provider.** POI is in the process of moving its existing household call centre from First Source to Webhelp. This transition is likely to be complete by the end of 2023. Management note that this transition is important both in terms of the quality of service which is offered to customers and also the potential for significant cost savings, both from the negotiation of a new and larger contract and potential efficiency improvements. The project remains on track at this stage.

Risks remaining <u>stable</u>

2.5 It was noted at the POI ARC that a number of risks have remained static in their scoring over the period. This includes our assessment of cyber, staff, inflation and recessionary risks. For cyber, POI has seen an improvement in the assessment of the risk relating specifically to POI systems including Duck Creak following the strengthening of controls. However, this has been counterbalanced by the expansion of our increased knowledge on the level of cyber risk within POL which could impact POI.

Tab 6 POI Deep Dive

2.6   Similarly there has been a robust debate on the level of the risk relating to staff retention. Management believes the level of this risk has been positively impacted by the payment of a reasonably salary increase, which has then been impacted by the news from Historical Matters and the potential bonus impact. The ARC has requested that Management note the debate that has occurred on stable risks.

3. What significant incidents have occurred in POI over the last year?

3.1   **January denial of service attack.** On Friday evening (27 January 2023), POI was subject to an unusual pattern of high-volume transactions which were not resulting in sales or other customer activity. In accordance with our plans for dealing with such incidents, the web system was throttled and then suspended until 1.30 pm on Saturday 29 January 2023 as a precaution. Customers were able to contact us by phone. The impact to POI would have been a small reduction in sales over the period our web service was not available. No data was compromised in this event and the FCA were informed.

3.2   **Use of aggregator data.** In May 2023 POI became aware that data from aggregator quotes was being passed and stored within the POL Marketing database. Where customers "click through" to POI this is allowable. However, data was being stored for all aggregator quotes given to customers, regardless of whether they had "clicked through. This use and storage were not included in the privacy notices provided to customers. None of this data had been utilised for either analytical or marketing purposes and the assessment of the overall data risk was low using the Information Commissioner's Office self-assessment tool. c3m customer records had been retained. This data has now been deleted.

4. How is the Consumer Duty project progressing?

4.1   Members of the Committee have previously been advised that The FCA wishes to set higher standards for consumer outcomes across the financial services activity. To achieve this, it is implementing a new core principle which states that "A firm must act to deliver good outcomes for retail customers"

The detailed requirements for the Consumer Principle can be found here in PS22/9 A New Consumer Duty.

4.2   The core principle will be supported by a series of **cross cutting rules** which require firms to:
- Act in good faith towards retail customers.
- Avoid foreseeable harm to retail customers and
- Enable and support customers to pursue their financial objectives.

These are in turn supported by a **customer focus** on four core areas:
- Products and Services.
- Consumer Understanding.
- Price and Value.
- Customer Support.

4.3   The changes required by the FCA's Consumer Duty initiative need to be implemented by the end of July 2023.

4.4   The project is subject to significant Governance. A formal Steering Group was established in February 2022, led by the Chair of the POI ARC. All ExCo members are involved in the Steering Group. This group meets monthly.

Tab 6 POI Deep Dive

Underneath this Committee there are individual workstreams focused on key delivery areas. A formal project plan was agreed by the POI Board in October 2022 and is subject to close checking at both Steering Committee and Working Group level.

4.5   Our project plan is now nearing completion. An Internal Audit review of Consumer Duty was completed in May 2023 which did not identify any areas of concern. The plan is on schedule to complete on time and to budget in July 2023.

4.6   The project is joined to our work on the FCA's required tightening of controls for Appointed Representatives (See below) and is currently on track.

4.7   Within the reading room for this Committee, we have attached a paper presented to the Project Steering Group which sets out what has changed as a result of the Consumer Duty Project and how this has been achieved. Key changes include:

- The appointment of a Board level Consumer Duty Champion
- A review of all customer facing documents and via training from Plain English, a move to ensure that no documents have a reading age of greater than 12.
- A review of all POI processes to identify any processes which might inhibit customer achievement- in FCA terminology "sludge practices".
- Improvements to product design and oversight processes.
- Improved self service functionality- allowing customers to undertake more functionality online.
- Value and pricing principles have been reviewed for all products.
- The MI and oversight frameworks have also been reformed.

5. Ongoing work to ensure that POI strengthens AR oversight as required by the FCA.

5.1   Members of the Committee will be aware that Post Office Insurance is the principal to an Appointed Representative (AR) relationship with Post Office limited. The FCA has identified AR relationships as a relatively high conduct risk to customers and has set out new rules requiring principles to strengthen their oversight approach. These new rules are set out in PS22/11 Improvements to the Appointed Representative Oversight Regime.Improvements to the Appointed Representative Oversight Regime. A number of requirements relating to the new regime come into force at the end of 2022 and the regime will be fully implemented a year later.

5.2   Amongst the requirements of firms are more financial and complaint data reporting to the FCA (notably the need to report AR complaints specifically). The need to undertake at least annual financial and management due diligence on the AR business. The need for more contractual break clauses in the contract and the need for The Board to review and sign off annually on the quality and effectiveness of the oversight regime.

5.3   In addition, the FCA also sets a high standard for the level of oversight and direction to be provided by principles to AR firms.

5.4   POI has combined its project work with the other POI principles Bank of Ireland and Capital One. This has reduced the workload for the POL business and for POL Senior Management in respect of due diligence checks. The delivery of our project plan is currently on track.

5.5   POI has been working for some time to take greater control off the oversight regime for sales conducted within the branch network. This is against a background of challenges around the quality of sale and oversight within the branch network. The

Tab 6 POI Deep Dive

objectives of oversight have historically not always been clear, feedback loops have not always functioned as effectively as they should and there were opportunities to enhance the branch sales process.

5.6   Whilst there is still work to be completed, progress so far has been encouraging. On May data the number of green graded shops has improved from c30% in the year before to c.70% with further initiatives and training still being undertaken. This follows reforms to the sales process, oversight processes and training.

5.7   Broadly our work on Appointed Representative implementation has proceeded satisfactorily. However, personal due diligence has proved problematic. Challenges have been experienced in getting Managers to return relevant documentation including CVs and self-assessment forms. POL has sought legal advice on three occasions as the assessment has progressed. POI notes this due diligence will now have to be performed annually and it is important that processes are streamlined to ensure that they are effective and properly serve the business.

Tab 6 POI Deep Dive

Appendix A - Risks with Residual Grades of 9 or over

Name	Owner	Description	Residual Score/Movement	Commentary/Debate
Cyber risks/Data Sec	Carl Roe	The security of Post Office Data is compromised through attack or wilful negligence causing operational, reputational and financial damage	15	Cyber security has been the subject of a separate escalation paper to the ARC and Board. Management notes in their discussion of this risk that there has been substantial progress made in the enhancement of cyber controls within the POI estate. However, this has been counterbalanced by the discovery of weaknesses within the POL estate on which we have a dependency. Notably these relate to the Belfast data centre and POL preparedness for a ransomware attack. Overall we agree this risk should remain at the current level.
Inflationary Impact	Simon Parr	The current high level of inflation is putting pressure on claims costs (notably for home and motor). This creates uncertainty and a need to increase our own prices. Increased prices may make customers less likely to buy discretionary business such as travel and protection.	10	Management have reviewed the latest data from the Bank of England and note that the impact of inflation is at least stable if not increasing. We may move this risk upwards when we next meet.
Recession	Simon Parr	Economic deterioration impacts sales and customer propensity to purchase or retain our products	10	It is likely that by the end of 2023, base rates will be at 6%. Management is considering if this risk needs to move upwards. We note however that at this stage we are seeing limited impact on our business, with travel holding up particularly well.
IT failure	Carl Roe	The failure of key IT systems means POI is unable to sell/service customers	10	POI score this risk highly, given the inherent risk. However, uptime has been good, and the overall system reliability has been high.

Tab 6 POI Deep Dive

Name	Owner	Description	Residual Score/Movement	Commentary
AR Oversight	Ian Holloway	POI does not work effectively to oversight POL with BOI and Capital One as an AR.	9 ⟺	Management remains concerned by the lack of progress in completing personal due diligence on POL Managers. More generally there are areas of cross working with POL which require improvement. A review has been requested by the POI Board and is attached as an Appendix to this paper. POI Management have considered moving the score for this risk upwards but note that it is as it stands rated quite high which reflects our perception of inherent risk which is certainly not currently reducing
People Risk	Ed Dutton	POI is not structured correctly and/or does not have people of the right quality doing the right things in the right roles.	9 ⟺	Management had considered a reduction in this risk level given reasonable pay rises and the backdating of the pay rise. However given uncertainty over bonus levels the risk score has been maintained.
Reputation	Ed Dutton	The risk that the Post Office brand suffers damage with a consequent impact on the propensity of customers to purchase or retain POI products.	9 ⬆	The failure to meet fully the bonus gateway requirements for provision of data to the enquiry will further enhance historic matters scrutiny. A number of media outlets continue to report in detail the evidence from the enquiry and ITV plans a miniseries on the scandal. Whilst there is as yet no evidence that this is impacting customer propensity to purchase our products, the risk that this will be impacted in the future remains.

Tab 8 Postmaster Policies

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Postmaster Support Policies – Annual Review	Meeting Date:	10th July 2023
Author(s):	Jo Milton, Senior Operational Improvement Manager David Southall, Head of Contract Management & Deployment	Sponsor:	Martin Roberts, Group Chief Retail Officer

Input Sought: Approval

The Committee is asked to <u>approve</u> four updated postmaster support policies to be effective from the date of the Audit, Risk and Compliance Committee's (ARC) approval:

- Postmaster Contract Performance
- Postmaster Contract Suspension
- Postmaster Contract Termination
- Postmaster Decision Review

In addition to the four updated postmaster support policies the Committee is asked to <u>approve</u> the following:

- Postmaster Suspension Decisions Governance Committee – Terms of Reference

Executive Summary

Following the Group Litigation Order (GLO), Post Office created a suite of postmaster support policies, all of which were initially approved by ARC in 2021 and have been in use since.

The purposes of these internal policies are to provide guidance, set down principles and highlight risk areas, while also ensuring that Post Office can support postmasters effectively and compliantly with the GLO.

In March 2022, ARC agreed that annual reviews should continue to take place, on a phased basis. This financial year, ARC has approved 8 of the 12 postmaster policies and this paper seeks approval for the final 4, following their annual review.

Report

Background

1. The policies require an annual review and subsequent approval from ARC.

2. These policies were last submitted to RCC in May 2023 but were not approved, with a request that any thematic or specific feedback from the internal policy assurance reviews by the Post Office Compliance team was incorporated. At the time of submission formal feedback from the assurance has not been received and noting that these policies were last approved in March 2022 these are presented for approval. It is likely that the output

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Internal

Tab 8 Postmaster Policies

of these reviews will see changes to the policy controls. Any changes made following the assurance reviews can be presented back to ARC in September.

Overview of changes made

3. General updates have been made to the policies:
   a) Branding has been updated as advised by Post Office's Brand team.
   b) Policy owners and sponsors were updated following organisational changes.
   c) Responsibilities of the Risk and Compliance Committee and Audit, Risk and Compliance Committee have been added to the Roles and Responsibilities section.
   d) References to 'Whistleblowing' have been changed to 'Speak Up', consistent with changes made by the Speak Up Manager to encourage a Speak Up culture.
   e) Speak Up contact details have been added (NFSP request).

4. A list of more specific and minor updates in each policy are set out in Appendix 9, but the main changes are summarised below:

Postmaster Contract Performance
a) A control standard was amended to reflect that a Contract Performance Rationale may not be completed on every occasion. Completing a rationale document for every escalation that comes into the team means that issues are not being dealt with in a timely manner. Full records of the investigation will be kept on Dynamics, as well as the reasoning behind why any action was taken.
b) Assurance reviews of contract performance cases currently performed by the Head of Contract Deployment will now be undertaken by the Central Investigations Unit as part of the Investigation Branch Control Assurance Framework, which is currently being finalised.

Postmaster Contract Suspension
a) Assurance reviews of suspension and termination decisions currently performed by the Retail Operations Director will also now be undertaken by the Central Investigations Unit as part of the Investigation Branch Control Assurance Framework.
b) Additional governance introduced whereby a Postmaster Suspension Decisions Governance Committee will both:
   o Review and approve all decisions to suspend a Postmaster's Agreement;
   o Review all ongoing Postmaster Agreement suspensions and approve that it is reasonable and proper to keep a postmaster suspended.

Please see Appendix 10 for a copy of the Terms of Reference for the Postmaster Suspension Decisions Governance Committee

Postmaster Contract Termination
a) Assurance reviews of suspension and termination decisions currently performed by the Retail Operations Director will also now be undertaken by the Central Investigations Unit as part of the Investigation Branch Control Assurance Framework.

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Internal

The Postmaster Contract Termination policy will undergo further changes to bring the governance of termination decisions in line with suspension decisions. These changes will be reflected following the completion of the assurance reviews for submission to ARC in September.

Postmaster Decision Review
a) Addition of a non-voting Panel Chair to the Decision Review Panel. This will be a former postmaster.
b) Clarification in the event of Accounting Dispute Decisions that these can only be upheld or overturned, rather than a decision to reduce the amount owed.

5. The National Federation of Sub-Postmasters have been consulted about the changes in the Contract Performance, Contract Termination and Decision Review policies and were satisfied. They are currently being consulted about the addition of the Postmaster Suspension Decisions Governance Committee to the Contract Suspension policy.

6. Please see Appendices 1 to 9 showing marked up versions of each policy, clean updated versions and a more detailed summary of all changes made.

Next Steps & Timelines

7. Following approval of the policies, Post Office will ensure that:

- All relevant teams are fully trained on the updates to the policies by the end of July 2023.
- The updated policies will be made available on the Post Office Intranet site.
- Any further feedback as a result of internal assurance reviews by the Compliance team will be reviewed and actioned as appropriate for presenting at ARC in September 2023.
- The 23/24 annual reviews begin with the Postmaster Account Support and Postmaster Accounting Dispute Resolution policies, which will be presented to ARC for approval in September.

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Internal

Tab 8 Postmaster Policies

Appendices

All appendices are available in the Diligent Reading Room

1. Postmaster Contract Performance Policy V4.0 Marked up
2. Postmaster Contract Performance Policy V4.2 Clean PDF
3. Postmaster Contract Suspension Policy V4.0 Marked up
4. Postmaster Contract Suspension Policy V4.2 Clean PDF
5. Postmaster Contract Termination Policy V4.0 Marked up
6. Postmaster Contract Termination Policy V4.2 Clean PDF
7. Postmaster Decision Review Policy V2.0 Marked up
8. Postmaster Decision Review Policy V2.3 Clean PDF
9. Postmaster Policy Review Changes
10. Postmaster Suspension Decisions Governance Committee Terms of Reference PDF

4

Internal

POST
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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Modern Slavery Act Statement	Meeting Date:	10th July 2023
Author:	David Southall, Head of Contract Management & Deployment	Sponsor:	Martin Roberts, Group Chief Retail Officer

Input Sought: Approval
Post Office ARC is asked to approve the 2023/2024 Modern Slavery Statement and endorse the proposed commitments POL will take forward in the 2023/2024 financial year.

Previous Governance Oversight
We consulted all members of the Modern Slavery Act (MDA) Steering Group which comprises of representatives across functions including Legal, Procurement, Risk, Employee Relations and Learning and Development.

Executive Summary
The Modern Slavery Act 2015 (the Act) challenges slavery, domestic servitude, forced and compulsory labour and human trafficking.

Under s.54 of the Act, Post Office as a large business is required to produce an annual slavery and human trafficking statement (the Statement) setting out what steps have been taken to ensure its business and supply chains are mitigating the risks of modern slavery. This paper attaches Post Office's annual Statement which documents progress on our previous year's commitments and outlines the actions that we commit to take in the year ahead.

Overall, the Post Office is compliant with the Modern Slavery Act 2015 in terms of its legal obligations. In previous years we engaged an external consultant 'Good Values' to inform and validate our approach to Modern Slavery, a commitment for 2023/24 is for Post Office to consider options for an independent assurance check on Post Office's Modern Slavery processes to inform and validate our approach. Post Office has made good progress against each of the commitments made for 22/23 and has ensured robust governance and oversight of progress against actions via a steering group, meeting monthly.

Post Office has prepared a new Statement for 2023/24 in line with the Act, which must be published on Post Office's website within 6 months of financial year end. It details the progress made against the actions committed to for 22/23, as well as our proposed commitments for 23/24, which include drafting a Modern Slavery & Human Trafficking policy to support business processes and underpin the Modern Slavery Statement and incorporating Modern Slavery awareness into annual compliance training for Postmasters and their staff. A copy of the Statement for 23/24 can be found at Appendix One.

Questions addressed

1. Why do we need an updated Statement?
2. What are the key points to note about our Statement?
3. What are the risks and is the Post Office compliant with the Act?

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Report

Why do we need a Modern Slavery Act Statement?

1. According to s.54 of the Act, the requirement to publish a Statement applies to "commercial organisations" which (a) supply goods or services and (b) have a total turnover of not less than £36 million. It will therefore not apply directly to Postmasters if their annual turnover is less than £36 million. As Postmasters are part of the Post Office supply chain, however, Post Office must state what steps it has taken to ensure that it mitigates the risk of slavery and human trafficking in any of its supply chains or its business. Payzone has a turnover well below the threshold so is not legally required to produce a separate Modern Slavery Statement. Nevertheless, our Modern Slavery Statement also covers Payzone and POI as a business owned by the Post Office.

2. Post Office is required under s.54 of the Act to produce an annual slavery and human trafficking statement listing the steps taken to mitigate the risk of modern slavery in its business and supply chains. This paper attaches the annual Statement (Appendix One) which records what steps we have taken in 2022/2023 and outlines the actions we commit to take in 2023/2024. The Statement must be approved by the Post Office Board, signed by a Director and linked to via a prominent page on Post Office's website.

What are the key points to note about our updated Modern Slavery Act Statement?

3. Our 2023/2024 statement records the progress we have made against those commitments and lists our commitments to tackle modern slavery across the POL group for the financial year 2023/2024. The commitments were developed by the Modern Slavery Steering Group (MSSG) which includes representatives from Legal, Procurement, Risk, Employee Relations and Learning and Development.

4. We have made good progress against our commitments for 22/23 and a detailed overview can be found in the Statement itself in Appendix One. Key highlights however are:

    a. We have increased the number of proactive 'Modern Slavery observations' (observations for any signs of concern in branch conducted by area managers as part of other duties) made across the year, with over 16,446 observations completed in 22/23 versus 7206 the previous year.
    b. A network investigation process has been developed and implemented which is in line with our Group Investigations Policy.
    c. We have continued to communicate across all areas of the business and to our Postmasters to raise awareness of Modern Slavery, its identifying factors and importance. Details and links to relevant communications can be found in Appendix Two.
    d. We continue to deploy our Modern Slavery online training including videos from Government best practice sources. Our training is now deployed to all Post Office Employees, and we achieved a 98.2% participation completion rate against a target of 95%

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Tab 9 Modern Slavery Statement

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Post Office Insurance (POI)

5. POI continue to carry out regular due diligence and reviews on the following gold/silver suppliers. Whilst the due diligence has been contained to remote reviews only during the pandemic, POMS have not found any material issues with the Suppliers' adherence to the MSA:

- BISL (BGL) – Motor Insurer – Located on corporate website
- Cardif Pinnacle – Pet Insurer – Located on corporate website
- Collinson (CISL) – Travel Insurer – Located on corporate website
- ERGO – Travel Insurer – Located on corporate website
- Taurus – Gadget Insurer – Not required, however a copy of their MSS policy has been provided.
- Webhelp – Contact Centre – Located on corporate website
- Reassured – Contact Centre – Located on corporate website
- Premium Credit Limited – Premium Finance provider – Located on corporate website
- DAS – Legal Expense Insurer and Home Emergency provider – Located on corporate website
- Ageas – Home Insurer – Located on corporate website
- Accenture – IT platform and maintenance – Located on corporate website
- Post Office Limited – Support Services – Located on corporate website
- Neilsen Financial Services – Home Insurance – Located on corporate website

What are the risks and is the Post Office compliant with the Act?

6. For Post Office Group, the main areas of risk continue to be of modern slavery occurring somewhere within its branch network or in the supply chains of its branch network and:

   Public perception that where a Post Office fascia is in place that the facility is a Post Office and not an independent retailer that "includes" a Post Office service.

   Risk by association for those working with a Post Office fascia but also operating other businesses, directly and indirectly associated with retail.

   Challenging dialogue to have with consumers about trust and control of Postmasters if something goes wrong. Given the public perception is that the Post Office controls all places where there is a Post Office facia, stating in defence that: "We do not control them", "We did not know about this", "We have T&Cs that prohibit this", would not be good enough in the public domain, and there would be reputational damage.

7. The highest level of risk continues to be within our Agency Network due to the lack of direct control over operations here. There are also risks associated with proximity of brand and public perception (for example when Post Office branding appears on retail packaging, sourced by one of its suppliers). Our approach to addressing these risks is overseen by the Steering Group

8. Overall, POL and the Statement are, to the best of our knowledge, compliant with the legal obligations of the Act, as assessed by POL in house legal team and endorsed by MSSG. We previously worked with a third party 'Good Values' who provided external validation of our work on Modern Slavery. For the coming year, GE should consider

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Tab 9 Modern Slavery Statement

again engaging the services of a third-party adviser to inform and validate our approach to MS.

9. Appendix Three sets out the consequences of failing to prepare or publish a modern slavery statement

Risk Assessment, Mitigations & Legal Implications

17. A potential consequence of failing to show adequate progress on tackling modern slavery within the company statement is damage to reputation and brand. Government guidance on the Modern Slavery Act and expectations from civil society is for companies to show year on year progress on how they are tackling the risks of modern slavery within their operations and supply chain.

18. Our annual statement therefore has to be more than just a tick-box exercise and must demonstrate a material commitment to tackling the potential risk of modern slavery within the organisation. We are confident that the detail in our 2023/2024 statement recording our progress on last year and our proposed actions for the financial year 2023/2024 are appropriate. We will monitor developments and keep the adequacy of the Statement under review.

Next Steps & Timelines

19. The Statement must be published on Post Office's website within 6 months of financial year end. (26th September 2023)

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Tab 10 Policies for Approval

POST OFFICE

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Policy Update	Meeting Date:	10th July 2023
Author:	Reena Chohan, Policy Compliance Manager	Sponsor:	Jonathan Hill Group Compliance Director / Ben Foat, Group General Counsel

Input Sought: Approval

The Committee is asked to <u>review</u> and <u>approve</u> the following updated policies for the business to take forward:

i.   Financial Crime Policy;
ii.   Anti-Bribery and Corruption Policy;
iii.   Anti-Money Laundering & Counter Terrorism Funding Policy and
iv.   Modern Slavery Statement

Previous Governance Oversight

Risk & Compliance Committee (RCC) 27th June 2023

Executive Summary

This paper provides a summary of changes that have been made to the policies below as part of their annual review process for the ARC to consider.

Questions addressed

1.   Which policies were updated in this annual cycle review?
2.   What updates were included and why?
3.   What is Compliance's assurance view of the status / Minimum Controls Standards for each policy?

Which Group policies were updated in this annual cycle review?

In this review cycle the following group policies were revised, reviewed and updated as per the annual review process.

Policy	Last Reviewed	Updates	GE Sponsor	Governance Approval Body
Financial Crime Policy	June 2022	**Minor** corrections and revisions made, this annual review.	Group General Counsel	RCC & ARC
Anti-Bribery and Corruption Policy	June 2022	Refer to separate paper submitted by the policy owner	Group General Counsel	RCC & ARC
Anti-Money Laundering & Counter Terrorism Funding Policy	June 2022	**Minor** corrections and revisions made, this annual review.	Group General Counsel	RCC & ARC

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Tab 10 Policies for Approval

Modern Slavery Statement	July 2022	Refer to separate paper submitted by the policy owner	Head of Contract and Deployment	RCC, ARC & Board

What updates were included and why?

1. A summary that identifies the changes and updates to the policies and statements have been added below:

2. **Financial Crime Policy**: The policy has had **Minor** corrections and revisions made and the following updates were made to the policy this annual review:

a) Minor update to current control owners (change of job title only)
b) Addition of new legislation – Economic Crime Act 2022
c) Updated new company registered address to Wood St

The policy owner has confirmed in their attestation, that each minimum control standard stated within the policy is being met and can be evidenced through the - Financial Crime Policy FPAF Q1 2023/24 Financial Crime Assurance Review conducted by the Financial Crime Team.

Compliance completed a policy assurance review on the policy in July 2021. The overall review of the policy concluded as Satisfactory – no findings, no control weaknesses or process inefficiencies identified.

3. **Anti-Bribery and Corruption Policy**: Please Refer to the *(Head of Financial Crime)* Annual Review paper submitted on Anti-Bribery & Corruption, including Gifts & Hospitality.

The policy owner has confirmed in their attestation, that each minimum control standard stated within the policy is being met and can be evidenced through the Q1 2023/24 ABC assurance review conducted by the Financial Crime Team.

4. **Anti-Money Laundering and Counter Terrorism Funding Policy**: The policy has had **Minor** corrections and revisions made and the following updates were made to the policy this annual review:

a) Minor update to current control owners (change of job title only).
b) Addition of new legislation – Economic Crime Act 2022
c) Updated new company registered address to Wood St

The policy owner has confirmed in their attestation, that each minimum control standard stated within the policy is being met and can be evidenced through the – AML and CTF Policy FPAF Q1 2023/24 Assurance Review conducted by the Financial Crime Team.

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Tab 10 Policies for Approval

5. **Modern Slavery Statement:** Please refer to the separate paper submitted by the Head of Contract and Deployment.

The policy owner has confirmed in their attestation that they are satisfied that the process to report any control failures is robust and is monitored and reported on via the MSA Steering Group and that compliance with the statement is being met and can be evidenced.

Compliance conducted an assurance review on the Modern Slavery Statement in March 2022, the overall rating applied was 3 Medium - Satisfactory – room for improvement, some weaknesses around internal controls such as records, systems identified and reporting. Compliance at the time recommended that the business continue to implement and follow through the recommendations including those that were driven by the KPMG report.

Assurance

Assurance reviews on Group Key Policies has been put on hold whilst the Policy Compliance Manager assists on Historical Matters Assurance activity. Postmaster Support Policy assurance reviews are still being conducted for the remainder of the year, this is to support and coincides with the work being done on Historical Matters.

6. The policies in both clean and tracked changed versions can be found in the reading room.

7. Conclusion

We continue to work with Policy Owners and Company Secretariat to ensure we maintain our policy governance responsibilities and undertake assurance that the polices are working as expected. This is a key part of the wider Post Office controls work.

Policy Appendices

1. Financial Crime Policy (Clean)
2. Financial Crime Policy (Track Changed)
3. Anti-Bribery and Corruption Policy (Clean)
4. Anti-Bribery and Corruption Policy (Track Changed)
5. Anti-Money Laundering and Counter Terrorism Funding Policy (Clean)
6. Anti-Money Laundering and Counter Terrorism Funding Policy (Track Changed)

*Please note that the Anti-Bribery & Corruption Including Gifts & Hospitality and Modern Slavery Statement will be submitted directly and discussed in separate papers by the Policy Owners.

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Tab 10 Policies for Approval

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Annual Anti-Bribery and Corruption Report	Meeting Date:	10th July 2023
Author:	Sally Smith, Money Laundering Reporting Officer & Head of Financial Crime	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Decision and Noting

The committee is asked to review the contents of this report, approve the actions from the ABC risk assessment including the recommendation to increase the gift reporting and approval thresholds, updated ABC Policy and re-confirm the Corporate website statement.

Previous Governance Oversight

The last annual ABC report and Policy amends were approved in July 2022

Executive Summary

The ABC risks for Post Office Group were re-assessed in Q1 2023/24 and demonstrated that control strengths have improved with no areas of material concern identified. The overall residual risk is within risk appetite and is considered low.

Some minor areas requiring attention were identified, and the reports outline how the Group can make control improvements and further reduce exposure to the risk of bribery and corruption.

A good standard of gifts and hospitality reporting was observed in 2022/23, with no significant breaches of Group Policy. Following the last annual ABC report, quarterly GE level reporting was re-introduced to assist with GE oversight of the appropriateness of gifts and hospitality acceptance across their teams.

Formal monitoring of compliance with the ABC policy minimum controls standards is in place, providing assurance that Post Office is complying with its ABC policy.

The ABC policy has been reviewed with minor changes and there have been no changes to legislation since the last review. However, it is proposed to increase the gift reporting threshold (£20 to £25) and GE approval limit (£100 to £150).

Questions addressed

1. What changes to the Policy do we propose and why?
2. What are the implications of these changes?
3. What issues have been highlighted by the ABC risk assessment and annual review of Gifts & Hospitality and charitable donations?
4. What actions need to be undertaken to address any issues?

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Tab 10 Policies for Approval

Report

Annual Policy review:

5. There have been no regulatory changes impacting ABC and no significant UK-based anti-bribery and corruption cases or enforcement action by regulators in the last year requiring changes to Post Office Group Policy.

6. Minor amendments have been made to reflect the organisations new registered address (Wood Street) and control owners' details have been verified and updated.

7. An amendment to the gift reporting and approval limit is proposed, increasing the minimum reportable limit from £20.00 to £25.00 due to inflation and the GE approval requirement limit from £100.00 to £150.00 to reduce GE approval instances and place more responsibility on line management. The annual review considered an increase to GE approval for hospitality, but the current limit (£200) was deemed appropriate given current public scrutiny.

8. Quarterly assurance of compliance with policy minimum control standards has continued, and the most up to date assessment (Q1 2023/24) can be found in Appendix D.

Annual Gifts & Hospitality (G&H) and Charitable Donations review

9. Hospitality has slightly decreased, and gifts have marginally increased during 2022/23 when compared to 2021/22 (see Appendix B&C for annual data):

    - In 2022/23 there were 32 gift reports (59 individual recipients) totalling £1849.82 and 169 hospitality reports (157 individual recipients) totalling £46,496.99
    - In 2021/22 there were 29 gift reports (29 individual recipients) totalling £1,908.77 and 104 hospitality reports (224 individual recipients) totalling £13,839.00

10. There were 2 instances of employees accepting a gift of cash equivalent (gift cards & vouchers) from external third parties which were approved by line management. The breaches were raised with line management to return the gift and all employees have been reminded of the policy requirements.

11. Regular GE level reporting of G&H submissions was reintroduced in Q2 2022/23. The report highlights issues covering their reporting lines and provides oversight of volumes, values, recipients of multiple offers and third parties offering multiple G&H. The highest volume and value of gifts and hospitality was received by the Commercial business team in 2022/23.

12. A review of the external companies that have offered G&H to Post Office in 2022/23 has not identified any significant issues and all were assessed as proportionate and appropriate at approval. The top 5 are detailed below:

External Third Party	Employee Response	Report Volume	No. of recipients	Value per recipient	Total Value
Herbert Smith Freehills*	Accepted	6	27	£82.96	£2240.00
	Declined	4	16	£40.00	£640.00
	Total	**10**	**43**	**£66.98**	**£2880.00**
Ageas	Accepted	2	2	£125.00	£250.00
	Declined	8	8	£225.00	£1800.00
	Total	**10**	**10**	**£205.00**	**£2050.00**
Collinson Group	Accepted	6	15	£92.67	£1390.00

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	Declined	0	0	£0.00	£0.00
	Total	**6**	**15**	**£92.67**	**£1390.00**
Norton Rose Fulbright	Accepted	4	24	£43.83	£1052.00
	Declined	1	4	£44.00	£176.00
	Total	**5**	**5**	**£245.60**	**£1228.00**
Adobe	Accepted	5	5	£70.00	£350.00
	Declined	1	1	£60.00	£60.00
	Total	**6**	**6**	**£68.33**	**£350.00**

* Offers from Herbert Smith Freehills in 2022/23 have been referred to the Legal Team to ensure these were appropriate and proportionate, given their role in supporting the Public Inquiry work.

15. Charitable donations were made as below:

Date	Name of charity	Description	Category	Offered or Received	Amount
29/4/2023	Trussell Trust	POL donated £1p for every cash withdrawal over a PO counter between P1 and P12 22/23	Monetary	Offered	£ 266,360.40
09/05/2022 30/06/2022 20/10/2022 12/01/2023	Charities Trust	Funding for POL employee matched funding and branch matched funding programmes. Note - a small balance was carried over to 2023/24 but held by Charities Trust.	Monetary	Offered	£20,000 (paid in 4 equal £5k instalments)

Risk Assessment, Mitigations & Legal Implications

13. Anti-Bribery & Corruption (ABC) assessments of Post Office Group were completed in Q1 2023/24 (the close down reports can be found in the Reading Room).

14. Action plans have been drafted from the assessments however these recommendations are minor in nature and would not substantially impact the residual risk score.

Post Office Limited:

15. The residual risk remains within Group risk appetite. Improvements were identified in the following key areas:

- ABC Policy quarterly control testing has been completed with no significant findings.
- Whistleblowing Framework is maintained to a good standard with evidence of best practices being applied (resource dedicated for investigations, employee training).
- G&H reporting remains aligned with the expected level of submissions, with evidence of corrective action being taken when/where required.
- Quarterly GE reporting of G&H submissions has been reintroduced to improve governance oversight.

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Tab 10 Policies for Approval

- Continued communications to raise awareness of ABC policy and procedures across the organisation has assisted control performance

Post Office Insurance:

16. The residual risk remains within Group risk appetite and has improved from 0.83 to 0.14 since the last assessment. The reduction reflected the improved alignment of policies and procedures between POI and POL.

17. One recommendation from the last assessment has not yet been addressed; Post Office Vetting Policy v2.4 sets out the Group's overall risk appetite and controls but explicitly sets out that POI should have their own policy. POI apply the POL vetting principles and the standards of the Senior Managers Certification Regime, but this is not currently documented in the format of a statement or policy and it is recommended this is addressed.

Payzone Bill Payments:

18. The residual risk score remains within Group risk appetite, and has further reduced since the last assessment, reflecting the significant alignment of policies and procedures between PZBP and POL, with positive control improvements to the areas of G&H, HR Vetting, Charitable and Political Donations. The assessment did not identify any significant findings and the main observation related to the absence of any G&H submissions.

19. PZBP have confirmed that offers of G&H are rare and only usually received around Christmas time. PZBP continue to attest that training and communications are provided to employees regarding reporting requirements.

Stakeholder Implications

20. No material changes are required to comply with the updated Policy. If approved, the G&H reporting tool will be amended to reflect the new limits and communicated to employees.

21. The Compliance team will work with stakeholders across the business to improve first line compliance with the ABC policy as part of the overall Compliance strategy work.

22. The Corporate website ABC statement has been reviewed, but no changes are recommended (see Appendix A for current statement).

Next Steps & Timelines

23. Financial Crime Compliance will pursue and oversee the action plans to remediate residual risks identified in the ABC risk assessments with relevant stakeholders during 2023/24. Progress will be reported via Compliance reporting to the RCC and ARC.

24. Continue quarterly GE level reporting of Gifts and Hospitality.

25. ABC training content is being updated and will be delivered to all employees in September 2023. On-going communication and awareness will be delivered throughout 2023/24.

Sally Smith
MLRO & Head of Financial Crime
13th June 2023

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POST OFFICE LIMITED ARC COMMITTEE REPORT

Title:	Quarterly Speak Up Up-date	Meeting Date:	10th July 2023
Author:	Mair Haynes, Speak Up Analyst John Bartlett, Head of CIU	Sponsor:	Sarah Gray

Input Sought: ~~Decision~~/Discussion/Noting

Executive Summary

- This is the first of the to be regular updates on Speak Up activity
- More reports of branches refusing to comply with requests to return excess cash are being seen. This is often to cover large discrepancies, which may lead to allegations of theft or robbery.
- Volumes of Speak Up cases may have fallen slightly from last quarter, however, there are currently now 17 open investigations and the complexity and scale of these are time and resource intensive.

Purpose

The purpose of this report is to provide ARC with an overview of Speak Up activity, the risks raised by those reports, and action taken to mitigate those risks.

Speak Up Reports this quarter
Public Interest Disclosure Act 1998 (PIDA)

Qualifying disclosures are those where the reporter reasonably believes that one or more of the following matters is either happening now, took place in the past, or is likely to happen in the future: Criminal Offences; Failure to comply with an obligation set out in law (including regulatory breaches); Miscarriages of justice; Endangering of someone's health and safety; Damage to the environment; Covering up wrongdoing in any of these categories.

- Three of the seven reports received this quarter are PIDA qualifying and were all raised direct by Whistleblowers into the Speak Up email address.
- Two of these were allegations of bullying
  - One related to managers and was raised anonymously. This was closed as Unsubstantiated as the reporter refused to engage any further. However, we engaged with Employee Relations (ER) and they are trying to be more visible in the office and undertaking work around the culture and behaviours being reported.
  - One related to a cleaner and was raised by a member of staff. This was closed as Substantiation Undetermined, and the reporter advised to report to line manager and / or ER. Dignity at Work and Grievance Policies provided.
- The third report is an open case around Compliance & Regulation Violations and is being investigated under the name Project WILLOW. This is likely to be passed to external investigators due to the high-profile nature of the people and project involved.

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Tab 13 Speak Up Report to ARC Members

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In total, seven reports have been received into the Speak Up function this quarter (April – June 2023), which is a reduction by two from the previous three months.

- Three reports relate to theft, which is the most common type of allegation we receive. Of these, two are allegations are against OICs[1] and one against the postmaster. In the case of one of the OIC's, allegations of coercive behaviour has also been made against the postmaster (the wife of OIC) where POL's cash has allegedly been used to support the retail business. The other two theft reports were both reported via the Speak Up email address and identified by Branch Assurance Visits, which took place because of branches not complying with requests to send back excess cash.
- Two bullying cases received this quarter have now been closed. As these were both protected disclosures, they are detailed under the PIDA section of this report.
- One Compliance & Regulation Violation case has also been reported, which is being investigated under the name Project WILLOW. PIDA case.
- A report has been received of potential modern slavery, whereby a male was found to be living and sleeping on the floor of a small office adjoining a Royal Mail sorting office within a Post Office. The postmaster states the male is nothing to do with Royal Mail, Post Office or the sorting office and refuses to give any further details. This has been reported to the police, Unseen (Modern Slavery & Exploitation charity), the Gangmasters Licencing Authority and our Security team for information. This is also being reported to HSE due to potential security and safety risks.

An additional 25 reports have been received into Speak Up this quarter. These have been triaged and further enquiries made and clarified to inform next steps. The majority of these relate to working practices in branch (sharing SmartID, processing retail items through PO etc) and 18 of the 25 have been either closed 'No Further Action' or signposted to other departments or agencies for advice (Contracts, Area Managers, ACAS, Royal Mail etc). The remaining seven are still awaiting further information, either from the reporter or other departments, before a decision is made regarding being accepted for investigation.

Ten cases have been closed this quarter, the majority of which were active in the previous quarter:

- Two cases were 'partially substantiated' –
  - A PIDA allegation into the behaviour of high-profile managers which was outsourced to an external agency due to the seniority of the subject involved (Project ROSE1). A comprehensive report including recommendations has been provided.
  - The reporter raised multiple issues including the sharing of SmartIDs, insecurity of the branch, mail items being left unsecured and general treatment of staff. Issues passed to security team, contracts and the reporter directed to ACAS[2].

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[1] Officers In Charge – employees of Postmasters nominated to day to day run an individual post office.
[2] ACAS – (Advisory, Conciliation and Arbitration Service) – provide free advice and support around pay and working conditions etc to non-POL employees including Postmasters, OIC's, Clerks.

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- One case of bullying by a contractor was closed as 'substantiation undetermined' with the reporter being directed to ER for advice.
- Four cases were closed as 'unsubstantiated' as there was not enough evidence to support the claims.
  - Two of bullying (one a PIDA case and detailed in that section), the other was a report from staff members accusing the postmaster of bullying behaviour. These members of staff produced an unauthorised recording of an alleged incident, although upon listening to the recording it was deemed that the postmaster behaved in a courteous, professional manner. Staff members referred to ACAS.
  - One case of potential Money Laundering where PSNI reported a large volume of Scottish & Irish notes being returned to Bank of Ireland by a branch in Northern Ireland. It was later established that the cash had been repatriated by the cash centre.
  - The fourth unsubstantiated case related to an allegation of theft of a parcel at a branch. The reporter claimed that Royal Mail had left a parcel at branch for them to collect, however, it was not there when they went to pick it up. The delivery image did not clearly show where the parcel had been left, and it was not signed for. Royal Mail could provide no further details. The branch has now closed and as such we are unable to progress this any further.
- Three cases were closed as 'other'. These were either signposted or passed to other teams / agencies to deal.

Outreach

This quarter, the Speak Up function has been promoted by the team to:

- Contracts Advisor Leander Fitzharris for onward dissemination to the wider team, Finsbury Dials
- NFSP Conference, Stratford on Avon
- Network Monitoring, Network Reconciliation, Network Support & Resolution Team (tier 2), Case Review & Investigation Team (CRIT – tier 3) and Contracts – all postmaster facing teams, Chesterfield and on TEAMS.

Challenges

The continued lack of reliable, comprehensive reporting system with functionality for direct reporting, analysis, and data sharing hinders the effectiveness of the team in managing individual cases but also in thematic analysis.

Difficulties around extracting and maintaining data in the current stand-alone Speak Up reporting platform leads to potential duplication of work also being recorded elsewhere.
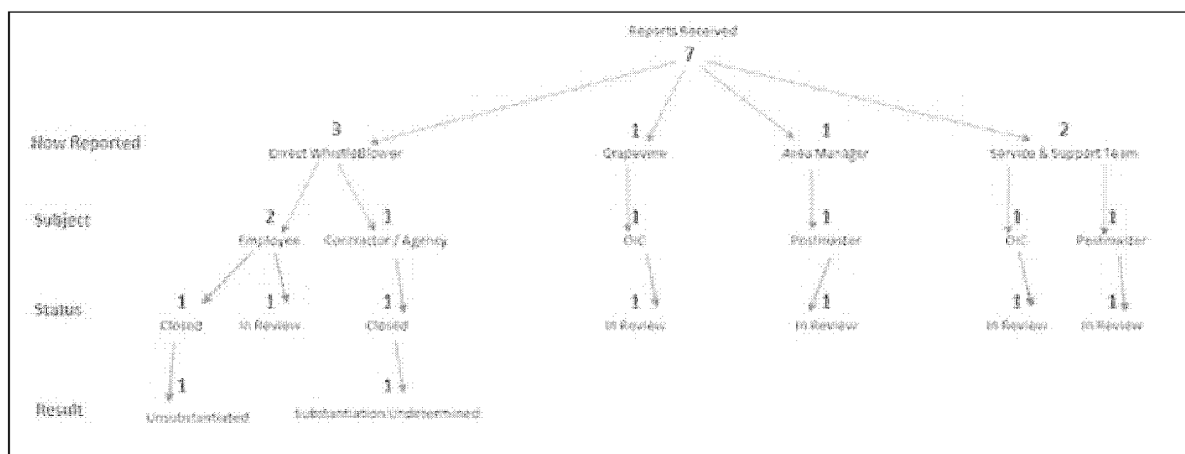
Lack of investigative resource as more complex, time intensive cases are received.

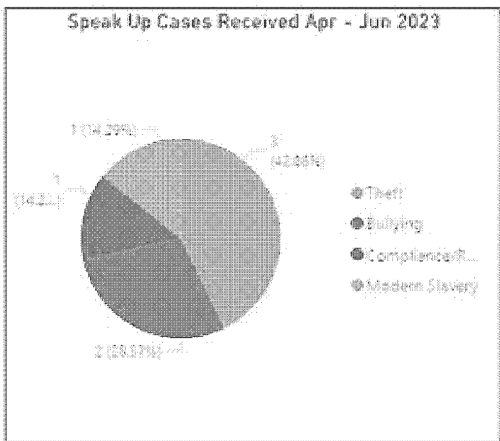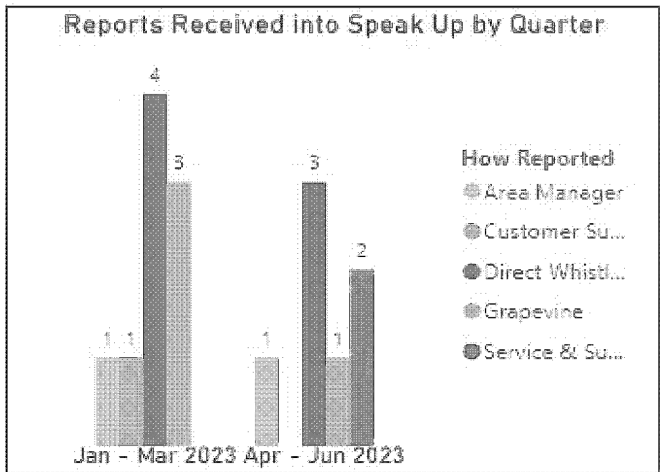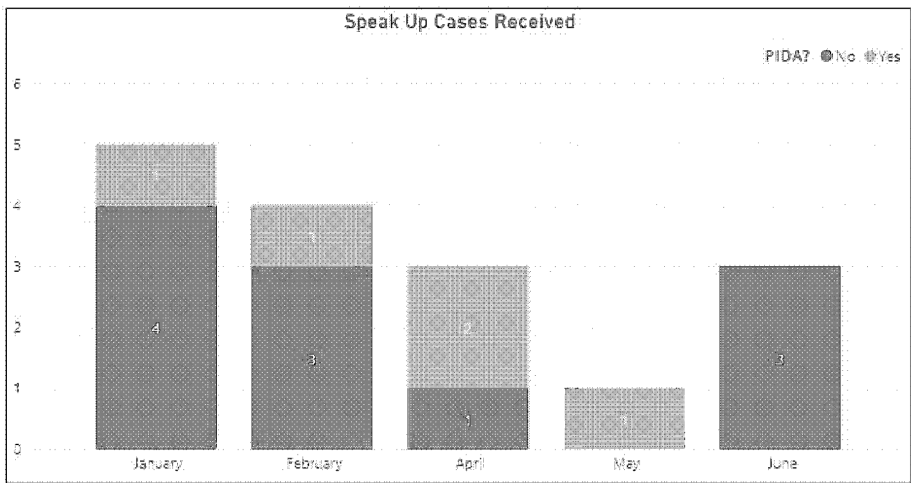Lack of resource in other departments means delays in receiving supporting reports and information.

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Tab 13 Speak Up Report to ARC Members

Lack of police buy-in for some investigations, and then constraints within POL in producing and exhibiting evidential matter.

Appendix 1

Tab 13 Speak Up Report to ARC Members

Speak Up Cases Received

Reports Received into Speak Up by Quarter

Speak Up Cases Received Apr – Jun 2023

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[Highly Sensitive]

Tab 13 Speak Up Report to ARC Members

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Speak Up Cases Closed Apr - Jun 2023				
Type	Other	Partially Substantiated	Substantiation Undetermined	Unsubstantiated
Bullying			1	2
Theft	1			1
Compliance/Regulation Violations		1		
Employee Relations		1		
Modern Slavery	1			
Money Laundering				1
Unprofessional Behavior	1			
Total	3	2	1	4

Subjects of Speak Up Cases Received						
Month	Contractor/Agency worker	Employee	Officer In Charge	Other	Postmaster	Total
January		2			3	5
February		1	1	1	1	4
April	1	1	1			3
May		1				1
June			1		2	3
Total	1	5	3	1	6	16

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[Highly Sensitive]

POST OFFICE

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Procurement Governance & Compliance Report	Meeting Date:	10 July 2023
Author:	Liam Carroll - Procurement Director	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting

The Committee is asked to review the report, noting the Procurement Risk Exceptions submitted to the Post Office Limited Group Executive and Board since May 2023. A visual breakdown of all Open incidents on 1 June 2023 is available in Appendix 1.

Executive Summary

1. Since the last RCC and ARC report in May 2023 there have no new Risk Exceptions submitted to the Group Executive and Board for approval. Our overall non-compliance value has remained at £12.7M.

2. There are a number of issues with the data quality of contracts held in the Web3 system which may lead to the discovery of further non-compliance. A paper is being prepared by Legal and Procurement setting out the issues and improvement recommendations it will be tabled for discussion at GE in August, and then brought to RCC and ARC in September for discussion and approval.

Report

3. Across the Group1 Post Offices operates a decentralised contract management model whereby individuals across the business are responsible for managing relationships between Post Office, vendors, and the respective contracts. This model was approved at ARC in September 2020 being considered more cost efficient and less disruptive than creating a centralised contract management team.
4. In 2021 a previous report to RCC and ARC highlighted the continuing issues with the adoption and embedding of the management of contracts across the business. Several improvements in training and reporting were implemented.
5. Despite the previous work undertaken to address the aspects highlighted in 2021 we are still seeing significant compliance issues in the adoption of the Contract Management Framework.

Compliance issues

6. Quality of information in the Contract Management repository:

   - The initial contract loading in 2021 included many expired/historic contracts, they and many of the records created since have missing or incorrect information that has not been updated.
   - There is no process established to manage movers and leavers from within the business and therefore the Contract Management module has a lot of orphaned information. This makes the reporting from the system inaccurate.

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[1] Post Office Limited, Payzone Bill Payments Limited, Post Office Management Services.

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Tab 14.1 Procurement Governance & Compliance

- There are many contract records in draft/ failed status that require housekeeping to enable accurate reporting and compliance assurance.
- The contract module is designed to send automated notifications to the Contract and Sourcing Managers 90, 60 and 30 days prior to contract expiry. However, this is reliant on the information in the Contracts Module record being up to date.
- Reporting from the Contract Management Module is inaccurate due to the inaccuracy in data. GE members receive monthly reports to monitor contracts for their business area, but contracts will only be listed in their reports if they are named as GE owner on the contract record, from a recent snapshot only 55% of the records had the information accurately recorded.

7. Confusion on the information to be loaded into the CAF and Web 3 systems is leading to inconsistencies in the data and compliance issues, such as the option to raise the eCAF for the initial term or the initial term plus any extensions leading to inconsistencies in the data and compliance issues. By doing it for the initial term plus extensions it saves on the requirement to return through governance for additional approvals when the contract is being extended, but:

- This means that the record is incorrect for Contract Management from the outset and the reporting from the system is incorrect.
- The Contract Manager and Sourcing Manager will not receive reminders before the contract expires after the initial term.
- Monitoring compliant spend against the contract is more complex, as the contract value shown in the system is incorrect.
- Only the Procurement Manager who procured the contract or the initial Contract Managers who were involved in the Contract record creation would understand the correct position – and with the turnover in the business, this is not robust.
- Any Contract Managers picking up contracts in the future would not have visibility of the CAF (the business does not have access to the CAF system and no copy of the completed CAF is saved on the contract record) and would have a misleading impression of the contract.

Next Steps

8. Recommendations on how to address and resolve the issues highlighted in the report above will be brought to GE in August before being taken to RCC and ARC for discussion and approval.

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Tab 14.1 Procurement Governance & Compliance

POST OFFICE

Appendix 1 - All Open Material Incidents

Procurement Category	Function	GE Member	Supplier Name	Value/ Income	Contract Start Date	Due date/ Resolution date	Mitigation	Governance
Marketing	Marketing & Brand	Owen Woodley	CACI	£392,380	14/04/2020	01/04/2024	None	Board
Banking Services	Commercial	Owen Woodley	Barclays	£320,000	25/06/2020	16/03/2025	None	Board
Payout Services	Commercial	Owen Woodley	Zunoma	£2,700,000	01/09/2020	30/06/2023	None	Board
Property	Retail	Martin Roberts	Insafe	£9,300,000	06/06/2018	31/10/2023	None	Board

£12,712,380

CACI - Board approved direct award in April 2020

The items purchased through CACI are OCEAN & FRESCO, which are attitudinal segmentation, that when applied to the POST Office customer database (BRANDS) allows us to do the following:

- Provides the underlying data which enables the new Post Office customer segmentation
- This enables us to then run counts in BRANDS of how many customers we have in each of these segments
- FRESCO & OCEAN are also the underlying data that powers our CRM propensity modelling.

There is currently no framework in place for these tools and to run an FTS procurement would take at least 6 months. At this date there is no appetite for an FTS procurement to take place as we would have to re-create the entire Post Office Segmentation every 2-3 years to accommodate another vendor.

Banking Services - Postal Orders and Camelot Cheques. Service originally with Co-Op. they terminated the contract in order to exit cheque clearing market. Barclays stepped in to pick up service as very similar to cheque clearing. As agreed with Board in November 2021 the corporate banking contract with Barclays was extended compliantly under Reg 72 of PCR 2015. Given the synergies of the contracts and the uncertainty over Camelot's contract for the National Lottery it was agreed to continue the contract with Barclays for Camelot Cheques and Postal Orders.

Payment Services – Board approved direct award in November 2022. Zunoma (previously Smith & Ouzman), have been operating as POL's security print provider since the commencement of Payouts in 2006. The original contract was created in June 2018 and backdated to 2015. The contract expired in July 2019. The Energy Payouts were put through the Zunoma contract as this was seen by the Business as a continuation of a BAU service.

The direct award of the contract to Zunoma is non-compliant with the Public Contract Regulations. It is Procurement's view that we are unlikely to receive a challenge to this direct award.

Insafe International Ltd - In June 2018 Post Office compliantly let a contract for the supply and installation of branch cash safes and associated equipment (timers, locks etc) for an initial five-year term with three optional twenty-four-month extensions with a total contract value of £3.8m.

Although BAU spend has been well managed at £2M, an additional £9.9M has been spent on non-BAU projects. Current spend has reached £11.9M with a projected additional spend of £1.2M to March 2024.

This over-spend represents a significant failure to adhere to the Contract Management Framework. The risk of a challenge arising is low and further mitigated by the plan to re-procure by October 2023.

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Tab 14.2 Fraud Risk

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Fraud Risk Management	Meeting Date:	10th July 2023
Author:	Rebecca Barker (Head of Risk), Johann Appel (Director of Audit and Risk)	Sponsor:	Alisdair Cameron

Input Sought: Noting

The committee is requested to:

i. Note Post Office approach to Fraud Risk management and Central Risk's assessment of the current fraud risk and controls.

Executive Summary

The committee requested a bottom-up review of fraud risk across Post Office. Following the implementation of ServiceNow GRC, we are now in a position to perform such a review.

We note that there is no overarching fraud risk appetite, rather the appetite for the different fraud events varies based on the applicable business area or product. For example it is acknowledged that there is a higher inherent fraud risk associated with money transfer products.

We highlight that some imminent legal and regulatory changes will increase the need for enhanced fraud risk management in Post Office, specifically:

- The government are looking to introduce the new Economic Crime and Corporate Transparency Bill, introducing specific 'failure to prevent' offences, including failure to prevent fraud by an associated person (as well as computer misuse and human rights abuses).
- The BEIS whitepaper on 'Restoring Trust in Audit and Corporate Governance' will require Directors of Public Interest Entity companies to report on the steps they have taken to prevent and detect material fraud. Detail on what this disclosure will look like and where it would be presented in the ARA has not yet been communicated.

Fraud Risk management is fragmented across the Post Office and ownership of activities falls to several teams, however, from our high level assessment **we have not identified any material gaps** which could cause concern of not being able to comply with proposed new regulations of 'failure to prevent'.

Report

1. **Fraud Risk Context:** Fraudulent action can be committed by persons internal or external to the organisation. Fraud can result in material financial or reputational impact to the business. Fraud risk can arise from inadequate or failed internal processes or systems, human error or misconduct. Correctly implemented, fraud risk management reduces the risk of financial crime such as fraud, theft, embezzlement, and money laundering and other offences such as bribery, corruption, and extortion.

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Tab 14.2 Fraud Risk

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2. **Approach:** To provide an overview of fraud risk identification within the business, the Central Risk team have referred to the National Crime Agency standards to assess our approach to fraud risk management. Their strategy addresses the four strands to act on organised crime, known as the four Ps;
   - Pursue – Identifying the source of fraud.
   - Prevent – Controls to prevent fraud from occurring.
   - Protect – Strengthening our protection against fraud.
   - Prepare – Mitigate the impact of fraud.

3. **Pursue:** Once fraud has been identified an investigation will be completed by the relevant team – external fraud against products and services (customer fraud) is investigated by the Financial Crime and Product teams and internal fraud by POL's Central Investigations Unit (CIU). The teams will work/collaborate with the Police/Business owner/Network to understand the source and to ascertain the cause and if the fraud is isolated or not. The Central Risk team will form part of the output of the investigation, where required, to ensure the identification of the causes are mitigated and will assess the impact of this to existing risks. There are several teams across the business which have processes in place to help identify the source of fraudulent activity:
   - Financial Crime Team (Anti-Money Laundering, Anti Bribery and Corruption, and Financial Crime).
   - Security Operations (Security operations and network monitoring Cyber Security team monitors incidents raised via colleague and branch, track independent security finds by criticality and monitors vulnerabilities across the estate).
   - Grapevine - fraudulent activity identified by any Post Office employee, Postmasters or their staff are reported to Grapevine, along with Suspicious Activity Reports where money laundering is suspected.
   - 'Speak up' whistleblowing service, enabling all employees, Postmasters and their staff and external other stakeholders to raise concerns in confidence (and anonymously, if preferred).

4. **Prevent**: Key controls are in operation (active on Service Now GRC) across the business that help to reduce the likelihood of a fraud materialising. There are currently 1012 controls actively managed with control attestations taking place annually or monthly. Control attestations, issues and non-compliance of controls are managed across the business by the compliance manager leads.
   - Overarching governance controls, such as delegation of authority and segregation of duties.
   - There are controls across Finance (monitor aged debts, hedging, cashflow, manage network cash, banking payments), Technology (management practice, governance, protective technology, user access controls and identity and access management systems), Postmaster Onboarding (vetting, smart ID, joiners & leavers), Service and Support (transaction corrections, banking enquiries, stock discrepancies) and Supply Chain (operational management, physical & environmental protection).
   - Financial Crime Team undertake annual assurance exercises, recently reporting on Financial crime, ABC and AML/CTF.
   - Several key policies are in place and include, but are not limited to, Code of Business Conduct, Financial Crime Policy, Cyber & Information Security, Modern Slavery, ABC, AML and FOI. Each Policy contains a set of minimum operating standards relating to

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Tab 14.2 Fraud Risk

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the design and implementation of controls, and policy owners undertake regular assurance against those minimum standards. The Financial Crime Policy includes a number of fraud control minimum standards (e.g. people vetting, building access control, etc.). Compliance with these policies supports the Group in meeting its business objectives and to balance the needs of shareholders, staff and other stakeholders.

- Internal Audit provides independent validation of the effectiveness of the self-attestation process of the Financial Reporting controls on an annual basis, as well as regular reviews of other control frameworks, such as the IT Control Framework.

5. **Protect**: Post Office has processes and procedures in place to support how we strengthen our protection against fraud - this is managed by a number of teams across the business as listed below:
   - Cyber Security protecting our networks, deploy endpoint detection and prevention tools to thwart malicious hacks, managing software patching, monitor the network and applications to identify irregular activity.
   - Data Protection ensuring compliance to data protection.
   - Financial Crime Team complete regular financial crime risk assessments for high risk products and services. FCT will identify new risks including fraud risk, e.g., product or transaction limits and ID requirements to meet money laundering regulations, unusual activity, etc. The Central Risk Team are engaged in this process.
   - Product Management are responsible for keeping the Product Information Pack (PIP) up to date in line with any product changes. The purpose of the PIP is to provide an overview of the product or service, including customer/transactional journey, parties involved, any contractual responsibilities, monitoring and control requirements. Central Risk Team are engaged in this process to ensure any new risks identified in this process are being raised and managed by the business.

6. **Prepare**: There a number of processes and procedures in place across the business to respond to instances of fraud and further mitigate the risk of fraud. These are:
   - Central Investigations Unit investigate and mitigate incidents.
   - Security teams continue with phishing tests, educating employees on how to identify suspicious activity, etc.
   - A programme of annual compliance training and tests for all employees, contractors, and Horizon users (e.g. ABC, AML, Information Security, Data Protection).
   - Risk Management process in place to ensure 1st line risk owners are responding to risks and mitigating risks.

Conclusion

7. In order to provide an ongoing holistic view of fraud risks, controls and visibility of fraud prevention across Post Office, the business would benefit from having all fraud risks and controls captured within Service Now and correctly mapped, albeit it is acknowledged that currently there is insufficient resource/bandwidth in the front line to achieve this.

8. **We recommend** that going forward any risk relating to fraud in SNOW GRC is tagged to highlight they are a fraud risk. This will enable the Central Risk team to provide assurance over fraud risks across the business. We also recommend that a deep dive of fraud risks should be presented to the ARC in July 2024.

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Tab 14.3 Committee Forward Plan

Post Office Limited
Audit, Risk & Compliance Committee Forward Plan January 2023 – March 2024

Item	Origin of Request	Owner	Action Required	Risk & Compliance Committee Agenda? (will be presented to the RCC prior to being submitted)	23/01/2023	28/03/2023	16/05/2023	10/07/2023	25/09/2023	27/11/2023	29/01/2024	26/03/2024	Notes
STANDING ITEMS FOR PRESENTATION														
Welcome and Conflicts of Interest	Companies Act 2006 s.177	Chair	Noting	N/A - see below	X	X	X	X	X	X	X	X	
ARC minutes from previous meeting	Terms of Reference para 67 & 72	CoSec	Noting & Approval	N/A - see below	12/5/2022	1/23/2023	3/28/2023	5/16/2023	7/10/2023	9/25/2023	11/27/2023	1/29/2024	
ARC Actions	N/A	CoSec	Noting	N/A - see below	X	X	X	X	X	X	X	X	
RCC Draft minutes	Terms of Reference para 17	CoSec / CFO (RCC Chair)	Noting	N/A	1/10/2023	3/14/2023	May 2023	July 2023	Sept 2023	Nov 2023	Jan 2024	March 2024	
Risk, Compliance & Internal Audit Update consisting: 1. Risk Report & Dashboard 2. Combined Compliance & Internal Audit Report	Terms of Reference para 10 - 16	Head of Risk, Director of Compliance, Head of Internal Audit	Noting	Yes	X	X	X	X	X	X	X	X	Compliance Report should contain an update on FCA proceedings. Risk report should include an overview of current and emerging risks as well as the Head of Risk's opinion on areas of concern etc (Committee Evaluation 2021). The Internal Update to every meeting should include updates on the plan whilst GLO assurance work is being undertaken.
5 minute break	Board/ARC Evaluation 2020/2021	CoSec	N/A	N/A	X	X	X	X	X	X	X	X	Any ARC meeting over 2 hours should have at least a five minute break.
WRITTEN RESOLUTION ITEMS														Unless agenda time allows, these items will be approved by written resolution sent in parallel with the meeting papers. They are therefore approved outside of the meeting.
Group Key Policies Review	Terms of Reference para 7 & 18	Director of Compliance (and/or Policy Owner)	Approval (for onward submission to the Board in some instances, where marked with an asterix)	Yes	(1) Protecting Personal Data (2) Vetting Employee Fit & Proper (3) FOI Policy - RCC Only (4) Business Change Management Policy (5) Conflicts of Interest Policy	(1) Health & Safety (2) Cyber & Information Security Policy	(1) Business Continuity (2) Internal Audit Charter (3) Group Legal Policy (4) Whistleblowing/ Speak Up Policy	(1) Financial Crime (2) AML & CTF (3) Anti-Bribery & Corruption (6)	(1) HMRC Fit & Proper (2) Treasury (3) Investigations Policy RCC only (4) Law Enforcement Agencies Policy (5) Procurement	(1) Risk* (2) Conflicts of Interest (3) Business Change Management (4) Physical Security Policy/Suite	(1) Investigations Policy (2) Protecting Personal Data (3) Cyber & Information Security (4) Vetting Employee Fit & Proper (5) FOI Policy - RCC Only	(1) Health & Safety (2) Procurement (3) Whistleblowing - see below	Each review and approval request is to include assurance and conformance testing to show the policy is operating effectively including details on exceptions/waivers and supporting evidence. All policies will be presented in one policy summary paper. Please check with Policy Compliance Manager before each meeting as this is subject to change and refer to the Group Key Policy Framework. Other policies on the Group Key list may be mentioned separately below due to their importance/requirement in the Terms of Reference and they will have separate papers. These are referred to in this list in brackets for completeness, but will not form part of the written resolution request). Policies must be presented as: - Minor changes - revised clean and track changed version - major changes clean revised version plus old existing version. NOTE: Other policies requiring RCC approval are in the RCC section of this forward plan as per the Group Key Policy Framework.
STANDING ITEMS FOR NOTING (NO PRESENTATION)														These items will not be presented to the Committee unless it is agreed otherwise. They are simply published and not discussed at the meeting. If there are any comments or questions, these are sent to CoSec. The comments/questions and answers are then appended to the minutes.
Procurement Governance & Compliance	September 2020 ARC/Procurement Policy	Procurement Director	Noting	Yes	X	X	X	X	X	X	X	X	
Post Office Insurance ARC update	Terms of Reference para 53	POI ARC Chair or POI Director of Risk & Compliance	Noting	No	X	X	X	X (presented)	X	X	X	X	This is noting only item with no presentation unless there is another POI item on the agenda.
Committee Forward Plan	Committee Evaluation 2021	Secretary	Noting	N/A - see below	X	X	X	X	X	X	X	X	

Tab 14.3 Committee Forward Plan

Item	Origin of Request	Owner	Action Required	Risk & Compliance Committee Agenda? (will be presented to the RCC prior to being submitted)	23/01/2023	28/03/2023	16/05/2023	10/07/2023	25/09/2023	27/11/2023	29/01/2024	26/03/2024	Notes
Law & Trends	Terms of Reference para 18 and 20	Group GC/Legal Director	Noting	Yes	-	X Presented	-	-	X Presented	-	-	X	Law & Trends used to be a standing item. If matters come up outside of the six month cycle, they should be filtered through the Risk or Compliance Updates as appropriate. If there is a major change, a separate ad hoc report can be considered.
REGULAR ITEMS: EVERY SIX MONTHS, YEAR OR TWO YEARS (every year unless otherwise stated in notes column)													
Annual Report and Accounts , including: - ARA Cover Note & Draft ARA - Briefing Book - Accountable Person Report - Representation Letter - External Auditor Summary Report	Terms of Reference para 2, 3, 12, 42, 43, 44	CFO/Financial Controller	Noting & Approval (for onwards submission to the Board)	No	-	-	-	Additional meeting 24/07/2023	-	-	-	-	FY year end 31 March, deadline for filing 31 December Accounts are normally approved in June but this may shift and the June meeting becomes an update.
External Auditor Reappointment (next financial year), Fees & Scope of Engagement	Terms of Reference para 38	CFO/Financial Controller	Approval (for onwards submission to the Board)	No	-	-	-	Additional meeting 24/07/2023	-	-	-	-	
Review of External Audit (post account approval) including independence, non-audit fees, qualifications, expertise and resources of the external auditor and the effectiveness	Terms of Reference Review 30/03/2021, Terms of Reference para 45, 48	CFO/Financial Controller/Chair	Discussion & Noting	No	-	-	-	Additional meeting 24/07/2023	-	-	-	-	This should be scheduled post approval of the ARA, so may move from July if accounts not approved.
External Audit Interim Update	Terms of Reference para 2, 42	External Auditors	Noting	No	-	-	-	X	-	-	-	-	
External Audit Plan	Terms of Reference para 41	External Auditors	Approval	No	-	-	-	-	-	X	-	-	
Financial Reporting Controls Environment	Terms of Reference para 2 and 10	Financial Controller	Noting	Yes	-	-	-	-	-	X	-	-	Annual item - CS email on 24/08/21.
Agreed Upon Procedures	Terms of Reference para 2 and 10	Financial Controller	Noting	Yes	-	-	-	-	-	-	-	-	To be included in Audit related papers going forward.
Accounting & Reporting Policies	Chair request 20/04/2021	Financial Controller	Approval	Yes	-	-	-	-	-	X	-	-	
Annual Internal Audit Plan	Terms of Reference para 32	Head of Internal Audit	Approval	Yes	-	X	-	-	-	-	-	X	The Internal Update to every meeting should include updates on the plan whilst GIO assurance work is being undertaken.
Internal Audit Charter Policy	Terms of Reference para 31	Head of Internal Audit	Approval	Yes	-	-	X	-	-	-	-	-	Every two years To be next approved in July 2023 and then in July 2025. (Also on Group Key Policy List)
Internal Audit CoSource Independence Report including non-audit fees	Terms of Reference Review 30/03/2021, Terms of Reference para 35	Head of Internal Audit	Noting	Yes	-	X	-	-	-	-	-	X	Note: An external review of Internal Audit is required every 5 years. To date this has not been carried out. Should be added in due course.
Meeting with Internal Audit without management (pre-ARC meeting)	Terms of Reference para 35	Chair & Head of Internal Audit	N/A	N/A	X	-	-	-	-	-	X	-	
Meeting with External Audit without management	Terms of Reference para 47	Chair & External Auditors	N/A	N/A	-	-	X	X	X	X	X	X	A meeting at the end of each ARC from 16.05.23

Tab 14.3 Committee Forward Plan

Item	Origin of Request	Owner	Action Required	Risk & Compliance Committee Agenda? (will be presented to the RCC prior to being submitted)	23/01/2023	28/03/2023	16/05/2023	10/07/2023	25/09/2023	27/11/2023	29/01/2024	26/03/2024	Notes
Payment Practices Reporting Compliance	Company Secretary request due to director liability & s.172 reporting requirement	Financial Controller	Noting (no presentation, unless issue)	Yes	-	-	X	-	-	-	-	-	Moved to annual - May each year
Strategic Risk Management Review	Committee Evaluation 2021, Terms of Reference paras 13 & 14	Head of Risk	Discussion & Noting for onward submission to the Board	Yes	-	-	-	-	X	-	-	X	Note: The Risk Policy requires the Board to have strategic oversight of Risk so this should also be submitted to the Board (see para 2.1 of the Risk Policy as approved on 7 January 2021 by the Board).
Corporate assurance map / integrated assurance map	Committee Evaluation 2021 - Please see May 2021 ARC Paper on External Committee Evaluation and Relevant Extract from the Independent Audit Report (POL Board March 2021)	Director of Compliance, Head of Risk & Head of Internal Audit	Noting	Yes	-	-	-	-	-	-	-	-	Item was paused as part of stop, start continue exercise. JA was working on this. Agenda Item formerly named: Compliance Assurance Report and Risk Controls Assurance Map
Financial Reporting Controls Environment	Terms of Reference para 53	Andrew Goddard, Payzone Managing Director & Michelle Embrey, Payzone Risk Management	Noting	Yes	-	-	-	-	X	-	-	-	Annual Item.
Post Office Insurance Deep Dive (covering risks, compliance & governance)	Terms of Reference para 53	POL ARC Chair or POL Director of Risk & Compliance	Noting	Yes	-	-	-	X	-	-	-	-	Annual Item in July. This is in addition to noting updates at every meeting (see above).
Technology Deep Dive	Terms of Reference para 10	Chief Information Officer/ Chief Information Security Officer	Discussion vs Noting	Yes	-	-	-	-	X Unfunded Items IT Dashboard and Top 10 Risks	-	X	-	Moved from Jan to March 2023 at Zdravko's request. Moved from March to May 2023 at Zdravko's request. IT Controls should be twice a year at the January and July ARC meetings, for discussion vs noting - CS Email 24/08/2021 To cover: Joiners, Movers, Leavers, End User
Cyber Security Update	Terms of Reference para 10	Chief Information Security Officer	Discussion vs Noting	Yes	-	X	-	-	X	-	X	-	Moved from Jan to March 2023 at Zdravko's request IT Controls should be twice a year at the January and July ARC meetings, for discussion vs noting - CS Email 24/08/2021
Mails Deep Dive	Terms of Reference para 10	Managing Director Parcels and Mails, Group Chief Commercial Officer	Noting	Yes	X	-	-	-	X	-	-	-	23/08/2021 - SK has agreed with CS that Mails Operational Controls will be biannual, in Jan 2022 and Sept 2022.
Banking Deep Dive	Terms of Reference para 10	Product Portfolio Director - Banking, Payments and Transactional Products, Group Chief Commerical Officer	Noting	Yes	-	X	-	-	X	-	X	-	23/08/2021 - SK has agreed with CS that Banking Operational Controls will be biannual in Jan 2022 and Sept 2022. January 2022 Deep Dive moved to May 2022. September 2022 Deep Dive moved to December 2022. Moved from December 2022 to January 2023
Postmaster Operational Controls		Group Chief Retail Officer	Noting	Yes	-	-	-	-	-	-	-	-	15/02/2023: This paper was originally to report on the MI from the monitoring of the postmaster policies. With policy controls now monitored in ServiceNow, the CIJ Dashboard monitoring key CIJ indicators for GE and Board, ongoing policy assurance and CIJ assurance, we propose this paper is no longer needed Annual Item.
Identity Deep Dive	Terms of Reference para 10	Product Portfolio Director - FS, ID & Insurance	Noting	Yes	X	-	-	-	-	X	X	-	Annual Item.
Strategic Partner Risk & Failure Monitoring Deep Dive	Terms of Reference para 10	Strategic Partnerships Director	Noting	Yes	X	-	-	-	-	-	X	-	Annual item in November or January.
Data Protection Deep Dive	Committee Evaluation 2021	Director of Compliance	Noting	Yes	-	-	-	-	X	-	-	-	16/02/2023: Deferred from Jan to March 2023. Deferred to September 2023.
Business Continuity Update	Terms of Reference para 10	Business Continuity Manager	Noting	Yes	-	-	-	-	-	X	-	-	Annual Item.
Transformation Office Changes Update	Terms of Reference para 10	Group Chief Operating Officer/ Strategy and Transformation Director	Noting	Yes	-	X	-	-	X	-	-	X	From 2023, this update will be twice a year in March and September.
Tax Update & Strategy	Terms of Reference para 18	Head of Tax	Noting & Approval	Yes	X	-	-	-	-	-	X	-	Annual Item.

Tab 14.3 Committee Forward Plan

Item	Origin of Request	Owner	Action Required	Risk & Compliance Committee Agenda? (will be presented to the RCC prior to being submitted)	23/01/2023	28/03/2023	16/05/2023	10/07/2023	25/09/2023	27/11/2023	29/01/2024	26/03/2024	Notes
Corporate Insurance Renewal	Terms of Reference para 22	Group Treasurer	Approval	Yes	-	-	-	Group Insurance Renewal Options 24/07/2023	Group Insurance Renewal Approvals	-	-	-	Annual Item. Insurance expires 31 October
Modern Slavery Statement	Terms of Reference para 18	Shaun Kerrison (Head of Postmaster Engagement)	Approval (for onwards submission to the Board)	Yes	-	-	-	X	-	-	-	-	Annual Item.
Corporate Social Responsibility Strategy	Terms of Reference para 18	Head of Corporate Responsibility & Social Impact & Group Corporate Affairs, Brand and Communications Director	Noting	Yes	-	-	-	-	-	-	-	-	This to be removed from the forward planner, does not match the ARC ToR, going to GE.
Risk Appetite Statements	Board Written Resolution 07/01/2021	Head of Risk	Approval	Yes	-	Commercial	Operational risk tolerance levels People	Tech Risk Tolerance levels	People risk tolerance levels	-	-	-	03/11/2022: Rebecca Barker to advise regarding scheduling these in. Annual review required. These statements are a work in progress and it has been agreed that they should be reviewed annually and where possible, at the same time as the Group Key Policy/ies to which the risk area relates is reviewed. This is a work in progress. More statements to be added to the plan in due course and review dates revised subject to alignment with Group Key Policy List. Rebecca Barker to advise which statements will be ready for each meeting. Presenter will be the GE member/SLT member for relevant area.
Fraud Risk	ARC Chair, August 2021	Group General Counsel, Head of Internal Audit, Group Compliance Director	Noting	Yes	-	-	-	X	-	-	-	-	Deferred from March to May 2023 Update in March 2023, rather than January 2023.
Legal Risk Review (non GLO/Starling)	Terms of Reference para 18 & 20	Group General Counsel & Group Legal Director	Noting	Yes	-	X	-	-	X	-	-	X	**Twice a year.**
Annual Money Laundering Report	Terms of Reference para 24, 25 & 27	Money Laundering Reporting Officer and Head of Financial Crime	Discussion & Approval	Yes	X	-	-	-	-	-	X	-	Approval of: recommendations in the Annual Report of the Money Laundering Reporting Officer for submission to HMRC (regulator). Policy is approved separately in July.
Whistleblowing Policy & Review	ARC Meeting 30/03/2021, Terms of Reference B.23 & 24	Head of Central Investigations Unit	Noting & Approval (policy only)	Yes	-	-	-	X (Full Review & Policy Approval)	-	-	-	X (Full Review & Policy Approval)	
Anti-Bribery & Corruption Report & Policy	Terms of Reference para 7 & 18	Money Laundering Reporting Officer and Head of Financial Crime	Noting & Approval (policy only)	Yes	-	-	-	X	-	-	-	-	
HMU Risks	Email from Carla Stent 13/05/2022	Simon Recaldin (Historical Matters Director) and Ben Tidswell (POL NED and HRC Chair)	Noting - 15 mins	Yes	X	-	-	X	-	-	X	-	Twice a year in January and July. Commenced on 12th July 2022.

Tab 14.3 Committee Forward Plan

Item	Origin of Request	Owner	Action Required	Risk & Compliance Committee Agenda? (will be presented to the RCC prior to being submitted)	23/01/2023	28/03/2023	18/05/2023	10/07/2023	25/09/2023	27/11/2023	29/01/2024	26/03/2024	Notes
Postmaster Policies	N/A	Senior Operational Improvement Manager & Retail Engagement Director	Approval	Yes				1. Postmaster Onboarding 2. Postmaster Training 3. Network Cash and Stock Management	Postmaster Established Loss Recovery Policy (new) 1. Postmaster Contractual Performance 2. Postmaster Contract Suspension 3. Postmaster Contract Termination 4. Postmaster Decision Review	1. Postmaster Account Support 2. Postmaster Accounting Dispute Resolution	1. Network Monitoring and Audit Support 2. Network Transaction Corrections 3. Postmaster Complaint Handling	1. Postmaster Onboarding 2. Postmaster Training 3. Network Cash and Stock Management	1. Postmaster Contractual Performance 2. Postmaster Contract Suspension 3. Postmaster Contract Termination 4. Postmaster Termination Decision Review 5. Postmaster Guide to Policies 6. To include implementation	These were new policies in 2020/21 and the Committee may, in due course, agree that they can be approved by the RCC but Chair has indicated that they should remain before the ARC for now. In March 2022, it was agreed to spread out the policy review dates. Full list: **September 2022:** Postmaster Account Support Postmaster Accounting Dispute Resolution **November 2022:** Network Monitoring and Audit Support Network Transaction Corrections Postmaster Complaint Handling **January 2023:** Postmaster Onboarding Postmaster Training Network Cash and Stock Management Postmaster Established Loss Recovery Policy **March 2023:** Postmaster Contractual Performance Postmaster Contract Suspension Postmaster Contract Termination Postmaster Termination Decision Review Postmaster Guide to Policies To include implementation
Committee Terms of Reference Review	Terms of Reference para 74	CoSec	Approval (for onward submission to Board if changes required)	N/A (RCC will review their own ToR)	X	-	-	-	-	-	X	-	ARC REVIEW Jan 2023 - need to look at para 61 to amend.
Committee Evaluation	Terms of Reference para 74	CoSec	Noting & Discussion (Approval of any actions)	N/A	X (Review of Progress against actions)	-	X	-	-	X (Review of Progress against actions)	-	-	Deferred as needs to be presented to Board prior. Board and Committee Evaluation is annual, but action progress is tracked every six months. This is scheduled for after the Board consideration of the results which normally happens each March.
ADHOC ITEMS													
Pensions Assurance	Terms of Reference para 2, 10 and 21	Group Chief People Officer	Noting	Yes	-	-	-	-	-	X	-	-	Annual
Belfast Datacenter (Horizon) Disaster Recovery Post Test Briefing	Terms of Reference para 10	Head of IT Service Continuity	Noting only (no presentation)	Yes	-	-	-	-	-	-	-	-	Update was December 2022. Further update dates TBC. Note: Should link with dependencies e.g. SPM and is also part of IT Controls and should be flagged on Risk Register as required.
BEIS White Paper on restoring trust in audit and corporate governance	Finance request 19/04/2021, ARC request 18/05/2021	Financial Controller	Approval / Discussion / Noting	Yes	-	X	-	-	-	-	-	-	Need to consider developing an assurance policy as a result of this. Presenters are Tom Lee, Christine Kirby, Johann Appel and Christian Spelzini. March 2022 is suggested date to provide Committee with plan to become compliant with new regime. This may move. June 2022 update: The BEIS whitepaper was delayed and only came out on 1st June Dec 2022 update: Item moved from Jan to March 2023 at per CK request.
Data Governance (Framework)	RCC Meeting 04/05/2021/ ARC pre-meeting 06/05/2021	CIO/Head of Data Governance	Noting	Yes	-	-	-	-	-	X Status Monitoring	-	-	Paper deferred to May 2023 ARC. Paper deferred to March 2023 RCC. Interim verbal update to November 2022 RCC. Deferred from July 2022 to Sep 2022 ARC then Sep to RCC and ARC Dec 2022 as per Matt and ZM request. This concerns an outstanding audit action but also wider data governance discussions which are happening around the business. A pre-ARC meeting agreed a single paper should be brought back outlining the current position, future plans etc. In due course, this is likely to be a regular item (twice yearly or annually and likely to encompass data protection in due course (see deep dive above)).
Mandatory Training: Status, changes and enhancements	ARC Meeting January 2023	Group Chief People Officer	Noting	Yes			-	-	X			X	Handed over from Anshu Mathur to Juliet Lang September and March each year

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Item	Origin of Request	Owner	Action Required	Risk & Compliance Committee Agenda? (will be presented to the RCC prior to being submitted	23/01/2023	28/03/2023	16/05/2023	10/07/2023	25/09/2023	27/11/2023	29/01/2024	26/03/2024	Notes
Speak Up Report	RCC Meeting May 2023	Group Legal Director	Noting	No				x	x	x	x	x	Standing Item at each ARC commencing July 2023
Assurance Framework for the Strategic Platform Modernisation Programme	Zdravko Mladenov email 30/05/22	Group Chief Digital and Information Officer	Noting	Yes	-	X	Technical assurance plan	-	X	-	-	-	