

Risk and Compliance Committee (R&CC)		Reference: R&CC Sep. 2017
Date: 13 September 2017	Venue: 1.19 Wakefield, Finsbury Dials	Time: 13:00 – 16:00
Members:		
Jane MacLeod (JM)	Group Legal, Risk & Governance Director	Chair
Al Cameron (AC)	Chief Finance & Operations Officer	Member
Martin Edwards (ME)	Group Strategy Director	Member
Kevin Gilliland	Chief Executive Retail	Member
Rob Houghton (RH)	Group Chief Information Officer	Member
Nick Kennett (NK)	Chief Executive – Financial Services	Member
Martin Kirke (MK)	HR Director	Member
Paula Vennells (PV)	Group Chief Executive	Member
Attendees:		
Johanne Appel (JA)	Senior Internal Audit Manager	Report (Paper 7.1)
Tim Armit	Senior Manager Business Continuity	Report (Paper 3.6)
Deana Herley (DH)	Senior Assurance Manager	Report (Paper 4.1, 5.1 & 5.2)
Adnan Killedar (AK)	Risk Business Partner	Secretariat
Jonathan Hill (JH)	Head of Risk, Banking Regulation and Strategy	Report (Paper 3.1)
Jenny Ellwood (JE)	Head of Transformation Risk and Assurance	Report (Paper 3.2)
Amanda Radford (AR)	Financial Controller	Report (Paper 3.5)
James Dingwall (JD)	Head of Financial Crime	Report (Paper 3.3)
Barbara Brannon (BB)	Head of Procurement	Report (Paper 6.2)
Ben Foat (BF)	Legal Director	Report (Paper 6.1 & 6.3)
Apologies:		
Mark Davies (MD)	Group Communications, Brand & Corporate Affairs Director	Member
The meeting began at 13.00		
Agenda Item 1, Welcome, introduction & conflicts of interest		
The Chair declared the committee quorate and opened the meeting. The Chair asked for any conflicts of interest to be declared. Standing conflicts of interest were acknowledged and no other conflicts were raised.		

Agenda Item 2, RCC minutes and actions

The Committee agreed the minutes of the previous meeting and reviewed the open actions.

For action point AP1785, the Chair explained this was an ongoing activity. Sally Smith is discussing it later in the meeting. The Chair also explained that other actions due are also being discussed in separate agenda items in this meeting.

Agenda Item 3, Key Operational Risks**3.2 Change Risk**

JE introduced the paper and provided an update to the Committee on Change risks. KG commented that the progress on EUM and Successfactors has gained momentum and in light of these the overall risk to these programmes has reduced. RH stated that the risk related to IT vendors should also be scored lower in light of the recent progress in negotiations with the IT vendors. RH will provide updates to JE as part of their regular discussion. The Chair enquired if the difference of risk score in the paper and what is being discussed in the meeting is due to a timing difference as papers were submitted more than a week before the meeting. Could the scores reduce further before the Audit, Risk and Compliance committee (ARC). JE confirmed this being the case as the Programmes are moving at pace and therefore risk scores are changing as part of the progress. RH stated that some of the risks which he finds key are not included. These are discussed in project steering committees but are not being reported upwards as they are more short term project risks. The Chair stated that Change risk register should include forward looking risks which may arise over the next 6 months. These risks should be included in a separate section. RH suggested that the IT Tube Map report format should be used. The Committee agreed with the suggestion **(AP1787)**.

NK, AC, ME and JH joined the meeting.

3.1 FS Conduct Risk

JH introduced the paper noting that the CRM programme is now closing down and moving into business as usual. Further rollout of CRMs will be phased to ensure embedding. The Chair noted that she expected that the Chair of the ARC would query whether POL had its own view of code of conduct requirements, rather than relying on POMS and BoI. POL should consider setting out their own standards for compliance and this could become important in the future.

PV joined the meeting.

JH stated that POL has taken BoIs standards and agreed with BoI on what POL needs to include. POL's standards therefore meet BoI and POMS requirements. NK stated that a tri-party working group has been setup which will help in identifying and removing any discrepancies that may exist.

JH left and JD joined the meeting.

3.3 Financial Crime

JD introduced the paper. The Chair enquired if there have been any material developments. JD confirmed that there were no material developments since the paper was submitted. JD updated the Committee that discussions with HMRC are on-going and the number of areas of concern has reduced from 12 to 2. This should limit any fines that may be incurred. AC enquired if risk assessments have identified any areas of concern, is their scope appropriate and if the product managers are taking ownership of the risk assessments. JD stated that no major areas of concern have been highlighted, scope is established based on the nature of the products and that workshops and follow up sessions are arranged with the product managers to ensure their understanding and involvement in the process. KG stated that his team's understanding is good and they are involved in the risk assessment. AC suggested that one product manager in turn could present their areas' risk assessment and mitigation plans in RCC meetings. KG agreed and agreed to consider an appropriate product with which to start. **(AP1788)**

AC enquired if POL should consider discussing the impact of likely enhanced AML & fit & proper requirements with the relevant stakeholder in Government to ensure that POL is not unduly

disadvantaged. The Committee agreed with the suggestion and the Chair stated that she will take this up with Mark Davies and Patrick Bourke. (AP1789).

TA joined the meeting.

3.4 and 3.6 IT Controls Framework and DR

RH introduced the paper. AC expressed appreciation for the progress being made on the IT controls framework. The Chair enquired how the remediation is being tracked and monitored to ensure completion in time. RH stated that ATOS has a risk register which is reviewed in various management meetings and formally reviewed on a monthly basis.

NK enquired that after the recent high profile cyber incidents, there was a lot of activity to ensure that there are no vulnerabilities that could impact POL. Various comms went out to the users to enhance their understanding and awareness, especially on their role in ensuring our IT systems and infrastructure is secure. NK suggested that there should be an ongoing comms programme across the business on the importance of IT security, role of users in enhancing IT security and reiterating the processes in place regarding return of unused IT kit. The Committee agreed with the suggestion and JM and RH will ask their teams to set this up. (AP1790)

RH stated that the current level of IT disaster recovery is not satisfactory. Awareness is increasing and we are at a very early stage of disaster recovery, however work is in progress to improve and document procedures. RH stated that DR for the Belfast data centre is the biggest DR risk as it will not be ready until the middle of next year. A DR plan is not in place for Belfast data centre, however business continuity plans have been documented.

PV stated that IT DR / BCP should be one of our top risks and this should be reflected in the papers along with our plans to mitigate the risk. The Committee agreed that the paper would be updated to reflect this.

TA stated that he is working on business continuity plans which include IT systems. He is currently working on scenarios where IT systems are unavailable for 1, 3 and 5 days and what impact this will have on the operations. This activity is on-going.

TA informed the Committee that there is a ballot to be held by the unions of Royal Mail (RMG) on possible industrial action. TA also informed the Committee that he along with colleagues in Retail are working with RMG on business continuity plans. POL's experience of planning in case of industrial action has been shared. KG stated that there could be significant financial impact in the event of a prolonged industrial action. It could also result in loss of customers as they may switch to our competitors.

The Chair stated that a note on potential industrial action by RMG unions and business continuity arrangements in the event of action should be included in CEO's Board report. KG and TA to draft the note for the report. (AP1791).

TA left the meeting and AR joined the meeting.

3.5 Finance Controls

AR introduced the paper. AR informed the Committee that 96% of the finance controls are operating effectively. Good progress is being made to mitigate the remaining controls. AR informed the Committee that an unsupported debit of circa £550k has been identified. This has been checked, approved and cash has been reconciled. The external auditors have reviewed our work and provided their approval. Going forward, a monthly review of POLSAP users has been put in place to ensure that only authorised users have access to POLSAP.

PV enquired if AR was satisfied with the controls in place and the work in-progress to ensure effectiveness of finance controls. AR confirmed that she is satisfied. AR also informed the Committee that after confirmation of government funding, the external auditors are now comfortable that POL is a going concern.

Agenda Item 4, Annual Report and Accounts

4.1 Executives' Declaration and Risk Section for ARA

DH introduced the paper. DH enquired from the Committee if the top risks for the ARA are correct. AC stated that there are three main threats / risks to the Post Office: lack of government funding, IT availability and Sparrow. Less severe, but important risks are RMG and BoI arrangements.

The Chair stated that BoI risk is covered under competitiveness which the Committee agreed. Regarding Sparrow, the Chair stated that an adverse finding is a risk, but it is not currently deemed to be a significant risk. It will not crystallise in the next 12 months and is therefore not a major risk for the ARA. NK suggested that we include the wording in the ARA to reflect that the top risks are those which could impact the Post Office over the next 12 months. The Committee agreed the top risks with the suggested rewording.

Agenda Item 5, Risk**5.1 LRG Placemat**

The Chair introduced the LRG Placemat. LRG is a second line function and therefore the risks are of a different magnitude. It provides a perspective on how the business is managing its risks. The Chair also stated that since the Placemat is under development, the LRG Placemat would develop as the rest of the business is covered and the themes will continue to emerge.

5.2 Finance & Operations Placemat

AC introduced the Placemat for Finance & Operations and stated that his team developed the Placemat with DH's team. They have found the exercise to be very useful and have enthusiastically embraced the process. NK stated that currently the risk scoring is subjective or qualitative and we are not quantifying most of our risks. The Chair stated that we are in the initial stages, this will mature over time and we will introduce quantitative assessments once the process has matured. We will also need a GRC tool to do this which will be implemented later.

The Chair informed the Committee that we need to identify business areas that are to be covered next and suggested Telecoms and Government Services as the next areas considering the busy period approaching and availability of teams. The Committee agree with the suggestion.

Agenda Item 6, Compliance**6.1 Regulatory Framework**

The Chair explained that at the last ARC meeting the Chair of ARC requested that a training session be held for the ARC on the regulatory framework under which the Post Office operates. This paper provides the overview of that framework and is also a dry run of the training session for the ARC in its next meeting. The paper also lists the accountabilities for the GE.

PV commented that the paper is excellent.

BF stated that the Post Office operates in multiple sectors, and this results in a complex regulatory framework. This paper has been developed based on our understanding this complex operating environment and the relevant legislation and regulations in place. It also identifies the responsibilities and controls in place and identifies / assess the current effectiveness of controls (RAG status) against relevant legislation.

NK enquired if the RAG status denotes the impact on the Board or for the Post Office management. BF confirmed that it is for both the Board and the Post Office management.

BF also informed the Committee that the rating is based on the level of liability and not on the current risk level.

AC stated that this is a very helpful piece of work and helps him understand his area and related regulation effectively. NK stated that it will be useful to have individual walk-through to better understand how this affects the individual GE members. It was agreed that BF will update and re-distribute to GE members the paper covering regulatory requirements for their business area. **(AP1792)**.

6.3 Criminal Finances Act

BF introduced the paper. BF stated that Post Office must have procedures in place to ensure prevention within Post Office. The Legal team has reviewed the HMRC guidelines and the current control in place and found that controls are in place and that they are proportional. A working group has been established to assess and link this activity with the on-going work on Anti-Bribery Act. BF stated that the final guidance will be released in October. The Committee requested BF to present and update in next RCC covering updated guidance on Post Office's obligations regarding CFA. (AP1793)

BF left the meeting and BB joined the meeting.

6.2 Procurement Compliance reporting

BB introduced the paper. AC stated that this reporting has been initiated to assess compliance and identify areas where there are systemic breaches. BB stated that the review has not found any major issues and that mitigation is place to meet compliance obligations. BB stated that the challenge is to build on the current status and ensure that commercial arrangements are viable and that the Post Office is getting optimum commercial value for its contracts.

AC enquired what the business can do to improve compliance. BB responded that having a view of large contracts in the pipeline or those that are expected in the near future would be very helpful for planning purposes. This would include extensions, renewals and new tenders.

BB stated that the version of her paper does not seem correct. It was agreed that BB will distribute the up to date paper to RCC members. (AP1794).

Agenda Item 7, Internal Audit Report**7.1 Internal audit report**

JA introduced the paper. JA stated that the half year review of the plan is due and he will be in touch with the GE members to review the plan and incorporate any changes / suggestions for the remaining financial year.

PV stated that she would like to closely monitor the overdue actions. The Chair stated that after the previous ARC, JA has set out SLAs under which the IA team is working and any exceptions will be reported to the Committee. The Committee noted the paper.

7.2 Camelot lessons learnt

KG introduced the paper and stated that Camelot are being reviewed by the Gaming Commission to ensure they have adequate controls in place. Camelot are working on enhancing their controls and the Retail team are working with them to assess and improve controls within the network. Training is also being put in place where required.

The Committee noted the lessons learnt report and requested Internal Audit interview staff members to augment the lessons learnt exercise. (AP1795)

Agenda Item 8, Policies**8.4 Code of Business Standards**

The Chair informed the Committee that this policy was not for RCC approval. As agreed previously it will be reviewed by MK and JM and approved.

The Chair informed the Committee that the other three policies have been reviewed as part of the periodic review cycle. Changes to them are due to changes in regulation and/ or processes and structure. The Chair also stated that there is a process for refresh of policies which includes communications and training (where required) to the wider staff of the Post Office.

The Chair stated that a training matrix has been developed to ensure that staff are aware of and understand the policies. It was agreed that the training matrix mapping planned training to staff groups to be presented in the next RCC. (AP1796)

8.1 AML & CTF

The Chair noted that the policy had been updated to reflect both new regulatory requirements under MLR4 and Post Office's experiences over the last twelve months. In addition the policy format had been updated to focus on risks, controls, and who was required to operate the controls and how frequently.

The Committee approved the AML & CTF Policy.

8.2 Whistleblowing

The Chair noted the format changes consistent with those made to the AML & CTF Policy and noted that there were no other material changes. The Chair also commented that the number of reports seemed low, and that work was being done to ensure that between the Speak Up Line, Grapevine and the Executive Correspondence Team, all reports of potential wrong doing were captured. The Committee discussed the Whistleblowing Policy.

The Committee approved the Whistleblowing Policy.

6.1 Vulnerable Customer Policy

The Chair noted that the Vulnerable Customer Policy had been discussed in draft previously. The Committee noted the new format and that the obligations had been more clearly defined, and that following approval a risk assessment would be undertaken, although the timing for this was currently uncertain. The Committee discussed the Vulnerable Customer Policy.

The Committee approved the Vulnerable Customer Policy.

Agenda Item 9 Noting Papers

The Committee noted the following papers

9.1 Horizon Scan

9.2 POMS RCC minutes

9.3 Insurance renewals

There being no other business, the Chair closed the meeting at 4pm.

The meeting closed at 16.35

Next Meeting – Wednesday 08 November 2017, Room 1.19 Wakefield, 13.00 – 16.00