POL00448017

POST OFFICE LIMITED

MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 21st MAY 2024 AT 09:00 AT 100 WOOD STREET, LONDON, EC2V 7ER

Present:	**Invited Attendees:**
Simon Jeffreys **(Chair)**	Sarah Gray (Interim Group General Counsel): **(SG)**
Andrew Darfoor (NED) **(AD)**	Tim Bennett (Senior Internal Audit Manager): Item 3.4 and observing full meeting: **(TB)**
Lorna Gratton (NED, UKGI) **(LG)**	Chris Brocklesby (Chief Transformation Officer): Items 3.4, 8 & 9 **(CB)**
Elliot Jacobs (NED) **(EJ)**	Martin Roberts (Group Chief Retail Officer): Items 3.4 & 13 **(MR)**
	Simon Oldnall (Branch Technology Director): Item 3.4 **(SO)**
	Vishal Thanki (Data Governance Lead Contractor): Item 4 **(VT)**
	Chris Russell (Interim Data Management Director): Items 4 & 5 **(CR)**
Regular Attendees:	Tim McInnes (Strategy and Transformation Director): Items 4, 5 & 6 **(TMc)**
Nigel Railton (Interim Chair) **(NRa)** (Observer)	Kayleigh Dodd (Digital/Physical Records Manager): Item 5 **(KD)**
Nick Read (Group Chief Executive Officer) **(NRe)**	Ed Dutton (Product Portfolio Director POMS): Item 7 **(ED)**
Owen Woodley (Deputy Chief Executive Officer) **(OW)**	Kelly Goodwin (Programme Director):Item 8 **(KG)**
Kathryn Sherratt (Interim CFO) **(KS)**	Neil Bennett (Chief Information Security Officer): Items 9 & 14.4 **(NB)**
Andrew Paynter (Partner, PwC) **(AP)**	Jonny Lonsdale (Business Continuity Manager): Items 10 & 14.2 **(JL)**
Carol Murray (Deloitte Partner) **(CM)**	Mark Cazaly (Head of Corporate Responsibility & Social Impact): Item 10 **(MC)**
Johann Appel (Director of Internal Audit and Risk Management) **(JA)**	Ross Borkett (Banking Director): Item 11 **(RBo)**
Rebecca Barker (Head of Risk) **(RB)**	Jo Milton(Senior Operational Improvement Manager): Item 13 **(JM)**
Anshu Mathur (Group Assurance Director) **(AM)**	Russell Hancock (Supply Chain Director): Item 13 **(RHa)**
Jonathan Hill (Group Compliance Director) **(JH)**	Martin McKee (Head of People Services): Item 14.1 **(MMcK)**
Marie Molloy (Senior Assistant Company Secretary) **(MM)**	Claire Hamilton (Speak Up and Intelligence Manger): Items 14.3 & 24 **(CH)**
	Karen McEwan (Group Chief People Officer): Item 16 **(KM)**
	Rachael Hill (Head of Talent Acquisition): Item 16 **(RHi)**
Apologies:	Andy Jamieson (Head of Tax): Items 16 & 17 **(AJ)**
Alisdair Cameron (Group Chief Finance Officer) **(AC)**	Tom Lee (Group Financial Controller): Items 16, 17, 19 & 20 **(TL)**

POL00448017

POST OFFICE LIMITED

Ben Foat (Group General Counsel) **(BF)**	Antony Ray (Specialist Senior Procurement Manager Professional and Financial Services): Item 20 **(AR)**
	Amanda Burton (NED & Speak Up Champion): Item 24 **(AB)** *joined 11.44*

		Action
1.	**Welcome and Conflicts of Interest**	
1.1	A quorum being present, the Chair opened the meeting.	
1.2	The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	**Previous Meetings**	
2.1	The minutes of the Audit, Risk and Compliance Committee meetings held on 20th March 2024 were **APPROVED** and **AUTHORISED** for signature by the Chair.	
2.2	The actions were reviewed in turn. In relation to action 4, the revised definition of fairness to Postmasters was being reviewed by RCC and an update would be provided against this action for July ARC. Progress against the completion of actions as shown on the action log was **NOTED**.	
2.3	SG outlined the RCC meeting summary. SG noted that SEG would review Post Office's key material risks and a refreshed update would be provided to September ARC. The Risk and Compliance Committee (RCC) meeting summary of 7th May 2024 was **NOTED**.	
3.	**Risk, Compliance, Assurance and Internal Audit Updates**	
3.1	<u>Risk Update</u> RB highlighted that POL was operating outside of tolerance for 23 out of 74 intermediate risks. Each risk had a mitigation plan and target date to bring it back into tolerance. The Committee questioned the use of the phrase 'outside of tolerance'. It was explained that this term designated risks that were 'particularly significant' as agreed with the ARC some time ago and did not mean literally that POL was accepting risks that it could not tolerate. **ACTION:** Management agreed to reconsider the terminology. RB outlined that wellbeing of colleagues emerged as a consistent theme from discussions with the first line (impact of the inquiry, negative social media, and the capacity of colleagues to perform day-to-day activities). AD was concerned about the copper to fibre programme and the significant delay risk, which was at amber status, and AD considered this should be red rated. RB confirmed that this risk was included in the main body of the paper and in appendix 1. The risk was outside of tolerance currently and was amber	**RB**

POL00448017

	due to delay in the remediation plan and programme but RB confirmed that a score of 9 was high risk. AD considered that British Telecom (BT) required proactive management. TB had followed up on the internal audit copper to fibre report and confirmed that the challenges with BT were being resolved and the number of branches outstanding had decreased from 3,000 to 800 and confirmed that there was clear activity to manage the relationship with BT. AD remained of the opinion that the risk was red rather than amber. AD further advised there had been a discussion about the copper to fibre programme at the Investment Committee and Saf Ismail, Postmaster NED, had made a point about re-engagement of Postmasters and using the programme to think about the communication approach and communication with Postmasters in light of SPMP, and assisting Postmasters to keep to schedule given to them. NRa discussed and asked whether POL had a systemic and structured approach to engaging with Postmasters so that they were fully aware of timelines and more specifically when they would be subject to the fibre upgrade and/or changes to the dates. EJ noted that there was not a database with the correct contact details in for Postmasters. OW confirmed that MR and team were working on capturing data such as Postmaster telephone numbers. EJ outlined that copper stop sell was potentially a test bed for how the NBIT roll out could go and he observed he was yet to see delivery on a technology project on time or within budget. LG agreed that a more integrated approach was required. **ACTION:** The Chair and AD undertook to co-ordinate in relation to overlap between the Investment Committee and ARC and the interrelationship regarding oversight and governance raised on programmes and associated risks. NRa noted of the many risks outside tolerance it was very challenging to pick out from the paper the top three or four key risks that were most important in terms of prioritisation. LG discussed a framework to assist prioritisation. KS added that top risks discussed at the QSM. **ACTION**: Consideration to be given as to how the key strategic risks could be signalled and tracked by management. **ACTION:** The ARC asked management to re-emphasise the role of RCC to ensure it was clearly the management risk committee and not simply a committee to approve papers to be submitted to ARC and requested ARC papers generally should feedback more on management's analysis and progress to resolution of open issues. RB presented the proposed risk appetite and tolerance level statements for strategy and environment risk appetite statements. The ARC **NOTED** the key risk positions and the target dates to bring exposures into tolerance and **APPROVED** the suggested appetite & tolerance levels for Strategy & Environment risk appetite statements.	**The Chair/ AD** **RB** **RCC Chair**

POL00448017

POST OFFICE LIMITED

3.2	Group Compliance Update JH discussed the ICO's decision to issue a Practice Recommendation (PR) to POL, following the decline in compliance with FOI response timescales. The consequent reputational risk was discussed by the ARC with LG favouring a proactive course of action. JH considered it likely that the ICO would take similar action regarding POL's compliance with data protection legislation and would issue a further PR covering Information Rights and the risk of more severe action by the ICO was discussed. The Chair asked if management had already addressed the recommendations expected in any PR. JH confirmed actions were well advanced and four new positions had been approved for the FOI Team and he was working closely with Simon Recaldin and the remediation Team. NRe discussed the number and complexity of FOI's received by POL. The Chair questioned the assurances previously given by JH that the good liaison and positive relationship with the ICO meant that POL was unlikely to receive any sanction or adverse publicity. JH acknowledged that these risks had increased. The ARC **NOTED** the Group Compliance Update.	
3.3	Group Assurance Update (including SPMP Integrated Assurance) In relation to Retail, AM highlighted that overdue open management actions remain significantly high with only 16% (13 out of 83) actions closed to date. The significant increase since the last ARC was driven by 36 Postmaster Policies actions being overdue, with a reforecast closure date of June 2024 for the majority of these. Retail's inability to demonstrate their conformance with the Common Issue Judgement (CIJ) was discussed by AM. LG considered it was an unacceptable position and the risk highlighted by Group assurance needed to be addressed by the Retail Executive. The Chair asked management to engage on this. **ACTION:** Outline action plan with timeline, commitments and risk exposures to be presented to July ARC. SPMP Integrated Assurance AM outlined the 34 Statement of Works (SOW) and he was seeking ARC's approval for these, akin to the approval sought for the internal audit plan, given the criticality of the assurance topic and impacts. The Chair noted that management approve the individual SOW so that ARC could oversee progress. AM confirmed that RCC were satisfied from a risk perspective in relation to the 34 SOW. NRa sought clarity about AM's plan and the lack of a timeline. AM advised that he could not currently provide the timeline or resources required, as the SPMP programme were still working on building and finalising their risk posture for release and deployment, which was an ARC request from December 2023, along with a significant dependency on acquiring SME external support.	**MR**

POL00448017

	AM outlined the two external reviews performed by IPA and PD and more specifically the red rating within the IPA report. In AM's opinion, and as agreed with SEG the previous day, both reports highlighted the same key issues and have provided a clear 'proof point' that the building blocks of SPMP are less than adequate, and hence to some extent predicted the outcome of the four Assurance reviews in flight. Therefore, as agreed with SEG, a decision has been made to pause SPMP assurance in order for SPMP assurance resources to assist the SPMP programme, including understanding the causes of the issues, highlighted in the IPA and PD reports. The Chair advised AM to ensure he remained objective as his team would inevitably lose independence and objectivity. AM advised that there would be separation of personnel involved or independent resource utilised. JA outlined there was a planned review of the overall SPMP approach in September 2024. NRa discussed that the programme was adopting an agile delivery model, which on balance, always represented a higher inherent risk and therefore the programme processes and procedures should be built around this heightened risk. AD questioned if the pace of assurance work was sufficient. AM advised that it was not and GA were constructing a plan to address the issues identified in both reports. **ACTION:** AM to revert to ARC with more information on the timeline. AD considered there was a window of 2-3 months to reset, beyond which would be problematic. AD highlighted that he was significantly concerned with the status of SPMP given the outcomes of the two external reports along with status of assurance and continuing lack of visibility of SPMP risk profile. **ACTION:** The Chair requested a SPMP deep dive. The ARC **NOTED** the Group Assurance update.	**AM** **CB/TMc**
3.4	<u>Internal Audit Report</u> *SO, MR and CB entered the meeting.* JA presented six audit reports; Financial Services Conduct Risk Management and International Money Transfer audits were both rated as 'Needs Improvement'. ATM Link Scheme Assurance audit was rated 'Satisfactory'. Copper Stop Sell Programme and Pin Entry Device Replacement Programme were both rated 'Significant Delivery Risk'. Management of Post-GLO Improvements was rated 'Needs Improvement'. JA drew out the reliability of data and communication with Postmasters as key issues in the Copper Stop Sell Programme IA report. NRa commented upon the Pin Entry Device (PEDS) Replacement Programme with 5 P1's and asked why this was not Red rated. TB advised that, during the fieldwork, the PEDs controls improved to justify amber. JA outlined that the Deloitte Horizon Privileged Assess Management report was contained in the reading room with an overview in main paper. Deloitte were only able to assess POL operated access controls. The Chair outlined that access controls were fundamentally important. At the last meeting POL were awaiting output of EY's work which now seemed to have been pushed out until August 2024.	

POL00448017

POST OFFICE LIMITED

	SO added that EY had expanded the scope this year and the Audit was in progress. SO acknowledged POL's contractual obligation to pay for this work. EJ said that checking the controls access systems was fundamental and that August was too late. AM asked why the Deloitte report was not rated, noting the P1's in the report, and the lack of access provided to the auditors; normally lack of access and the number of P1 would lean towards a Red report. JA noted that as fieldwork could not be completed the report was not rated. He considered it would be rated unsatisfactory and amber/red. CM confirmed Deloitte had only looked at POL controls. **ACTION:** The ARC requested that NRe engage with Fujitsu to accelerate the delivery of the EY report. AM asked SO what the read across from the Deloitte report was against POL compliance with the HIJ requirements and that Internal Audit should provide a formal opinion on this immediately. **ACTION**: An update on the consequential impact on compliance with the HIJ requirements to be provided to July ARC. JA noted that IA had been requested to follow up the investigation of actions from Speak Up and he had approached OW and AB in relation to the scope of this audit. JA outlined that completion of audit actions was progressing slowly; there were 22 actions overdue, 14 of which were older than 60 days. **ACTION:** ARC requested a progress update at the July meeting. The ARC **NOTED** the progress being made with delivery of the internal audit programme and completion of audit actions. *SO, MR and CB left the meeting.*	**NRe** **SO/JA** **JA**
4.	**Data Governance Update**	
	CR, VT and TMc entered the meeting. CR advised that the team were assessing how the timelines for level 4 maturity could be brought forward from August 2027 and that the pilot scheme in three areas of the business would provide a more detailed timeline. CR acknowledged the impact on the business at a time when the stakeholders were already stretched running BAU. TMc added that the demands on the business were materially different for level 3 and 4 maturity, compared with level 2. CR assessed that the quality of the data that POL currently had was poor, but that SEG and data sponsors had committed to improvements. The Chair asked about progress on the management of delivery, controls and oversight. CR advised that the pilot would start to identify the critical data sets and acknowledged the importance of data to allow POL to make good decisions and help deliver the strategy. As part of the pilot, CR advised that SPMP would be a crucial component given the significance of the programme. The ARC agreed with CR's proposal to include SPMP in the data management pilot. AD discussed Artificial Intelligence (AI) and having a clear sense of the AI strategy as an organisation. CR agreed there was a need to embrace AI for	

POL00448017

POST OFFICE LIMITED

	competitive advantage and highlighted the importance of having the right governance and controls around it. CR confirmed there was a paper pending on AI led by Chris Darriet-Jones, Chief Data Architect. AD was keen to clarify risk tolerance towards AI. EJ requested this address front line benefit of AI in terms of cost reduction and benefit to Postmasters. **ACTION**: Paper on AI to be presented to ARC once finalised and Chris Darriet-Jones to provide a date for this. NRa noted that data was a key element of SPMP and the quality of data was a big part of migration and asked how this was being considered. CR advised that the data management function was part of the main gating process and this was being 'built in' by design and confirmed that SPMP was one of the three pilot areas of the business. The ARC **NOTED** the Data Governance Update.	**Chris Darriet-Jones**
5.	**Branch Data Plan and Controls**	
	KD entered the meeting. KD outlined that the specific risk in relation to the management of Branch data is in the process of being defined and agreed in terms of the risk ownership, with an expectation that an update would be provided at the September ARC. **ACTION:** Branch data update to be presented to September ARC. LG asked about the plan in relation to NBIT and whether there would be any physical data in branches. CR discussed analysing why there were paper copies and whether it was because it had always been done that way. TMc outlined the need to establish what needed to be done for clients and then how to achieve this and gave the example Moneygram requirements may be retained on a PDF rather than in a box in branch. EJ outlined the short term need to rationalise data storage. The ARC **NOTED** the approach to the management of physical (unstructured) data held in Branch. *KD, CR, VT and TMc left the meeting.*	**KD**
6.	**Transformation Office Changes Update**	
	This item was not presented. The ARC **NOTED** the Transformation Office Changes Update report.	
7.	**POI Board Update**	
	ED entered the meeting. The multi-faceted relationship between POL and POI, the complexities, and inherent potential conflicts of interest (for example, as an appointed representative and principal; a shareholder; an FCA regulated subsidiary; and as parties to a shared services agreement) and the obligations on parties as a result, were outlined by ED. OW had previously advised the POL Board that the POI Board Senior Independent Director (who is also the ARC Chair) had resigned. ED advised that	

POL00448017

POST OFFICE LIMITED

	following discussion, she had subsequently withdrawn her resignation and would complete her term. OW added that Tim Franklin's term as Chair of the POI Board had not been further extended and a process was underway to recruit a successor. The ARC **NOTED** the POI Board Update. *ED left the meeting.*	
8.	**SPM Risk Update**	
	CB & KG entered the meeting. CB explained that he was not in a position to provide the ARC with a clear risk profile for the release of SPM, but he identified the next steps and timelines needed to achieve this. As noted in a previous item, the Chair had requested that a SPMP Deep Dive be facilitated. The ARC **NOTED** the SPM Risk Update. *KG left the meeting.*	
9.	**Cyber Security Update, AWS Access Controls lessons learned & DLP Update**	
	NB entered the meeting. <u>Cyber Security Update</u> NB confirmed that Cyber defences continued to be effective in the face of increasing Global threats with no business impacting incidents in the reporting period. IRRELEVANT IRRELEVANT NB provided his initial observations as he had recently joined POL and he explained that the Cyber team were keen to learn and improve. There had been IRRELEVANT IRRELEVANT and that reactive controls, if POL were a victim, were IRRELEVANT The Chair asked if this work was planned. NB confirmed that it was within the maturity programme, which was being presented to POL Board on 3rd June 2024 and he believed management knows what needs to be done and had a plan, although IRRELEVANT NRa observed that he had IRRELEVANT IRRELEVANT in previous roles and asked about the IRRELEVANT IRRELEVANT NB had worked this through for the Board meeting and acknowledged that better use could be made of IRRELEVANT <u>AWS Access Controls</u> In relation to AWS Access Controls, NB advised that the Post Incident Review had concluded, and had identified 51 actions related to technology, people, process and governance across 10 categories. Each action had a clear owner, with priorities and due dates currently being allocated. This was being overseen by the Technology sub-committee.	

POL00448017

POST OFFICE LIMITED

	IRRELEVANT that actions were being agreed with management in relation to the IA technical assurance of AWS. NB advised that whilst the containment actions carried out were sufficient to prevent a recurrence of this specific incident, IRRELEVANT IRRELEVANT The Chair asked about any response from the ICO. NB advised there had been an ICO response to one customer with no further action being required. LG referenced the open actions in Appendix 1 and noted that some had no due dates. NB confirmed they did now have dates. LG noted that some due dates were pushed out to October 2024. TB advised there had been lack of oversight over the clarity of the actions. NB advised that known risks were identified but had not been sufficiently mitigated prior to the audit. <u>Data Loss Prevention (DLP)</u> In relation to Data Loss Prevention, NB presented the forecast completion dates for the four short term actions related to DLP, with the latest completion date being the end of September 2024. NB confirmed that good progress was being made in relation to implementing DLP controls. The ARC **NOTED** the Cyber Security Update, AWS Access Controls lessons learned and DLP Update. *CB and NB left the meeting.*	
10.	**Climate risks and our approach under TCFD (Task Force on Climate-related Financial Disclosures)**	
	JL & MC entered the meeting. JL outlined that POL must report in line with the Climate-related financial disclosures requirements for FY 2023/24. EJ was concerned about energy improvements/CSR activity on the frontline in the 11,500 independently operated buildings. MC confirmed he was working with the branch IT team in relation to Horizon energy use. EJ recalled a previous ARC discussion regarding a potential £1m saving if Horizon kit were able to be switched off at night. **ACTION**: Further information was to be provided to ARC members in relation to energy cost savings and the potential to switch kit off overnight. EJ noted the long time period between now and the planned move to NBIT and was looking for something to be done before this move. The ARC **NOTED** the approach to Task Force on Climate-related financial disclosures. *JL & MC left the meeting.*	**SO**
11.	**Banking Deep Dive**	
	RBo entered the meeting.	

POL00448017

POST OFFICE LIMITED

	OW confirmed that the Board would receive a further update on Banking Framework 4 (BF4) negotiations on 4th June 2024. The Chair thanked RBo and the team for the work undertaken so far. LG had found RBo's paper good and clear. RBo outlined that the Access to Cash legislation imposed new obligations on the banks to provide access and new information gathering powers over POL for the services offered. RBo discussed the ongoing BF4 negotiations with the banks, to secure a continuation of the agreement to provide cash to the industry. RBo highlighted the challenges in passing back IRRELEVANT IRRELEVANT New competition was expected to emerge too. RBo highlighted that money laundering remained a significant risk for POL and an ongoing challenge to manage and mitigate in partnership with the banks. The underperformance of a supplier called IRRELEVANT was discussed, with further fixes being implemented in the coming months to reduce the impact of outages. AD referenced paragraph 32 of the paper in relation to IRRELEVANT having classed 5 of the qualifications as medium risk, following the PwC audit of the Banking Framework, and getting these closed off in an appropriate length of time. RBo confirmed that all apart from Vulnerability Management, which has not been resolved, were signed off as complete. Vulnerability management had been escalated again to understand the resolution plan, including to the new CISO, and RBo acknowledged this was likely to get additional scrutiny from IRRELEVANT in June. The ARC **NOTED** the Banking Deep Dive. *RBo left the meeting.*	
12.	**Procurement Risk & Compliance Report**	
	This item was not presented. The ARC **NOTED** the Procurement Risk & Compliance Report	
13.	**Postmaster Policies for Approval**	
	MR, JM & RHa entered the meeting. MR presented the following Postmaster policies for ARC approval: • Network Cash and Stock Management • Network Monitoring and Branch Assurance Support • Postmaster Complaint Handling MR outlined there were no significant changes in this set of policies since they were last approved. LG requested that how it felt to be on the receiving end of the policies continued to be considered in the approval paper presented; including anything that could be done differently to improve the experience. EJ considered that the balance was better now.	

POL00448017

	The Chair outlined that he was visiting Chesterfield on 11th June and opened the invitation to others who may also wish to visit. MR advised that the monthly Town Hall had taken place there last week and had gone down well. The ARC **APPROVED** the • Network Cash and Stock Management Policy; • Network Monitoring and Branch Assurance Support Policy; and • Postmaster Complaint Handling Policy *MR, JM & RHa left the meeting.*	
14.	**Policies for Approval**	
14.1	*MMcK entered the meeting.* <u>Employee Vetting Requirements Policy</u> MMcK presented the policy and outlined that the policy had minor changes and updates at this review. The ARC **APPROVED** the Employee Vetting Requirements Policy. *MMck left the meeting.*	
14.2	*JL entered the meeting.* <u>Business Continuity Management Policy</u> JL presented the policy and outlined that the policy had minor changes and updates at this review. The ARC **APPROVED** the Business Continuity Management Policy *JL left the meeting.*	
14.3	*CH entered the meeting.* <u>Speak Up Policy</u> CH presented the policy and outlined that the policy had minor changes and updates at this review. The ARC **APPROVED** the Speak Up Policy *CH left the meeting.*	
14.4	*NB entered the meeting.* <u>Cyber and Information Security Policy</u> NB presented the policy and outlined that the policy had minor changes and updates at this review. The ARC **APPROVED** the Cyber and Information Security Policy *NB left the meeting.*	
15.	**Post Office Insurance ARC update**	

POL00448017

	This item was not presented. AD asked how the requirements of the Service Level Agreement between POL and POI were met. OW advised that HR support had improved. The Chair confirmed that he had regular calls with the POI ARC Chair with the next meeting on 23rd May and he regularly discussed compliance with the POI ARC Chair. The POI ARC Chair had also attended POL ARC on occasion to provide an update. The ARC **NOTED** the Post Office Insurance ARC update.	
16.	**IR35 Update**	
	KM, TL, AJ, RHi entered the meeting. The Chair noted that this would likely require agreement with the Shareholder and Shareholder funding. LG noted the level of risk taken and questioned the Shareholders willingness to fund that risk. NRa asked about whether the financial risk was still accruing. RHi advised that it was and in respect of circa 340 contractors, approximately half were outside IR35. TL discussed the reassessment of each contractor and whilst the initial criticality assessment has been completed, further review is required of the responses to ensure consistency across the business. **ACTION:** LG discussed the approach taken by POL historically and suggested POL engage with the Centre for Tax Excellence which TL and AJ agreed to do. The ARC discussed the expert advice taken. LG outlined that no written advice had been provided to Board. TL agreed there was no specific external advice on the position. CM confirmed that Deloitte had advised historically, but this had been high level input and not directly on POL's position. AP also noted the significant length of time taken by HMRC on this matter. NRa highlighted the need to resolve the issue and mitigate risk going forward and discussed the implications on contractors in the business and on SPMP re-planning. RH outlined that POL has changed its approach to engaging new contractors since moving the contract for contingent labour to Morson as the managed service provider from January 2023, which has in turn reduced the ongoing IR35 risk. The Chair discussed the timing going forwards. TL outlined the dependencies on HMRC and getting KPMG to resume service following the dispute over their fees for their work on disclosure. AP considered the implications for signing this year's accounts if KPMG were advising. **ACTION**: TL to produce a timeline going forwards, acknowledging the dependencies on HMRC and KPMG. **ACTION:** NRe was to discuss KPMG performance with their senior partner. **ACTION:** LG requested that consideration was given to whether bonus payments had been impacted.	**TL/AJ** **TL** **NRe** **TL**

POL00448017

	ACTION: A new policy in relation to Contractor Engagement was to be devised. LG considered that 'off cycle' funding could not be requested until this policy was in place. *AB joined the meeting.* The ARC **NOTED** the IR35 Update. *KM and RHi left the meeting.*	**KM/TP**
17.	**Tax Update and Strategy**	
	TL outlined that that no significant updates had been made to the Tax Strategy, compared with the prior year. TL outlined the strategic tax challenges for POL. In relation to VAT - liability of Postmaster services to POL, LG was concerned about the potential impact on Postmaster Remuneration and asked that DBT were made aware of this issue. **ACTION:** TL and AJ to highlight this item to DBT. TL had been advised by HMRC, that in response to Horizon Inquiry evidence they had seen, HMRC may want to reassess POL's Tax position back to the year 2000. The ARC **NOTED** the Tax Update and **APPROVED** the Tax Strategy.	**TL/AJ**
18.	**Payment Practices Reporting Compliance**	
	This item was not presented. The ARC **NOTED** Post Office Limited's compliance with Payment Practices Reporting requirements for the financial year ended 31 March 2024 (FY23/24).	
19.	**Review of External Audit (post account approval)**	
	TL outlined Management's retrospective review of the audit process, following the completion of the FY22/23 Annual Report & Accounts. The Chair thanked TL and the team for undertaking this review. The ARC **NOTED** the Review of External Audit (post account approval).	
20.	**External Auditor Procurement Exercise – Outcome and Appointment**	
	AP and CM left the meeting. *AR joined the meeting.* The Chair noted that this was AP's final year before retirement and he had met with Chris Hibbs, AP's successor. The Chair planned to invite Chris Hibbs to future ARC meetings, but Chris would not be taking decisions until AP had stepped down. The Chair asked whether the exercise had been supported by Procurement and AR confirmed that it had been. In relation to the performance of PwC, the ARC had noted a Review of the External Audit at item 19 on the agenda.	

POL00448017

POST OFFICE LIMITED

	TL confirmed that the management recommendation was free from influence by a third party and that no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company. The ARC **APPROVED** the recommendation to the POL Board to appoint PwC in the role of external auditor for the Post Office Limited group of companies (POL), with the appointment being for a period of 4 years, with the option to extend for a further 2 years, commencing with the financial year ended 30/3/2025 (FY24/25). *AR and TL left the meeting.* *AP and CM re-joined the meeting.*	
21.	**Committee Forward Plan**	
	The ARC **NOTED** the Committee Forward Plan.	
22.	**Any other business**	
	There was no further business raised.	
23.	**External Audit to meet with ARC Members**	
	AP met with the Chair, LG, EJ and AD. CM was in attendance. NRa attended as an observer. MM was present to capture notes of the meeting. No material items were discussed.	
24.	**Speak Up Report**	
	SG and CH entered the meeting. AB presented the Speak Up Report. **ACTION**: EJ requested information relating to the comparative number of cases per 1000 in other organisations, compared to POL, which CH agreed to provide to ARC. **ACTION:** LG suggested consideration be given to the best means of surveying Speak Up reporters. **ACTION**: EJ requested circulation of a previous Board Minute to ARC members, in relation to Disclosure of Evidence. The ARC **NOTED** the Speak Up Report.	**CH** **SG/CH** **CoSec**
	There being no further business, the meeting was closed at 12.32.	

Simon Jeffreys

Chair 2 Jul, 2024 8:09:37 PM BST

Date