



POST OFFICE LIMITED

Meeting:	Audit, Risk & Compliance Committee
Date:	28 September 2021
Time:	09.00 – 11.30
Location:	1.19 Wakefield, Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ / Microsoft Teams

Present: Carla Stent (Chair)	Invited Attendees: Mark Siviter (Product Portfolio Director – Mails, PUDO, Retail & Government Services): Item 2.5
Tom Cooper (NED, UKGI)	Andy Kingham (Franchise Partnering Director): Item 2.5
Zarin Patel (NED)	Tony Jowett (CISO): Item 3.3
Ken McCall (SID)	Nick Beal (Network Performance Optimisation Director): Item 4
Regular Attendees:	Zdravko Mladenov: Item 4
Tim Parker (Group Chairman)	Jeff Smyth (Group Chief Information Officer): Item 4
Nick Read (Group CEO)	Matt Taylor (Data Governance Lead): Item 4
Alisdair Cameron (Group CFO): Items 2.3, 2.4	Andy Bear (Lockton insurance broker): Item 6
Ben Foat (Group General Counsel): Item 8	Tom Lee (Group Financial Controller): Items 5, 6, 10
Andrew Paynter (Audit Partner, PwC)	Christine Kirby (Head of Financial Accounting and Controls): Items 5 and 10
Sarah Allen (Senior Manager, PwC)	Peter Mitchell (Group Treasurer): Items 6, 9.2
Rosie Clifton (Manager, PwC)	Sally Smith (Money Laundering Reporting Officer and Head of Financial Crime): Item 7
Johann Appel (Head of Internal Audit): Items 3.3, 5	Sarah Gray (Group Legal Director): Item 8
Mark Baldock (Head of Risk): Item 3.1	Barbara Brannon (Procurement Director): Item 9
Jonathan Hill (Compliance Director): Item 3.2	
Sarah Kelleher (Senior Assistant Company Secretary)	
Carol Murray (Deloitte Partner)	
Apologies:	
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Time		Item	Owner	Action
09:00	1.	Welcome & Conflicts of Interest	Chair	Noting
09:05	2.	Previous Meetings		
		2.1 Minutes (29 th June 2021 and 26 th July 2021)	Chair	Approval
		2.2 Action List	Chair	Noting
		2.3 Draft Risk and Compliance Committee Minutes (14 September 2021)	Al Cameron	Noting
		2.4 Supply Chain Action Update	Al Cameron	Noting
		2.5 Mails Deep Dive and Dangerous Goods Compliance Action Update	Mark Siviter & Andy Kingham	Noting
09:25	3.	Risk, Compliance and Internal Audit Updates		



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09:25		3.1	<u>Risk Report & Dashboard</u> - Strategic Risk Management Review Update; - Risk Appetite Statements: Legal, Technology, People and Operations	Mark Baldock	Noting & Discussion Noting (for onward submission to the Board)
09:40		3.2	<u>Compliance Update</u>	Jonathan Hill	Noting
09:50		3.3	<u>Internal Audit Update</u>	Johann Appel & Tony Jowett	Noting
10:00	<i>5 minute break</i>				
10:05	4.	<u>Postmaster Management Information Update & Data Governance Framework Update</u>		Nick Beal, Zdravko Mladenov, Jeff Smyth & Matt Taylor	Noting
10:25	5.	<u>Postmaster remuneration - 3rd party assurance</u>		Tom Lee, Christine Kirby, Johann Appel	Noting
10:35	6.	<u>Corporate Insurance Renewal</u>		Andy Bear, Peter Mitchell & Tom Lee	Noting and Approval
10:45	7.	<u>Whistleblowing Policy Interim Review</u>		Sally Smith	Noting
10:55	8.	<u>Legal</u>			
		8.1	Legal Risk Review (non-GLO/ Starling)	Ben Foat & Sarah Gray	Presentation
		8.2	Contract Management Framework Controls	Ben Foat & Sarah Gray	Presentation
11:05	9.	<u>Procurement Governance & Compliance</u>			
		9.1	Procurement Governance & Compliance	Barbara Brannon	Noting
		9.2	Bulk Cheque Clearing Account	Barbara Brannon/ Peter Mitchell	Noting and Approval
11:15	10.	<u>Update on Annual Report and Accounts</u> - Timeline - Action points for progress		Tom Lee & Christine Kirby	Update
11:25	11.	<u>Any other business</u>		All	

Items for Noting



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<i>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.</i>				
	1.	<u>Post Office Insurance ARC Update</u>	Amanda Bowe & Ian Holloway	
	2.	<u>Modern Slavery Action</u>	James Scutt & Amanda Jones	
	3.	<u>Committee Forward Plan</u>	Secretary	
Items for approval via Written Resolution				
<i>These items will not be presented to the Committee and approval will be sought via Written Resolution to be signed by members prior to the meeting. Any questions relating to these items should be sent to the Secretary for submission to the author for response.</i>				
	1.	<u>Policies for Approval:</u>	Jonathan Hill	Approval
		<u>1.1</u> Summary Paper		
		<u>1.2</u> HMRC Fit & Proper		
		<u>1.3</u> Law Enforcement Policy		
Next ARC Meetings:				
<ul style="list-style-type: none"> • Ordinary meeting: Tuesday 30th November 2021 at 09:00 – 11:30 in 1.19 Wakefield, Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ / Microsoft via Teams. 				



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MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON MONDAY 26th JULY 2021 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 09.00AM (VIA CONFERENCE CALL)¹

Present:	Invited Attendees:
Carla Stent (Chair)	Dan Zinner (Group Chief Operations Officer): Item 3.1 (DZ)
Tom Cooper (NED, UKGI) (TC)	Saira Burwood (Head of SPO): Item 3.1 (SB)
Zarin Patel (NED) (ZP)	Angela Williams (Interim Chief People Officer): Item 3.2 (AW)
Ken McCall (SID) (KM)	Helen Rhodes (People Shared Services Director): Item 3.2 (HRh)
Regular Attendees:	Prashant Sagar (Deloitte): Item 3.4 (PS)
Tim Parker (Chairman, POL) (TP)	Dave Darracott (Deloitte): Item 3.4 (DD)
Nick Read (Group Chief Executive Officer) (NR)	Sally Smith (Money Laundering Reporting Officer & Head of Financial Crime): Item 5 (SS)
Alisdair Cameron (Group CFO) (AC)	James Scutt (Head of Customer Experience Strategy & Deployment): Item 6 (JS)
Ben Foat (Group General Counsel) (BF)	Amanda Jones (Group Retail & Franchise Network Director): Item 6 (AJ)
Andrew Paynter (Audit Partner, PwC) (AP)	Amanda Bowe (Post Office Insurance ARC Chair): Items 7 & 8 (AB)
Sarah Allen (Senior Manager, PwC) (SA)	Ed Dutton (Post Office Insurance Managing Director): Item 7 & 8 (ED)
Rosie Clifton (Senior Manager, PwC) (RC)	Ian Holloway (Post Office Insurance Director of Risk & Compliance): Items 7 & 8 (IH)
Johann Appel (Head of Internal Audit) (JA)	Tony Jowett (Chief Information Security Officer): Item 9 (TJ)
Mark Baldock (Head of Risk) (MB)	Jeff Smyth (Group Chief Information Officer): Item 9 (JS)
Jonathan Hill (Compliance Director) (JH)	Russell Hancock (Supply Chain Director): Item 10 (RH)
Sarah Kelleher (Senior Assistant Company Secretary) (SK)	
Veronica Branton (Company Secretary) (VB)	
Hugo Sharp (Deloitte Partner) (HS)	
Apologies:	
N/A	

		Action
1.	Welcome and Conflicts of Interest	
1.1	A quorum being present, the Chair opened the meeting and noted that participation was solely by conference call given the current Government guidance on home working. However, given the requirements of the	

¹ Participation in the meeting was entirely via Microsoft Teams from participants' personal addresses. In such circumstances the Company's Articles of Association (Article 64) require that the location of the meeting be deemed as the chair's location. However, it was not deemed appropriate to record personal addresses on the Company record. As such, the Registered Office is recorded as the meeting location.



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	Company's Articles of Association, the location of the meeting was agreed to be the Company's Registered Office.	
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 meetings of the Audit, Risk and Compliance Committee (ARC) held on 18 th May 2021 were APPROVED and AUTHORISED for signature by the Chair. The minutes from the ARC meeting held on 29 June 2021 were still under review and would be carried over to the next scheduled ARC Meeting.	
2.2	<p>Progress against the completion of actions as shown on the action log was NOTED as follows:</p> <p><u>Action 1 from 27 July 2020 (para 4) and 27 September 2020 (para 6.4), Pensions Assurance:</u></p> <p>Angela Williams addressed progress made so far on this matter at the end of Section 3.2 – Risk Appetite Statements: People as follows: PO was now in frequent dialogue with trustees, who had sent over their requests and demands. PO was reviewing these and are likely to reject some of them. The active dialogue has momentum, but progress to meet the deadline in March 2022 was slow. The Chair noted that this matter had been elevated to Board level given the potential financial impact. Angela Williams stated that if the ARC wanted a separate update, the People team would be happy to give one, but she recommended that this action be closed, and the People team would flag any future issues.</p> <p><u>Action 20 from 18 May 2021 (para 3.2) – Operational Risk Appetite Statements (network availability):</u></p> <p>Mark Baldock reported that Tom Cooper had requested that network availability be separated into long and short-term appetite. This had been done and work was now being completed to incorporate this change into the dashboard.</p> <p><u>The Action remained open and was rolled over to the September 2021 ARC.</u></p> <p><u>Action 28 from 18 May 2021 (para 8) – BEIS White Paper (subsidiary reporting):</u></p> <p>Alisdair Cameron agreed with Andrew Paynter's team at PwC, that the POL subsidiaries weren't big or important enough to be reported on separately, it was only a Group review that was required.</p> <p><u>The Action was closed.</u></p>	MB
2.3	The draft minutes of the Risk and Compliance Committee held on 13 th July 2021 were NOTED .	



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3.	Risk, Compliance and Internal Audit Updates	
3.1	<p>Risk Update (including Transformation Office Update)</p> <p>Mark Baldock introduced the paper, which had been circulated previously and was taken as read. Mark Baldock presented the Risk Update, and Dan Zinner and Saira Burwood presented the Transformation Office Update.</p> <p>The Risk Update focused on the top-down risk assessment approved in the 18 May 2021 ARC meeting. It was underpinned by the bottom-up risk assessment. Mark Baldock's intention in the September ARC paper was to show how appetite worked against the risk set. Given the nature of the risks, the risk mitigations were likely to be long-term, so the committee wouldn't see a week-on-week decrease in risk ratings. It was noted that the control to manage the inherent risk in the interim were important. The POL Board strategy days on 27 and 28 July 2021 would be a key input into this work, as the priorities decided there would fold back into the risk data.</p> <p>Mark Baldock highlighted the following key risks to the business:</p> <ul style="list-style-type: none"> - The reduction in footfall at PO branches as the market shifts to digital, reinforcing the trends seen in younger people. The Amazon trial and PUDO were part of the mitigation for this risk, but the PO needed to get a better feel for the output on these trials. - Low value non round (LVNR) transactions: Alisdair Cameron stated that the PO have been in sustained conversations with the banks about the Postmasters erroneously putting transactions through as cash withdrawals to increase remuneration, although transactions are, in the main, legitimately made. This arises out of the fact that sub-£20 transactions are not charged for withdrawal. The PO thought that the scale of this may have been overplayed by the banks. AML and LVNR transactions were a focus for the banks in Banking Framework 3 discussions. Mark Baldock will liaise with Martin Kearsley and circulate a note on this matter. - Mark Baldock reported that risk around AML was at level six, just outside a risk-averse appetite of level five. This is thought to be a short term position, reflecting improved reporting and does not mean that the Post Office is non-compliant. The Committee will continue to monitor this, especially as cash volumes increase. <p>Further points were made by the Committee as follows:</p> <ul style="list-style-type: none"> - The ARC discussed the low take-up of mandatory compliance training. Jonathan Hill stated that within branches, the policy was to turn off access to Horizon until compliance training had been completed, which generally resulted in the issue being resolved, but that there weren't sufficient penalties in place in the head office. Jonathan Hill was working with HR to change the culture round this. - The board discussed concerns around the FCA's view of the PO in terms of regulatory requirements. The PO was firm that regulation should sit with the banks, as it was the banks that had the primary 	<p>MB</p> <p>MB</p>



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	<p>relationship with the customers, and therefore needed to be held ultimately responsible for any banking transactions.</p> <ul style="list-style-type: none"> - Johann Appel raised the issue of fraud that the bottom-up risk register was starting to highlight and stated that there needed to be increased visibility around fraud risk, and a person needed to be nominated to take responsibility for this. Mark Baldock agreed to address this. <p>Dan Zinner and Saira Burwood reported on the Transformation Office update. Saira Burwood updated the Committee as follows:</p> <ul style="list-style-type: none"> - The four key areas of focus in the update were: (1) transitioning our control framework onto ServiceNow; (2) wider business education; (3) resourcing; and (4) benefits and forecasting. - The SPO Control Framework had been successfully transitioned into ServiceNow. - The number of stand-alone SPO controls had decreased to 43. - The first round of attestations had been completed and 40 out of the 43 SPO controls were deemed effective. - The induction process was being refined so that new joiners would know how to deliver change. - Looking forwards, it was important to make sure that the changes being worked on were fully understood and embedded across the PO. - Mark Baldock stated that they were aiming to have finished the rollout on SPO controls, finance and IT by September/ early October 2021. These would be included in the GRC tool and enable automated reporting. - It was noted that the forecasting and benefits processes and related reporting were still maturing. This area remains a key focus. - Looking forwards, the four key areas of focus for the Transformation Office would be: (1) planning and dependency management; (2) business change; (3) longer-term change workforce planning; (4) inflight assurance. <p>Further points were made by the Committee as follows:</p> <ul style="list-style-type: none"> - Zarin Patel commented that the ARC had seen a lot of issues around IT in the last few months and asked for an update. Dan Zinner replied that for larger issues like SPM, the focus was on third party assurance. A project gamekeeper was needed to facilitate communication between external parties and the PO – especially for the larger programmes. - Ken McCall noted the perception (in the report) that relationships between the stakeholders and the PO were declining, and balanced this against the PO moving closer to resolving funding of the Postmaster dispute with the help of UKGI and BEIS. Tom Cooper agreed and Mark Baldock undertook to review the risk rating. <p>The Committee NOTED the risk update.</p>	<p>MB</p>
<p>3.2</p>	<p>Risk Appetite Statement: People</p>	



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	<p>Angela Williams and Helen Rhodes introduced the paper, which had been circulated previously and was taken as read. The People team had reviewed their risk appetite and the risk structure across the PO, including head office and branches. Tier 1 People risks had been identified as Talent and Capability, Culture and Brand and Organisational Readiness, with risk mitigations set out in the paper. There were concerns that if these risks were not addressed, they would start to impact the wider business.</p> <p>Angela Williams went into further detail on the Tier 1 People risks:</p> <ul style="list-style-type: none"> - Talent and Capability: ensuring the PO can attract, retain and motivate top talent, especially around digital, technical and mail skills and driving forwards the diversity and culture agenda. - Culture and Brand: ensuring that there's a clear narrative and employer brand in place, and that the PO can retain the current workforce, particularly within the context of rebuilding POL's reputation. The People team were working with Dan Zinner's team on putting the Postmaster promise in place, and engaging in Project Starling. - Organisational Readiness: addressing the return to the workplace, especially for the induction of new joiners, meetings and work that can best be carried out in the office, and the optimisation of hybrid home/office working. <p>Tier 2 risks included ensuring Project Starling progressed and getting the right target and reward structures in place.</p> <p>Further points were made by the Committee as follows:</p> <ul style="list-style-type: none"> - The scarcity of digital and tech skills in the jobs marketplace, and the need to make the PO a more attractive prospect for digital workers was discussed by the ARC. Angela Williams stated that the priority should be to have the right tech talent in place for the SPM programme and the mails digital strategy. Helen Rhodes commented that the PO would have to be flexible with its reward strategy to ensure a good outcome in recruiting tech talent. Ken McCall requested enhanced transparency from the People team on this process. Angela Williams noted that the Digital Talent Strategy is part of the overall People Strategy, and Angela would pick this point up with Ken McCall separately as part of her regular updates to him. - Zarin Patel raised the subject of mental health and wellbeing within the workplace and said that she would like to see this picked up in the risk register. Angela Williams confirmed that a survey was being carried out on this, and that the People team were working closely with Health and Safety on the return of PO employees to the workplace, and would reflect this in their next update. Updates could be given as part of the FOTW strategy, which is being 	<p>AW/ HRh</p>
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	<p>managed at GE level. Updates could also be given to ARC, but the People team needed to discuss with Al Cameron whether this should sit with Angela or with Health and Safety, which is currently overseen by Al Cameron/HSE. The People team were working closely in order to mitigate current risks.</p> <ul style="list-style-type: none"> - Nick Read commented that significant progress had been made against the HSS and interim payments aims, which was shoring up the PO brand. From a consumer rather than an EVP perspective, the PO brand had not been unduly damaged. In terms of IT, the PO had outsourced this for the last ten years, and needed to build a legacy team to take care of the existing framework until at least 2024/5, and a transformation team to shape future IT. - Tom Cooper was struck by the point on the lack of employees who understood existing processes, and asked whether it was too late to focus on this. Angela Williams noted that regarding existing processes, there were people who understood current processes, but they were trying to run and fix the business at the same time and there weren't enough of these employees in place. However, these employees had long tenure, and were not looking to move at present. Nick Read thought this was an optimistic assessment. The issues in mails came from both Fujitsu and Royal Mail having developed functions, and the PO having to work out how to overhaul this area. The PO were reviewing the skills in the commercial function and seeking to recruit a new director in to assist with banking. The mails business was a greater cause for concern and would be discussed in the Board meetings. - Tom Cooper expressed surprise regarding the mention of lack of diversity at the PO. Angela Williams stated that there was a clear EDI structure in place; the male/female balance was not such an issue, but the PO was poor on ethnic diversity at a senior level. The People team had held three days of DNA profile building last week, and had discussed how to place this at the front of everyone's mind, as the diversity of thought and experience was not strong at senior and mid-levels. <p>The Committee agreed that this was the biggest risk facing the running of POL and agreed to keep it under regular review over the next 2-3 years.</p> <p>The Committee APPROVED the Risk Appetite Statement: People update.</p>	<p>AW/ HRh</p>
<p>3.3</p>	<p>Compliance Update</p> <p>Jonathan Hill introduced the paper, which had been circulated previously and was taken as read.</p> <ul style="list-style-type: none"> - There was an elevated focus on controls, assisted by these now being recorded in ServiceNow. - The next area for consideration was the controls in operations. Tim Perkins's team would implement their controls structure to meet the framework by the end of summer, then the controls would be 	



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	<p>rolled out into the wider business, depending on funding and capacity.</p> <ul style="list-style-type: none"> - Jonathan Hill noted that conversations with the FCA regarding regulation need to be very carefully managed to avoid extra regulatory burdens being placed on the PO. Jonathan Hill’s team had responded very firmly to the FCA on Friday 23 July 2021 stating what the PO’s position on this. PO needed to ensure that the FCA appreciated that the banks retained this regulatory responsibility. <p>Further points were made by the ARC as follows:</p> <ul style="list-style-type: none"> - Tom Cooper asked if Jonathan Hill was in contact with Treasury about the PO’s discussions with the FCA. Nick Read confirmed that he had spoken with Gwyneth Nurse at HM Treasury and made the burden of potential increased regulation on the PO very clear. The PO and the Treasury were agreed as to the positioning. - Ken McCall raised the subject of compliance training. Jonathan Hill informed the Committee that there was a robust system in place to ensure compliance training was completed at branch level, but completion of compliance training at head office level did not match this. At head office level, Jonathan wanted to make completion of compliance courses part of employees’ objectives and success factors, start a recognition programme for employees who were doing well in this area and raise the profile of the positive benefits of compliance to the business. - Ken McCall requested that Nick Read pick up regulatory training at senior levels of the business to improve transformational change in this area from the top down. It was advised that Angela Williams be asked to diarise time for senior management to complete their compliance training. <p>The Committee NOTED the Compliance Update.</p>	<p>NR/ AW</p>
<p>3.4</p>	<p>Internal Audit (IA) Update</p> <p>Johann Appel introduced the paper, which had been circulated previously and was taken as read.</p> <p>David Darracott, technical director in the Deloitte Risk Advisory team, and Prashant Sagar, manager at Deloitte gave an overview of the key findings from their review of the SPM project in May/June 2021:</p> <ul style="list-style-type: none"> - Governance: Deloitte suggested implementing a key gating process to align with the change excellence programme, to make sure that no point of progress was missed. - Regarding financial and commercial estimates, Deloitte suggested documenting the consideration of other potential options and measuring the cost of doing nothing against taking action, in order to better evaluate the contrast between the alternative options. - From a solutions assurance perspective, interviews with strategic partners and gap formal interactions with Postmasters could be improved. 	



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	<p>David Darracott stated that all Deloitte’s recommendations had been taken on board and the Internal Audit team were tracking progress.</p> <p>In response to a question from the committee, Johann Appel believed that Deloitte had presented a proposal for continued assurance that was still being finalised. The Internal Audit plan also catered for a second phase review of progress that had been made, how the programme had been set up to go into delivery mode, and activities by the SPO.</p> <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> - Ken McCall asked why it had been decided not to rate the audits, such as in the SPM programme. Johann Appel stated that the report in the pack was from very early in the life cycle of the programme. David Darracott continued that the problem with rating these assessments was that people then tended to focus on critical areas rather than an overview. The Chair added that rated reports were usually measuring compliance with policies and frameworks but assurance reports provided an opinion. The Chair requested that Johann Appel clarify what further assurance was planned for the SPM project. - The ARC then discussed the ATM strategy. It was noted that the programme team had focussed on resourcing and getting a mitigation in place. Tom Cooper expressed concern that it was taking this long, as the Banking team had been talking about taking over the ATM strategy from BOI for two years. Nick Read confirmed he would investigate further and report back to the Committee. - The Chair asked Nick Read about the HIJ improvement plan in terms of managing the challenges around Fujitsu, such as alternative solutions like bringing this work in-house, and recruitment at branch level. Nick Read confirmed he would investigate further and report back to the Committee. - Johann Appel noted the overall results from last year’s Internal Audit programme and stated that trends were positive. There had been a reduction in average numbers of findings per audit and improvements in controls, change controls and change delivery. The report turnaround time had improved to be within the target set at ARC level, and reporting time was now running at 17 days on average, which was much better than the last few years. <p>The Committee NOTED the Internal Audit Update.</p>	<p>JA</p> <p>NR</p> <p>NR</p>
<p>4.</p>	<p>Internal Audit Charter</p>	
<p>4.1</p>	<p>Johann Appel introduced the paper, which had been circulated previously and was taken as read. Johann confirmed that most of the changes related to reformatting the audit charter and clarifying audit independence thresholds.</p> <p>The Committee APPROVED the Internal Audit Charter.</p>	
<p>5.</p>	<p>Anti-Bribery & Corruption Annual Report & Policy Review</p>	



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<p>5.1</p>	<p>Sally Smith introduced the paper, which had been circulated previously and was taken as read. Work had been done to enhance donations and charity aspects, and to get Gifts and Hospitality controls in place.</p> <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> - The Chair queried the ABC position for Payzone. Sally Smith stated that because Payzone was a small company, the ABC controls were effective, even if they weren't as strong as the PO would like them to be. Payzone were starting to implement enhanced controls. The wording had been changed to state that the ABC policy was a Group policy, and Payzone had adopted this Group policy. <p>The Committee NOTED and APPROVED the Anti-Bribery & Corruption Annual Report and Policy Review</p>	
<p>6.</p>	<p>Modern Slavery Statement (MSS)</p>	
<p>6.1</p>	<p>Amanda Jones and James Scutt introduced the paper, which had been circulated previously and was taken as read. The Committee was asked to consider and, if appropriate, recommend the approval of the PO Modern Slavery Statement (MSS) and commitments for this financial year to the Board. Amanda Jones was pleased by the progress that had been made on this in the last few years. There had only been a few 'yes' flag observations.</p> <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> - Zarin Patel queried the report looking at a minimum of 10 suppliers, and asked how they were selected, and was 10 enough. James Scutt replied that the suppliers were selected on a risk-based basis, and that 10 was a good number at this stage. Zarin Patel requested a case study similar to what was included in the observations for next year's MSS. James confirmed he would effect this. - James Scutt noted that the pie charts in the report covered the supplementary questions relating to branch set-up. The team were to flag unusual behaviour such as people who were shying away from positions of authority, who were tentative about making contact, and whose demeanour suggested they were working very long hours or living in less-than-ideal conditions. - Amanda Jones informed the board of an ongoing potential Modern Slavery case involving an individual who lived above a Post Office shop. A Modern Slavery response had been convened, an organisation called Unseen UK, who the PO were looking to partner with, had been notified as first responders, and the local authority would be contacted, if appropriate. POL's obligations ended at the point of notification to Unseen UK to ensure that no police investigations would be disrupted. <p>The Committee agreed to RECOMMEND that the Modern Slavery Statement be APPROVED by the Board for publication on the PO's website.</p>	<p>JS</p>



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7.	Update from Subsidiaries: verbal update Post Office Management Services (ARC)	
7.1	<p>Ed Dutton and Ian Holloway delivered a verbal update on Post Office Management Services. COVID had had a significant impact on the profitability of the travel industry, which had affected POM, as travel insurance was their biggest product. However, the business had managed the move to remote-working effectively, and had launched a new proposition, which was noted as household. Service at POM had been broadly maintained, with a focus on cashflow and costs. POM was forecasting a £1m loss. POM's risk profile had improved.</p> <p>Two significant events had taken place in the last year, first, a significant cyber-attack, which had been handled via a good response from Group IRS with the POM teams. Secondly, there had been an error in pricing on aggregators and price comparison websites. This had been promptly identified and rectified, and controls had been strengthened to prevent a re-occurrence of the pricing error. The focus was now on maximising recovery as Covid restrictions were being relaxed.</p> <p>Ian Holloway reported that at present, trading was steady, and the budget was well-planned going forward. It had been a challenging year, but POM had risen to the occasion, and had delivered whilst minimising risks. Risk had been halved in the cashflow, reducing the negative impact on goodwill balances. Good progress had been made in addressing complaints and this area would remain a focus for the 2nd LOD. Further resourcing had yet to be applied to the complaints area.</p> <p>The Chair noted that this likely to be Amanda Bowe's last meeting and noted our thanks for the work she has done over the last 6 years.</p> <p>The Committee NOTED the Post Office Management Service's verbal update.</p>	
8.	Post Office Insurance Deep Dive	
8.1	The Committee NOTED the Post Office Insurance Deep Dive paper.	
9.	IT Controls Deep Dive	
9.1	<p>Jeff Smyth and Tony Jowett introduced the paper, which had been circulated previously and was taken as read.</p> <p>Tony Jowett referred to the plan for improvement on page 4 of the IT Controls Deep Dive paper in the board pack. The plan was being delivered in a series of phases:</p> <ul style="list-style-type: none"> - Phase 1: 'Pipe-cleaner' IT controls activity and roadmap development – this phase had been completed. - Phase 2: Building IT controls foundations – Tony stated that this phase formed the bulk of building the platform, training employees to use it and remediation of HIJ issues. The controls were running in SNOW, and the Traction platform would be decommissioned by the end of September 2021. 	



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	<p>- Phase 3: Optimise, embed and continuous improvement – this phase was about project maturity. Tony Jowett estimated that it would take 6-12 months to embed the system.</p> <p>In a recent review of the self assessment, only 5 controls were found not be effective as result of reliance on 3rd party suppliers to provide the evidence. Feedback had been given that SNOW added clarity. The next step would be to put the remainder of the controls in place and get the target operating model built in order to include a strong second line of defence, so that controls could be matured more effectively.</p> <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> - The Chair asked about the effectiveness of Cobit-5 as a framework against which to assess maturity of controls and about the controls that were not effective in the recent self-assessment. Tony Jowett stated that there were a number of frameworks but that the team had more experience working with Cobit-5. - Zarin Patel queried the aim of having the system embedded within 6-12 months. Jeff Smyth agreed that it might take longer than this, and would have to fit with the broader culture embedding process. On an individual level, Tony Jowett was going to take on a broader role, and recruitment had started for roles to help strengthen the second line of defence. - The Chair noted that the paper indicated that Fujitsu were pushing back failover tests. Jeff Smyth reported that there had been a marked drop in Fujitsu’s receptiveness to changes, and rollout of work. However, Fujitsu had tested a lot of the environmental factors but resourcing had been impacted by incidents of Covid and local parades. On this basis, the PO had released Fujitsu from the obligation of the July tests. Fujitsu were ready to run the tests in August, but there were some internal priority issues for POL and Accenture. The tests were now scheduled in for September, and with Verizon for 13-15 August. More people needed to be found internally in the PO who could participate in tests during the weekends. - At the Chair’s request, Jeff Smyth confirmed he would assess the cookie settings on the PO website. The Chair stated that equal weightings were needed for the ‘yes’ and ‘no’ options for accepting cookies. <p>The Committee NOTED the IT Controls Deep Dive paper and update.</p>	<p>JS</p>
<p>10.</p>	<p>Supply Chain Controls</p>	
<p>10.1</p>	<p>Russell Hancock introduced the paper, which had been circulated previously and was taken as read. Alisdair Cameron noted that there were some big decisions to be made in the future around Swindon and the PO’s likely refusal to join a UK cash facility. He further commented on two issues that had been revealed:</p>	



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	<ul style="list-style-type: none"> - It had been discovered that some CCTV was not being managed by the PO IT Function/ Data Protection scheme. This had been resolved. - A compliance issue had occurred with the Bank of England resulting in a deficit to them of £120. The PO had worked hard to rectify the controls in this area, but, despite the small absolute amount, the variance still showed that there are some ineffective controls. <p>He noted that a number of the controls were still manual but that the teams were taking the matters very seriously.</p> <p>Russell Hancock highlighted the following issues:</p> <ul style="list-style-type: none"> - Servers relating to digital CCTV systems present at five sites not under IT management that were not supported. At one site, where the networks had been exposed, this had been closed, and a virus scan completed. - Routers provided by third parties, where the password was not encrypted. This had now been rectified. In response to a question from the committee, it was confirmed that there had been no loss of personal data. - Mobile Post Office compliance issues with daily vehicle checks and reports not being logged. Recruitment was in progress for an employee to look after the mobile fleet, and digital tools were being designed to update daily tasks. <p>The Committee discussed the following points:</p> <ul style="list-style-type: none"> - The Committee agreed that the mobile fleet should sit under the supply chain network. Russell Hancock stated that he would be happy to give a further update in three to four months on this subject. <p>The Committee NOTED the Supply Chain Controls update.</p>	<p>RH</p>
<p>11.</p>	<p>AOB</p>	
<p>11.1</p>	<p>The ARC discussed the growing importance of ESG within the wider business environment:</p> <ul style="list-style-type: none"> - Tom Cooper stated that this was a focus for government due to the upcoming COP26, where all partner organisations would be asked to report on how to achieve a net zero carbon target, which would be based on the entire supply chain, as well as self generated emissions. At this stage, most organisations were unlikely to have a plan for this, not least because it requires a huge amount of work. The onus was likely to be on organisations to understand the issues and look at their supply chains. - Alisdair Cameron noted that the topic of ESG had been discussed at GE level a few weeks ago, and the areas where the PO were looking to deliver were considered. The challenges to implementing ESG-friendly practices at the PO were likely to be related to budget, for example, replacing supply chain vehicles with electric vehicles would be very expensive. 	



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	The Action was recommended for closure	
2.2	<p><u>Action 20 from 18 May 2021 (para 3.2) – Operational Risk Appetite Statements (network availability):</u></p> <p><u>In the ARC Meeting today:</u></p> <p>Mark Baldock reported that Tom Cooper had requested that network availability be separated into long and short-term appetite. This had been done and work was now being completed to incorporate this change into the dashboard.</p> <p><u>The Action remained open and was rolled over to the September 2021 ARC.</u></p>	MB
2.2	<p><u>Action 28 from 18 May 2021 (para 8) – BEIS White Paper (subsidiary reporting):</u></p> <p><u>In the ARC Meeting today:</u></p> <p>Alisdair Cameron agreed with Andrew Paynter’s team at PwC, that the POL subsidiaries weren’t big or important enough to be reported on separately, it was only a Group review that was required.</p> <p><u>The Action was recommended for closure</u></p>	AC
3.1	<p><u>Risk, Compliance and Internal Audit: Risk Update (including Transformation Office Update)</u></p> <p>The Risk Update paper focused on the top-down risk assessment approved in the 18 May 2021 ARC meeting. It was underpinned by the bottom-up risk assessment. Mark Baldock’s intention in the September 2021 ARC paper was to show how appetite worked against the risk set.</p>	MB
3.1	<p><u>Risk, Compliance and Internal Audit: Risk Update (including Transformation Office Update)</u></p> <p>Low value non round (LVNR) transactions: Alisdair Cameron stated that the PO have been in sustained conversations with the banks about the Postmasters erroneously putting transactions through as cash withdrawals to increase remuneration, although transactions are, in the main, legitimately made. This arises out of the fact that sub-£20 transactions are not charged for withdrawal. The PO thought that the scale of this may have been overplayed by the banks. AML and LVNR transactions were a focus for the banks in Banking Framework 3 discussions. Mark Baldock will liaise with Martin Kearsley and circulate a note on this matter.</p>	MB/MK
3.1	<p><u>Risk, Compliance and Internal Audit: Risk Update (including Transformation Office Update)</u></p> <p>Fraud in the bottom-up risk register: Johann Appel raised the issue of fraud that the bottom-up risk register was starting to highlight and stated that there needed to be increased visibility around fraud risk, and a person needed to be nominated to take responsibility for this. Mark Baldock agreed to address this.</p>	MB



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3.2	<p><u>Risk Appetite Statement: People – digital workers</u></p> <p>The scarcity of digital and tech skills in the jobs marketplace, and the need to make the PO a more attractive prospect for digital workers was discussed by the ARC. Angela Williams stated that the priority should be to have the right tech talent in place for the SPM programme and the mails digital strategy. Helen Rhodes commented that the PO would have to be flexible with its reward strategy to ensure a good outcome in recruiting tech talent. Ken McCall requested enhanced transparency from the People team on this process. Angela Williams noted that the Digital Talent Strategy is part of the overall People Strategy, and Angela would pick this point up with Ken McCall separately as part of her regular updates to him.</p>	AW/ HRh
3.2	<p><u>Risk Appetite Statement: People – mental health and wellbeing</u></p> <p>Zarin Patel raised the subject of mental health and wellbeing within the workplace and said that she would like to see this picked up in the risk register. Angela Williams confirmed that a survey was being carried out on this, and that the People team were working closely with Health and Safety on the return of PO employees to the workplace, and would reflect this in their next update. Updates could be given as part of the FOTW strategy, which is being managed at GE level. Updates could also be given to ARC, but the People team needed to discuss with Al Cameron whether this should sit with Angela or with Health and Safety, which is currently overseen by Al Cameron/HSE. The People team were working closely in order to mitigate current risks.</p>	AW/ HRh
3.3	<p><u>Compliance Update – regulatory training</u></p> <p>Ken McCall requested that Nick Read pick up regulatory training at senior levels of the business to improve transformational change in this area from the top down. It was advised that Angela Williams be asked to diarise time for senior management to complete their compliance training.</p>	NR/ AW
3.4	<p><u>Internal Audit Update – assurance</u></p> <p>Ken McCall asked why it had been decided not to rate the audits, such as in the SPM programme. Johann Appel stated that the report in the pack was from very early in the life cycle of the programme. David Darracott continued that the problem with rating these assessments was that people then tended to focus on critical areas rather than an overview. The Chair added that rated reports were usually measuring compliance with policies and frameworks but assurance reports provided an opinion. The Chair requested that Johann Appel clarify what further assurance was planned for the SPM project.</p>	JA
3.4	<p><u>Internal Audit Update – ATM strategy</u></p> <p>The ARC moved on to the Internal Audit report on strategy. It was noted that the programme team had focussed on resourcing and getting a mitigation plan in place. Tom Cooper expressed concern that it was taking this long, as the Banking team had been talking about taking over the ATM</p>	NR



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	strategy from BOI for two years. Nick Read confirmed he would investigate further and report back to the Committee.	
3.4	<p><u>Internal Audit Update – HIJ Improvement Plan</u></p> <p>The Chair asked Nick Read about the HIJ improvement plan in terms of managing the challenges around Fujitsu, such as alternative solutions like bringing this work in-house, and recruitment at branch level. Nick Read confirmed he would investigate further and report back to the Committee.</p>	NR
6.1	<p><u>Modern Slavery Statement – case study</u></p> <p>Zarin Patel requested a case study similar to what was included in the observations for next year’s Modern Slavery Statement. James confirmed he would effect this.</p>	JS
9.1	<p><u>IT Controls Deep Dive</u></p> <p>At the Chair’s request, Jeff Smyth confirmed he would assess the cookie settings on the PO website. The Chair stated that equal weightings were needed for the ‘yes’ and ‘no’ options for accepting cookies.</p>	JS
10.1	<p><u>Supply Chain Controls – mobile fleet placement</u></p> <p>The Committee agreed that the mobile fleet should sit under the supply chain network. Russell Hancock stated that he would be happy to give a further update in three to four months on this subject.</p>	RH

Post Office Limited Audit, Risk & Compliance Committee
OPEN ACTIONS

Number	Meeting Date	Minute Reference	Action	Action Owner	Due Date	Comment
1	27/02/2020 & 22/09/2020	4 & 6.4	<p>Pensions Assurance (July): Until the Committee was fully aware of the quantum involved, and in view of the current circumstances, the following was AGREED: 1.The Directors would only seek independent legal advice (if required) as a team rather than on an individual basis. 2.The Pensioners team are to inform the Unions to avoid a whistle-blow. A communication plan should be developed with Richard Taylor (POL Group Communications Director) should the issue become public knowledge. 3. A quantification of the error, a remediation plan and details should be presented to the Committee in September, where the Committee will consider the pension/status. 4. Pensions Assurance will remain as a standing agenda item until further notice.</p> <p>Pensions Assurance (September): 29 raised concern at the levels of stress/upset the drawback could cause for members, particularly where members had passed away, and requested the following to be presented: 1. A strategic plan for claw-back 2. Sight of the calculations and controls in place. 3. A review of all quantum figures.</p>	Maxine Cross	<p>Update @ July 2021- ARC Meeting Before May 2021- ARC/Board Meeting 04 May 2021- ARC/Board meeting March 2021- ARC or Board Meeting January 2021- ARC or Board Meeting</p>	<p>14/07/2021: Angelo Williams addressed progress made so far on the matter of Section 2.2 - Risk Appetite statements. People sit below. We met now it frequent dialogue with trustees, who had sent over their requests and demands. PO was running these and are likely to report some of them. The active dialogue has momentum, but progress to meet the deadline in March 2022 was slow. The Chair noted that the matter had been elevated to Board level given the potential financial impact. Angelo Williams stated that if the ARC wanted a separate update, the People team would be happy to provide, but recommended that the action be closed, and the People team would flag any future issues. Recommended for closure.</p> <p>13/07/2021: We are taking a Pension paper on the Board on 17th July which we hope will result in Angelo obtaining a mandate to reach a settlement with the Trustee. The Trustee has provided us with their own assessment of the costs of carrying the benefits and they have followed this with a statement of the principles they have used to underpin their request for PCL's contribution. We have reviewed their request and taken advice which is covered in our paper. 11/03/2021: The Project Assurance Team and POL's Actuarial Advisors met the Trustee on 24 March 2021 to receive a presentation of the scale impact of the errors. The Trustee outlined the principles it had used to explain the information. However, the data was presented more from a typical objective (gate by type of benefit) than a member's perspective (i.e. advice/choice/pensioner).</p> <p>The Pension Regulator was updated on 1 April 2021 and has acknowledged the update.</p> <p>As part of its response POL has asked for the data to be re-presented in a way that enables it to see the impact from a members' perspective. POL also set out its principles to the Trustee. The re-presented data is expected to be a formal proposal from the Trustee about how the rectification should be undertaken and we will take advice on how to respond to this. We await these proposals. Angelo has agreed with Neil to lead discussions with the Trustee on the basis of any settlement to be brought into a quick conclusion and the project team is preparing documentation to assist with this. The first meeting to build the relationship with the Trustee is on 13th May when Angelo will meet with Donna Medhurst (Trustee Chair). Angelo will assess the need to keep our approach aligned and improve momentum.</p> <p>To ensure the Unions understood how POL had approached the reconstruction work we identified some milestones the PCL did not believe were particularly relevant to provide evidence that skills allowances were based on 2911 given in fact permeable. POL has now provided data to the Trustee and it is considered that by the project team which is now focusing on ensuring all of the documents that describe the error reconstruction work to provide an audit trail of the work. The project team presented the approach to Journal Audit to get their view on any additional validation needed. As was comfortable with the approach that this was not a full review of the approach - the key supporting documents had been reviewed by other professional advisors.</p> <p>The Trustee does not believe the evidence presented by POL is sufficient to accept skills allowances at pensionable and in requesting, via its advisors, additional evidence to demonstrate how their allowance are incorporated into employee TICS. POL is preparing a response based on reasonable and practice. The outcome of this will not require POL to send additional data to the Trustee - the Trustee can ignore the skills allowance data if those allowances are agreed as not pensionable. A direct email POL and the Trustee finalising agreement on the reconstruction of pensionable pay and allowances.</p> <p>A meeting to update the Unions on the project progress and the communications to RPPF members took place on 29th April. At present we are not able to tell the members whether they have been impacted by the errors nor timeline to correct these and for this reason the Trustee and POL, though it was not the right time to communicate. However, the Unions said they were not prepared to wait any longer and would communicate by 7th May. POL thought it would be preferable for employees and RPPF members if the Post Office communicated first and had a draft communication to employees and RPPF members (press communications prepared). The Trustee too has proposed communication to employees and RPPF members.</p>
2	22/09/2020 & 26/01/2021	4.1	<p>Risk Appetite Statements: Updated risk appetite statements for Legal, Compliance & Governance and Technology would be presented to the Committee in November and further statements would be brought before the Committee in January and March 2021.</p> <p>Risk Appetite Statements: Legal & Compliance: As such, Mark Baldock was asked to look at identifying the KRIs for Postmasters with the Network team and consider working on statements for one or two other areas for update at the March Committee meeting (in the usual Risk Paper).</p>	Mark Baldock	<p>July 2021 ARC May 2021-ARC March 2021-ARC January 2021-ARC Meeting- (then Nov 2021)</p>	<p>02/06/2021: The Legal & Compliance Risk Appetite Statement and the Operational Risk Appetite Statement have been approved by the Committee. The People Risk Appetite Statement will be before the Committee in July. Other statements to follow in due course. Recommended for closure.</p> <p>12/05/2021: The Legal & Compliance Risk Appetite Statement is to be presented to the Committee again in May 2021 for final approval (see agenda item 6.2).</p> <p>10/05/2021 (Operational KRIs): These will follow once the appetite is signed-off by the Committee in May 2021. Further updates to be provided in July 2021.</p> <p>07/03/2021 (September action): LCG risk appetite update paper tabled for RCC/ARC 3/2021 meetings. Following initial noting in 1/2021, formal ARC approval now sought to LCG risk appetite position. Central Risk in discussion with Ruffini and Franck's Network to put in place an Operational RAS (given this will cover postmaster-centric risks). The plan is get to an interally agreed position by end of 3/2021 which can then be tabled for ARC in 5/2021. This was recommended for closure, but the Committee did not close the action in March 2021.</p> <p>07/03/2021 (November action): LCG risk appetite update paper tabled for RCC/ARC 3/2021 meetings which provides an update on work to produce a set of supporting LCG Key Risk Indicators (KRIs), their supporting data sources and the relevant tolerances. The plan is to including the latest LCG appetite and KRI plans in standard RCC/ARC Dashboard in 5/2021. This was recommended for closure, but the Committee did not close the action in March 2021.</p> <p>20/01/2021: Legal and Compliance Risk Appetite Statement paper has been produced and to be presented by Ben Pugh to the Committee on 26 January 2021 for noting (to be approved at a later date). Further statements are in train including IT (with Jeff Smyth) and Operations (Postmasters) (with Amanda Jones). One of those statements will be presented in March 2021.</p> <p>07/10/2020: MB advised that Legal & Compliance, Technology & Operations will be brought in January 2021, with further specific appetites thereafter.</p>

3	24/11/2020 & 26/01/2021	9.1	<p>Historical Matters Unit (November): Responsibilities, accountabilities and decision-making authorities were still being clarified with RACI matrices. The Chair noted that the delegation of authority to the HMU needed to be clearer. It was agreed that this would be presented to the January 2021 ARC meeting.</p> <p>Historical Matters Unit (January): Fraudulent Claims Controls & Delegation of Authority: A ways of working document has been agreed, but a decision-making flow chart was still being updated. Once complete, it was to be circulated to the Board at its CSRC meeting. Further discussions were being held on reporting to BEIS/UKGI.</p>	Graham Hemmingway	<p>Update @ September 2021 ARC Meeting</p> <p>May-2021-ARC-Meeting</p> <p>March-2021-ARC-Meeting</p> <p>January-2021-ARC-Meeting</p>	<p>10/05/2021: Draft RACID shared with Gareth Clark as requested. Discussion ongoing regarding Governance and levels of authority. Senior stakeholder input will be provided following resolution of discussions. Further update to be provided in July 2021.</p> <p>23/03/2021: The RACID is being expanded to include HSS governance changes, specifically, monthly reviews with UKGI/BEIS and quarterly reviews to also include Treasury. Additionally, RACID updates are required pending agreement as to funding and POL governance arrangements relating to CIJ and HJ conformance, which remains under discussion at IDG based on recent proposals for this work. Further update to be provided at the May 2021 Committee meeting. Work associated with Fraudulent Claims controls is now being addressed as part of standard project management processes/activities.</p> <p>20/01/2021: Discussions concerning UKGI/BEIS involvement in Historical Shortfall Scheme (HSS) approvals, which directly affects the operation of the schemes have continued during December and are expected to be finalised during January. A verbal update will be provided to the ARC relating to the latest position agreed as at the meeting dates in January 2021. Further update to be provided in March 2021.</p>
4	26/01/2021	4.3	<p>Compliance Update: In response to questions from Ken McCall raising concerns about the wording of this section in the report (paragraph 11), it was confirmed that it was the mapping of processes for activities addressing the CIJ that has no consistent approach, rather than the controls themselves. Key was evidence of controls and a consistency of approach. The HMU team was working with the relevant business areas to address this. However, the Chair asked Jonathan Hill to further consider before the next meeting any underlying issues (not just related to mapping), what controls were in place and whether or not they were appropriate.</p>	Jonathan Hill	<p>November 2021 ARC Meeting</p> <p>May-2021-ARC-Meeting</p> <p>March-2021-ARC-Meeting</p>	<p>10/05/2021: The Controls Framework continues to be on hold. 3rd line Assurance is provided by Group Internal Audit on key risk areas. Compliance is developing a strawman for compliance across all of POL. An interim report is proposed for November 2021 ARC.</p> <p>23/03/2021: The Controls Framework programme has been put on hold. Please refer to the Compliance paper. Further update to be provided in May.</p>
5	26/01/2021	12.1	<p>IT Controls: The main focus of work in the IT Controls was the Internal Audit Report actions and focus of the improvement effort was on the controls of greatest risk, namely those areas connected with the management of the third-party estate through the lens of Post Office's crown jewel systems. The Committee requested that there be a detailed review of this, and this review would be reported to the Committee, targeting the next meeting.</p>	Tom Jowett	<p>July 2021 ARC Meeting</p> <p>Update @ May 2021-ARC-Meeting</p> <p>Update @ March 2021-ARC-Meeting</p> <p>(report to be provided at July 2021-ARC-Meeting)</p>	<p>13/07/2021: The paper on IT controls to be submitted for July ARC will address this action. Recommended for closure.</p> <p>10/05/2021: IT controls being updated with the following actions:</p> <ul style="list-style-type: none"> IT Controls will be migrated to Service Now - target date is 1 June 2021. These will be standard definitions from COBIT5 with KPMG detailed descriptions and test plans. Risks are in process of being migrated into Service Now so there will be further activity to link risks with controls in Service Now Roadmap on controls delivery in place - shown in the May ARC JMI paper as controls and JMI work merged to aim at root causes Controls "pipe-cleaning" (analysis and remediation) being undertaken on those controls which directly impact the management of Fujitsu - completion by end May. Lessons learned subsequently being propagated to all controls thereafter July ARC paper to be a deep dive on IT controls <p>23/03/2021: IT controls being updated with the following actions:</p> <ul style="list-style-type: none"> Platform update through Service Now integration - agreed with PRB KPMG review of existing IT controls underway Controls second line TGM in development - aligned with Finance but with input from KPMG Sample of Controls for Managing Suppliers focusing on Horizon initially being analysed as a joint exercise with Horizon IT GLO team with lessons to be spread across all 3rd party suppliers once complete. Further update to be provided at the May Committee meeting.
6	26/02/2021	2.3	<p>Annual Report & Accounts 2019/20: The Committee carefully considered the startling disclosures, especially in light of the recent legal case vs Uber. The Committee requested that an update on Strategic Risks be brought to the Board in May 2021.</p>	Nick Read/AI Cameron (Dan Zinner)	<p>June 2021 Board Meeting</p>	<p>03/06/2021: This was discussed at the Board on 03 June 2021. Recommended for closure.</p> <p>23/03/2021: This is to be addressed at the June 2021 Board Meeting.</p>
7	30/03/2021	3.1	<p>Whistleblowing Policy Review: It was agreed that this matter should be reviewed by the Committee in six months' time.</p>	Sally Smith	<p>September 2021 ARC Meeting</p>	<p>15/04/2021: CoSec has included this on the ARC Forward Plan for September 2021.</p>
8	30/03/2021	4.3	<p>Annual Report & Accounts 2020/21: Tom Lee was compiling a piece of work to consider whether Post Office could be considered a going concern to January 2023 without Government funding. The outcome of this would inform whether the accounts could be completed in summer 2021. This work was due to be completed in April 2021.</p>	Tom Lee	<p>July 2021 ARC Meeting</p> <p>May-2021-ARC-Meeting</p>	<p>01/06/2021: Tom Lee performed the assessment and held a call with the ARC Chair on 13 May 2021. They determined that the ARA would be signed in December, instead of in Summer as it has been previously. Recommended for closure.</p> <p>02/05/2021: Draft assessment being performed w/c 10 May 2021 using numbers per the draft Strategic plan. Further update to be provided to the Chair after assessment is complete for a discussion on timing of the Annual Report & Accounts completion. Formal update at the next Committee meeting.</p>
9	30/03/2021	5.4	<p>Compliance Update (Controls Framework): Jonathan Hill was asked to consider if there were other key control areas that needed frameworks whilst the wider project was paused. This should be updated in the next Compliance report in May 2021.</p>	Jonathan Hill	<p>November 2021 ARC Meeting</p> <p>May-2021-ARC-Meeting</p>	<p>10/05/2021: As per action 5 above: The Controls Framework continues to be on hold. 3rd line Assurance is provided by Group Internal Audit on key risk areas. Compliance is developing a strawman for compliance across all of POL. An interim report is proposed for November 2021 ARC.</p>
10	30/03/2021	5.4	<p>Compliance Update (Supply Chain Controls): The Committee was also concerned about the controls in Supply Chain and asked AI Cameron to bring a paper on the issue to the Committee in July 2021.</p>	AI Cameron	<p>July 2021 ARC Meeting</p>	<p>10/04/2021: CoSec has included this on the ARC Forward Plan for July 2021. Recommended for closure.</p>

11	30/03/2021	9.1	Dangerous Goods Deep Dive: Mark Siviter, Andy Kingham and Amanda Jones were asked to return to the Committee in September with a further update on progress and particularly an update on the improved compliance results.	Mark Siviter, Andrew Kingham & Amanda Jones	September 2021 ARC Meeting	08/07/2021: Phase 2 will see the introduction of the mandatory ID9000 label printing in anticipation of a further improvement in DG Mystery Shopping Performance where this has been highlighted as the second most significant cause of failure. We are aiming to pilot Phase 2 in autumn in approx. 200 branches as per Phase 1. Roll-out to the full network will be dependent upon the CAA giving approval after reviewing the pilot activity, and need to consider POL's Christmas change freeze timelines. In addition to the three phases we are also working to move the DG questions on Horizon to earlier in the transaction, bringing it in line with the SW's conversation and to drive further adherence to the mandatory questioning. It's hoped to be able to launch this in Q4 but with it being a full Horizon software release, this would be subject to budget approval and the required capacity within the IT roll-out plan where PCI compliance is taking priority. 15/04/2021 CoSec has included this on the ARC Forward Plan for September 2021.
12	30/03/2021	10.1	Terms of Reference Review (Internal Audit): Zarin Patel highlighted particularly the need to review the quality of audit and requested that Internal Audit should have an independence policy. Johann Appel was asked to develop such a policy for consideration by the Committee (for update to the Committee in May 2021).	Johann Appel	July 2021 ARC Meeting (update @ May 2021 ARC Meeting)	13/07/2021: IA – The Internal Audit Charter has been updated and will be presented to the July ARC for approval. Recommended for closure. 19/04/2021: The Internal Audit Charter is being updated to include this and an update will be provided in the Internal Audit Paper at the Committee in May. Otherwise, the revised Charter will be presented to the Committee in July for approval.
13	18/05/2021	2.1	Postmaster policies (contractual performance policy): The Contractual Performance policy would be amended to add some checklists on the other frequent areas requiring investigation as appendices and to make sure there was reference to the Postmaster Accounting Dispute Resolution Policy for cases involving branch accounting.	Tim Perkins	Update @ July 2021 ARC Meeting	13/07/2021: Contract Performance Rationale document added as an appendix to the policy which captures the decision making process, and with 2 areas for investigation. Rationale documents also added to the Contract Termination and Contract Suspension policy documents. Links to all Postmaster Support Policies, including the Accounting Dispute Resolution policy, included in the policy. Recommended for closure.
14	18/05/2021	2.1	Postmaster policies (definitions): A definitions section would be added to the Contractual Performance, Suspension and Termination policies.	Tim Perkins	Update @ July 2021 ARC Meeting	13/07/2021: Definitions section added to Contractual Performance, Suspension and Termination policies. Recommended for closure.
15	18/05/2021	2.1	Postmaster policies (interlinks notices): A statement at the beginning of all policies on how they interlink to each other would be added and if possible, hyperlinks to other policies would be added.	Tim Perkins	Update @ July 2021 ARC Meeting	19/07/2021: All 12 Postmaster Support Policies have this statement on the header page. Hyperlinks are in place here, and also where any linking policies are mentioned throughout each of the policies. Recommended for closure.
16	18/05/2021	2.1	Postmaster policies (flowcharts): Flowcharts in the Contractual Performance, Suspension and Termination policies would be amended to include a lessons learnt feedback loop. Lessons learnt were already captured, but this was not included on the flowcharts.	Tim Perkins	Update @ July 2021 ARC Meeting	19/07/2021: Review of business improvement opportunities (lessons learnt) added to the process flow charts that support the Contract Performance, suspension and Termination policies. Recommended for closure.
17	18/05/2021	2.1	Postmaster policies (policy non-compliance): With respect to non-compliance with policies, presently the policies state that this "may" be treated as a disciplinary offence. Zarin Patel had questioned "will be investigated in line with the Group Investigations Policy as a disciplinary offence" was more appropriate. It was agreed that this was more appropriate and would be amended.	Tim Perkins	Update @ July 2021 ARC Meeting	19/07/2021: All 12 Postmaster Support Policies have been amended to state: "will be investigated in accordance with the Group Investigations Policy." Recommended for closure.
18	18/05/2021	2.1	Postmaster policies (performance): It was requested that Tim Perkins report back to the Committee in January 2022 on how the policies were working in practice. It was noted that quarterly reporting on controls would be made to the Risk & Compliance Committee (RCC).	Tim Perkins (Rebecca Whibley forward plan)	January 2022 ARC Meeting	01/06/2021: This has been added to the Forward Plan for January 2022 following discussion with the Chair. Tim Perkins has been notified via email.
19	18/05/2021	2.2	Postmaster policies (independent panel): The Chair highlighted the importance of being able to remove a panel member in certain circumstances. The Committee otherwise agreed with the proposal for the independent panel, noting there needed to be more work done on the eligibility criteria.	Tim Perkins/Amanda Jones	Update @ July 2021 ARC Meeting	19/07/2021: The ability to remove a panel member, both the Post Office employee and former postmaster element, has been built into the process and the output of this panel (and panel members) will be reviewed as part of the minimum control standards listed in the policy. Recommended for closure.
20	18/05/2021	3.2	Operational Risk Appetite Statements (network availability): On network availability, Tom Cooper noted that in his view, there should be a cautious appetite for short term interruptions and an averse appetite for long term interruptions. It was agreed that the statements should distinguish between short, medium and long term interruptions for network availability.	Amanda Jones	Update @ September 2021 ARC Meeting (update @ July 2021 ARC Meeting)	26/07/2021: Mark Baldock reported that Tom Cooper had requested that network availability be separated into long and short-term appetite. This had been done and work was now being completed to incorporate this change into the dashboard. - This action remains open and was rolled over to the September 2021 ARC. Note: The risk appetite statements are on an annual review cycle so this will come back for review and reapproval in May 2022.
21	18/05/2021	4.2	Postmaster Management Information Overview: It was agreed that once the feedback from Postmaster had been received and the work progressed, the Committee would like a further update and this was already scheduled on the Forward Plan for September 2021.	Nick Boal / Zdravko Mladonov	September 2021 ARC Meeting	13/07/2021: Since our ARC submission in May, Branch Hub has been primarily focused on the provision of management information to Postmasters via a "Branch Performance" feature we are building on the platform. In parallel with developing the technical components necessary for roll-out of Branch Performance to Postmasters at scale (target completion in October in line with the May submission) we have rolled out a pilot of Branch Performance to over 200 branches. This pilot includes sales data for a subset of products (at branch and Smart ID level), customer sessions data, transactions volume data and information on the branch's operational performance (e.g., cash declarations, customer feedback, mailis performance). We have received very positive feedback on this pilot from Postmasters with 89% of Postmasters saying they were at least satisfied with their experience, and 0% of Postmasters claiming to be dissatisfied. Imminent further enhancements will be the implementation of an Operational Messaging function that will provide postmasters with prioritised communications related to key operational metrics and we are also providing remuneration information related to the proposed Mailis Distribution Agreement changes. The pilot branches will be able to access the monthly MDA2 vs MDA1 remuneration comparison reports. Looking forward, as well as rolling Branch Performance out across the network, we are aiming to expand its scope to include additional functionality as requested by Postmasters in workshops and interviews and as directed by wider business requirements. This will be a part of the total functionality proposed for Branch Hub 2.0 13/07/2021: This item is on the RCC and ARC agenda for September 2021.

22	18/05/2021	6.1	Risk Update (In-depth Risk Discussion): On next steps, a more in-depth discussion by the Committee was required, agreeing to a single view of the bottom up and top down risks. It was agreed that a separate Committee session was to be arranged specifically on risks before the July Board Strategy Session (Rebecca Whibley to organise).	Mark Baldock (Rebecca Whibley to organise)	June 2021 ARC Meeting	01/06/2021: It has been agreed with the Chair, Finance and Risk that the 2 hour meeting scheduled on 29 June will be now cover AAA (1 HR) and Risk discussion (1 HR). Recommended for closure.
23	18/05/2021	6.1	Risk Update (People Risk Appetite Statements): Mark Baldock explained that his team were continuing to work on risk appetite statements and it was agreed that the next Committee meeting would include the People Risk Appetite Statements, supported by the KRI information that the department has been collating. (Rebecca Whibley to put on Forward Plan).	Mark Baldock (Rebecca Whibley forward plan)	July 2021 ARC Meeting	01/06/2021: This has been added to the Forward Plan for July 2021. Recommended for closure.
24	18/05/2021	6.4	Internal Audit Update (Data Privacy Action): The Committee agreed the approach sounded sensible and agreed to reset the date on the audit action. It was also highlighted that this was a cultural change piece and consideration should be given to how data is locked down to ensure it cannot be downloaded and/or stored. Jeff Smyth further explained that this fed into the data strategy and data governance that would be discussed at the Board in July 2021. A further update would be provided to the Committee in September 2021. (Rebecca Whibley to revise on Forward Plan) and should also cover the strategic review of the "crown jewel" systems.	Jeff Smyth (Rebecca Whibley forward plan)	September 2021 ARC Meeting	01/06/2021: The forward plan has been revised and this is now in September 2021.
25	18/05/2021	6.4	Internal Audit Update (Third Party Data Assurance - Bank of Ireland ATMs): Tom Cooper questioned whether this audit covered the file provided by Bank of Ireland to Post Office on ATM data which Post Office had not done anything with in the past. Ben Foat explained this was being discussed at the Improvement Delivery Group (IDG) Committee and was separate to the audit, which looked at the accuracy and integrity of data from third parties which drives revenue recognition and Postmaster remuneration. It was agreed that Johann Appel and Ben Foat would discuss this further.	Ben Foat/Johann Appel	Update @ July 2021 ARC Meeting	13/07/2021: JA - The matter of the Bot file that Tom Cooper referred to was investigated and it was found that this file refers to disputed transactions / errors and not to revenue data. The file was therefore out of scope for the audit. An explanation has been provided to Tom Cooper. Recommended for closure.
26	18/05/2021	6.4	Internal Audit Update (Deloitte Independence): As previously discussed, a policy was being developed in this area and would be discussed at the July Committee meeting. It was suggested that this should consider what the trigger would be for approving additional work as well as considering the public perception of Deloitte's work. It was requested that the policy specifically consider how it would be ensured that Deloitte was independent, ensuring oversight of the Committee and a clear distinction between assurance and advice work.	Johann Appel	July 2021 ARC Meeting	13/07/2021: JA - The 80% threshold was written into the updated IA Charter for approval by the ARC in July. Recommended for closure. 01/06/2021: The Committee proposed a threshold of 50% of the annual value of the Internal Audit contract. As soon as this is approached, any additional work will have to be approved by the Committee. This new control will be included in the Internal Audit Charter which will be presented to the Committee for approval on 26 July 2021.
27	18/05/2021	7	Revised Internal Audit Plan: Tom Cooper questioned whether there was micro work planned on the HMU. Johann Appel explained that audits had already been completed on governance, the CIJ Improvement Programme and the Horizon Issues Judgement Programme. The outstanding audit was on the Historical Matters Shortfalls Scheme claims and payments process. This audit was in the planning process. It was further explained that there was a board paper on HMU governance being presented to the additional weekly Board meetings. It was agreed that this would be further discussed with Tom Cooper by Johann Appel and Ben Foat.	Ben Foat/Johann Appel	Update @ July 2021 ARC Meeting	13/07/2021: JA - An update was provided to Tom Cooper by email and followed up with a meeting to understand the concerns that Tom had around the governance and operational controls in HMU. This has informed the scope of the ISS review, which will be presented to the ARC in July. Recommended for closure.
28	18/05/2021	8	BEIS White Paper (subsidiary reporting): In response to a question from the Committee, it was also clarified that it was brought that the subsidiaries of Post Office Limited did not need to report separately, as the Group Accounts would cover reporting for the entire Group. Tom Lee was asked to confirm this. It was also noted that the managed shared audit approach would not apply to a public interest entity.	Tom Lee	Update @ July 2021 ARC Meeting	28/07/2021: Alisdair Cameron agreed with Andrew Pinner's team at PwC, that the POI subsidiaries weren't big or important enough to be reported on separately, it was only a Group review that was required. Recommended for Closure
29	18/05/2021	8	BEIS White Paper (plan): The Committee also highlighted that the team needed to consider what a plan to address the changes might look like and report this back to the Committee. (Rebecca Whibley to add to the Forward Plan).	Johann Appel/Tom Lee/Christian Spezzini (SW Forward plan)	March 2022 ARC Meeting	01/06/2021: Paper authors suggested a date of March 2022 for this update and this has been added to the forward plan.
30	18/05/2021	9	Post Office Insurance ARC Update: An incident had arisen around the collection of home insurance premiums and a separate update would be provided after the Post Office Insurance ARC meeting.	Tan Holloway	Before July 2021 ARC Meeting	19/07/2021: An update is included in the POI Deep Dive paper submitted to the July ARC Meeting. Recommended for closure.

31	18/05/2021	10	Post Office Insurance Mystery Shopping: The Chair noted that this has been an on-going issue and if the current provision was not meeting its objective, a plan to resolve was required. The team was asked to develop the proposal and come back to the Committee for further discussion. (Rebecca Whibley to put on Forward Plan).	Ian Holloway / Jonathan Hill	September 2021 ARC meeting	13/07/2021: Work is ongoing. This will be presented at the ARC in September 2021. 01/06/2021: Under direction from the Chair, this has been added to the Forward Plan. The paper will be presented at the September ARC Meeting.
32	26/07/2021	3.1	Risk, Compliance and Internal Audit: Risk Update (including Transformation Office Update) The Risk Update paper focused on the top-down risk assessment approved in the 18 May 2021 ARC meeting. It was underpinned by the bottom-up risk assessment. Mark Baldoock's intention in the September 2021 ARC paper was to show how appetite worked against the risk set.	Mark Baldoock	September 2021 ARC meeting	
33	26/07/2021	3.1	Risk, Compliance and Internal Audit: Risk Update (including Transformation Office Update) Low value non round (LVNR) transactions: Alisdair Cameron stated that the PO have been in sustained conversations with the banks about the Postmasters erroneously putting transactions through as cash withdrawals to increase remuneration, although transactions are, in the main, legitimately made. This arises out of the fact that sub-£20 transactions are not charged for withdrawal. The PO thought that the scale of this may have been overplayed by the banks. AML and LVNR transactions were a focus for the banks in Banking Framework 3 discussions. Mark Baldoock will liaise with Martin Kearsley and circulate a note on this matter.	Mark Baldoock/ Martin Kearsley	September 2021 ARC meeting	
34	26/07/2021	3.1	Risk, Compliance and Internal Audit: Risk Update (including Transformation Office Update) Fraud in the bottom-up risk register: Johann Appel raised the issue of fraud that the bottom-up risk register was starting to highlight and stated that there needed to be increased visibility around fraud risk, and a person needed to be nominated to take responsibility for this. Mark Baldoock agreed to address this.	Mark Baldoock	September 2021 ARC meeting	
35	26/07/2021	3.2	Risk Appetite Statement: People – digital workers The scarcity of digital and tech skills in the Jobs marketplace, and the need to make the PO a more attractive prospect for digital workers was discussed by the ARC. Angela Williams stated that the priority should be to have the right tech talent in place for the SPM programme and the mail's digital strategy. Helen Rhodes commented that the PO would have to be flexible with its reward strategy to ensure a good outcome in recruiting tech talent. Ken McCall requested enhanced transparency from the People team on this process. Angela Williams noted that the Digital Talent Strategy is part of the overall People Strategy, and Angela would pick this point up with Ken McCall separately as part of her regular updates to him.	Angela Williams/ Helen Rhodes	September 2021 ARC meeting	
36	26/07/2021	3.2	Risk Appetite Statement: People - mental health and wellbeing Zarin Patel raised the subject of mental health and wellbeing within the workplace and said that she would like to see this picked up in the risk register. Angela Williams confirmed that a survey was being carried out on this, and that the People team were working closely with Health and Safety on the return of PO employees to the workplace, and would reflect this in their next update. Updates could be given as part of the FOTW strategy, which is being managed at GE level. Updates could also be given to ARC, but the People team needed to discuss with Al Cameron whether this should sit with Angela or with Health and Safety, which is currently overseen by Al Cameron/HSE. The People team were working closely in order to mitigate current risks.	Angela Williams/ Helen Rhodes	September 2021 ARC meeting	
37	26/07/2021	3.3	Compliance Update – regulatory training Ken McCall requested that Nick Read pick up regulatory training at senior levels of the business to improve transformational change in this area from the top down. It was advised that Angela Williams be asked to discuss time for senior management to complete their compliance training.	Nick Read/ Angela Williams	September 2021 ARC meeting	
38	26/07/2021	3.4	Internal Audit Update - assurance Ken McCall asked why it had been decided not to rate the audits, such as in the SPM programme. Johann Appel stated that the report in the pack was from very early in the life cycle of the programme. David Darracott continued that the problem with rating these assessments was that people then tended to focus on critical areas rather than an overview. The Chair added that rated reports were usually measuring compliance with policies and frameworks but assurance reports provided an opinion. The Chair requested that Johann Appel clarify what further assurance was planned for the SPM project.	Johann Appel	September 2021 ARC meeting	

39	26/07/2021	3.4	<p>Internal Audit Update - ATM strategy The ARC moved on to the Internal Audit report on strategy. It was noted that the programme team had focussed on resourcing and getting a mitigation plan in place. Tom Cooper expressed concern that it was taking this long, as the Banking team had been talking about taking over the ATM strategy from BOJ for two years. Nick Read confirmed he would investigate further and report back to the Committee.</p>	Nick Read	September 2021 ARC meeting	
40	26/07/2021	3.4	<p>Internal Audit Update - H3 Improvement Plan The Chair asked Nick Read about the H3 improvement plan in terms of managing the challenges around Fujitsu, such as alternative solutions like bringing this work in-house, and recruitment at branch level. Nick Read confirmed he would investigate further and report back to the Committee.</p>	Nick Read	September 2021 ARC meeting	
41	26/07/2021	6.1	<p>Modern Slavery Statement - case study Zarin Patel requested a case study similar to what was included in the observations for next year's Modern Slavery Statement. James confirmed he would report this.</p>	Jeff Smyth	September 2021 ARC meeting	
42	26/07/2021	9.1	<p>IT Controls Deep Dive At the Chair's request, Jeff Smyth confirmed he would assess the cookie settings on the FIO website. The Chair stated that equal weightings were needed for the 'yes' and 'no' options for accepting cookies.</p>	Jeff Smyth	September 2021 ARC meeting	
43	26/07/2021	10.1	<p>Supply Chain Controls - mobile fleet placement The Committee agreed that the mobile fleet should sit under the supply chain network. Russell Hancock stated that he would be happy to give a further update in three to four months on this subject.</p>	Russell Hancock	November 2021/ January 2022 ARC meeting	



POST OFFICE LIMITED

MINUTES OF A MEETING OF THE RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON 14 SEPTEMBER 2021 AT 10:00 – 13:00 AT 1.19 WAKEFIELD, FINSBURY DIALS, 20 FINSBURY STREET, LONDON, EC2Y 9AQ / VIA MICROSOFT TEAMS

Present:	Attendees:
Alisdair Cameron (Chair)	Mark Baldock (Head of Risk): Item 3.1
Helen Rhodes (People Shared Services Director) (deputising for Angela Williams (Interim Group Chief People Officer))	Jonathan Hill (Compliance Director): Items 3.2 & Item 12
Ben Foat (Group General Counsel)	Johann Appel (Head of Internal Audit): Items 3.3 & Item 6
Amanda Jones (Group Retail & Franchise Network Director)	Mark Siviter (Product Portfolio Director): Item 4
Jeff Smyth (Group Chief Information Officer)	Andy Kingham (Franchise Partnering Director): Item 4
	Nick Beal (Network Performance Optimisation Director): Item 5
	Zdravko Mladenov (Business Transformation Director): Item 5
	Tom Lee (Financial Controller): Items 6
	Jonny Lonsdale (Business Continuity Manager): Item 7
	Sarah Gray (Group Legal Director): Item 8
	Vitor Camara (Senior Financial Crime Manager): Item 9
	Barbara Brannon (Procurement Director): Item 10
	Ian Holloway (Director, Risk & Compliance, Post Office Insurance): Item 11
	Mark Harris (Compliance Manager, Post Office Insurance): Item 11
	Matt Taylor (Data Governance Lead): Items 5 & 12.7
	Ehtsham Ali (Head of Cyber Security Compliance): Item 12.7
	Sarah Kelleher (Senior Assistant Company Secretary)
Apologies:	
Angela Williams (Interim Group Chief People Officer)	
Cathy Mayor (Finance Director, Commercial)	

1.	Welcome and Conflicts of Interest	Action
	The Chair opened the meeting and advised that all papers would be taken as read. No conflicts of interest were declared.	
2.	Minutes and Action Lists	
2.1	The minutes of the Committee meeting held on 13 July 2021 were APPROVED .	
2.2	Progress on completion of actions as shown on the action log was NOTED as follows: The Chair recommended that all actions pertaining to the preparation of papers for the RCC meeting on 13 July 2021 and the ARC meeting on 26 July 2021 be closed. This included the following actions: <ul style="list-style-type: none"> - Action 4 from 12 January 2021 para 3.3. Compliance Update - Action 7 from 16 March 2021 para 3.1. Risk Update - Action 8 from 16 March 2021 para 3.1. Risk Update - Action 13 from 13/07/2021 para 2. Minutes and Action Lists - Action 14 from 13/07/2021 para 3. Anti-Bribery and Corruption 	

<ul style="list-style-type: none"> - Action 15 from 13/07/2021 para 3. Anti-Bribery and Corruption - Action 17 from 13/07/2021 para 3. Anti-Bribery and Corruption - Action 18 from 13/07/2021 para 4. Modern Slavery Statement - Action 19 from 13/072021 para 4. Post Office Insurance Deep Dive - Action 20 from 13/07/2021 para 5. Post Office Insurance Deep Dive - Action 21 from 13/07/2021 para 6. IT Controls Deep Dive - Action 22 from 13/07/2021 para 7. Belfast Datacentre - Action 23 from 13/07/2021 para. 8. Supply Chain Controls - Action 24 from 13/07/2021 para 9. Transformation Office Update - Action 25 from 13/07/2021 para 11. Procurement, Compliance and Governance. - Action 27 from 13/07/2021 para. 14.1 Risk, Compliance and Audit Update – Risk Report and Dashboard. - Action 28 from 13/07/2021 para. 14.1 Risk, Compliance and Audit Update – Risk Report and Dashboard. - Action 29 from 13/07/2021 para. 14.2 Risk, Compliance and Audit Update – Risk Appetite Statement: People. - Action 30 from 13/07/2021 para 14.4 Risk, Compliance and Audit Update – Risk Appetite Statement: People - Action 31 from 13/072021 para. 14.4 Risk, Compliance and Audit Update – Internal Update <p><u>Action 1 from 14 January 2020 para 10.6 Money Laundering Reporting Officer Annual Report:</u> The initial action was for BF, SS and JH to talk to Retail regarding enforcing three lines of defence and suggested BF attend a meeting with HMRC. As at 14 July 2021, HMRC were still not conducting any meetings, and had not indicated when meetings would resume. <u>The action was closed.</u></p> <p><u>Action 2 from 12 November 2020 para 16 Data Governance:</u> The Legal, Data Protection, IT and Ruk Shah (MI & Analytics Director) were asked to work on a coherent recommendation on how the data retention policy should evolve and how it will be implemented to return to RCC and ARC in January 2021. It was noted in today’s RCC meeting that this action had not been updated since April 2021. Ben Foat would consult with BTU on this matter. <u>The action remained open.</u></p> <p><u>Action 3 from 12 January 2021 para 3.3 Compliance Update:</u> The Chair highlighted the request to approve the recommendation to establish a Post Office-wide Data Governance framework and SteerCo. <u>The action remained open.</u></p> <p><u>Action 5 from 12 January 2021 para 7. Annual Money Laundering Report:</u> It was requested that Sally Smith write to the banks and make it clear that MSBs cannot be used through the Post Office network. Regular bilateral meetings continue between POL FC team and Barclays. <u>The action was closed.</u></p> <p><u>Action 6 from 12/01/2021 & 16/03/2021 para 13. Historical Matters Unit: Fraudulent Claims Controls & Delegation of Authority & 2.2 Actions Update:</u> This action had been duplicated lower down the spreadsheet. <u>The action was closed.</u></p> <p><u>Action 9 from 16/03/2021 para 9. Business Continuity:</u> The Chair highlighted that an end-to-end test of Horizon and cloud migration had not been completed. Jonny Lonsdale was asked to discuss this with Howard Booth and provide an update to the Committee. The Chair recommended this action for</p>	<p>BF</p>
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<p>closure, but requested that it be covered in the Business Continuity Update paper in the November 2021 RCC/ARC. <u>Action recommended for closure.</u></p> <p><u>Action 10 from 16/03/2021 para 11. Improvement Plan:</u> The first phase of improvement was to offer a Horizon menu-based alternative to the manual scanning of the dangerous goods laminate. <u>The action remained open.</u></p> <p><u>Action 11 from 04/05/2021 para. 3.4 Compliance Update:</u> With reference to paragraph 46, the Chair questioned the reference to a 'minor fine' from the Bank of England, noting that this was not his understanding. The fee was actually 'loss seigniorage' rather than a fine. <u>Action closed.</u></p> <p><u>Action 12 from 04/05/2021 para 10. Procurement, Compliance & Governance:</u> Barbara Brannon was asked to update the appendix to the paper (all open material incidents) with a column showing who approved the exception prior to the paper being submitted to the 28 September 2021 ARC. <u>Action closed.</u></p> <p><u>Action 16 from 13/07/2021 para 3. Anti-Bribery and Corruption</u> Juliet Lang/ the People team to ensure that Post Office contractors were engaged with compliance training, and for progress on this matter to be reported at the September 2021 RCC. Helen Rhodes confirmed the following in an email of 26/07/2021: In terms of the action on compliance training, I have spoken to Juliet Lang, Talent & Diversity Director and confirm the following:</p> <ul style="list-style-type: none"> - My comment on robotics was that we are exploring robotics to see if it helps with the manual process of ensuring that compliance training had been completed. - Contractor completion rates have improved but timing of modules being released and the sometimes short nature of a contractors' term with POL can skew the numbers. - Whilst the GE receive lists of employees that have not completed the training pre and post deadline of each of the compliance module, the escalation process is being further reviewed by Juliet and her team to work with compliance who own the completion rates of the modules to ensure we are meeting our regulatory requirements. A fuller response will be submitted by Juliet in line with the submission deadline for the next RCC on 14th September 2021. <u>Action closed.</u> <p><u>Action 26 from 13/07/2021 para 13. Update on Service and Support Controls</u> Amanda Jones to speak to Tim Perkins and provide further data on how quickly cases that went through stages T1, T2 and T3 were resolved. At the RCC meeting on 14 September Amanda Jones confirmed that this action had been pushed back to the November 2021 RCC/ARC cycle because of the new controls framework being introduced between now and then. The case for that will be presented by Tim Perkin's team in the next round of IC, and it's coming back to PRB. <u>Action remains open.</u></p> <p><u>Action 32 from 13/07/2021 para 14.4. Risk, Compliance and Audit Update – Internal Audit</u> The following actions were noted: (1) there are five overview actions, all relating to HMU. Johann Appel suggested providing an extension for these action points until Internal Audit could see the new organisational structures. This was agreed upon, with the aim of the action points being reportable and cleared by the September ARC. (2) Johann Appel agreed to follow up with the current HMU team to drive the completion of these actions, and revisit if they hadn't been completed by the end of</p>	<p>JL</p>
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	<p>the summer. On 13/07/2021 the RCC agreed to provide further extension until end September for the new HM org structure to embed and the outstanding governance arrangements to be finalised. <u>Action remains open.</u></p> <p><u>Action 33 from 13/07/2021 para 15. Policies for Approval</u> Ben Foat to review the document and disposal policy. This would be covered later in today's meeting. <u>Action remains open.</u></p>	
<p>3.</p>	<p>Risk, Compliance and Audit Update</p>	
<p>3.1</p>	<p>Risk Report & Dashboard</p>	
	<p>Mark Baldock introduced the paper, which had been circulated previously and was taken as read. Mark highlighted the following points:</p> <ul style="list-style-type: none"> - Para 6: POI non-compliance with Pricing Super Complaint notice – because the market changes when the new FCA price walking regime rules go live, there is a risk that POI might not be ready, and therefore would not be able to deliver on its five-year plan. POI had a plan in place that was now well established. A key risk to consider was the uncertainty of how the markets would behave when the new regulations were implemented. - Para 7, Low Value Non Round (LVNR) Transactions processed as Cash Withdrawals – the risk was that Postmasters could be processing POS transactions as cash withdrawals, against the explicit contractual terms agreed with the banks. This risk was reducing, as it was an industry-wide issue, for which an industry-wide solution was being explored, therefore the risk of specific action against the Post Office was receding. - Para 8, Post Office being challenged as 'Agent' for cash banking by FCA, was still a key risk with regards to the PO's status as 'agent'. Mark Baldock would reference this in the risk paper going to the ARC meeting on 28 September 2021. - Para 9, DVLA contract financial ratios – the PO was currently in breach of a provision within their contract with DVLA requiring the PO to report on the applicable financial ratio levels after each financial year. The risk was relatively low, but Mark Baldock wanted to investigate how to mitigate the risk, as it could have long-term consequences. <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - The Chair thought the report was more negative in places than the risks warranted, and requested that the report be edited ahead of the ARC meeting on 28 September 2021. - The Chair requested that the following be highlighted in the report going to the September ARC: (1) regarding the risk at para 7, LVNR Transactions processed as Cash withdrawals, there was no loss for the banks; (2) regarding the risk at para 9, DVLA contract financial ratios, the PO had not reported on the applicable financial ratio levels since the start of the contract, so the rationale that the DVLA could terminate the contract on this basis was not sound. - Mark Baldock stated that regarding the Postmaster & Network risks, paras 14-17, he had focused on items where the risks were low and outside the ARC appetite. The plans that were in place to mitigate these risks should start to drive their risk ratings down. - Amanda Jones commented that regarding para 16, 'Postmasters lose faith in our ability to change', the PO would get a good indication of where matters stood following the October 2021 Pulse survey. The PO would use the consultation from earlier this year as a base line. - Regarding para 18, 'Fail to support new agents', Amanda Jones stated that this risk related to a number of Deloitte report findings as to how the PO 	<p>MB</p> <p>MB</p> <p>MB</p>

	<p>should change its approach to onboarding and supporting postmasters. One of the metrics the PO confirmed they would use is how long it took to onboard a postmaster. Currently, onboarding takes just under five months and the metrics were improving. Because of the way the metrics were scored, they currently sat just outside the risk appetite.</p> <ul style="list-style-type: none"> - Mark Baldock did not intend to focus on Financial risks this meeting, which was acknowledged by the Chair. Regarding legal risks from para 23, Mark had focused on risks relating to Starling, Competition Law and Anti-Money Laundering non-compliance, which were tracking very slightly outside the risk appetite. - From a central risk perspective, Mark Baldock needed an update on who was managing some of the risks, as a few PO risk-owners had moved on. Ben Foat requested Mark to put his name against the HMU and Inquiry risks. In due course, the HMU and Inquiry directors would be the risk-owners for these risks, and Ben would also have oversight of these risks for approval to the RCC. Ben and Mark agreed to review the risks holistically, and look at the whole programme to make sure the records were up to date. - Regarding disaster recovery under the Technology risks from para 23, the PO was on schedule for a DR test on 13 September 2021 with Fujitsu. For the purposes of ARC, Jeff Smyth stated that the subjects of Belfast and serviceable life equipment should be highlighted, and requested that Mark Baldock consult with Gary Walker on these matters, and remediation thereof. The Chair stated that the best way to handle these risks was to exit Belfast, and that this should be a priority. The PO needed to move on from Fujitsu and Horizon. Jeff Smyth confirmed that a discussion was being held on this subject at the GE on 15 September 2021. IC would need to ratify GE’s decision. <p>The Committee NOTED risk update for onward submission to the Audit, Risk & Compliance Committee (ARC).</p>	<p>BF/MB</p> <p>MB</p>
<p>3.2</p>	<p>Compliance Update</p>	
	<p>Jonathan Hill introduced the paper which had been circulated previously and was taken as read. The following points were highlighted:</p> <ul style="list-style-type: none"> - Regarding the Controls Framework, paras 1-4, Jonathan Hill confirmed he was working directly with the Service & Support Team, and that progress had been made in this area. A positive discussion had been held at GE last week, where this matter had been prioritised due to its effect on Postmasters. - Regarding para 5 an initial breach notification had been reported to the Information Commissioner’s Office (ICO) relating to a lost ex-employee’s HR file, which had been requested by the CCRC (now the HRC). The ICO had not yet responded, but when they did, Jonathan Hill would update the Committee. - Further to paras 5 – 15, Data Protection and Information Rights, Jonathan Hill referred the Committee to the paper on the Postmaster Management Information Update and the Data Governance Framework Update at agenda item 5, and stated that he had held constructive conversations with Zdravko Mladenov, Ben Foat and Sarah Gray on this matter. - Regarding the FS Key Regulatory Update – Banking Framework and FCA from para 38, Jonathan Hill stated that there were two parts to the banking challenges: (1) the FCA and their interest in post office status – Jonathan confirmed that the PO had been very clear with them on what their status was, backed by senior legal advice. The FCA had confirmed that they would put their position in writing by September 2021, giving their view on what kind of entity they considered the PO to be, and why the FCA didn’t agree 	<p>JH</p>

	<p>on this proposal, and on the combining and merging of a subsidiary created from a governance and compliance perspective. Ed Dutton and Jonathan Hill had spoken on this topic, but had yet to sit down and discuss the paper, which they would do in the next few weeks to address the relevant challenges.</p>	JH/ED
	<p>The Committee NOTED the Compliance update for onward submission to the ARC.</p>	
3.3	Internal Audit Update	
	<p>Johann Appel introduced the paper which had been circulated previously and was taken as read. The following points were raised:</p> <ul style="list-style-type: none"> - Johann Appel reported that the IA cycle was at its mid-year point. Half of the 30 audits had been completed, and five audits had been completed in the current reporting cycle. - At para 7 the BoE Note Circulation Scheme was ready to be finalised. - At para 9, the ATM Link Scheme Attestation was waiting for sign-off from Owen Woodley. <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - Jeff Smyth queried whether there was a risk of duplicating efforts with the SPM programme. Johann Appel reported that the audit on this was in the planning stage. The Chair recommended that work not be started on this until it had been discussed at the GE on 15 September 2021. - The Chair stated that HIJ might have to be delayed in order to effect the completion of the Belfast exit and the SPM programme, and if so, the PO would have to consider their competing priorities in light of the inquiry. The GE on 15 September 2021 would hopefully offer clarity on whether to divert resources to these interim audits. - Johann Appel raised the proposed changes to the audit plan. Risks that were currently covered would still be covered under the changes, and the PO would be tracking at approximately 30 audits per year. - Johann Appel queried as to whether PUDO/Drop & Collect should be separate programmes, and which one the Committee thought should receive preference. Amanda Jones stated that this needed the combined view of the Commercial team and Martin Edwards, and that PUDO should be prioritised. - Regarding the Cyber Maturity Assessment 2020 at para 15, the Committee recommended that the overdue JML action not be closed without full and transparent disclosure to the ARC. Johann Appel would work with Jeff Smyth and Tony Jowett to update the ARC on the level of residual risk that remains and measures that will be taken to mitigate the risk. - Regarding the actions from the Historical Matters Governance review detailed at para 16, the completion date was September 2021; this couldn't be closed until the new directors were in place. <p>The Committee otherwise NOTED the Internal Audit update, specifically, the progress being made with delivery of the Internal Audit programme and completion of audit actions for onward submission to the ARC.</p>	JA
4.	Mails Deep Dive and Dangerous Goods Compliance Update	
	<p>Mark Siviter and Andy Kingham introduced the paper, which had been circulated previously and was taken as read.</p> <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - Amanda Jones reported that regarding para 6, Phase One Horizon menu-based alternative to Dangerous Goods laminate, the first phase of the 	

2.3

	<p>Horizon went live on 3 June 2021, but the anticipated uplift in overall mystery shopping performance had not yet materialised.</p> <ul style="list-style-type: none"> - Mark Siviter continued that at the time of the last update, the PO had been working on Phase 1 for Dangerous Goods, to add a screen menu to allow branches another option - it was thought that this would bridge the gap in branch conformance. The first mystery shopping period had taken place in August, but the expected benefit hadn't been seen yet. - The business case for Phase 2, Automation of Restricted Label Printing, had been confirmed for a rollout in November, but this was dependent on the CAA giving approval, and there had been challenges to governance at their end. Phase 2 would require the clerk to print the label for a dangerous goods item rather than the clerk manually applying a pre-printed label, which would tie this action into the process. - Phase 3 was to move the dangerous goods transaction start point to be early in the post mail items journey, and requiring the customers to confirm the contents of the parcel they were sending using pin-pad devices for mails items, meaning that clarification would be sought from the customer as part of the transaction as oppose to being elective by the clerk. This was the big change that the PO was working towards. - Jeff Smyth queried where Phase 3 fell within the range of priorities for the PO - would it transcend Fujitsu and Ingenico? Mark Siviter stated that it was recognised that Phase 3 had a big technical impact, and would start to come up against a lack of resources. As soon as Phase 2 had been approved, that would mean that the project could move forward. The background impact of this rollout was being examined; it was likely that the postmasters wouldn't be happy with longer transactions, and the PO would look at how this would sit with their priorities. - The Chair recommended that the Mails Deep Dive and Dangerous Goods Compliance Paper in the Committee pack be presented as an action update to the ARC. The key question for consideration was that if Phases 1 and 2 didn't work and the PO couldn't afford to roll out Phase 2, what would the next course of action be. The Mails Deep Dive and Dangerous Goods Compliance Update would then be submitted to the November 2021 RCC and ARC meetings, after the October and November results had come in. - Mark Siviter reported on insights from other providers, who were mainly moving this function online. Deutsch Post were conducting screening at the pre-transport level, so that dangerous goods didn't make it onto planes. - Andy Kingham stated that the branches who had been using the Horizon menu-based alternative to the laminate were positive about the new process. The mystery shopping results indicated a significant increase in branches conducting conversations and taking questions about dangerous goods, up from 42% in April 2021 to 60% at this point. An issue that had been flagged was that customers didn't see the clerk apply the label, but when this was integrated into the process it was predicted there would be a change with mystery shop conformance. - The key consideration was that the dangerous goods process was still driven by behaviour. The scales in post offices weighed, but could not x-ray goods, so clerks were still reliant on customer confirmation. The PO had been working on extracted items - two years ago the number of extracted items that had gone to Belfast containing prohibited goods was significant, but the PO had brought that figure down and achieved a target of 1.1. <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	<p>MS/AK</p>
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5.	<p>Postmaster Management Information Update & Data Governance Framework Update</p>	
	<p>Nick Beal and Zdravko Mladenov introduced the paper on Postmaster Management Information Update, which had been circulated and was taken as read. The following points were raised:</p> <ul style="list-style-type: none"> - Nick Beal reported that regarding the provision of MI to Postmasters, the number of features had increased significantly since May. Postmasters could now see sales by staff and the PO was now providing MDA1 remuneration reports. - Last week, a webchat function had been launched. This had not been fully detailed in the paper to the Committee, as it had taken place so recently. This function gave Postmasters the chance to raise issues through a chat function. A main topic raised in the webchat was issues with printers. - Further to para 12, key activity through to December was as follows: (1) SQL migration from existing standalone server to fully IT supported infrastructure, aiming for December 2021/January 2022, which would improve the efficiency of data management in Branch Performance and (2) Access Control – Role Based Access Control (RBAC), which would enable postmasters to make the various features on Branch Hub available to their staff. Nick Beal was optimistic that there might be a pilot for RBAC before Christmas, but this was a moving deadline. - The PO was close to having more detailed information on remuneration data in place, which would take feeds from the Remuneration system in CMS and present it to Postmasters on a daily and weekly basis. <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - The Chair acknowledged the progress made in this area. Amanda Jones asked whether the Comms team had been asked to flag the progress made and Nick Beal confirmed that when the pilot went live, all the positive feedback would be flagged. An area manager had recently been recruited into the scheme to assist engagement with Postmasters. <p>Matt Taylor introduced the paper on the Data Governance Framework, which had been circulated and was taken as read. The following points were raised:</p> <ul style="list-style-type: none"> - Matt Taylor informed the Committee that he had worked on similar initiatives in previous roles. Key steps included effective training of programme stewards, setting up a framework, getting employees to understand that they were accountable for the data they used on a daily basis and creating examples of how improving the quality of data could improve how a business was run. - Matt Taylor confirmed that approval had been given for funding for a data ownership framework across POL and the appointment of Data Owners to high-level business segments. The aim was to have built the data ownership framework and owners in place by the end of December. - The Chair raised the issue of digital versus physical data, in the context of moving more data to digital. Jeff Smyth asked about the involvement of the Postal Museum. Matt Taylor stated that regarding the physical records site, it needed to be shown where physical records were, and these records needed to be indexed. Before the scanning process could be started, a huge undertaking was required to make sure these physical records could be added to the business. There was a legal hold at the PO, but the PO needed to be sure that it could scan documents that needed to be shredded. The Chair stated that the Committee needed to come back to the ARC on physical 	<p>NB/ZM</p>

	<p>data with a strategy for how it should be dealt with in light of the ongoing inquiry, and the postal museum.</p> <ul style="list-style-type: none"> - Jeff Smyth added that, although Matt Taylor would be accountable for the people who were responsible for data, those people needed to be educated on data strategy. Ben Foat stated that legal professional privilege was applicable to this area, and that the people who were managing this process needed to be appropriately trained. Ben Foat would instigate an offline conversation on this matter. <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	<p>MT</p> <p>BF</p>
6.	Postmaster Remuneration – 3rd Party Assurance	
	<p>Tom Lee and Johann Appel introduced the paper, which had been circulated and was taken as read. The following points were raised:</p> <ul style="list-style-type: none"> - Tom Lee stated that it had been decided to escalate work on Postmaster Remuneration. It wasn't yet clear how reliant the PO was on third party data for information on postmaster remuneration at this stage, and this needed investigating. <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	
7.	Business Continuity Update (verbal)	
	<p>Jonny Lonsdale delivered a verbal update on Business Continuity to the Board:</p> <ul style="list-style-type: none"> - Jonny Lonsdale stated that recovery times were currently being looked at to ensure that the PO's IT systems could support recovery times. It was also important to ensure that third party recovery times were aligned with the PO recovery times. - It was agreed that Jonny Lonsdale would provide a paper on Business Continuity for the 2021 November RCC and ARC meetings. <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	<p>JL</p>
8.	Legal	
	8.1 – Legal Risk Review (non-GLO/ Starling)	

	<p>progress in rolling out the process to 80 contract managers, who had been offered training every two weeks, and now every month. There was a lot of support in place, so the priority was now on getting people to prioritise and comply with good contract management.</p> <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	
	9. Whistleblowing Policy Interim Review	
	<p>Victor Camara introduced the paper, which had been circulated and was taken as read. The following points were made.</p> <ul style="list-style-type: none"> - Victor Camara noted that the Postmaster Support Guide had been updated on whistleblowing, and that training had been provided to help Postmasters identify reports for referral to the Whistleblowing team. <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - Jeff Smyth asked about the reports relating to SmartIDs. Jonathan Hill stated that the SmartID solutions were very effective, and the rules and training given to the network was comprehensive. <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	
	10. Procurement	
	<p>10.1 – Procurement Governance and Compliance</p> <p>Barbara Brannon introduced the paper, which had been circulated and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - Barbara Brannon reported that the picture was improving, and that the risk profile was down to £3m, and that what was left was very manageable. - Barbara Brannon flagged the Camelot Cheque Clearing processing services, a contract expiring in March 2022. A business decision had been taken to bring a risk exception request to GE and Board in late autumn 2022. This would also be raised at the 28 September 2021 ARC meeting, by which time Procurement would know if the regulatory exemption could be relied upon. <p>10.2 – Bulk Cheque Clearing Account</p> <p>Barbara Brannon introduced the paper, which had been circulated and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - Barbara Brannon reported that the PO had a longstanding noncompliant contract with Barclays for cheque clearing. POL had recently tendered the Bulk Cheque Processing service, which had been won by Exela Technologies Ltd. Barclays had also been in contention, but had declined to agree to PO times. Exela were the more cost-effective option, but choosing them would be a change of clearing bank. Barbara noted that Treasury policy stated that approval of the new financial institution counterparties needed to be provided by ARC and that financial institution counterparty limits need to be provided by ARC. - The Treasury had satisfied themselves that the PO had operational controls in place. Exela would be notified that they were the preferred candidate and the physical transfer would start in January 2022. There were also obligations to notify the relevant banks, which the project team had oversight of. - Barbara Brannon confirmed that this matter would go to the 28 September ARC regarding the governance around changing from Barclays to Exela. 	BB

	<p>Procurement would also negotiate on corporate banking with Barclays. There was a conflict with Royal Mail, and this would also form part of negotiations.</p> <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC)</p>	
11.	Post Office Insurance Mystery Shopping Proposal	
	<p>Ian Holloway and Mark Harris introduced the paper, which had been circulated and was taken as read. At the request of the POL ARC, POI had been considering how to optimise the oversight of financial services within POL</p> <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - Jonathan Hill stated that he and Sarah Gray had completed an assessment on the corporate approach and the risks that applied. Ben Foat recommended that this paper be brought back to ARC in November 2021. - The Chair asked Ian Holloway and Mark Harris how many branches they thought should be selling POI products. Ian said that it depended on the model that was operating. Introductions was a relatively effective model that he thought everyone would benefit from, and the revenue that stemmed from introductions. Travel was a mass market proposition. The sale of protection within branches had moved downwards in recent times; it still had a place within the distribution framework. - Amanda Jones referred to the earlier discussion on dangerous goods and compliance, and asked how POMs' proposal demonstrated whether there would be improvement in compliance. Ian Holloway stated at a micro level improving compliance was about effective action plans, and at a macro level, it was about aligning processes. - The Chair stated that in terms of conflicted priorities, dangerous goods was a higher priority, and he wasn't sure if the network could embrace the proposed plans with the amount of resources that were required; this needed to be a point of consideration. - Amanda Jones commented that the important takeaway was to balance competing pressures with the value they brought. This needed to be overlaid with the banking space; Amanda's accountability was to drive remuneration alongside compliance, so that the Postmasters earned more for their efforts. Amanda didn't disagree with the appetite or intent, but it was a matter of deciding priorities. <p>The Committee NOTED this update for onward submission to the Audit, Risk & Compliance Committee (ARC) in November 2021.</p>	IH/MH/ED
12.	Policies for Approval	
	<p>Jonathan Hill introduced the paper, which had been circulated and was taken as read.</p> <p>The Committee raised the following points on the report:</p> <ul style="list-style-type: none"> - The Chair commented on the recommendation of a full gap analysis by Peter & Peters [REDACTED] a lot of money was being spent on these reviews at a time when the PO was challenged on resources and priorities, and this needed to be given due consideration. Otherwise the Chair had no further comments on the policies. Jonathan Hill agreed that these updates were for clarification rather than on substantive changes. 	

	<p>- [REDACTED]</p> <p>- Jonathan Hill confirmed that he would update the Committee when the one-page summaries were available.</p> <p>The following were APPROVED for onward submission to the ARC:</p> <ul style="list-style-type: none"> • Law Enforcement • HRMC Fit and Proper 	JH
13.	Audit, Risk & Compliance Committee pre-meeting review	
13.1	Agenda Tuesday 28 September 2021	
	<p>The Committee agreed that:</p> <ul style="list-style-type: none"> - The Mails Deep Dive and Dangerous Goods Compliance Update would be sent to the 28 September 2021 ARC meeting as an action update, with a paper to come to the November 2021 RCC and ARC meetings. - The Business Continuity Update would be presented as paper to the November 2021 RCC and ARC meetings. - The Post Office Insurance Mystery Shopping Proposal would be presented as a paper to the November 2021 RCC and ARC meetings <p>The Chair requested Tom Lee to provide a summary on the 2021/22 Annual Report and Account, explaining the PO's process and timeline.</p>	<p>MS/ AK</p> <p>JL</p> <p>IH/ MH</p> <p>TK</p>
13.2	Forward Plan (including Risk & Compliance Committee only items)	
	The Committee & ARC forward plan was NOTED .	
14	Any other Business	
	There was no other business.	



POST OFFICE LIMITED AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Mails Deep Dive and Dangerous Goods Compliance Action Update	Meeting Date:	28 th September 2021
Author:	Andy Kingham, Franchise Partnering Director	Sponsor:	Amanda Jones, Retail and Franchise Network Director

Input Sought: Noting

At the Post Office RCC on 14 September 2021, the RCC Chair asked for an action update on Dangerous Goods Technical Improvements Horizon System Changes.

Dangerous Goods Technical Improvements Horizon System Changes	
Phase 1 – Horizon menu-based alternative to Dangerous Goods laminate	The Horizon menu-based alternative to the manual scanning of the dangerous goods laminate means that the Dangerous Goods process is now integral to the Mails transaction and forms a key part of the Mails conversation with customers and is now system driven. This went live successfully on 03/06/21, but the anticipated uplift in overall mystery shopping performance has not materialised as the biggest point of failure is still the failure to apply labels, followed by the failure to ask clarifying questions. That said, the latest mystery shop for P5, show performance levels for Inland improving period by period +6% (58%) and International +5% (80%).
Phase 2 – Automation of restricted item label printing	<p>A solution has been developed to enable the Horizon system to print both the ID8000 and Lithium battery with testing due to be carried out in the next 3 weeks. A trial to measure the effectiveness of this change will be piloted in circa 200 branches in October for go-live in early November. The CAA are very supportive of this activity and are pursuing the final approvals from their Policy unit to support the changes to label sizing and design.</p> <p>This will address our worst performing mystery shopping scenarios where these labels are required for certain items that are restricted. Whilst it is safe to assume that automated printing will not guarantee that all labels would be correctly applied, we estimate it would sufficiently close the gap to give an improvement in the region of 30% on current scores to over 80% compliance, this is because the system would require the clerk to print the label as part of the transaction as opposed to the current process where the clerk is required to manually apply a pre-printed label (Anticipated to go live early November 2021).</p>
Phase 3 - Moving the Dangerous Goods transaction start point	<p>A quote has been received from our suppliers to move the DG transaction start point to earlier in the Post Mail items journey and is subject to appropriate finance approval.</p> <p>Customer Self-Certification:</p>



	<p>Further system changes are planned as part of phase 3 leading to a requirement for customers to confirm the contents of the parcel they are sending using Pin-Pad devices for Mails items. Again, this system driven change would ensure that they correct clarification is sought from the customer as part of the transaction, as opposed to being elective by the clerk. However, increased transaction times because of this proposed change will need to be signed off by senior stakeholders and the Postmaster Remuneration team before development can commence. (Anticipated to go live Q4/ 2021/22 or Q1 2022/23).</p>
<p>Mitigations if we cannot implement Phase 3</p>	<p>We anticipate that Phase 2 system changes will address the worst performing area when it comes to conformance to process, taking mystery shopping pass rates to over 80%, as the system will prompt the printing of the required label.</p> <p>After Phase 2 goes live and following on from the first two months of mystery shopping results, there will be a full review of progress so far including analysis of mystery shopping results, including detailed root cause analysis and review of training materials and all other activities to ensure further improvement. We would also carry out proactive interventions and training with branches where there are still systemic failures identified by data.</p>
<p>What is the current focus in the network?</p>	
<p>Network activities</p>	<p>Since June of this year, and following on from the relaxation of Covid measures, our Area Managers/Business Support Managers have been focusing most of their time on mails, supporting Postmasters to maximise the opportunity in branch through the use of the correct Mails conversation and sales processes/dangerous goods understanding as part of the Make the Most of Post Campaign.</p> <p>Branches are being supported as follows:</p> <ul style="list-style-type: none"> • Step 1 ran from 21st June to 15th August and saw 3139 branches visited and coached during this period. • Step 2 commenced on 16th August and finished on 11th September. 1130 branches were coached, whilst selected branches from Phase 1 are also revisited. Running alongside this, the field team will be running five, twenty-minute bitesize capability training sessions via Teams and in person to support branches on Dangerous Goods and several other mails topics, which will strengthen capability and understanding of the importance of adhering to the processes. • Step 3 will see an additional c.3000 branch coached between 13th September and 5th November.



	<ul style="list-style-type: none"> Step 4 which takes place prior to peak (8th – 26th November), where the team will visit remaining branches and ensure that key mails branches are set up for Christmas. In addition, all branches have been issued with a Mails 'Back to Basics' coaching pack which reaffirms the importance of following the correct mails conversation and dangerous goods process. <p>Conformance champions across each of the nine regions continue to lead regular update sessions with their teams to increase focus and awareness. Area Managers are contacting their worst 20 branches based on zero laminate scans or button presses from within the Dangerous Goods transaction which highlights marginal/non-existent activity at the counter. Further coaching of branches on how to question customers on the contents of their items.</p> <p>Contractual Intervention – Ongoing discussions are nearing completion to agree and deploy a formal contractual process that will be followed after interventions made by Area Managers, should a branch continue to be non-conformant. Where a branch has two consecutive mystery shop failures, this will be escalated to a Contracts Advisor who will issue a 'written direction' to the Postmaster.</p> <p>Visit prioritisation – Since June of this year, Area Manager visits are prioritised based on a number of metrics, including data on Dangerous Goods process conformance. This ensures that support is targeted at the right branches.</p> <p>The year to date volume for the 2021/22 financial year, for items intercepted by Royal Mail is 5654 vs 6825 last year which (a decline of 17%). This represents 0.001% of our total Parcels volume. Whilst any number of items intercepted represents a customer detriment, current volumes in comparison with overall volumes transacted are negligible.</p>
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POST OFFICE LIMITED
AUDIT RISK & COMPLIANCE COMMITTEE REPORT

3.1

Title:	Risk Update	Meeting Date:	28 September 2021
Author:	Mark Baldock, Head of Risk	Sponsor:	Al Cameron, Group CFO

Input Sought: Noting

This paper provides an overview of corporate risk activity undertaken over the last 2 months with particular focus on

- the work undertaken to further amalgamate/rationalise the top-down/bottom risk assessments
- an update on the current status of our key critical risks (particularly those outside of recently approved appetites)
- the work underway behind the scenes to implement a Governance, Risk & Compliance (GRC) capability across the business.

Executive Summary

The ARC are asked to **note**

- Our key risks and what are we doing to improve our position
- The status of GRC implementation
- Next Steps

Mark Baldock
Head of Risk



Report

- What are our key risks and what are we doing to improve the position?
- What is the status of GRC implementation?
- What are Next Steps?

3.1

Context

1. At ARC in 7/2021 we presented a top-down view of the critical risks we faced, a summary of what we are doing to mitigate them along with a bottom-up perspective reported, every two months, through the Service Now Governance Risk & Compliance (GRC) tool.
2. Since then we have further amalgamated/rationalised the top-down/bottom risk assessments to increasingly get us to a 'single source of truth', updated the current status of our key critical risks (with particular focus on those outside of recently approved appetites¹) and continued our work to implement a GRC capability across the business. This paper provides a summary of our work during this period.

The key risks

Commercial

3. At the last ARC we advised our key Commercial risks were
 - a risk the Post Office market share in Parcels reduces because of increasing competition from RMG and others (4:2). This was (4:3) in the last period.
 - a risk the Post Office customer journeys and, as a result, client arrangements become less competitively attractive over the next 5-10 years (4:4)
4. Commercial are to submit a 'base' strategic business plan for Board approval in 9-10/2021. It includes a review of key revenue drivers (i.e. Banking, Mails,, Insurance and Travel Money) and the extent to which Bill payments can help drive branch footfall. In this context these risks and their ratings remain broadly unchanged. Key short term mitigations continue to be (as already reported) the Amazon Trial, PUDO, BF3 and Drop & Go improvements. Ongoing positive progress in these areas should see a reduction in the residual risk. Additional risks of interest are given below.

RK0020822 - Long term Commercial sustainability of Post Office (4:3) (Appetite tbc)

5. There is a risk that Post Office does not find enough new commercial opportunities to drive the 'top line' and Postmaster profitability. The recent Board Strategy awayday (7/2021) confirmed the need to focus on core business and minimise distractions. As such the Commercial strategy team are regularly assessing opportunities to enhance our Core, simplify our business and improve profitability. Recent examples include refreshing our Mails Strategy, reviewing our Government Services contracts to assess which ones we should bid for, and scanning the market for other commercial opportunities.

RK0020034 POI product sales below forecast (3:5) (Appetite tbc)

¹ Note we are aware there were a number of risk appetite statements (RAS) approved in 2015. These will be subject to further review. In the meantime we have focused on those RASs approved by ARC since 3/2021 (i.e. Legal & Compliance, Operational and People). These provide a firmer baseline.



3.1

- 6. Because of the ongoing adverse impact of COVID-19 on the travel industry there is a risk that POI product sales remain significantly below forecast resulting in reduced revenue. Although a POI travel product is now back on sale significant uncertainty remains within the market as to the form and rate of any recovery. Given quarantine restrictions there is significant doubt that there will be a significant number of travellers within the current financial year. It is too early to see a change in the risk profile.

RK0020074 POI non-compliance with FCA General Insurance pricing measures (3:2) (Appetite tbc)

- 7. Because the market changes radically when the new FCA price walking regime rules go live there is a risk POI is not ready or has misjudged the outcome. As a consequence, it is unable to deliver on its five-year plan. This risk has been formally reviewed and seen a material reduction in its risk rating from (5:3). In terms of mitigation a POI Board sponsored Programme with supporting SteerCo is well established and on track to deliver all required changes. The likelihood of compliance is now extremely high. The key risk is how the market behaves in a new pricing world and for that we maintain a cautious impact rating. We have built market monitoring tools to ensure we are able to react nimbly on a frequent basis to market movements.

RK0020744 (Low Value Non Round (LVNR) Transactions processed as Cash Withdrawals) (3:4) (Appetite tbc)

- 8. The Risk is that Postmasters could be processing POS transactions as Cash withdrawals, against the explicit contractual terms agreed with the banks. This risk was initially reported to ARC in 7/2021. At the time the risk was rated as 5:4 but has now reduced. In part this is because the industry now recognise this is a wider issue than just Post Office and are therefore exploring an industry-wide solution. An identical issue has been identified in the CWP trials indicating that any retail third party channel could find ways to serve LVNR customers with non-round amounts some of which are genuine, some of which could be 'substitution'. Although a live issue the likelihood of specific action against the Post Office is seen as receding.

RK0020764 (Post Office being challenged as 'Agent' for cash banking by FCA) (3:5) (Appetite tbc)

- 9. FCA has asked for clarification of our status as 'agent' (under Payment Services Regulations) and under which advice we made that choice. [REDACTED]

[REDACTED]

NEW: RK0020961 (DVLA contract financial ratios) (Appetite tbc)

- 10. [REDACTED]



11.

NEW RK0020975 Risk the travel market becomes increasingly digital, undermining Post Office physical FX and limiting travel cross-sell (Appetite tbc)

12. This risk has yet to be formally rated. The business view this as a potential opportunity risk. This is because physical cash entities (such as FX) have seen significant business pressures and these pressures have led to increased business for us. As lockdown restrictions lift and more extensive travel emerges, cross sales to Travel Money Card (digital) is increase, and cross sales of Travel Insurance could present additional opportunities in sales and postmaster remuneration. Further analysis of the market dynamic is required.

RK0020103 Management of commercial partnerships and supporting contracts (2:4) (Appetite tbc)

13. There is risk we are ineffective in the management of our commercial partnerships and supporting contracts. If this risk materialises, we may suffer from unsatisfactory performance, breach of material obligations, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives thereby adversely impacting revenues and resulting in customer detriment and postmaster detriment.
14. The risk profile is gradually improving. Team in Commercial has been stood up. A Commercial Head of Contract Management and Contract Manager have also been appointed. The team will help Commercial understand its material obligations and support contract owners with the management of their commercial contracts.

Postmaster & Network

15. Since the last ARC much work has been undertaken to focus on the key risks in this area such that we are able to secure the ongoing trust and engagement of postmasters. Although significant progress has been made (such as a suite of new postmaster policies and supporting processes etc) inevitably this has yet to fully embed and be overtly recognised by the Postmaster community. It will be a slow process to fully mitigate risks in this area and will need underpinning by a new postmaster engagement model. Key risks outside the recent ARC approved operational appetite are given below.

RK0020055 Postmaster proposition not profitable (3:4) (just outside of Averse appetite)

16. Our complex systems and products require dedicated staffing (and staff costs have increased while remuneration has reduced). The is a risk our retail value proposition is not profitable enough to sustain Postmasters' business. Mitigations include reducing postmaster staff costs through process improvements and



automation of mails & banking, introducing simpler propositions, exiting branches which do not have the conditions for long-term viability, increasing remuneration (including our short-term response to the MDA2 consultation) and increasing top line growth for postmasters. Our Mails Strategy paper set out the options for strengthening our position in the value chain as the market moves online. We are currently working with the COO to articulate specific risks around the mains/locals remuneration differential.

RK0020632 Postmasters lose faith in our ability to change (4:2) (just outside of Averse appetite)

17. If we fail to listen and acting on feedback from Postmasters, there is a risk we cannot reset the relationship and put them at the heart of our business. Key mitigations already implemented include Adopt an Area, a formal complaint process (with in-depth reviews to give insight and take action through monthly 'Voice of the Postmaster' meetings), co-creation sessions following the consultation and the recent appointment of a Postmaster Director. Future actions include new engagement model for both strategic partners and Postmasters for implementation in Q4 2021/22 and a pulse survey of postmasters around 10/2021.

RK0020578 Lack of insight into how to support branches (3:2) (just outside of Averse Appetite)

18. Because reporting functions are underdeveloped and under resourced and suffer challenges around the collation and understanding of making data visible, there is a risk that there is not enough insight to allow us to support our branches optimally. The Data Platform should clearly improve the ability to access data held on individual branches and Postmasters and in turn improve insights on how to best proactively support Postmasters. 'Branch Performance' on Branch Hub is planned to be rolled out to all branches by 1/2022 ensuring that all branches have the same information available to them directly.

RK0020593 Fail to support new agents (3:2) (just outside of Averse Appetite)

19. Because running a Post Office branch requires understanding of a complex product suite and EPOS there is a risk of insufficient lack of training, and support for newer agents. In line with taking forward a range of Deloitte recommendations (overseen by the IDG) we have recently introduced a high level visual timeline for all potential new postmasters across all journey types (including Strategic Partners) to manage expectations from the commencement of onboarding. We have also implemented a number of financial assessment changes (including the offer of a consultation meeting for a prospective postmaster). Finally, we are trialling a two-step application process which allows for an initial 'Agreement in Principal' decision. Evidence is the average E2E onboarding timeline has reduced from 9 (2 years ago) to 5 months (currently).

Financial

20. The key financial risks remain relatively stable. Long-term mitigations continue to be around securing the requisite funding for 2022/25. We await the outcome of the CSR submitted in 8/2021. This is expected in 11/2021 and assume it will cover a 3-4 year planning horizon. The key risks (listed below) are unlikely to see a material reduction until the CSR outcome is known and begins to be implemented.



RK0020059 Lack of funding (5:3) (Appetite tbc)

21. As Post Office is heavily dependent on government funding there is a risk that we are not provided with sufficient funding (investment funding and Network Subsidy) to cover investment plans and other activities.

RK0020060 HMG do not pay balance of HSS claims (3:5) (Appetite tbc)

22. Risk that HMG do not pay the balance of HSS claims and all of the post-criminal settlements, and workers' rights impacts, including malicious prosecution claims as required.

RK0020524 Net Liabilities (4:4) (Appetite tbc)

23. Risk that we may enter a position of Net Liabilities which may trigger a number of events such as default on commercial agreements and funding arrangements.

Legal

24. At the last ARC we reported our 2 primary legal risks were around (i) Post Office contractual breach, Postmaster detriment and/or reputational damage in the event we do not conform with the CIJ and HIJ judgements and (ii) a risk we could be faced with new legal risks and increased costs in the event the HSS is not delivered satisfactorily. These risks remain and clearly will not be fully mitigated in the short-term.

25. We should note 3 key legal risks are outside of the ARC approved appetite.

RK0020101 (3:5)² (outside Cautious Appetite)

RK0020092 Anti-Money Laundering non-compliance (2:3) (just outside Averse appetite)

26. The residual rating is driven primary by risks associated with high levels of SARs and investigation levels impacting team resource, and the relative low completion of mandatory compliance training. In terms of mitigation additional resource was secured in 8/2021 and further recruitment is underway to replace recent FCT departures. SARs volumes, although high, have levelled off in recent months. AML mandatory training completion were recently at 94.50%. HR are chasing those that have yet to complete, including automated reminders sent to contractors.

RK0020086 Competition Law - Adverse findings from Competition Act investigation (2:3) (just outside Averse appetite)

27. There is a risk if we fail to comply with competition law regulators could investigate or competitors successfully challenge such behaviour resulting in regulatory sanctions, severe penalties of up to 10% turnover, financial and reputational damage. Legal have commenced a Competition Compliance Programme in Q4 2020/21 which will run throughout 2021/22. The first stage is assessing where competition risks lie within the business via structured questionnaire interviews with senior staff responsible for key business areas.

HMU

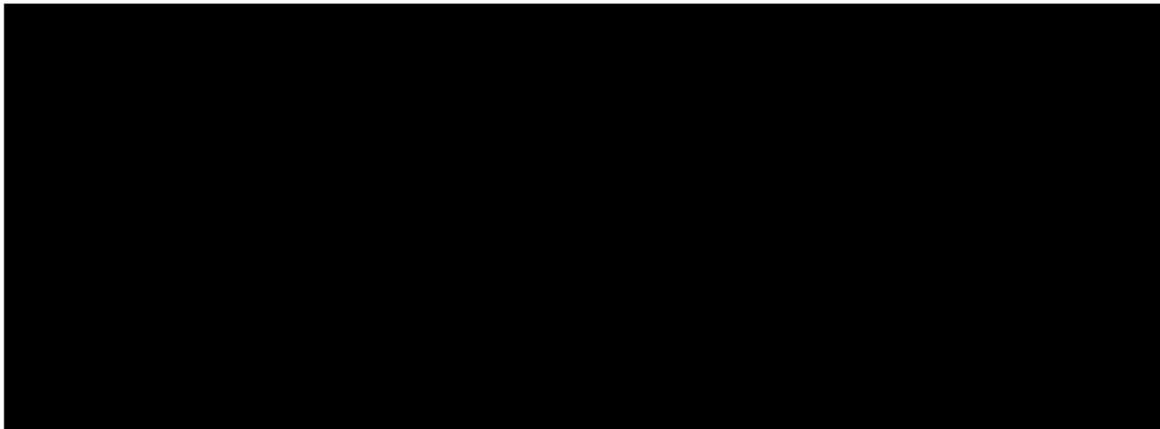
28. In light of announcements around HMU General Counsel has recently commissioned work on both HMU and the Public Inquiry to clarify (among a

² Legally privileged – see Appendix B



number of elements) the long-term organisational structure required, the associated funding & budget and the perceived barriers to success and their mitigation. We will be looking for all HMU risks to be reviewed as part of this. In the meantime the key risks reported in this area remain as follows.

3.1



RK0020066 Historical Matters overturned convictions (3:5) (Appetite tbc)

31. Because of ongoing Group Litigation actions the Post Office is perceived as dishonest, disrespectful or incompetent in its dealings with its employees, Agents, partners and/or customers which leads to loss of sales and and/or increased costs through fines and legal fees.

RK0020634 Historical Matters Scheme Independence (4:3) (Appetite tbc)

32. Because of UKGI/BEIS seeking involvement at various stages of the Historical Shortfall Scheme settlement process there is a risk that the Scheme may be seen to less impartial than originally envisaged due to shareholder involvement and perceived undue influence at governance meetings. The interaction between Post Office and Shareholders (UKGI & BEIS) is documented within an Operations Agreement. Regular monitoring meetings in place with UKGI/BEIS and an Independent advisory panel has been in place since 9/2020.

Technology

33. At the last ARC we reported our 2 key IT risks were around (i) Post Office failing to replace Horizon or will only do with material uncertainty for Postmasters and (i) our system security, resilience and disaster recovery is inadequate. These risks remain. It is also important to note the delivery of Belfast Exit along with SPM are our key IT priorities such that the overall risk profile should be viewed in this context.

RK0020695 Historical Matters Horizon Implementing Changes (3:3) (Appetite tbc)

34. To fully mitigate this risk will clearly take time. However the risk profile has begun to see some incremental improvements. Although the long-term mitigation remains the SPM programme steady progress has been made in recent months. The multi-year business case has been completed and approved by the Board. Technology delivery is on track for an MVP enabling a first live branch in late 9/2021 with a further 100 locations potentially opened by end of 12/2021. Key experienced internal resource has also been secured including a Test & release manager, contract manager and chief IT architect. Additional IT



controls also being introduced to manage the development and testing of changes utilising this method. 57 controls (recommended by KPMG) are now live and going through formal attestation.

35. As previously reported key challenges remain around insufficient knowledge of key core processes, technical assurance bandwidth and competing pressures for senior management focus.

RK0020672/RK0020673/RK0020077 End of Life Technology (Computacenter, Accenture and Fujitsu) (Various) (Appetite tbc)

36. We are also managing a suite of risks around operating with End of Life technology.
37. The risk around Computacenter support (**3:4**) has slightly reduced. It is being mitigated, in part, by the recent EUC procurement exercise which resulted in DXC being awarded the £7.23m contract, albeit delivery is not scheduled for completion until 6/2023. The programme has been provided with a £1.25m drawdown for delivery through to 1/2022 when the next drawdown will be finalised (firming up TUPE costs).
38. The risk of unsupported IT services within Accenture's environment (**3:4**) has also reduced by Accenture's extended support not ending until 12/2021. Given this a decision on upgrading Credence/MDM will be informed by the Data Platform Proof of Concept scheduled over the next couple of months.
39. Finally, the risk profile of unsupported IT services within Fujitsu's environment (**5:2**) has also seen a slight reduction. The Fujitsu contract has been extended to 2023 and work continues a pace re AWS Cloud migration.

RK0020090 Inadequate BC/DR arrangements (3:4) (Appetite tbc)

40. The risk profile has improved since the last reporting period. A comprehensive set of DR tests are now currently underway with all suppliers (where technically possible). In particular the Accenture Back Office finance test was completed successfully in 3/2021, a successful Verizon failover exercise (from the Primary to Secondary Data Centres) took place in 8/2021 and a Fujitsu failover exercise is scheduled for 10/2021. A decision is still required on a Computacenter failover test given the EUC contract has just been awarded to DXC. One option is to undertake the test with the former (but this may not be cost effective) or reschedule the test for when DXC take over the service (but this will be long-term).

Strategy & Change

41. These concern risks around the Post Office's Strategy proving ill-defined, unaligned to the interest of its key stakeholder(s) or not easily adaptable to the macro-environment.

RK0020061 Strategic non-alignment of Change Portfolio (3:4) (Appetite tbc)

42. Although our strategic vision is clear there is a risk our change portfolio could become unaligned in the short, medium and longer term because of the need to restack the portfolio to allow prioritisation around Belfast Exit and SPM. We are working hard with the business to appraise how appropriately focused the change portfolio is, and the level of comfort among senior management around



whether our investments are likely to deliver the desired key corporate outcomes.

3.1

RK0020049 Strategy to slow to adapt to volatile macro-environment (3:4) (Appetite tbc)

43. As a result of a potential lack of capability our Strategy may prove too slow to deliver slow or unable to adapt when conditions in its markets or the wider macroeconomic environment change. This risk will be further reviewed in 12/2021 following Board discussions on strategy etc. In the meantime the Strategic Portfolio Office are ensuring change activities build in flexibility, particularly where market dynamics are more likely to shift. Greater scrutiny is also being applied to investment rationale to ensure the current market environment for the specific activity is considered. Plans are being put in place to empower project governance to take difficult decisions if, at a given moment, a project needs to pivot, pause or stop. At this point the associated Portfolio Prioritisation internal controls have been attested as effective and in a compliant state.

People

44. As advised previously our key strategy is to have fewer, better people able to deliver the strategic needs of the business. In light of this Group People have reviewed all their risks which now form the new baseline against which future progress will be tracked. The key risks are given below.

RK0020068 Culture/Ways of Working Misalignment (3:4) (Outside of Averse Appetite)

45. Our new Ways of Working need to be embedded so that they contribute to us achieving our cultural ambition of being a successful retail franchise business that is truly postmaster centric. Short-medium term mitigations include the Board, GE and Senior Leadership Group proactive adoption of ways of working and the creation of an implementation plan for the Service Culture.

RK0020651 People Shared Service Centre (PSSC) Processes (3:4) (Outside of Averse appetite)

46. We need to have clear processes (and use of Technology) that line managers, employees and stakeholders can use so that appropriate changes are made to employee data, payments are correctly processed and contractual changes are all made in a timely manner according to regulations and our policies. Short-medium term mitigations include an organisational review of end to end processes, the establishment of a PSSC Process Improvement project, the development of a long term technology plan for People processes that enables greater self-service and end-to-end case management.

GRC implementation

47. We continue to implement a corporate GRC approach (and supporting tool). Since the last ARC we have continued the rollout of risk and control management capability beyond Central Risk to Business Unit Heads and individual Risk Owners
48. 107 Risk Users are now live on the platform across Central Risk, Commercial, SPO, Technology, Retail Franchise and some elements of HR. Remaining



business areas deploying in 9/2021 and 10/2021 include Finance and Group General Counsel (which now includes HMU).

3.1

49. Finance, IT and SPO Policy & Compliance Management (Controls) are also live. 129 Compliance Users can now access their controls directly on the system. 42 SPO risks & controls have been mapped on-line and 57 IT Controls and 143 Risks mapped offline. Initial control attestations have been completed and, to date, positive user feedback received.
50. Vendor Risk Management (VRM), the final rollout component, is expected to go-live in early 11/2021 after completion of the necessary configuration. This will allow the GRC project to formally close and transition to BAU.
51. Initial feedback is broadly positive but ongoing and intense work by Central Risk is required to fully embed the new ways of working to ensure this new approach is seen as of direct benefit to the business rather than simply an administrative burden. There are challenges here, particularly around maintaining proactive risk ownership, data quality and putting in place enduring governance. An Internal Audit review of GRC implementation currently underway is a key input into this debate.

Next Steps

52. Key milestones over the next 2 months include:
 - completing the alignment of the top-down and bottom-up risk assessments – from 9/2021
 - putting in place a rolling programme for further ARC deep-dives – from 9/2021
 - completion of GRC deployment into Business and project closure - by 11/2021
 - completion of migration of Finance, Strategic Portfolio Office and IT controls onto GRC platform and link these controls to associated risks for the first time – by 10/2021

Mark Baldock
Head of Risk

Appendix A: Post Office key risk assessment summary

Appendix B: Legally Privileged extract



Appendix A: Post Office key risks assessment summary

SNOW Risk No.	Risk Level ³	Risk Title	RAG 7/2021	RAG 9/2021	Approved Appetite & RAG rating	Trend	Mitigations/Comments
<i>Operational</i>							
RK0020822	T1	Long term Commercial sustainability of Post Office	4.3	4.3	Tbc	Stable	Focus new initiatives to drive commercial sustainability on the core business end, by exception, to platform developments, assess opportunities to enhance Core, simplify business and improve profitability, refresh Mails Strategy, review Government Services contracts scan market for other commercial opportunities.
RK0020034	T1	POI product sales below forecast	3.5	3.5	Tbc	Stable	A POI travel product is now back on sale which, at this early stage, is performing ahead of expectations. Significant uncertainty remains within the market as to the form and rate of any recovery. Significant doubt there will be a significant number of travellers within financial year.
RK0020074	T1	Non-compliance with FCA General Insurance pricing measures	3.5	3.7	Tbc	Improving	POI Board sponsored Programme with SteerCo is well established. On track to deliver all required changes. Likelihood of compliance is now extremely high.
RK0020744	T1	Low Value Non Round (LVNR) Transactions processed as Cash Withdrawals	3.4	3.4	Tbc	Improving	Risk reduced in part because industry recognise this as a wider issue than Post Office and are therefore exploring an industry-wide solution. The likelihood of specific action against the Post Office is receding.
RK0020764	T1	Post Office being challenged as 'Agent' for cash banking by FCA	3.5	3.5	Tbc	Stable	Mitigations include liaising with the FCA to help them better understand the position relative to 'limited agency' as well as engage external lawyers and QC to reconfirm our approach.
RK0020961 (NEW)	T1	DVLA contract financial ratios	N/A	2.8	Tbc	New	Product team have discussed and agreed with Commercial. In longer term looking to negotiate with DVLA the removal of the obligation in the next contract variation with DVLA (by 3/2022).
RK0020103	T2	Management of commercial partnerships and supporting contracts	3.4	2.9	Tbc	Improving	Commercial T2 design stood up. A Head of Contract Management and Contract Manager have been recruited. An additional vacancy is due to be filled by Sept 21. Team will help Commercial understand its material obligations and support the Commercial contract owners with management of their contracts.
RK0020018	T1	POI regulatory regime non-compliance	3.3	3.2	Tbc	Improving	New plan for pricing regulations
Upload pending	T1	Risk the Post Office market share in Parcels reduces because of increasing competition from RMG and others	3.3	3.2	Tbc	Improving	Amazon Trial and PUDD, Drop & Go improvements
Upload pending	T1	Risk the viability of Banking Framework is undermined by changes in the structure of and volumes in the cash market	3.2	3.2	Tbc	Stable	BF3, Access to Cash, Cash Utility, ATM Strategy
Upload pending	T1	Risk the travel market becomes increasingly digital, undermining Post Office physical FX and limiting travel cross-sell	3.0	3.0	Tbc	Stable	Potential opportunity risk as physical cash entities (e.g. FX) have seen significant business pressures and these pressures have led to increased business. As travel increases, cross sales to Travel Money Card (digital) will increase, and cross sales of TI will present additional opportunities
RK0020076	T1	Risk that Postmasters find the products and services as too complex and confusing to promote and sell to customers	3.0	3.0	Tbc	Improving	Amazon Trial and PUDD, BF3
RK0020064	T1	Risk existing and emerging requirements of Post Office (new and existing) customers across the various sectors are not met such that customer demand declines rapidly in a 3-10 year timescale	3.0	3.0	Tbc	Improving	Board feedback on the strategy paper. Head of Insight appointed to look at customer experience from the outside in.
<i>Postmasters & Network</i>							
Upload pending	T1	Risk that the Post Office branch footprint reduces as the market shifts again to digital, reinforcing a lack of interest in the Post Office from younger people	3.3	3.3	Tbc	Stable	Amazon Trial, PUDD, Drop & Go improvements
RK0020055	T1	Postmaster proposition not profitable	3.3	3.4	Averse	Stable	IDG programme. Reducing postmaster staff costs, Introducing simpler propositions, Exiting branches which do not have the conditions for long-term viability, Increasing remuneration, Increasing top line growth for postmasters
RK0020714	T1	Large-scale, long-duration Branch Network business continuity	3.2	3.2	Cautious (SM) Averse (LT)	Stable	The risk is currently rated (5:2) which is consistent with a Cautious appetite for short-term interruptions but outside of an Averse appetite for long-term interruptions.
RK0020632	T1	Postmasters lose faith in our ability to change	3.0	3.0	Averse	Improving	IDG programme. Adopt an Area, a formal complaint process and co-creation sessions following the consultation. Future actions include new engagement model for implementation in Q4/2021/22 and appointment of a Postmaster Director.
RK0020578	T1	Lack of insight into how to support branches	3.0	3.0	Averse	Stable	Data Platform should clearly improve the ability to access data held on individual branches and Postmasters and in turn improve insights on how to best proactively support Postmasters.
RK0020593	T1	Fail to support new agents	3.0	3.0	Averse	Stable	'Branch Performance' on Branch Hub is planned to be rolled out to all branches by 1/2022
RK0020053	T2	Network Numbers	4.3	4.3	Averse	Improving	Introduced a high level visual timeline for all potential new postmasters across all journey types, Implemented a number of financial assessment changes Trialling a two-step application process which allows for an Initial Agreement in Principal decision. Although rating current o/s appetite latest data reflects branch numbers are currently exceeding 11,500 target. If continues risk profile will be brought closer (or within) within appetite during next period.

³ On ServiceNow Tier 1 = Intermediate and Tier 2 = Local

⁴ Note we are aware there were a number of risk appetite statements (RAS) approved in 2015. These will be subject to further review. In the meantime we have focused on those RASs approved by ARC since 3/2021 (i.e. Legal & Compliance, Operational and People). These provide a firmer baseline.



SNOW Risk No	Risk Level	Risk Title	RAG 7/2021	RAG 9/2021	Approved Appetite & RAG rating?	Trend	Mitigations/Comments
Upload pending	T1	Risk that the Post Office do not have accessible data to understand enough of what is happening in branches to be confident of delivering Postmaster issue resolution and Postmaster pay management	4:5	4:5	Tbc	Stable	Strategy agreed, no current funding and the priority in the 4YP is uncertain, leading to ongoing postponements Board awayday paper 7/2021 will inform subsequent mitigations - Link to RK00205787
Upload pending	T1	Risk the Post Office's control environment is inadequate	4:3	4:3	Tbc	Stable	Controls Framework Prove Plan being developed but concern with LT funding. Risk profile under threat Any centralised controls will be uploaded to ServiceNow
Upload pending	T1	Risk the Post Office does not have sufficient accessible data to deliver effective trading information, operational efficiency and controls	4:3	4:3	Tbc	Stable	Credence and Data errors show the vulnerability. New business case being developed, Data Platform Prove Plan
Upload pending	T2	Risk the Post Office's risk management processes are low level and inadequate	2:5	2:5	Tbc	Stable	Risk Policy, RMF, GRC, Risk appetite
Upload pending	T1	Risk the Post Office's proposed Network changes will undermine public support	3:2	3:2	Tbc	Stable	DMB programme
RK0020025	T1	Risk that the Post Office's Safety regime is unacceptable	4:4	4:3	Tbc	Stable	Network Strategy
Upload pending	T1	Risk the Post Office's (IT and non-IT) business continuity plans are inadequate	4:5	4:5	Tbc	Stable	Safety management process
Upload pending	T1	Risk the Post office does not reduce carbon emissions quickly enough	3:2	3:2	Tbc	Stable	Belfast exit, Continuity assessments
Upload pending	T1	Risk the Post office does not reduce carbon emissions quickly enough	3:2	3:2	Tbc	Stable	Our local presence reduces car journeys, Prioritisation of Supply Chain vehicles?
Financial							
RK0020050	T1	HMG do not pay balance of HSS claims	3:5	3:5	Tbc	Stable	2022/24 Funding discussion Complicated by the need to manage past, Change of tone from PS, BEIS 2022-24 Plan and Funding (Al Cameron)
RK0020059	T1	Lack of funding	5:3	5:3	Tbc	Stable	2022-24 Funding discussion. Securing 2021-22 drove an improved position
RK0020524	T1	Net Liabilities	4:3	4:3	Tbc	Stable	
RK0020712	T1	Failure to complete restructuring of cost base	4:3	4:3	Tbc	Stable	We have had to postpone these plans due to prioritisation, funding and capability 2022-24 plans
Legal (non-UKMI)							
RK0020151	T1	Legally Privileged*	3:5	3:5	Cautious	Stable	
RK0020092	T1	Anti-Money Laundering non-compliance	3:2	3:2	Averse	Stable	
RK0020668	T1	Post Office non-compliant with legal and regulatory requirements	3:2	3:2	Averse	Stable	Improved training for Policy owners and awareness of group policies and the need to comply with them, a revised compliance strategy in Q3/Q4 of 2021/22 with a revised regulatory accountabilities matrix a LCG Academy training programme and commencement of a Competition Compliance Programme from 3/2022. Finally, subject to funding approval the Controls Framework project will recommence.
RK0020097	T1	Employee complaints, Employment & Pension Law claims and complaints to regulators	3:4	3:4	Neutral	Stable	In terms of mitigation a project has been established to manage the risk in relation to Assurance issues. We have also made precautionary reports to the [Pensions] regulator and continue to manage issues and work closely with trustees, unions and workers. Is there a link here with the RMMP Pensions issue?
RK0020086	T1	Competition Law - Adverse findings from Competition Act investigation (2,3)	2:3	2:3	Averse	Stable	Competition Compliance Programme commenced in Q4 2020/21. Will run throughout 2021/22.
RK0020289	T1	Group Litigation Fallout re HBU	5:3	5:3	Tbc	Stable	
RK0020842	T2	Historical Matters overturned convictions (CCRC)	4:5	4:5	Tbc	Stable	Interim payments – looking to formally reduce this risk – next period
RK0020066	T2	Historical Matters overturned convictions	5:3	5:3	Tbc	Stable	Interim payments – looking to formally reduce this risk – next period
Upload pending	T1	Risk that the HSS offers are not accepted by Postmasters	3:2	3:2	Tbc	Stable	HSS
RK0020092	T1	Anti-Money Laundering non-compliance	3:2	3:2	Tbc	Stable	
RK0020634	T1	Historical Matters Scheme Independence	4:3	4:3	Tbc	Stable	Interaction between Post Office and Shareholders (UKGI & BEIS) documented in an Operations Agreement which contains a flowchart documenting the interaction of all parties in the process. Regular monitoring meetings in place with UKGI/BEIS. Independent advisory panel has been in place since Sept 2020.
Upload pending	T1	In the event the Post Office does not conform with the CJJ and HJJ judgements, there is a risk of Post Office contractual breach, Postmaster detriment and/or reputational damage	3:3	4:3	Tbc	Stable	IDG programme, Adopt an Area, a formal complaint process (with in depth reviews to give insight and act through monthly 'Voice of the Postmaster' meetings) and co-creation sessions following the consultation. Future actions include new engagement model for both strategic partners and Postmasters for implementation in Q4/ 2021/22 and the appointment of a Postmaster Director – Link with RK00205327
Brand							
Upload pending	T1	In the event the Post Office fails to separate its brand from the historical issues there is a risk of a lack of public trust with the Post office which undermines its stakeholder position and trading (physically and digitally)	4:3	4:3	Tbc	Stable	CEO narrative No agreed or funded general brand support
Upload pending	T1	In the event the Inquiry is critical, there is risk that it undermines the current Post Office leadership team, current business processes and/or the IT infrastructure (including but not limited to the current version of Horizon)	5:3	5:3	Tbc	Stable	

* Legally Privileged – see Appendix B

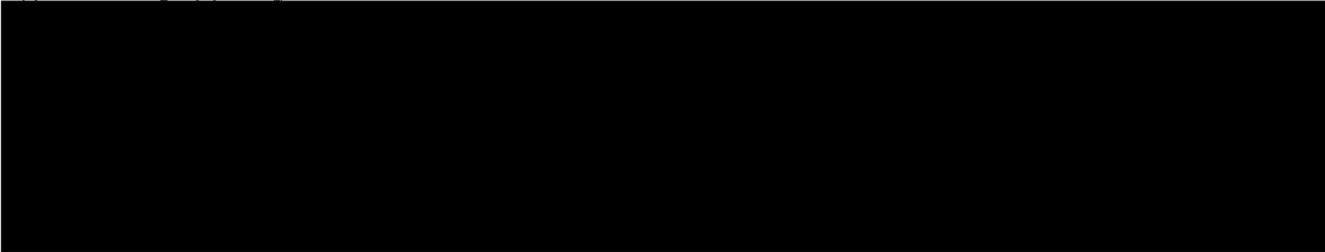


SNOW Risk No	Risk Level	Risk Title	RAG 7/2021	RAG 9/2021	Approved Appetite & RAG rating?	Trend	Mitigations/Comments
Upload pending	T1	Risk that the Post Office's Network changes undermine external belief in the social promise	3.5	3.5	Tbc	Stable	Network Strategy, Hard To Place Branches, DMB programme
Upload pending	T1	Risk the Post Office fails to value its Brand commercially and increase its value.	3.5	3.5	Tbc	Stable	
Upload pending	T1	In the event Hard To Place branches are unresolved there is risks the Post Office brand is damaged	3.5	3.5	Tbc	Stable	HPT Programme
Brand Reputation							
Upload pending	T1	Risk that the BEIS is not supportive of a Post Office proposal for Postmasters to take a necessary future ownership stake in the company	4.2	4.2	Tbc	Stable	
Upload pending	T1	In the event that BEIS hold the Post Office too accountable for the past there is risk that Post Office performance is undermined	3.4	3.4	Tbc	Stable	2022-23 Plan and Funding
Upload pending	T1	Risk that the Post Office and BEIS cannot manage the historical narrative in a united fashion.	3.3	3.3	Tbc	Stable	Public Narrative, Ensure messaging demonstrates empathy, acknowledges the important of these historical issues but emphasises that Post Office is already changing in response and will continue to do so.
Upload pending	T2	Risk that the Post Office Postmaster Communications strategy is ineffectively positioned and timed such that Postmaster sentiment with the Post Office is adversely impacted	3.5	3.5	Tbc	Stable	
IT/Cloud							
RK0020695	T1	Historical Matters Horizon Implementing Changes	5.4	3.4	Tbc	Improving	LT mitigation remains SPM programme. Steady progress has been made in recent months. The multi-year business case has been completed and approved by the Board. Technology delivery is on track for an MVP enabling a first live branch in late 9/2021 with a further 100 locations potentially opened by end of 12/2021.
RK0020091	T1	Inaccurate, insecure, inadequate Business Data	4.3	3.3	Tbc	Improving	New payment and banking partner (excluding Santander) processing landscape complete. Deployment of new solution in Branches has commenced with 21 counters piloted in 21 branches. To date in excess of 10,000 Payment and 10,000 Banking transactions have been processed. Back Office remediation is expected imminently. PCI DSS Audits scheduled for completion by Q2/2022
RK0020672	T1	End of Life Technology-Computacenter	4.0	3.4	Tbc	Improving	End-User computing (EUC) migration originally scheduled Q2 2021 has slipped slightly to Q3 2021. However completed an EUC procurement exercise resulting in DXC being awarded contract for delivery by 6/2023. Programme has been just been provided with a £1.25m drawdown for delivery through to 1/2022 when the next drawdown will be finalised (firming up TUPE costs). Decision still required on a Computacenter failover test given the EUC contract has just been awarded to DXC.
RK0020673	T1	End of Life Technology-Accenture	3.4	3.4	Tbc	Improving	This has seen a re-calibration of its risk rating over the last reporting period from (4:4) to (3:4). Why? Accenture extended support ends in 12/2021. A decision on upgrading Credence/MDM will be informed Data Platform Proof of Concept scheduled over the next couple of months.
RK0020077	T1	End of Life Technology-Fujitsu	4.3	3.2	Tbc	Improving	Fujitsu contract has been extended to 2023 and work continues a pace re AWS Cloud migration such in 6/2021 a standard transaction (sale and reversal) over the Cloud was successfully tested in Model Office with the data being recorded on the Branch data base were visible via Horizon reporting tools.
RK0020090	T1	Inadequate BC/DR arrangements	4.0	3.4	Tbc	Improving	A comprehensive set of DR tests are now currently underway with all suppliers (where technically possible). In particular Accenture Back Office finance test was completed successfully in 3/2021, a successful Verizon failover exercise (from the Primary to Secondary Data Centres) took place in 8/2021 and Fujitsu failover exercise is scheduled for 10/2021. FI contract has been extended to 2023. Risk rating to be adjusted in this reporting period.
Upload pending	T1	Fujitsu's contractual exit is long and very expensive	4.3	3.4	Tbc	Stable	New LT risk to be articulated around potential high costs of new provider (datacentres, TUPE. New Commercial team will need to be set-up
Upload pending	T1	Insufficient capability for SPM, BTU activities, BAU management etc including legacy Credence and MDM	4.4	4.4	Tbc	Stable	IT capability workstream (Jeff Smyth, Lisa Cherry)
Upload pending	T1	Risk the Post Office fails to automate and digitise customer interactions, making the company less competitive	3.5	3.5	Tbc	Stable	Drop & Go, PUDD, Passport live on tablets in Branch since 10/2020, YOTI - identify partnership (in branch verification) go live 10/2021
Upload pending	T1	Risk the Post Office fails to automate and digitise its own ways of working	3.5	3.5	Tbc	Stable	Cost programmes, Postmaster simplification
RK0020095	T1	Cyber threats to Post Office Managed Systems	3.5	3.5	Tbc	Improving	Control improvements - 57 controls are currently live on SNOW GRC (controls recommended by KPMG were prioritised). Organisation development activities to be addressed specifically around the support for AWS Belfast exit dates. Cyber security maturity enhancements to continue throughout 2021 (challenge back from the investment committee - costs)
RK0020096	T1	Cyber Threats to Third Party Managed Systems	3.5	3.5	Tbc	Improving	Controls in security compliance around supplier management, implementing COBIT 5 controls manage suppliers, organisation development to expand the compliance team to deliver SPOT audits of suppliers rather than rely on supplier attestation
Upload pending	T1	Risk the Post Office experiences delays and increased costs in delivering PCI compliance	3.4	3.4	Tbc	Stable	PCI DSS (Jeff Smyth)



SNOW Risk No	Risk Level	Risk Title	RAG 7/2021	RAG 9/2021	Approved Appetite & RAG rating ⁶	Trend	Mitigations/Comments
Upload pending	T1	Risk the Post Office experiences delays and further costs and issues with delivering Belfast Exit	3:4	3:4	Tbc	Stable	Hosting agreement signed with AWS in June 2020. Standard model office counter terminal successfully connected to a beta-version on AWS. EOSL components require further reassessment
Strategy/Change							
RK0020061	T1	Strategic non-alignment of Change Portfolio	3:4	3:4	Tbc	Stable	Looking to establish a clear vision for the business which we can then use to appraise how focused the change portfolio is, and the level of comfort among senior management around whether our investments are likely to deliver the desired corporate outcomes.
RK0020049	T1	Strategy to slow to adapt to volatile macro-environment	3:2	3:4	Tbc	Worsened	SPO ensuring change activities build in flexibility, particularly where market dynamics are more likely to shift. Greater scrutiny is also being applied to investment rationale. Plans are being put in place to empower SteerCos to take difficult decisions.
People⁶							
RK0020068	T1	Culture/Ways of Working Misalignment:	n/a	3:4	Averse	Re-Baseline	Board, GE and Senior Leadership Group proactive adoption of ways of working and creation of an implementation plan for the Service Culture
RK0020706	T2	Phased return to the Office/ Future of the Workplace	n/a	3:4	Averse	Re-Baseline	Proposals being defined. Summer period being used to Test and learn. Government guidelines and Health & Safety risk assessments fully embedded. Engagement with all stakeholders clearly aligned with project
RK0020977	T2	Employee Burn Out due to Change/GLO Inquiry/Covid	n/a	3:4	Averse	Re-Baseline	Future of the Workplace,, Wellbeing focus, Annual Leave policy, Right to Disconnect, Leadership by Example
RK0020651	T1	PSSC Processes	n/a	3:4	Averse	Re-Baseline	Organisational review of E2E processes, Establishment of PSSC Process Improvement project, Development of a long term technology plan for People processes that enables self-service, End-to-end case management
RK0020982	T2	RMPP pension errors	n/a	3:4	Averse	Re-Baseline	Project Assurance, Funding plan, Close working relationship with the Pension Trustees and Unions
RK0020072	T1	CWU Industrial action	n/a	3:2	Neutral	Re-Baseline	Processes in place to manage a potential rise in industrial action including the standing up of a SOD team.
RK0020220	T2	Talent Development	n/a	4:4	Averse	Re-Baseline	Build & deliver an attraction & retention strategy. Ensure well developed succession and development tools are available for all critical roles, Full review of Reward and Recognition strategy
RK0020983	T2	Culture not Diverse & Inclusive	n/a	3:4	Averse	Re-Baseline	Embed diversity & inclusion into our DNA, Develop Senior Leadership Action and priority plan, Support the Board and GE to achieve the 2024 targets and action the Senior Leadership Action and priority plan
RK0020222	T2	Capacity/Capability	n/a	3:4	Averse	Re-Baseline	Talent Development, OD highlights critical skills and ensures there are talent plans for each key capability.

Appendix B: Legally privileged extract



⁶ We are reviewing the application of the approved People risk appetite against the specific key People risks. This table provides an initial draft assessment which is being refined



POST OFFICE LIMITED AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

3.2

Title:	Compliance Report	Meeting Date:	28 th September 2021
Author:	Jonathan Hill, Director, Compliance	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Noting & Decision

The Committee is asked to:

1. note the Compliance update.
2. The Committee is asked to note the latest position in respect of the FCA's view of Post Office's regulatory status for Banking Services. It is likely that we will need to engage external counsel and our stakeholders when the FCA sets out its position in detail.



Compliance

Controls Framework

1. We are re-initiating the Controls project that was put on hold earlier in 2021. This will be rolled out on a modular basis, starting with key risk areas, using/testing the Controls Framework and developing a Controls tool within ServiceNow that will support all areas in Post Office.
2. Together with the Service & Support Team we are developing operational controls focusing on Postmaster Service and Support. A business case is due to be submitted shortly.
3. Subject to each area completing individual business cases it is proposed that this will be followed by Mails, IT, and Data.
4. It is anticipated that this controls work will take circa 2 -3 years to implement across all of Post Office.

Data Protection and Information Rights

Data Protection Breach (August 2021)

5. An initial breach notification has been reported to the Information Commissioner’s Office (ICO) relating to a lost ex-employee’s HR file, which was requested by the Criminal Cases Review Commission (CCRC). Following the initial notification (which has to be made within 72 hours of the incident being identified) we believe the risk of action from the ICO has considerably diminished.

Data Management – Remote Location / Back Office and Oasis Searches

6. A project ran in conjunction with Legal, the Historical Matters Unit and Compliance has been progressing since Q3 2020.
7. This work is now completed for the Criminal Cases Review Commission (CCRC), the Post-Conviction Disclosure Exercise (PCDE) and Starling.
8. Analysis has now been completed for applicability for applicants to the Historical Shortfall Scheme (HSS). The Historical Matters Committee (HMC) agreed that work should be progressed to identify and record the contents of the unindexed records. This included completing a proof of concept exercise which has not yet taken place as resources have not yet been identified and approved by the HMC.

Cookies

9. Post Office’s position has always been to maintain a ‘middle of the pack’ approach. However, given heightened scrutiny and more businesses introducing tighter controls, the business recently implemented a fully compliant solution with all cookies set to “off” and stricter controls on the use of social media/marketing cookies. HMG is considering a change to the Cookie legislation which Compliance, Legal and the Digital team will continue to monitor and propose any changes that may be required.

Freedom of Information Requests

10. As a direct result of the GLO, HSS, the public inquiry and other high profile initiatives, the team are continuing to see an increase in the number and complexity of Freedom of Information requests compared to 2020. There is a balancing act between transparency and protecting Post Office’s commercial and legal interests. It is clear that there are a number of special interest groups who make co-ordinated requests and this requires careful management.

Freedom of Information Requests

Time period	FOI	Internal Review	ICO Appeal	Total Requests
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July - 13 th Aug 2021	28	1	1	30
2021 YTD	166	8	2	176
2020 YTD	77	4	0	81

3.2

11. Compliance and Legal meet on a weekly basis with internal and external counsel to ensure that any proposed release of information is in line with information released to the Inquiry and to responses made for similar requests by BEIS/UKGI.
12. Any information to be published is subject to internal governance procedures with a proposal to make all disclosure working with the Scheme Decision Forum (SDF). The Data Protection Officer is currently working with the SDF to build this into their weekly agenda.

Financial Crime

Compliance with Money Laundering Regulations

13. HMRC advised via e-mail in July that the supervisor assigned to Post Office was going on **GRO** leave, and a new supervisor was taking over with immediate effect. Contact details have been provided to the new supervisor, but to date no contact has been made by them, nor any request for a meeting with Post Office.
14. There have been issues in the last 2 months with the production of the monthly agent Fit & Proper data for HMRC – manual workarounds are in place and Accenture are working on a fix. Data anomalies have also been identified in premises registration data, but many of these appear to be down to manual input error by HMRC and we are working with them to resolve. Once the data held by Post Office and HMRC has been understood, HMRC have agreed to accept a full cut of data from Post Office to re-baseline the data in their system.
15. Suspicious Activity Reports (SARs) have continued to rise compared to last year, with 1766 received and raised between 9th June and 13th August 2021 (1175 in the same period last year), however, over the last 3-4 months the level of the rise has stabilised. There has been an increase in the level of internal SARs raised following investigation into high value banking deposit cases, along with suspicious activity identified from bureau transaction monitoring, particularly as travel restrictions are starting to ease. Although we received a spike in SAR reports from the network in June, most likely due to them completing their annual AML training in May, we identified a significant reduction in July and have issued reminder comms via the Area Managers to encourage reporting. The additional FTC PO role in Chesterfield has now been filled and the individual started in August.
16. In this same period, there were 221 Financial Crime investigations (compared to 207 in the same period last year). The majority of cases relate to bureau transaction monitoring, however, we continue to see multiple complex investigations concerning high value suspicious cash deposits which originate from referrals from the banks and cash centres.
17. Several Law Enforcement (LE) activities have been supported:
 - We provided intel to West Midlands Police concerning three subjects depositing large volumes of cash at branches in Birmingham - c.£12m was deposited at 17 branches in c.11 months. Following police surveillance and intelligence provided by us, these individuals have been linked to one of the main crime gangs operating in West



Midlands. We have been advised three individuals have been arrested and £100k has been seized.

- Ongoing support has been provided for an operation in North London relating to high value cash deposits. CCTV has identified a suspect depositing high value cash deposits onto multiple cards, operated by a single bank who it is believed is linked to an Organised Crime Gang. While reviewing CCTV at one branch, we identified a number of mails non-conformance and security breaches. A branch visit is being completed by the Area Manager and Security Manager in order to address these issues and mitigate further risk to the Post Office.
 - We are currently working with the South West Regional Organised Crime Unit concerning SARs we submitted relating to high value cash deposits at multiple branches in the Gloucester and Bristol. They have identified 13 potential suspects who they believe are linked to drugs and money laundering and are in the process of completing surveillance on these suspects.
18. We continue to support industry National Economic Crime Centre initiatives to reduce the money laundering threat risk from cash-based transactions and meet regularly with banks within the Banking Framework. The FCA visited the model office in August to increase their understanding of how cash deposits are accepted in Post Office as part of the work they are doing with the banks to identify ways to tighten controls around cash deposits.
19. We continue to see reports of fraud via digital vouchers (Google Play and Amazon), and these are shared with the Product team. The Product Team is investigating the implementation of a £300 transactional limit. Whilst current fraud reports have reduced recently, it is believed that without implementation of a transactional limit cases of fraud will continue and/or increase again.

Anti-Bribery and Corruption ("ABC") update

20. Annual ABC Compliance training has been being rolled out with a closure date of 27th September.

Whistleblowing Update

21. Please see the separate Whistleblowing Report

External Threats

22. We are still awaiting the outcome of the Economic Crime Levy Consultation that Post Office responded to in October 2020 – the Government website has not been updated since the consultation closed.
23. HMT have published a consultation into proposed amendments to the Money Laundering Regulations and a call for evidence to review the UK's AML/CTF regulation and supervisory regime. Proposed amendments that may impact Post Office are related to the SARs regime, information sharing and the treatment of Bill Payment providers. There is a common view that the mandatory requirements in the MLR demand too much time from relevant entities, such that the other activities which can actually contribute more meaningfully to the fight do not get as much resource as they need. As a result part of the call for evidence will look at whether a significant proportion of resource generally is used on activities which make a limited contribution to the objectives – and this will include, for example, the indirect contribution to the objectives for the fit and proper test for those who run money services businesses. Work has commenced in reviewing the proposals and call for evidence – responses are required by 14th October.



24. Brexit and AML/CFT – Industry reports state that there are no formally defined or concrete mechanisms in place to facilitate cooperation between the UK and EU, which impacts client onboarding, sanctions implementation, intelligence sharing and other law enforcement coordination. The Political Declaration issued in October 2019 states that the future EU and UK relationship should include arrangements for cooperation in data sharing, law enforcement and judicial criminal matters, and AML/ CTF. And while a very high-level agreement was made to “go beyond” FATF standards, particularly around beneficial ownership transparency and virtual assets, detail is lacking.

Supply Chain Compliance

25. Two NCS assurance visits in Cash Centres and one Depot assurance visit were completed in the period (London CViT, London and Birmingham NSC Cash Centre sites), 4 improvement needs identified in line with the average, and no critical issues identified.
26. A review of Licence management identified the Cyber Essentials certificate is out of date (this was delayed due to lockdown). This must be completed before the external audit on 4th October as this is a gateway to operating the licence management scheme that Supply Chain rely on to ensure they have sufficient resource. Post Office Cyber Security expect the licence to be in place before the end of September.
27. A recent unannounced visit by the Bank of England to London Cash Centre identified an issue with vault access. An engineer attended site on 7th August 2021 to upgrade the vault to dual access and the Bank of England have confirmed they consider the action meets their requirements.

Financial Services

Compliance Monitoring

28. FS Mystery shopping continued through June and July across the network FS portfolio.
29. The key area of weakness identified relates to Travel Insurance sales (36% red in Q1) where branches were not following the approved sales processes. This is important because (i) we must demonstrate an FCA compliant process to our Principal and (ii) in some circumstances this could impact on the customer’s insurance cover.
30. Travel Insurance in branches has been ‘on and off’ sale throughout covid reducing branch knowledge and confidence and feedback from the mystery shops is showing that branches appear to be reluctant to talk to customers about Travel Insurance, with some actively telling branches that the product is off sale.
31. The Conduct Compliance team will be reviewing the quality of the Area Manager’s development plans particularly where branches are graded red and providing feedback if further action should be taken. Quality checks on a 10% sample of Amber, Green and NA shops will be completed, we will aim to spread this out across the regions. There are also some branches (mainly DMB) that demonstrate good conformance with best practice experience that can be shared.
32. Ultimately for those branches where, with additional support, we cannot improve conformance we will need to consider- together with the Principal- withdrawing the product from those branches.

Mails/Dangerous Goods Shopping

33. The Compliance team does not currently provide oversight of this area but for completeness this information has been provided by the Network lead team/Mails team. (Awaiting info and actions from mails product team)

FS Key Regulatory update - Banking Framework and FCA



34.

35.

36.

37.

38.

39.

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41.

42.

3.2

43. The Overall Compliance Dashboards (Appendices 1 and 2) are included in the reading room as well as an overview of other future FS developments (Appendix 3).



Appendices

3.2

1. Compliance Dashboard Front Page
2. Compliance Dashboard Back Page
3. Financial Services Regulatory Calendar
4. Group Key Policy Dashboard
5. Postmaster Support Policies Dashboard



POST OFFICE LIMITED AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

3.3

Title:	Internal Audit Report	Meeting Date:	28 th September 2021
Author:	Johann Appel: Head of Internal Audit	Sponsor:	Al Cameron: CFO

Input Sought: Noting

The Committee is asked to:

1. Note the progress being made with delivery of the internal audit programme and completion of audit actions;
2. Note the proposed changes to the internal audit programme for the remainder of 2021/22.

Previous Governance Oversight:

September Risk and Compliance Committee.

Executive Summary

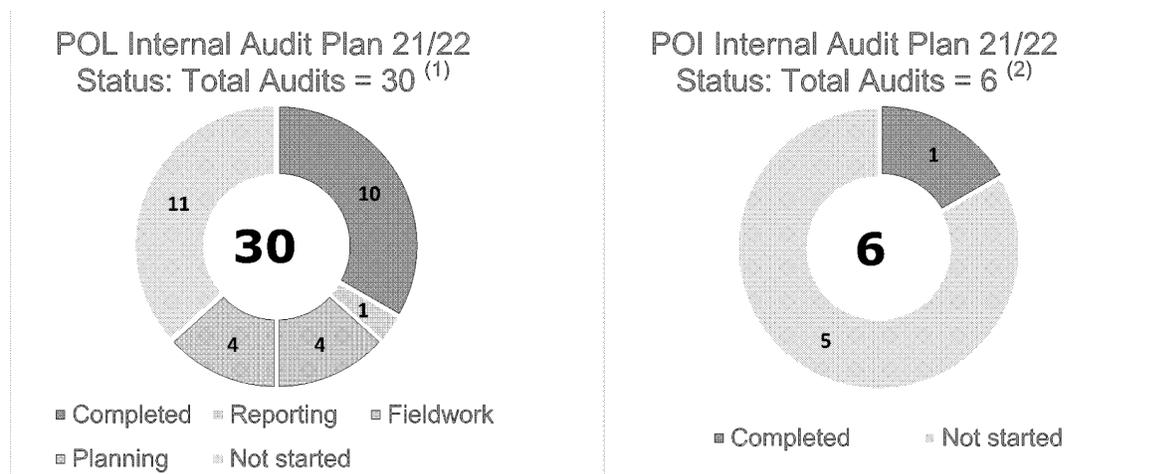
This paper provides a summary of the latest internal audit position for 2021/22 and an overview of the proposed changes to the 2021/22 internal audit programme.



The Report

Progress against plan 2021/22

1. Delivery of the 2021/22 programme is making good progress. Five audits were completed in the current reporting cycle (4 POL and 1 POI).
2. The current status of the 2021/22 plan is as follows:



⁽¹⁾Target number of reviews based on revised plan for 2021/22 approved by ARC (22 Internal control reviews & 8 change assurance reviews). Details of the audit plan status are included in the reading room (Appendix 1).

⁽²⁾POI ARC approved baseline plan for 2021/22.

3. The following audits are underway or being planned for delivery in Q3:

	Review	GE Sponsor	Timing
1	CFS Application Controls ⁽³⁾	Al Cameron	July
2	Effectiveness of Financial Crime Function	Ben Foat	Sept
3	ServiceNow Implementation	Al Cameron	Sept
4	Cyber Security (Phishing and Ransomware)	Jeff Smyth	Oct
5	IDG Assurance - Phase 4	Dan Zinner	Nov
6	Business Continuity	Al Cameron	Sept
7	GLO Compensation Schemes	Ben Foat	Oct
8	Effectiveness of Compliance Function	Ben Foat	Nov
9	Postmaster Remuneration	Dan Zinner	Oct
10	PCI Follow-up (Part 2)	Jeff Smyth	Oct
11	SPM Mobilisation/Delivery	Jeff Smyth	Oct
12	Horizon – Rationale & Value of Interim Improvements	Jeff Smyth	Sept
13	EUC – Transition to new supplier	Jeff Smyth	Sept

⁽³⁾ Completion of this review was delayed due to Accenture staff availability. The review is now nearing completion and will be reported at the November RCC and ARC meetings.



3.3

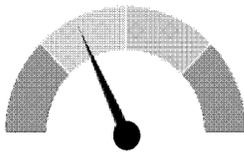
Internal Audit reviews completed

4. The following four audits were completed since the July ARC meeting:

1	Treasury Operations		2	BoE – Note Circulation Scheme	
3	IDG Assurance – Phase 3		4	ATM Link Scheme Readiness	

5. Our findings and observations from these reports are summarised below, with the full reports available in the reading room (appendices 2-5).

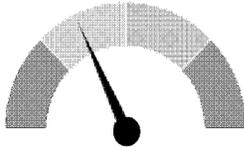
6. **Treasury Operations** (Ref. 2020/22-03)

 <p>Needs Improvement</p> <p>Sponsor: <i>Al Cameron</i></p> <p>Audit actions:</p> <table border="1"> <tr> <td>P1</td> <td>1</td> </tr> <tr> <td>P2</td> <td>3</td> </tr> <tr> <td>P3</td> <td>-</td> </tr> <tr> <td>Total</td> <td>4</td> </tr> </table> <p><i>Appendix 2</i></p>	P1	1	P2	3	P3	-	Total	4	<p>This audit assessed the design, operating effectiveness and maturity of key Treasury controls. The services of a Deloitte Treasury SME were engaged to benchmark activities.</p> <p>The Treasury function has undergone several senior management changes in recent months and has faced considerable challenges brought about by the move to remote working necessitated by COVID. Throughout this they have maintained their focus on strong processes and controls to ensure continued, disciplined and well controlled operations.</p> <p>We observed that controls are standardised, well established, and follow daily routines, which rely on key staff being available to perform the daily tasks at the scheduled times, consequently there is limited remaining capacity to support other activities. This limited capacity has contributed to the findings raised at this audit and is a key priority for the Group Treasurer in the development of the function.</p> <p>Specifically we highlight the following:</p> <ul style="list-style-type: none"> • Bank mandates were not up to date; • Inconsistent records / minutes of Treasury Committee meeting; • Controls documentation requires review and updating; • For ad-hoc payment requests, the requestor’s authority is not independently verified.
P1	1								
P2	3								
P3	-								
Total	4								
<p>Management Comment provided by Tom Lee (Group Financial Controller)</p> <p>“Having recently taken over the Treasury function this review provides me with both a good level of comfort that the processes and controls are effective in many regards whilst highlighting a few key focus areas to resolve in the short term. Working with the new Group Treasurer we intend on performing a full review of the processes and controls to both reduce risk and create efficiencies. We’ll welcome IA’s advice and review on these changes in due course.”</p>									



3.3

7. BoE Note Circulation Scheme (Ref. 2021/22-02)



Needs Improvement

Sponsor:
Al Cameron

Audit actions:

P1	1
P2	4
P3	3
Total	8

Appendix 3

The objective of this audit was to review the controls in place to ensure compliance with the rules in relation to the Bank of England's Note Circulation Scheme; this included ensuring that all notes held in BoE Bond were correctly reported and the process of moving notes to 'borrow' from, and pay into BoE were correctly declared to BoE and subject to appropriate accounting treatment.

We found that effective controls have been implemented in response to the issues that occurred in late 2020. However, we identified some control weaknesses that require remediation, most importantly:

- Processes and controls are not standardised across cash centres;
- Staff undertaking site/vault access reviews are not always independent and site access reviews are not evidenced;
- The delivery model for training of staff in relation to NCS rules, should be reviewed, standardised and formalised;
- There is no standardised process for recording of issues and incidents;
- There are key person dependencies at each cash centre.

Management Comment provided by Russell Hancock (Supply Chain Director)

"Thanks to Garry and his team for their continued support, guidance and challenge as we continue to refine and enhance our capability with regards to NCS standards. It is comforting to know that we are heading in the right direction, we need to ensure consistency across the whole of the cash operations teams and work to close the gaps identified. All of the findings will be rectified quickly.

We will continue to work with the Internal Audit team to ensure these actions are closed down and look forward to welcoming the team back into our cash operations to measure further improvement."

8. IDG Assurance Phase 3 (Ref.2021/22-15)



Needs Improvement

Sponsor:
Dan Zinner

Audit actions:

P1	4
P2	-
P3	-
Total	4

Appendix 4

Internal Audit were tasked to provide an assessment of the effectiveness of the improvements completed up to 30th June 2021. Prioritisation of improvements for review was again based on the impact status.

Phase 3 commenced 12th July 2021 and reviewed the effectiveness of all improvements (excluding those rated yellow) not previously assessed that were due for completion by end June 2021. There were 29 improvements for review in Phase 3: Oxblood Red (2), Red (11) and Orange (16).

Progress continues to be made on implementing the improvements identified by the various workstreams and under the oversight of the IDG. Whilst the majority (23 out of 26) of the improvements in Phase 3 have been delivered on schedule there remain examples of improvements that have been marked as complete but, on testing, have elements that are still in progress. These require focus and follow up by IDG.

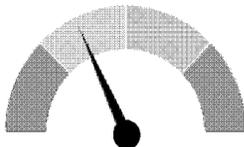
At the end of Phase 3, we conclude that 120 of the 126 improvements assessed to date are effective, with the remainder being put back in remediation or deferred. We also highlight that reconciliation of the tracking of actions is required to ensure consistency in the numbers being reported.



Management Comment provided by Dan Zinner (Group Chief Operating Officer)

"While it is disappointing to see that we are not 100% completed on all improvements in this round, I can see that most of the 3 remaining actions will be completed shortly and I am pleased with the progress we are making to improve the way we better serve and support our postmasters. Thank you for your hard work to ensure we are doing what we say we are doing!"

9. **ATM Link Scheme Attestation (Readiness Review)** (Ref. 2021/22-21)



Needs Improvement

Sponsor:
Owen Woodley

Audit actions:

P1	-
P2	2
P3	-
Total	2

Appendix 5

This review was prompted by the decision to bring ATMs in-house. As part of the ATM programme, POL aimed to secure membership of the LINK Network Scheme and Internal Audit was required to assure the reliability of a Member Assurance Statement submitted by management.

Internal Audit performed a review of the management response to each individual LINK statement and the related supporting evidence. We found no significant errors or omissions in the statement, and worked with management to add clarity where required.

The Member Assurance Statement has been signed by the Head of Internal Audit to assert that reasonable reliance can be placed on the information provided by management to LINK. The Statement has been accepted by LINK, and Post Office will become a full member of LINK when ATMs become operational.

The attestation methodology has been documented by management. However, we have identified a number of areas where the methodology could be strengthened to ensure it drives a consistent and robust approach to the ongoing assurance activities, as ATMs become operational.

The 'Needs Improvement' rating of this report is reflective of the ongoing nature of the work to develop and embed the assurance activities required by LINK. The rating has no bearing on Post Office's readiness to join the ATM Link Scheme.

Management Comment provided by Wendy Luczywo, Head of Automated Banking

"We have implemented a robust control framework to support the LINK Assurance process with the support of the Post Office Compliance & Audit teams. This has resulted in successful onboarding with the LINK Scheme in preparation for our membership to commence once our first live ATM transaction has been undertaken."



Internal Audit Plan – Mid-year Review

3.3

10. It is our policy to review the Internal Audit Plan every six months to ensure that it remains relevant to the key risks and strategic priorities of Post Office.
11. Our review of the 2021/22 Internal Audit Plan, which included discussions with senior stakeholders, indicates that the plan is for the most part still appropriate for the risk profile and to support Post Office's strategic objectives and response to the GLO.
12. However, we propose the following changes to the plan (the full plan is attached as appendix 1, with proposed changes indicated in red):
 - **BAU Audit Plan:**
 - #5: GLO Stamp Stock Scheme: Further to discussions with Ben Foat, we have expanded the scope to include all compensation schemes managed by the HMU.
 - #12: Cyber Security: Rather than doing another Cyber Security Maturity assessment, the ARC has requested that we do a deep dive into cyber resilience. After discussions with the CISO and the ARC, it was agreed that we will postpone the maturity assessment to 22/23 in favour of a review of Post Office's resilience to Phishing and Ransomware attacks.
 - #23: IT Operations and Incident Management: To be postponed in favour of a change assurance review of the transition of EUC services from CC to DXC (request from Jeff Smyth). EUC is critical to IT Operations, therefore it makes sense to focus on the immediate risks around the transition of services to a new provider.
 - #24: Horizon Application Controls: To be postponed to 22/23 given the extent of the current improvements made to Horizon, which are covered through our audits of HIJ Improvement Programme Ph0-2 as well as item #7 below. We will still provide partial coverage of Horizon controls through our audit of IT Controls Framework (#16).
 - **Programme Assurance:**
 - #6: PUDO / Click & Collect: Addition to plan. New initiatives critical for achieving strategic objectives.
 - #7: Horizon – Rationale & Value of Interim Improvements: Addition to plan. The objective of this review is to assess the controls in place to ensure that only business critical improvements are made to Horizon (e.g. for risk avoidance, HIJ conformance).
 - #8: EUC – Transition to new supplier: Replace #23 mentioned above.
 - #9: ATM Banking Programme Follow-up review: Programme has experienced delays, with no contingencies.
 - #10: Belfast Exit Follow-up (Part 3): Postpone to 22/23 due to the slower pace of programme delivery. Part 2 of the audit now scheduled for January.
 - #11: Change Control Framework: Cancelled for 21/22 as the control framework is now embedded and stable. Another audit at this stage will bring marginal value.
13. Adoption of the revised plan will have minimal impact on delivery and resource. We remain on track to deliver at least 30 internal audits as agreed with the ARC (22 BAU audits and 8 Programme Assurance reviews).



3.3

Status of Audit Actions

14. The movement and ageing of audit actions are shown in the table below (status at 07 September 2021). There are currently 2 overdue actions.

Audit Action Status (POL):		Ageing:	
Open actions at last ARC	43	Open (not yet due)	33
Less: Actions closed in period	31	Overdue (<60 days)	2
Add: New actions in period	21	Overdue (>60 days)	0
Total open actions	33	Total open actions	33

15. Following is a summary of the overdue actions and latest status update:

Description of audit finding and Priority rating	GE owner and due date	Action Owners and Status Update
Cyber Maturity Assessment 2020		
<p><u>Finding (P2):</u> Significant manual intervention is required to process joiners, movers and leavers.</p> <p><u>Action:</u> Document and unify Joiners, Movers, Leavers process as part of the JML project.</p>	<p>Jeff Smyth</p> <p>Original date: 31/03/2021</p> <p>Revised date: 31/08/2021</p>	<p>Owner: Tony Jowett (CISO)</p> <p>Status update: Good progress has been made with some of the Deloitte recommendations that underpin this audit action. However, full unification and automation is not currently feasible. Below is a full explanation of the current position and residual risk, provided by Tony Jowett:</p>
<p>Background</p> <p>Internal Audit tracked 8 overarching actions arising from the Deloitte Cyber Maturity Assessment, which reported in July 2020. Seven actions have been closed but there is an outstanding action to 'Document and unify Joiners, Movers, Leavers processes as part of the JML project'. This overarching action comprises 7 specific recommendations raised by Deloitte, focused on improving process documentation and to provide workflow automation between key functions, and was intended to support a leap in maturity for access control.</p> <p>Since the action was agreed, there have been some dramatic changes at Post Office:</p> <ol style="list-style-type: none"> 1. We have moved into a public and now a statutory inquiry relating to Postmasters and Horizon - the implication of this is that significant funds and management attention are being focused in response to these legal requirements. 2. COVID has had a major impact on Post Office business since lockdowns and travel restrictions began in March 2020 - this again has had a major impact on available money for investment in all areas, including Cyber. Implementation of a gold standard IDAM (Identity and Access Management) system is in the region of £2-3m including all project costs in Post Office with an ongoing maintenance cost of £300k. <p>The Deloitte recommendations were made against a set of target control maturities that have not changed since March 2019. Increasing control maturity requires capital and operational spend - and making improvements at higher maturity levels requires exponential, rather than linear, investment. The target maturity levels set in 2019 are much more difficult to achieve in the current circumstances. Furthermore, with the adoption of the 'Postmasters first' mantra, there is anecdotally greater tolerance of risk in areas that are deemed not to be directly affecting postmasters.</p> <p>What are the main challenges?</p> <ul style="list-style-type: none"> • Joiners - Ensuring that all appropriate checks are completed before people start work. • Movers - Ensuring that access rights are changed appropriately during a move. • Leavers - Ensuring that all building, payroll and IT access is removed on leaving. • Across all - we are reliant on line management to inform the process of any changes. 		



3.3

What progress has been made?
 There are three domains for JML:

- Retail (e.g. Horizon) - Whilst the Deloitte audit did not cover Retail, a number of major improvements are being made to the Retail JML processes (especially around privileged access management) by the GLO IT team with Fujitsu.
- Colleague (e.g., Active Directory) - MIM automation is now live - meaning that changes in SuccessFactors automatically result in corresponding IT access changes. Cyber Security are able to block access rapidly in response to incidents. GE members now routinely receive a monthly report showing who has left their areas so that any exceptions can be caught.
- Back office (e.g. CFS) - there have been improvements to process and documentation of the flows, as well as coverage. Audit actions from the financial audits have been closed.

The IT Controls framework is being updated to provide better coverage of JML, as described in the May ARC paper, and this will be fully live from 1 October 2021. Progress on JML has also been detailed in previous ARC papers.

What risks remain and what can we do to close them?
 We have a good working JML system in each domain. This, alongside the IT controls framework, will increase our maturity levels. At present, we do not have cross-Post Office governance and oversight that unification and automation across all domains would bring and that would enable us to hit target maturity levels. To correct this we would need:

- A BA for 6 months to develop a unified process, governance and requirements for automation.
- A Contracts analyst and Vendor Management input to assess the impacts arising from changes to third party contracts – there would be cost implications from this.
- An agreed Target Operating Model across the whole of POL for JML - likely to involve the creation of a single team from the disparate teams across POL. This team would consist of 7 analysts who are skilled in IDAM (we have 2 currently).
- An automated Identity and Access Management Platform or we agree to be manual and increase the headcount.
- Change resources to manage, develop and deliver the above.
- A cross domain Configuration database.
- Revamped supporting identity infrastructure - e.g., Active Directory.

Introduction of automation would give productivity increases and reduce the risk of mistakes associated with manual input, further raising our maturity level.

SPM Business Case Review		
<p><u>Finding (P2):</u> Postmaster feedback has been gathered via surveys which will be valuable in the solution design of the SPM programme. However, it is not clear within the programme plan or the business case how and when the information will be incorporated into the solution design and build.</p> <p><u>Action:</u> The SPMP team, under the programme sponsor’s leadership, is standing up a design authority which will be chaired by the Head of Postmaster Engagement and will be a requirement for approval of any technical solution or business process modification.</p>	<p>Zdravko Mladenov Original date: 31/07/2021</p>	<p>Owner: Zdravko Mladenov</p> <p>Action owner discussed the delay in completing this action with Nick Read on 17th August. Action is in progress, with a revised completion date of 31st October being indicated.</p>



16. We highlight that five actions from the Historical Matters Governance review, with an original deadline of 31 March 2021 are still outstanding, but have not been included in the overdue count above. The ongoing changes to the structure of the HMU have delayed finalisation of these actions and the action owner requested extension until there is clarity on the HMU structure and accountabilities going forward. Extension was provided to 30th September 2021 and actions are progressing, but the action owner has indicated that it is unlikely to be completed before 31st October. The outstanding HMU governance actions include, drafting of an operating model & RACI, identifying risks & risk appetite, assessing training needs, reviewing BC & DR, and agreeing data classification standards.

POI Audit Programme

17. The table below shows the status of the 2021/22 POI audit programme, which is reported to the POI ARC:

	Review	Status / Rating
1	Vulnerable customers	Scheduled Q4
2	Finance controls	Scheduled Q4
3	Change: GI pricing (pre or post implementation)	TBD*
4	Channel review: non-branch sales	Scheduled Q3
5	SMCR Embeddedness	Needs Improvement
6	Risk Management – Phase 2: Operation	Scheduled Q3

* Dependent on stage of programme to be assessed

18. Below is a summary of the SMCR Embeddedness review, which was rated 'needs improvement' to reflect further work needed to fully embed the process:
- This review was performed as part of the internal audit 21/22 plan, and was carried out to assess the embeddedness of SMCR requirements within POI.
 - SMCR has been implemented and is operational in POI. The first annual recertification has been carried out, and changes to individuals and roles with SMCR impact throughout the period have been managed effectively. Senior Manager and Conduct matters are regularly discussed in governance forums, and individuals in Senior Manager roles report regularly to the ARC on their specific areas of responsibility.
 - The changes to POI's organisational structure have provided an early opportunity for the process to cycle. This has been broadly successful, although management experienced some challenges, particularly where there is a dependency on POL for parts of the process. This also presents an opportunity for management to leverage experiences to date to further embed SMCR within the business.
 - Some weaknesses were found in the clarity, detail and coverage of processes and accompanying documentation. Key SMCR policy and procedural documents should be updated, and there is a need to review and expand these in line with industry practice. This will strengthen credibility of the scheme.



3.3

Appendices¹

Appendix 1: Internal Audit Plan for 2021/22

#	Title/Subject	Sponsor	Timing	Status / Rating
Top 5 Priorities				
1	IDG Assurance - Phase 2	Dan Zinner	May	Not Rated
2	GLO Historical Shortfall Scheme – Claims & Payments	Declan Salter	June	Needs Improvement
3	Note Circulation Scheme (BoE Controls)	Al Cameron	June	Needs Improvement
4	IDG Support & Assurance - Phase 3	Dan Zinner	July	Needs Improvement
5	<i>GLO Compensation Schemes (previously GLO Stamp Stock Scheme)</i>	<i>Ben Foat</i>	<i>Oct</i>	<i>Scope Change</i>
Rolling forward plan				
6	Payzone Control Environment	Owen Woodley	June	Needs Improvement
7	Treasury Operations	Al Cameron	June	Needs Improvement
8	Effectiveness of Financial Crime Function	Ben Foat	Aug	Fieldwork
9	CFS Application Controls	Al Cameron	July	Reporting
10	Effectiveness of Compliance Function	Ben Foat	Nov	Not started
11	JML Deep Dive	Jeff Smyth	Feb	Not started
12	<i>Cyber Security - Resilience (Ransomware & Phishing) (previously Cyber Security Maturity)</i>	<i>Jeff Smyth</i>	<i>Oct</i>	<i>Scope Change</i>
13a	ATM Link Scheme Assurance (Readiness)	Owen Woodley	June	Not Rated (Memo)
13b	ATM Link Scheme Assurance (Attestation)	Owen Woodley	Mar	Not started
14	Third Party Data Validation	Al Cameron	Feb	Not started
15	Business Continuity (Incl. Post-crisis assessment and ITDR)	Al Cameron	Sept	Fieldwork
16	IT Control Framework	Jeff Smyth	Jan	Not started
17	Financial Reporting Controls	Al Cameron	Feb	Not started
18	ServiceNow Implementation	Al Cameron	Sept	Fieldwork
19	Postmaster On-boarding	Amanda Jones	Jan	Not started
20	Postmaster Remuneration	Dan Zinner	Aug	Fieldwork
21	HIJ Improvement Programme Follow-up	Jeff Smyth	June	Not Rated
22	IDG Assurance Phase 4 (incl. TI target validation)	Dan Zinner	Nov	Planning
23	<i>IT Operations and Incident Management</i>	<i>Jeff Smyth</i>	<i>22/23</i>	<i>Replaced by #8 below</i>
24	<i>Horizon Application Controls</i>	<i>Jeff Smyth</i>	<i>22/23</i>	<i>Delay to after HIJ ph2</i>
Change Assurance Reviews				
1	Strategic Platform Modernisation (SPM) Setup / Business Case	Zdravko Mladenov	May	Not Rated
2	ATM Banking Strategy Programme	Owen Woodley	June	Needs Improvement
3	Belfast Exit Follow-up (Part 2)	Jeff Smyth	Jan	Not started
4	PCI Follow-up (Part 2)	Jeff Smyth	Oct	Planning
5	SPM Mobilisation/Delivery	Zdravko Mladenov	Oct	Not started
6	<i>PUDO / Click & Collect</i>	<i>Dan Zinner</i>	<i>tbc</i>	<i>Addition to plan</i>
7	<i>Horizon – Rationale & Value of Interim Improvements</i>	<i>Jeff Smyth</i>	<i>Sept</i>	<i>Addition to plan</i>
8	<i>EUC – Transition to new supplier</i>	<i>Jeff Smyth</i>	<i>Sept</i>	<i>Replaced #23 above</i>
9	<i>ATM Banking Strategy Programme Follow-up</i>	<i>Owen Woodley</i>	<i>Nov</i>	<i>Addition to plan</i>
10	<i>Belfast Exit Follow-up (Part 3)</i>	<i>Jeff Smyth</i>	<i>22/23</i>	<i>Postpone</i>
11	<i>Change Controls effectiveness</i>	<i>Dan Zinner</i>		<i>Cancelled</i>

Note: Items in red denote proposed changes to the approved plan.

¹ Appendices 2-5 are accessible in the CoSec 'Reading Room'



-
- Appendix 2: Internal Audit Report – Treasury Operations
 - Appendix 3: Internal Audit Report – BoE Note Circulation Scheme
 - Appendix 4: Internal Audit Report – IDG Assurance Phase 3
 - Appendix 5: Internal Audit Report – ATM Link Scheme Attestation (Readiness Review)

3.3

¹ Appendices 2-5 are accessible in the CoSec 'Reading Room'



POST OFFICE LIMITED

AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Postmaster Management Information (MI) Update	Meeting Date:	28 September 2021
Author:	Nick Beal, Network Performance Optimisation Director	Sponsor:	Zdravko Mladenov, Business Transformation Unit (BTU) Director

4.1

Input Sought: Noting

The Committee is asked to note the update on BTU's proposed approach being undertaken to improve the provision of MI to postmasters.

Previous Governance Oversight

- BTU reported to ARC in May 2021 on its proposed approach to improving the provision of MI to Postmasters. It was agreed a further progress update would be provided in September 2021. The paper has been noted at the RCC meeting on 14th September 2021.

Executive Summary

In May we reported that our initial and immediate priority had been to develop a Proof of Concept (PoC) in Branch Hub that reflected some of the Branch Insight Tool functionality currently used by Area Managers to provide branch MI to postmasters. This was the newly labelled Branch Performance tool and was successfully launched to an initial 30 branches, rapidly followed by a further ~170 and now extended to ~800.

PoC data provided has expanded from its initial Mails sales data and now also includes volume data for Mails, Banking and Payment Services; customer session data for all products; sales by staff data; Mails remuneration data; operational performance data; and operational messaging related to branch activities such as conformance.

In July Post Office Board approved funding for further Branch Hub activity through to December 2021 and this will include additional MI and Postmaster support features, migration of the current data platform into full IT support, delivery of Postmaster adoption activity and assessment & potential piloting of Branch Hub access via Horizon.

Beyond this, we are currently scoping longer-term branch MI requirements and Branch Hub integration into Strategic Platform Modernisation (SPM), aligned with wider business transformation.

This paper sets out the current features plus those expected to be delivered by December and the high-level road map beyond.



4.1

Questions addressed

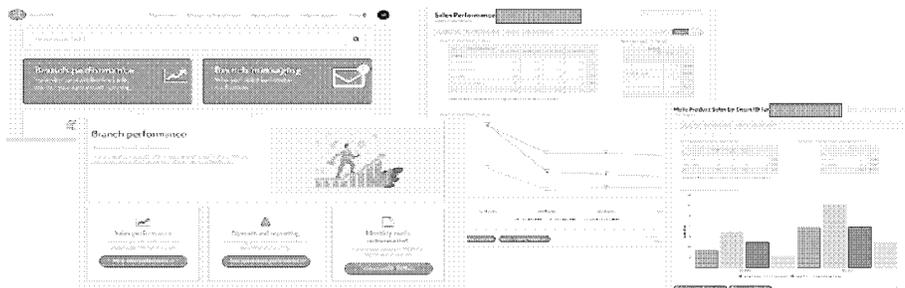
1. What initial improvements have been made to the provision of MI to postmasters since the Deloitte and Internal Audit report?
2. What additional short-term improvements will be made to the provision of MI to postmasters?
3. What is our roadmap beyond these improvements?

Report

4. Ultimately our plan continues to be for postmasters to be able to access information in one place via the Branch Performance tool on Branch Hub.
5. Branch Performance will provide postmasters with data and information to support and improve the running of their branch and enable them to take a data-driven approach to improving overall performance.
6. This will include information related to sales, remuneration, staffing and operational performance as well as wider Branch Hub access to training, support, on-line help and communications.
7. We will add information iteratively to Branch Performance, with prioritisation based on:
 - Postmaster preferences (as articulated in workshops, surveys and the recent consultation)
 - Deloitte recommendations (chiefly BC4 on provision of remuneration data)
 - Findings of the Internal Audit Report

What initial improvements have been made to the provision of MI to postmasters since the Deloitte and Internal Audit report?

8. The current release of Branch Performance contains information on:
 - weekly **Sales Performance** (volumes and values for Mails, volumes by day/hour for transactions & customer sessions, sales by staff)
 - monthly **Operational Reporting** (key metrics related to cash declarations, customer complaints, Mails conformance, transaction activity)
 - monthly **Mails Remuneration** (MDA2 vs MDA1 comparisons)
9. In addition, we have also implemented **Branch Messaging** functionality that contains notifications (with potential actions required highlighted) related to key operational metrics.
10. The pilot is currently available to around 800 with the intention of expanding to around 5,000 by December and to the entire network in the new year. Feedback to date has been very positive.
11. Example screenshots are shown below with more included in Appendix 1 and a link to the demo provided to the Board in July.



Internal



What additional short-term improvements will be made to the provision of MI to postmasters?

12. The activity through to December aims to deliver the following information/features:
- **Access control** – currently Branch Performance is only available to Postmasters (i.e. contract holders). Role Based Access Control (RBAC) will enable postmasters to make the various features on Branch Hub available to their staff as they wish. This will be a simple On/Off (defaulted to Off) button for each feature, thus providing both operational flexibility and information protection for Postmasters.
 - **Daily/Weekly/Monthly remuneration information** – we will be extracting directly from CFS Remuneration to make available this data which will significantly improve timeliness for Postmasters. (Please note we are not, at this stage, replacing the existing monthly remuneration statement postmasters get as this contains data that is only calculated monthly sourced from 3rd parties as well as other contractual information. Replacement of this report will be a future deliverable.)
 - **SQL migration from existing standalone server to fully IT supported infrastructure** – this activity will improve the efficiency of data management in Branch Performance and de-risk current support issues that restrict expansion to all branches, thus directly addressing the risk identified in the May report.
 - **Conversion rates by operator (penetration)** – this will provide information to Postmasters related to the ratio of priority to standard mails transaction by staff member, enabling performance management and potential incentivisation.
 - **Report exporting to Excel** – functionality to enable Postmasters to download reports
 - **Sales Support** – increasing the range of products with volume and value data - next will be Banking and Payment Services

4.1

What is our roadmap beyond these initial improvements?

13. In parallel to the delivery of above features, other activity is underway that will deliver post December that will enhance the Branch Hub experience and thus increase adoption of its features, specifically:
- **Branch Hub on Horizon** – recent discussions with Fujitsu (and other relevant suppliers) indicate there is a good probability of being able to provide functionality to access BH from Horizon. The detailed requirements and plan for this is being constructed now and the intention will be to pilot as soon as possible - current ambition is for the pilot to commence before the change freeze in Nov 21 – pilot duration to be confirmed - but it should be noted that delivery of a pilot prior to the change freeze is far from certain and subject to key supplier activity which has yet to be confirmed. The delivery of this functionality is potentially a game changer to adoption, providing access to both Postmasters who are resistant on the basis of believing Post Office should provide devices and Strategic Partners who prohibit their staff from having their own devices on the shop floor and will not invest in separate devices for this purpose.



- **Branch Performance for Strategic Partners** – adding head office reps onto Branch Hub. This will provide the ability to view their estate as a whole and identify their best and worst performers.
 - **Wider adoption activity** – in addition to the above 2 initiatives, we have recently recruited an Area Manager into the team to work on increasing Postmaster adoption of Branch Hub and Branch Performance within it. Whilst the vast majority of branches are registered and usage has grown, as we expand the pilot and grow features, we want to ensure that Postmasters understand the value this can add. Our comms and engagement strategy for this will major on working with the Area Managers directly.
14. Aside from above, our roadmap beyond December has not yet been developed but we anticipate scoping further features that add genuine value to postmasters whilst also ensuring we align to and take full advantage of the wider SPM developments.
 15. With this context we are working closely with PDP (POL Data Platform) programme as it develops its proof of concepts, specifically investigating the technical feasibility of surfacing PowerBI within SNOW and related technical integration and access controls that would be required to enable access for Postmasters via Branch Hub to detailed transactional information in near real time.
 16. In addition, we are working with the Horizon Improvement Programme investigating the potential provision of a capability for Postmasters to raise and resolve transactional discrepancies directly from Horizon, surfaced via Branch Hub. Delivery of this aligns directly with the provision of Branch Hub on Horizon.

Risks

17. **SQL migration delivery** - SQL Azure cloud environment has been secured and we have commenced trial migration activity. We are planning to scope phase 1 productionise requirements during Sept to enable work to commence from Oct but there is a risk to timescale certainties that we are currently scoping that may delay full network expansion.
18. **Branch Hub on Horizon** – whilst initial discussions have been productive, inevitably the number of suppliers involved and wider Horizon priorities may impact our ability to deliver quickly – the current optimistic timeframe (after piloting) being end March 2022.

Next Steps & Timelines

19. It is recommended that a further progress update is provided to Audit, Risk & Compliance Committee in March 2022 following delivery of further functionality and clarity around further funding of Branch Hub/alignment to SPM.



Appendix 1

Demo link & additional example screenshots

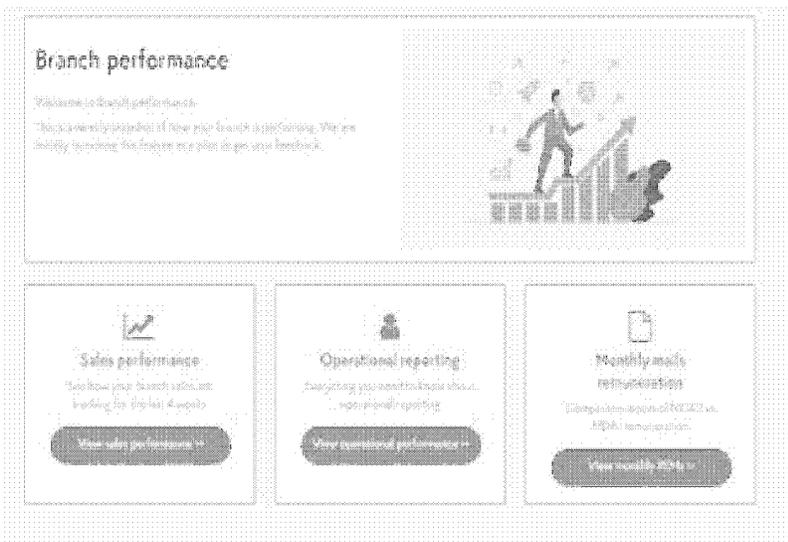
Branch Hub video demo

Web address: <https://vimeo.com/578169120/603b5caac3>

Password: I8N1N"OÆV%A

4.1

Example screen shots



Tab 4.1 Postmaster Management Information Update



Sales Performance

See a weekly snapshot of your sales and operational performance across a number of products.

Transaction Volumes
Mails, Banking & Payment Services

[View Transaction Volumes](#)

Customer Sessions
Customer Sessions for all products

[View Customer Sessions](#)

Sales by Staff
Sales information by staff

[View Sales by Staff](#)

Mails
A weekly snapshot of your sales performance for Mails products

[View Mails](#)

4.1

Transaction Volumes for [Redacted]

Banking, Mails & Payment Services

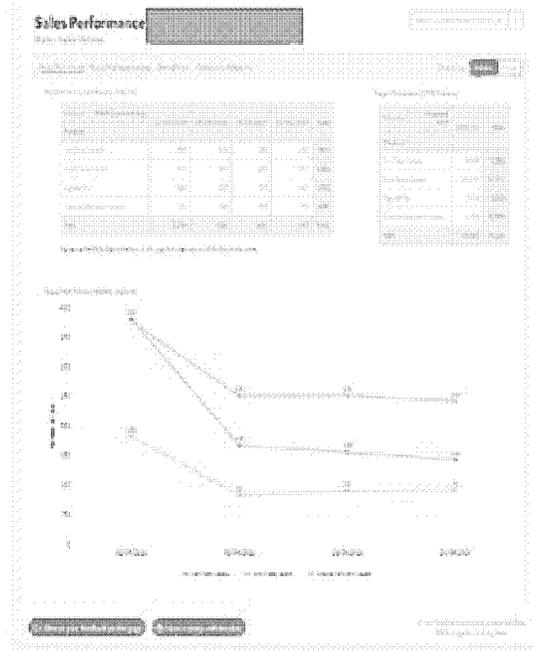
All volumes are an average of sales a week from August 2020 - 29 August 2020

Monday Tuesday Wednesday Thursday Friday Saturday Sunday

Banking, Mails & Payment Services - Transaction Volumes

Transaction	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Total
0100-0150								0
0200-0400	1							1
0500-0600	4	8	8	5	16	2	7	50
0700-0800	26	100	7	16	15	10	5	179
0900-1000	20	22	9	16	10	22	7	106
1100-1200	22	22	10	15	17	15	14	115
1300-1400	26	70	20	16	16	70	20	238
1500-1600	20	120	20	16	20	10	9	215
1700-1800	20	14	10	15	20	5	2	106
1900-2000	26	22	20	16	17	5	9	115
2100-2200	43	16	10	16	10	5	5	115
2300-2400	2	5	8	5	5	5	5	35
2500-2600	10	10	10	10	10	10	10	70
2700-2800	10	10	10	10	10	10	10	70
Total	200	300	100	100	100	100	100	1000

Tab 4.1 Postmaster Management Information Update



4.1

Home > Branch messaging

Search

Branch messaging

Operational message notifications are shown below

Search messaging Keyword/Phrase

Sender	Subject	Priority	Date received
Network Support Team	Mail Segregation On 28/03/2021 Royal Mail checked 1 of your mail bags to see if it was correct...	High	16/08/2021

Page 1 of 1

Give us your feedback on this page

If you have any questions please visit the FAQ page by clicking here



POST OFFICE LIMITED AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Postmaster Management Information (MI) Update - Branch Hub video demo	Meeting Date:	28 September 2021
Author:	Zdravko Mladenov, Business Transformation Unit (BTU) Director	Sponsor:	Nick Read, Group CEO

4.1

Branch Hub video demo

Web address: <https://vimeo.com/578169120/603b5caac3>

Password: I8N1N"O£V%A



POST OFFICE LIMITED

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Data Governance Framework	Meeting Date:	28 th September 2021
Author:	Matthew Taylor, Head of Data Governance	Sponsor:	Jeff Smyth, Group CIO

4.2

Input Sought: Noting

The Committee is asked to note the status and plans regarding the introduction of a Data Management framework across POL and how POL is addressing compliance with the Public Records Act 1958.

Previous Governance Oversight

Noted at the RCC meeting on 15th September 2021.

Executive Summary

Data Management covers a multitude of processes. POL has made several attempts to start formal management of data with varying degrees of success. With the publication of the Horizon Issues Judgment (HIJ) and the remediation activity following on from it the need for a clear and coherent policy around Data Management and the subsequent deployment of appropriate Data Management capabilities has increased.

Whilst we ultimately need to embrace all aspects of Data Management at POL, we must be aware that POL is going through several major changes during the next 1-3 years covering core platforms and capabilities. We therefore need to phase the introduction of more formal data management by choosing a few key elements of Data Management that will be foundations of success.

To do this, the proposal is to tackle those items that will have the most value to POL at the moment (such as establishing data ownership, ensuring our compliance with various legislation including the Freedom of Information Act 2000 and Postal Services Act 2000, and data/document retention policies) and those that will also deliver the most tangible benefits for our Postmasters such as ensuring the quality of reference data is measured and where issues found, they are rectified. These areas are Data Governance, Data Quality and Data Ownership.

The aim is to embed these core data management areas in all our activities.

It should be noted though that whilst POL is subject to further legal process (such as the upcoming public inquiry), POL will be unable to fulfil some of its policies and standards commitments (e.g., legal hold with regards to document retention policies).

This paper deals with digital records only and does not deal with physical 'data' records held by POL.

In addition, this paper provides updates on the recommendations made in the RCC Report 4th May around POLs agreement with the Postal Museum.



Questions addressed

1. What is Data Management?
2. Where is POL with Data Management, what is our current maturity level and what are the risks currently?
3. How do we improve trust in our data?
4. What is the proposal?
5. What are the risks to POL of not delivering on the plan?
6. Next steps and timelines including agreed actions from recommendations made from 4th May's RCC report on Data Governance and the agreement with The Postal Museum.

Report

What is Data Management?

1. Data Management refers to the practice of constructing and maintaining a control framework for ingesting, storing, mining, measuring, controlling and archiving data. Data Management is the spine and corresponding nerves that controls all segments of the data lifecycle.
2. Whilst Data Management covers a multitude of areas, for the purposes of this initial undertaking, we are looking at three key pillars of Data Management, namely Data Governance, Data Quality and Data Ownership.
 - i. **Data Governance** is the creation of frameworks and the on-going maintenance of policies and subsequent standards and methodologies on how data should be managed (including templates, processes, methods and "how-to" guides).
 - ii. **Data Quality** is the implementation of a quality measurement programme, enabling the effective measurement and reporting of data quality across a business and its suppliers (measurements include completeness, conformity, coverage, accuracy, consistency, duplication and timeliness).
 - iii. **Data Ownership** is the creation of a data ownership model. Ownership refers to both the possession of and responsibility for data within a defined area of a business. Data Owners and Stewards are critical to the success of a business – they ensure that data is protected, that the right controls are in place for access to data, that the data quality is understood, measured and managed, and understanding in detail what the master data sets of POL actually are.

Where is POL with Data Management, what is our current maturity level and what are the risks currently?

3. We have little Data Management in place (covering items such as Data Governance standards and policies, Data Quality, accuracy and completeness reporting or Data Ownership via a single point of accountability). We are unable to confidently say that we have any form of 'over-arching' Data Management at POL.
 - i. From a Data Management perspective, we should be able to answer yes to the following questions with a high-level of confidence:



- i. "We have in place a clear set of policies, standards and procedures that govern how data is sourced, managed, reported, archived and disposed of at POL"
- ii. "We have in place a clear set of accountabilities across the business for Data Ownership and these owners clearly understand their responsibilities"
- iii. "We have a comprehensive set of metrics in place across POL that measures the timeliness, completeness and accuracy of our data and also our compliance with both internal policies (such as document retention) and external legislation (such as GDPR/PCI DSS)"

4.2

4. Maturity/Risks/Examples:

i. **Data Governance**

- i. Maturity - From a retail perspective, POL is immature from a Data Governance standpoint with other retailers having mature policies and standards in place around data and its use (based on experience at another retailer).
- ii. *Risk* - Policies and standards form the bedrock to any businesses effective management of its data assets. Without these, the business operates on uneven foundations.
- iii. Examples of risk - Who makes decisions on future data strategy (in the absence of a Data Council)? How do we agree on who should own what data (in the absence of Data Owners)? How should we deploy new data projects to ensure they comply with all relevant legal and regulatory policies (e.g., GDPR)?

ii. **Data Quality**

- i. Maturity - From a retail perspective, POL is immature with regards to its Data Quality reporting capabilities and is unable to accurately report on the level of Data Quality across the business.
- ii. *Risk* - Data is used everywhere and every day 1000s of decisions are made using data that is assumed to be of a high-quality. There is no systematic way of 'trusting data'.
- iii. Examples of risk - Poor quality Finance data used to calculate revenue, incomplete/inaccurate HR data used in business continuity planning, inaccurate marketing consent or reporting to central government.

iii. **Data Ownership**

- i. Maturity - From a retail perspective, POL is immature from a Data Owner/Stewards standpoint with other retailers having clear Data Ownership in place (based on experience at another retailer).
- ii. *Risk* - No single point of ownership for data across the various business units. Often assumed that IT own data. In fact, IT host data for the business to use and as such it must be owned and managed by the business. Risks to success of Horizon Improvement Programme (HIP) migration to new technologies. Owners/Stewards critical to the creation and management of a data lake.
- iii. Examples of risk - Lack of clear and concise disclosure following requests by regulators/auditors. Inaccurate reporting of Risk of Processing Activities (ROPAs), removal of personal data post request for 'right to be forgotten', unable to observe document retention schedules.



How do we improve trust in data?

5. By undertaking a wide-scale review of the current, interim and proposed data landscape with a view to creating a vision on how we move from the current position of “very little confidence in our data” to one of “confident”.
6. Once we have this vision, we can look to plan the deployment of three key principles. Data Governance, Data Quality and Data Ownership. Bringing these three items to the table will increase the level of trust significantly.

4.2

What is the proposal?

7. POL is going through a massive course of change over the next few years. As such we need to be pragmatic that whilst we would like to have a comprehensive Data Management suite sitting across the whole of POL as soon as possible, we need to be realistic and be mindful of our change bandwidth.
8. Given that POL has large numbers of data assets across its real estate, a review will be undertaken to prioritise the initial roll-out of this proposal to its ‘Crown-Jewels’ systems/assets (dealing with both structured/un-structured). As the roll-out progresses, those data assets beyond the ‘Crown-Jewels’ will be covered.
9. We need to balance Data Management needs with those of the business. Therefore, our over-arching approach to Data Management should be light touch so that we are able to answer ‘Yes’ to the following statements:
 - i. “We know how we manage our data”
 - ii. “We know who owns our data”
 - iii. “We trust the quality of our data”
 - iv. “We are confident we comply with internal policies and external legislation”
10. The proposal is to create a core team within POL that will manage the overall implementation and on-going maintenance of a Data Management framework, covering Data Governance, Data Quality and Data Ownership. In more detail our proposal is:
 - i. The creation of Data Owners within the overall business, who will have the accountability for ensuring data is protected, controlled, measured and reported. An integral part of this is also the appointment of Data Stewards. These will oversee the implantation of the Data Governance framework across the business and the introduction of metrics around the quality of data/introduction of KPIs.
 - ii. The roll-out of a companywide education programme around how data should be managed, looked after and reported.
 - iii. The procurement of industry standard software to enable (where possible) automated measurements and controls to ensure the business not only complies with the relevant policies (such as document retention) but also that the business can produce accurate and meaningful quality reporting.
11. Whilst the deployment of Data Governance, Data Quality and Data Ownership initiatives across POL form the foundational layer, other aspects of Data Management are



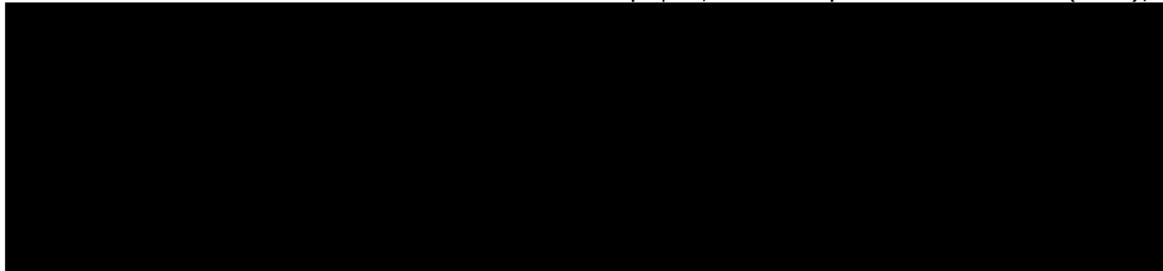
important to the overall operation of the POL and as such will be subsequently brought on-line over the coming months and years. These include:

- i. Data Lineage
- ii. Data Glossaries
- iii. Data Dictionaries
- iv. Document Retention Tooling

4.2

What are the risks to POL of not delivering on the plan?

12. In addition to the other concerns raised in this paper, the Group General Counsel (GCC),



Next steps and Timelines and agreed actions from recommendations made from 4th May RCC report on Data Governance and the agreement with the Postal Museum.

13. The Data Governance lead is currently formulating a plan for approval on how we will deploy a Data Management framework to the business (as detailed above). If approved, this will see the creation of a central Data Management team, with three verticals covering the core principals detailed in this document.
14. As a first step, a prove-plan proposal has been submitted and agreed by the Project Review Board (PRB) & Investment Committee (IC), to draw down on board approved funds (as part of the wider POL Data Programme) to deploy a data ownership framework across POL and the appointment of Data Owners to high-level business segments. This prove plan is due to deliver at the end of December (see Appendix A).
15. A core element of this planning is to understand the tooling currently available to POL to assist with Data Management functions (such as the [O365 E5](#) document and retention tooling).
16. Please see Appendix A for a high-level plan of the overall Data Management plan (including the prove-plan phase in green).
17. Following on from the recommendations made and subsequent approval on how we can get a minimum level of compliance with the Public Records Act 1958, the committee is asked to note these updates to the 4th May's Data Governance RCC paper.

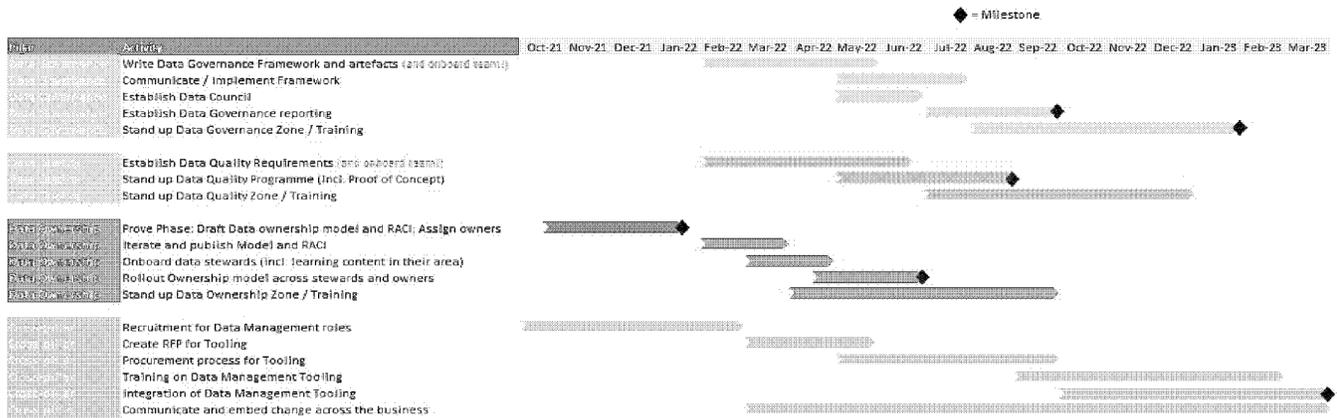


- i. 5.3.1 advice is obtained to [REDACTED]
 - i. Update: POLs lawyers (HSF) have confirmed [REDACTED]
- ii. 5.3.2 we work closely with The Postal Museum to understand how we may work with them better going forward, in particular in relation to transfer of digital records and fully utilise the resource and expertise they have available to assist us in ensuring that we are complying with the PRA.
 - i. Update: The new Head of Data Governance at POL has had several meetings with The Postal Museum to better understand what our responsibilities are and how we can better comply with the Public Records Act 1958. As part of this, a new process has been designed and submitted for approval. This will see the use of SharePoint, ServiceNow and Quatrix used to facilitate and keep track of documents transferred to The Postal Museum.
- iii. 5.3.3 the relationship with the TPM is managed centrally by a core team to ensure that there is no duplication of information sent across or tasks being performed and that any concerns raised by TPM can be easily addresses and, if needed, escalated.
 - i. Update: This will be addressed by the roll out of the Data Ownership framework as detailed above.
- iv. 5.3.4 training is provided throughout the business on POLs PRA obligations, the Document Retention and Disposal Policy and the retention schedules and each area of the business put forward one person to be the point of contact of the policy for that area of the business
 - i. Update: This will be addressed by the roll-out of the wider Data Management framework detailed above.

4.2



Appendix A – Overall Data Management Plan (Prove-Plan in Green)





POST OFFICE LIMITED

AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Postmaster Remuneration – Third Party Data Assurance	Meeting Date:	28 September 2021
Author:	Tom Lee, Group Financial Controller; Johann Appel, Head of Internal Audit; Christine Kirby, Head of Financial Accounting and Controls	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

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Input Sought: Noting and Discussion

The ARC is asked to note and discuss:

- The risk identified in relation to Postmaster Remuneration (“PM REM”) where reliance is placed on third parties;
- Instances identified where the risk has resulted in a detriment to Postmasters and associated remediation activities; and
- Assurance activities planned to reduce the risk.

Previous Governance Oversight

- September Risk and Compliance Committee

Executive Summary

Post Office Group (“POL”) has an inherent risk within its financial numbers and associated processes arising from the reliance on third party data. Significant assurance activity has been performed in relation to this risk where it pertains to revenue activity, with Internal Audit and Central Finance conducting annual review procedures on material revenue streams driven by third party data. Due to a specific issue which has recently come to light pertaining to third party reliance for PM REM, work which was due to be undertaken by Internal Audit and Central Finance has been brought forward in order to help mitigate the risk in this area.

The specific issue which has come to light in relation to PM REM is misallocation and underpayment of PM REM for Bank of Ireland (“BOI”) savings account referrals as a result of BOI having erroneous processes in place. This has been resolved and processes and controls are being put in place to prevent future issues in these areas. Work is being undertaken by the Historical Matters Unit regarding the BOI issue in order to ensure any Postmasters that suffered a detriment are identified and remunerated accordingly. It should be noted that we believe that the overall financial position recognised within the ARA is materially correct and that the issues identified are principally in relation to individual postmaster settlements.

In order to provide assurance and mitigate the risk arising from reliance on third party data for PM REM, the following will be undertaken:

- Internal audit review of PM REM - to assess the effectiveness of controls operated by POL to ensure the completeness and accuracy of third party data. Where appropriate, data analysis will be used to support the review.



- Annual assurance activity over third parties and associated data, based on risk profiling, aligned with the existing annual third party revenue data audit where possible.
- Re-visit the controls tested in the initial review to ensure POL's existing controls over PM REM generated by third party data are sufficient. Implement additional controls and changes to process where possible within POL to assist with prevention and detection of issues in this area.

POL also needs to ensure that contracts entered into with third parties contain clauses that provide service provider assurance (e.g. ISAE 3402 reporting) and allow an annual right to audit.

ARC is requested to review the suggested approach to assurance and mitigation and provide any comments or challenge.

5

Questions addressed

1. What is the risk identified?
2. Has the risk resulted in a detriment to Postmasters?
3. How are Post Office planning to mitigate the risk going forward?

Report

Overview of the risk

1. Due to either the nature of the products or the product data journeys, Post Office Group ("POL") is, for certain products, inherently reliant on third party data in order to recognise and perform certain transactions.
2. The risks associated with this have previously been identified, with the accuracy and completeness of data which POL relies upon being dependent on the relevant third party having adequate processes and controls in place.
3. The most material area of the business where this risk arises, in transactional value terms, is revenue (forecasted third party revenue for FY21/22 is IRRELEVANT). The risk associated with revenue has been addressed through the work performed jointly by Internal Audit and Central Finance over the past 3 years, performing audits over relevant third parties where the annual revenue value is deemed material or the process is deemed to be high risk.
4. However, it has always been known that another area exists, albeit the financial risk is somewhat less material, being that of PM REM.
5. Where products are processed in Horizon and the data is therefore maintained by POL, PM REM is calculated using this data. However, there are two known instances where PM REM is calculated using third party data:
 - a. Non Horizon sales - Product sales where the customer does not complete the transaction in branch and no data flows through Horizon but the PM REM should be remunerated for the sale i.e. online sales and paper sales where the PM REM has directed the customer to it e.g. insurance and savings products where the customer is required to complete and online or paper form and reference the branch.

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- b. Foreign Currency sales – Horizon nets off the purchase and sale of forex but Postmasters are remunerated on a gross basis. POL therefore receives data directly from First Rate Exchange Services Limited (“FRES”) which gross’ out the sales data to enable PM REM to be calculated. The PM REM for these transactions equated to [IRRELEVANT] in FY20/21, however that was significantly lower than FY19/20 [IRRELEVANT] due to the COVID-19 impact.

Known issue

6. Recently, an issue has been identified in relation to PM REM where we are reliant on third party data. This is briefly explained below along with the mitigating actions taken.

5

Bank of Ireland Savings Accounts

7. Postmasters should receive remuneration when a customer opens a Bank of Ireland (“BOI”) savings account following an in-branch referral. The product can be sold via Horizon, resulting in direct remuneration, but in some cases the customer prefers to complete the form at home (downloadable app form/branch app pack taken home) and post direct to BOI.
8. When a direct application is made to BOI the branch would receive remuneration if the customer includes the Branch FAD code on the application, which enables BOI, and ultimately POL, to identify the branch and remunerate the Postmaster accordingly.
9. If an application is received with no FAD code on, BOI should apply a ‘999’ code which informs POL that no code was included and therefore an assumption should be made that the branch closest to the applicants home address made the referral and remunerated accordingly. These 999 applicants are therefore placed in POL’s gravity model which identifies the branch to be remunerated.
10. In March 2021 a Postmaster identified they hadn’t been remunerated for two savings accounts where they knew the customer had included the FAD code on the direct application.
11. Following an investigation by POL and BOI it was identified that there are two issues in the process:
- For all direct applications which contain a FAD code, BOI have been overwriting the FAD code with a ‘999’ reference. This potentially results in a misallocation of PM REM between branches.
 - As part of the data conversion and transfer process at BOI, some ‘999’ allocations were also being changed to ‘000’ allocations. A ‘000’ is not put through the POL Gravity model as its assumed no referral has occurred and therefore no branch would be remunerated.
12. The impact of this is that PM REM has either been misallocated or underpaid since product inception for all ‘direct’ applications.
13. An interim fix was applied on 12th May, once the issues had been identified, to ensure ‘999’ was only added where the FAD code field was blank and to ensure ‘999’ references are not transferred to ‘000’. Sample testing is being performed to ensure the process is being followed correctly and PM REM is correct. A formal process is being drafted and additional controls are being considered.
14. The historical PM REM errors are being reviewed by the Historical Matters Unit (“HMU”), who are working with BOI, via the POL product team, to identify all potential instances of

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detriment, back to when the product launched in April 2006 in order to quantify and correct the issues.

15. The quantum is unknown at this stage, however it has been identified that there have been 57,000 direct applications for this product over the lifetime. BOI are working through all these direct applications to identify the right FAD codes, after which the HMU can seek to correct the errors.
16. This paper does not seek to explore and address the historical remediation in detail, which will be covered by the HMU in their other updates, but it does acknowledge there is a potential historical financial detriment which will be tracked and monitored with relevant financial provisions made.

5

Risk mitigation

17. Putting the specific issue noted above aside, the wider risk around third party reliance in PM REM was in the pipeline to be addressed by Internal Audit ("IA") and Central Finance ("CF") in the coming year. However, given the risks have now been noted to have resulted in issues the work has been brought forward.
18. The plan to mitigate the risk is as follows:
 - a. IA, supported by CF, will conduct a review of PM REM to identify all instances of reliance on third party data
 - b. IA, supported by CF, will risk rate the areas identified, in order to prioritise review
 - c. IA will incorporate a review of POL's controls around third party data into the planned IA review over PM Rem scheduled for October 2021.
 - d. IA, supported by CF, will conduct audits over the third party data, processes and controls, for third parties deemed to be in scope, during Q4 FY21/22.
 - e. Off the back of the above reviews, CF will look to implement additional controls within POL e.g. data analytics, to enable closer monitoring and issue identification.
 - f. Longer term – IA & CF will conduct annual reviews over the third parties which POL relies on for data for PM REM, based on materiality and risk profiling.
19. Work with Legal to consider the third party data reliance risk relating to PM REM when negotiating new contracts. Contracts should include:
 - a. Provision of service provider assurance (such as ISAE 3402 reporting) from the third party and,
 - b. The right for POL to audit the third party annually
20. Assess if the Strategic Modernisation Project can help to reduce reliance on third party data for PM REM.



POST OFFICE LIMITED AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Corporate Insurance Renewal 2021	Meeting Date:	28 th September 2021
Author:	Peter Mitchell, Group Treasurer; Tom Lee, Group Financial Controller	Sponsor:	Alisdair Cameron, Group Chief Financial Officer

Input Sought: Noting and Approval

The ARC is asked to note the update on the 2021 Insurance Renewal process and delegate authority to the CEO and CFO to finalise terms of the renewal.

6

Previous Governance Oversight

- Previous update provided to the Audit, Risk & Compliance Committee ("ARC") as a noting paper – 26th July 2021

Executive Summary

As a follow up to the paper shared with the ARC in July 2021 (Appendix 1), which outlined the policy renewal process and strategy, this paper sets out the latest insurance renewal forecasts for 2021 and seeks formal approval to delegate authority to finalise the terms of the renewal to the group CEO and CFO.

Unfortunately, the market continues to be very tough and the latest premium forecasts are higher than those reported to ARC in July 2021. The premium increases are a reflection of the market in general and are not specific to Post Office ("POL"). The main pressures on pricing are in the Directors and Officers, Crime and Cyber premiums.

Some insurers will not provide terms outside of 30 days from renewal. POL's insurance renewals are due [IRRELEVANT]. Given the timing of the ARC meeting and the timetable for renewal, we are not able to provide final terms at this time. As such, the figures presented in this paper represent the latest market expectations.

Current forecasts indicate premiums of c. [IRRELEVANT] which is up from the [IRRELEVANT] paid in the 2020 renewal. There are options to potentially reduce this, which include:

- [IRRELEVANT] which could save c. [IRRELEVANT] in premiums. However, this option was presented in the 2020 renewal and dismissed due to the [IRRELEVANT] being beyond current risk appetite.
- [IRRELEVANT] from [IRRELEVANT]. We will also explore increasing POLs [IRRELEVANT] from [IRRELEVANT] potentially up to [IRRELEVANT] the actual level dependent on premium quotes received. Whilst this would attract new additional premium cost it would allow POL to utilise its own risk appetite for smaller [IRRELEVANT] in return achieving greater protection from larger, catastrophic events.

The recommendation to ARC is that the level of cover should not be reduced across any of the policies. Furthermore, exploration should be made on the cyber policies to identify the impact on the premium of [IRRELEVANT].

ARC is requested to discuss the options and advise on its preferred approach. Additionally delegated authority is sought for the Group CEO and CFO to finalise terms of the renewal.



Questions addressed

1. What are the latest premium forecasts?
2. Can we amend our strategy to reduce the premium increases?

Report

What are the latest premium forecasts?

1. As presented in the July 2021 ARC paper, insurance premiums were forecast to increase by [IRRELEVANT] from those paid in the 2020 renewal, from [IRRELEVANT] in total.
2. Latest view indicates the increase could be closer to [IRRELEVANT] with premiums of [IRRELEVANT] for the 2021 renewal.
3. The primary drivers behind the increase from 2020 to 2021 are increased market pressures in Crime, D&O, Professional Indemnity and Cyber. All these classes of insurance have been impacted by the wider 'hardening' of the insurance market in recent years, driven by many years of over-supply of insurer capacity and increases in claims activity, in particular for Crime, D&O and Cyber.
4. The cyber risk landscape has changed very significantly in the past 5 years and continues to rapidly develop. The cyber insurance market is relatively immature and insurers participating have become increasingly uncomfortable with the risks emerging and the size and level of claims (especially in areas such as ransomware, data breach and business interruption). This has led to a flight of capacity from the market, reduced insurer appetite, greater focus on a client's risk quality and very significant increases to premiums.
5. The below table outlines the historical premiums and forecast premiums for the policies in place:

6

Policy	2019/20 Inception Premium £	2020/2021 Renewed Annual Premium £	Forecast for 2021/22 renewal %	Forecast for 2021/22 renewal
Crime/Specie	IRRELEVANT			
Directors & Officers				
Cyber				
Professional Indemnity				
Combined Liability				
Motor				
Property Damage				
Sabotage & Terrorism				
Personal Accident & Business Travel				
Special Contingency *				
Total Premium (excluding taxes)				

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Can we amend our strategy to reduce the premium increases?

- 6. The pre-renewal strategy previously shared with ARC, see Appendix 1, set out a number of strategies for managing the challenges of the insurance market and for mitigating the cost pressures anticipated. We have set out below some specific areas for further examination and consideration.

Crime / Specie:

- 7. As provided last year Lockton can obtain an [IRRELEVANT] structure, whereby the entire coverage would be restricted to:-
 - a. **IRRELEVANT**
 - b. **IRRELEVANT**
 - c. **IRRELEVANT**
- 8. This more [IRRELEVANT] could generate circa [IRRELEVANT] premium saving but removes areas of cover such as [IRRELEVANT] which is currently covered up to a limit of [IRRELEVANT] insurance above our [IRRELEVANT] deductible), [IRRELEVANT] (amongst others).
- 9. This approach is expected to be compliant with the terms of the [IRRELEVANT] [IRRELEVANT] both of which would need to be reconfirmed if we progress this as an option.
- 10. When this option was considered as part of the 2020 renewal it was deemed that the substantial [IRRELEVANT] We ask ARC to consider its views for the 2021 renewal.

6

Cyber

What are other companies doing to manage the increases in premiums?

- 11. Our insurance brokers, Lockton, have advised us that all their corporate customers buying Cyber insurance are experiencing significant pressure on premium, deductibles and cover.
- 12. The sophistication of a policyholder’s cyber security is being scrutinised more than ever
IRRELEVANT
- 13. Our brokers have seen cases of businesses accelerating plans around areas such as [IRRELEVANT] in order to be able to obtain cyber insurance, whilst many buyers are taking significantly higher self-insured retentions (some imposed, some voluntary) to mitigate cost increases.
- 14. It is less common for companies to be reducing their policy limits – although some buyers with high limits (in excess of [IRRELEVANT]) have experienced challenges in obtaining the capacity they need.



Should we be insuring [REDACTED] IRRELEVANT

15. The current POL Cyber deductible is [REDACTED] IRRELEVANT
[REDACTED] IRRELEVANT

16. This deductible will come under pressure at renewal with an [REDACTED] IRRELEVANT almost certain. We are proposing we proactively consider an option to [REDACTED] IRRELEVANT [REDACTED] IRRELEVANT for the following reasons:

a. [REDACTED] IRRELEVANT
b. [REDACTED] IRRELEVANT
c. [REDACTED] IRRELEVANT

17. Cyber risk remains an area of concern across the business community and as such we also propose obtaining quotations to allow us to consider an increase in our current limit of indemnity from [REDACTED] IRRELEVANT We will also obtain quotations for points between [REDACTED] IRRELEVANT

18. This approach would see POL [REDACTED] IRRELEVANT [REDACTED] IRRELEVANT

19. [REDACTED] IRRELEVANT and we are cognisant of this as an issue to address should we wish to change the basis of our cover.

Directors and Officers

20. There are limited options available to limit premium increases beyond the broking strategies outlined in the previous paper to ARC, which largely focused on close engagement with the insurers and ensuring their view of the POL risk is as positive as can be achieved. The structural options [REDACTED] IRRELEVANT [REDACTED] IRRELEVANT [REDACTED] IRRELEVANT

Professional Indemnity

21. We will explore deductible options to assess the cost mitigations available. However, contractual and regulatory requirements (e.g. FCA) restrict what we can do with policy limits and therefore reductions may not be possible.

Next steps

22. We request that ARC provide their view on the options available regarding insurance premiums and options available and provide delegated authority for the Group CEO and CFO to finalise the terms of the renewals.

23. Subsequent to this, and when the timetable allows, accurate renewal terms will be obtained and entered into, factoring in changes in policy cover as required.



POST OFFICE LIMITED AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Whistleblowing Report	Meeting Date:	28 th September 2021
Author:	Sally Smith, Money Laundering Reporting Officer & Head of Financial Crime	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Noting

The Committee is asked to:

- review the whistleblowing report and progress against action plan as part of its role in monitoring the adequacy and effectiveness of the Group’s whistleblowing systems and controls

Previous Governance Oversight

- Whistleblowing Policy Review and Report March 2021



Executive Summary

Since the March report a high number of actions have been completed or progressed and a number of changes implemented to whistleblowing processes which have further strengthened the controls.

Comparison of 2019/20 and 2021/20 has not identified any significant changes, albeit that following training and communications delivered March-April 2021, we have seen an increase in reporting and engagement with teams across Post Office dealing with complaints and issues.

The Protect self-assessment and benchmarking exercise is going to be re-run in October, and the results should see a significant improvement in scores relating to Engagement and Operations reflecting the changes implemented and the increased maturity of approach.

Questions addressed

1. What progress is being made against the action plan agreed in March 2021, and what additional improvements have been identified?
2. Is there anything of concern identified from a review of the reports received 2020/21 compared to 2019/20?
3. Are the current whistleblowing arrangements adequate in light of the GLO and the Public Inquiry?

Report

4. Since the last report in March 2021, the following activities have been delivered:
 - Mandatory Whistleblowing training delivered to all employees via Success Factors
 - A One Website article was published for Postmasters, together with a podcast from Zarin Patel, the Whistleblowing Champion, to raise awareness of the importance of speaking up.
 - The Postmaster Support Guide was updated to add additional information about whistleblowing.



- In April, all employees were notified about the Public Inquiry Whistleblowing Survey and encouraged to take part.
 - The new Whistleblowing Manager started in May and the Whistleblowing Team have commenced quarterly meetings with Zarin Patel – two meetings have taken place to date.
 - Provided training and coaching to Customer and Postmaster Support teams within Post Office to help them to identify reports or complaints that should be referred to the Whistleblowing Team. We have started to see an increase in referrals from the Customer Support Team.
 - Developed and deployed a new investigations pro-forma to ensure full and consistent documentation of the investigation and capture of lessons learnt/corrective actions.
 - The new Whistleblowing Manager is making regular contact with whistleblowers (where they have not reporting anonymously) and is undertaking a large part of the investigation work, or providing coaching and oversight where the investigations are assigned to other managers across Post Office.
 - The monthly MI pack has been enhanced to provide a broader view of activities and outcomes to senior stakeholders. The pack is now distributed monthly to all GE members.
 - Migrated the external Speak Up service from Navex to Convercent from 1st August – the new service offers a much improved case management system and MI/Analytics platform, at a reduced cost. The new service also has a dedicated Post Office phone line (which could be transferred if there are any future provider changes) and a unique Post Office URL (speakup.postoffice.co.uk).
 - Additionally, the contract with the new provider enables us to formally open up the external service to Postmasters and communications on this are planned for September. We are also in discussions with internal teams to develop and deliver speak up/whistleblowing posters to all branches and back office locations.
 - Having reviewed the Whistleblowing processes and controls within Post Office Group as part of the Protect self-assessment and benchmarking, the need for an independent team to complete investigations was identified. This ensures independence, consistency in the depth and quality of investigations and removes the risk of bias in an investigation (either conscious or unconscious), Funding approval was obtained for two full time Compliance Investigations Officers and offers have been made for both roles, with the individuals joining the team from early October.
 - Pending the start of the new Compliance Investigations Officers, a temporary support was recruited at the beginning of September to assist with the migration of the historic whistleblowing cases onto the new case management platform, develop new MI and dashboards and document all investigation, case management and MI processes.
5. Due to the delay in the Public Inquiry, the opportunity has been taken to delay re-running the Protect self-assessment and benchmarking as this gives more time to implement changes and improvements. An employee survey is planned for September and we will re-run the self-assessment and benchmarking in October.
6. Additionally, the documentation of processes and procedures was delayed, once the need to move to a new external provider was identified in June. Work on this should now be complete by the beginning of October.



Review of MI

7. Whilst the number of cases received 2019/20 and 2020/21 remains steady at 41 and 43 respectfully, due to the recent initiatives to raise awareness of the whistleblowing service and promote a speak up culture within the business we have seen 34 cases up to Period 5 2021/22, averaging 7 cases per month we currently predict therefore a 90%+ increase in 2021/22.
8. Of the 43 reports received in 2020/21; 33% were raised by Agent Assistants, 27% by Post Office Employees and 13% by members of the public. The remaining 27% were anonymous. (see Appendix A for summary of 2020/21 MI).
9. Despite a number of well publicised reports across organisations of a high level of Covid-related reports since March 2020, only 3 Covid concerns were raised via Post Office whistleblowing channels, which appears to indicate that the measures put in place and the information provided by Post Office were robust.
10. The majority of reports received in 2020/21 related to Postmasters, with 73% being unsubstantiated. Of the 4 substantiated reports:
 - One related to allegations by a Postmaster assistant of mails fraud and resulted in the termination of the Postmaster contract
 - One related to an anonymous report regarding cash discrepancies. The Postmaster was suspended and arranged to repay the monies owing
 - Two related to the sharing of SmartIDs (evidence of use of one Postmaster's own ID when he was out of the country and other Postmaster admitted sharing). Dealt with via Contracts and regular ongoing oversight by Area Managers. A communication has also gone out to the Network re-confirming SmartID procedures.
11. A further 8 cases were substantiated, relating to a number of issues:
 - An employee posting inappropriate comments on social media
 - Theft by a Postmaster assistant
 - Non-conformance by employees with Post Office policy and procedures
 - Employee SmartID mis-use
 - One allegation of employees not following Covid-19 isolation requirements
12. We have seen a decrease in the number of cases raised via the Speak Up line and an increase in them coming directly to the Whistleblowing mailbox, although we have been unable to identify an underlying reason for this.
13. In the last few months' we have seen the largest volume of cases (38% / 13 reports) from referrals from the Customer Support Team. This has been driven by coaching and collaboration between the Whistleblowing and the Customer Support teams.

7

Conclusions and recommendations

14. A number of actions have been taken to address the areas for improvement highlighted in the Protect self-assessment and there is an ongoing programme of improvement (see Appendix B for the latest action plan). Key to this is ensuring that the Whistleblowing Champion and the GE receive a monthly dashboard showing current reports, issues and trends, enabling them to provide further oversight and governance. The new Convercent Case Management system will allow the dashboard to be further enriched.

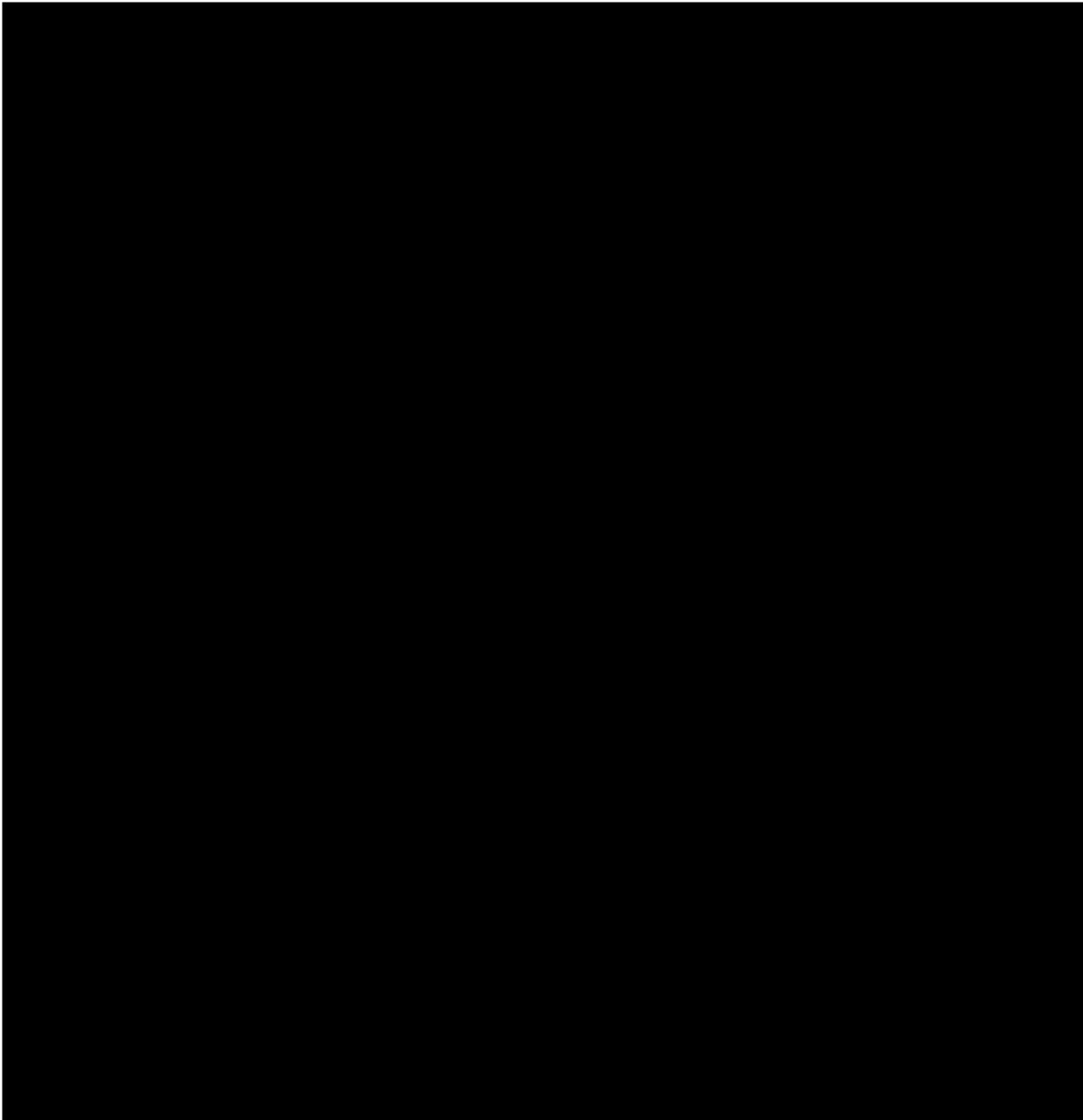


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15. The approval and recruitment of dedicated Compliance Investigations Officers will ensure independence and consistency in all future investigations and ensure that regular feedback is obtained from whistleblowers to ensure we can enhance the service.
 16. The relationship with the new Whistleblowing Champion is established and is working well to provide independent oversight of activities, test the opportunities to identify further areas for improvement and maintain focus on the importance of speaking up.
 17. Working closely with Customer and Postmaster Support teams is ensuring that a joined up approach to understanding issues across the business is achieved, albeit further work is planned to improve this further.
 18. From the review of MI and current activities, no concerns have been identified relating to the GLO or the Public Inquiry, although further work is planned to raise awareness across both employees, Postmasters and their teams about the importance of speaking up if individuals have concerns.



POST OFFICE LIMITED AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	H1 Legal Risk Review Report 21/22	Meeting Date:	28 th September 2021
Author:	Sarah Gray, Group Legal Director	Sponsor:	Ben Foat, Group General Counsel



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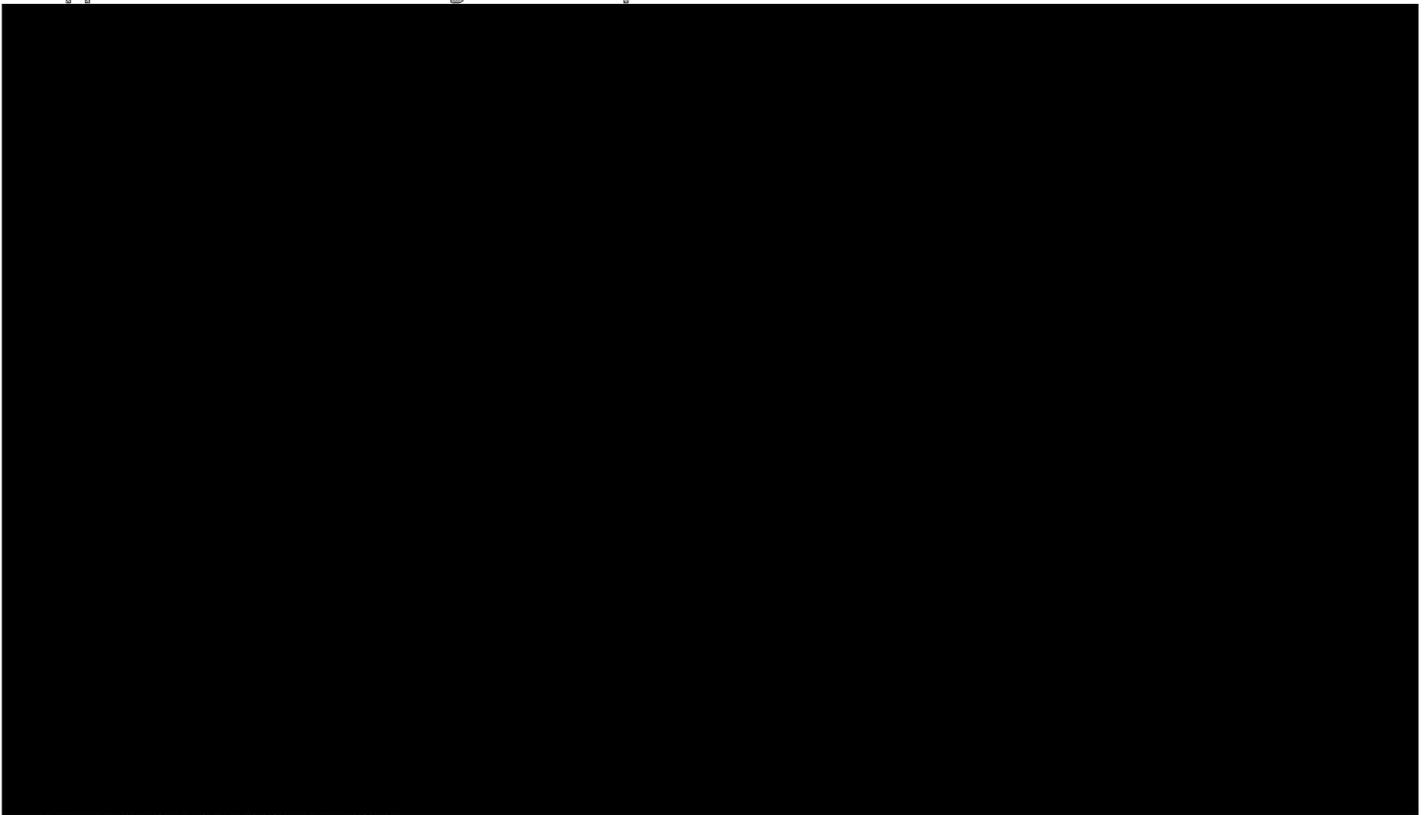
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Appendix 1: Bi- Annual Legal Risk Report



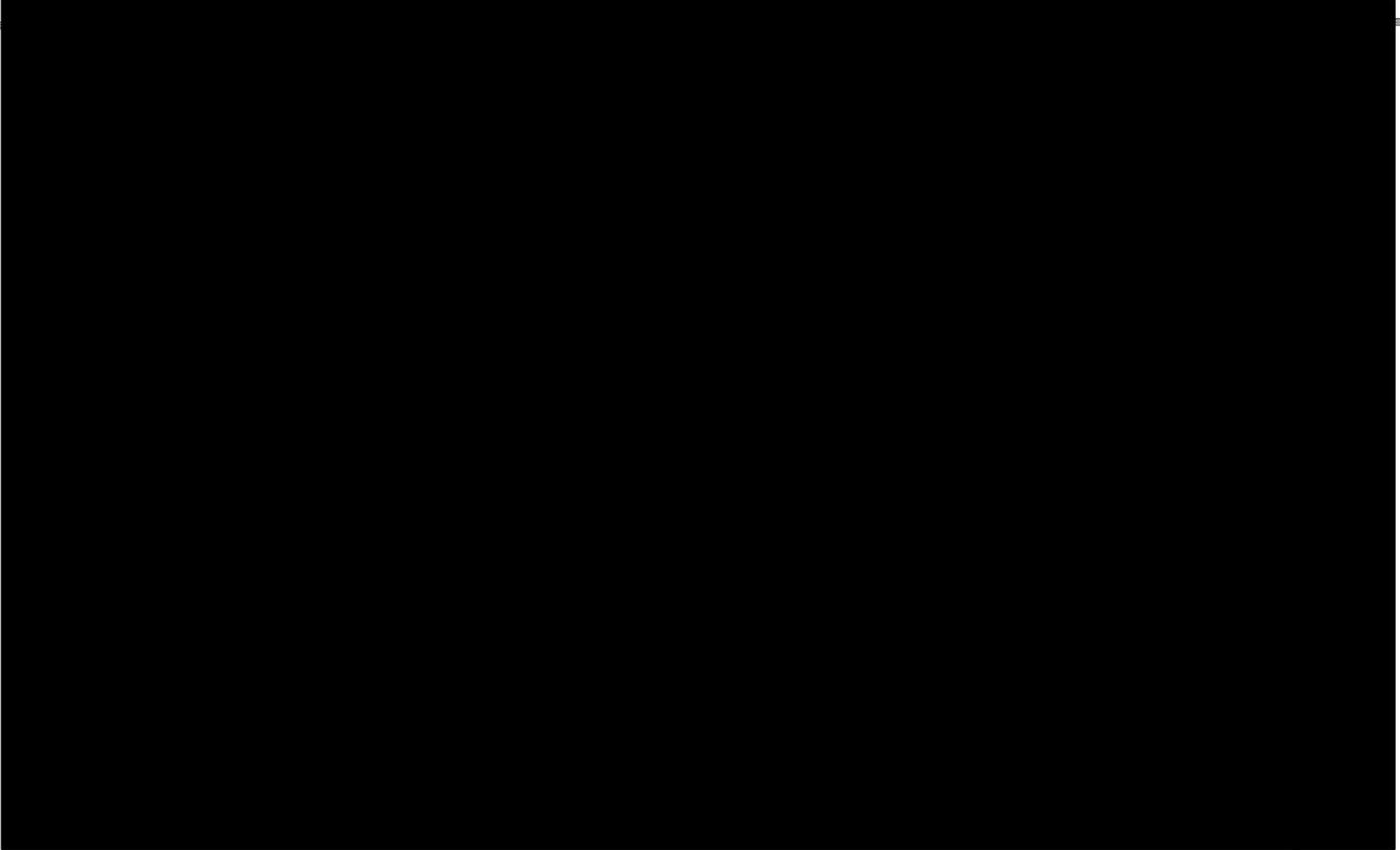
Tab 8.1 Legal Risk Review (non-GLO/Starling)



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Tab 8.1 Legal Risk Review (non-GLO/ Starling)

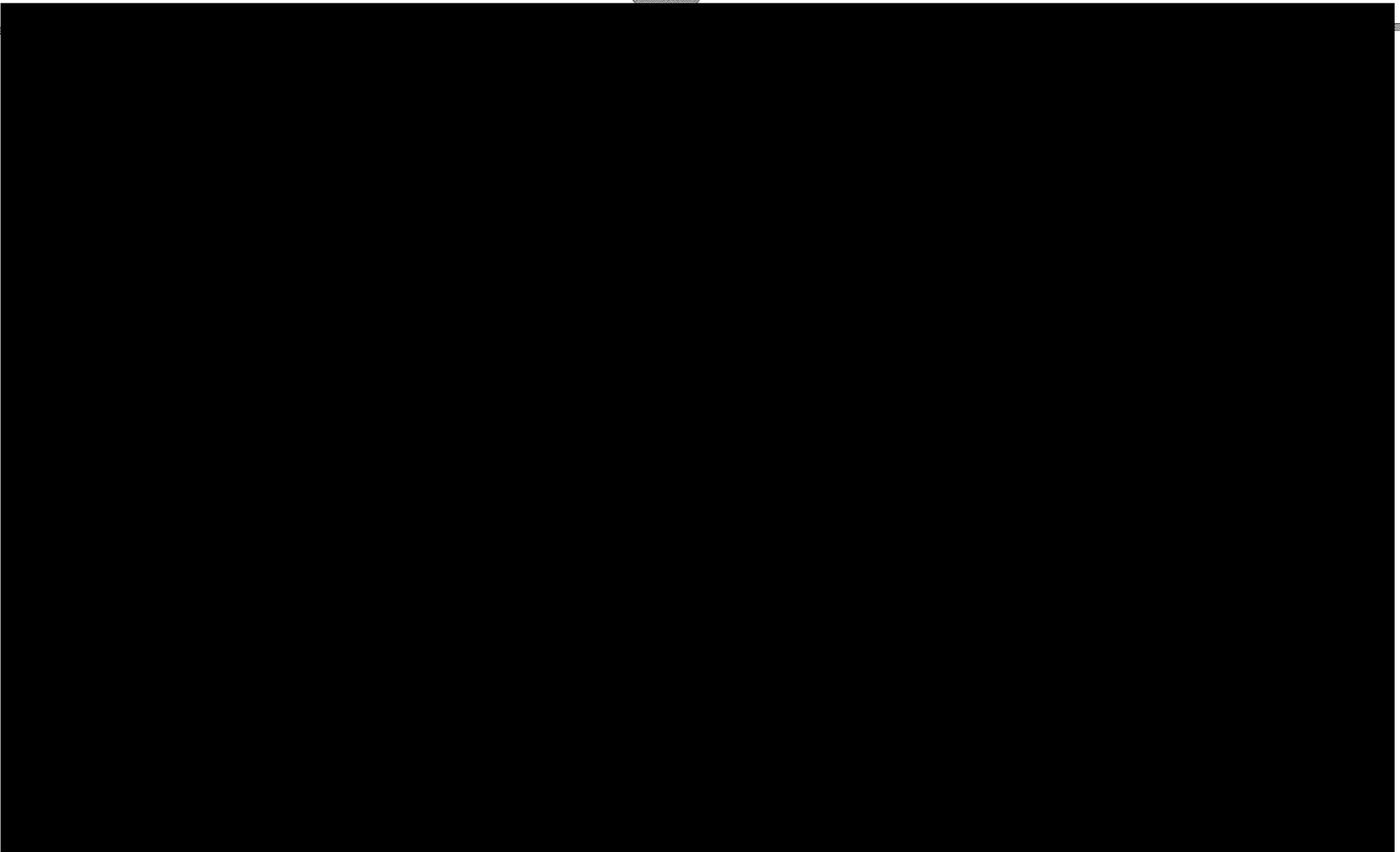


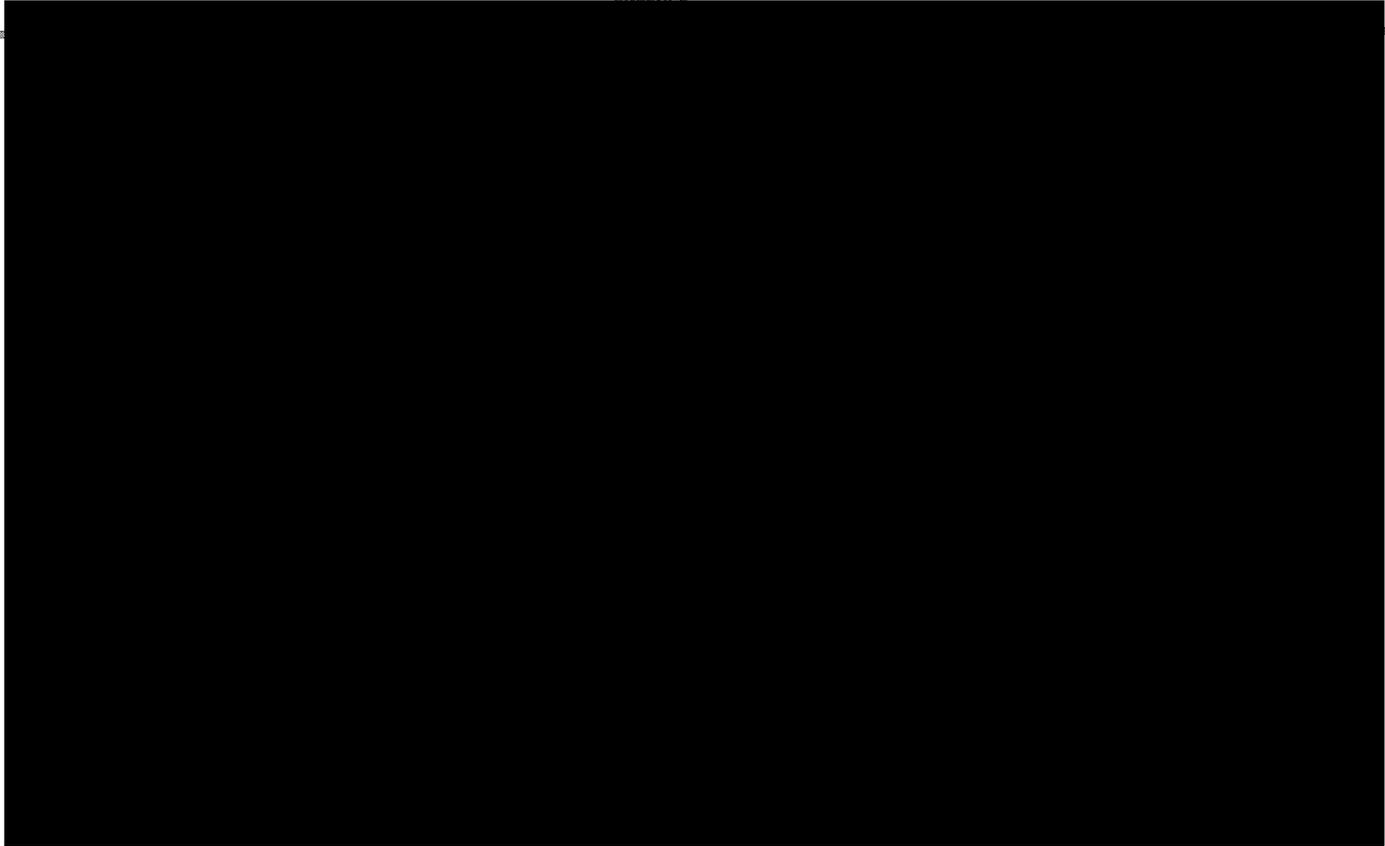
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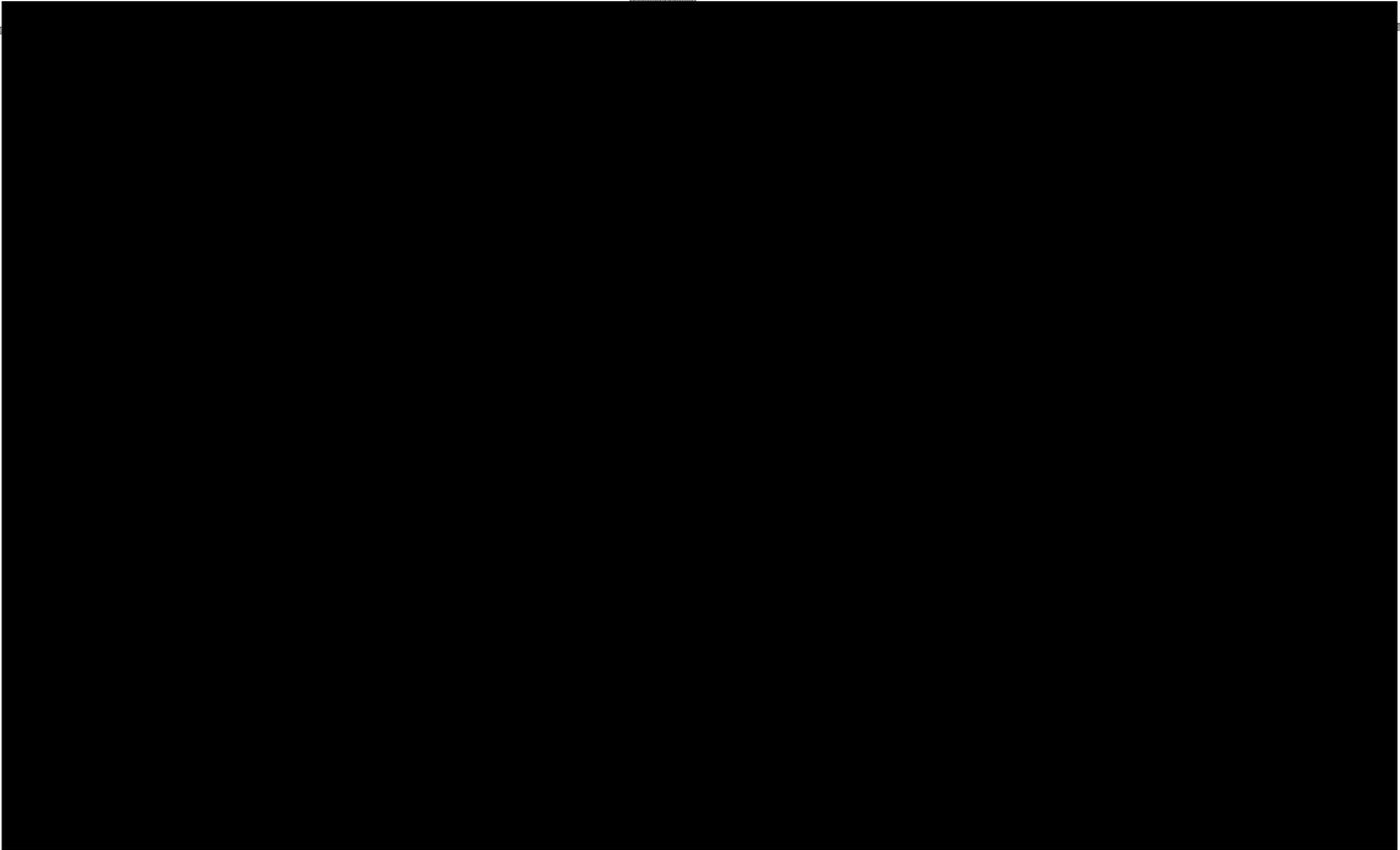


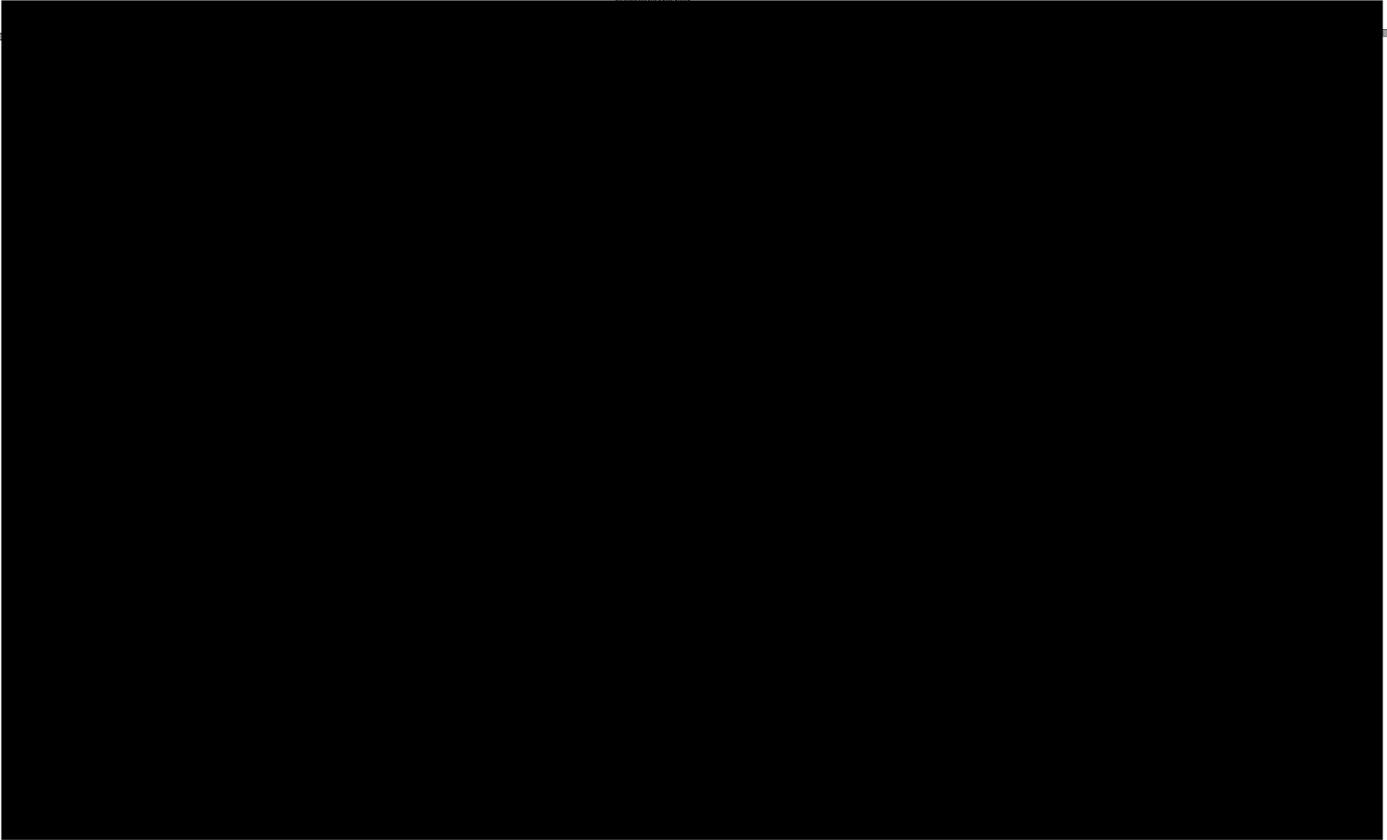


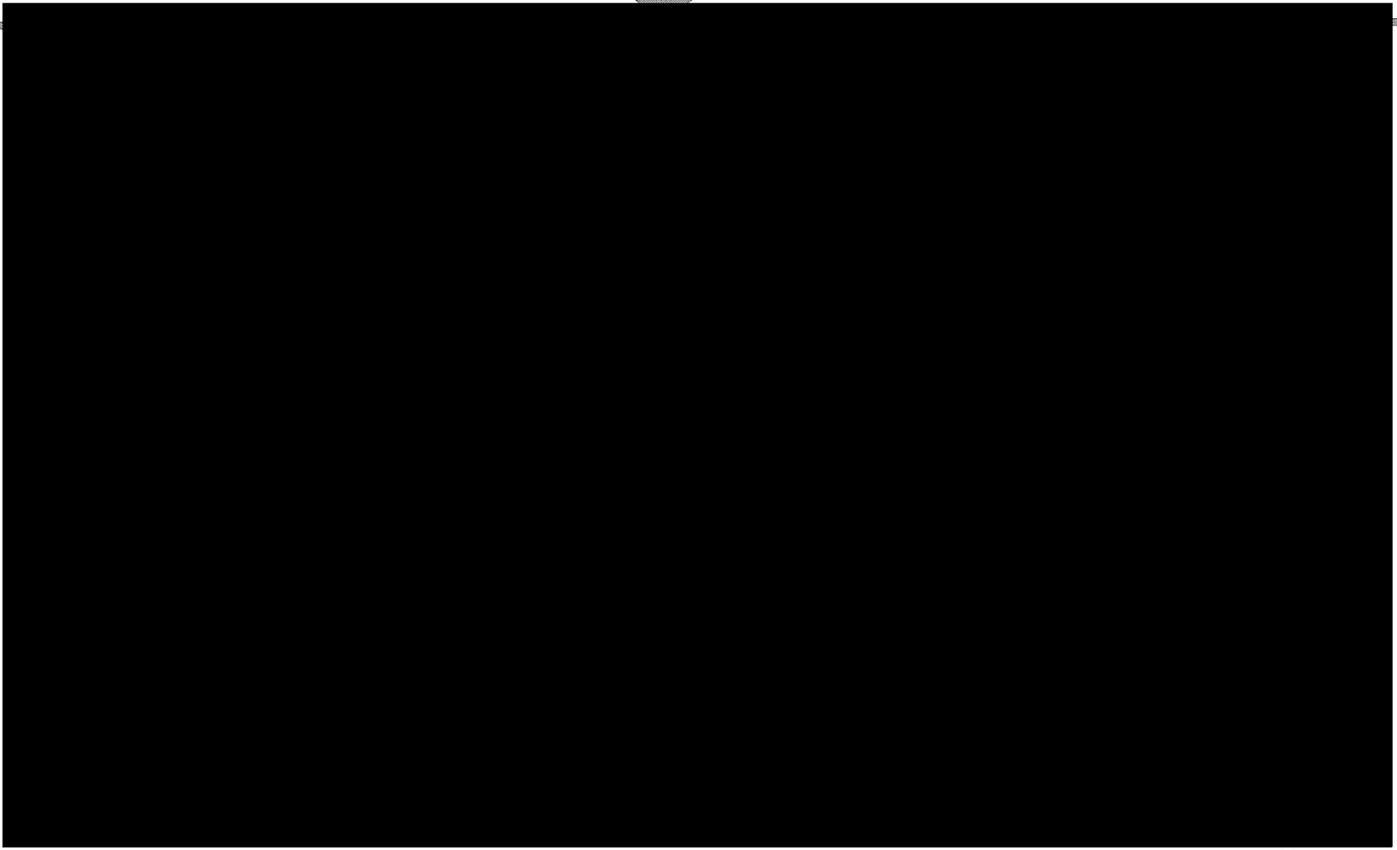


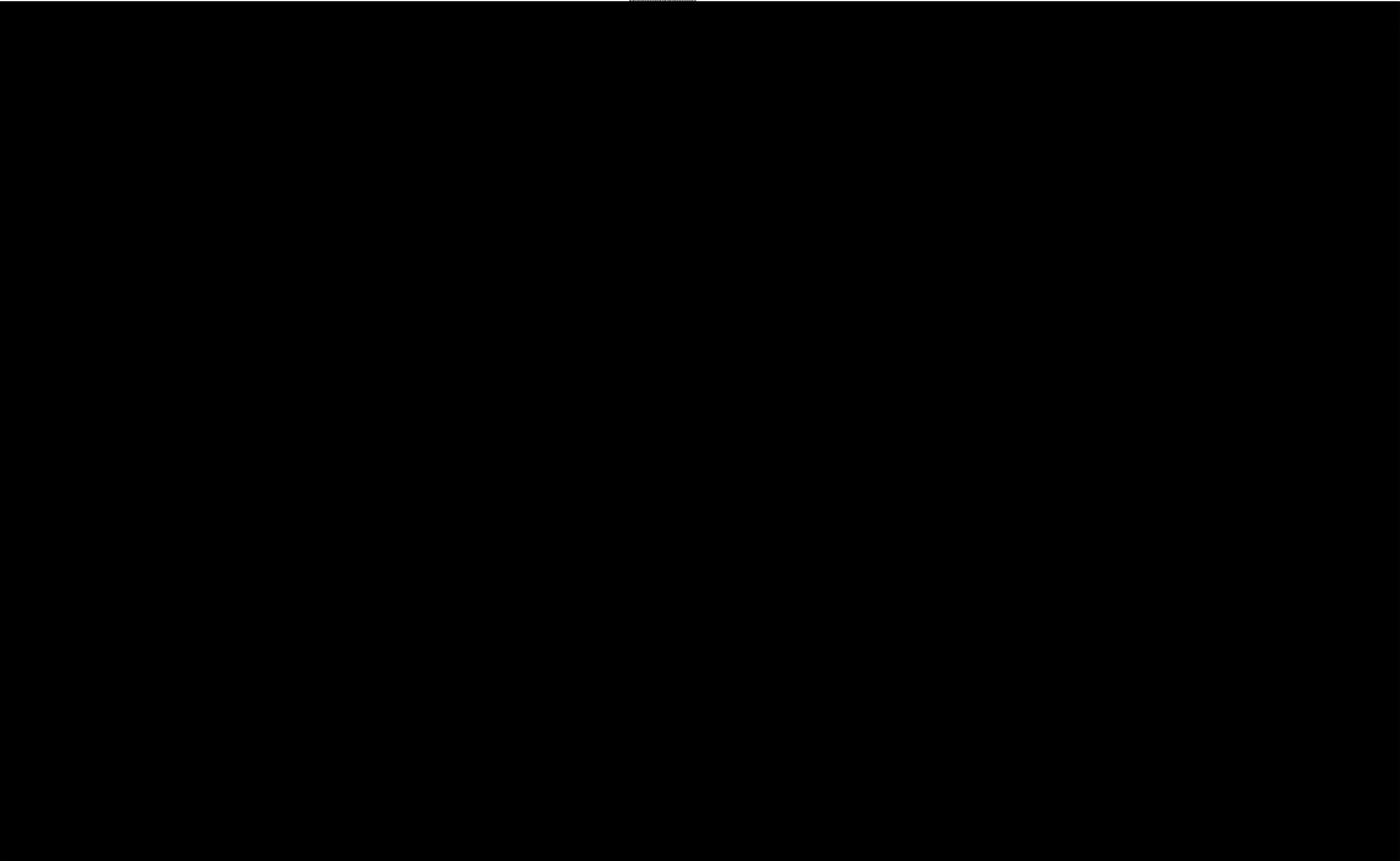
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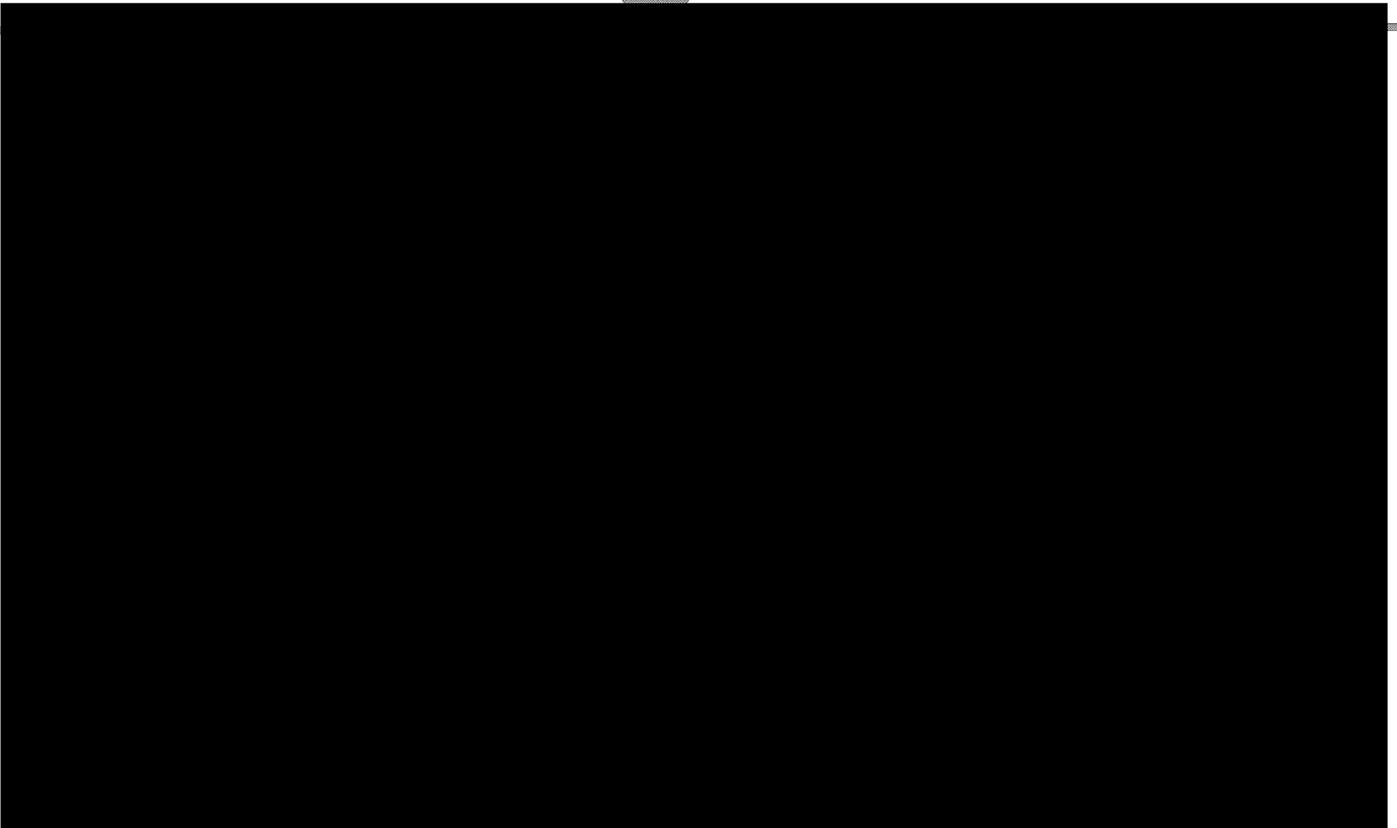


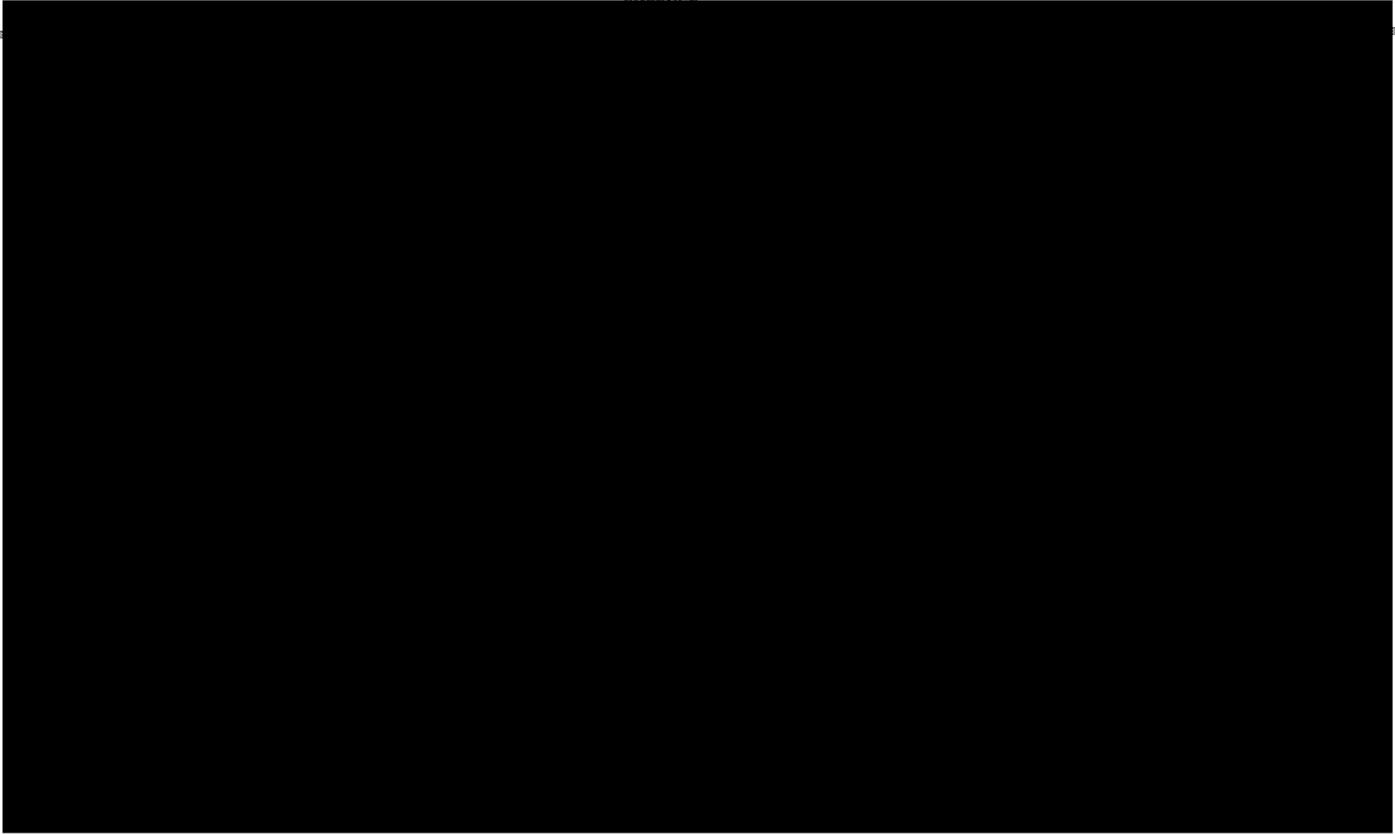


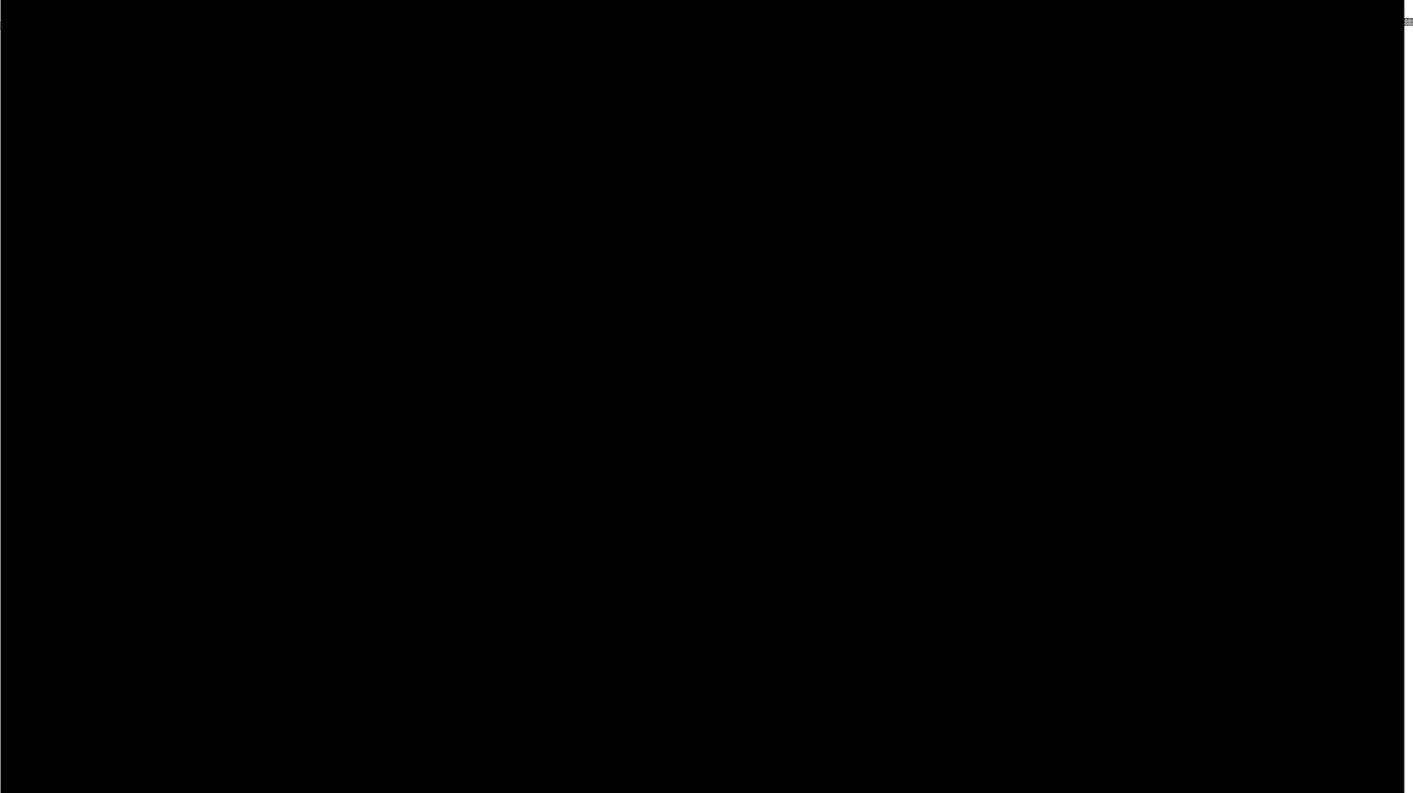


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POST OFFICE LIMITED

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Annual Contract Management Framework Report	Meeting Date:	28 September 2021
Author:	Sarah Gray: Group Legal Director	Sponsor:	Ben Foat: Group General Counsel

Input Sought:

The ARC is asked to **note** the steps taken and planned to encourage ongoing compliance with the Contract Management Framework.

Previous Governance Oversight

- Post Office ARC Meeting of 25 November 2019.
- Project Review Board of 14 January 2020 and GE Tactical Meeting of 12 February 2020.
- Post Office RCC Meeting of 10 March 2020 and ARC Meeting of 26 March 2020.
- Post Office RCC Meeting of 6 May 2020 and ARC Meeting of 19 May 2020.
- Post Office RCC Meeting of 10 September 2020 and ARC Meeting of 22 September 2020.
- Post Office RCC Meeting of 14 September 2021 and GE Tactical Meeting of 22 September 2021.

8.2

Executive Summary

1. c1,250 contracts have now been uploaded onto Web3 with new processes and controls in place to mitigate the risk of new contracts not being managed effectively.
2. The responsibilities which accompany being a Contract Manager are often not reflected in individuals' Objectives and Personal Development Reviews. This makes conformance with the Contract Management Framework difficult to enforce as presently, there are no real consequences for individuals when responsibilities are not discharged.
3. In order to mitigate the risks associated with poor contract management, it has been recommended that i) a senior individual within each business unit is made accountable for ensuring Contract Managers effectively manage contracts in their business unit and in accordance with the Contract Management Framework; or ii) where a GE member has less contract managers in their business unit, they act as a direct liaison point between the CMF Paralegal and contract managers.

Questions addressed

1. How has the Contract Management Framework been implemented since the ARC approvals of 22 September 2020?
2. What further should be done to embed contract management across the Post Office Group?

Report

1. Across its Group¹ ("The Group") 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 recommended

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



to; and approved at ARC in November 2019 on the basis of it being more cost efficient and less disruptive than creating a centralised contract management team. This was piloted with the most material contracts that The Group was party to, as identified by the Group Executive ("GE") and their direct reports ("GE-1"). The Pilot completed in June 2020 and the ARC approved the recommended approach for remediating² non material contracts over their respective contractual lifecycles e.g. as they are renewed, cease or new agreements are entered into. The final version of the Framework was approved at the ARC in September 2020.

2. To accelerate Post Office having a view of its full contractual landscape, the legal team has worked closely with the procurement and programme teams to locate and upload onto the Web3³ contracts which are in effect with suppliers (expenditure) and clients (revenue generating). This has resulted in an additional c600 contracts being uploaded onto Web3.
3. On 9 November 2020 new processes came into effect. The Group General Counsel issued a business wide communication stating that contracts could no longer be executed without a contract record having first been created on Web3. If Contract Approval Forms are received by the Company Secretariat without the associated Web3 reference, these are now rejected. In total, there are now c1,250 contracts on Web3 (Post Office: 1,081, Payzone: 81, Post Office Insurance: 71).
4. To support Contract Managers, embed the new requirements, and enable compliance with the Framework:
 - a. The LCG Academy deliver regular 'drop in sessions' to provide training on contract management and how to map legal obligations. Initially these were delivered on a fortnightly basis but are now delivered monthly. We estimate training has been delivered to c80 Contract Managers across The Group⁴. In addition the Company Secretariat continue to deliver training across the Group on the Contract Approval Process.

Both sets of training are recorded, with videos (along with all other documented guidance) hosted on the LCG Contract Management Intranet page⁵. Training will also go live Success Factors in October, which will be available to colleagues across the Group and will be mandated for all new employees, as part of their induction.

- b. A number of changes have also been made to the Web3 Contract Management Module and eCAF application to improve the user experience, make them more intuitive for the business to use and, as by-product, reduce the number of questions the Company Secretariat and Contract Management teams receive and have to respond to. The

² Contract Managers and Contract Owners appointed, Contract uploaded onto Web3, legal obligations mapped.

³The current web-based eProcurement platform which Contract Managers use in order to manage their contracts. The tool is managed by the Procurement Team. However, assistance in relation to the functionalities of Web3 can be offered by the Contract Management team, which sits in the Legal team. The system is "source to settle" meaning it integrates on one platform the sourcing of suppliers through to the purchasing of goods or services. It provides a platform for contract drafting, Management and execution via an integrated DocuSign function and therefore acts as a database for the all contracts to which The Group is party to.

⁴ Training will be offered specifically to those Contract Managers who have not yet received training.

⁵ <https://poluk.sharepoint.com/sites/lcg/SitePages/Contract-Management-Framework.aspx>



changes made to the Web3 Contract Management module will also improve the business's ability to report on client and supplier contracts. Improvements include but are not limited to:

- Reporting functionality from DocuSign to enable the identification of any contracts signed without a CAF. This allows the Company Secretariat to identify any instances of non-conformance with the Contract Execution Policy.
- The inclusion of an additional field on Web3 to capture whether a contract is a supplier contract or client contract (i.e. revenue generating or expenditure).
- Requiring evidence that the counterparty has agreed to electronic execution and has the authority to sign on behalf of the counterparty.
- The CAF and Web3 are separate systems which do not 'talk' to one another. The CAF now includes a mandatory field for the contract record reference on Web3, to enable cross referencing.
- The addition of a final review page on the CAF, to enable users to check that all of the information they have inputted is correct, ahead of submission, to reduce the number of submissions which need to be rejected.

A number of further tactical improvements are planned. These are set out in annex C.

- c. There is now dedicated BAU support through the appointment of a CMF Paralegal who joined the Post Office Legal Team in June 2021 – post, as planned, the CMF programme and its associated funding ending on 31 May 2021.
5. The combination of the above, plus other controls such as Contract Managers receiving automated alerts as a contract approaches its expiry date⁶ should enable the effective management of contracts via a clear and standardised management, risk and governance framework. However, as included in the most recent biannual Legal Risk Report, we continue to see:
- Contracts expiring without new written contracts being put in place.
 - Services being provided or received from third parties without a contract in place.
 - Key contractual obligations not being understood or monitored leading to breach of contract and rights and benefits under the contract not being received.
 - Wasted spend and resources arising from poor planning.
 - Contract Owners and Contract Managers leaving The Group without transferring their responsibilities to a colleague.
6. Owing to the aforementioned decentralised model, there are c150 Contract Managers that have been identified across Post Office. The split by business unit is provided in Annex A. Owing to the number of Contract Managers across the Group, it is difficult to enforce accountability and consequences amongst this population for not discharging all of the responsibilities which accompany being appointed as a Contact Manager. In the main, they are not reflected in individuals' objectives, nor do they form part of bi-annual Performance Development Review ("PDR") discussions.

8.2

⁶ 120, 90, 60, and 30 days ahead of the contract ending.



7. To reinforce the importance of good contract management, the GE have been asked to assign a direct report to be accountable for ensuring the Contract Managers managing contracts within their business unit discharge their responsibilities. This will include ensuring that there is an appropriate handover (using the template included at annex D) when contract management responsibilities move. These individuals will receive a monthly report from the CMF Paralegal which details, for example, the Contract Owner and Contract Manager for each relevant contract, the counterparty, obligations (where they have been mapped), contract term and termination date. This accountability will be reflected in the individual's quarterly objectives and feature in the PDR discussions.

4. The roles and responsibilities for managing each individual contract will remain unchanged (and as set out within the below table). Members of GE will however now be supported by an individual within each business unit checking their Contract Managers are discharging these responsibilities. Where member of GE have fewer Contract Managers in their business Unit, they will act as a direct liaison point between the CMF Paralegal and contract managers.

Annex A: Number of Contract Managers by Area of the Business

Group Chief Commercial officer: c40	Group Chief Operating Officer: c10	Retail & Franchise Network Director: c4	Group Chief CIO: c16	Group Chief CFO: c28	Group Chief People Officer: c10	Group General Counsel: c17	Group Corporate Affairs & Comms Director: c14	Business Transformation Director: c2
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Annex B: Roles of the Contract Owner and Contract Manager

Contract Owner (CO)	<ul style="list-style-type: none"> Person accountable for the budget/cost centre that funds the contract and the performance of the contract Employee with delegation to approve contract payments and variations Appoints the contract management roles Recommended to be a senior employee who is impacted by the contract outcomes
Contract Manager (CM)	<ul style="list-style-type: none"> Day-to-day management of contract lifecycle from tender to exit Single point of contact for suppliers and partners on all contract matters Monitor contract performance and compliance Recommended to be a representative within the business unit with the relevant skills Perform administrative activities over the contract management lifecycle (e.g. information management, support change request processes, variations, cost control, etc.)



Annex C: Planned Tactical Improvements

1. **Extension Agreements** – Records are being created solely for extension agreements and not being added to the original record for the original agreement, or where there is no existing record on Web3 for the original agreement, a new record is being created solely for the extension and named as a new contract.

The Extension/Variation/CCN option in the document type drop down field is being removed. Training and Business User Guides need to be updated to include further detail of the steps to be taken when uploading an extension agreement or a renewal.

2. **Records Ending** – Existing records are being allowed to expire prior to an extension being uploaded meaning that there are numerous requests for the record to be returned to draft in order to change the end date and add the extension agreement. There is also no check being carried out as to whether the agreement being added is an extension or a renewal.

CM's already receive alerts that a record is coming up for expiry but do not seem to be acting on these. The proposal is for the GE to identify a direct report who would be accountable for ensuring the Contract Managers managing contracts within their business unit discharge their responsibilities.

3. **Contract Search** – When using the Contract Search function searching by Supplier name the entries which appear in the tabs do not include the Supplier and are often not for the Supplier which has been searched for. It also does not display the name of the CM. This makes it difficult and time consuming for individuals to identify the correct record.

Supplier name and CM to the fields which appear when searching for a record.

4. **Groupings** – Records are saved under specific business groupings however when stakeholders move to different areas of the business, they have access issues as they are sometimes unable to see records under a different grouping.

The proposal is for the GE to identify a direct report who would be accountable for ensuring the Contract Managers managing contracts within their business unit discharge their responsibilities

5. **Multiple Records** – There are often multiple records created for the same agreement as individuals are not first checking whether a record already exists or if the CAF submission has been rejected, they think a new Web3 record needs to be created.

The training and user guides are being updated to emphasise the need for a search to be carried out to identify whether a record already exists on Web3 for that Supplier/Agreement prior to a new record being created. Adding the Supplier name in the tab which appears when searching for contracts will also be beneficial as a remedy to this issue so that records can be more easily identified.

6. **Alert to action record in Draft** – There is no functionality for an alert to be sent to the CM or the creator of a Web3 record which has been left in Draft. This has resulted in duplicate draft records being created or records left in draft status and not sent for approval. There are currently 309 draft records on Web3.

Draft records will be deleted if they are not sent for approval.

8.2



7. **Contract Manager Incorrect** – The Contract Manager listed on Web3 is often incorrect, this is mainly due to the creation of records being delegated to someone who either does not know who the CM should be or puts themselves as CM so that the CAF can be approved.

An alert is now sent to CMs when they are appointed as CM for a particular contract, which enables them to challenge this, if it is not correct. CM field to also be added to the eCAF, to enable cross referencing and disparities to be challenged.

Annex D: Contract Management Handover Template

Post Office Limited - Contract Manager Handover Tmeplate

Name of Contract Owner:					
Name of Contract Manager:					
Business Unit:					
Supplier Name:					
Supplier Number (i.e 301234) :					
Third Party Sub-Contractor:					
Contract Title					
CAF Number:					
Contract Signature date:					
Contracting entity					
Contract Type:		Material or Non-Material:			
Right of assignment/ novation					
Contract Description (goods/services/ what will be delivered)					
Development of the digital identity product and associated services					
Key Dates/ Milestones					
Extension Options?		SLA?		KPIs?	
Contract Value					
Yr1	Yr2	Yr3	Yr4	Yr5	Total
					£0.00
Yr6	Yr7	Yr8	Yr9	Yr10	Grand Total
					£0.00
Start Date:		Minimum Term End Date:			
Exit Notice Period:		Review Date:			
Exit Period:		Data recovery on exit:			
Procurement Category Manager					
Procurement Category					
Supplier Segmentation Status (see SRM Requirements tab):					
Procurement Project number (Bravo/Wax):					
Procurement Process					
Procurement Method:					

8.2



Value of indemnities/ Liabilities:	
Contract Risks:	Type
Commercial Risks:	

Termination Rights:	Termination Period:
Obligations: key dates and key metrics arising from regulstions of other obligations which must be reviewed (must do, should do)	
Applicable Regulations?	

	Yr1	Yr2	Yr3	Yr4	Yr5	Total
Savings						£0.00
Cost Avoidance						£0.00
	Yr6	Yr7	Yr8	Yr9	Yr10	Grand Total
Savings						£0.00
Cost Avoidance						£0.00
Additional benefits not covered in Savings (such as: compliance, efficiency, sustainability, revenue generation):						

8.2

Tab 8.2 Contract Management Framework Controls cover paper



Acknowledged and Endorsed			
Procurement Owner:		Date	
Contract Owner:		Date:	
Business Owner:		Date:	
Legal Owner:		Date:	
Contract Manager:		Date	
Vendor Manager:		Date	
Finance Owner:		Date	

8.2



Contract Management Framework

8.3

For Post Office and its Group Companies (Post Office Management Services Limited (POMS / POI) and Payzone Bill Payment Limited (PZBPL))

Date	Version	Updated by	Change Details
01 September 2020	3	Sarah J Gray/ Renata Prywerek	Final
24 August 2021	4	Sarah J Gray / Mark Underwood	Updating links to the relevant Intranet Pages. Introduction of a Contract Management Handover Template .Otherwise stylistic.

In this guide "Post Office" includes Post Office Limited, Post Office Management Services Limited and Payzone Bill Payments Limited.

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1. INTRODUCTION

1.1. Purpose

The purpose of this Framework is to provide a clear and standardised management, risk and governance framework that must be complied with in order for Post Office to manage its contracts with suppliers and clients effectively.

A **Supplier** is a company that delivers services to Post Office, whereas a **Client** is any other company that has a contractual relationship with Post Office e.g. where Post Office delivers services or products. For the purposes of this Framework we will refer to Supplier and Clients as being **Partners**.

1.2. Objectives

The Framework sets out the internal controls and operational standards to be adhered to.. Managing contracts with Partners in accordance with the Framework will reduce the likelihood of the risks associated with poor contract management from crystallising. Examples are provided in section 1.4..

1.3. The Scope

Post Office operates a decentralised contract management model with support from centralised services such as Procurement and Legal. The Framework covers the entirety of contractual 'lifecycle' - from the establishment of the business case and confirmation of need, through to the contract administration and relationship management and finally, contract close-out. The lifecycle of a contract can be divided into three interdependent phases:

Phase 1 – Transition:

- Contract Award.
- Contract Classification, based upon value and risk.
- Assignment of Contract Management Roles.
- Finalise Contract Management Plan.
- Set up information management structure.

Phase 2 – Contract Management:

- Performance.
- Administration.
- Risk.
- Extensions / Renewals / Variations.

Phase 3 – Close Out:

- Performance review.
- Lessons learnt.
- Close out / transition.

1.4. Benefits

Effective Partner and contract management is important. It enables Post Office to:

- On-board new Partners in accordance with the prescribed processes designed to protect Post Office from engaging with inadequate partners;
- Enter into contracts which include only acceptable and manageable risks;
- Ensure awareness of its rights under the contract;
- Bring the best outcomes to customers by evolving and developing new solutions with its Partners;
- Ensure ongoing contract compliance and performance, reducing contractual risks through robust contract management practices;
- Effectively deliver contracts at or under the agreed costs and rates and identify savings and revenue opportunities throughout the contract management process;
- Efficiently exit and on-board replacement Partners to continue providing its products and services with a minimum impact on customers;
- Ensure the probity of the ongoing procurement activities;
- Maximise outcomes to Post Office by ongoing management of performance – reducing the likelihood of
 - Disruption to the delivery of goods or services to the business;
 - Disputes, contractual issues and exposure to potential claims;
 - Reputational damage; and
 - Negligent and fraudulent behaviour by employees and contractors.
- Ensure Contract Owners and Contract Managers understand their responsibilities in relation to the contract management process.

8.3

1.5. Framework Overview

The Framework provides information on all the stages that a Contact Manager and Owner need to consider when managing a relationship with a Partner. Detail on each of the stages is provided in section 2 of the Framework.

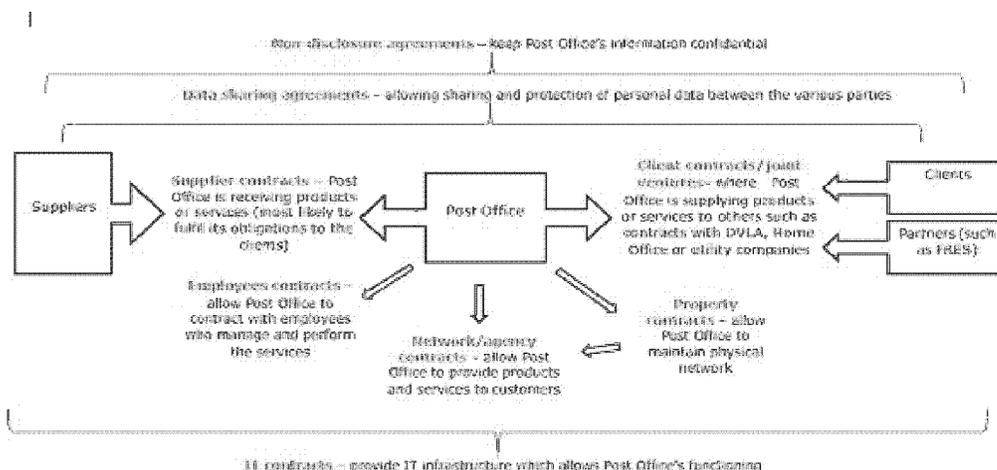


2. RELATIONSHIP MANAGEMENT AND PROCESSES

2.1. Contractual landscape at Post Office

Post Office enters into a number of different contracts in the course of day-to-day business and are one of the main tools used to manage its relationships with Partners. Supplier contracts are particularly common given most products or services currently sold by the Post Office (with the exception of Postal Orders) are white labelled (i.e. produced or belonging by another company) and therefore to provide these products or services effectively, Post Office needs to work with its Partners.

The following diagram illustrates some of the different types of contracts that Post Office may enter into to cover the network of relationships it is party to:



8.3

Contracts must be managed effectively at each stage of their lifecycle and across all interdependent relationships with consideration of back to back protections as a contract cannot not always be looked at in isolation.

2.2. Planning

Before Post Office enters into a relationship with a new Partner it needs to consider if that new relationship is consistent with its strategic approach, needs and requirements. This analysis is often carried out using a business case document or plan which is submitted to the appropriate committees for approval. In putting together the business case, the relevant business area should be addressing the following:

- Is the proposed relationship consistent and aligned with business strategy?
- What are the resourcing requirements under the contract?
- Is there existing budget to meet contractual commitments?
- What other criteria needs to be met i.e. IT, systems and processes, third parties/sub-contractors?

- Is it in the best interests of the company?
- Is the operational model consistent with the Post Office target operating model and technologies?
- o Does a structured procurement process need to be followed in order to appoint the Partner or to provide a supply chain to support the Partner?

It is important to note that only Post Office Limited is subject to Public Contract Regulations 2015 (PCR), whereas Post Office Management Services Limited (POMS / POI) and Payzone Bill Payments Limited (PZBPL) are not. However, each of POI and PZBPL's procurement and sourcing policies will apply, and each group member should be following the best practice Standards and Policies in Procurement established by the Chartered Institute of Procurement and Supply². Neither POI nor PZBPL can procure goods and services and on-supply them to Post Office Limited.

2.3. Onboarding and tenders

The procurement team assists with selection of the appropriate Suppliers to Post Office.

Supplier selection – is carried out during the procurement sourcing exercise and tender to determine the capability and capacity to deliver the goods or services being procured. This also includes due diligence to social value and social responsibility aspects.

Supplier due diligence – for data collection and compliance, checks are performed once the supplier has been selected.

Supplier Code of Conduct - is included at selection and due diligence stages. It makes clear the standards and expectations for an entity to be a supplier to Post Office.

Where Post Office is entering into a relationship with a Client, appropriate due diligence must be carried out.

Partner Due Diligence:

- Partner screening – suitable, credible and have capacity to deliver.
- Monitor performance of the partner and ongoing financial screening (e.g. Dunn & Bradstreet) particularly for IT suppliers and Insurers.
- Compliance with SLAs, KPIs etc.
- Pricing reviews.

In order to manage partners effectively, the Contract Manager should assign the partner to a specific segment using the Segmentation Matrix and Segmentation Tool set out in the Partner Management Guide (PMG).

Once the segment is assigned, the Contract Manager will be able to manage the partner via the Web3's Partner Management Module. This Module sets out various templates that the Contract Manager can use to effectively manage the partner. For more detail on Web3, please refer to section 2.5.

Public Contract Regulations 2015

Where Post Office Limited sources a supplier, it is highly likely that Post Office will have to follow a structured procurement process under the Public Contract Regulations 2015.

² <https://www.cips.org/knowledge/procurement-topics-and-skills/strategy-policy/procurement-policy-development/standards-and-policies-in-procurement/>

Any such supplier agreement with cost of over £25k, must be tendered under the Public Contracts Regulations 2015 with assistance of the Procurement Team. This is to ensure that public contracts are awarded fairly, transparently and without discrimination on the grounds of nationality and that all potential bidders are treated equally. The Procurement Director is responsible for overseeing Post Office’s procurements and ensuring that Post Offices purchase of goods, services and works is in accordance with law and provides value for money. POMS supplier contracts should be procured in line with the supplier Procurement Policy which can be found on POMS Procurement Sharepoint page or through contacting POMS’ procurement team. In each case the Contract Owner should seek help from the Procurement Team to run such process.

Demand Management Model

Some supplier agreements will be dealt with purely by the Procurement Team without involvement of the Legal Team. The Procurement Team will be able to assess if the agreement needs to be presented to the Legal Team for review. Where possible, pro forma Post Office contracts are used. This will aid simpler contracting, approvals and contract management processes.

2.4. Contract Management Team – Roles & Responsibilities

Post Office has created various roles of accountability and responsibility so that there are clear lines for supervision and management of contracts.

There are two essential roles for managing contracts effectively; each role drawing on a range of skill sets. These roles may be assigned to current employees with the correct skills and delegation of authority:

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Roles of Contract and Partner Management (Contract Management Team)	
Contract Owner (CO)	<ul style="list-style-type: none"> • Person accountable for the budget/cost centre that funds contract and the performance of the contract. • Employee with delegation to approve contract payments and variations • Appoints the contract management roles. • Recommended to be a senior employee who is impacted by the contract outcomes and is accountable for overall adherence to contract obligations.
Contract Manager (CM)	<ul style="list-style-type: none"> • Day-to-management of contract lifecycle from tender to exit. • Single point of contact for suppliers and partners on all contract matters • Monitor contract performance and compliance. • Recommended to be a representative within the business unit with the relevant skills. • Perform administrative activities over the contract management lifecycle (e.g. information management, cost control, etc.).

2.4.1. Responsibilities of the Contract Owner

The Contract Owner has the ultimate accountability for contract and partner management. Responsibilities include:

- Ensuring partner management activities are completed in accordance with the Procurement Policy and other related policies;
- Identification of a Contract Manager and, if required, a relationship manager;
- For highly complex partner contracts, potentially identifying a team of Contract Managers to effectively manage day to day and change activities; and
- Ensuring that proper partner management is in place throughout the relationship.
- The Contract Owner should consider the following when appointing the Contract Manager: Does the contract need to be managed by someone with specialist skills and experience i.e. resources should be tailored to the materiality, risks and opportunities provided by the contract?
- Does the individual have the required experience, knowledge and authority for the role given the contract classification and risk profile?
- Do they have enough time to carry out the role?
- Can the person carry out multiple roles?
- Are they willing to take accountability for the role?
- Do they have any private interests or relationships that may give rise to claims of conflicts of interest (perceived or actual)?
- How the contract fits into the wider portfolio of contracts; and the staffing requirements across material and strategically important contracts.

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2.4.2. Responsibilities of the Contract Manager

Contract Managers (supported by the Contract Owner) play a critical role for Post Office. directly overseeing contracts throughout their lifecycle. Serving as the liaison between companies, employees, customers, vendors, and independent contractors means ontract Managers serve as the main facilitators for negotiations, recommendations, record keeping, monitoring, change management, and more.

Their responsibilities include:

- Providing a single overview/coordination point on behalf of their business entity including where this requires facilitation of other functions e.g. Legal, Business Continuity, Information Security, Procurement, Audit, Risk, Compliance etc;
- Scoping out commercial terms in contracts including for example services schedules, pricing, SLAs etc;

Contract management objectives should be included into Personal Development Plans for Contract Owners and Contract Managers. Objectives will need to be clearly set out and agreed with performance against the objectives being managed through reviews and appraisals.

- Providing the Legal or Procurement Team with commercial and service terms that are necessary to populate and complete a contract;
- Aggregating a single view of the supplier in terms of commercials and service delivery;
- Ensuring that the rights and obligations are complied with. Post execution, the Contract Manager must complete the contract obligation sections so that rights and obligations can be managed.
- Regular reporting on the performance and compliance of the contract to the Contract Owner; and
- Where necessary, the swift escalation of any issues affecting Post Office to relevant stakeholders.

In order for the Contract Manager to effectively carry out their responsibilities they must have:

- Appropriate skills (both specific contract management skills and more general commercial awareness and expertise) with access to the relevant training and development;
- Accurate job descriptions, roles and remuneration are positioned at an appropriate level;
- Clear objectives and reporting lines with their performance managed through reviews and appraisals;
- Appropriate delegated authority to manage the contract effectively;
- Detailed knowledge of the contract(s) they manage and other related issues, such as service level agreements, value adds and ongoing supplier performance;
- Knowledge of the organisational governance, processes, risk structures and organisational risk appetite; and

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Annex 1 provides a detailed breakdown of responsibilities for the Contract Management Team.

2.4.3. Teams supporting the Contract Managers and Contract Owners

Finance Approver: A person who ensures any financial exposure under a contract is understood and can be fulfilled by Post Office and approves such exposure, i.e. the relevant Finance Director for the area in which the contract originates.

Procurement: A procurement category manager who supports the Contract Manager source the right supplier, negotiate the best terms, assists with the management of contract changes, market intelligence and management of suppliers.

The procurement team also:

- Assist with maintaining and updating the Partner Management Guide based on best practice principles including updates based on information received from business functions regarding change in policy, procedure or regulatory requirements;

- Defines the appropriate application of the Partner Management guide to supplier partners and the associated segmentation standards and terminology defined within the Procurement Policy and related frameworks;
- Provides, where possible, best practice tools and templates for use by Contract Managers;
- Provides guidance, advice and support to employees and Contract Managers in the appropriate implementation of the Partner Management guide and execution of associated activities; and
- Support in the selection of a new suppliers and ongoing management of all suppliers, in line with the Procurement Policy. For Critical and Strategic/High Risk suppliers, providing contract management support. For all other types of supplier, providing ad-hoc advisory support.

Legal, Compliance and Governance: A person who provides expertise for areas where the contractual, legal or regulatory exposure is greater.

This person will also:

- Own, maintain and update the Partner Management Guide based on best practice principles including continual updates based on information received from business functions regarding change in policy, procedure or regulatory requirements;
- Define the appropriate application of the guide to Supplier and the associated segmentation standards and terminology defined within policies and related frameworks;
- Provides, where possible, best practice tools and templates for use by Contract Managers;
- Provide frameworks and guidance on appropriate controls (including templates, FAQs and training) to Contract Owners and Contract Managers.
- Provide guidance, advice and support to employees and Contract Managers in appropriate implementation of the guide and execution of associated activities; and
- Support the negotiation of these instruments as well as any disputes which may arise.

Other business areas: In many instances other teams will need to provide feedback to the Contract Manager. For example, the Communication and Marketing teams will be able to assess if Post Office is able to fulfil any marketing related obligations prior to execution. It is crucial to identify and then cooperate with any teams that may be affected.

2.5. WEB3 – Digital Contract Management Tool

The WEB3 system is the current web-based eProcurement platform which Contract Managers (with support from the Procurement and Legal Team) must use to manage their contracts. The tool is managed by the Procurement Operations Team, therefore any access queries should be directed to contractmanagement@GRO Benefits of using Web3 include:

- An integrated platform which captures the activities of a relationship with a Partner from onboarding, due diligence, procurement activity, contract, relationship management and transactional purchasing.
- Procurement and SRM modules which allow for interaction with Partners and the sharing of documents and messages via a Portal.
- The facilitation of formal performance reviews and documented improvement plans covering both operational issues and adherence to key contractual requirements, via the

SRM Module. The management of Partners should be recorded via the Supplier Relationship Management module (SRM) on Web3. This will create visible audit trails and ensure a unified approach to partner management across Post Office.

- 360 degree visibility of Partner activity, enabling better decision making, the leveraging of spend and reduction of risk.
- Standardised Post Office templates and processes which enable MI & Analytics to be produced that are measurable and comparable.
- Supplier partners are able to manage their account information themselves, reducing the risk of fraud. Partners can access their information at all times and have an audit trail of all activity.
- Prompts, notifications and trigger emails alert Post Office employees and Partners to activities that need to be done with an audit trail created of every action performed in the system.

2.6. Assessment and Acceptance of Risk

Risk Appetite: Post Office has specified its risk appetite in respect of contractual and operational risks in existing and new relationships. Therefore, all employees at Post Office must act within those defined levels in order to avoid unauthorised exposure.

In respect of legal and regulatory risk appetite, Post Office has set risk appetite which is revised by the Post Office's Board every year. The Risk Appetite Statement can be found on the Post Office intranet – the Hub.

*Note: Litigation may result when the rights and obligations under the contract have not been managed compliantly.

Legal Risk Notes: When dealing with contracts every stakeholder should bear in mind the acceptable levels of risk, to ensure that any risks accepted are not greater than they should be. One of the tools that the Legal Team will equip the Contract Manager and Contract Owner with is a Legal Risk Note which sets out the contractual risks and the mitigants. Contract Managers should ensure that the mitigants are regularly reviewed to ensure they are effective in the management of the risks and remain enforced/effective during the life of the contract.

Legal Risk Notes must **NOT** be distributed to the wider audience as these documents set out the risks Post Office is taking when entering into the agreement. Legal Risk Notes are also privileged and by **NOT** distributing them to wider audience, privilege can be kept, i.e. Post Office will not need to disclose them in disputes.

Exceptions: Post Office acknowledges however that in certain scenarios even after extensive controls have been implemented, a product or transaction may still sit outside the agreed risk appetite. Therefore, if Post Office is going outside of the accepted approval processes, an exception report (using the Risk Exception template) needs to be prepared and approved. For more information on this process engage with the Risk Team.

2.7. Contract Approval

In order for a contract to be approved:

- if the contract has been reviewed under the Demand Management Model: a commercial

and legal summary prepared by the Procurement Team AND an approval from the Procurement Team and other key stakeholders under the Demand Management Model³;
OR

- if the contract has been reviewed by the Legal Team: the finalised and agreed contract AND a risk note prepared by the Legal Team, which needs to be provided to the Contract Manager and Contract Owner; AND
- for all relevant contracts, initiated the Contract Approval Process via the eCAF App or a paper CAF manually and; a contract record created on Web3

2.7.1. Authority to Sign

The Contract Approval process is to ensure the appropriate governance is followed and the business does not enter into contracts that are outside of the Business Risk Appetite or are commercially unsound. It also ensures that only colleagues with the appropriate level of authority delegated to them by the respective Board or Chief Executive Officer/Managing Director are agreeing to enter into Contracts that will ultimately legally bind the business.

The Contract Manager is responsible for this process and it can be completed in the following ways:

- For Post Office Limited and POMS/POI: by submitting an online Contract Approval Form via the eCAF App (Sharepoint – Team sites – Legal, Compliance and Governance – Company Secretariat Team)
- For Payzone: by completing a Contract Approval Form and obtaining the relevant sign offs

For further information of the Approval process please visit the Company Secretariat intranet page.

Contract Owner Within a company, the Board of Directors carries the ultimate responsibility for the decisions made within its business. However, for practical reasons, the Board cannot make every single day-to-day decision within a business itself. Therefore, each Company Board has delegated its authority to its Chief Executive or Managing Director to enable the day-to-day decision making process. The necessary Contract Owner for a contract is determined by Post Office's spend approval limits document, which may be found on the Decision Making page of the Intranet.

³In some circumstances the Procurement Team will refer the contract to the Legal Team for further review.

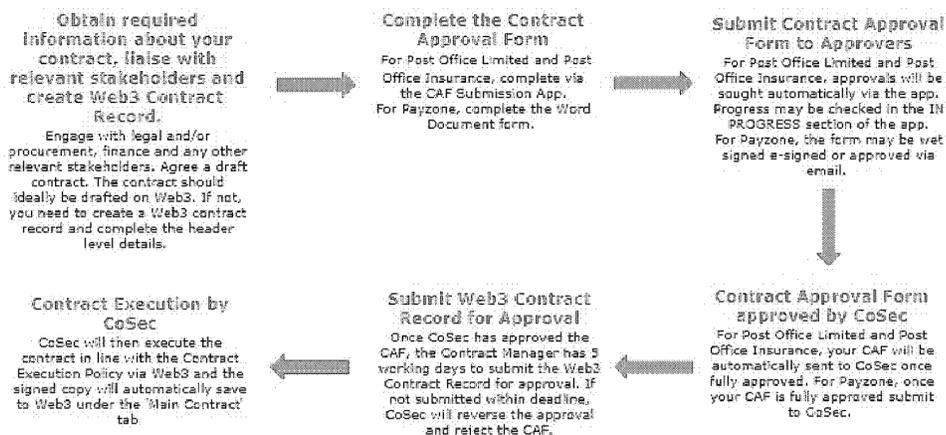
No person is authorised to sign any contract on behalf of Post Office unless the contract has gone through the Contract Approval Process* and such individual is an authorised signatory. Post Office and its employees need to act within their respective authority.

**Save for certain limited exceptions under the Contract Execution Policy.*

Contract Signatory. Although the Contract Approval Form must be approved by a Contract Owner, the contract can only be signed by someone who is an authorised signatory for the business, which is a different list of people from those with spend approval authority as Contract Owners. The Company Secretariat will arrange for an authorised signatory to sign the contract in accordance with the Contract Execution Policy. It is also important to ensure that the Contract Owner for the Contract Approval Form does not also sign the contract as this is a potential conflict of interest.

For more information on how a Contract Approval Process or spend approval limits please see Execution of Contracts Flowchart and Tools section.

2.8. Execution of Contracts Flowchart



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2.9. Storage of Contracts

All contracts will be stored on the Web3 system and hard copies⁴ will be kept and managed by Company Secretariat meaning that all contracts will be stored and logged on one central place. Access to Web3 will be restricted at the appropriate levels to protect commercial and legal sensitivities. CoSec team will keep some historic electronic copies which have not been uploaded to Web3.

Web3 is the one source of truth

The final signed versions of contracts should be stored on Web3 and no other copies of contracts should be used. Web3 is the one source of truth and repository across Post Office group.

Web3 will also ensure that key information is recorded to provide search capability, ongoing contract management information and ensure documentation is retained and managed. All supporting contract information is to be stored alongside each contract to ensure all relevant information can be accessed in one place.

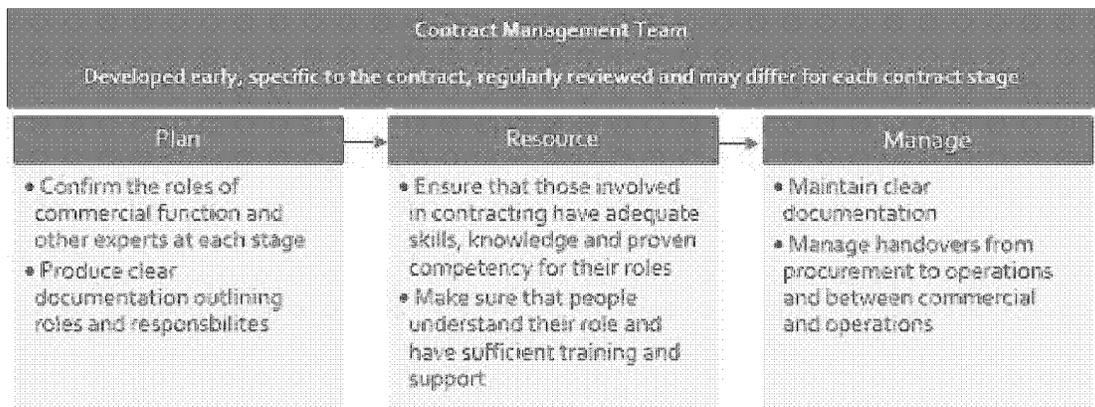
Contract Retrieval

All queries regarding hard copy contract retrieval and electronic copies of contracts which are not stored on Web3 are to be directed to [café](#) **GRO**

3. CONTRACT MANAGEMENT IN DETAIL

Post Office adopted a decentralised model of contract management whereby the relevant business units are responsible for the management and performance of the contracts with support from others such as Procurement and Legal. Contract Owners should ensure that a Contract Management Team is created identifying the Contract Manager, relevant financial director, relevant lawyer, procurement representative and other key stakeholders.

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This should be proportional to the value, risk and complexity of the contract.. In general the level of risk in a

⁴All contracts should be executed electronically unless there is a particular reason why they cannot be (such as the counterparty refuses or it is a deed).

contract increases the benefits of reducing such risk through a formal contract. This section of the Framework sets out best practice to ensure that Contract Managers take a holistic view of their contracts.

3.1. Contractual Terms

The Contract Manager has to ensure that provisions of the contract are suitable for the proposed relationship and mitigate and protect Post Office's position as much as possible. Amongst other considerations, the Contract Manager should ensure:

- Contractual terms around termination, warranties and indemnities are understood and monitored;
- Security and confidentiality terms are understood and monitored by the Contract Manager, particularly where there are elements of the contract relating to confidentiality of personal data; and
- Dispute resolution processes are in place, including agreed adjudication procedures, mediation and arbitration.
- Any contractual changes during the lifetime of the contract go through appropriate Post Office governance.
- Contract management processes from the initial contract signing, are reviewed annually and continue to be fit for purpose over the lifetime of the contract.

3.2. Risk Management

This Framework supports the management of contractual risk. Controls and processes assisting the management of risk include:

- Contracts should be in place with clear responsibilities and processes for mitigation, this must include identification of who is best placed to manage that risk and supplier involvement where necessary.
- Where appropriate LCG will have provided risk notes that will formally identify risks and the Contract Manager should ensure these are monitored regularly and mitigating factors are developed and implemented where necessary.
- Contingency and exit plans must be developed for material contracts in order to handle Partner failure and are to be kept updated through the contract lifecycle.

3.3. Developing Internal and External Relationships

- Responsibilities of the Contract Manager and the Partner should be clearly stated and all contracts should be in writing.
- The Contract Owner must ensure continuity of key Post Office's staff as far as possible throughout the lifecycle of the contract. Where this is not possible, the Contract Owner should ensure effective and appropriate handovers are given via the Contract Management Handover Template, which is available on the Contract Management Intranet page, accessible via the Hub.

- Both regular formal and informal communication routes between the Contract Manager and supplier should be open and used. The internal Contract Management Team should use collaboration tools such as Teams to ensure communications between themselves and other business stakeholders are effective and the stakeholders have sufficient oversight over the process.
- Management of contract performance should be well structured, ensuring baselines of performance are understood by both parties. A Contract Manager must ensure that the customer organisation provides the supplier with the information and contacts needed to deliver the service.
- The Web3 system will allow for clear contact points for service users both within the supplier's company and the Contract Management Team. End users of the contract should understand escalation routes where there are disputes. Regular and routine feedback should be given to suppliers on their performance.

3.4. Payment and budgets

- Using Post Office contract templates will ensure that payment processes are well defined and efficient. The Finance Team ensure that appropriate checks and authorisation processes are in place for paying invoices.
- Ensuring the contract has gone through the Contract Approval process with finance sign off obtained will ensure that the costs of services delivered are mapped against budgets and allocated appropriately
- Contract Managers will ensure that where service credits are inserted into a contract, these are well managed and governed appropriately.

3.5. Contract Review

- The Contract Manager must regularly review the contract to ensure it meets evolving business needs, and update where necessary using the appropriate change process.
- The 4 main areas of measurement and focus during reviews should be:
 - Cost control;
 - Timeline control;
 - Compliance with specifications/quality assurance/service levels; and
 - Compliance with terms and conditions.
- Where appropriate the Contract Manager should consider undergoing benchmarking exercises to ensure value for money of existing services. These must be procured compliantly via the Procurement team.
- Where new services are being introduced over the contract lifecycle, the Contract Manager should consult Procurement to see if they can be compliantly added to the scope of services or if a new sourcing exercise is required. Where the change is material, Procurement will work with the Contract Manager to negotiate the commercial and legal changes required,

and ensure that there are processes to cover the introduction of new services and change obligations are adhered to.

3.6. Managing wider Market Issues

- Teams should ensure that processes are in place to review options surrounding outsourcing or delivering services in-house. Emerging technologies and practices should be considered and teams should be open to new opportunities.
- Contract debriefs should take place where appropriate after the conclusion of a contract which the Contract Manager should feedback into future strategy development and new procurement processes.

3.7. Handling Contract Changes

- Processes must be in place that dictate the governance of contractual change i.e. who the necessary approvers are, how it must be completed to ensure contract change is completed promptly and effectively.
- Minor contract changes and variations must be dealt with in a cost and effort proportionate way to the importance and value of the proposed change, seeking procurement advice to ensure compliance.
- Detailed processes must be in place to handle material contract changes, including clear approval mechanisms and accountabilities. Material changes to terms and conditions of a contract are likely to trigger the need for a repeat of the Procurement activities and tendering, Contract Approval Process. Contract Managers must always reach out to the Company Secretariat when contemplating a contract change.
- Both parties must have a clear understanding of the arrangements for any extension of the contract and related issues.
- Any contractual change must be carried out in accordance with the contractual terms set out within the original contract, and departure from the terms setting out the change process risks the validity of the amendment being made or gives rise to a potential loss of rights or remedies available.
- Material contracts should be conformed annually within 30 days of the anniversary date.

3.8. Managing Complaints and Disputes

Proactive and planned Contract Management can reduce the likelihood of disputes occurring. Formal dispute resolution should be the last resort and appropriate actions should be taken by the Contract Manager and Contract Owner to address issues as they arise.

The Contract Manager should always follow Post Offices internal procedures and the contractual terms for managing complaints and disputes with suppliers and partners.

3.9. Escalating and Reporting Issues

Contract Managers should report and escalate issues or risks identified through the course of Contract or Partner Relationship Management activities as required by the Post Office Risk

Management Framework and any related policies. Contract Owners are ultimately responsible and accountable for ensuring compliance with required Risk and policy reporting requirements.

3.10. Contract Close-Out

A contract can be closed out in a number of ways:

- When all obligations under the contract have been fulfilled;
- The contract expires or is terminated;
- The intention to complete an agreement has been frustrated by events beyond all parties control; and/or
- All parties agree to end the contract.

The majority of contracts will close when they have been fulfilled or expire.

The Contract Manager must establish a clear 'exit strategy' at the outset of contract creation, allowing Post Office to proactively manage contract exits and avoid disputes. An exit strategy should establish:

- When, and under what circumstances, a contract can be terminated;
- What should happen to any remaining stock or supplies following termination;
- Whether any obligations should continue to apply after termination, such as obligations to return or to pass data to a new supplier, or to cooperate with other practical arrangements required to ensure business continuity; and
- How the costs of transition and exit are to be managed and allocated.
- Whether Post Office retains any assets, IPR, hardware or software licensing which must be transitioned to a new provider.
- A clear position on both parties TUPE obligations should be set out from the outset.

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3.11. Managing Re-Procurement

Before a contract is completed or expires, the Contract Manager will need to assess whether there is an ongoing need for the goods/services delivered under the existing contract. This assessment should take place well in advance of (not later than 6 months) the scheduled completion of the contract, because if the need is ongoing, a procurement activity will be required to execute a new contract. This requirement is just as applicable when considering whether to extend the contract. Further, for extensions / variations, these should be added to the existing Web3 record and will require a new CAF.

The Contract Manager should consult with Procurement to set a predefined point at which to commence a new procurement activity. This date should be based on the estimated time that a procurement activity will take to execute a new contract plus any period for transition. This should take place no later than 12 months prior to the exit or termination of the contract.

Where a Contract Manager deals with a Client contract, it is also crucial to ensure that Post Office is aware of its exit obligations and manages the exit appropriately. Post Office must also ensure

that it is prepared to enter into new negotiations for provision of the services to the Client. Good planning is crucial in for winning business and contracts.

3.12. Final Performance Review

The objective of this activity is to evaluate supplier performance and provide feedback that can be used as a reference for future work.

Prior to the close out of the contract, the Contract Manager should conduct a final performance review. The depth and the details of the review process will vary depending on the contract. The following should be taken into consideration as part of the review:

- Whether the contract achieved its objectives;
- The Partner's performance;
- Satisfaction of the users;
- Contract variations;
- Any disputes;
- Key Performance Indicators and Service Levels;
- Budget vs Actual spend;
- Weaknesses in planning, managing and procedures; and
- Audit reports.

The benefit of having transparent KPIs will drive desired outcomes such as minimal time to signature, minimal avoidable business risk, best possible value for contract agreements and contract renewals, adherence to contract management processes and optimisation of contract management processes and maximizing compliance. Therefore, performance targets (SLAs, KPIs) should be regularly reviewed to ensure the KPIs remain relevant and meaningful.

3.13. Managing Transition

There may be a need for the goods/services to continue but with a different supplier. The transition period from one contract to another can be a high risk period. It is the Contract Manager's responsibility to develop a transition plan. The following aspects should be considered when developing the transition plan:

- Identifying any specific differences between the current and future contract;
- Developing a new communications plan, identifying stakeholders, both internally and externally, who may be impacted by the changes;
- Updating internal processes or procedures with any changes required under the new contract; and
- Depending on the size and complexity of the contract, the transition period may take 12 – 18 months. This will consume a significant amount of time and resources (including significant financial costs) and require ongoing management by the Contract Manager.

4. TOOLS FOR CONTRACT MANAGERS

These section contains links to various to other resources available to Contract Managers.

Tool	Contact in case you need access	Owned or managed by
WEB3	<p>Available through the Hub if a licence is assigned</p> <p>Access Form and user guides can be found on the Source to Settle Hub Page.</p> <p>https://poluk.sharepoint.com/sites/POA001/procurement/SitePages/Web3.asp Xand CMF Intranet page:</p> <p>https://poluk.sharepoint.com/sites/lcg/SitePages/Contract-Management-Framework.aspx</p>	<p>Procurement Operations Team</p> <p>Assistance on Web3 functionalities via the Contract Management Team</p>
The LCG Academy	https://poluk.sharepoint.com/sites/lcg/SitePages/Legal,-Compliance-%26-Governance.aspx	The Legal, Compliance and Governance Team
Post Office Policies	https://poluk.sharepoint.com/sites/postoffice/Pages/policies.aspx	The relevant policy owner
Post Office Group Spend Approval Limits	https://poluk.sharepoint.com/sites/lcg/SitePages/Contract-Approval-Process.aspx?CT=1613478394298&OR=OWA-NT&CID=78b0bfb8-ec96-2f99-e799-257054d35674	Company Secretariat Team
Reporting dishonest or fraudulent activity	<p>Discuss the matter fully with their Line Manager.</p> <p>Report their suspicions by telephoning Grapevine on GRO</p> <p>Speak Up service available on GRO GRO or via a secure on-line web portal: http://www.intouchfeedback.com/postoffice</p>	The Legal, Compliance and Governance Team
Procurement team	https://poluk.sharepoint.com/sites/POA001/procurement/SitePages/Home.aspx	Procurement Director
Demand Management Model	https://poluk.sharepoint.com/sites/lcg/SitePages/Demand-Model-Management.aspx	Procurement Director and The Legal team.
Partner Segmentation Matrix and Segmentation Tool	Contract Management Framework Legal Academy	General Counsel

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5. THE FRAMEWORK CONTROLS AND GOVERNANCE

5.1. Responsibility

The Framework sponsor responsible for overseeing this guide is the Group General Counsel of Post Office Limited.

The Framework owner is the Group Legal Director who is responsible for ensuring that the Legal Team conducts an annual review of this guide and tests compliance across the Group. Additionally, the Group Legal Director and the Legal Team are responsible for providing appropriate and timely reporting to the Risk and Compliance Committee and the Audit and Risk Committee.

The Audit and Risk Committee are responsible for approving the Framework and overseeing compliance.

The Post Office Board is responsible for setting the Group's risk appetite.

If you need further information about this Framework or wish to report an issue in relation to this policy, please contact the Legal Team.

Committee	Date Approved
POL R&CC	
POMS R&CC	
POL ARC	
POMS ARC	
Payzone Board	

5.2. Framework Approval

Framework Sponsor:	Group General Counsel
Framework Owner:	Group Legal Director
Framework Author:	Senior Legal Counsel & Paralegal
Next review:	September 2022
Group Oversight Committee:	Risk and Compliance Committee and Audit and Risk Committee

Company Details

Post Office Limited and Post Office Management Services Limited are registered in England and Wales. Registered numbers 2154540 and 08459718 respectively. Registered Office: Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ.

Post Office Limited is authorised and regulated by Her Majesty's Revenue and Customs (HMRC), REF 12137104. Its Information Commissioners Office registration number is Z4866081.

Post Office Management Services Limited is authorised and regulated by the Financial Conduct Authority (FCA), FRN 630318. Its Information Commissioners Office registration number is ZA090585.

Payzone Bill Payment Limited is registered in England and Wales. Registered numbers 11310918. Registered Office: Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ.

		Training: Guidance on the company intranet page(s) is updated regularly to provide the business with accurate information on the contract approval and execution processes, including the authorised signatories.	Company Secretariat	
		Awareness: Twice yearly communications will be sent to all colleagues to remind them about governance processes and procedures, including authorised signatories.		Bi-annual comms plan
Contract Management	A lack of understanding of how to manage contracts efficiently, knowledge of contractual obligations on each party, impact to other areas within the business and basic contract law gives rise to risk of not meeting contractual obligations, being unable to pursue action in event of breach or last minute resource drain when contracts are suddenly about to expire or need to be renewed.	Contract obligation mapping on Web3 will allow mapping of key deliverables or actions that each party needs to undertake to comply with the contract	Contract Managers	Always
		Central repository of contracts to ensure contracts and appropriate additional information is accessible	Legal/Contract Managers	Always
		Legal training to the business to improve their understanding of the contractual obligations and impacts of contracts on other areas within the business	Legal	When required
		Developed house positions with playbooks that set out a range of acceptable negotiated positions for the following contract types: supplier contracts, bill payment contracts, agency network contracts and employment contracts	Legal	To be used when appropriate, reviewed by Legal on an ad hoc basis

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Annex 2 - Partner Management Guide

This Guide covers the following:

1. Overview
2. Introduction to Partner Relationship Management
3. Partner Segmentation – first step in identifying in-scope partners
4. Partner Segregation Matrix
5. Required Partner Management Activities
6. APPENDIX 1: Detailed Supplier Management requirements and guidance

1. Overview

Partner management encompasses all activities from inception of the requirement to engage a partner through to the end of the relationship. Partner Relationship Management (**PRM**) is the activity within partner management which allows the day-to-day management of partner relationships once the partner is on board and providing or receiving services. This guide focuses specifically on Partner Relationship Management, but also provides an overview of the wider requirements of PM. It summarises Post Office's approach to managing third party relationships and their subcontractors with effort prioritised on partners deemed Strategic/High Risk or Critical during partner segmentation.

1.1. Partner segmentation.

The Strategic/High Risk segmentation may also include partners who:

- Provide material services to the group;
- Co-ordinate and deliver services across them;
- Receive material services from Post Office; or
- Co-operate with Post Office when providing services to others.

These partners, in particular, require a number of mandatory partner management, and PRM activities **to either allow Post Office to fulfil its obligations to its upstream clients, or to ensure that Post Office is realising maximum profit. Such activities also allow Post Office to comply with applicable legal and regulatory requirements.**

In most cases, for Strategic/High Risk and Critical partners, unless another relationship manager has been appointed, the Contract Manager will be responsible for day-to-day management of the relationship and for completing the activities required under this Guide. They must be identified by an overall accountable business owner – the Contract Owner – of the services being delivered who retains the responsibility for ensuring appropriate ongoing partner management is in place.

1.2. Due diligence.

This guide outlines the mandatory and recommended activities that a Contract Manager should complete in line with related policies and the group's current view of best practice and depending upon Partner Segmentation. For PRM, these recommended activities include:

- Completion of annual due diligence on the Partner.
- Monitoring of Partner performance to agreed SLA's, KPI's and contractual obligations.
- Management of agreed risks, issues, escalations and change control procedures.
- Conducting annual strategic reviews plus other service development, innovation and performance review meetings.
- Completing annual audits, reviewing all obligations (including exit) and regular security penetration and disaster recovery testing.
- For suppliers - submission of a Monthly/Quarterly etc (as set out within the contract) SRM Dashboard to Contract Managers for upload into Web3.
- Adherence to a contractually agreed Partner Management Governance Model.

A list of Strategic/High Risk and Critical partners has been approved by the GE members.

2. Partner Relationship Management (PRM)

2.1. Why do we need to do partner management?

- Post Office is dependent on a number of Partners to help us deliver market facing services, revenue generating products or critical activities across our business. This may be through direct outsourcing of services to them or via their provision of goods/service to us which enables us to continue our critical business activities.
- Post Office needs to be aware and manage their obligations, service levels and other requirements so that it does not find itself in breach of contracts.
- Post office is required by regulatory bodies and government authorities to carefully manage those dependencies, thereby ensuring our critical business operations are not impacted by loss or interruption of supply.
- Good business sense dictates that Post Office should apply a similar level of rigour to our higher risk or strategic third party relationships, even if we are not obliged to by an external body.
- To obtain value for money from its partners and its contracts, and that those contracts are continually aligned with strategic requirements.
- Protection of Post Office reputation.

Formal partner management is not required for all partners, however this guide aims to clarify those requirements and the basis on which they will apply.

2.2. What PRM includes?

At the highest possible level, good practice and regulatory guidance considers adequate partner management should include the following activities:

- Rigorous and compliant partner selection and contracting, including due diligence on the potential partner;
- In the case of suppliers, appropriate approval via the Procurement Sourcing Councils to proceed with engagement of the supplier from suitably authorised and accountable individuals within the organisation;
- A clear plan implemented from the activities that will be in place to manage the relationship and POL's and the partner's performance;
- An agreed set of controls and procedures to mitigate, manage and respond to emerging risks;
- Clear roles and responsibilities defined for the performance of these activities and ultimate accountable executives who can assure that these activities take place;
- Regular (in most cases annual) reviews of the partner to ensure it remains a going concern and to manage risk to the group;
- Sufficient exit management procedures at the end of the relationship to protect the group's interests and minimise the risk of disruption to business operations.

PRM is an integral part of overall contract management. It is concerned with the day to day activities to manage and drive value from the relationship with the supplier once it has contractually commenced.

This guide sets out the best practice Partner Relationship Management which enables the group to obtain optimal value from the partnerships, leading to the following benefits:

- Compliance with contractual commitments;
- Service levels and quality of service expectations are met throughout the life of the relationship;
- The delivery of optimal value from the relationship in financial and non-financial terms;
- The creation of successful relationships, shared objectives and facilitation of innovation;
- Gaining a holistic view of Partner experience, enabling delivery of key information to a range of stakeholders, and allowing measurement on a balanced set of metrics;

2.3. When does partner management need to happen?

It is important to understand that partner management needs to happen at all stages of a relationship:

Before selection: Developing and agreeing a suitable business case and justification for using a third party versus in-house, justification for bringing a new service/product to Post office, assessing the risks and benefits of all scenarios. In some circumstances, regulatory or Partner approval may also be required.

During Partner selection: Treat potential Partners equally and without discrimination, acting in a transparent and proportionate manner and compliantly in line with Public Procurement legislation. Assess the potential Partner(s) ability to deliver or receive the goods and services required, through proper due diligence and a rigorous selection process.

During contracting: Agreeing appropriate contractual protections, SLA's/KPI's. Planning for implementation and transition including the identification of a Contract Owner and Contract Manager.

During implementation: Agreeing and documenting the roles, governance and necessary partner management activities that will be required from Day 1 of the service.

Through the lifecycle of the contract in the form of Partner Relationship Management: Using Web3 and other tools provided across the business, conduct partner reviews, monitor performance and annual due diligence where required.

At the end of the contract: Managing the transition of the service back in house or to an alternative provider, or transition back to the Partner, ensuring risk to operations or business is mitigated throughout the transition period. Ensuring the group assets held by the Partner are adequately managed or disposed of as appropriate.

3. Partner Segmentation

3.1. What is partner segmentation and when should it happen?

Partner segmentation is the generic term for completing a risk assessment of a Partner, using a range of pre-defined criteria and risk factors, ultimately determining if a Partner is a Low, Medium, or Strategic / High Risk. Segmentation determines if the Partner is also a Critical Partner. The identification of Strategic/High Risk and Critical Partners through segmentation is essential in determining the correct levels of due diligence and oversight.

Segmentation should be completed at the earliest possible point when a potential spend requirement has been identified and at a minimum prior to on-boarding and contracting with a Partner. The procurement team will assist with considering of multiple suppliers during the selection process. Engagement with clients is normally driven by the type of product or service that Post Office can provide to the clients.

3.2. How to segment partners?

The Partner Segmentation Matrix and Segmentation Tool should be used to correctly segment Partners based on latest risk criteria.

The Segmentation Matrix consolidates various criteria agreed between cross-functional working group and Post Office group companies, and provides an efficient way to complete and document the segmentation.

The Segmentation Tool will assist the Contract Manager with assigning the correct segment to each Partner.

Note: Please note that IT Suppliers are crucial to Post Office and a separate segmentation process has been designed for them, please refer to Appendix 2.

3.3. Description of segments

I. PLATINUMPARTNER



These Partners typically have agreements in place which are high value, and/ or long term across multiple products and services. Often involving a high degree of integration, and with access to considerable levels of sensitive data.

These suppliers are considered to be **Critical** to Post Office. See Segregation Matrix **Table 1** for the relevant criteria.

II. GOLD PARTNER



Partners categorised as 'Gold' will have contracts in place with a high value across a 5yr term or longer. Whilst there's a lower degree of integration (compared to a Platinum Supplier) they will still have access to considerable levels of sensitive data.

These suppliers are considered to be **Material and Strategic** to Post Office. See Segregation Matrix **Table 2** for the relevant criteria.

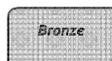
III. SILVER PARTNER



Silver Partners have lower value contracts in place across a contract term that is less than 5yrs. Partners are mainly connected to a single products/ service but may include a low level of integration, along with limited access to sensitive data.

These suppliers are considered to be important to Post Office but do not pose an immediate risk to Post Office's ability to provide products/ services. See Segregation Matrix **Table 3** for the relevant criteria.

IV. BRONZE PARTNER



Considered to be more transactional products/ Services with lower value short term agreements (less than 3yrs). There should be no systems integration, or access to sensitive data.

These Partners should not pose any genuine risk to Post Office's ability to provide products/ services. See Segmentation Matrix **Table 4** for the relevant criteria.

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3.4. Partner Segmentation Matrix - If any of the criteria are true, the classification applies.

Table 1 **PLATINUM PARTNER**

Criteria	Applicability
Business Continuity	
• Supports critical infrastructure or business operations	Supplier
• Supports the critical activities of the Post Office through the provision of services of information	Supplier
• Provides critical infrastructure to the business	Supplier
• Providing the Client, or allowing POL to distribute services that are of economic importance, are aimed at vulnerable members of the society or are regulated	Partner
• Partner will have physical or logical access to Post Office systems or Data (excludes intragroup entities, suppliers providing hardware or software only)	Partner
• Supports the recovery of the business in the event of a crisis	Supplier
Data Security	

<ul style="list-style-type: none"> Partner will have physical or logical access to Post Office Customer Data. Post Office will process significant amount of the Partner's personal data. 	Partner Supplier
<p>Cyber / Information Security Risk</p> <ul style="list-style-type: none"> Partner will have physical or logical access to Post Office systems or Data (excludes intragroup entities, suppliers providing hardware or software only) 	Partner
<ul style="list-style-type: none"> Manufacture, support and/or administer multiple products across multiple lines of business 	Partner
<ul style="list-style-type: none"> Comprise a formal outsourcing arrangement for the business itself as well as products for resale 	Partner
It is highly likely that Platinum partner will fulfil some criteria assigned to Gold Partners.	

Table 2 GOLD PARTNER

Criteria	Applicability
<ul style="list-style-type: none"> Provides outsourcing of business functions and people including regulated activities 	Supplier
<ul style="list-style-type: none"> POL is providing services of economic importance such as Post Office Card Account, Biometrics. 	Partner
<ul style="list-style-type: none"> POL is distributing regulated products 	Partner
<ul style="list-style-type: none"> Core services to POL such as mails products. 	Partner
<ul style="list-style-type: none"> Total value or profit of the expected contract >£1m per annum (excl. VAT) OR spend is >25% if business unit's cost base 	Partner
<ul style="list-style-type: none"> Expected term of contract of 5 years or more 	Partner
<ul style="list-style-type: none"> Potential for adverse reputational / brand impact – Major impact to brand value/market share, adverse publicity, legislation or regulator breach leading to fines, loss of revenue >£1m 	Partner
<ul style="list-style-type: none"> Revenue generation and creation of Intellectual Property (IP) – Direct contribution to creation of IP / market facing products or services or integral to ongoing generation of revenue. 	Partner
<ul style="list-style-type: none"> Ability of POL to influence the selection of supplier or quality of goods/services received – Use of the supplier has been mandated* by partner, customer and there is no ability to influence – Monopoly market provider. [*Note this would be a breach of the law under PCR Regulations but could potentially apply elsewhere within the POL Group.] 	Supplier
<ul style="list-style-type: none"> Ease of implementation - Complex implementation effort requiring >6 months to complete and involvement of multiple business units. 	Partner
<ul style="list-style-type: none"> Ease of implementation - Complex implementation effort requiring >6 months to complete and involvement of multiple business units. 	Partner
<ul style="list-style-type: none"> Ability to switch suppliers once implemented - >6 months to transition away from the supplier and/or significant financial penalties and/or organisational change 	Supplier
<ul style="list-style-type: none"> Dependency on supplier – Highly dependent on single/niche/specialist supplier for bespoke services/goods; very limited – if any - alternative supplier choice. 	Supplier
<ul style="list-style-type: none"> Dependency on the client – There are no other clients who provide similar service, for example a lot of the government agreements such as Biometrics 	Client

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<ul style="list-style-type: none"> • Sanctioned / Politically Exposed Individuals or organisation - Supplier has known connections to a sanctioned individual or is a sanctioned organisation. 	Partner
<ul style="list-style-type: none"> • High Risk Geographies - Supplier’s geography of incorporation or significant operations rated “Amber” or “Red” on the POL Risk Register. 	Partner
<ul style="list-style-type: none"> • Relationship may be exclusive 	Partner

Table 3 SILVER PARTNER

Criteria	Applicability
<ul style="list-style-type: none"> • Not a core product 	Partner
<ul style="list-style-type: none"> • Total value or profit of the expected contract less than £1m per annum (excl. VAT) OR spend is >10% if business unit’s cost base 	Partner
<ul style="list-style-type: none"> • Potential for adverse reputational / brand impact - POL trademark is used for a very specific purpose that is controlled by POL. 	Partner
<ul style="list-style-type: none"> • Intellectual Property (IP) - IP stays with the party that created it 	Partner
<ul style="list-style-type: none"> • Ability of POL to influence the selection of partners - POL has multiple competitors in the area and the relationships are not exclusive. 	Partner
<ul style="list-style-type: none"> • Ease of implementation - Complex implementation effort requiring >6 months to complete and involvement of multiple business units. 	Partner
<ul style="list-style-type: none"> • Expected term of contract of 5 years or less 	Partner
<ul style="list-style-type: none"> • Ability to switch suppliers once implemented - >3 months to transition away from the supplier and/or financial penalties and/or organisational change. 	Supplier
<ul style="list-style-type: none"> • Dependency on supplier - Services/good can be sources from different sources and there is no dependency on the supplier. 	Supplier
<ul style="list-style-type: none"> • Dependency on the client - POL can bid for similar service with other clients such as in bill payment area. OR POL has other ways of accessing the market. 	Client

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Table 4 BRONZE PARTNER

Criteria	Applicability
<ul style="list-style-type: none"> • Short term agreements or 12 months or less 	Partner
<ul style="list-style-type: none"> • Negligible spend or value. 	Partner
<ul style="list-style-type: none"> • No IT systems integration. 	Partner
<ul style="list-style-type: none"> • No dependency on the partner. 	Partner
<ul style="list-style-type: none"> • Consultancy agreement 	Partner

3.5. Partner Segmentation Tool

The Partner Segmentation Tool is designed for Contract Managers to correctly assign the segment to each of the partners they are dealing with and the levels and types of activities they should be carrying out in relation to that Partner.



Supplier and Client segregation tool.xls

3.6. Required Partner Management Activities

- The Partner Segmentation Matrix and the Partner Segmentation Tool should be used to determine the segmentation of the potential partner, and therefore the application of the Framework.
- The following table summarises the partner management guidance for Partners depending on their segmentation and overall risk level.
- A further good practice guide on the management of suppliers only sets out in detail the various actions that Contract Managers should consider implementing is included in *Annex 1: Detailed Supplier Management requirements and guidance* below.

All **PLATINUM PARTNERS** will have a Contact Manager and Contract Owner (in some circumstances there will be an additional supplier manager) to ensure that the businesses have single points of contact to each other. The Contract Manager is responsible for the following:

Action	Assistance/info/support
Engage procurement prior to spend commitment	Procurement team – procurement Legal – contract (Consult the Procurement Policy and engage as required)
Due diligence prior to on-boarding and contracting	Procurement team – procurement
Identification of Contract Manager and Contract Owner	The relevant business unit and follow directions of the GE member (Delegated Authorities paper)
Ensure sufficient contractual provisions	Procurement team – sourcing Legal – contract
Appropriate KPIs /SLA's, which should be approved by the relevant business area, for example: services provided via branches should be agree with the network operations to ensure that the branches can handle performance	The relevant business unit, LCG, key stakeholders including IT, DP, Risk, Network operations, Procurement team – procurement, etc.
KPI/SLA Monitoring	Contract Manager
Formal Control checkpoint prior to contract signature	Procurement team – procurement Company Secretary – governance Relevant business unit
Handover: Contract Owner to Contract Manager	Delegated Authorities paper
Annual Due Diligence	Contract Manager
Management of agreed risk, issue, escalation and change control procedures	Contract Management team Procurement and Legal - contract
Conduct annual strategic reviews plus other service development, innovation and performance review meetings	Contract Manager/Management team; Procurement team – supplier management The Legal team Other key stakeholders as appropriate to the service
For Outsourcing, completing annual audits, regular Penetration and disaster recovery testing, and submission of Qtrly SRM Dashboard	Risk Team – Audit Procurement Team – Contract Legal Team – Contract Information security Business continuity

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Exit Management	Business continuity Procurement team IT, relevant business unit. Network operations.
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All **GOLD PARTNERS** will be allocated a Contact Manager and Contract Owner (in some circumstances there will be additional resources to manage contracts) to ensure that the businesses have single points of contact to each other. The Contract Manager is responsible for the following:

Annual Checks	
Action	Assistance/info/assistance
Supplier financial stability checks and Segmentation	Procurement or Supplier Management Teams (SMT) Templates provided via procurement teams
RACI – identify who is to be Responsible, Accountable, Consulted, and Informed	Procurement Team or SMT Ensure business stakeholder approves the RACI
Insurance check	Refer to contract to see what the minimum requirements are
Contract review and planning session – To include strategic discussions in line with the long-term ambitions of the relationship	Risk Team – Audit Procurement Team – Contract Legal – Contract Identify all reviews, audits and contract requirements for the year ahead
Commercial review (market comparison)	Procurement Team or SMT
Exit Plan Reviews (all elements of service)	Legal
Remote due diligence (Service and MI check)	Audit Team
On site due diligence (Service)	Audit Team
On site due diligence (IT & Data Security)	Audit Team, LCG
BCP Testing/ Review of actions	SMT Risk Team – Audit Procurement Team – Contract
Innovation workshop	Procurement Team or SMT Listen to the Supplier, look into Innovation and Fin-Tech news articles
Action	Contact for assistance
Supplier Review Meeting (face to face)	
Review: Structure changes & Policy Updates	
Remote due diligence (Complaints)	
Monthly checks	
Action	Assistance/info/support
Supplier Review Meeting (con call, and face to face as appropriate) (Service Reviews in the IT supplier management)	Risk Team – Audit Procurement Team – Contract Legal – Contract Business Stakeholder Ensure delivery of contractual obligations Identify and rectify non-compliance with contract terms. Review previous actions/ issues and document future actions Facilitate decision making & escalation

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	Identify & manage key risks
Receive and review MI Reports	Add commentary as required Understand and address any under-performance

All **SILVER PARTNERS** will be allocated a Contact Manager and Contract Owner (in some circumstances there will be an additional supplier manager) to ensure that the businesses have single points of contact to each other. The Contract Manager is responsible for the following:

Upon any New Term / Renewal	
Action	Assistance/info/support
Commercial review (market comparison)	Procurement Team or Supplier Management Teams
Exit Plan Review (all elements of service)	The Legal Team
On site due diligence (Service)	
On site due diligence (IT & Data Security)	LCG
Annual checks	
Supplier financial stability checks and Segmentation	Sourcing or Supplier Management Teams Templates appended to this framework
RACI – identify who is to be Responsible, Accountable, Consulted, and Informed	Sourcing or Supplier Management Teams Ensure business stakeholder approves the RACI
Insurance check	Refer to contract to see what the minimum requirements are
Contract review and planning session	Risk Team – Audit assistance Sourcing – Contract assistance Legal – Contract assistance Identify all reviews, audits and contract requirements for the year ahead
Remote due diligence (Service and MI check)	
Remote due diligence (Complaints)	
BCP Testing/ Review of actions	
Quarterly	
Supplier Review Meeting (face to face)	
Review: Structure changes & Policy Updates	
Monthly	
Supplier Review Meeting (con call) <i>Please see example of Agenda within Supplier Management Web 3</i>	Risk Team – Audit assistance Procurement Team – Contract assistance Legal – Contract assistance Business Stakeholder Ensure delivery of contractual obligations Identify and rectify non-compliance with contract terms. Review previous actions/ issues and document future actions Facilitate decision making & escalation Identify & manage key risks
Receive and review MI Reports	Add commentary as required

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All **BRONZE PARTNERS** will be allocated a Contact Manager and Contract Owner (in some circumstances there will be an additional supplier manager) to ensure that the businesses have single points of contact to each other. This will promote and enforce consistent messaging across the relationship. The Contract Manager is responsible for the following:

Action	Assistance/info/support
Engage procurement prior to spend commitment	engage Procurement team as required consult the Procurement Policy
Due diligence prior to on-boarding and contracting	engage Procurement team as required
Ensure sufficient contractual provisions	Legal – contract
Agree appropriate KPIs /SLA’s in place	This is a recommended action
Formal Control checkpoint prior to contract signature	Company Secretary – governance

4. APPENDIX 1 - Detailed Supplier Management requirements and guidance



Detailed Supplier Management requir

5. APPENDIX 2 – IT Supplier Tiering Model



IT supplier Tiering model.docx

8.3

Welcome to the Post Office Segmentation Tool

This Segmentation exercise should be carried out on all Suppliers and Clients of Post Office on an annual basis.
The results of the Segmentation help the Supplier, Client and Contract Managers to identify what roles and responsibilities are expected of them.

Click on one of the following to begin the Segmentation:

<p>Supplier Segmentation</p> <p>Company is providing Products / Services to the Post Office (incl Payzone or POI)</p>	<p>Client Segmentation</p> <p>Post Office is providing Products / Services to the Client (Post Office is the Supplier)</p>
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Post Office - Supplier Segmentation Tool		
BACK		
Supplier	Supplier Name (Contracting Entity)	Name ltd
	Registered Address	free text address
	Company Number	company number is free text
	Post Office Products & Services provided / supported by the Supplier	Insurance, FM, Tel Coms, IT etc
	Description of Services/Goods	Free text
	Contract Manager Name (Post Office)	Free text name
	Supplier Manager Name (Post Office)	Free text name
	Who is answerable to the Regulator for the Services provided	
Value	Annual spend with Supplier by Post Office (excl VAT)	
	Annual Income to Post Office from the Supplier (excl VAT)	
	Total Contract Value (excl VAT)	
Data	Type of data Supplier has access to	
	Is Supplier the data controller or processor	
	How many items of data does the Supplier have access to	
	Has the Supplier had a data breach in the past 12 months	
Impact to Post Office	Supplier Criticality Rating (Contract Manager to score)	
	Post Office Confidence Rating (Contract Manager to score)	
	What is the impact to Post Office if the Supplier could not provide their services for 48hrs	
	What is the impact to Post Office if the Supplier could not provide their services for 1 -2 weeks	
	What is the impact to Post Office if the Supplier could not provide their services for more than 1 month	
	Risk Rating / Materiality / Criticality Level	#N/A
	Partner Segmentation Category	#N/A
	Comments / Actions	Any info to add..... Free text

Post Office Client Segmentation Tool		
BACK		
Client	Client Name (Contracting Entity)	Name Ltd
	Registered Address	free text address
	Company Number	company number is free text
	Client's Products & Services supported by Post Office	Bill payments etc - free text
	Description of Services/Goods provided by Post Office	Free text
	Contract Manager Name (Post Office)	Free text name
	Supplier Manager Name (Post Office)	Free text name
	Who is answerable to the Regulator for the Services provided	
Contract & Value	Annual spend with Client by Post Office (excl VAT)	
	Annual Income to Post Office from the Supplier (excl VAT)	
	Total Contract Value (excl VAT)	
	Post Office reliance on Client	
	Level of integration between the Parties (cost of change)	
	Post Office's position in the Market	
	Confidence level in retaining Client (at next review)	
Data	Type of data Client has access to	
	is Client the Data Controller or Processor	
	How many items of Post Office data does the Supplier have access to	
Impact to Client	Client perception of Post Office Relationship	
	What is the impact to the Client if Post Office could not provide their services for 48hrs?	
	What is the impact to the Client if Post Office could not provide their services for 1 -2 weeks?	
	What is the impact to the Client if Post Office could not provide the service for more than 1 month?	
Criticality Level	#N/A	
Partner Segmentation Category	#N/A	
Comments / Actions	Any info to add..... Free text	

Tab 8.3 Contract Management Framework & Appendices

1. Detailed Supplier Management requirements and guidance

i. Analysis and risk assessment			
When to complete	Activity	Outputs	Responsible
Post-partner segmentation and after confirmation of service include outsourcing	Complete a requirements analysis and risk assessment to identify/enable: <ul style="list-style-type: none"> ~ The business processes to be outsourced and the materiality if these in the context of the business and service they support ~ The required service levels that the supplier will have to commit to. ~ The ability of Post Office to maintain appropriate internal controls and meet regulatory requirements (if applicable), particularly if the supplier were to experience problems. ~ Consideration of the need to seek 3rd Party (Client/Customer/Regulatory) approval or non-objection, a current advice or guidance provided by them, and the need to consultation with any of these partners. ~ Consideration also, of whether the nature of the outsource will bring increased or new risks. ~ Initial consultation and non-objection from partners. ~ Consideration of the extent to which outsourcing is preferable to undertaking the activity in-house. ~ Consideration of the ability for intra-group outsourcing versus third party supplier and the impact of PC regulation on that option. 	Report	Contract Owner Contract Manager
ii. Prepare a high level business case			
When to complete	Activity	Outputs	Responsible
Post-partner segmentation and after confirmation of service include outsourcing	Prepare a high level business case which provides detail and analysis of the following: <ul style="list-style-type: none"> ~ The extent to which outsourcing is preferable to undertaking the activity in house. ~ All potential costs and benefits (hard and soft) of the outsource including any cost saving incentives to be placed in place with the potential supplier. ~ The compliant Public Procurement Process which must be followed in order to award the contract. 	Business case	Contract Owner Contract Manager
iii. Sign-off check point			
When to complete	Activity	Outputs	Responsible
Post-partner segmentation and after confirmation of service include outsourcing	A formal checkpoint should be held on the conclusion of the prior steps to decide whether or not to proceed with supplier selection. <ul style="list-style-type: none"> ~ Review and approval of the high level business case from appointed, accountable executives of the Post Office or relevant group entities. ~ For POLVIS Ltd notification is required to the relevant XYZ.. ~ The compliant Public Procurement Process which must be followed in order to award the contract. For details of the Procurement processes please review the Procurement Policy. 	A formal approval to proceed	Contract Owner Contract Manager
iv. Full Partner due diligence			
When to complete	Activity	Outputs	Responsible
Pre-contracting and post-partner selection	Complete Supplier Due Diligence as required by the Supplier Segmentation Tool, to include: <ul style="list-style-type: none"> ~ Check of suppliers past experience, capability and competence to implement and support the proposed activity over the contract period. ~ Any potential conflicts of interest between the potential supplier and the Post Office, of its entities and employees and a plan for resolution. ~ Assessment of the suppliers business reputation and culture, compliance, complaints and outstanding or potential litigation, open audit considerations or notes to the suppliers financial statements or regulatory concerns. ~ Review of Suppliers customer references ~ Review of suppliers Corporate Social Responsibility and policies and their agreement to Post Office policies and codes of conduct. ~ Relationships between the Supplier, its supply chain, and/or sanctioned territories or individuals which could create reputational risk for Post Office. ~ Completion of a Business Continuity Management questionnaire and review with BCM team ~ Completion of an Information Security questionnaire and review with InfoSec team. ~ Consideration of insurance provisions as relevant to the goods and/or services ~ Onsite audit or inspection of the suppliers premises or operations, if required 	Due diligence summary and action plan for any actions for management/mitigation pre and post contract	Contract Owner Contract Manager
v. Transition Planning			
When to complete	Activity	Outputs	Responsible
During contracting	A transition planning exercise must be undertaken as a joint exercise with the supplier and should be: <ul style="list-style-type: none"> ~ Onsite due diligence by the service provider (particularly for outsource services to ensure a thorough understanding of the processes or services to be outsourced) ~ Communication with affected staff if relevant ~ Hiring and induction of new staff to support the service or outsourced team ~ Training, knowledge transfer and parallel run between all parties ~ Stabilisation and efficiency period required ~ [Onshore] Decommissioning / staff reductions and/or TUPE (where relevant) ~ Identification of risks specific to the transition period with mitigating actions as appropriate ~ Clear roles and responsibilities on all sides ~ Embedding and scheduling Supplier Management and SRM activities and responsibilities of the supplier ~ Agree reporting and escalation paths for any issues during transition 	Agreed transition plan	Contract Owner Contract Manager
vi. Partner Management Plan			
When to complete	Activity	Outputs	Responsible

8.3

Tab 8.3 Contract Management Framework & Appendices

Pre-signature of the contract	<p>Agree the Supplier Management Plan, to include:</p> <ul style="list-style-type: none"> ~ Schedule and timings of mandatory Annual Strategic Review Meetings (incl. attendees, agenda, scorecard to be reviewed) ~ Schedule and timings of quarterly, monthly or regular checkpoints/service reviews (as applicable under the Supplier Segmentation agreed) ~ Schedule and timings of recurring due diligence activities ~ Issue escalation and resolution procedures, with accountable owners assigned <p>Definition of formal Supplier Management Team roles, to include at a minimum:</p> <ul style="list-style-type: none"> ~ Accountable Executive: Individual holding overall accountability for the relationship and supplier engagement ~ Business Owner(s): representative of business unit who receives or will receive the service (multiple to defined where multiple entities or units are receiving services). This is not the Project Manager ~ Supplier Manager: individual(s) responsible for the day to day management of the supplier relationship facilitation of S/M activities. The Supplier Manager should be identified as early as possible in the process of selecting a supplier such that they can be part of the team undertaking supplier selection, along with Procurement. Complex supply e.g. large outsourcing may require a number of resources to deliver the day to day commercial management of the Supplier. The particular roles and responsibilities within that team should therefore be documented within the Supplier Management Plan as possible, replicated within the Suppliers team facing into the Post Office. ~ Service Owner: overall service owner who has the holistic view of the services being provided to all Business Entities ~ Service Manager: manages the day to day, business as usual activities between the supplier and the PO Office. May support the Supplier Manager and service owners in completion of their duties. ~ Procurement Representative 	Agreed Management plan	Contract Owner Contract Manager
vii. Contract drafting			
When to complete	Activity	Outputs	Responsible
Pre-signature of the contract	<p>Procurement and Legal must be engaged to support drafting of an appropriate, fit for purpose contract</p> <ul style="list-style-type: none"> ~ Transition plan for outsource services, transitional arrangements ~ Contractual service levels and means of monitoring / reporting, including performance measures such as risk and key performance indicators (see next section) ~ Protection of confidential information and/or segregation of information ~ Contingency and business continuity plans and implementation of equivalent business continuity requirements aligned to Post Office policies ~ Termination rights and procedures ~ Information security and internal control, audit coverage, reporting and monitoring environment ~ Writting of third party supplier employees or confirmation of compliance to Post Office standards ~ Service credits in the event service levels are not met ~ Compliance with applicable Post Office policies including modern slavery, anti-bribery and corruption ~ Special requirements such as physical access control ~ Clearly defined descriptions of the service to be provided and the responsibilities of each party ~ Notification of any material change in circumstances of the supplier which could have a material impact on the provision of service ~ Contract management and escalation including dispute resolution ~ Exit management rights and procedures ~ Insurance cover ~ Ownership of Intellectual property and data, and obligations in respect of management of IPR ~ Roles and responsibilities, and restrictions on changes to key personnel ~ Limitations on sub-contracting or pre-approval on subcontracting, and liabilities ~ Compliance and co-operation, where required, with applicable regulatory requirement and bodies ~ Audit / Access rights, including the rights of on-site access for regulatory bodies ~ Benchmarking or other commercial activities relevant to the service 	Draft contract, CAF, Legal Risk Note, Applicable approvals	Contract Owner Contract Manager
viii. Contracting			
When to complete	Activity	Outputs	Responsible
Contracting	<p>Agreement of service levels and performance measures to include:</p> <ul style="list-style-type: none"> ~ Definition of critical service levels (cost, time, responsiveness, quality, customer satisfaction, volume, accuracy) : overall expectations of service ~ Definition of performance measures (KPIs): specific performance measures and how they will be calculated and reported. KPIs are the indicators and early warning signs of potential or actual breaches of service levels ~ Key Risk Indicators (KRIs): leading or lagging metrics which identify emerging risks ~ Agree monthly, quarterly, annual reporting and KPI requirements, and their delivery SLAs to enable the service(s) to be managed effectively and in a timely way. Ensure that Post Office obligations on fault reporting to customers and clients are 'backed-off' in order that Post Office can meet it's contractual obligations on time ~ Define reporting scorecards and requirements for measurement and reporting, including roles, recipients responsibilities for both sides ~ Agree contractual consequences of material and repetitive low level SLA breaches, escalation paths and dispute management ~ Consider service related circumstances under which Post Office would wish to Terminate for Cause and ensure appropriate contractual remedies are in place ~ Ensure mechanism for review and realignment of SLAs/KPIs is included to allow for additional or reduced services over time ~ Ensure reporting and declaration of compliance for regulatory or contractual obligations are detailed separately <p>Refer to Procurement for guidance on KPIs / SLAs which are appropriate to the service to be provided.</p>	Draft contract including KPIs, supplier management plan	Contract Owner Contract Manager
ix. Contracting			
When to complete	Activity	Outputs	Responsible

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Tab 8.3 Contract Management Framework & Appendices

Contracting	<p>A formal Control Checkpoint must be conducted and approvals documented. Business Owners and Procurement should consult with Post Office Company Secretariat to ensure governance is met. The attendees should include as appropriate [mandatory attendees in bold]:</p> <ul style="list-style-type: none"> ~ Accountable Executive, representatives from General Executive / Board as appropriate. ~ Managers of business areas impacted ~ Legal, Risk ~ Procurement ~ Supplier Manager ~ Business Owner ~ Service Manager <p>Checkpoint meeting must consider and approve, in principle:</p> <ul style="list-style-type: none"> ~ The proposed governance and supplier management approach, including roles and responsibilities via Supplier Management Plan. ~ Key contractual terms and conditions via the draft contract and Contract Approval Form ~ Summary of supplier risks, due diligence actions taken and any residual risk requiring post-contract mitigation or sign-off by the Accountable Executive(s) ~ Updated final business case ~ Transition Plan ~ A Go / No Go decision to proceed to contract signing and transition. <p><i>[Drafting note: CAF is under review. Subject to Co-See approval this process may take place virtually, via Contract Summary Form walk around and completion of the CAF process.]</i></p>	Minutes of meetings, scorecards	Contract Owner Contract Manager
x. Contracting			
When to complete	Activity	Outputs	Responsible
Contracting	<p>The Business Owner should complete a minuted Handover Meeting to the nominated Supplier Manager which ensures successful transition to the Supplier Manager, including:</p> <ul style="list-style-type: none"> ~ Roles and responsibilities clearly agreed and communicated ~ Supplier Management Plan agreed and handed over ~ Scheduling of annual activities including Due Diligence ~ Scheduling of performance monitoring activities ~ Scheduling of reviews both internal and with the Supplier ~ Scheduling of Monthly/Quarterly SM Dashboard submissions (for Outsourced) ~ Agreed next steps to establish performance monitoring, reporting, risk and issue management, escalation and change control processes and the retention of documentation relating to those. ~ Change notes, billing and invoice management (internal SLAs on turnaround times) 	Handover documents	Contract Owner Contract Manager
xi. Contracting			
When to complete	Activity	Outputs	Responsible
Post-signature and implementation	<p>The Business Owner should complete a minuted Handover Meeting to the nominated Supplier Manager which ensures successful transition to the Supplier Manager, including:</p> <ul style="list-style-type: none"> ~ Roles and responsibilities clearly agreed and communicated ~ Supplier Management Plan agreed and handed over ~ Scheduling of annual activities including Due Diligence ~ Scheduling of performance monitoring activities ~ Scheduling of reviews both internal and with the Supplier ~ Scheduling of Monthly/Quarterly SM Dashboard submissions (for Outsourced) ~ Agreed next steps to establish performance monitoring, reporting, risk and issue management, escalation and change control processes and the retention of documentation relating to those. ~ Change notes, billing and invoice management (internal SLAs on turnaround times) 	Handover documents	Contract Owner Contract Manager
xii. Annual Due Diligence			
When to complete	Activity	Outputs	Responsible
Post-signature and implementation - annual	<p>The Supplier Manager is responsible for completing required annual due diligence on a timely basis. The diligence required is dependent on the segmentation of the supplier. The supplier should be re-segmented. Supplier Managers should refer to the latest version of the Supplier Segmentation Tool and to Procurement.</p> <p>Minimum requirements for Strategic / High Risk suppliers</p> <ul style="list-style-type: none"> ~ Financial Health check ~ Conflict of Interest checks ~ Operations and Capability assessment ~ Review of company information, CSR, regulatory and risk management background ~ High Risk country or Sanctions. Low risk for Post Office however, any offshore locations relevant to service should be considered. <p>Minimum requirements for Strategic / High Risk suppliers including Outsourced</p> <ul style="list-style-type: none"> ~ BCM and IS questionnaires or statement from supplier of no change ~ (Annual Audit) - to be discussed at RCC, possibly applicable to BCI and RMG relationships??? ~ Evidence of disaster recovery / BCM and penetration testing as required ~ Statement of, and evidence of compliance to key contractual obligations e.g. staff vetting <p>Minimum requirements for Critical suppliers</p> <ul style="list-style-type: none"> ~ BCM and IS questionnaires or statement from supplier of no change ~ Financial Health check to be discussed - subject to review of final number of suppliers deemed 'critical' 	Results of due diligence Issues noted in due diligence escalated to appropriate individuals or business functions	Contract Manager
xiii. Monthly performance review			

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Tab 8.3 Contract Management Framework & Appendices

When to complete	Activity	Outputs	Responsible
Post-signature and implementation - monthly	<p>Monthly Service Performance Review</p> <p>Attendees to include:</p> <ul style="list-style-type: none"> ~ Supplier Manager ~ Business Owner ~ Service Manager <p>Procurement as request if there is a performance issue or commercial aspect to the discussion. Note: in complex Outsourcing arrangements, Procurement responsibilities may be delegated to a Commercial or Vendor Manager as part of the Supplier Manager team responsible for the supplier. Under these circumstances, Procurement should attend annually at a minimum or where there is a dispute.</p> <p>Agenda:</p> <ul style="list-style-type: none"> ~ Review of KPIs and service performance in the period ~ Financial performance, billing and invoicing, aged debt. ~ Agree performance improvement actions and incident resolution actions ~ Review and approve Change Requests ~ Review open Actions Log ~ Review open Risk Log ~ Review any compliance or contractual obligation activity due. 	<p>Minutes of meetings</p> <p>Risks and controls log</p> <p>Change of control log</p> <p>Any relevant documentation</p>	Contract Manager
xiv. Quarterly performance review			
When to complete	Activity	Outputs	Responsible
Post-signature and implementation - quarterly	<p>Quarterly Service Development Meeting</p> <p>Attendees to include:</p> <ul style="list-style-type: none"> ~ Supplier Manager ~ Business Owner ~ Service Manager ~ Accountable Executive ~ Procurement ~ Business Owners / Units as required <p>Agenda:</p> <ul style="list-style-type: none"> ~ Business review including service and financials ~ Review of market trends and trading updates ~ High priority action items ~ Agreement of key deliverables, Transition Plan (if appropriate) and status of Performance Improvement Plans ~ Review and approval of significant Change Requests ~ Review of any audit or risk assessments or findings ~ Innovation actions, activity or opportunities ~ Service improvement opportunities, actions 	<p>Minutes of meetings</p> <p>Risks and controls log</p> <p>Change of control log</p> <p>Any relevant documentation</p>	Contract Manager
xv. Annual strategic review			
When to complete	Activity	Outputs	Responsible
Post-signature and implementation - annual	<p>Annual Strategic Review meeting</p> <p>Attendees to include:</p> <ul style="list-style-type: none"> ~ Supplier Manager ~ Service Owner ~ Service Manager ~ Procurement ~ Accountable Executives of both parties ~ Business Owners / Units ~ Other Business functions at their discretion (Risk, BCM, Information Security, Legal, HR, Internal Audit) <p>Agenda:</p> <ul style="list-style-type: none"> ~ Overall trading and market conditions review: external and internal impacts. ~ Review of annual due diligence and agreement to mitigating actions ~ Review of compliance to internal policies, contractual obligations and external regulations. ~ Review of Service Levels and KPIs ~ Review of financial status and any risk/reward actions relevant ~ Review of continuing appropriateness of contractual terms ~ Review and approval of significant Change Requests and plans as required ~ New business opportunities ~ Review and agree significant changes to roles and responsibilities, specifically the Accountable Executive 	<p>Minutes of meetings</p> <p>Risks and controls log</p> <p>Change of control log</p> <p>Any relevant documentation</p> <p>Improvement plan</p> <p>Updated risk logs</p>	<p>Contract Manager</p> <p>Contract Owner</p>
xvi. Exit management			
When to complete	Activity	Outputs	Responsible

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Tab 8.3 Contract Management Framework & Appendices

Exit	<p>Agreement of a detailed Exit Management Plan, to include, where relevant:</p> <ul style="list-style-type: none"> ~ Communication with affected employees ~ Hiring and induction of new employees as a result of insourcing, where relevant ~ Training ~ Parallel run and stabilisation approach ~ Stabilisation/wind down and efficiency period ~ Supplier decommissioning/employees impacts ~ Identification of risks specific to the transition period with mitigation actions as appropriate ~ Transfer/ownership of shared assets owned or assets provided by either party ~ Requirements of termination/exit notice to supplier included in timelines <p>Completion of an Exit Management Control Checkpointing to include the following attendees and agenda items as appropriate:</p> <ul style="list-style-type: none"> ~ Post Office CEO, Post Office Accountable Exec(s) as relevant, Business Owner, managers of Business areas impacted, Legal, Procurement (early engagement of Procurement is essential to plan any activity to source an alternative supplier) ~ Supplier Accountable Executive and other individuals as required by the plan ~ Review and agreement of exit management plan ~ Go/No Go decision on exit <p>All documentation, plans, meeting minutes and formal contractual documents relating to the exit must be retained by the supplier manager/business owner for future audit.</p>	<p>Exit management plan</p> <p>Contract exit plan</p> <p>Audit trail</p>	<p>Contract Manager</p> <p>Contract Owner</p>
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Tab 8.3 Contract Management Framework & Appendices

Determining Tiering - Instructions

- On the slide below, consider each column in turn and the relevance of the statement in relation to your supplier
- Determine a Score for the supplier from A (1 – 10)
- Highlight the box(es) applicable – please ensure only 1 box is highlighted on the columns (vertical) boxes
- Total the number of highlighted boxes in each row (B)
- Multiply A x B to give you the score under column C
- Column D – Y/N, do the Contracted services have SLA's that back off to a Client Contract that could impact PDL with severe financial penalties. If Y, the VM/KM at their discretion can rate the outcome of that risk (1 low – 10 high) and if deemed relevant will impact on the Tiering outcome i.e add the score of D to column C. **Just one score to add to column C**
- Tiering will be determined Tier 1 = 56 - 70, Tier 2 = 36 - 55, Tier 3 = 16 - 35, Tier 4 = 1 - 15
- N.B Customer: definition is as per user of the service i.e. internal users or end user e.g. Post Office customer. You should only have one highlighted in each column hence the max score would be 50
- Impact on Business: Please consider reputation of Post Office should the Vendor's services be adversely impacted for example

Determining Strategic Vendors Instructions

Categories	Unique area of Goods or Services Access to critical supplier capability	Impact on Business Impact on current and future revenue	Customer Impact	Process Integration	Collaboration PDL ability to influence supplier strategy Complexity required continuity in relationship	Parting Cost Supplier Impact on current and future PDL costs Dependency on supplier	Score from column	Number of boxes	Number Score	Financial priority risk
Score A									(A x B) + D	
Strategic 8-10	Jointly Developed	Potentially High impact on company growth	Unique offering	Combined	Strategy Collaboration	Would require changing business models				
Critical Operational 5-6-7	Unique	Provides a competitive advantage	Service touches customer	Integrated	Operational Collaboration	Over 1 year or £1Million				
Important Commodity 2-3-4	Custom	Provides Operational Advantage	Service impacts customer indirectly	Interfaced	Data Feeds	Over 3 months or £100K				
Other 1	Commodity	Non-Differentiating	No Impact	None	None	Negligible				

8.3



POST OFFICE LIMITED AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Procurement Compliance & Governance Report	Meeting Date:	28 September 2021
Author:	Barbara Brannon, Procurement Director	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting

The Committee is asked to review the report, noting any Procurement Risk Exceptions submitted to the Post Office Limited Group Executive and Board since July 2021 and to consider and give direction in respect of the contracts in the Procurement pipeline which are high value and at risk of being awarded or extended non-compliantly where noted.

Previous Governance Oversight

- March 2021 – RCC, ARC and Board Submission
- May 2021 – RCC, ARC and Board Submission
- July 2021 – RCC and ARC Submission

Executive Summary

As a business in receipt of public funds Post Office Limited (POL) is bound by the Public Contract Regulations (2015). PCR 2015 oblige POL to behave in a fair, objective & transparent way when contracting with 3rd party suppliers. Additionally, set procedures must be followed for spend above £25k and £189k.

9.1

The purpose of this report is to set out both breaches to Post Office governance and key controls around contracts and compliance to PCR regulation in the award of contracts.

The aim of collating this information is to drive improvement in awareness and compliance behaviour across the organisation. The second and primary aim is to work with GE and Business Units to commence commercial reviews in a more timely way ensuring POL obtains value, commercial and contractual flexibility fitting the requirements and business strategy of the organisation.

In March 2020, Post Office Board requested prior approval of all Exceptions. This was revised in September 2020 to above threshold Exceptions >£189k only in a revision to existing governance. From November 2020 sub threshold exceptions will be submitted to the Group Executive for prior approval and reported retrospectively to RCC and to ARC.

A Procurement Risk Exception Note is required to accompany all Exception Requests and a Legal Risk note for requests >£189k.



Questions addressed

1. *How many and what types of procurement risk exceptions have occurred in the past quarter?*

Since the last RCC report at the end of July there have been no Procurement Risk Exceptions submitted to the Group Executive & Board for approval.

2. *What are we doing about it?*

Active reviews continue with Business Units with the highest values relating to non-compliance.

Our overall [IRRELEVANT] further with the successful completion of the Marketing Media tender from [IRRELEVANT]

A visual breakdown on all Open incidents at 1 September 2021 is available in Appendix 1.

3. *What is in the current Procurement pipeline which is high value and at risk of being awarded or extended non-compliantly?*

There are three potential Procurement Risk Exceptions pending:

- a) Postal Orders & Camelot Cheque Clearing processing services – this is a [IRRELEVANT] [IRRELEVANT]. expiring in March 2022 for which the cost of change is very material. A business decision has been taken to bring a risk exception request to GE & Board in late Autumn. The current timeline is also driven by lack of sight as yet on the outcome of the National Lottery tender process, and the technical/product roadmap for Postal Orders and how they will be physically processed and sold in branch with SPM.
- b) The overnight special delivery contract with RMG expires in December 2021 [IRRELEVANT] [IRRELEVANT] Current cost is circa [IRRELEVANT] It is believed that a [IRRELEVANT] for these services [IRRELEVANT] However, this must be formally evidenced [IRRELEVANT] and this market analysis is currently underway. There is insufficient time to run a full public process should [IRRELEVANT] [IRRELEVANT]
- c) A review of the PCR status of the legal advice relating to the Inquiry is underway. A further update will be provided to GE & Board in October.

9.1



Conclusion

Risk Exceptions are subject to extensive internal governance, legal and risk review, in line with POL governance guidance on value and risk. This is reflected in the material reduction in the value of open risks over the past 3 years.

Individually, all large value non-compliant contracts have been reviewed by appropriate Post Office governance forums with agreement on next steps and actions towards remediation allocated where appropriate and/or available.

Executive support towards moving POL towards a more compliant footing is very strong, but equally as important there is extensive support towards the cultural change required to ensure that Procurement activities and outcomes will support longer term business strategies and we reduce commercial risk making our 3rd party arrangements fit for purpose.

Report

4. What are the potential consequences of non-compliant awards?

- a) Pre-contractual remedies overview: During a Procurement, an aggrieved party can seek an interim injunction suspending the tender or the implementation until the court decides on an outcome.
- b) Post-contractual remedies: The court can order an 'ineffectiveness order' rendering the contract void &/or can award damages.

5. Why are these incidents of non-compliance occurring, and what can be done about it?

Non-compliant awards may be made for a number of reasons at the Post Office.

- a) Low value, time constrained or highly sensitive/specialist engagements are not uncommon.
- b) Large commercial arrangements cannot often be easily competed or unravelled without operational impact, and re-procurement may be subject to a pending evolution of a supporting Business Strategy and/or completion of large, and complex technical programmes of work to maintain or enhance services prior to a possible exit.
- c) The contractual arrangements may pre-date PCR 2015 regulations or the contract novated during separation from RMG, automatically becoming non-compliant at the renewal point. Non-compliant awards are frequently made on a tactical basis to extend contractual services while public tender processes are executed.
- d) Delays to public sector panels of suppliers becoming available. The Post Office makes extensive use of this low-cost route to market and new/refreshed panels are subject to frequent delays from Crown Commercial Services. Single interim extensions [of periods under 12 months] while tender processes are run are considered to be low risk legally.
- e) Changes in scope or value over the term of a contract may render the extension or renewal of services non-compliant. Material changes to the scope of a contract may render the whole contract non-compliant.
- f) Disregard for, or lack of understanding of the regulations.

9.1

**6. Why are we receiving this report?**

A decision to collate this information into a single location was taken in the Autumn of 2016. The aim is to track and improve our overall compliance and commercial results as an organisation, while also ensuring perceptions are accurate. However, it should be noted that it will facilitate timely responses to Freedom of Information requests which adds risk to the Post Office commercial landscape.

7. Are any of these breaches arguable on regulatory grounds or are they all breaches?

A full explanation of the individual compliance breaches for direct awards over £189k [previously £164k & £181k] threshold is attached in Appendix 1. Each entry details the nature of, and the value of the breach. The threshold is altered every two years based on the FX rate between GBP and the Euro.

The Procurement Compliance Register does not at present give an indicative risk level attached to the award. This information is provided to the accountable executives under internal governance processes in the form of a PCR risk note before a contract above threshold is entered into, and if necessary, under Legal Privilege. In addition, all signatories to a contract have sight of the Risk note as part of the Contract Authorisation Form [CAF].

All entries are compliance breaches. A period of challenge applies to each PCR breach once an aggrieved party becomes aware or ought to have become aware. This risk finally expires at 6 years from the date of breach. The defensibility of a legal challenge is outlined within a Risk Note.

8. How many of the breaches were approved in advance and how many retrospectively?

All contracts entered into during this period were compliant with internal governance processes on contract and commercial review.

9. Why were the approvals given?

The rationale for approval is relevant to the individual service and is detailed within Appendix 1.

10. What were the unapproved, material breaches?

There were no unapproved, material breaches during this period.

11. Describe what you are doing about the breaches. Where we are in breach, do we have a plan to come back into compliance and over what time period will that plan take effect?

- a) A forward view of material contracts falling under each Business Unit is currently prepared by the relevant Procurement Manager for discussions with their key stakeholders. The maturity of this look ahead view does vary currently and is consistently a high priority activity within the team.
- b) Sourcing options papers are prepared for review by contract managers and key stakeholders [risk, legal, security] with routes to market agreed. In many cases these are dependent on evolving business and operating model strategies and the



- Procurement team are actively involved helping to advise and review options as thinking evolves.
- c) Where a non-compliant award is proposed due to time pressure, Procurement are actively working on long term mitigation with awards made on an interim basis to meet urgent operational needs.
 - d) Each RCC member now receives a regular report on compliance within their business unit[s].
 - e) A Risk & Governance process requires a Risk Exception report to be created for non-compliant direct awards with GE sign off.
 - f) Awards over £189k must have prior Board approval before being entered into.
 - g) All Professional Services engagements must be approved in writing in advance by the CFO/COO. A compliant panel of preferred consulting partners has been appointed and proposed engagements outside of this panel are subject to additional review and challenge.
 - h) Procurement provides training as part of the revised Induction process for new staff. Training packs are being updated for existing staff and a new training module made available on SuccessFactors. Ad hoc training sessions for interested Business Units are also run.
 - i) A new Intranet site has been launched for Procurement to improve visibility of process, regulation, and the panels of approved compliant suppliers available to POL business units.
 - j) A revised POL Procurement Policy and supporting processes is in progress giving more granular guidance.
 - k) Using Crown Commercial Services frameworks, panels of Preferred Suppliers are being refreshed and updated across a wide range of spend categories to reduce time to market, improve compliance and greatly improve commercial outcomes and legal risk.
 - l) A planned change to operational systems will, once live, give Procurement earlier visibility of potential compliance issues eg: contractual value thresholds.

9.1

Risk Assessment, Mitigations & Legal Implications

- 12. As a business in receipt of public funds POL is bound by the Public Contract Regulations (2015). PCR 2015 oblige POL to behave in a fair, objective & transparent way when contracting with 3rd party suppliers. Additionally, set procedures must be followed for spend above £25k and £189k.
- 13. Failure to abide by the legislation or "slicing and dicing" contracts exposes POL to risk, both as far the commercial outcomes of the contracts as well as the reputational damage, legal remedies, censure & fines that can follow the discovery of a breach. Our compliance to PCR can be requested under a Freedom of Information request at any time.
- 14. The PCR Compliance Register allows for the tracking of breaches to PCR regulations at the Post Office and internal governance processes. One aim of collating this information is to drive improvement in awareness and compliance behaviour across the organisation. The second and primary aim is to work with GE and Business Units to commence commercial reviews in a more timely way ensuring POL obtains value, commercial and contractual flexibility fitting the requirements and business strategy of the organisation.



-
15. Contract and financial governance policy and processes at Post Office are set by the Legal, Risk and Governance team with clear guidelines for staff available on the Company Secretariat team intranet site. This sets out steps to be taken to obtain financial and contractual approvals prior to making a binding commitment to an external party. Non-compliance to internal governance processes are also captured within this report.



Appendix 1 - All Open Material Incidents

Date	Procurement Category	Function	GE Member	Supplier Name	Value/Income	Due date/ Closed date	Mitigation	Breach Type 1 PCR Threshold	Governance
23/12/2019	PR	Corporate Affairs & Comms	Richard Taylor	Cardew Group	£ 452,860.60	31/12/2021	Pending	PCR OJEU level	Board
29/03/2020	Marketing	Marketing & Brand	Owen Woodley	CACI	£ 392,380.00	01/04/2022	None	PCR OJEU level	GE
25/06/2020	Banking Services	Commercial	Owen Woodley	Barclays	£ 1,600,000.00	30/12/2021	In flight	PCR OJEU level	Board
25/06/2020	Banking Services	Commercial	Owen Woodley	Barclays	£ 150,000.00	16/03/2022	Pending	PCR OJEU level	Board
10/07/2020	Public Affairs	Corporate Affairs & Comms	Richard Taylor	Lexington Communications	£ 505,952.00	31/07/2022	None	PCR OJEU level	Board
					£3,101,192.60				



POST OFFICE LIMITED AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Bulk Cheque Processing Contract - appointment of Exela Technologies Ltd as new supplier	Meeting Date:	28 th September 2021
Author:	Antony Ray, Senior Procurement Manager - Finance	Sponsor:	Owen Woodley, Group Chief Commercial Officer

Input Sought: Decision

We are recommending the appointment of Exela Technologies Ltd (Exela) as the new provider of Bulk Cheque Clearing services as;

- a. They have won the recent tender
- b. Met all criteria mentioned in the tender
- c. Taken steps to address the subsequent concerns mentioned in this paper
- d. Created an appropriate commercial model.

POL recently tendered the Bulk Cheque Processing service and this exercise was won by Exela who submitted the only acceptable bid. Whilst the Exela bid meets all technical requirements and offers [IRRELEVANT] (Barclays) there are two points of Treasury policy to be considered before making what would otherwise be a routine award of contract. Namely;

- a) The lowest credit rating allowable under Treasury policy for financial institutions we partner with is [IRRELEVANT] In order to provide the full end-to-end processing service Exela need to partner with a clearing bank. So far Exela have [IRRELEVANT] [IRRELEVANT] [IRRELEVANT] Both institutions do have a strong Dunn and Bradstreet rating of 5a for financial strength and a low risk rating of 1. As their bid stands POL would not be contracting directly with a bank but rather with Exela.
- b) Treasury policy states that approval of new financial institution counterparties needs to be provided by ARC and that financial institution counterparty limits need to be provided by ARC. POL would be contracting with Exela who are not a financial institution in themselves.

There is a further general concern from Treasury that a Cheque processing contract with Exela involves [IRRELEVANT] when compared to closed loop we currently have with [IRRELEVANT] [IRRELEVANT]

This recommendation was approved by the Risk and Compliance Committee on 14th September 2021.

Previous Governance Oversight

9.2



- Approval of a 6-month non-compliant extension to the existing contract with Barclays by POL Board May 2021 to facilitate changes to tender requirements following Banking Framework negotiations.
- Approval of a 1-year non-compliant extension in June 2020 by POL Board in order to tender the services.

Executive Summary

Barclays currently provide cheque processing services for the out-clearing of Personal and Business cheques that we accept as a Method of Payment (MOP) at our Horizon Counters. The service also includes Banking Framework processing services for Cheque Encashment and Partner Bank Cheque Deposit Envelopes.

These services commenced in 2011 under an OJEU Tender Award, with the OJEU Notice stating a total contract duration of 8 or more years. However, the contract awarded was on a 5+3 basis. The contract was extended to 30 June 2020 following previous internal and external legal procurement advice from Stephenson Harwood which cited Regulation 72 exemption for modification of contract. Additional advice was also sought and obtained from Ashfords to extend the contract to 30 June 2021. A decision was made to extend non-compliantly as no exemptions applied at this stage following legislative changes to public contract regulations in 2015.

In order to put the contract back on a compliant footing the decision was undertaken to conduct a tender. This process commenced in January of 2021 under a Restricted Procedure which does not permit negotiation.

Only 2 bids were received, from Barclays and Exela. **IRRELEVANT** from the

IRRELEVANT

9.2

However, it should be noted that even if Barclays had remained under consideration, the tender **IRRELEVANT**

Exela Technologies Ltd, the winning bidder have a favourable Experian report (See Appendix A) which ranks them as "very low risk". Their parent company Exela Technologies Inc in the USA has a less favourable rating of "outlook negative" as can be seen from the Standard and Poors abstract in Appendix A.

It should be noted that the financial standing of a parent company is not normally considered a factor that would justify the non-award of a contract if the main contracting party had a good financial rating.

The factors that would allow for disqualification on financial standing grounds as included in the Supplier Questionnaire are:

- 1) If the contracting party is insolvent or bankrupt.
- 2) If their turnover is less than £9.6m per annum
- 3) If a single client is 20% or more of their annual turnover.

Exela Technologies Ltd pass all those criteria.



Whilst Exela can provide the processing of the cheques they need to partner with a bank which has clearing capabilities in order to offer the full end to end clearing service. Exela can partner **IRRELEVANT** (Other banking partners may be available, but this would require further investigation by Exela).

IRRELEVANT

IRRELEVANT They are award winning in the Fintech sector and have a Dunn and Bradstreet rating of 5a for Financial strength (tangible net worth £35m and above) and a Risk Indicator of 1. Minimal Risk. They run two Bank of England accounts as is required of all clearing banks. They don't however have a Standard and Poors or Fitch rating.

IRRELEVANT are more well known and a longer established clearing bank. Their Fitches rating is B+ (See Appendix A).

To provide the service Exela will open an account with the nominated bank where the cleared finds will be held until swept to POLs corporate account with Barclays on a daily or hourly basis. The value of funds accruing on a daily basis could be up to **IRRELEVANT** The account will be operated in such a way that funds can only exit the account by being passed into POL's Barclays corporate account.

ARC are asked to note and approve the recommendation to award the Bulk Cheque Clearing contract to Exela.

9.2

Questions asked & addressed

1. What are the issues with awarding the contract to Exela?
2. What options and mitigations could help to address these issues?

Report

What are the issues with awarding the contract to Exela?

1. The first is that the lowest credit rating allowable under POL Treasury policy for financial institutions we partner with is BBB+ (Approved limit £30m). So far Exela **IRRELEVANT** who have a Fitches rating of B+ and Clearbank who do not have a Fitches rating. Both institutions do have a strong Dunn and Bradstreet rating of 5a for financial strength and a low risk rating of 1. Technically POL is not partnering directly with these banks. They are a sub-contractor to a relationship POL would have with Exela. RCC approval for Exela: **IRRELEVANT**
2. The second is that Treasury policy states that ARC need to approve any new Financial Institutions we partner with and set the appropriate limits for that partner. We are not directly entering a relationship with either bank (although that does remain an option if POL thought it preferable) as the contractual relationship is with Exela and RCC approval to this arrangement was granted on 15th September 2021.



- 3. The third is a general concern that the new arrangements would contain more risk than the [IRRELEVANT] and [IRRELEVANT] also have a higher credit rating than either [IRRELEVANT]. There is also concern linked to the financial standing of the Exela's parent company.

What options and mitigations are available to address these concerns?

- 4. With regard to the Credit Rating point Exela have said it may be possible to partner with a Bank with a standing of BBB+ or above. [IRRELEVANT] are the most likely prospective partners but Exela will need to negotiate with either of these partners in order to set up the required processes. Additional costs may be charged for the upgrading of the requirement. After further discussion on this point at Steerco, with Treasury and at RCC the consensus is that Exela partnering with [IRRELEVANT] is an acceptable way forward.
- 5. The concern regarding the increased risk of the new proposed arrangements when compared to the existing [IRRELEVANT] based system will be addressed in the following ways.

a)

b)

c)

d)

IRRELEVANT

9.2

- 6. [IRRELEVANT] In 2017 they partnered with Vocalink to build the UK image clearing system (The Switch) through which a 100% of cheques are cleared. They provide more service and tech platforms to the cheque clearing industry than any other supplier.
- 7. They currently provide full cheque clearing platforms and infrastructure to Santander, Allied Irish Bank and Bank of Ireland.



Financial Impact

- 8. [IRRELEVANT] is budgeted for cheque clearing costs in 2021. These costs are expected to reduce year on year as demand for cheque clearing reduces.
- 9. By moving to Exela a [IRRELEVANT] is expected over the next 4 years when compared to the existing [IRRELEVANT] costs.

Risk Assessment, Mitigations & Legal Implications

- 10. The assessment of risks, mitigations and legal implications is provided in the table below:

Risk / Legal Implication	Mitigation / Control
<p>Not awarding a contract because of credit rating of the counterparty's parent credit rating is very unusual and could give rise to a challenge from Exela.</p>	<p>It may be difficult to defend such a challenge but the value of funds being held in a sub-contractors account may provide mitigation.</p>
<p>Not awarding a contract because a counterparty's sub-contractor does not meet our Treasury credit rating policy may lead to a challenge from Exela on the grounds that such a requirement should have been made known at an early stage in the ITT process.</p>	<p>Mitigation is provided to some extent by us allowing Exela time to come up with a Banking partner that will meet the required standard.</p>

9.2

Stakeholder Implications

- 11. These have been fully considered through a Steerco led procurement exercise with the involvement of affected stakeholders. A move to Exela is acceptable and will result in the cost saving above.

Next Steps & Timelines

- 12. The steps required to progress are provided in the table below:

Step	Description	Timeline
------	-------------	----------



1.	ARC Decision based on this paper will determine next steps.	28 Sept 2021
2.	If no further approvals needed POL will seek to contract with Exela by early November 2021	1 Nov 2021

Appendix A

1. Exela Technologies Ltd Experian report

2. Exela Technologies Inc Standard and Poors rating

<https://www.alacrastore.com/s-and-p-credit-research/Research-Update-Exela-Technologies-Inc-Ratings-Affirmed-Following-Equity-Offering-Outlook-Negative-2690281>

3. Co-operative Bank Fitches rating

<https://www.fitchratings.com/research/banks/fitch-upgrades-the-co-operative-bank-to-b-outlook-stable-21-07-2021>

9.2



The Risk Report

Company Name: EXELA TECHNOLOGIES LIMITED		Registered Number: 01283512
Date Incorporated: 27 October 1976	Registered Office: BARONSMED THE AVENUE, EGHAM TW20 9AB	Telephone Number: GRO
Age of Company: 44 years 10 months	Website *: www.banctec.co.uk	Industry Type: OTHER COMPUTER RELATED ACTIVITIES

A very low risk company; no hesitation in recommending credit transactions to the limit assigned.

Credit Assessment

Risk & Rating
Credit limit:
£ 430,000
Credit Rating:
£ 140,000
Delphi Band:
Very Low Risk
Failure odds (next 12 months):
101:1
Calculated on 12 August 2021 at 11:55:30

Risk Dashboard

Commercial Delphi Delphi Score: 93 Trend:	Days Beyond Terms Company DBT: 18 Trend:	CCJs In last 2 Years: 0	Alerts No. of Alerts: 0
--	---	---	---

Calculated on 12 August 2021 at 11:55:30

(Jul 2021)
This company pays beyond its terms
Industry DBT (Jul 2021):
31

9.2

Most Recent Legal Notices

No Legal Notices Recorded

Financials

	Latest Accounts 31/12/2019	% Change from 31/12/2018	Trend
Total Turnover	36,958	(3.01)	
Pre-Tax Profits	(216)	(109.90)	
Pre-Tax Profit Margin %	(0.58)	(110.12)	
Total Assets	57,537	20.39	
Working Capital	27,449	11.68	
Shareholders Funds	6,068	(31.26)	

Directors

Number of Current Directors	2
Number that may also be Shareholders	0

Corporate Structure

Companies in Group	5
Ultimate Parent	EXELA TECHNOLOGIES INC
Parent	BTC INTERNATIONAL HOLDINGS INC
Number of Immediate Subsidiaries	3

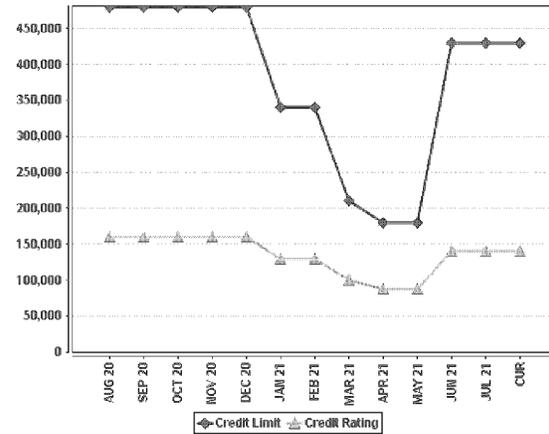
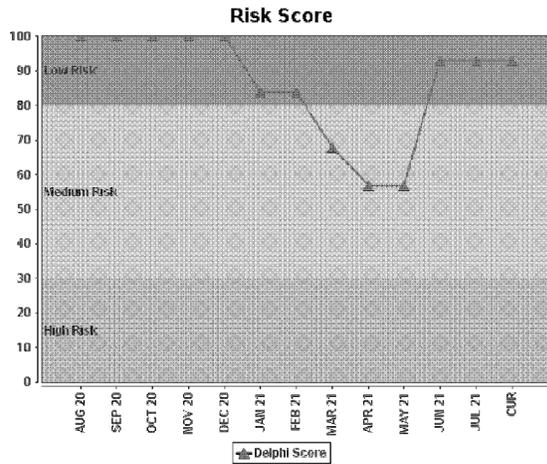
Credit Assessment

Calculated on 12 August 2021 at 11:55:30		
Credit Values		Financial Stability Assessment
Credit Limit	£430,000	Commercial Delphi Score
Credit Rating	£140,000	Commercial Delphi Band
Credit Opinion		Failure Odds
» A very low risk company; no hesitation in recommending credit transactions to the limit assigned.		93 out of 100
		Very Low Risk
		101:1

Commercial Delphi History up to Last 12 Months

Commercial Delphi Score (out of 100) Credit Limit and Rating

Tab 9.2 Bulk Cheque Clearing Account



Date	Commercial Delphi Score (out of 100)	Credit Limit	Credit Rating
Aug 20	100	£480,000	£160,000
Sep 20	100	£480,000	£160,000
Oct 20	100	£480,000	£160,000
Nov 20	100	£480,000	£160,000
Dec 20	100	£480,000	£160,000
Jan 21	84	£340,000	£130,000
Feb 21	84	£340,000	£130,000
Mar 21	68	£210,000	£100,000
Apr 21	57	£180,000	£88,000
May 21	57	£180,000	£88,000
Jun 21	93	£430,000	£140,000
Jul 21	93	£430,000	£140,000
Current	93	£430,000	£140,000

9.2

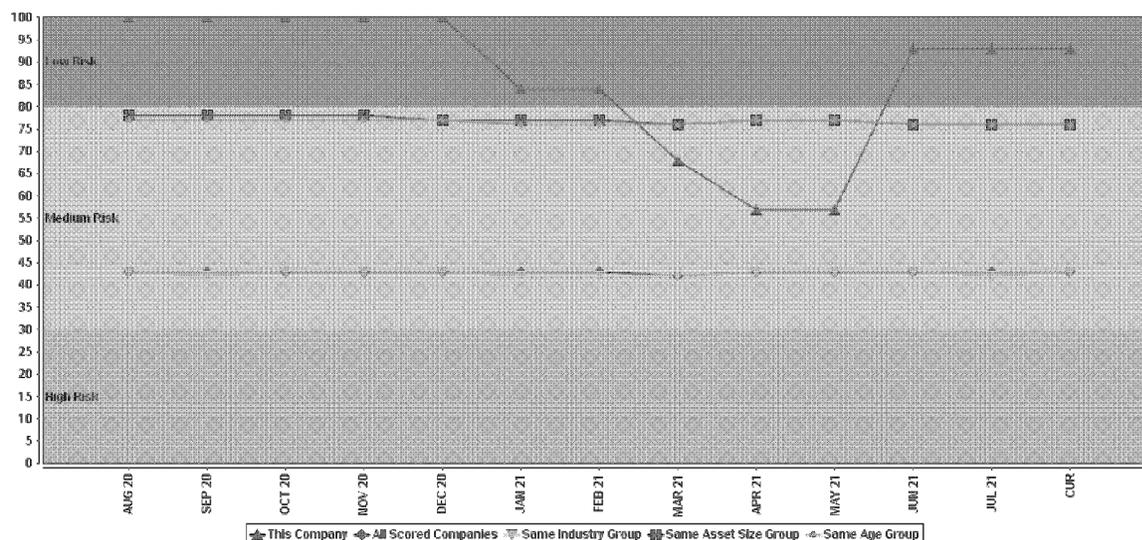
Commercial Delphi Sector Comparisons

EXELA TECHNOLOGIES LIMITED has a Commercial Delphi score of 93, this means that the odds of failure are 101:1. EXELA TECHNOLOGIES LIMITED has been compared against other companies in the same industry sector, 8% of all scored companies are in this sector, which currently has an average score of 43 and failure odds of 17:1. This company currently has a Commercial Delphi score higher or equal to 98% of other companies in this sector. EXELA TECHNOLOGIES LIMITED has been compared against other companies that are in the same asset size group, 3% of all scored companies are in this sector, which currently has an average score of 76 and failure odds of 41:1. This company currently has a Commercial Delphi score higher or equal to 59% of other companies in this sector. EXELA TECHNOLOGIES LIMITED has been compared against other companies that are in the same age category, 4% of all scored companies are in this sector, which currently has an average score of 76 and failure odds of 41:1. This company currently has a Commercial Delphi score higher or equal to 67% of other companies in this sector.

Commercial Delphi Sector Comparisons

Commercial Delphi Sector Comparison

Tab 9.2 Bulk Cheque Clearing Account



Date	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Current
This Company	100	100	100	100	100	84	84	68	57	57	93	93	93
All Scored Companies	43	43	43	43	43	43	43	42	43	43	43	43	43
Same Industry Group	43	42	43	43	43	42	42	42	43	43	43	42	43
Same Asset Size Group	78	78	78	78	77	77	77	76	77	77	76	76	76
Same Age Group	77	77	77	77	77	76	76	76	77	77	76	76	76

Comparison Sector Details

Industry Group	Computer and Related Services
Asset Size Group	£5,000,000 to £200,000,000
Age Group	Incorporated before August 1990

9.2

Balance Sheet

Accounts are due to be filed within the next 2 calendar months.

The accounts were prepared by Auditors.

Date Latest Accounts:	Date Latest Confirmation:	Accounts Ref. Date:
31 December 2019	31 January 2021	31 December

Show all financial details

Date Of Accounts	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Accounting Standard	UK GAAP	UK GAAP	UK GAAP	UK GAAP
Number Of Weeks	52	52	52	52
Currency	GBP 000	GBP 000	GBP 000	GBP 000
Tangible Assets	4,140	4,675	5,055	4,474
Land & Buildings	3,138	3,274	3,419	3,647
Freehold	-	-	-	-
Leasehold	-	-	-	-
Fixtures & Fittings	806	1,171	1,364	668
Plant & Vehicles	56	89	134	159
Plant	56	89	134	159
Vehicles	0	0	0	0
Other Tangible Assets	140	141	138	0
Intangible Assets	483	644	887	1,242
Other Non-Current Assets	1,156	1,156	1,156	1,156
Total Fixed/Non-Current Assets	5,779	6,475	7,098	6,872
Inventories	1,183	1,632	1,180	1,121

Tab 9.2 Bulk Cheque Clearing Account

Raw Material/Stocks	747	769	867	772
Work In Progress	436	863	313	349
Finished Goods	0	0	0	0
Debtors	50,296	39,196	37,823	31,357
Trade Debtors	3,090	3,159	5,044	4,415
Group Loans	39,900	25,564	21,634	15,283
Directors Loans	-	-	-	-
Other Debtors	7,306	10,473	11,145	11,659
Cash At Bank	279	490	477	1,289
Other Current Assets	0	0	0	0
Total Current Assets	51,758	41,318	39,480	33,767
Total Current Liabilities	24,309	16,739	16,436	11,479
Trade Creditors	2,426	1,879	1,624	1,391
Bank Overdraft	-	-	4,000	4,156
Group Liabilities	12,526	0	0	0
Director Liabilities	0	0	0	0
Hire Purchase/Leasing	324	448	419	231
Hire Purchase	0	-	0	0
Leasing	324	-	419	231
Short Loans	533	3,338	213	213
Taxation	0	1,362	0	33
Dividends	0	0	0	0
Accruals/Deferred Income	7,500	9,609	7,942	4,705
Social Security/VAT	1,000	103	2,238	750
Other Current	0	0	0	0
Working Capital	27,449	24,579	23,044	22,288
Capital Employed	33,228	31,054	30,142	29,160
Total Long Term Liabilities	9,022	5,122	5,169	2,005
Group Long Term Liabilities	0	0	0	-
Director Long Term Liabilities	0	0	0	-
Hire Purchase/Leasing	39	211	412	89
Hire Purchase	0	-	0	0
Leasing	39	-	412	89
Other Long Term Loans	6,742	2,365	1,703	1,916
Accruals/Deferred Income	2,241	2,546	3,054	0
Other Long Term Liabilities	0	0	0	0
Total Provisions	18,138	17,104	18,837	23,194
Deferred Taxation	-	100	-	-
Pension	18,038	17,004	18,588	22,943
Other Provisions	100	0	249	251
Minority Interests	0	0	0	0
Total Net Assets	6,068	8,828	6,136	3,961
Issued Capital	100	100	100	100
Ordinary Shares	100	100	100	100
Preference Shares	0	0	0	0
Other Issued Capital	0	0	0	0
Share Premium Accounts	0	0	0	0
Revaluation Reserve	0	0	0	0
Retained Earnings	5,968	8,728	6,036	3,861
Other Reserves	0	0	0	0
Total Shareholders' Funds	6,068	8,828	6,136	3,961
Net Worth	5,585	8,184	5,249	2,719

9.2

Cash Flow Items

We have not received any Cash Flow statements for this company

Tab 9.2 Bulk Cheque Clearing Account

Profit & Loss				
Date Latest Accounts:	Date Latest Confirmation:	Accounts Ref. Date:		
31 December 2019	31 January 2021	31 December		
Date Of Accounts	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Accounting Standard	UK GAAP	UK GAAP	UK GAAP	UK GAAP
Number Of Weeks	52	52	52	52
Currency	GBP 000	GBP 000	GBP 000	GBP 000
Turnover/Sales	36,958	38,105	36,418	35,137
Home Nation	-	38,105	-	-
Export	-	0	-	-
Cost Of Sales	29,150	28,762	28,545	27,687
Exceptional Items	0	0	0	0
Other Direct Items	0	0	0	0
Total Expenses	-	-	-	-
Gross Profit	7,808	9,343	7,873	7,450
Operating Expenses	9,838	6,716	7,908	5,745
Operating Income	2,266	0	0	0
Exceptional Items	0	0	0	0
Operating Profit	236	2,627	(35)	1,705
Other Income	0	0	0	0
Interest Receivable	251	253	290	164
Interest Payable	252	245	810	585
To Bank	0	-	0	0
On Hire Purchase	-	-	-	-
On Leasing	-	-	-	-
Other	252	245	810	585
Exceptional Items	(451)	(453)	0	0
Pre-Tax Profit/(Loss)	(216)	2,182	(555)	1,284
Taxation	(2)	451	39	569
Extraordinary Items	0	0	0	0
Minority Interests	0	0	0	0
Dividends	0	0	0	0
Net Profit/(Loss)	(214)	1,731	(594)	715

9.2

Company Ratios & Disclosure Items**The return on Assets Ratio is -0.4%, this is below average for this industry sector.****The pre tax profit margin is -0.6%, this is well below average for this industry sector.****This Company has shown a Pre-Tax profit in 2 out of the last four years reported.**

Date Latest Accounts:	Date Latest Confirmation:	Accounts Ref. Date:		
31 December 2019	31 January 2021	31 December		
Date Of Accounts	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Ratios				
Current Ratio	2.13	2.47	2.40	2.94
Acid Test	2.08	2.37	2.33	2.84
Credit Period (Days)	30.52	30.26	50.55	45.86
Return On Capital %	(0.65)	7.03	(1.84)	4.40
Pre-Tax Profit Margin %	(0.58)	5.73	(1.52)	3.65
Borrowing Ratio %	361.04	77.74	128.54	242.92
Equity Gearing %	10.55	18.47	13.17	9.75
Debt Gearing %	121.41	31.48	40.29	73.74
Average Remuneration/Employee £	34,935	32,605	32,132	31,010
Profit/Employee £	(401)	4,125	(1,035)	2,173
Sales/Employee £	68,695	72,032	67,944	59,453
Disclosure Items				
Depreciation Charges	792,000	914,000	644,000	476,000
Amortisation Charges	1,683,000	2,252,000	2,003,000	378,000

5/15

Tab 9.2 Bulk Cheque Clearing Account

Discontinued Operations	0	0	0	0
Number Of Employees	538	529	536	591
Employees' Remuneration	18,795,000	17,248,000	17,223,000	18,327,000
Directors' Remuneration	242,000	177,000	248,000	155,000

Key Ratios - Industry Comparisons				
Date Of Accounts	31/12/2019	31/12/2018	% Change	Industry Median
Return On Capital %	(0.65)	7.03	(109.25)	30.2
Pre-Tax Profit Margin %	(0.58)	5.73	(110.12)	13.5
Credit Period (Days)	30.52	30.26	0.85	31
Liquidity	2.13	2.47	(13.74)	1.7
Borrowing Ratio %	361.04	77.74	364.42	0.0
Equity Gearing %	10.55	18.47	(42.88)	52.3
Debt Gearing %	121.41	31.48	285.74	0.0
Number Of Employees	538	529	1.70	N/A
Avg. Employee Remuneration £	34,935	32,605	7.15	45,057
Turnover/Employee £	68,695	72,032	(4.63)	85,036
Pre-Tax Profit/Employee £	(401)	4,125	(109.73)	7,280

Industry Median based on 142,389 similar companies in 1980 SIC Code 8394 - COMPUTER SERVICES

Key Ratios - Industry Comparisons - Similar Companies				
Date Of Accounts	31/12/2019	Industry Lower	Industry Median	Industry Upper
Return On Capital %	(0.65)	(0.9)	30.2	113.0
Pre-Tax Profit Margin %	(0.58)	(0.1)	13.5	51.7
Credit Period (Days)	30.52	0	31	63
Liquidity	2.13	1.0	1.7	3.4
Borrowing Ratio %	361.04	0.0	0.0	16.2
Equity Gearing %	10.55	9.7	52.3	81.1
Debt Gearing %	121.41	0.0	0.0	0.0
Number Of Employees	538	N/A	N/A	N/A
Avg. Employee Remuneration £	34,935	13,200	45,057	70,587
Turnover/Employee £	68,695	36,218	85,036	156,320
Pre-Tax Profit/Employee £	(401)	(581)	7,280	31,642

9.2

Previous Searches

Summary of Previous Searches

Number Of Searches	Last 3 Months	Last 6 Months	Last 12 Months
	17	26	54

Details of Previous Searches (30 Most Recent Available)

Date	Search Type	SIC Description
20/07/2021	CPU Link Enquiry	MISCELLANEOUS
19/07/2021	Risk Report	MISCELLANEOUS
19/07/2021	CPU Link Enquiry	MISCELLANEOUS
07/07/2021	CPU Link Enquiry	MISCELLANEOUS
25/06/2021	CPU Link Enquiry	MISCELLANEOUS
22/06/2021	Risk Report	MISCELLANEOUS
22/06/2021	CPU Link Enquiry	FINANCE/CREDIT
17/06/2021	Risk Report	MISCELLANEOUS
14/06/2021	CPU Link Enquiry	MISCELLANEOUS
14/06/2021	Risk Report	MISCELLANEOUS
14/06/2021	CPU Link Enquiry	MISCELLANEOUS
13/06/2021	CPU Link Enquiry	CONSULTANTS ETC
12/06/2021	CPU Link Enquiry	MISC. GOODS
10/06/2021	CPU Link Enquiry	MISC. GOODS
10/06/2021	CPU Link Enquiry	MISCELLANEOUS
09/06/2021	Risk Report	MISCELLANEOUS
27/05/2021	CPU Link Enquiry	MISC. GOODS
12/05/2021	CPU Link Enquiry	CONSULTANTS ETC

Tab 9.2 Bulk Cheque Clearing Account

12/05/2021	CPU Link Enquiry	FINANCE/CREDIT
14/04/2021	CPU Link Enquiry	MISC. GOODS
12/04/2021	CPU Link Enquiry	MISC. GOODS
01/04/2021	Risk Report	MISCELLANEOUS
09/03/2021	Risk Report	MISCELLANEOUS
08/03/2021	Risk Report	MISCELLANEOUS
04/03/2021	CPU Link Enquiry	MISC. GOODS
16/02/2021	CPU Link Enquiry	MISC. GOODS
11/02/2021	CPU Link Enquiry	MISC. GOODS
10/02/2021	Risk Report	MISCELLANEOUS
09/02/2021	Risk Report	MISCELLANEOUS
08/02/2021	CPU Link Enquiry	MISCELLANEOUS

Analyst Comments

Corporate Info

This Company was incorporated 44 years 10 months ago.
There have been no changes in registered office in the last 12 months.

Directors

This Company has 2 Directors.
The last Director appointment was 5 months ago.
None of the Directors may also be shareholders.

Legal & Payment

There is one CCJ registered, it is for £2,130.
The most recent CCJ was for £2,130, and was registered 3 years ago.
There are 4 outstanding mortgages and charges registered.

Credit and Financials

Accounts are due to be filed within the next 2 calendar months.
The accounts were prepared by Auditors.
The return on Assets Ratio is -0.4%, this is below average for this industry sector.
The pre tax profit margin is -0.6%, this is well below average for this industry sector.
This Company has shown a Pre-Tax profit in 2 out of the last four years reported.

9.2

Payment Profile

Summary Based On The Information Supplied From Our Sources
This company pays faster than the industry average.
There is a consistent payment pattern.
This company has 0 accounts placed for collection.
This company has 2 outstanding unpaid accounts.
This company pays beyond its terms.

Days Beyond Terms (DBT)

	Month To Date (Aug 2021)	Jul 2021
Company DBT	22	18
Number of Accounts	15	15
Industry DBT (Business Services)	-	31

Days Beyond Terms Trend

All figures refer to days beyond terms (DBT)

Trend	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21
Company	2	2	4	6	4	4	7	14	13	8	10	18
Industry	22	24	25	28	26	30	30	35	31	32	30	31
Averages	Current			Last 3 Months			Last 6 Months			Last 12 Months		
Company	18			13			12			7		
Industry	31			31			32			29		

Days Beyond Terms Breakdown

Payment Performance By Size Of Account For July 2021

£1 - £1,000	£1,001 - £10,000	£10,001 - £100,000	£100,000+
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Tab 9.2 Bulk Cheque Clearing Account

Company	21	12	-	-
Industry	26	49	39	15

Payment By Different Terms			
Description	DBT	Accounts	
Net 30 days	18	10	
Net 21 days	45	2	
Others/Unknown	0	3	

Additional Information
 Other payment information for July 2021 from 15 account(s)
 Number of accounts on cash/pro forma terms:0
 Number of accounts placed for collection:0

Unpaid Accounts
 0 account(s) have received no payment for 1 month.
 1 account(s) have received no payment for 2 months.
 1 account(s) have received no payment for 3 or more months.

Commentary
 This company pays its accounts on average 18 days beyond terms.
 The payment information we have for this company over the last 6 months available shows a consistent payment pattern.

County Court Judgments
There is one CCJ registered, it is for £2,130.
The most recent CCJ was for £2,130, and was registered 3 years ago.

No. of CCJs by year	Satisfied	Unsatisfied
Less than a year	0	0
1 - 2 years	0	0
2 - 3 years	0	0
3 - 4 years	0	1
4 - 5 years	0	0
5 - 6 years	0	0
Total	0	1

Less than 1 year
None

Between 1 and 2 years
None

Between 2 and 3 years
None

Between 3 and 4 years
Judgment (1 of 1)

Registered Against: EXELA TECHNOLOGIES LIMITED
 BARONSMED, THE AVENUE, EGHAM, SURREY, TW20 9AB
 Amount: £2,130
 Judgment Date: August 2018
 Case Number: E50YX331
 Court: NORTHAMPTON CCMCC

Between 4 and 5 years
None

Between 5 and 6 years
None

9.2

Legal Notices

A search of our databases has shown that there are no Legal Notices recorded against this company

Mortgages, Charges and Satisfactions
There are 4 outstanding mortgages and charges registered.

Charge		(1 of 6)
Date Charge Registered	1 July 2020	
Charge Type	MISCELLANEOUS	
Latest Form Type	MG01	
Date Charge Created	22 June 2020	
Lender	HSBC UK BANK PLC	
Details	CONTAINS FIXED CHARGE.CONTAINS FLOATING CHARGE.FLOATING CHARGE COVERS ALL THE PROPERTY OR UNDERTAKING OF THE COMPANY.CONTAINS NEGATIVE	

Charge	PLEDGE.	(2 of 6)
Date Charge Registered	1 July 2020	
Charge Type	MISCELLANEOUS	
Latest Form Type	MG01	
Date Charge Created	22 June 2020	
Lender	HSBC UK BANK PLC	
Details	20 THE AVENUE, EGHAM TW20 9AU (LAND REGISTRY TITLE NUMBER: GRO) CONTAINS FIXED CHARGE. CONTAINS NEGATIVE PLEDGE.	

Charge		(3 of 6)
Date Charge Registered	6 November 2019	
Charge Type	MISCELLANEOUS	
Latest Form Type	MG01	
Date Charge Created	31 October 2019	
Lender	HSBC UK BANK PLC	
Details	THE PROPERTY KNOWN AS 20 THE AVENUE, EGHAM, TW20 9AU, REGISTERED AT HM LAND REGISTRY WITH TITLE NUMBER: GRO CONTAINS FIXED CHARGE. CONTAINS NEGATIVE PLEDGE.	

Charge		(4 of 6)
Date Charge Registered	6 November 2019	
Charge Type	MISCELLANEOUS	
Latest Form Type	MG01	
Date Charge Created	31 October 2019	
Lender	HSBC UK BANK PLC	
Details	CONTAINS FIXED CHARGE. CONTAINS FLOATING CHARGE. FLOATING CHARGE COVERS ALL THE PROPERTY OR UNDERTAKING OF THE COMPANY. CONTAINS NEGATIVE PLEDGE.	

Satisfied Charge		(5 of 6)
Date Charge Registered	21 December 2016	
Charge Type	MISCELLANEOUS	
Latest Form Type	MG02	
Date Charge Created	12 December 2016	
Lender	LLOYDS BANK PLC	
Date Fully Satisfied	6 November 2019	
Details	THE PROPERTY KNOWN AS BARONSMED, 20 THE AVENUE, EGHAM, SURREY, TW20 9AB BEING A FREEHOLD INTEREST TO BE GRANTED OUT OF FREEHOLD TITLE NUMBER GRO AS SHOWN EDGED RED ON THE PLAN ATTACHED TO THE LEGAL CHARGE. CONTAINS FIXED CHARGE. CONTAINS FLOATING CHARGE. CONTAINS NEGATIVE PLEDGE.	

Satisfied Charge		(6 of 6)
Date Charge Registered	12 May 2012	
Charge Type	DEBENTURE	
Latest Form Type	MG02	
Date Charge Created	11 May 2012	
Lender	LLOYDS TSB BANK PLC	
Date Fully Satisfied	6 November 2019	
Secured On	ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO THE CHARGEES ON ANY ACCOUNT WHATSOEVER	
Details	FIXED AND FLOATING CHARGE OVER THE UNDERTAKING AND ALL PROPERTY AND ASSETS PRESENT AND FUTURE, INCLUDING GOODWILL, BOOK DEBTS, UNCALLED CAPITAL, BUILDINGS, FIXTURES, FIXED PLANT & MACHINERY	

Consumer Credit Licences (applicable to 31st March 2014)

CCL		(1 of 1)
Licence Number	00497626	
Dated	13 January 2001	
Licensee	BANCTEC LIMITED	
Licensee Address	JARMAN HOUSE, MATHISEN WAY, POYLE ROAD, COLNBROOK, BERKSHIRE SL3 0	
Categories		

9.2

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Company Identification Details	
This Company was incorporated 44 years 10 months ago.	
There have been no changes in registered office in the last 12 months.	
Company Name	EXELA TECHNOLOGIES LIMITED
Registered Number	01283512
Legal Form	Private Limited
Date Incorporated	27 October 1976
Age of Company	44 years 10 months
Issued Capital (Returns)	GBP 100,000
Registered Office	BARONSMEDDE THE AVENUE, EGHAM TW20 9AB
Trading Address	Jarman House, Mathisen Way, Colnbrook, SLOUGH, Berkshire SL3 0HF
Telephone Number	GRO
Website *	www.banctec.co.uk
SIC Codes (1980)	8394, 3302
SIC Description (1980)	COMPUTER SERVICES
SIC Codes (1992)	7260
SIC Description (1992)	OTHER COMPUTER RELATED ACTIVITIES
Principal Activities	PROVIDING BUSINESS PROCESS OUTSOURCING SEVICES
Previous Names	BANCTEC LIMITED (until 07 March 2018) OCR SCANDATA LIMITED (until 25 January 1989) DUKEHURST LIMITED (until 31 December 1977)
Previous Registered Office	JARMAN HOUSE, MATHISEN WAY, POYLE ROAD COLNBROOK, SLOUGH SL3 0HF (until 02 May 2017) JARMAN HOUSE THE HIGHWAYS, MATHISEN WAY, COLNBROOK SLOUGH, BERKSHIRE SL3 0HF (until 26 April 2001) SCANDATA HOUSE, HORTON ROAD, COLNBROOK, SLOUGH SL3 0DR (until 27 April 1999) POYLE AERO CENTRE, HORTON ROAD COLNBROOK, SLOUGH, SL3 0DR (until 08 March 1988)
Accounts Type	Full Accounts
Accounts Ref. Date	31 December
Date Latest Accounts	31 December 2019
Date Latest Confirmation	31 January 2021
Auditor/Accountant	KPMG LLP
Bankers	NATIONAL WESTMINSTER BANK PLC 25 KING STREET, TWICKENHAM, MIDDLESEX TW1 3SU

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Corporate Structure	
Parent Company	BTC INTERNATIONAL HOLDINGS INC
Ultimate Parent Company	EXELA TECHNOLOGIES INC
UK Direct Subsidiaries	<u>COMPUTER ENTRY SYSTEMS LIMITED (01381762) - Dissolved/Liquidated</u> <u>IMAGESOLVE INTERNATIONAL LIMITED (02590898) - Dissolved/Liquidated</u> <u>SDS APPLICATIONS LIMITED (03182930) - Live</u>

Share Capital Structure							
	Share Class	Nominal Value	Currency	Number of Shares Issued	Total Value	Voting Rights	% Total Value Issued
ORD		1.00	GBP	100,000	100,000	Yes	100.0
Total Issued Capital			GBP	100,000	100,000		100.0

Limited by Shares
Issued Share Capital as at Latest Information on 31/01/2021 from Confirmation Statement

Detailed Shareholders							
Shareholder Name and Address	Share Class	Nominal Value	Number of Shares Held	Total Value	Currency	% of Share Class	% Total Issued Capital
BTC INTERNATIONAL HOLDINGS INC	ORD	1.00	100,000	100,000	GBP	100.0	100.0

A flagged shareholding is jointly held by two or more individuals. Joint shareholders, within a share class, share a unique shareholding number. The values displayed in the rows are duplicated for each joint shareholder and repeat the joint values, i.e. they do

not need to be combined to calculate the joint holding.

Current Directors

This Company has 2 Directors.
The last Director appointment was 5 months ago.
None of the Directors may also be shareholders.

Name MR JAYMIN CHHAYA
Address **GRO**
Nationality
Occupation CHARTERED ACCOUNTANT
Date Appointed 25 May 2016

Name VITALIE ROBU
Address **GRO**
Nationality
Occupation COMPANY EXECUTIVE
Date Appointed 15 March 2021

Previous Directors

Name GUY HARRIS
Address **GRO**
Date Of Birth
Occupation EXECUTIVE
Date Appointed 1 March 1999
Date Resigned 6 October 2000

Name MR PETER J CANNAN
Address **GRO**
Date Of Birth
Occupation ACCOUNTANT
Date Appointed 16 February 2000
Date Resigned 12 October 2000

Name MR MARK DONALD FAIRCHILD
Address **GRO**
Date Of Birth
Nationality
Occupation PRESIDENT, BANCTEC GROUP LLC
Date Appointed 4 July 2014
Date Resigned 20 September 2016

Name MR JOHN DAVID STAEDKE
Address **GRO**
Date Of Birth
Nationality
Occupation CORPORATION EXECUTIVE
Date Appointed 27 September 2000
Date Resigned 31 December 2001

Name MR RICHARD ALLEN MCDONOUGH
Address **GRO**
Date Of Birth
Nationality
Occupation CORPORATION EXECUTIVE
Date Appointed 27 September 2000

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Date Resigned 9 August 2001

Name MICHAEL DAVID PELOW

Address

GRO

Date Of Birth

Nationality

Occupation

BUSINESS MANAGER

Date Appointed

20 November 2000

Date Resigned

12 June 2014

Name

BRIAN ROBERT STONE

Address

GRO

Date Of Birth

Nationality

Occupation

CFO BANCTEC INC

Date Appointed

26 April 2004

Date Resigned

28 February 2005

Name

CRAIG DEVERE CRISMAN

Address

GRO

Date Of Birth

Nationality

Occupation

CEO BANCTEC INC

Date Appointed

26 April 2004

Date Resigned

30 September 2004

Name

MR COLIN JAMES CUMMING JARMAN

Address

GRO

Date Of Birth

Nationality

Occupation

BUSINESS EXECUTIVE

Appointed Prior To

31 January 1991

Date Resigned

30 June 2004

Name

JACK COLEY CLARK

Address

GRO

Date Of Birth

Nationality

Occupation

CEO BANCTEC INC

Date Appointed

18 November 2004

Date Resigned

4 July 2014

Name

JEFFREY DEAN CUSHMAN

Address

GRO

Date Of Birth

Nationality

Occupation

CFO BANCTEC INC

Date Appointed

28 February 2005

Date Resigned

4 July 2014

Name

STEPHEN JOHN DOWNEY

Address

GRO

Date Of Birth

Nationality

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Occupation MANAGING DIRECTOR
Date Appointed 1 July 2005
Date Resigned 1 June 2021

Name MR ANDREJ JONOVIC
Address GRO
Date Of Birth
Nationality
Occupation MANAGING DIRECTOR
Date Appointed 4 July 2014
Date Resigned 20 September 2016

Name MR MARK EVAN TRIVETTE
Address GRO
Date Of Birth
Nationality
Occupation EVP, FINANCE BANCTEC GROUP, LLC
Date Appointed 4 July 2014
Date Resigned 29 April 2016

Name ROBERT MACCORMACK
Address GRO
Date Of Birth
Occupation BUSINESS EXECUTIVE
Appointed Prior To 16 January 1989
Date Resigned 15 February 2000

Name GRAHAM N CLARKE
Address GRO
Date Of Birth
Nationality
Occupation BUSINESS EXECUTIVE
Appointed Prior To 16 January 1989
Date Resigned 22 June 2000

Name JR NORTON ARLINGTON STUART
Address GRO
Date Of Birth 16 January 1989
Nationality
Appointed Prior To 16 January 1989
Resigned Prior To 16 January 1989

Name MR CHRISTOPHER JAMES MURRAY BRYCE
Address GRO
Date Of Birth
Nationality
Occupation BUSINESS EXECUTIVE
Appointed Prior To 31 January 1991
Date Resigned 30 June 2004

Name MR GEORGE W MAYLAND
Address GRO
Date Of Birth
Nationality
Occupation BUSINESS EXECUTIVE

9.2

Appointed Prior To 31 January 1991
Date Resigned 30 June 1992

Company Secretary

Name MR JAYMIN CHHAYA
Address GRO
Date Appointed 4 July 2014

Previous Company Secretaries

Name MR PETER J CANNAN
Address GRO
Date Appointed 16 February 2000
Date Resigned 12 October 2000

Name MR RICHARD ALLEN MCDONOUGH
Address GRO
Date Appointed 27 September 2000
Resigned Prior To 31 January 2002

Name ANN CASSERLY MCCAIG
Address GRO
Date Appointed 1 July 2005
Date Resigned 4 July 2014

Name BRIAN ROBERT STONE
Address GRO
Date Appointed 30 June 2004
Date Resigned 28 February 2005

Name MR COLIN JAMES CUMMING JARMAN
Address GRO
Date Appointed 13 February 2001
Resigned Prior To 31 January 2002

Name ROBERT MACCORMACK
Address GRO
Appointed Prior To 16 January 1989
Date Resigned 15 February 2000

Statutory Documents Filed at Companies House

Date	Documents To/From GRO
3 June 2021	Change Among Directors
16 March 2021	Change Among Directors
20 September 2016	Change Among Directors
25 May 2016	Change Among Directors
23 May 2016	Change Among Directors
11 July 2014	Change Among Directors
4 July 2014	Change Among Directors
17 June 2014	Change Among Directors
21 July 2005	Change Among Directors
28 June 2005	Change Among Directors
25 November 2004	Change Among Directors
7 July 2004	Change Among Directors

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Tab 9.2 Bulk Cheque Clearing Account

29 April 2004	Change Among Directors
28 February 2002	Change Among Directors
4 January 2002	Change Among Directors
24 November 2000	Change Among Directors
17 October 2000	Change Among Directors
23 February 2000	Change Among Directors
2 March 1999	Change Among Directors
15 November 1994	Alter Memorandum or Article
1 July 1992	Change Among Directors
16 May 1991	Change Among Directors
30 January 1990	Change Among Directors
28 February 1989	Change Among Directors
17 January 1989	Alter Memorandum or Article
1 April 1988	Change Among Directors

Alert Notes

There are no Alert Notes for this Company

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Report Created On 12 August 2021 At 11:55:30 (CIXF)

Dept.:00

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POST OFFICE LIMITED

AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	FY20/21 ARA update	Meeting Date:	28 September 2021
Authors:	Tom Lee, Group Financial Controller; Christine Kirby, Head of Financial Accounting and Controls	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting

The Committee is asked to note:

- i. the status of the Post Office Limited ("POL") Group Annual Report and Accounts ("ARA") for the year ended 28 March 2021 ("FY20/21");
- ii. update on key items required for completion and signing of the ARA; and
- iii. the plan, including timing, for completion and signing.

Previous Governance Oversight

- None

Executive Summary

The drafting of POL's FY20/21 ARA and the corresponding external audit are both well progressed. There are several key items which require update and completion prior to signing the ARA. Given the government's recent announcement that the 2021 Spending review is a multiyear review (2022/23 to 2024/25) which will conclude on 27 October 2021 and funding discussions regarding Overturned Historical Convictions are ongoing, the anticipated ARA signing date of December 2021 should be feasible, assuming no significant delays to the discussions.

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We anticipate adopting a Going Concern basis for FY20/21 on the assumption appropriate funding and support is provided by government, albeit an emphasis of matter paragraph will likely still be required due to the reliance placed on government support and the significant levels of estimation uncertainty and judgement included in the disclosures.

In order to enable ARA signing the following is required:

- Historical Shortfall Scheme ("HSS") – provision currently stands at [REDACTED] with a corresponding asset of [REDACTED]. Figures will be updated as at the time of signing to reflect management's latest forecasts.
- Overturned Historical Convictions ("OHC") – work is being performed on an appropriate level of provisioning and disclosure with the expectation that the provision represents managements best estimate of the future pay-out for all historical criminal convictions whereby we judge that the conviction may be overturned. Similar to HSS in FY19/20, we anticipate a corresponding asset for OHC will not be recognised until the following year due to the timing of formal government funding approval. However a non-adjusting Post Balance Sheet Event will be disclosed in the accounts and considered within the going concern assessment.

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- Postmaster detriment provisions – in the year, and as part of the post Group Litigation Order activities, several policies and processes related to Postmasters (“PMs”) were altered to ensure there is no detriment to PMs as a result. Work is underway to assess whether provisions are required i.e. is there a legal obligation or past event which triggers the need for a provision and can reasonable estimates be made.
- Historical pension overpayments – work is underway to assess the possible financial impact on POL of the historical pension payment errors associated with the Royal Mail Pension Plan. It is not anticipated that the work will be complete prior to ARA signing, therefore assessment will be made ahead of then as to the impact on the financials and disclosures, with updates made to the ARA accordingly.
- Impairment review – impairment review at a CGU and investment level was performed in March 2021 with no issues noted. Individual asset reviews were performed at yearend and have been performed throughout FY21/22. Updated reviews for all aspects are currently ongoing and will be formally concluded in November to enable PwC to audit the outputs. We are not currently aware of any issues to flag to ARC.
- Subsequent events – Disclosures and financials will be updated in respect of anything coming to light ahead of signing. The two principle items to flag are:
 - o Telecoms sale - purchase price adjustments for the sale of the Telecoms business have recently been agreed, enabling updates to be made to the ARA disclosures.
 - o Starling - expected to remain a contingent liability based on current status of the trial and management’s expectations of the outcome.
- Going Concern – detailed assessment is currently being performed based on latest forecasts and assumptions around government funding and support, including OHC, Network Subsidy Payment, Investments and Starling (support only). No issues to flag at this stage however an update and supporting paper will be provided to ARC ahead of signing. We believe an emphasis of matter paragraph should remain, given the significant level of estimation uncertainty and the ongoing reliance on government support for highly material liabilities.

PwC’s audit of the key outstanding items is scheduled for November. The draft ARA will be presented to ARC and Board for approval in early December. Signing is anticipated for mid-December, prior to parliament recess on 16 December.

10

Questions addressed

1. What is the status of the FY20/21 ARA and associated external audit?
2. What are the key items requiring completion / update prior to signing?
3. What is the plan and timetable for completion and signing of the ARA?

Report

Status of ARA and key outstanding items

4. The financial statements and supporting notes are substantially complete and PwC have completed phase 1 of their audit. Work is now underway by POL to prepare for finalisation of the ARA and phase 2 of the audit.



-
5. There are a small number of significant items requiring finalisation and audit signoff prior to signing the ARA in December. These items are outlined below, along with the actions required for completion and updates since the last ARC paper in June 2021.
6. Historical Shortfall Scheme ("HSS") – The provision currently stands at [REDACTED] with a corresponding [REDACTED] asset. The underlying model remains substantially the same as that used for the FY19/20 calculation. [REDACTED]
- [REDACTED]
7. Overturned Historical Convictions:
- a. Provision - a provision is required within the FY20/21 ARA in respect of OHC. [REDACTED]
- [REDACTED]
- b. Asset – negotiations are underway to secure government funding for the potential future payouts. This funding is also required to support the going concern position and therefore will need to be finalised prior to signing. Due to accounting standards requiring an asset to be "virtually certain" to enable recognition at the balance sheet date, no asset can be recognised in FY20/21. Recognition will be delayed until FY21/22, which is a similar scenario to that which occurred with HSS. However, a non-adjusting post balance sheet event will be disclosed and the asset included within going concern considerations. The value of the asset will depend on the terms of the agreement with government, but is anticipated to match the provision.
8. Postmaster provisions – work is still underway on the potential Postmaster provisions. [REDACTED]
- [REDACTED] The decisions around making these changes and investigating the impacts occurred in FY20/21. However for accounting purposes a determination is needed as to whether there is an obligation and at what point is that triggered. Until progress is made on the what and how much for each element of potential detriment it is difficult to confirm the accounting treatment. The ARA will be updated in respect of the findings once finalised. The work in this area is complex, with a variety of items being looked at including:
- a. Branch discrepancies where PMs were required to settle to cash



-
- b. ATM variances which the PMs made good
 - c. Suspended PMs who did not receive remuneration
 - d. Other product specific items
 9. Historical pension errors – as disclosed in the FY19/20 ARA, as part of the RMPP buyout procedures, errors have been noted in relation to payments calculations to members. Work is underway to assess the possible financial impact on POL of these errors. Disclosures and financial results will be updated ahead of signing, based on latest information available at that time.
 10. Impairment review – A series of impairment reviews are required per accounting standards and as part of the subsequent events review process. These are outlined below:
 - a. Cash Generating Unit (“CGU”) – The Group is split into two CGU’s, POL, which encompasses Payzone Bill Payments Limited (“PZBP”), and Post Office Management Services Limited (“POI”), being the insurance business. The review of these is a comparison of forecasted future cashflows vs carrying value of the assets. The reviews were performed in March 2021 and are currently being updated based on latest forecasted and assumptions around funding. These will be finalised and audited in November, assuming funding discussions are finalised.
 - b. Investments – the investments held by POL are IRRELEVANT in First Rate Exchange Services Limited, IRRELEVANT in POI and IRRELEVANT in Payzone Bill Payments Limited. As with the CGU assessment, comparison is made between investment held and expected future cashflows. The reviews were performed in March 2021 and are currently being updated based on latest forecasted and assumptions around funding. These will be finalised and audited in November, assuming funding discussions are finalised.
 - c. Individual assets – impairment reviews over the assets held by the Group are performed quarterly. As at the time of writing there are no material items identified requiring impairment however this assessment will be updated prior to finalising the ARA.
 11. Subsequent events review – Given the time between yearend and signing it is important to complete robust post year end reviews to identify any significant events or items which need further disclosure or require adjustments to the financial position or performance. As at time of writing the two key updates are:
 - a. Telecoms sale - purchase price adjustments for the sale of the Telecoms business have recently been agreed. The final settlement document is due to be signed in September after which all matters for the financial statements will be closed out. The ARA has been updated in respect of this.
 - b. Starling – as the trial has been delayed until February 2022, we do not expect a conclusion on this matter. We expect this to remain a contingent liability based on current status of the trial and management’s expectations of the outcome. This will be updated prior to signing should any material changes occur.
 12. Going concern – The going concern assessment covers a period of at least 12 months from the date of signing the ARA. However, in line with FY19/20 a longer period will be reviewed, covering a period up to 18months as a result of the significant future costs associated with HSS and OHC and the likely emphasis of matter around the reliance on government funding. A detailed review is currently underway and will be concluded in



November, assuming government funding is finalised by then. The key items to be considered as part of the review include:

- a. HSS funding – this was agreed in FY20/21 and assuming no changes are made to the agreement and / or the estimated future costs of HSS do not exceed the pre-defined funding limits, no adverse impact should be seen on the going concern assessment. We anticipate no issues.
 - b. OHC funding – negotiations are ongoing in respect of this. Funding will need to be confirmed and be deemed sufficient i.e. have enough headroom above that of the provisioning level, in order to enable POL to be considered a going concern.
 - c. Starling funding - in FY20/21 government provided assurances that funding would be forthcoming if required. Similar assurances are required this year given its contingent liability status.
 - d. Investment funding and Network Subsidy – the business forecasts assume a level of funding in these areas and therefore the linkage between obtaining government funding and being able to meet future forecasts, which underpin cashflows, and therefore the going concern position, cannot be underestimated. Obtaining appropriate government funding is therefore paramount in supporting the going concern position. The funding round is due to conclude in October 21 and therefore should align with the December signing timetable.
 - e. Forecasts – review of the strategic plan, which underpins the going concern calculations, will be performed in order to factor in any key changes e.g. adaptations needed off the back of funding decisions.
13. ARA front half – Governance, Risk, Environment, Remuneration and Finance & Business Review sections have been drafted and will require minor update prior to signing. The CEO and Chairman’s statements will be late additions, given they need to reflect the latest views ahead of signing. Finance is working with relevant teams to ensure these are completed and a timeline is place, see section 19. Two additional changes are being worked on for FY20/21, being the expansion of the front half to include more around strategy and vision, along with a rebranding of the ARA to make it more presentable to third parties, both of which are being led by Richard Taylor and team.
14. Of the two subsidiaries, PZBP will follow the same timeframe as POL, given the reliance on POL for funding and therefore its going concern assessment. As at the time of the September ARC, it is anticipated the POI financial statements will have been signed.

10

Plan for completion and draft timetable

15. An additional ARC is being scheduled for early-December 2021. The purpose of this is to allow PwC to present their finalised review of the FY20/21 audit and to allow management to present their view of the above items, assessments made, conclusions drawn and the resulting impact on the ARA. Additionally, a draft ARA will be presented for the ARC to review and recommend to the Board for approval, subsequent to any final items being resolved.
16. The ARA will be signed in mid-December 2021, allowing time for them to be laid before parliament before they recess (16th December) and subsequently submitted to Companies House.

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17. For this timeline to be achieved, and by way of summary of the points above, the following need to occur:
- a. HSS provision to be updated, with corresponding adjustments and disclosures made within the ARA.
 - b. OHC and PM provisions to be calculated, with corresponding adjustments and disclosures made within the ARA.
 - c. Starling disclosures updated.
 - d. Government funding agreements to be received in respect of CCRC, Starling, NSP and investment funding, as needed.
 - e. Impairment reviews to be refreshed.
 - f. Detailed going concern assessment to be performed, incorporating cashflow analysis, funding and headroom assessments, and the impact of the myriad of items outlined above.
 - g. Disclosures updated in respect of the pension scheme errors, 'front half' reports, any items arising from subsequent events reviews and updates in respect of the adjustments outlined above.
 - h. PwC audit and signoff on the above items.
18. Draft timetable for completion of the ARA is below:
- October:
 - o Provision updates for HSS, OHC and where possible PM Detriment, all of which will be reflected in the ARA at that point;
 - o Finalisation of Telco disclosures;
 - o Going concern paper and disclosures drafted;
 - o Impairment reviews drafted.
 - November:
 - o Going concern and impairment finalised, following government funding and support confirmations;
 - o Tax calculations updated;
 - o Pension disclosures updated (where necessary);
 - o PwC audit of new provisions (OHC and PM detriment), going concern, impairment and tax;
 - o Finalisation of the front half, excluding the CEO and Chairman Statements;
 - o PwC review of the ARA, front half and other updates.
 - December:
 - o ARC and Board approval of draft ARA;
 - o Final branded version produced by Comms;
 - o Signed by relevant parties;
 - o Lay before parliament (prior to 16th Dec);
 - o Send to Companies House.



POST OFFICE LIMITED

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Modern Slavery Action	Meeting Date:	28 th September 2021
Author:	James Scutt, Head of Customer Experience, Franchise & Partnering Andy Kingham, Franchise Partnering Director	Sponsor:	Amanda Jones, Retail and Franchise Network Director

Input Sought: Noting

At Post Office ARC July 2021, the Chair asked for an update on a recent case discussed and requested that the case be reviewed to make sure that the process was transparent.

Executive Summary

At the July 2021 ARC, Amanda Jones informed the board of an ongoing potential Modern Slavery case involving an individual who lived above a Post Office shop. A Modern Slavery response group had been convened.

An organisation called Unseen UK, were notified as first responders and they passed the case on to Humberside Police.

The Police visited the branch and spoke to the potential victim. The Victim has subsequently left the branch and moved to London.

Questions addressed

1. What did our MS Observation find?
2. What action did we take?

Report

What did our MS Observation find?

1. A Post Office Area Manager completed a Modern Slavery observation as part of her normal working duties. The Observation was completed while visiting Ashby (336311) branch on 17th June 2021. The branch is located in Scunthorpe, North Lincolnshire.
2. Our MS Observation consists of 14 Yes/No questions and the Observation completed contained two yes answers to the following questions:
 - Is there any living accommodation related to the site itself, that has an entrance directly into PO or retail areas?
 - Did you observe anything else that gave you any cause for concern?
3. All other questions were answered "No":
 - Other than the retail offer alongside the Post Office, are there any other businesses operating on the site?
 - Are there any non-public facing areas attached to the site that are either rented or leased to others, not engaged with the operation of the PO or accompanying retail?

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- Are any non-public facing staff areas in an unacceptable state of hygiene?
- Persons being unable to leave their work environment, or having their movements controlled?
- Persons being unable to communicate freely with others?
- Persons showing visual injury noted on more than one occasion (a trend)?
- Were you stopped from entering the back areas of the Site?
- Persons acting as if they were instructed harshly by someone else?
- Persons allowing others to speak for them when addressed directly by yourself?
- Persons displaying signs of being distrustful or nervous of your presence? (fear or anxiety)
- Persons being "unusually" unfamiliar with the local language?
- Any Persons lack the basic training for the PO job they are doing?

What action did we take?

4. We started to progress through our investigation process:

Stage	Stage Subject	Investigation Timescale
0	Observation	N/A
1	Observation response to "Yes" flag(s)	Data is reviewed every Monday for the previous weeks Observations. Any "Yes" flag Observations are sent to Regional Managers for return within 5 working days. Regional Managers return bullet points of findings and a Yes/No on further investigation.
2	Regional Manager Fact Find	Upon receiving a "Yes" concern from Stage 1, Stage 2 Fact Find document is issued to the Regional Manager for return within 3 working days of the issue date. The Fact Find dives deeper into the concerns and documents the conversation with the Observation completer.
3	Risk Indicators	Upon receiving a "Yes" concern from Stage 2, if it is felt necessary and beneficial, a Stage 3 Risk Indicators request can be made to the Contracts team for return within 3 working days of the issue date.
4	Modern Slavery Response Group (MSRG) convened	If it is felt necessary by the Regional Manager, the MSRG is convened as soon as possible after the Stage 2 is complete and Stage 3 Risk Indicators are received back. The purpose of the group is to support the Regional Manager who will be making the call to the First responder organisation.
5	Referral to First Responder organisation	Regional Manager makes call to First Responder organisation, supported by the MSRG. Regional Manager confirms call reference number to MS Coordinator.
6	Monitor Branch Operation	As a First Responder organisation will not feedback, monitoring of the branch operation is necessary so that action can be taken if branch operation is interrupted.

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5. The Observation was picked up by our checking processes the following Monday and a request was sent to the Regional manager for more information.
6. That request revealed the following:
- "A young male (about early 20s) lives on site and has been in the UK for less than 5 years so does not work on the Post Office side as he doesn't have a smart ID. He



- always seems to be at work working in the shop all hours. The staff used to use upstairs as a storage area and toilet area but can no longer go upstairs as this is his living accommodation. They were not sure if upstairs had been improved or not but if not or only had basics improvements then it would not be an ideal living place, very cold and damp.”
- “The Postmaster has only had the Post office for a year, and he has just sold it and brought another one and he is going with him to the new branch. The team comment about how many hours he works. Saying he is there all day every day. He is quiet but looks in good health.”
7. Upon review of the above centrally we progressed this to our next investigation stage of a more formal fact find with the Area Manager which gave us further information about the potential victim:
 - He lives on site and is always working, never has a day off.
 - He’s very quiet, doesn’t say much, just smiles.
 - He lives above the branch living accommodation which was previously a storeroom. It is believed that this was not refitted before he moved in.
 - The team have never seen him and the Postmaster communicate.
 - He would have worked in the post office, however, couldn’t get a smart ID due to the lack of years in this country.
 - The postmaster is buying another office and taking him with him to work in the new site.
 8. The Post Office Contracts Team noted that the Postmaster, Mr Mohamed Mohamed Ghouse (Director, AARA Foods Ltd) submitted a notice to terminate the Agreement on the 13/04/21.
 9. In this notice, Ghouse provided the details of an applicant for the branch – Mr Kinthusan Thevakumar. Mr Thevakumar has been successful in his application and has been offered the appointment. Our onboarding team received the Agreement back on 22nd July. The new Postmaster has not yet gone live.
 10. The outgoing Postmasters company has not previously come across the radar of the Contracts Team i.e. no contractual or performance issues have been flagged up to the Contract Team from any source.
 11. Over the past 12 months 97.7% of the required cash declarations have been completed at the branch. Data shows that this is a deficit branch i.e. their out-payments exceed in-payments. The branch cash is therefore controlled by Cash Management, who will supply the branch based on transactional data and declared cash. Excess cash levels at the branch currently give no cause for concern.
 12. The branch appears to be run without any issues.
 13. We convened the Modern Slavery Response Group comprising: MS Steering group chair, Franchise Partnering Director & MS Policy owner, Head of Security, Legal, Procurement, Risk, CSR & Communications and the Regional manager for the branch.

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14. The group agreed that, with the knowledge we had we should report our findings to UnseenUK, the organisation that runs the Modern Slavery helpline. The report was made on 13th July 2021 by the Regional Manager for the branch as the person that holds the highest level of knowledge. At this point we asked the Area Manager not to visit the branch but to monitor BAU trading and feed-back any contact from the branch.

Next Steps & Timelines

15. Centrally, we have been monitoring the branch to spot any unusual patterns of trade that might indicate an interruption in BAU operation. The Area Manager has also been monitoring the branch locally.
16. First Responder (UnseenUK) policy is that they do not feed-back any updates to the person logging the report or Post Office. On 31st August 21 our Regional Manager received a call from Humberside Police to clarify the information he had reported to UnSeen. They said that they would be visiting the site but gave no details about the activity they would undertake. The PC seemed concerned because it had been mentioned that the Postmaster was "taking Vinny with him" when he moved from the branch.
17. On a subsequent Area Manager visit, the PO branch Team told our Area Manager that the police had visited the branch and told Vinny that he could not live above the branch as it's not a residential property. They also said that Vinny had suddenly now left with his wife and moved to London and that he will now not be going to the new branch with the Postmaster. We have called this additional information into the Modern Slavery Helpline.
18. The outgoing Postmaster from Ashby is in process to buy a different Post Office and has returned an agreement on 3rd August to take over 327427 Chatburn Post Office. We will continue to monitor this branch.

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Post Office Limited Audit, Risk & Compliance Committee Forward Plan 2021-22															
Item	Origin of Request	Owner	Action Required	18/05/2021	19/06/2021 (ARA)	26/07/2021	26/09/2021	30/11/2021	December 2021 TBC	24/01/2022	29/03/2022	06/2022	06/2022	11/2022	Notes
STANDING ITEMS FOR PRESENTATION															
Welcome and Conflicts of Interest	Companies Act 2006 s.177	Chair	Noting	X	X	X	X	X	X	X	X				
ARC minutes from previous meeting	Terms of Reference para 67 & 72	CoSec	Noting & Approval	30/03/2021	16/05/2021 & 29/06/2021	26/07/2021	28/09/2021			30/11/2021	24/01/2022				
ARC Actions	N/A	CoSec	Noting	X	X	X	X	X	X	X	X				
RCC Draft minutes	Terms of Reference para 17	CoSec / CFO / RCC Chair	Noting	04/05/2021		13/07/2021	14/09/2021	16/11/2021		11/01/2022	15/03/2022				
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	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 OJO assurance work is being undertaken.
5 minute break	Board/ARC Evaluation 2020/2021	CoSec	N/A	X		X	X	X		X	X				Any ARC meeting over 2 hours should have at least a five minute break.
WRITTEN RESOLUTION ITEMS															
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 asterisk) Review of Group Key Policy List	(2) Treasury (2) Business Continuity	(1) Financial Crime (2) AML & CTF (Anti-Bribery & Corruption, Internal Audit Chapter - see below)	(1) HMIC FR (2) Physical Security Policy/State	(1) Risk* (2) Conflicts of Interest (3) Change Management			(1) Investigations (2) Protesting Personal Data (3) Cyber & Information Security (4) Welting Employee FR & Proper	(1) Health & Safety (2) Procurement (Whiteblowing - see below)				Each review and approval request is to include assurance and performance 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)															
Procurement Governance & Compliance	September 2020 ARC/Procurement Policy	Procurement Director	Noting	X		X	X	X		X	X				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.
Post Office Insurance ARC update	Terms of Reference para 53	POI ARC Chair or POI Director of Risk & Compliance	Noting	X (presented)		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	X		X	X	X		X	X				
Law & Trends	Terms of Reference para 18 and 20	Group GC/Legal Director	Noting	-											This will cease to be a standing item from July 2021. Legal have advised nothing to report in May 2021.
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, 47, 43, 44	CFO/Financial Controller	Noting & Approval (for onward submission to the Board)		X (update on 2020/21 only, agenda agreed with finance)				X (2020/21)						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. N.B. Auditors were reappointed for 2021/22 in February 2021.
External Auditor Reappointment (next financial year), Fees & Scope of Engagement	Terms of Reference para 38	CFO/Financial Controller	Approval (for onward submission to the Board)	X (Fees for 2020/21)					X (Fees & scope for 2021/22)						

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Item	Origin of Request	Owner	Action Required	18/08/2021	29/09/2021 (ARA)	16/07/2021	26/09/2021	30/11/2021	December 2021 TBC	24/01/2022	28/03/2022	05/05/2022	09/07/2022	11/09/2022	Notes
Review of External Audit (post account approval) including independence, non-audit fees, qualifications, expertise and resources of the external auditor and the external auditor and the	Terms of Reference Review 30/03/2021. Terms of Reference para 45, 48	CEO/Financial Controller/Chair	Discussion & Noting	-	-	-	-	-	-	X	-	-	-	-	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	-	-	-	-	X (2021/22)	-	-	-	-	-	-	This may move to March depending on progress.
External Audit Plan	Terms of Reference para 41	External Auditors	Approval	-	-	-	-	X (Audit planning memorandum for 2022/23)	-	-	-	-	-	-	
Financial Reporting Controls Environment	Terms of Reference para 2 and 10	Financial Controller	Noting	-	-	-	-	X (Ahead of sign-off of YE accounts)	-	-	-	-	-	-	Annual item - CS email on 24/08/21. The next meeting needs to lie in with the accounts submission in Nov '21, so will take place in Nov '21
Agreed Upon Procedures	Terms of Reference para 2 and 10	Financial Controller	Noting	-	-	-	-	X	-	-	-	-	-	-	
Accounting & Reporting Policies	Chair request, 20/04/2021	Financial Controller	Approval	-	-	-	-	-	-	X	-	-	-	-	
Annual Internal Audit Plan	Terms of Reference para 32	Head of Internal Audit	Approval	X (BAU Audits only)	-	-	-	-	-	X	-	-	-	-	The internal update to every meeting should include updates on the plan whilst GLO assurance work is being undertaken.
Internal Audit Charter Policy	Terms of Reference para 31	Head of Internal Audit	Approval	-	-	-	-	-	-	-	-	-	-	-	Every two years To be next approved in July 2023 <i>(Also on Group Key Policy link)</i> 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.
Internal Audit CoSource Independence Report including non-audit fee	Terms of Reference Review 30/03/2021. Terms of Reference para 39	Head of Internal Audit	Noting	-	-	-	-	-	-	X	-	-	-	-	
Meeting with Internal Audit without management (pre-ARC meeting)	Terms of Reference para 35	Chair & Head of Internal Audit & Audit CoSource	N/A	-	-	-	-	-	-	-	-	-	-	-	
Meeting with Internal Audit without management (pre-ARC meeting)	Terms of Reference para 47	Chair & External Auditors	N/A	-	-	-	-	X	-	-	-	-	-	-	
Payment Practices Reporting Compliance	Company Secretary request due to director liability & 1.172 reporting requirement	Financial Controller	Noting (no presentation, unless issue)	-	-	X	-	X	-	-	-	-	-	-	This should be every six months (May and November) as reports are filed in April and October. By exception, report in 2021 was delayed, but in next FY should be May and November.
Strategic Risk Management Review	Committee Evaluation 2021, Terms of Reference paras 13 & 14	Head of Risk	Discussion & Noting (for onward submission to the Board)	-	-	X (update only)	-	-	-	-	X	-	-	-	Dates are TBC 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).
Compliance Assurance Report	Committee Evaluation 2021	Director of Compliance (Head of Risk & Head of Internal Audit as required)	Noting	-	-	-	-	-	-	-	X	-	-	-	This requires an assurance map to be developed - see below.
Payzone Deep Dive (covering risks, compliance & governance)	Terms of Reference para 53	Payzone Managing Director	Noting	-	-	-	-	-	-	-	X	-	-	-	
Post Office Insurance Deep Dive (covering risks, compliance & governance)	Terms of Reference para 53	PO ARC Chair or PO Director of Risk & Compliance	Noting	-	-	X	-	-	-	-	-	-	-	-	This is in addition to noting updates at every meeting (see above).
IT Controls Deep Dive	Terms of Reference para 10	Chief Information Officer/ Chief Information Security Officer (Tony Jowett)	Discussion vs Noting	-	-	X	-	-	-	X	-	-	-	-	IT Controls should be twice a year at the January and July ARC meetings, for discussion vs noting - CS Email 24/09/2021 To cover: Jitters, Horvitz, Leavers, End User Management, Cyber Security
Cyber Security Update	Terms of Reference para 10	CISO (Tony Jowett)	Discussion vs Noting	-	-	X	-	-	-	X	-	-	-	-	IT Controls should be twice a year at the January and July ARC meetings, for discussion vs noting - CS Email 24/09/2021
Mailx Deep Dive	Terms of Reference para 10	Product Portfolio Director Mails, PUDO, Retail & Gov Services	Noting	-	-	-	-	-	-	X	-	-	X	-	23/08/2021 - See the agreed with CS that Mails Operational Controls will be Biannual, in Jan '22 and Sept '22
Banking Deep Dive	Terms of Reference para 10	Product Portfolio Director Banking, Payments and Transactional Products	Noting	-	-	-	-	-	-	X	-	-	X	-	23/08/2021 - See the agreed with CS that Banking Operational Controls will be Biannual in Jan '22 and Sept '22
Postmaster Operational Controls		Group Chief Operations Officer (Dan Zimmer)	Noting	-	-	-	-	X	-	-	X	-	-	-	Following Discussions with OZ ahead of the September FCC/ARC, the next update for Postmaster Operational Controls is now likely to be in November 2021. 24/08/2021 - CS email of 24/08/21 states that postmaster operational controls are likely to be directed in Sept '22 and finished in March '22 - so will be added to the ARC agenda for those months.
Identity Deep Dive	Terms of Reference para 10	Product Portfolio Director PS, ID & Insurance	Noting	-	-	-	-	-	-	-	X	-	-	-	
Strategic Partner Risk & Failure Monitoring Deep Dive	Terms of Reference para 10	Chief Operations Officer & Strategic Partnerships Director	Noting	-	X (Update only - WH Smith)	-	-	X	-	-	-	-	-	-	Annual item - update in May was exceptional due to COVID-19 environment. Note: This is to be part of the Compliance paper. In due course, it will move into the wider Data Governance Framework etc.
Data Protection Deep Dive	Committee Evaluation 2021	Director of Compliance	Noting	-	-	-	-	X	-	-	-	-	-	-	
Business Continuity Update	Terms of Reference para 10	Business Continuity Manager	Noting	-	-	-	-	X	-	-	-	-	-	-	Twice a year (to move to annually in due course)
Transformation Office Changes Update	Terms of Reference para 10	Group Chief Operations Officer	Noting	-	-	X	-	-	-	X	-	-	-	-	
Tax Update & Strategy	Terms of Reference para 18	Head of Tax	Noting & Approval	-	-	-	-	-	-	X	-	-	-	-	Twice a year

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Corporate Insurance Renewal	Terms of Reference para 22	Working Capital & Cash Management Lead	Approval	-	-	-	X	-	-	-	-	-	-	-	Insurance expires 31 October
Modern Slavery Statement	Terms of Reference para 18	Head of Customer Experience Strategy & Deployment / Retail & Franchise Network Strategy	Approval (for onwards submission to the Board)	-	-	X	-	-	-	-	-	-	-	-	
Corporate Social Responsibility Strategy	Terms of Reference para 18	Head of Corporate Responsibility & Social Impact & Group Corporate Affairs, Brand and Communications Director	Noting	-	-	X	-	-	-	-	-	-	-	-	For annual update with a wholesale review once every three years (next full review in 2023)
Risk Appetite Statements	Board Written Resolution 07/01/2021	Head of Risk	Approval	Operational Legal & Compliance	-	People	X	-	-	-	-	-	-	-	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 Policies 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. Mark Siddick 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	-	-	-	-	-	-	-	-	-	-	-	New Item - when should the next update be?
Legal Risk Review & Law and Trends (non GLO/Starling)	Terms of Reference para 18 & 20	Group General Counsel & Group Legal Director	Noting	-	-	-	X	-	-	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.
Annual Money Laundering Report	Terms of Reference para 24, 25 & 27	Money Laundering Reporting Officer and Head of Financial Crime	Discussion & Approval	-	-	-	-	-	-	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 23 & 24	Money Laundering Reporting Officer and Head of Financial Crime / Whistleblowing Manager	Noting & Approval (policy only)	-	-	-	X (Interim Review)	-	-	X (Full Review & Policy Approval)	-	-	-	-	Twice a year. Committee requested a review of Whistleblowing six months from last report in March 2021. Review otherwise dealt with annually under policy review and 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)	-	-	X	-	-	-	-	-	-	-	-	
Postmaster Policies	N/A	Service and Support Optimization Director	Approval	X (For nothing/discuss on only - update on how policies are working in practice, required prior to policy approvals, requested on 18/05/2021)	-	-	-	-	-	-	X	-	-	-	These were new policies in 2020/21 and the Committee may, in due course, agree that they can be approved by the ARC but Chair has indicated that they should remain before the ARC for now. Some policies were approved in May 2021, but it was agreed all policies would be brought as a suite in March 2022 (and March thereafter) such that all policies could be reviewed together. Full list: Postmaster Onboarding Postmaster Training Postmaster Complaint Handling Network Monitoring and Audit Support Network Cash and Stock Management Network Transaction Corrections Postmaster Account Support 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)	-	-	-	-	-	-	-	X	-	-	-	
Committee Evaluation	Terms of Reference para 74	CoSec	Noting & Discussion (Approval of any actions)	X	-	-	-	X (Review of Progress against actions)	-	-	-	-	-	-	Review 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	-	-	-	-	-	-	-	-	-	-	-	TBC - and as required
Refast Datacenter (Horizon) Disaster Recovery Post Test Briefing	Terms of Reference para 10	Head of IT Service Continuity	Noting only (no presentation)	-	-	X	-	-	-	-	-	-	-	-	Note: Should link with dependencies e.g. SPM and is also part of IT Controls and should be flagged on Risk Register as required.

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Item	Origin of Request	Owner	Action Required	18/08/2021	19/09/2021 (ARAs)	16/07/2021	26/09/2021	30/11/2021	December 2021 TBC	24/01/2022	28/03/2022	05/2022	09/2022	11/2022	Notes
Dangerous Goods Compliance	ARC Meeting 30/03/2021	Group Retail & Franchise Network Director, Franchise Partnering Director & Product Portfolio Director – Mail, Retail, PUDO & Gov services	Noting	-	-	-	X (Progress update & improved compliance results)	-	-	-	-	-	-	-	
Supply Chain Controls	ARC meeting 30/03/2021	CFD	Noting	-	-	X	Action Update at ARC	X	-	-	-	-	-	-	
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	X	-	-	-	-	-	X - plan (noting/discussion)	-	-	-	-	March 2022 is suggested date to present committee with plan to become compliant with new regime. This may move.
Post Office Insurance - Mystery Shopping update	Chair request 19/04/2021, Committee request 18/05/2021	POI ARC Chair or POI Director of Risk & Compliance	Noting	X	-	-	-	X	-	-	-	-	-	-	Mystery Shopping plan was requested by the Committee in May 2021. POI Director of Compliance advised this was unlikely to be ready before November 2021, but this may change.
Postmaster Management Information Update	ARC Meeting 30/03/2021	Network Performance Optimisation Director	Noting	X	-	-	X	-	-	-	-	-	-	-	POI 2021 paper proposed a further update in Sept 2021 and Committee agreed to this update on 19/05/2021.
Data Governance (Framework)	RCC Meeting 04/05/2021/ ARC pre-meeting 06/05/2021	CTD/Head of Data Governance TBC	Noting	-	-	-	X	-	-	-	-	-	-	-	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 (once yearly or annually) and likely to encompass data protection in due course (see deep dive above).
Risk Controls Assurance Map	Committee Evaluation 2021	Director of Compliance, Head of Risk & Head of Internal Audit	Noting	-	-	-	-	-	-	X	-	-	-	-	Date is TBC