Agenda

POST OFFICE LIMITED

Meeting:	Audit, Risk & Compliance Committee
Date:	16 May 2023
Time:	09:00 – 11:30 hrs
Location:	20 Finsbury Street, London, EC2Y 9AQ / Microsoft Teams. Meeting Room: Moorgate

Present:	Invited Attendees:
Simon Jeffreys (Chair)	Andrew Darfoor (Observer)
Elliot Jacobs (NED)	Amanda Burton (NED, Observer)
Lorna Gratton (NED, UKGI)	Tim Bennett (Senior Internal Audit Manager): Item 3.3
	Zdravko Mladenov (Group Chief Digital and Information Officer): Items 3.3, 4 and 5
	Matt Taylor (Head of Data Management):Item 4
	Vishal Thanki (Data Governance Lead Contractor): Item 4
	Kayleigh Dodd (Digital/Physical Records Manager): Item 4
	Dan Pearson (Director, PwC): Item 6 Martin Kearsley (Product Portfolio Director - Banking, Payments and Transactional Products): Item 6
Regular Attendees:	Tom Lee (Group Financial Controller): Item 6
Henry Staunton (Group Chairman)	Sarah Gray (Group Legal Director): Item 7
Ben Foat (Group General Counsel)	
Andrew Paynter (Partner, PwC)	
Sarah Allen (Director, PwC)	
Anshu Mathur (Group Assurance Director)	
Johann Appel (Head of Internal Audit)	
Jonathan Hill (Group Compliance Director)	
Carol Murray (Deloitte Partner)	
Rachel Scarrabelotti (Company Secretary)	
Marie Molloy (Senior Assistant Company Secretary)	
Apologies:	
Nick Read (Group CEO)	
Alisdair Cameron (Group CFO)	

Time		Item	Owner	Action
09.00	1.	Welcome & Conflicts of Interest	Chair	Noting
09.00	2.	Previous Meetings		
		2.1 Minutes (i) 28 March 2023	Chair	Approval
		2.2 Action List	Chair	Noting

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		2.3 Draft Risk and Compliance Committee Minutes (9 May 2023)		Alisdair Cameron	Noting
	3.	Risk, Compliance and Internal Audit Updates			
09.05		3.1	Risk Report & Dashboard • Risk Appetite Statements (People) • Retail & Franchise Risk & Group Corporate Affairs Risk Deep Dives	Johann Appel	Approval/ Noting
09.15		3.2	Group Compliance Update	Jonathan Hill/ Anshu Mathur	Noting
09.25		3.3	Internal Audit Report	Johann Appel/ Tim Bennett/ Zdravko Mladenov	Noting
09.35	4.	Data Governance Framework Approval		Zdravko Mladenov/ Matt Taylor/ Vishal Thanki/ Kayleigh Dodd	Approval
09.45	5.	Technical Assurance Plan for SPM (Verbal Update)		Zdravko Mladenov/ Anshu Mathur	Noting
09.55	6.	Outcomes from the Banking Framework assurance engagement		Dan Pearson/ Martin Kearsley/ Tom Lee	Noting
10.05	7.	Policies for Approval		Jonathan Hill /Sarah Gray	Approval
		7.1	Internal Audit Charter		
		7.2	Business Continuity Policy		
		7.3	Speak Up Policy		
		7.4	Group Legal Policy		
10.15	8.	Committee Evaluation		Chair	Noting/Discussion
10.25	9.	Any other business		All	
10.30	10.	External Audit to meet with ARC Members			

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POL ARC Meeting-16/05/23

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Items for Noting *These items will not be presented to the Committee and any questions should be sent to the Secretary for submission to the author for response. Questions and answers will be recorded as appendices to the meeting minutes.*				
	1.	Procurement Governance & Compliance	Liam Carroll	
	2.	Post Office Insurance ARC update	Ian Holloway	
	3.	Payment Practices Reporting Compliance	Tom Lee	
	4.	Strategic Partner Risk & Failure Monitoring Paper & Dashboard	Abigail Mcgeever	
	5.	Committee Forward Plan	CoSec	
Next ARC Meeting: • Wednesday 21st June 2023 at 09:00 – 09:55 via Microsoft via Teams.				

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Tab 2.1 Minutes of28 March 2023

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MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 28th MARCH 2023 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 10:00 AM

Present:	Invited Attendees:
Simon Jeffreys **(Chair)**	Lorna Gratton (Observer - UKGI) **(LG)**
Elliot Jacobs (NED) **(EJ)** (entered the meeting at 11.12)	Anshu Mathur (Interim Group Compliance Director): Item 3.2 **(AM)**
Tom Cooper (NED, UKGI) **(TC)**	Zdravko Mladenov (Group Chief Digital and Information Officer): Items 4, 5, 6 and 7 **(ZM)**
	Matt Taylor (Head of Data Management):Items 4 & 5 **(MT)**
Regular Attendees:	Vishal Thanki (Data Governance Lead Contractor): Items 4 & 5 **(VT)**
Henry Staunton (Chairman, POL) **(HS)**	Kayleigh Dodd (Digital/Physical Records Manager): Items 4 & 5 **(KD)**
Nick Read (Group Chief Executive Officer) **(NR)**	Zoscha Partos (Deputy Data Director): Items 4 & 5 **(ZP)**
Alisdair Cameron (Group Chief Finance Officer) **(AC)**	Dean Bessell (Interim CISO for Retail and Control):Item 6 **(DB)**
Ben Foat (Group General Counsel) **(BF)**	Martin Kearsley (Product Portfolio Director - Banking, Payments and Transactional Products): Item 8 **(MK)**
Andrew Paynter (Partner, PwC) **(AP)**	Tim McInnes (Strategy and Transformation Director): Item 10 **(TM)**
Haydn Horner (Senior Manager, PwC) **(HH)**	Jo Welch (Head of Change Risk & Assurance): Item 10 **(JW)**
Carol Murray (Deloitte Partner) **(CM)** (entered the meeting at 10.24)	Tom Lee (Group Financial Controller): Item 11 **(TL)**
Emma Gauntley (Deloitte Senior Manager) **(EG)**	Christine Kirby (Head of Financial Controls and Assurance): Item 11 **(CK)**
Johann Appel (Head of Internal Audit) **(JA)**	
Tim Bennett (Senior Internal Audit Manager)**(TB)**	
Rebecca Barker (Deputy Head of Risk) **(RB)**	
Jonathan Hill (Group Compliance Director)**(JH)**	
Rachel Scarrabelotti (Company Secretary) **(RS)**	
Marie Molloy (Senior Assistant Company Secretary) **(MM)**	
Apologies:	
Sarah Allen (Director, PwC) **(SA)**	

		Action
1.	**Welcome and Conflicts of Interest**	
1.1	A quorum being present, the Chair opened the meeting. The ARC acknowledged the attendance of LG as an observer at this meeting. As an observer, the ARC is aware that all contributions made by LG to this meeting are observations only, and do not constitute advice, recommendations, directions or instructions. The ARC confirms that it will take due care not to be unduly influenced solely by a	

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	contribution made by LG and that it will reach its conclusion based on a balanced and diligent assessment of all of the facts available to it.	
1.2	The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	**Previous Meetings**	
2.1	The minutes of the Audit, Risk and Compliance Committee meeting held on 23rd January 2023 were **APPROVED** and **AUTHORISED** for signature by the Chair.	
2.2	Progress against the completion of actions as shown on the action log was **NOTED**.	
2.3	The Chair asked about monitoring actions arising from RCC. AC confirmed there was a separate log that was reviewed at each meeting. It was agreed that any long overdue actions from RCC would be flagged to the Chair and the Chair would be invited to an RCC meeting as an observer. The draft minutes of the Risk and Compliance Committee held on 14th March 2023 were **NOTED**.	
3.	**Risk, Compliance and Internal Audit Updates**	
3.1	Risk Report & Dashboard RB presented the Risk Report & Dashboard. RB highlighted that the recent risk assessment of cyber loss of availability has increased, which was expected following the recent attacks on Post Office Insurance IRRELEVANT IRRELEVANT RB identified two risks which have moved from within tolerance to outside tolerance; Post Office Insurance cyber risks and increasing money laundering through the branch network. RB drew attention to the proposed Commercial appetite statements, detailed at Appendix 3, which had been reviewed with the Commercial Team. RB was also seeking approval of the Risk Harm Table, contained in the reading room, as this is reviewed by ARC annually. No changes had been made to this table from the previous year. TC asked about the impact of the POI attack on the business. JA believed that the impact was minimal but ZM was attending the meeting for other items and could advise. HS reference cyber risk at paragraph 7 and how well POL were covered in this respect. AC did not consider POL were in the right place regarding cyber risk. The previous POL ARC Chair had written and met with the BEIS ARC Chair to highlight that POL were exposed in this area and were not managing this risk. AC also recognised that there would be additional risk cyber risk in relation to NBIT, due to its greater connectivity. TC recalled an audit that Deloitte had previously conducted that placed POL mid of the pack at that stage, in regards to cyber security. AC considered that the external context had moved on in the last two years and the updated view was that £20m was required to be spent on POL cyber security. NR confirmed there had been 800 cyber incidents in February 2023 alone. He considered that POL were now below the pack regarding cyber security.	

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		The Chair summarised that the risks were outside tolerance and appetite but that POL was continuing to tolerate the situation. AC confirmed that BEIS were informed regarding the key risks outside tolerance. AC flagged the Fujitsu exit and delivery of NBIT as existential risks to POL. There were to be funding conversations with the Government in the next few months. The ARC • **APPROVED** the proposed appetite & tolerance levels for Commercial Risk; • **APPROVED** the annual sign-off of the corporate Harm Table and • **NOTED** the status of top operational and strategic risks.	
3.2		*AM entered the meeting.* Group Compliance Update *CONFIDENTIAL* The Chair asked if there was a path to green for the unstructured hard copy data. JH advised that the data team had a plan to address this which was subject to funding discussions and was to be presented to the ARC in a later item. JH highted AML and was aware that ARC had an item regarding Banking and deposit limits later in the meeting. The Chair asked if the risk was for POL or the Banking partners. JH considered it a reputational risk and a commercial risk as the Banking partners would stop using POL if POL controls were deemed not to be adequate. JH considered that there were the right controls at the POL end since KYC was predominately a Bank accountability. *CONFIDENTIAL* *CONFIDENTIAL* *CONFIDENTIAL* JH discussed the £90m fine William Hill had received due to lack of historical control. AM considered the principle was the same for Banks in relation to protecting participants/the customer with the onus on POL to demonstrate controls around splitting and placement of deposits. AC considered the Banking report to be overly optimistic regarding the risk of changes to deposit limits. **ACTION:** The Chair requested a compare/contrast exercise with the situation at William Hill. *CM entered the meeting.* TC suggested the use of Yoti regarding HMRC Fit and Proper reporting issues. JH advised that it was not a question of how Postmasters checks were done, they were accurate, it was regarding extracting information from the system. AM	**JH**

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	confirmed that the manual controls are complaint. BF confirmed that a full update on next steps, timelines and residual risk will be provided at the May RCC. AM provided an update on historical matters assurance. The assurance review of the Stamp Stock Scheme (SSS) is now complete and a final draft report has been sent to the Historical Matters Governance team. AM noted that the key findings from the preliminary report in October 2022 were all incorporated with SSS and have been taken forward in other schemes by the HSS team. In relation to CIJ assurance, AM advised that there were 365 lines of interest and 80% of the fieldwork had now been completed. HIJ Assurance have received all the data sets from the Technology Team and are targeting to complete the assurance reviews by end of April 2023. AM contrasted the more binary data sets of CIJ assurance with that of HIJ assurance and the key challenge will be to assess how the various documents and evidence provided actual measure against the desired outcomes of the judgements. AM would bring this back to the ARC once completed. TC asked about the HIJ risk to POL and the Shareholder. NR confirmed that IDG 2.0 would be reassessing and working through this. TC discussed demonstration of evidence of the conformance and that it was being actively lived in the business, rather than just policy. TC requested that aspects that could not be resolved before the Inquiry be flagged to the POL Board. The Chair and HS were to have an offline conversation regarding governance, high level strategy and maturity implementation. **ACTION:** An overall plan for HIJ including timetable, governance and assurance activity to be presented to ARC and POL Board. The ARC **NOTED** the Group Compliance Update. *AM left the meeting.*	**ZM**
3.3	Internal Audit Report JA introduced the Internal Audit Report. JA advised that the remaining nine internal audits to deliver in the programme this year were in flight. Two reports had been finalised; Integrated Settlement and Billing which was rated satisfactory and IT Control Framework which was rated as needs improvement. The SPM release 2 report was being finalised and IA have concluded that there is a major risk to delivery. JA confirmed that since the report was completed two more actions have been closed and there were 10 overdue actions currently. The meeting discussed the integrated assurance approach which was 11 months overdue. ZM was working on the technical assurance, being presented later in the meeting. AC confirmed there was no integrated plan at the moment. JA will continue to track the open action and provide an update at each ARC until completion. Internal Audit CoSource Independence Report including non-audit fees JA confirmed the completion of declarations of Independence by in-house staff, Deloitte and Mazars and that the non-audit spend was well within the limits.	

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	The ARC: • **NOTED** the Internal Audit Report and • **NOTED** the Internal Audit CoSource Independence Report including non-audit fees.		
3.4	2023/24 Internal Audit Plan TC asked if being behind on this year's IA programme would impact next year's programme, particularly in light of the decreased budget. JA said that any impact would be minimal as the remaining IA's had already been started and noting the audit year was May to May. The Chair enquired about the reduction in IA's from 30 to 22. AC confirmed this was to reduce cost. JA also outlined this decreased the impact/footprint on the business in the context of NBIT and the Inquiry. The Chair considered the three year rolling plan and if everything was being covered that should be. JA confirmed the plan was comprehensive and the majority of the core processes and those with a critical impact are still being covered by the proposed plan. The ARC **APPROVED** the proposed internal audit programme for 2023/24.	
4 & 5	**Impact of Data Management Funding Reduction & Unstructured Data**		
	ZM, MT, VT, KD & ZP entered the meeting. MT advised there had been a number of funding rounds and the current funding allocation for the remediation of POLs risk profile for structured data stands at £1.5 over 3 years, with £0.9m remaining, with no explicit funding for unstructured data, beyond a single BAU resource. The 11.5k Post Office branches produced a lot of paperwork which presented a large risk to the organisation. The Chair asked about the significant decrease in funding and the impact of the £1.5m of funding. ZM advised that risk in relation to unstructured data is outside appetite and tolerance and risk for structured data is outside appetite. With the current funding of £1.5m the risk level remained significant, ZM confirmed. ZM outlined the proposed investment of £7.2m over two years, which is pending approval, would bring unstructured and structured data to a more acceptable point but would not be enough to remediate every issue. TC asked about the Inquiry lawyers in the context of unstructured data and indexing. BF outlined that the pace they were required to produce documents. Rule 9 requests and Section 21 requests which only give 3 days to produce the documents were discussed. Indexing was challenging as the Inquiry lawyers were not experts in POL data systems. **ACTION**: BF and MT to have an offline conversation about the Inquiry team in the context of indexing and working with the data management team. TC asked about the historic data and replication. ▮▮▮ *CONFIDENTIAL* ▮▮▮ *CONFIDENTIAL* ▮▮▮ whilst acknowledging that the Inquiry was a small subset and that not everything was indexed and logged properly.	**MT/BF**

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	The Chair asked about the cut off from this point and indexing unstructured data as it is created. MT discussed the challenges and that building a central indexing site managed by Post Office was proposed which could differentiate between data that needed to go into storage and that which could be disposed of. *CONFIDENTIAL* *CONFIDENTIAL*	
	AC differentiated between branch data and controlled post office data as branches had been told to print off data each week but POL had no control over this data. ZM and MT highlighted the challenges around branch data with the proposed indexing site providing the only solution to address this. LG asked about the use of AI in scanning and indexing at a central site. ZM acknowledged there was work required to improve on this. **ACTION:** A plan to be presented to ARC regarding branch data.	**KD**
	AC also raised the issue of use of personal devices for work purposes in light of recent use of WhatsApp messages for government business.	
	TC noted that POL were not meeting statutory obligations with the current funding. AC was proposing to start spending the money before funding was received due to the seriousness of this situation.	
	TC asked about the Horizon data sites in Belfast, post Belfast Exit. ZM confirmed that data would be migrated offline to a cold storage facility location. This data would be required for legal and compliance purposes and POL would be able to access the data when required. TC asked about challenges after migration. ZM confirmed that 90 days' worth of data would still be accessible to postmasters and would utilise NBIT.	
	The Chair anticipated a Board paper regarding the £7.2m investment proposed. ZM confirmed there was a plan for the additional funding but he could not confirm the head count required as yet. AC confirmed that the business could not be run knowingly in breach of legal responsibilities and that funds would have to be spent on this. MT advised there had been a request for NBIT to stop printing, but this has not been confirmed and there may still be a requirement to do so.	
	The ARC **NOTED** the Impact of Data Management Funding Reduction & Unstructured Data.	
	MT, VT, KD & ZP left the meeting.	
6.	**Cyber Security & Ransomware Update**	
	DB entered the meeting.	
	TC asked about the impact of the POI attack on the wider business. ZM believed this was minimal as the Insurance business was isolated from the core system, but this would be confirmed. **ACTION:** ZM to confirm to ARC the impact of the POI attack on the wider business.	**ZM**
	JA enquired if engagement with the National Cyber Security Centre was planned regarding the ransomware playbook. BD confirmed that it was and he also met weekly with the pan government services group at the Department of Business and Trade.	

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		AP noted an experience at another organisation he was aware of where mobile devices were impacted and key people involved could not communicate with each other in the critical initial period. **ACTION**: Ransomware playbook to include provision for mobile devices being impacted.	**DB**
		The Chair asked about the status of the playbook. BD confirmed this was in phase 2 and would be completed in April 2023.	
		EJ entered the meeting	
		AC was keen for the relevant personnel to work through exercises once the playbook was complete. DB confirmed this would be undertaken with GE as part of phase 3 in Q2 2023.	
		Following the ransomware attack on Royal Mail Group, NR requested that lessons learned from this be presented to ARC. **ACTION:** Lessons learned from the ransomware attack on Royal Mail Group to be presented to ARC. DB to prepare lessons learned for the ARC. DB to reach out to RMG CISO to seek an update on the incident.	**DB**
		TC discussed the practical lines into the department, payment of ransoms and government policies in this area. DB confirmed there would be a negotiation formal exercise as part of the exercises planned in phase 3.	
		The ARC **NOTED** the Cyber Security & Ransomware Update.	
		DB left the meeting.	
7.		**NBIT Technical Assurance Strategy Update**	
		ZM presented the update and confirmed there were a number of activities in-flight. The strategy to ensure the new system is technically fit-for-purpose focused on five pillars: • Security and Access Management • Transaction Integrity and Data Quality • Software Robustness • Functional Design • BAU Support Capability	
		Against each pillar, a range of KPIs has been defined, plus the activity required of the NBIT technology team to assure delivery of those KPIs on an enduring basis. Early-warning indicators have also been developed for monitoring during migration.	
		The Chair asked if the KPI information was retrievable from the system. ZM advised it was and the plan was to make the information publicly available. LG enquired if this was to Postmasters or Post Office Head Quarters. AC was in favour of complete transparency to Postmasters and information regarding if an issue was fixed or still ongoing as this assisted Postmaster confidence and flagging of any issues. NR agreed that the principle of transparency was the right one. EJ recognised the differentiation between pre-launch testing and the live environment.	
		The Chair asked how Mazars were selected and the experience over the first 10 days. AC confirmed there had been a competitive process resulting in the selection of Mazars. ZM advised they appeared competent and had the right experience in his interactions over the 10 days.	
		HS asked about the assurance and was keen to have a high standard. ZM confirmed the assurance bar was equivalent to that of aircraft safety. The Chair	

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		asked about the quality assurance KPI and ZM confirmed there was a quality assurance function in place, however with the decimal point database issue ZM advised this defect should have been picked up earlier.	
		TC noted this update was limited to technical assurance and asked about overall assurance of the programme. ZM referenced the BEIS IPA that had recently been issued. AC confirmed they had to complete the plan and get Board approval. LG was mindful of the information that the Treasury would require for sign-off. TC discussed cost and timetable. AC advised that KPMG were supporting and working with NR and Katie Secretan regarding the retail delivery plan. The retail and technical elements ZM was working on would come together in a single plan. NR confirmed the integrated plan would not be ready before the June POL Board.	
		LG considered if the delivery plan had learned lessons from other organisations such as the DWP with Universal Credit. NR confirmed KPMG had been brought in to provide information on other organisations experiences.	
		TC considered that the IPA review had been critical of Board engagement. HS was looking to introduce a change in Board emphasis which would be picked up in the Board meeting in the afternoon. TC considered a Board IT skills gap following a Director resignation. The Chair confirmed this was being picked up by the Board.	
		The ARC **NOTED** the NBIT Technical Assurance Strategy Update.	
		ZM left the meeting.	
8.		**Banking Deep Dive**	
		MK entered the meeting	
		MK outlined that Access to Cash legislation continued to progress through parliament and is expected to become law this summer. The impact of deposit limits was estimated as removing c.£3.5bn cash per annum from POs, whereas the problem the National Economic Crime Centre was aiming to prevent was only estimated £3-500m per annum. The impact to Postmasters was discussed with 0.5% transactions failing previously and with the deposit limits in place this was now between 3-5% for the biggest banks, up to 12% for some of the smaller ones, of all transactions failing. Customers of the biggest banks were being impacted the most due to their 80% market share.	
		MK had raised the deposit limit issue with the FCA, UKF and now Government cabinet as this was a direct challenge to the Access to Cash legislation but acknowledged there had been limited progress thus far. The POL budget has not yet been impacted. POL is still over-budget for Banking, so this issue is about additional business foregone, but Postmasters had definitely felt the issue as their biggest local customers can no longer deposit their full amounts. This is a live issue for Postmasters and is a potential issue for the future and the importance of Banking was highlighted by MK. NR noted the outperformance of withdrawals assisting to date.	
		EJ highlighted all the work that Postmasters undertook before the transaction failed and the impact of counting money in and back out to the customer when failures occurred. EJ also raised the exposure risk from mis-inputting the numbers inherent in human interaction. MK noted that the set deposit limit resulted in people with nefarious purposes changing their mode of operation within a few days to drop below the limits and carrying on as before.	
		Replacing Banking deposit limits with account by account controls was 18 months away, MK estimated. MK outlined the advantage that information from the banks	

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	regarding what could be deposited that day could assist the postmasters and counter staff so there were not multiple attempts. This was anticipated in June/July 2023.	
	MK discussed deploying Easy ID to enable those with the ID to deposit what they needed, with those undertaking criminality not likely wanting to use a digital ID. TC asked if the banks would co-operate with the pin, card and digital ID. MK confirmed were engaged in the discussion and would be considering how/if to deploy these and other methods.	
	MK outlined the previous proposal to the banks to conclude the issue on low value, non-round withdrawals in the POL network, where Barclays were arguing that some Postmasters were conducting withdrawals for retail purchases when they had a point-of-sale terminal already. The banks were unable to agree the POL proposal between themselves and therefore the offer expired at the end of December 2022, as all banks had to agree to it. Barclays remained the hold out bank and MK expected this issue to return under Banking Framework 4 negotiations.	
	MK confirmed that the PwC Audit of the Banking Framework had been signed off and was being shared with the 5 institutions in the Banking Framework. PwC had raised 17 qualifications, some of which were POL wide and some were Banking Framework specific. The qualifications had not been weighted. Action to counter the sharing of smart ID's was discussed. Document governance and Policies provided to the 5 institutions were outlined.	
	The Chair asked about this work having been done under the direction of POL and potential conflict. AP confirmed this was explicitly approved by POL ARC. MK outlined the legislation protecting the last bank in an area and TC discussed optimising the strategy and position for POL in relation to this legislation.	
	The ARC **NOTED** the Banking Deep Dive.	
	MK left the meeting.	
9.	**Law and Trends & Legal Risk Review**	
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	The ARC **NOTED** the Law and Trends & Legal Risk Review.	
10.	**Transformation Office Changes Update**	
	TM & JW entered the meeting. TM outlined the main risk regarding portfolio funding and the Department of Business and Trade in relation to NBIT and the Inquiry. The ARC **NOTED** the Transformation Office Changes Update. *TM & JW eft the meeting.*	
11.	**BEIS White Paper On Restoring Trust In Audit And Corporate Governance - Response Overview**	
	TL and CK entered the meeting. CK outlined the enhanced accountability for Executive and Non-Executive Directors due to greater enforcement powers by the Audit, Reporting and Governance Authority. This was previously applicable only to Directors who were members of professional bodies. CK advised there would be greater responsibility for management reporting into RCC and ARC going forward, to provide sufficient comfort that all duties were being met The Chair discussed Director's attestations on controls and the potential impact for Directors due to changes in the Corporate Governance Code. AC accepted that Directors would require evidence to support their attestations and this would involve additional paperwork. CK confirmed that POL will only be able to perform a detailed impact assessment and put forward proposals, including expected cost implications, once guidance has been formalised by BEIS. AP advised that there was still uncertainty in the area but POL, as a Company, will be classified as a Public Interest Entity (PIE) under the proposed new definition as it is a private company with revenue greater than £750m and with more than 750 employees. POL's subsidiaries do not meet the definition of PIE. AP outlined that matrix would be provided to POL in April. AP suggested that a Board Audit and Assurance Policy could be created. EJ was concerned about the potential volume of data and requested one set of documents that Directors were required to attest. AC agreed this would be provided, similar to the information provided for the accounting officer. The ARC **NOTED** the BEIS Whitepaper Response Overview. *TL and CK left the meeting.*	
12.	**Policies for Approval**	
12.1	Cyber and Information Security Policy.	

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		The ARC **APPROVED** the Cyber and Information Security Policy.	
12.2		Health and Safety Policy The ARC **APPROVED** the Health and Safety Policy.	
13.		**AOB**	
		There being no further business, the meeting was closed at 12.18 pm	
14.		**Items for Noting**	
14.1		The following papers were circulated to the Committee prior to the meeting, but were not discussed at its meeting and were **NOTED** by the Committee: - Procurement Governance & Compliance - Post Office Insurance ARC update - Mystery Shopping Results - Committee Forward Plan	

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Chair   **Date**

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Tab 2.2 Action List

Post Office Limited Audit, Risk & Compliance Committee
OPEN ACTIONS

Number	Meeting Date	Minute Reference	Action	Action Owner	Due Date	Comment
1	3/29/2022	4.3	**Internal Audit (IA) Update –** JA further advised that the change process in Postmaster remuneration was not properly documented, and that a small team covered this space so key person dependency was an issue. The Chair queried the timeline for resolving these weaknesses. JA advised that a timeline was proposed and JA would report back on this at the next Committee meeting.	Johann Appel	May-23	04/05/23: Only 2 out of the original 13 actions remain open. One action has been overdue since 31/01/23 due to delays in recruiting staff. Two additional staff members have now been recruited and are making progress in updating the process documentation. The second action is on track for completion by 31/05/2023 03/03/23: Ten out of 13 actions have been completed. Challenges in recruiting staff delayed completion of the remaining 3 actions. Further extension was granted until 31/1/23 for 2 actions and to 31/3/23 for 1 action. An additional team member has now been recruited and will start on the 1st of April. Paul Liddiard (action owner) feels confident that with this additional resource, they will be able to complete the outstanding actions. 29/12/2022: Challenges have been experienced in recruiting staff, which further delayed completion of the remaining 3 actions. Further extension was granted until 31/1/23 for 2 actions and to 31/3/23 for 1 action.
2	7/12/2022	3.3	AC said they were looking to lighten the load where possible and were looking at the CAF process, for example, to make things easier. BF spoke about procurement and templates/training to reduce legal and compliance involvement where it was not needed. **ACTION:** information regarding these items to be shared with ARC and RCC	Sarah Gray/Rachel Scarrabelotti	May-23	04/05/2023: This CAF process is being discussed at RCC on 9 May 21/03/2023: A Contracts Manager has recently joined the Secretariat as a dedicated resource supporting the contract approval (eCAF) process. Training is being refreshed alongside plans to reintroduce regular eCAF clinic drop in sessions. The categories of documents exempted from the contract approval process (subject to agreed governance) have been reviewed and agreed with Legal and are proposed to be taken to the POL Board for consideration via the Authorised Signatory List which has been reviewed as part of the Annual Governance Report. Provided the POL Board approves the changes proposed to the Authorised Signatory List, the (internal) intranet support pages will be updated in April, with comms scheduled to support the rollout of the new categories. 05/01/2023: Ongoing at present.
3	7/12/2022	5.1	ZP acknowledged the good progress on IT controls and requested a dashboard so there could be a focus on the gaps and the top 10 technology risks in the organisation. The Chair added it should include IT being built , running the old and the risk in that. **ACTION:** ZM to include this as part of regular dashboard reporting with the underlying narrative.	Zdravko Mladenov	Jul-23	14/04/2023: This item is on the agenda for ARC July 2023, having been deferred from May. 16/03/2023: This item has been deferred to ARC May 2023. 28/11/2022: Remains work in-progress. Targeted to present overall dashboard and Top 10 risks to ARC at the March 2023 ARC.
4	7/12/2022	8.1	**ACTION** AC confirmed management were obtaining expert third party advice in relation to IR35 and that a copy of this advice would be circulated.	Tom Lee/Andy Jamieson	Jul-23	14/04/2023: Further queries received from HMRC on 11/4/23 which is currently under review alongside our external advisor, KPMG, prior to responding 16/03/2023: Still awaiting HMRC's follow up queries. Linked to Action no 7. 08/02/2023: still awaiting HMRC's follow up queries. 12/01/2023: Response issued to HMRC re their initial queries, with advice sought from POL legal and KPMG. We await further queries which are overdue from HMRC. HMRC are yet to provide a view as to their position.
5	12/5/2022	3.1	ZP raised that with so much going on in the business, which may impact health and wellbeing, the People risks did not 'feel' green. NR concurred. ZP requested a deep dive on People risks. **ACTION:** Deep dive on people risks to be undertaken by the March 2023 ARC.	Rebecca Barker	Sep-23	03/05/2023: Unfortunately due to the number of colleague changes within the people team we haven't been in a position to discuss the current risk set with regards to people risks for the May RCC. We have concentrated on revising the People risk appetite statements which will be presented in May for approval at the ARC. The people deep dive will take place as per our schedule in September. I agree with the comment from Zarin. One of the reasons that the people risks were showing as green, is that the "old" risk appetite statements were mainly a flexible response to risk which meant that the risks were reporting as green, this was one of the main triggers to review the appetite statements and the risk approach is now either averse or cautious. 10/02/2023: Due to personnel changes in the People Team this has been postponed to May 2023 ARC. 12/01/2023: The review (deep dive) of people risks will be carried out and presented at the March ARC – I have made reference to this within the ARC paper for the 23rd January 2023.
6	12/5/2022	3.1	NR accepted that better self-service solutions were required. **ACTION:** Self-service solutions to be presented to ARC in May 2023.	Zdravko Mladenov/ Martin Roberts	Jul-23	13/04/2023: Progress on self-service solutions is delayed. This action is postponed for the ARC in July
7	12/5/2022	3.1	The Chair asked about the strategic risk relating to non-compliance with IR35. Following his meeting with HMRC and for the avoidance of doubt, AC was considering drafting a letter to HMRC in conjunction with lawyers. **ACTION:** AC to inform ARC when the HMRC decision is issued.	Tom Lee	Jul-23	14/04/2023: Further queries received from HMRC on 11/4/23 which is currently under review alongside our external advisor, KPMG, prior to responding 16/03/2023: Still awaiting HMRC's follow up queries. Linked to Action number 4. 08/02/2023: still awaiting HMRC's follow up queries. 12/01/2023: response issued to HMRC re their initial queries, with advice sought from POL legal and KPMG. We await further queries which are overdue from HMRC. HMRC are yet to provide a view as to their position

Tab 2.2 Action List

8	12/5/2022	11	TC was concerned about stock control and stamps. AP confirmed, post the meeting, that PwC no longer count the stamps in branches when doing the cash counts as stamps are no longer held on POL's balance sheet. **ACTION:** The Chair requested regular reporting showing the number of breaks and key trends.	Colette Mcateer Russell Hancock	May-23	03/05/2023: The Stock Enquiries Team within Branch Reconciliation Team (BRT) carries out various activities in relation to Stock: •From the end of June 2020, Swindon began to check 100% of all returned Stock pouches. All pouch discrepancies are recorded and sent via email to the Stock Team on a weekly basis for further investigation. These investigations are usually resolved with either a phone call to branch supporting them through making adjustments on Horizon or by issuing a Transaction Correction to correct stock holdings on the Horizon system. Analysis completed for 6 months between 1/11/2022 and 30/04/2023 showed 37,222 pouches processed at Swindon identified 4,861 pouches with discrepancies (13%) this included 7,325 different discrepancies of which 61% were shortages, 39% surpluses with a net value of £764,657.25 shortage which BRT worked with branches to resolve •Proactive work – The team use a Stock risk tool which pulls together 9 different strands of data including pouches that have been delivered to branch but not entered onto Horizon, pouches that have been dispatched from branch on Horizon but that haven't arrived at Swindon Stock Centre, and unusually large volumes/value of Stock movement. The tool ranks branches according to risk. There are 2 x FTEs who investigate highest ranking branches, these investigations may result in one or more of the following activities, a phone call from the Stock Team, a Transaction Correction being issued, a support call/visit from a trainer or a Branch Assurance Visit to verify actual physical assets •Monitoring of Obsolete Stock There are currently 9 x FTEs solely focused on all Stock activity and there is a commitment from Martin Roberts to recruit a further 3 x 12 month temporary fixed term contracts to bolster this activity in preparation to support branches experience a smooth transition to NBIT. 20/03/2023: Supply Chain team in Swindon will count 100% of all returned stock. This information is then supplied to the branch reconciliation team in Chesterfield who will amend where necessary and work with branches to identify any gaps between what has been reported within our systems and what has physically been returned to Swindon. This action has been reassigned to Colette Mcateer, Senior Network Monitoring & Reconciliation Operations Manager.
9	1/23/2023	3.2	NR discussed that the costing for physical and soft data management was £12.9m and the budget was now £1.5m which impacted what was realistic to achieve. **ACTION:** Report on what this lower budget has impacted upon to be provided to ARC in March 2023.	Zdravko Mladenov	May-23	28/03/2023: This item was addressed in the Data Management Funding Reduction paper at May ARC. **Action proposed for closure.**
10	3/28/2023	3.2	**ACTION:** The Chair requested a compare/contrast exercise with the situation at William Hill.	Jonathan Hill	Jul-23	
11	3/28/2023	3.2	**ACTION:** An overall plan for HIJ including timetable, governance and assurance activity to be presented to ARC and POL Board.	Jeff Smyth/Simon Oldnall/Dean Bassell	Jul-23	
12	3/28/2023	4	**ACTION:** BF and MT to have an offline conversation about the Inquiry team in the context of indexing and working with the data management team.	Matt Taylor/Ben Foat	Jul-23	02/05/2023: In relation to the hardcopy audit (any material that was not deemed relevant for disclosure), this will be archived (if required) and therefore indexed through the BAU POL estate clearance/repatriation programme (within the current/proposed budgets). The non-relevant material would not have been indexed and archived by the inquiry teams. **Action proposed for closure.**
13	3/28/2023	4	**ACTION:** A plan to be presented to ARC regarding branch data.	Kayleigh Dodd	Jul-23	
14	3/28/2023	6	**ACTION:** ZM to confirm to ARC the impact of the POL attack on the wider business.	Zdravko Mladenov	Jul-23	09/05/2023: On the 27th January 2023, the POL team were alerted to unusual web traffic volumes for travel insurance through the application monitoring tool AppDynamics. Despite the increase in traffic to the travel website, this didn't drive an increase in quote volumes which is highly unusual. Firewalls and SIEM (Security Incident Event Management) did not detect any suspicious behaviour however, further analysis identified unusual traffic was found from a small number of IP addresses. Once detected a major incident was declared and the IP's were blocked on the firewall with POL CISO engaged throughout. During investigations another low level attack started and the travel website was taken off line (on the 27th January 2023) to protect the customer data. The low level attack was a steady influx of traffic from a small number of IP's that were not registered as bad IP's and the traffic volumes were at a volume that would not trigger general alerts and hard to detect. Microsoft were engaged and the Azure firewall was working within its capability and would not have blocked this type of activity. A full investigation started and anti-virus scans were run across the platform to ensure a breach had not taken place. Once it was confirmed that attack had ceased and no other indicators were observed, the travel website was brought back online on the morning of the 29th January 2023. No travel related products were able to be sold during the period that the website was offline. As part of post incident follow up, POL now utilise the services of an enhanced Web Application Firewall (WAF) which was not in place prior to the incident. This now provides greater alerting and prevention capability. **Action proposed for closure.**
15	3/28/2023	6	**ACTION:** Ransomware playbook to include provision for mobile devices being impacted.	Dean Bessell	Jul-23	09/05/2023: I can confirm we are liaising with Deloitte to ensure this is included as part of the playbook. **Action proposed for closure.**
16	3/28/2023	6	**ACTION:** Lessons learned from the ransomware attack on Royal Mail Group to be presented to ARC. DB to prepare lessons learned for the ARC. DB to reach out to RMG CISO to seek an update on the incident.	Dean Bessell	Jul-23	

Tab 2.3 Draft Risk and Compliance Committee Minutes (9 May 2023)

POST OFFICE LIMITED

MINUTES OF A MEETING OF THE RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 9 MAY 2023 AT 10:00 AT FINSBURY DIALS

Present:	Attendees:
Ben Foat (Group General Counsel) Chair in the absence of Alisdair Cameron	Liam Carroll (Procurement Director): Item 2 **(LC)**
Max Jacobi (Finance Director – Commercial) **(MJ)**	Mark Underwood (LCG Operations Director): Item 2 **(MU)**
Zdravko Mladenov (Group Chief Digital and Information Officer) **(ZM)**	Sarah Koniarski (Senior Assistant Company Secretary): Item 2 **(SK)**
Ian Rudkin (Interim Group Reward Director) on behalf of Jane Davies (Group Chief People Officer) **(IR)**	Susan Godfrey (Senior Procurement Operations Manager): Item 2 **(SG)**
	David Southall (Head of Contract and Deployment): Item 3 **(DS)**
Apologies	Matt Taylor (Head of Data Management): Item 4 **(MT)**
Alisdair Cameron (Chair)	Kayleigh Dodd (Digital/Physical Records Manager): Item 4 **(KD)**
Pete Marsh (Retail Operations Director)**(PMa)**	Vishal Thanki (Data Governance Lead Contractor): Item 4 **(VT)**
Jane Davies (Group Chief People Officer) **(JD)**	Tim Bennett (Senior Internal Audit Manager - Strategy & Transformation): Item 7.3 **(TB)**
Regular Attendees:	
Sarah Gray (Group Legal Director) **(SG)**	
Johann Appel (Director of Internal Audit & Risk) **(JA)**	
Rebecca Barker (Head of Risk) **(RB)**	
Tom Lee (Group Financial Controller) **(TL)**	
Jonathan Hill (Group Compliance Director) **(JH)**	
Anshu Mathur (Group Assurance Director) **(AM)**	
Marie Molloy (Senior Assistant Company Secretary) **(MM)**	

1.	**Welcome and Conflicts of Interest**	**Action**
	In the absence of Alisdair Cameron, the members nominated Ben Foat to Chair this RCC meeting only. The Chair opened the meeting and advised that all papers would be taken as read. No conflicts of interest were declared.	
2.	**Contract Management Framework (Verbal update)**	
	LC, SK, SG & MU entered the meeting. LC outlined the increase in non-compliant expenditure and failure to comply with the Contract Management Framework (CMF) which was making contract management more difficult. Although the CMF was owned by the	

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	legal team, it was a devolved operating model, with the business accountable for ensuring compliance. Web 3 was used to assist contract management and should flag when contracts were coming to an end. However, some data on Web 3 had been found to be inaccurate/incomplete. There was now more awareness of the non-compliance issues and contracts had been presented to GE and POL Board for retrospective approval.	
	LC advised that a complete contract audit was an inordinate amount of work and was not something he was recommending. Consideration was given to reviewing where total expenditure to the supplier last year was either £0.5m or £1.0m. Tiering suppliers by strategic importance was discussed, as was where responsibility for Contract Management sat. The Chair praised the clarity of LC's update.	
	SG recalled papers which proposed solutions had been presented to GE previously and resource and prioritisation issues were outlined. MU advised that the CMF had come into force in 2019 and acknowledged that it needed to be re-visited. The role of contract manager and contract owners and accountability were considered. Contract owners and contract managers leaving POL without transferring their responsibilities to a colleague were highlighted. JA spoke of potential consequences and enforcement for non-compliance with the framework and that the previous purchase to pay audit had found Web 3 anomalies and data quality issues with transactions not following the correct process. JA was planning an internal audit to look at the process.	
	The benefits of a decentralised approach to the first line of defence were outlined by the Chair and AM confirmed that this was a normal approach adopted by many other organisations, but that it required strong monitoring from the centre to be effective. ZM discussed GE oversight and that GE-1 were managing the contracts. The Chair recognised the gap in assurance that was in an immature state and was just starting to be set up. AM considered that this was work usually undertaken by functional compliance and LC outlined resource challenges. SG discussed Web 3 and the procurement data on the CMF. **ACTION:** An offline conversation was to be held regarding the way forward to assess what the potential problem statement and routes to remediation.	LC/SG/MU/SK
	ACTION: The chair requested a noting paper to June RCC/July ARC on the CMF risk and increase in non-conformance and possible resolutions. The Chair would highlight the risk to the ARC Chair in the interim.	LC/SG/MU/SK
	ACTION: The Chair suggested that the 44 top strategic contracts were reviewed; the legal team had the list of contracts.	LC/SG/MU/SK
	ACTION: MJ suggested that the parties speak to TL's team in finance on lessons learned from the balance sheet project that had similar data quality issues.	LC/SG/MU/SK/TL
	The RCC **NOTED** the Contract Management Framework Verbal update.	
	LC, SK, SG & MU left the meeting.	
3.	**Postmaster Policies - Contract Performance, Contract Suspension, Contract Termination and Decision Review Policies**	

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	DS entered the meeting.	
	DS outlined the work undertaken on the annual review. AM confirmed that the team were currently in the last stage CIJ assurance review of the Postmaster policies. The RCC determined that it would be preferable to submit the policies for approval after this assurance, rather than prior. The Legal team were also due to sign them off. Therefore, submitting the policies for approval was deferred to June RCC/July ARC.	
	The RCC **NOTED** the update on Postmaster Policies - Contract Performance, Contract Suspension, Contract Termination and Decision Review Policies.	
	DS left the meeting.	
4.	**Data Governance Framework Approval**	
	MT, VT and KD entered the meeting.	
	ZM outlined the work undertaken on the Data Governance Framework (DGF) which was based on an industry standard framework and customised for the specifics of POL. In addition, the data maturity framework would track the progress against the various maturity levels. ISO certification would be considered in the future. ZM reported that the inaugural Data Governance Committee was convened on 24th May 2023.	
	Whilst not a formal policy, ZM confirmed that the Data Governance Committee decided to request approval of the Data Governance Framework at the RCC and ARC as it will form the direction of travel in relation to data governance maturity across POL. The timelines to deliver level 2 maturity were highlighted by ZM.	
	The Chair praised the paper and the DGF. The Chair asked about the progress towards timelines between the present and February 2024. VT confirmed that the next update would be on the dates and February 2024 was based on the formal approval of funding. JA referred to appendix 1 of the paper and different aspects of data governance having different maturity levels. ZM said that as an organisation all areas should be targeting to be at level 2 and anticipated that some areas would progress faster than others.	
	JH considered that consequences should be built in from the start. MT confirmed that no consequences had been stated. AM considered that compliance/adherence to control standards should have an input to overall Senior remuneration. The Chair suggested a compliance objective as part of the broader cultural progress. MJ had seen this in previous organisations, linked to progress. **ACTION**: IR to provide an update to RCC on potential for a compliance objective.	**IR**
	The meeting discussed that this was a framework rather than a formal policy. AM considered that the framework had the content to create a policy. VT outlined polices such as the document retention policy which may eventually all be brought together under one umbrella. MJ considered how the framework could be delivered and VT highlighted the work on the Deputy Data Sponsor on this.	
	ACTION: The definition of unstructured and structed data was to be provided as a footnote.	**MT/VT**

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	ACTION: Risk to be reassessed as the Chair highlighted POL were at risk of not complying with legal obligations The RCC **APPROVED** the Data Governance Framework for onward submission to the ARC. *MT, VT and KD left the meeting.*	**RB/JA**
5.	**Integrated Assurance Plan for SPM (Verbal Update)**	
	ZM provided this update. ZM noted the elements of NBIT assurance that were outside of his scope: 1. Retail Transformation Programme (RTP) encompassing the roll out and if the training was fit for purpose 2. Operational BAU processes encompassing contractual/legal readiness. JA outlined the audit action from April 2022, to establish a second line of assurance for the NBIT programme. The balance of the request had gone to the RTP. ZM considered that RTP needed to stand up their own assurance. Differentiation was made between SPM, RTP and BAU. The Chair acknowledged the broader assurance and the time frame implications. ZM would therefore provide an update to ARC on the Technical Assurance plan. ZM confirmed that Mazars had been engaged in January 2023 as external advisors and had built upon the work ZM's team had undertaken. A deep dive would be provided to June RCC/July ARC.	
	ACTION: Offline conversation regarding the way forward for Integrated Assurance Plan for SPM. The RCC **NOTED** the Verbal Update and an update would be provided to May ARC regarding the Technical Assurance plan. The Integrated Assurance Plan for SPM would be on the June RCC/July ARC agenda.	**Chair/ZM/JA/AM**
6.	**Fraud Risk (Verbal Update)**	
	JA provided this update. JA acknowledged there were many preventative and detective controls across the organisation but these were not centrally assessed. A draft paper had been produced following the March 2023 RCC. This had received additional feedback from the financial crime, assurance and compliance teams which needed to be incorporated. The Fraud Risk paper would therefore be deferred to June RCC/July ARC. The RCC **NOTED** the Fraud Risk verbal update.	
7.	**Risk, Compliance and Audit Update**	
7.1	**Risk Report & Dashboard. Risk Appetite Statements (Commercial)**	
	JA introduced this item. JA acknowledged that as the top 10 risks did not really change there had been a difference in approach by undertaking rotational deep dive exercises	

Tab 2.3 Draft Risk and Compliance Committee Minutes (9 May 2023)

	across the business. The appendix contained the top 10 risks outside appetite and tolerance. Emerging risks would also be called out in the paper. JH agreed with the rotational deep dive approach and asked about how to manage risk between the deep dive cycles. RB confirmed there was still the monthly risk dashboard and risk management reports to highlight areas of concern every quarter so any interim issues would be called out. JH considered how the business could use risk assessments to highlight issues before they became so. The Chair noted the centralised risk team reduction from six to three, meaning that the first line had to step up. AM proposed that the deep dives followed a cyclical calendar and that the risk owners should be requested to present their risk profile and residual status. JA confirmed there was a rotational forward plan. The Chair observed that the information contained in the paper Executive Summary may need further escalation and conversation with the shareholder regarding the risks remaining outside of agreed tolerance level. Training requirements for the first line with less centralised risk team members was highlighted. The Chair discussed succession planning in the context of the people risk appetite statement which RB agreed to reflect. The Chair referenced the retail risk and acknowledged the emerging risk but that Postmaster numbers were currently tracking normally. **ACTION:** Losses still needed to be resolved and the Chair request a report back to RCC regarding the investigation process and encompassing CIJ/HIJ conformance. The Chair observed that in relation to management of historic data Simon Recaldin had been named against this but he considered this was broader than Simon. RB confirmed that the risk title would be reworded and agreed with Simon and the team as she accepted that the original risk name was misleading. The RCC: • **NOTED** the status of key intermediate risks and • **APPROVED** the proposed appetite & tolerance levels for People risks for onward submission to ARC.	**Mel Park**
7.2	**Compliance Report**	
	JH highlighted that another discovery of boxes had been made in an old DMB on a floor not used by the DMB. JH gave consideration to area managers undertaking checks of areas. The Chair considered the logistics of instruction sheets/training and timetables. AM considered this from the aspect of why the boxes had been missed in December 2022 and what lessons or feedback should be given to the accountable areas. **ACTION:** JH to present a report to GE tactical. JH discussed the increase in FOI requests/DSAR's and an additional lawyer had been recruited. JH advised there would be an additional resource request in the future. JH reported that HMRC were unlikely to do a supervision visit this year, thus the Fit & Proper development work was likely to be delayed.	**JH**

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	AM highlighted the work undertaken on historical matters. In relation to CIJ/Postmaster policies, the team were starting to issue preliminary findings for factual validation.	
	AM confirmed that Whistleblowing and investigation fieldwork had commenced the previous week.	
	ACTION: an offline conversation to be held between the Chair, ZM, JA and AM regarding HIJ Assurance.	**Chair/ZM/JA/AM**
	The RCC **NOTED** the Compliance Report and **APPROVED** the report for onward submission to the ARC.	
7.3	**Internal Audit Report**	
	TB entered the meeting.	
	JA advised that two audits were not completed as they had been delayed due to challenges in getting information from third parties. Seven audits had been concluded. Three of these had been rated adverse: legal costs, Horizon – IT Operations and Service Continuity and SPM – R2 Readiness & Governance (rated a major delivery risk).	
	JH asked about any impact on delays to the 2022/23 affecting the 2023/24 plan. JA confirmed that the audit year was May ARC to May ARC and they were nearly on track as there were two remaining audits to finalise and 2023/24 would not be adversely affected.	
	ZM acknowledged that the Ransomware audit was not rated but sought the team's view. JA referred to the memo regarding the Deloitte findings on this area, in comparison to 2020 there had been significant improvement.	
	ZM discussed the SPM R2 Internal Audit findings, acknowledging the further work required. JA commented positively on the oversight of service delivery and effective processes in place.	
	In relation to his SPM management comment, ZM was to give consideration as to whether he would amend the sentence about engagement with the audit team.	
	JA outlined that he had been approached by POI as they had not been aware that POL Cyber risk was outside of appetite and tolerance and they were concerned about awareness of POL risk positions that may impact POI and how they would get visibility of these. MJ considered there was a continual obligation and this would be addressed in the new Master Services Agreement. **ACTION:** Risk reporting and what could be shared with POI was to discussed offline, with consideration given to any Inquiry related issues.	**JA**
	The RCC **NOTED** the Internal Audit Report and **APPROVED** the report for onward submission to the ARC.	
	TB left the meeting.	
8.	**Policies for Approval**	
8.1	**Internal Audit Charter**	

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	The Internal Audit Charter was **APPROVED** for onward submission to the ARC.	
8.2	**Business Continuity Policy**	
	The Business Continuity Policy was **APPROVED** for onward submission to the ARC.	
8.3	**Speak Up Policy**	
	SG observed that a replacement Whistleblowing Champion needed to be appointed. **ACTION:** Whistleblowing Champion needed to be appointed.	**SG**
	SG proposed that Speak up be added as a standing item to the ARC agenda. **ACTION:** ARC chair to be consulted regarding adding Speak up as a standing item on the ARC agenda.	**Chair**
	The Speak Up Policy was **APPROVED** for onward submission to the ARC.	
8.4	**Group Legal Policy**	
	SG outlined the Group Legal Policy to assist the business in minimising legal risk. The policy took into account CIJ and HIJ findings. Engagement with external firms, via the legal team, was encompassed in the policy and would control costs. The Chair congratulated SG on the work done by her and the team and commented that it was an excellent policy. The Group Legal Policy was **APPROVED** for onward submission to the ARC.	
9.	**Previous Meetings**	
9.1	**Minutes (14 March 2023)**	
	The minutes of the Committee meeting held on 10 January 2023 were **APPROVED**.	
9.2	**Action List**	
	Progress on completion of actions as shown on the action log was **NOTED.**	
10	**Audit, Risk and Compliance Committee pre-meeting review**	
10.1	**ARC Agenda – 16 May 2023**	
	The Fraud Risk paper and Postmaster Contract Performance, Postmaster Contract Suspension, Postmaster Contract Termination and Postmaster Decision Review Policies were deferred to the July ARC, to enable further work to be undertaken on them and ensure alignment with current assurance activities. The Integrated Assurance Plan for SPM Verbal Update would now be a Technical Assurance Plan for SPM verbal update to 16 May ARC. The draft ARC agenda for 16 May 2023 was **NOTED** by the RCC.	
10.2	**Forward Plan (including RCC only items)**	
	The Committee & ARC forward plan was **NOTED** by the RCC.	
11.	**RCC Terms of Reference**	

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	MM outlined the proposed change in RCC Terms of Reference membership, that Section E – Composition and Governance, paragraph 7 be amended so that the Retail Engagement Director is admitted to the Membership of the RCC, and the role of Retail Operations Director is removed from RCC Membership. Paragraph 10 was also to be amended to include the Group Assurance Director as a permanent invitee of the Committee. The RCC Terms of Reference were **APPROVED** for onwards submission to GE.	
12.	**Any other Business**	
	The Chair observed that it would be good to see GE better represented at RCC. There being no other business the Chair declared the meeting closed at 12.29.	
13.	**Items for Noting**	
13.1	**Procurement Governance & Compliance**	
	The Procurement Governance & Compliance Paper was **NOTED** by the RCC and **APPROVED** for onward submission to the ARC.	
13.2	**Strategic Partner Risk & Failure Monitoring Paper & Dashboard**	
	The Strategic Partner Risk & Failure Monitoring Paper & Dashboard was **NOTED** by the RCC and **APPROVED** for onward submission to the ARC.	
13.3	**Payment Practices Reporting Compliance**	
	The Payment Practices Reporting Compliance Paper was **NOTED** by the RCC and **APPROVED** for onward submission to the ARC.	

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Tab 3.1 Risk Report & Dashboard ·Risk Appetite Statements (People) ·Retail & Franchise Risk & Group Corporate Affairs Risk Deep Dives

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Risk Update	Meeting Date:	16th May 2023
Author:	Rebecca Barker (Head of Risk), Johann Appel (Director of Internal Audit & Risk)	Sponsor:	Alisdair Cameron

Input Sought: Noting/Approval

The committee is requested to:
  i.   Note the status of key intermediate risks;
  ii. Approve the proposed appetite & tolerance levels for People risks.

Executive Summary

We have performed risk deep-dives into Group Retail, Group People and Group Corporate affairs. This entails an end to end review of a specific risk, focus area or concern. Whilst a number of risks remain outside of agreed tolerance levels, we will not be escalating any additional risks to DBT outside of what has already been escalated in December 2022.

There are no emerging risks to note in this reporting period. The with regards to the inability to identify, investigate and resolve discrepancies in the network has been assessed as being outside of tolerance. (refer to appendix 1 for more detail).

In addition to the standard report, we have included the proposed People Risk appetite statements, which we are requesting approval from the ARC.

Report

1. **Changes to risk management assurance**: Following the implementation of SNOW GRC, the reorganisation of the Central Risk team is now complete. First line are accountable for actively managing their risks; the central risk team will support this by;
   - Performing a risk deep dive on a 6 month rotational basis across all business units (refer to appendix 2 for forward plan).
   - Providing the Intermediate risk dashboard to GE members every other month ensuring key risks are accurately reported.
   - Providing a risk data quality dashboard to GE members and their teams on a quarterly basis to highlight areas of risk which are not being managed as per the Group Risk Management policy.

2. **Deep Dives:** A risk assessment deep-dive will help target and improve specific areas of risk. We will focus on areas of key risk. During this reporting period we completed the deep-dives for Group Retail, Group People and Group Corporate Affairs. Apart from the deep-dives, we will continue to report on key intermediate risks and progress with risk responses (see appendix 1). For transparency, all intermediate risks have been included within the reading room.

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Tab 3.1 Risk Report & Dashboard ·Risk Appetite Statements (People) ·Retail & Franchise Risk & Group Corporate Affairs Risk Deep Dives

Risk Deep Dives

3. **Group People:** Staff changes within Group People have prevented a full review of risks - we are working with the team and will perform the full risk review in readiness for the September RCC/ARC. As part of our commitment to improve risk management across the business, the Central Risk team have proposed a set of revised people risk appetite statements. These statements have been reviewed and agreed Jane Davies and her team. The proposed statements are detailed within this report in appendix 3. We are seeking approval from the committee for onward submission to ARC.
Recommendations: Currently there is a high number of Intermediate risks, 18 in total and it is unclear which of these risks are key and would therefore require visibility at the RCC/ARC – Central Risk are working with the team to review all risks with a view to clarify and consolidate.

4. **Group Retail:** Intermediate risks have all been reviewed with the senior leadership team to ensure the correct accountability to take appropriate decisions about risk remediation. Whilst a number of risks are currently being reported as outside of tolerance, remediation plans are being developed. Themes identified during this deep dive are:
   - Capacity to absorb and support delivery of change driven by key programs, if change is not planned and aligned correctly. Capacity in branches, contact centres and field teams will not be prepared to support and land the high level of change. The Retail team are launching several activities across the business to remediate this risk such as the Introduction of Air Traffic Control to manage workload and change, quarterly updates at a senior level to ensure changes and activities are agreed, projects or activity will require a fit to land status otherwise it doesn't go to market.
   - Postmaster losses increasing every month, remediation plans to be agreed.
   - High number of local risks (117) which appear to include a level of duplication and are currently not aligned to Intermediate risks – this require further review and we expect to reduce the number of local risks by around 50% following the review.
   Recommendation: Whilst the business is responsible for planning and delivering change, it is evident that poor engagement from the branch network could result in increased poor delivery. For example, the "copper stop sell" programme have identified a low response rate from the branches to support activity that is required in branch to switch from copper connections - recent figures show an 80% failure rate of branches responding to the work required in branch to complete copper stop sell activity. We recommend that a risk assessment should be carried out to understand the impact of low engagement levels from branches on key programmes which are reliant on branches working with the business to deliver to plan. We will work with the team to support this assessment.

5. **Group Corporate Affairs:** Intermediate risks have been reviewed with the senior leadership team. One of the key risks for Post Office in relation to the Horizon Scandal is media spotlight resulting from the public Inquiry. Whilst the main risk relates to consumer impact, there are other potential impacts such as corporate brand reputation, which could impact our ability to work with preferred suppliers, challenges with colleague recruitment, increased levels of dissatisfaction with existing postmasters and an impact on recruiting new postmasters. The brands team collects data to measure the possible impact on our brand, which gives us insights into the following areas:
   - Brand metrics associated with Industrial Action have stabilised.

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- Levels of spontaneous and prompted awareness of the Horizon Scandal are steadily reducing and are at levels seen in the last half of 2021.
- Agreement of "treats postmaster fairly" is slowly rising and "trustworthy brand" is more positive, but still below levels of last summer.
- Positive mentions increased further in March.

Whilst brands data suggests that we are 'weathering the storm' somewhat, there are a series of upcoming events that may heighten public awareness:

- The ITV drama "People vs Post Office" is planned to air in Q1 2024.
- ITV has also announced a documentary to accompany the drama series, called "People vs Post Office: The Real Story."
- The public inquiry will report its findings sometime in the next 12-18 months, with an expected increase in media attention during that time.

Recommendations: Whilst the Intermediate risks have been confirmed this requires updating within SNOW GRC.   We will support the team to ensure all risks are updated correctly.

Update on other areas

6. **Group Technology:** Intermediate risks for NBIT, Fujitsu contract extension and Fujitsu end-of-life have been discussed with the risk owners and included within appendix 1. Following the reformation of the NBIT programme into 2 channels, SMP and RTP, the technology risk has been revised to reflect the delivery of the technology solution by March 2024. Discussions with regards to RTP risk will take place following the board meeting on the 8th of June when the NBIT plan is approved.

7. There is no change to the Cyber Security risk posture, for awareness key remediations are:
   - Ransomware report is now complete and initiatives are being planned and prioritised.
   - Ransomware playbooks being finalised prior to holding a training session with GE stakeholders - before end of Q2.
   - Lessons learnt from RMG ransomware incident to be presented to ARC - before end of Q2.

8. **Group General Counsel:** Central Risk have worked together with the Legal team and all assessments are now complete on SNOW GRC for intermediate risks. A local risk review is in progress with the financial crime team to remove any duplications of risk and controls. HMU risks that were previously reported to the RCC/ARC in January are now tracked in SNOW GRC.

Next Steps & Timelines

9. "Deep Dive" risk review with Group Technology, Group Finance and Group Strategy & Transformation to be presented at the ARC.

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Appendix 1 – Top 10 risks for May outside of appetite

- **Enterprise Risk:** RAG status relates to the High, Medium or Low scoring Enterprise risk - the score is assessed using the roll-up of Intermediate risks.
- 8 of the 10 risks reported this period are outside of tolerance and reporting red - this may appear alarming, however, it should be noted that the risks remain stable and the underlying cause around remediation remains reliant on funding and delivery of key programme activity in progress. We have not identified any risk that require escalation to DBT unless the committees advise otherwise.

	Enterprise Risk	Intermediate Risk	Change	Commentary	Status
1	Operational (4:4)	Inability to rebuild trust with postmasters (5:3) Tracy Marshall RK0021816	Stable	No movement to the risk posture. **MITIGATION** • We have just concluded the annual postmaster research survey using an independent agency, Quadrangle. The results will help us to prioritise postmaster activity and focus on areas where we need to support them more. • Over the last two years we have been making improvements to the support we provide to postmasters across training, onboarding, central support. • All areas of Postmaster support are currently being reviewed as part of our preparation for the Inquiry and evidence giving in phases 6 & 7 identifying improvements to date, gaps and future actions to further improve. These will be validated by the Improvement Delivery Group, chaired by Nick Read. **REVIEW DATE** November 2023	Outside Appetite and Tolerance
2	Operational (4:3)	Inability to provide a resilient Supply Chain operation (4:2) Russell Hancock RK0021339	Reduced	Risk has reduced, likelihood reduced from 3 to 2. **MITIGATION** • Contingency plans are in place (manual work arounds – although we can deliver far less manually so not without impact) • We now have external contracts in place with third parties to provide contingent support. • High speed note counter is delivered – making cash centres far more resilient • PDA replacement programme is underway – these will be rolled out this year (project is in build phase). **REVIEW DATE** November 2023	Outside Appetite within Tolerance
3	Operational (4:3)	Inability to identify, investigate and resolve discrepancies in the network. (4:5) Mel Park RK0021792	New	New risk. Full mitigation to be planned with timelines and agreed target dates. **MITIGATION** Initial mitigations are: • Internal assurance activity within the team and by other PO functions • Timely SLA review with insights and action where required **REVIEW DATE** November 2023	Outside Appetite and Tolerance
4	Operational (4:3)	Inability to improve Branch Profitability (4:3) Martin Edwards RK0021791	Stable	No movement to the risk posture. NSA program to be submitted to IADG for funding. **MITIGATION** • Prioritise remuneration increases as part of overall budgeting process – ensuring the share of POL income going to postmasters is at least maintained if not grown (which in turn is dependent on control of POL costs). • Protect investment in automation (e.g. next generation self service kiosks) in order to mitigate rising labour costs in our 2k largest branches. • Continue the data-driven approach to Area Manager interventions with postmasters, building on the Q4 22/23 Branch MOTs, enabling value-adding conversations around how branches can reduce costs and grow sales. • Re-shape the network in line with our target blueprint to shift towards more sustainable branches, supported by the investment in the 'Network Strategy Acceleration' programme **REVIEW DATE** November 2023	Outside Appetite and Tolerance

	Enterprise Risk	Intermediate Risk	Change	Commentary	Status
5	Reputation (4:4)	Lack of public trust due to historical issues (4:3) Simon Marshall RK0021078	Stable	• Appetite to be agreed. • A small drop in brand trust has been identified over the last 12 months usually following a specific event eg Public Inquiry, media coverage, Panaroma we usually see a recovery in subsequent months over a 60-90 day period • Currently no evidence of adverse impact from a trading perspective. **MITIGATION** • Continue to closely monitor using our monthly brand tracking mechanism to identify any continual decline that could be a result of GLO. **REVIEW DATE** November 2023	Appetite / tolerance to be agreed
6	Legal (5:3)	*CONFIDENTIAL*	Stable	No movement- key actions which have been addressed; *CONFIDENTIAL* *CONFIDENTIAL* *CONFIDENTIAL* *CONFIDENTIAL* *CONFIDENTIAL* **MITIGATION** • *CONFIDENTIAL* **REVIEW DATE** September 2023	Outside Appetite and Tolerance
7	Legal (5:3)	*CONFIDENTIAL*	Stable	*CONFIDENTIAL* **REVIEW DATE** September 2023	Outside Appetite and Tolerance

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Tab 3.1 Risk Report & Dashboard ·Risk Appetite Statements (People) ·Retail & Franchise Risk & Group Corporate Affairs Risk Deep Dives

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Enterprise Risk	Intermediate Risk	Change	Commentary	Status
8	Technology (5:4)	Inability to deliver the technology solution to enable NBIT rollout to begin in April 2024 (5:3) Gareth Clark RK0021078	Stable	• No movement to the risk posture as this a new risk to split the risks for NBIT SPM and NBIT RTP • The Technology team behind NBIT will conduct a re-baselining effort to reset the April 2024 timetable. **MITIGATION** • Following that reset, the Technology team will report progress against the plan to RTP on a regular basis in order to provide maximum early visibility of slippage. • When available key delivery dates of the tech solution (SPM) will be detailed as part of the mitigation. **REVIEW DATE** July 2023	Outside Appetite and Tolerance
9	Technology (5:4)	(inability to extend Fujitsu contract) Significant financial risks if exit of the Horizon Agreement is not adequately managed (4:4) Simon Oldnall RK0021031	Stable	No movement to the risk posture. **MITIGATION** Data Centre Operations and Core network services extended to March '24 via a contract modification. The overall services agreement completion date remains March '25. **REVIEW DATE** July 2023	Outside Appetite and Tolerance
10	Technology (5:4)	End of Life Technology – Fujitsu (5:3) Simon Oldnall RK0020077	Stable	No movement to the risk posture. The risk team are providing further assurance of all child local risks to ensure remediation plans are underway to be addressed either by data centre fortification, SPM or require funding to address more urgently. **MITIGATION** • Belfast Fortification project being mobilised, this project will focus on critical items that are EOSL and require mitigation/spend. Refresh Programme 3 (also known as Datacentre Fortification) now scoped and funded for all items assessed as critical for service continuity. Detailed programe plan to be baselined by 19/5/23 • Ongoing review of EOSL register to determine approach on a component by component basis being managed via Horizon Architecture & Security teams (Sally Rush & Dean Bessell) • Discussions around approach to Oracle support & potential upgrade ongoing and will be presented to POL Board in June **REVIEW DATE** July 2023	Outside Appetite and Tolerance

Appendix 2 – Forward plan for Risk Deep Dives

GE Entity	GE Owner	Risk Business Partner	Deep Dives
Group Commercial	Owen Woodley	Audrey Cahill	March Sept March 24
Group General Counsel (including historical matters)	Ben Foat	Audrey Cahill	March Sept March 24
Group Corporate affairs	Richard Taylor	Audrey Cahill	May November
Group People	Jane Davies	Audrey Cahill	May (appetite) September March
Group Finance	Al Cameron	Rebecca Barker	July January 24
Group Technology	Zdravko Mladenov	Rebecca Barker	July January 24
Group Retail & Franchise	Martin Roberts	Rebecca Barker	May November
Group Strategy & Transformation	Tim McInnes	Rebecca Barker	July January 24

Appendix 3 – People Risk Appetite Statements

People Appetite statements are submitted for onward approval to the ARC.

Risk Themes	Risk Appetite Statement	Risk Appetite	Tolerance
Lack of a High Performing Leadership Team	We have an Averse risk appetite to risks that arise from a lack of performance leadership, accountability and direction. We therefore would be extremely reluctant to accept risks materialising if this meant the achievement of (some) strategic objectives would be compromised.	1-5	6-10
Sub-Optimal Business Culture	We have an Averse risk appetite to risks that arise for unethical behaviour, prejudicial treatment of different categories of people and our failure to proactively and effectively manage our Unions, Employees and Postmaster relations. We will avoid nearly all risks where at all possible.	1-5	6-10
Lack of Visibility of Talent, Inadequate Succession & Development Planning	We have a Cautious appetite to risks that arise for our failure to identify key person dependency, and implement effective succession planning to attract, retain and engage new and existing colleagues. Our failure to address poor performance, conduct and cultural behaviour. This means that we would be somewhat reluctant to accept risks materialising and the possibility and extent of the failure is limited.	1-10	11-15
Inadequate HR processes	We have a Cautious appetite to risks that arise where Post Office fails to efficiently and effectively onboard new employees, transfer from one business or location or one position to another and fails to process leavers in a timely manner. Our failure to drive consequential action and lack of agility with processes resulting in inconsistent application. We will accept some risks materialising but only if activity giving rise to the risk was unknown and extent of the failure is limited.	1-10	11-15
Inadequate Reward & Recognition Schemes (incl. systems & communications)	We have a Cautious appetite to risks that arise from Post Office failing to provide reward, benefits and incentive payments to employees that align with employee expectations and the market environment. This means that we would be somewhat reluctant to accept risks materialising and the possibility and extent of the failure is limited.	1-10	11-15

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POST OFFICE LIMITED
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Group Compliance Update	Meeting Date:	16th May 2023
Author:	Jonathan Hill, Compliance Director	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Noting

The Committee is asked to:

Note the Group Compliance update. In summary, hard copy data management and control remains a significant risk but this has been recognised and plans are being developed to create an effective governance framework. which is due to be presented by the Data Management team at this RCC

Following delivery of some tactical fixes and analysis of the remaining issues, a new prove case to identify the right solution to the ongoing HMRC Fit & Proper reporting issues is being progressed. We are working with the banking team and banks to understand the impacts of the introduction of banks' AML controls for banking cash deposits and during the remainder of H1 will assess the capability of Post Office detection controls to identify potential improvements.

On the assurance of historical matters: Good progress continues across all areas; the CIJ assurance fieldwork has now been completed with the HIJ assurance fieldwork completion quickly following.

Please note the reading room contains details on – supply chain compliance, gifts & hospitality reporting, mails compliance, suspicious activity and investigations, data protection, FOIRs and horizon scanning.

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

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

   a. **Data Protection / Information Rights**

   The Hard Copy Audit

   The management and control over hard copy data continues to remain a significant risk. Compliance's Data Protection Team continues to work with and support the Hard Copy audit team across the project.

   To date, from the hard copy assurance exercise, POL has harvested over 87,000 hard copy documents, it has reviewed over 25,000 documents in Relativity against existing Rule 9 Requests and produced 912 documents responsive to Rule 9 Requests, and 12 additional documents of interest. Assessment against the hard copy data will continue for all phases of the Inquiry and all Historic Matter programmes.

   As the project moves towards conclusion the following ongoing activities will be completed

   - Complete the review of data for any training or operational manuals to ensure an as full library of manuals are available to the Inquiry teams
   - The remaining 6 self-certification branch returns to be received by 12.05.
   -
   - *CONFIDENTIAL*
   -

   Extraction of a sample electronic data (CDs/USBs) has started with initial work to be completed by 12.05.

   The Hard Copy Index

Tab 3.2 Group Compliance Update

It was previously reported that there were concerns regarding the accuracy of Q&A ran by Oasis of the indexing programme ███████ *CONFIDENTIAL*

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CONFIDENTIAL The response from stakeholders, in particular HSF/Inquiry, will drive timelines & budget requests with further discussions with HSF before being brought back to the POL team for decision on how to proceed. The dates for this will depend on the level of escalation and decision on next steps within POL.

FOIA /DSAR

There has been a significant month-on-month increase in volume of FOI and DSAR requests. It is evident from the nature of the requests that these increases are being driven by the Inquiry and Compensation Schemes. These rises were anticipated, and the team has been resourced accordingly. However, as the trend continues to rise an additional lawyer is being recruited into the team.

GLO Scheme

The Information Rights team is supporting colleagues in HM and will be conducting a second line review on disclosures being made to DBT and external law firms. To assist this work the team has approval from the HM Resources forum to recruit 4 FTE.

There is an increasing risk that the external law firms acting on behalf of clients are considering submitting bulk DSARs. We are working on a contingency plan and are in discussions with DBT to put in place a disclosure plan that meets the needs of the claimants. However, should this risk materialise into an issue then this will have severe resourcing issues for POL.

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

A Fit and Proper Remediation Prove Case asking for funds to investigate the options for solving the various problems with F&P reporting has been raised by Commercial and is going through the approval process, albeit there are challenges with funding this work within a specific business line.

The monthly reporting continues to be collated manually. A further update on next steps, timelines and residual risk will be provided at the June RCC.

HMRC have advised they are unlikely to undertake a supervisory visit this year, due to resource issues to facilitate branch visits, but they expect to do this early next year. They will undertake a focussed deep dive of transaction monitoring and SAR investigations, albeit any recommendations will be issued as supportive guidance/best practice and not under the regulatory penalty framework.

HMRC is still finalising the process to collect the Economic Crime Levy, but we anticipate POL will fall into the 'Very Large' band and therefore the levy will be £250k, although this is not yet clear.

Each regulated entity has to pay, therefore POMS, which is FCA regulated will also need to pay the levy as they are a separate entity, although it is likely that POMS revenue will fall into the lower band for which the levy is £36k.

Re-assessment of Banking Cash Deposits has been completed, with no significant changes or findings. Implementation of the banking deposit limits imposed by the FCA remain in their infancy and we are not yet able to determine their impact. Unfortunately, the limits will restrict our ability to detect unusual and suspicious activity at Post Office counters, as smaller transactions are harder to identify as suspicious. Work will be undertaken to assess the capability of Post Office detection controls and identify potential improvements during the remainder of H1.

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Gift and Hospitality submissions increased by 34% in the past 12 months and we continue to see instances of late reporting or failing to obtain approval before accepting offers. Non-conformances are escalated and a communication to the business highlighting expected standards of reporting and the importance of adhering to policy was sent in April.

The Economic Crime Plan 2 (ECP2) was launched by the Home Secretary on 30.03.2023, following the Economic Crime (Transparency and Enforcement) Act in March 2022, and sets out what the public and private sectors should do to crack down on kleptocrats, money laundering, sanctions busting, and fraud and the potential impacts for Post Office are currently being evaluated.

c. **Financial Services**

Mystery shopping is showing a gradual improvement. In Q4 20.7% have been graded Red. This has reduced from 29.6% in Q3 and 34.9% in Q2. Travel Insurance has caused the most concern with 31.6% being graded Red in Q4. However, this shows a reduction on Q3 where 43.4% were graded Red. A simplified Travel Insurance journey was introduced on 07.3.23. Mystery shopping will commence to test the new journey in April, and we expect results in this area to improve.

Red graded shops for Savings in Q4 are 13.6% and Over 50's 20%.

d. **Mandatory Compliance Completion Rates at 02.05.2023**

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

- CEO's office – 8
- Technology – 6
- Enterprise – 2
- People - 3
- Strategy & Transformation – 4

4 out of 10 areas have not achieved 95% for GLO training which closed on 10.04.23. This data does not include H&S Essential training, which is live and ends on 12th May 2023.

e. **'Historical Matters'*- Assurance**

In the period since the last ARC in March 2023:

- Stamp Stock Scheme (SSS) – The final report has been issued to the HM Governance team. As previously mentioned all preliminary findings have been adequately addressed resulting in good levels of compliance.

- CIJ Assurance – Initial fieldwork stages on CIJ is now complete and preliminary findings are being discussed with stakeholders, during May 2023, to assess factual efficacy and confirm if further supportive evidence is available. The next stage will involve issuing of final recommendations and commencement of continuous assurance.

- HIJ Assurance – We have progressed fieldwork to a stage where preliminary observations will be shared with Technology in May 2023.

- Inquiry and HSS Assurance reviews have also commenced focussing on assessing adequacy of processes and procedures (Rule 9, 218 readiness, witness prep, disclosures/application of shortfall schemes etc).

- Tech Change fieldwork is now in the final stages of completion and a final report should be issued end of May 2023.

- Whistleblowing/Speak Up Assurance programme – This is now in fieldwork stage and sample of cases are being reviewed to assess adherence to processes and procedures. Targeting completing these reviews in May/June 2023.

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Tab 3.2 Group Compliance Update

- Postmaster Policy reviews – All 12 PM policies are now in draft reporting stage and will be shared with the business after these have been alignment with CIJ assurance work. Targeting to share with the business in May 2023.

Please refer to **Appendix 2** for the detailed breakdown on the 'Historical Matters'* - Assurance workstreams.

as previously presented to RCC/GE and ARC 'Historical Matters' – Assurance covers Schemes, IDG (HIJ/CIJ), Inquiry, Control Framework.

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Tab 3.2 Group Compliance Update

Appendix 1 - Status of Group Compliance Activities

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

Activity	2022/23 Group Compliance Activities	Status of Group Compliance Activities	Current Assurance Results	Comments
Group Policy Assurance	15 policy reviews are due between Sept 2022 and March 2023	PAUSED	PAUSED	Group policies annual renewal cycles being met in majority of cases.
Postmaster Policy Assurance	Review all 12 PM Polices by 31 March 2023			All 12 Postmaster policies are now in draft reporting stages. Improvements are needed on oversight and governance, control standards and consistent policy adherence.
FS Mystery Shopping	c200 shops per month are planned for the rest of 22/23 (excl. Dec)			YTD (Apr-Mar) 544 Branches have been graded Red 31% - breakdown by product is Travel Insurance 46.7%, Savings 18.2%, Over 50's 17.7%. An improvement has been seen in Q4 where overall 20.7% have been graded Red. Travel Insurance is causing the most concern. The branch sales journey was simplified on 7 March 2023. Travel Insurance mystery shopping was paused in March to allow the new process to bed in. This will resume in April where we should realise an improvement in this area and therefore overall mystery shopping results.
Data Protection and Information Rights	Accountability Framework planned actions for 2022.			POL management and control over hard copy data continues to remain a significant risk and an exposure (from an Inquiry and GDPR perspective).
Financial Crime	22 Risk assessments completed; 3 product assessments outstanding for Q4 2023			Travel Money, Credit Card and In-Branch Verifications remain outstanding from the Q4 22/23 assessment schedule but will be complete by the end of April 23. The risk assessment schedule for 23/24 has been agreed and issued to key stakeholders. Key assessments, including ABC & Overarching Financial Crime scheduled for review in April. New products/changes are prioritised with continued regulatory landscape monitoring for emerging risks.
Financial Crime	Quarterly policy assurance for AML/CTF, ABC & FC policies and HMRC F&P policy.			Assurance against minimum control standards currently amber due to ongoing issues with Fit & Proper agent data and current manual workarounds and occasional instances of G&H non-conformance.
Supply Chain	17 reviews completed by the end of Q4. No issues identified by the external auditors in February			The average results of Supply Chain assurance reviews are static, average improvement needs stand at 3.5 at February 2023. This will continue to be monitored closely as it is still higher than previously seen.
Historical Matters Assurance	Please refer to Appendix 2.			Significant progress has been made in all areas particularly CIJ, Stamps Stock, HSS, Tech Change, Speak Up and Investigations. In addition we are targeting to commence continuous assurance on CIJ in June/July.

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Tab 3.2 Group Compliance Update

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Area		Comments
Inquiry		Assurance activity is on hold whilst the Inquiry team reassess their data and documentation.

Row Labels	1- Not Started	2- Under Review	3- Awaiting Further Evidence	4- Complete	Total	% Complete
Disclosure and Data	0	0	19	0	19	0
Enquiry 218 Readiness	0	0	8	0	8	0
Responsibility Tracker	0	0	30	0	30	0
Witness Preparation	0	0	10	0	10	0
Grand Total	**0**	**0**	**67**	**0**	**67**	**0**

One of the assurance team has moved back to the Inquiry team to support them with identifying the key documents to enable us to complete this review. We will re-assess the status 18ᵗʰ May.

Area		Comments
Shortfall Scheme		Due to prioritising CIJ completion, the timelines for completing additional claims, final assessment adherence to processes and procedures have been moved back to w/c 15 May.
Stamp Scheme		Final report issued.

Sustainable Fixes CIJ			CIJ1	CIJ2	CIJ3	CIJ4	CIJ5	CIJ6	CIJ7	CIJ8	CIJ9	Total lines
		Total lines	54	67	36	62	32	44	17	24	29	365
		Current Status										

- First stage of fieldwork is completed for all areas and is now subject to stakeholder discussions and factual efficacy.

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Tab 3.2 Group Compliance Update

Area	12 May 2023	Comments
Postmaster Policies		• Draft Postmaster Policy reports will be issued for discussion and validation on 18th May 2023.
CF- Tech Change		Action being progressed by Tech to complete this area are: • Risk and Controls status report to assess efficacy • Lead and Lag KPI's • To confirm next steps on Assurance Structure (TOM) • Final Report to be submitted to RCC, outlining what has been done at a high level regarding Tech Change.
CF - Investigations		• Fieldwork has now commenced.
CF- Speak Up (Whistleblowing)		• Fieldwork has now commenced.
OHC/ PM Detriment	Not Started	• Assurance activity will commence in June and July.

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Tab 3.3 Internal Audit Report

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POST OFFICE LIMITED
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Internal Audit Report	Meeting Date:	16th May 2023
Author:	Johann Appel – Head of Internal Audit & Risk Management	Sponsor:	Al Cameron - CFO

Input Sought: Noting

The Committee is asked to:

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

Executive Summary

This paper provides an update on the progress of the 2022/23 internal audit programme and completion of audit actions.

Report

Progress against plan for 2022/23

1. We are still finalising the 2022/23 programme, which has experienced delays due to contract negotiations with Deloitte taking longer than anticipated and due to long term staff sickness.

2. Seven POL audits and 1 POI audit were completed in the current reporting cycle. The final 2 audits are being delayed due to challenges in getting information from third parties.

3. The current status of the 2022/23 plan is as follows:

POL Internal Audit Plan 22/23
Status: Total Audits = 30 [1]

POI Internal Audit Plan 22/23
Status: Total Audits = 6 [2]

- Completed   - Reporting
- Fieldwork   - Cancelled / Postponed
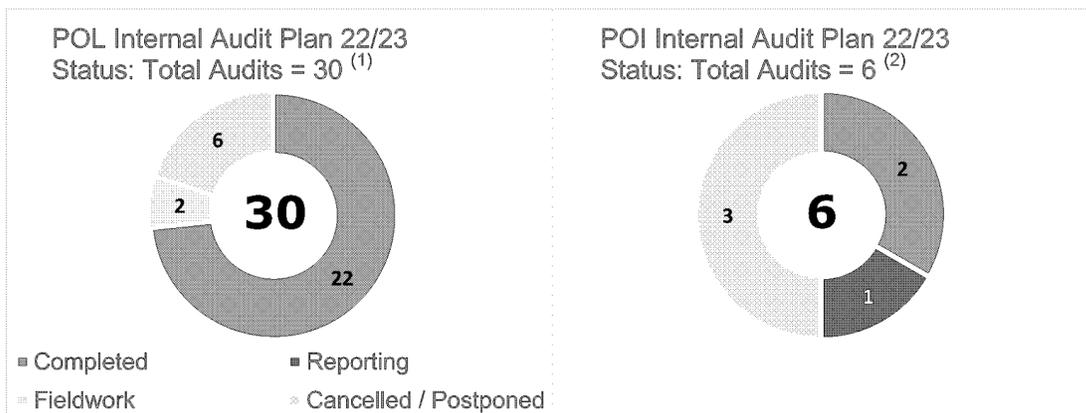
[1]Target number of reviews based on revised plan for 2022/23 approved by ARC was 30 (20 Internal control reviews & 10 change assurance reviews, revised to 22 internal control reviews and 8 change assurance reviews at Sept ARC). Details of the audit plan are in the reading room (Appendix 1).
[2]POI ARC approved baseline plan for 2022/23.

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4.   The following audits are significantly delayed due to a lack of support and engagement from 3rd parties:

   • Horizon Privileged Access Management (PAM) & Transactional Integrity (TI) – This review is taking longer due to delays in getting information from, and access to, Fujitsu.

   • Third Party Data Validation – It took longer than expected to obtain revenue data from Vocalink (for ATM revenue) and Neilson Financial Services (for life insurance revenue). These issues have been resolved and we are now in a position to complete the audit testing.

Internal Audit reviews completed

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

1	ATM LINK Scheme Membership Attestation	
2	Ransomware Advisory Review (Not rated)	
3	Legal Costs	
4	Branch Cash Forecasting	
5	Horizon – IT Operations and Service Continuity	
6	ESG Reporting	
7	SPM R2 Readiness & Governance	

6.   Our findings and observations from these reports are summarised below, with the full reports available in the reading room (appendices 2-8).

7.   **ATM LINK Scheme Membership Attestation** (Ref.2022/23-29)

Audit actions:		**Sponsor:** Owen Woodley
P1	-	Reading Room attachment 2
P2	-	
P3	1	
Total	1	

Satisfactory

As a condition of continued membership of the LINK Scheme, POL must complete an annual statement to confirm that risks generated by POL's ATM activities are adequately controlled.

The Member Assurance Statement has been reviewed and signed by Internal Audit to assert that reasonable reliance can be placed on the information provided by management to LINK.

We concluded that the ATM team have continued to enhance its approach to completing the Assurance Statement and have implemented recommendations made in the last IA review. We noted that the statement contained good levels of narrative and was supported by appropriate documentation. Our review provided reasonable assurance that the Member Assurance Statement is reliable, the LINK requirements are understood, met and supported by appropriate evidence, and that any weaknesses, non-compliances or other relevant findings have been declared.

Management Comment provided by Wendy Luczywo, Head of Automated Banking

"The LINK annual attestation is a rigorous process, and this is our first full year submission since we became a member of the Scheme. To receive a satisfactory audit with no findings is testament to the excellent work undertaken by the ATM team with support from Audit and demonstrates that we have rigorous processes and controls in place that are constantly reviewed throughout the compliance year to ensure that we and our service partners deliver ATM services to the standards set by LINK."
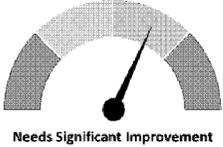
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Tab 3.3 Internal Audit Report

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8. Ransomware Advisory Review (Ref.2022/23-26)

Not Rated	Audit actions:		Sponsor: Zdravko Mladenov
	P1	1	Reading Room attachment 3a&b
	P2	-	
	P3	-	
	Total	1	

Deloitte have performed a gap analysis of Post Office Ransomware controls; comparing the current business readiness state against a previous assessment completed by them in 2020. This follows on from previous Deloitte work in 2020 and Internal Audit's review of Cyber Resilience (Phishing & Ransomware) which was finalised in January 2022.

Deloitte concluded that **Post Office has made progress in improving the security of devices** via:

- A roll-out of improved anti-virus software.
- Beginning the rollout of MFA (Multi Factor Authentication).
- The ongoing migrating to Windows 10, with its more modern design and inherent security.

However, they identified the following key risks:

- Lack of consistency across third party technology suppliers, in both contract and compliance monitoring, means that POL does not have a consistent view of how security and disaster recovery is being managed by these providers. There is a risk they may not be able to support in rapidly recovering from a ransomware attack.
- Vulnerability management tooling is not fit for purpose, with some tools past end of life. There are no tools in place for Windows 10 and Azure environments. As a result, vulnerabilities may go undetected by POL and be exploited by would be ransomware attackers.
- Without a consistent layered controls methodology, it is possible that there are gaps in controls coverage. As a result, current controls could be fully effective but still leave attack vectors open that could be used to launch a successful ransomware attack.
- Testing of backups is inconsistent, it is unknown if recovery from backups would be successful in the event of a ransomware attack.

The full Deloitte report provides detailed findings and readiness assessments and is included in the RCC and ARC Reading Room. This review was advisory in nature and is therefore unrated.

Management Comment provided by Dean Bessell, CISO

"Cyber-attacks have been carried out against Post Office Insurance, FRES, WH Smith and Royal Mail which is a cause for concern and as a result of this, the likelihood of a ransomware attack impacting Post Office has increased from possible to likely. The risk is likely to materialise if events follow normal patterns and mitigating action is not taken.

Requests for further funding are being prepared and will be required to address key priorities in order to bring this risk within both appetite and tolerance. This doesn't mean that the current cyber defences are ineffective, but we don't believe it is sufficiently robust for the increase cyber threat Post Office is facing.

We continue to support the need to balance FY23/24 budget with improvements being funded on an ad-hoc basis and/or expected to be completed by the BAU team."
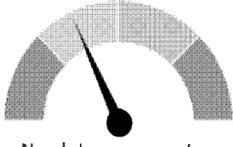
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9. **Legal Costs** (Ref.2022/23-05)

	Audit actions:	
	P1	3
Needs Significant Improvement	P2	3
	P3	-
	Total	6

Sponsor: *Ben Foat*

Reading Room attachment 4

POL maintains an in-house legal function to provide legal, regulatory and governance advice and services across the business. External lawyers are engaged by the Legal Team and others in circumstances where the demand for services cannot be met by internal resource. For example, to provide subject matter expertise or to support major projects, most significantly the Horizon Inquiry and the HSS. The amount spent on external legal support has increased exponentially since the GLO judgments were handed down, thereby increasing the risks in this area.

This review has assessed the governance and oversight arrangements, and operational controls over external legal spend across POL (BAU, HMU and Inquiry).

Whilst the processes and controls over BAU and HMU in relation to Legal Costs were broadly effective and well managed, it was around the legal spend for the Inquiry and HSS that most issues were raised. The main Inquiry legal firm, Herbert, Smith Freehills (HSF), were directly appointed to represent POL at the GLO (in June 2019) and have remained as POL's legal representatives to the Inquiry since then. Whilst there is signed documentation appointing them to the GLO work, no such documentation was provided to cover their work on the Inquiry. The lack of a formal contract has led to the majority of the complications observed at this audit, particularly regarding the management of expenditure, which for 2022/23 averaged £2m per month. Delays in the submission of invoices by HSF, and their level of complexity have led to further issues around the validation of spend prior to signing off for payment. A formal project to reduce external legal spend has delivered a compliant process to appoint a new firm to take over the Inquiry work. This work was in the negotiation phase at the time of this report. The new Finance Director has made proactive efforts to increase financial control since his appointment partway through this audit.

Management Comment provided by Ben Foat, Group General Counsel

"I would like to thank the Internal Audit team for their review. Whilst it was encouraging to see that the controls across BAU and HMU (other than HSS) were broadly effective and well managed, we must do better with the Inquiry and HSS forecasting and monitoring of legal cost controls.

The last 18 months has been a challenging time for the Inquiry team with many changes in terms of the scope of the Inquiry and people changes. This has made it difficult to accurately forecast in many areas because especially as the landscape within which the Inquiry team operate changes or is not fully in their control or understood. The forecasting regarding disclosure was not accurate because the status of data across the organisation or indeed the level of preparation needed for the witness preparation and the fact that many potential senior stakeholders will need separate legal representation were not originally factored in as these evolved throughout the program.

Clarification around who is permitted to stop the payment of legal invoices is needed going forward as neither I nor the Inquiry Director have directed that invoice not to be paid (indeed I have advised the business and in particularly to Inquiry Finance Team of the obligations under the Reporting of Payment Practices Act). That said, the Inquiry team has acknowledged the report and is seizing the opportunity to introduce our BAU controls with the new law firm including the use of PON, workstream instruction sheets and caps with the new law firm so that strict controls will be in place."

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10. **Branch Cash Forecasting** (Ref.2022/23-26)

Audit actions:	
P1	2
P2	3
P3	1
Total	6

Needs Improvement

Sponsor: *Martin Roberts*

Reading Room attachment 5

The Branch Cash Forecasting team (BCF) manage the flow of cash to and from the Branch Network. This has been managed effectively for many years, using manual processes. There have been attempts to automate the processes, but these have never come to fruition. Under the Banking Framework the volume and value of cash movements in the business has increased significantly. This limited scope review to assess the effectiveness of key controls over Branch Cash Forecasting, is part of the 2022/23 IA Plan approved by the ARC.

The forecasting of branch cash requirements is applied consistently to the majority of branches (excludes self-funded branches), but is heavily reliant on accurate and timely cash declarations submitted by branches. The forecasting process is manual and informal governance is in place to structure the exchange of information between the cash forecasting function and the Cash Centre, Network Monitoring and Treasury teams. The processes were documented, however, they were in draft form and inconsistent in quality. The identification and escalation of excess cash held by branches is reliant upon the BCF team's experience, judgement, and discretion.

We conclude that the forecasting of branch cash is generally effective, but carries a risk of error due to the reliance on manual spreadsheets for its operation. For this reason we have rated this report "needs improvement".

Management Comment provided by Russell Hancock, Supply Chain Director

"Firstly I want to thank Garry and the team for their support in auditing the cash forecasting processes and supporting the Bristol Cash Management Team throughout.

The report findings are no real surprise in terms of the risks around a manual forecasting system that continues to rely on key individuals for its continued success. That said, the system has been operational now for almost five years and has successfully helped us continue to ensure branches have the correct and adequate amounts of cash in order to support their cash activities. This is against a backdrop of continuing rising cash volumes and some volatility during the pandemic.

The team have continued to ensure that we have robust contingency throughout the process, with more colleagues able to support the overall cash forecasting and planning process. Some automation of data gathering has been automated but clear we have some further work to do in order to properly document our processes and complete the work on further automation. The team will also continue to work with Alison Clark and her team in order to further bolster the overall resilience and reliability of the process.

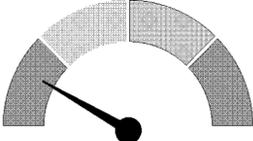My expectation is that this work will be concluded by the end of Q1 at the latest".

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11. **Horizon – IT Operations and Service Continuity** (Ref.2022/23-25)

Audit actions:	
P1	4
P2	7
P3	5
Total	16

Needs Significant Improvement

Sponsor: *Zdravko Mladenov*

Reading Room attachment 6

Horizon is Post Office's core trading platform, processing approximately 7 million transactions daily. Developed and supported by Fujitsu, Horizon's wider ecosystem depends on additional components and infrastructure supported by DXC, Accenture and Verizon. Horizon relies on tools and components reaching End-Of-Life (EOL) that are challenging to support, and a Data Centre Fortification programme has been set up to help mitigate this risk.

Maintaining uninterrupted operation of the Horizon system and being able to quickly recover from any interruptions is critical to Post Office's ongoing business. We identified **effective processes in place for responding to incidents impacting Horizon, supported by improving governance and controls around business continuity and IT service continuity management**.

However, additional work is required to proactively plan for issues impacting Horizon operations, including:

- Defining a crisis management plan for Horizon, backed up by fully defined and tested business continuity plans.

- Defining an overarching IT Disaster Recovery plan, providing integration and coordination between tower vendor recovery plans and clarifying Post Office's role.

- Defining and implementing a backup strategy to help ensure systems and data can be restored in a secure and timely manner, e.g., following a ransomware attack.

- Implementing a Security Information & Event Management (SIEM) solution for the Horizon back-end to provide timely and effective reporting of security events.

Given the criticality of ensuring that processes and controls are in place to support the resilience of Horizon as Post Office transitions to NBIT, and the high number of significant findings, we have rated this report as 'Needs Significant Improvement'.

Management Comment provided by Simon Oldnall, Horizon and GLO IT Director

"I thank the team for this comprehensive assessment and support the rating and recommendations for improvements. Horizon remains our core trading platform and whilst it proves to be highly available, we should not be complacent on the need to have in place additional measures to ensure we can recover in the event of a significant loss of service."

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Tab 3.3 Internal Audit Report

12. **ESG Reporting** (Ref.2022/23-06)

		Audit actions:		Sponsor: Richard Taylor
		P1	-	Reading Room attachment 7
		P2	2	
		P3	1	
Satisfactory		Total	3	

POL has been reporting under Streamlined Energy & Carbon Reporting (SECR) legislation, in its Annual Reports & Accounts for the past 3 years. For the 2023/24, there is a requirement to also report under the Task Force on Climate-related Financial Disclosures (TCFD).

This was a limited scope review to assess Post Office's approach to ESG management and its readiness to report under the (TCFD) regulations.

There are sufficient mitigations to assess, manage, and disclose ESG positions and associated risks. However, the alignment of ESG goals, targets, and strategy with Post Office strategy/priorities is work in progress and predominantly for internal purposes initially. This will not affect the readiness to report against the new disclosures for 2023/24.

This audit concludes that there is sufficient understanding of the TCFD-aligned reporting requirements and planning work is underway, which will ensure that POL are able to report effectively under the Climate-related Financial Disclosure regulations for UK.

Management Comment provided by Mark Cazaly, Head of Corporate Responsibility & Social Impact

"We are seeing increased scrutiny of our ESG performance by regulators and clients, most notably with the new requirement for FY2023/24 that we comply with TCFD reporting in our Annual Report and Accounts as well as requests from banking and bill payment clients to share information under the Carbon Disclosure Project. Much of this additional burden builds on existing requirements such as SECR where we have a robust reporting in place already. It is important to note that as POL is considered a private company for the purposes of TCFD reporting, there are fewer requirements to comply with than PLCs – it is possible that stakeholders will expect us to go further and voluntarily report in line with the approach for PLCs.

As outlined above, TCFD requires more narrative reporting around how the business is prepared to mitigate and adapt to climate change, this will be informed by our climate risk assessment and we are putting in place the necessary steps to be able to report on this as part of our ARA for the current financial year."

13. **SPM – R2 Readiness & Governance** (Ref.2022/23-24)

		Audit actions:		Sponsor: Zdravko Mladenov
		P1	4	Reading Room attachment 8
		P2	7	
		P3	-	
Major Delivery Risk		Total	11	

The Strategic Platform Modernisation (SPM) programme aims to replace Horizon with a robust core trading platform (New Branch IT (NBIT)). NBIT Release 1 (R1) successfully delivered limited functionality to two branches in October 2022. Release 2 (R2) aims to provide an increased product set to between two and 40 branches, with Release 3 (R3) delivering most remaining products to an increased number of branches. At the date of our review R2 was delayed from March to April 2023 and is currently delayed further with no revised date available. The latest communicated date for R3 has moved from October 2023 to January 2024.

The objective of this review was to evaluate the effectiveness of controls to manage delivery risk for the R2 milestone pilot and subsequent rollout.

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At the date of our work the structure and governance of the programme was under review, and in early March it was announced that two programmes would run in parallel. The SPM Technology Programme would continue to own technology-based activity, including the design, build and test of all hardware and software requirements, including training design and the Learning Management System (LMS) build. However, all retail-based change activity was to be assessed and delivered via the Retail Transformation Programme (RTP). As at the date of writing a governance structure is now in place for the Retail Transformation Programme (RTP), but **governance over the SPM technology programme is still paused**. A Retail Transformation plan is in draft, and once finalised both plans need to be evaluated alongside each other and mechanisms devised and embedded for ensuring integration and clarity of ownership between both programmes.

Although several prior key audit recommendations remain open, traceability between test artefacts and the product roadmap have been strengthened, and two Knowledge Managers and a Head of Assurance for the Business Transformation Unit (BTU) have been recruited. During and after our audit, progress has been made with developing a knowledge management approach and addressing communication issues within and outside the programme. These two problem areas are root causes for many of our findings.

Slippage to R2 and R3 have already been acknowledged, and the programme is facing challenges which we believe present a major risk to these revised dates. We also believe that there is a significant financial risk should delays be extended. On that basis we have rated this report red, indicating a **major risk to delivery**.

Management Comment provided by Zdravko Mladenov, Group Chief Digital and Information Officer

"The programme team accepts the Red rating as a reflection of the information provided to the Internal Audit team during the audit. It is worth reflecting that the audit followed the very intensive DBT Gateway Review and coincided with the peak strain on NBIT's technical delivery teams, trying to meet Release 2 timelines

The audit findings reflect agreed areas for improvement. A material portion of those findings were already recognised by the programme at the time of the audit, which helped crystalise further the opportunities for improvement. Since the completion of the audit, the programme has declared an approx. three month slippage in Release 2 and a shift in approach towards a more gradual rollout. The slippage and change in approach will allow for addressing the audit findings in a suitable timeframe. In addition, the programme has also declared further slippage in the next release, Release 3. While this release is not in the scope of the audit, the findings on Release 2 have knock-on effects, which will also be mitigated accordingly.

With regard to the specific finding about the lack of HIJ compliance, the programme has an extensive documentation repository (Jira board) on how it is responding to HIJ findings, but not formally documented position. The topic will be covered as part of IDG 2.0.

Lastly, the audit completed prior to the formal establishment of the Retail Transformation Programme. Two findings are for acceptance and remediation. Those specifically are #3 and #5."

Progress with the 2023/24 plan

14. The execution of the 2023/24 internal audit programme has only just started and progress will be reported from the July RCC and ARC meetings.

Status of Audit Actions

15. There are currently 15 actions overdue, six of which are older than 60 days. We are working with the action owners to close these actions and have escalated to the relevant GE sponsors where appropriate.

16. The movement and ageing of audit actions are shown in the table below (status as of 2 May 2023).

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Tab 3.3 Internal Audit Report

Audit Action Status (POL):		Ageing:	
Open actions at last ARC	35	Open (not yet due)	20
Less: Actions closed in period	19	Overdue (<60 days)	9
Add: New actions in period	19	Overdue (>60 days)	6
Total open actions	**35**	Total open actions	**35**

17. Breakdown of the actions that are overdue for more than 60 days:

Audit / Area	No. of actions > 60 days
SPM (3 Internal Audits and 1 DBT Gateway review)	3
Business Continuity	1
Cyber Resilience (Phishing & Ransomware)	1
Postmaster Remuneration	1

18. Update on SPM audit actions:

- SPM programme has made good progress in completion of audit actions. Six actions were completed since the March ARC, leaving eight actions open (of which three are overdue more than 60 days). NBIT team are working with RTP to transfer two actions to the new programme and to agree ownership of new actions from our recent audit of R2.

- One of the remaining overdue actions is to establish an integrated assurance approach. The programme has now defined a technical assurance approach, however, the assurance approach of the wider programme has not yet been defined. We will create an action for the Retail Transformation Programme to define and establish its own assurance approach.

POI Audit Programme

19. The table below shows the status of the 2022/23 POI audit programme, which is reported to the POI ARC:

	Proposed Review	Status	Timing	Rating
1	Duck Creek (Home Insurance Revenue)	Complete	Q3	**Satisfactory**
2	Demonstrating Independence	Complete	Q2	**Needs Improvement**
3	Consumer Duty	Reporting	Q4	**tbc**
4	Risk Management	Postponed	Q1 23/24	
5	Third Party Oversight	Postponed	Q1 23/24	
6	GI Pricing post implementation	Cancelled		

20. Demonstrating Independence will be reported to the POI ARC on the 1st of June, whereafter a summary will be provided to the POL ARC.

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Tab 3.3 Internal Audit Report

Appendices[1]

Appendix 1:   Internal Audit Plan for 2022/23
Appendix 2:   Internal Audit Report – LINK Scheme Attestation
Appendix 3a: Internal Audit Report – Ransomware Readiness (Summary Memo)
Appendix 3b: Internal Audit Report – Ransomware Readiness (Full Report)
Appendix 4:   Internal Audit Report – Legal Costs
Appendix 5:   Internal Audit Report – Branch Cash Forecasting
Appendix 6:   Internal Audit Report – Horizon – IT Operations and Service Continuity
Appendix 7:   Internal Audit Report – ESG Reporting
Appendix 8:   Internal Audit Report – SPM R2 Readiness & Governance

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[1] Appendices 1-8 are accessible in the CoSec 'Reading Room'

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Tab 4 Data Governance Framework Approval

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Data Governance Framework Approval	Meeting Date:	16th May 2023
Author:	Vishal Thanki	Sponsor:	Zdravko Mladenov

Input Sought: Decision

The ARC is requested to approve the Data Governance Framework.

Executive Summary

The Data Governance Framework sets out how data should be managed at POL. The framework includes data principles, a data governance maturity model, a target operating model with associated roles and responsibilities, and a governance structure in the form of a Data Governance Committee. The request to setup the Data Governance Committee as a standing sub-committee of GE was approved on 1st March 2023 at GE Tactical, and the inaugural Data Governance Committee was convened on 24th April 2023. The Data Governance Committee decided to request approval of the Data Governance Framework at the RCC and ARC as it will form the direction of travel in relation to data governance maturity across POL. The framework has been developed over the past few months and shared with stakeholders across CDIO and POL business units. Based upon this feedback there have been multiple iterations to the framework, and this is now a mature framework which is ready for approval.

The following supporting documentation has been included in the reading room to support this request.

- Draft Data Governance Framework v0.12
- Data Governance Committee Terms of Reference
- Data Management Funding Impact of Funding Reduction Paper presented to ARC on 28th March 2023

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Tab 4 Data Governance Framework Approval

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Report

1. <u>What is the driver for creating and adopting a data governance framework at POL?</u>
    2. Good data governance within an organisation provides the following benefits:
        a. Increased Regulatory Compliance - Data Governance ensures compliance with legal and regulatory requirements to avoid costly fines and reputational damage.
        b. Better Decision Making - Data Governance helps organizations make better decisions by providing accurate and reliable data.
        c. Improved Data Quality - Data Governance ensures that data is accurate, complete, and consistent.
    3. In addition to the above, data governance improvement objectives were created as a result of the remediation actions from the Horizon Issues Judgement (HIJ).
    4. No funding is available within the HIJ Remediation Programme to progress resolution of the data governance objectives. The roll out of the Data Governance Framework will improve the data governance capability of the organisation, supporting and facilitating the HIJ actions in relation to data governance improvement at POL.
    5. For clarity, the Data Governance Framework does not directly address any specific HIJ related data governance actions. However, the improvement of the data governance capability is expected to support and facilitate the HIJ actions in relation to Data Governance.
    6. Phase 7 of the Horizon Inquiry will focus on governance improvements and progress on data governance improvements may be included as part of this.

7. <u>What are the plans in relation to Data Governance Maturity?</u>
    8. The Data Management Team aspires to achieve Level 2 maturity by February 2024 based upon the POL Data Governance Maturity Model, however, this is dependent on Business Units completing activities to achieve Level 2 maturity.
    9. Whilst this is an aspiration from the Data Management Team, the business units have an action from the inaugural Data Governance Committee to provide a roadmap to achieve Level 2 Maturity.
    10. Despite limited funding and resource for data governance activities, basic improvements can be made across the organisation; i.e. Level 2 maturity can be relatively quickly established. More advanced and resource intensive activities, i.e. achieving Level 3 Maturity or beyond, will require decision making to prioritise these for key areas within each business unit; this strategic direction, oversight and decision making will be provided by the Data Governance Committee.
    11. It is important to note that whilst plans for maturity improvement are described here, data governance is an ongoing business as usual activity and POL will need to incorporate these activities into BAU to sustain any maturity improvements.

12. <u>What is the POL Data Governance Maturity Model?</u>
    13. The POL Data Governance Maturity Model is part of the Data Governance Framework and describes the characteristics, deliverables and criteria at various maturity levels from 1 to 5, with 5 being the most mature. It uses the DAMA-DMBoK[1] as a reference point to articulate the activities that POL needs to demonstrate to achieve data governance maturity improvements.

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[1] DAMA-DMBoK refers to the Data Management Association (DAMA) Data Management Body of Knowledge (DMBoK) and is a comprehensive guide to international data management standards and practices for data management professionals.

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Tab 4 Data Governance Framework Approval

14. Whilst the POL Data Governance Maturity Model uses the DAMA-DMBoK as a reference point, it has been interpreted and significantly customised to suit the context of POL in terms of focus areas, complexity and resource available for Data Governance Maturity at POL. This is industry practice; to customise data frameworks and maturity models to the context of the organisation within which they are being implemented and adopted. Further, as the organisation evolves these may change to reflect either external or internal changes leading to different focus areas.

15. The maturity model described in the DAMA-DMBoK has been interpreted into deliverables both for the Central Data Management Team and the business units across POL. This interpretation drives the formation of the Data Governance Maturity Dashboard which will be used to assess and track data governance maturity progress for the business units.

16. The above is detailed in Appendix 1.

17. It is important to note that the POL Data Governance Maturity Model has consciously been created such that the assessment is simple, light touch and objective requiring relatively little effort to complete. Organisations can spend several months performing thorough assessments requiring significant engagement across the business. This is currently difficult to achieve considering the current business environment at POL; specifically the resource constraints both within the Data Management Team and the business units.

18. Version 0.10 of the draft Data Governance Framework was discussed at the inaugural Data Governance Committee. Material suggestions for updates have been incorporated into this version, version 0.12. This version includes and incorporates feedback from participants including Anshu Mathur, Group Assurance Director, and Ben Foat, Group General Counsel.

19. When has Data Governance previously been discussed at ARC?

20. Data Governance was previously discussed at ARC on the following dates:
   a. Agenda item "Data Governance Framework" on 28th September 2021 as a Noting Paper.
   b. Agenda item "Data Management at POL" on 29th March 2022 as a Noting Paper.
   c. Agenda item "Impact of Data Management Funding Reduction" on 28th March 2023 as a Discussion Paper.

21. This topic has been discussed on numerous occasions at RCC, with the latest being on 9th May 2023 to request approval of this Data Governance Framework and its onward submission to ARC. This approval was granted.

Risk Assessment, Mitigations & Legal Implications

22. Significant detail was provided in terms of risks in relation to data management as part of the ARC discussion paper presented on 28th March 2023. This has been added to the reading room for reference.

23. There is an open enterprise risk owned by Zdravko (ID: RK0020009, Name: Information) which has an inherent and residual score of 12 and needs to be mitigated. The creation and roll out of the Data Governance Framework is part of the mitigation of the enterprise risk and the following downstream Information risks; these downstream risks were

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Tab 4 Data Governance Framework Approval

included in the letters to BEIS submitted in Dec 2022 and late Jan/early Feb 2023 escalating some key POL risks.

ID	Name	Severity	Appetite / Tolerance
RK0021710	Inadequate Data Governance for structured data[2]	9	Outside appetite, currently within tolerance
RK0021709	Poor management of unstructured information[3] (hard copy material and unstructured digital information such as documents saved in SharePoint)	12	Outside appetite and outside tolerance

Stakeholder Implications

24. The Deputy Data Sponsors, which drive data governance maturity for their business unit, are working to adopt the framework and have open actions to progress this. It was agreed at the Data Governance Committee that the Deputy Data Sponsors would progress this in parallel to the Data Management Team seeking approval of the framework from ARC.

Next Steps & Timelines

25. Publish version 0.12 of the Data Governance Framework as a version 1.0 after approval at ARC.
26. There are various open actions after the inaugural Data Governance Committee, however, the key actions with Deputy Data Sponsors are as follows:

Action	Description	Due Date
Complete initial maturity assessment	Work with the Data Management Team to assess the current maturity of the business unit.	15th June 2023
Identify Data Owners	Work with stakeholders within the business unit to identify Data Owners. Guidance has been provided in the "Data Owner Identification Guidance.docx" document provided.	22nd June 2023
Provide Business Unit Roadmap to achieve Level 2	Work with Data Owners and the Data Management Team to plan completion dates for activities required to achieve Level 2 maturity as part of the Data Governance Framework.	15th July 2023

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[2] Structured data is data that has been pre-defined and formatted to a set structure before being placed in data storage. For example, data stored in fields in a system such as Credence or CFS.

[3] Unstructured information/data is either physical or digital and is not organized in a pre-defined manner; for example, physical paper documents, or digital documents such as email, Word, PowerPoint or PDFs saved in digital storage solutions such as SharePoint.
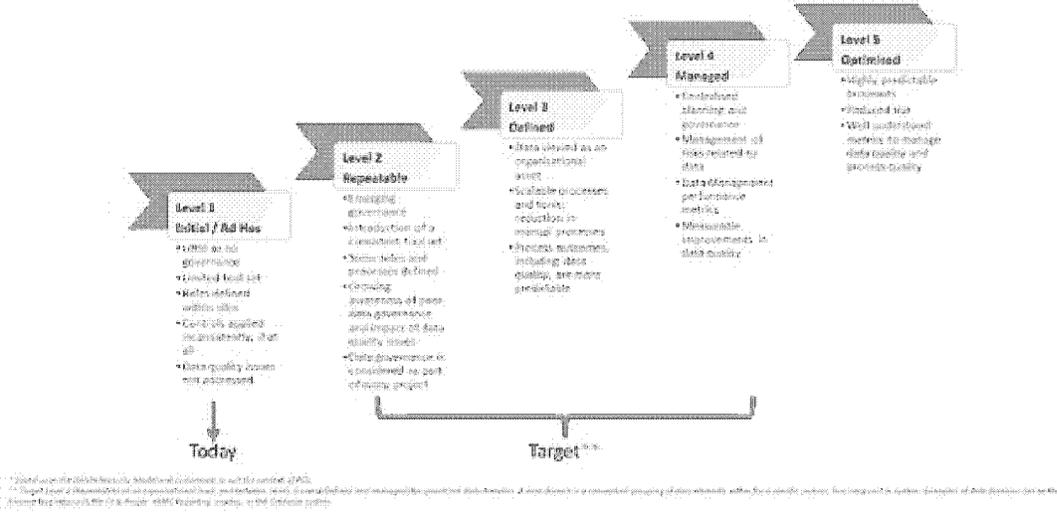
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Tab 4 Data Governance Framework Approval

Appendix 1

POL Data Governance Maturity Model

The POL Data Governance Maturity Model sets out the characteristics of the various maturity levels, and includes the current and target maturity levels.

POL Data Governance Maturity Model – Criteria and Metrics

Level	1. Initial / Ad Hoc	2. Repeatable	3. Defined	4. Managed	5. Optimised
Maturity Criteria		• Emerging governance ◦ Data Governance Framework defined * • Introduction of a consistent toolset **** ◦ Data Quality Measurement * ◦ Business Glossary * • Some roles and processes defined ◦ Roles: • Sponsor, Deputy Sponsor Owner, Steward identified ◦ Processes *: • Data Quality Issues Management Process • Growing awareness of impact of data quality issues ◦ Evidence of DQ Issues being logged and managed • Data governance is considered as part of every project ◦ Incorporate data governance related criteria as part of the Change Excellence Framework Business Readiness Assurance process.	• Data viewed as an organisational asset ◦ Critical data elements documented by business units per key metrics below • Scalable processes and tools; reduction in manual processes ◦ CDE Identification Guidance and Standards of Care * • Key processes automated to reduce manual intervention, e.g. Fit & Proper, or automatic deletion of data based upon Retention and Disposal Policy. *** • Process outcomes, including data quality, are more predictable ◦ Key processes improved to provide more predicable data quality, e.g. Fit & Proper. ***	• Centralised planning and governance ◦ Data Governance Forum embedded and being run regularly • Management of risks related to data ◦ In place for key processes on a prioritised basis, e.g. Fit & Proper. • Data Management performance metrics ◦ In place for key processes on a prioritised basis, e.g. Fit & Proper. • Measurable improvements in data quality ◦ In place for key processes on a prioritised basis, e.g. Fit & Proper.	
Key Metrics		• All individuals identified for key data management roles (Sponsor, Deputy Sponsor, Owner, Steward) • 100% of individuals attended data governance training session • The data domain has been defined • Number of logged data quality issues > 0 • All Record Retention Schedules reviewed within the last year for each Business Unit • All Data Owners and Data Stewards completed the Data Quality Training. • All business units logged at least one data quality issue, if any are present • Deputy Data Sponsor attends the Data Governance Committee within the last three months	• 100% of CDEs identified • Glossary term and description defined for 100% of CDEs • Data owner defined for 100% of CDEs • Classification defined for 100% of CDEs • Authoritative Source defined for 100% of CDEs • Trusted Source defined for 100% of CDEs • Business rules defined for 100% of CDEs • Data users defined for 100% of CDEs • Automated tools used to manage the review or deletion of documents • All Data Users complete Data Governance Framework and Data Quality training • Use of the Data Quality Issues Log to manage all data quality issues	• Lineage defined for 100% of CDEs • Data quality rules configured for 100% of CDEs • Data quality assessed for 100% of CDEs	

Blue – deliverables to demonstrate maturity characteristic
* To be completed by central Data Management Team
** Metrics presented as a dashboard to measure business unit maturity. Included in later slide.

*** Decision on which key processes to be made by Data Governance Committee
**** Tooling will be introduced within the constraints of the limited funding available; SharePoint for the Business Glossary and IDEA for Data Quality Measurement

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Tab 4 Data Governance Framework Approval

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Data Governance Maturity Dashboard

The following metrics will be used to measure maturity for each of the POL business units.

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Tab 6 Outcomes from the Banking Framework assurance engagement. Full report is in the reading room.

Conclusions from the Banking Framework assurance engagement

Post Office Limited
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Tab 6 Outcomes from the Banking Framework assurance engagement. Full report is in the reading room.

Overview of Non-audit assurance engagements conducted during the year ended 31 March 2023.

Status Summary

We perform a number of audit-related services and non-audit assurance engagements for Post Office Limited ("POL") during the course of the year. These are closely connected with our role as auditor and each of these is subject to approval by the Audit and Risk Committee ("ARC") on an annual basis. Below is a summary of the various engagements, as well as a summary of the timing of our reporting to management / ARC in respect of each.

Service	Description	Timing	Status
DVLA "agreed upon procedures"	This engagement is to corroborate a sample of DVLA revenue per POL's systems (CFS) to payments made to DVLA. The purpose of this AUP is to assist POL in fulfilling its reporting obligations under the Client Service Agreement between POL and the DVLA.	Report signed May 2022	Complete – included within ARC report July 2022
BoE – Note Circulation Scheme controls	As part of POL's participation in the Bank Of England ("BoE") Note Circulation Scheme ("NCS"), POL is required to obtain assurance over the controls it operates in respect of seven control objective areas (as defined by BoE). We provide a reasonable assurance opinion over POL's description of its NCS control environment, as well as the suitability of the design and operation of POL's controls to address BoE's control objectives.	Report signed May 2022	Complete – included within ARC report July 2022
Branch Network reporting - limited assurance reporting	POL prepares a network numbers report which contains information relating to the POL network size, branch types, and location of branches for submission to UKGI and BEIS. In order to gain greater comfort over some of the information reported in the network numbers report, we provide an ISAE 3000 limited assurance opinion over certain POL reported KPIs.	Report signed August 2022	Complete – included within ARC report January 2023.
Royal Mail "agreed upon procedures"	This engagement is to corroborate the weekly revenue reported to Royal Mail to POL's systems / bank statements. The purpose of this AUP is to assist POL in fulfilling its reporting obligations under the Distribution Agreement with Royal Mail.	Report signed November 2022	Complete – included within ARC report January 2023.
BEIS "agreed upon procedures"	This AUP engagement is to recalculate a sample of the monthly covenant calculations reported by POL to BEIS in accordance with the terms of its loan agreement with BEIS.	Report signed November 2022	Complete – included within ARC report January 2023.
Banking Framework - limited assurance reporting	POL has engaged PwC to perform a limited assurance engagement over POL's description of its activities in relation to the requirements of the "Terms and Conditions to Members of Post Office Banking Counter Services Framework version 2.3" as at 30 September 2022, that form POL's obligations under the Banking framework.	Phase 1 findings shared in December 2022 Phase 2 findings concluded in March 2023.	Complete - 169 page report issued to management. Summary included within this May ARC report

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May 2023

Tab 6 Outcomes from the Banking Framework assurance engagement. Full report is in the reading room.

Background to the Banking framework assurance engagement

POL engaged PwC to perform a limited assurance engagement over POL's description of its activities in relation to the requirements of the "Terms and Conditions to Members of Post Office Banking Counter Services Framework version 2.3" as at 30 September 2022, in connection with Post Office's reporting obligations under clause 15 of the framework.

The engagement was split into two phases – obtaining an understanding and performing walkthroughs of relevant processes and systems (phase one) and testing operating effectiveness of those processes and systems (phase two).

The phase one report was issued on 5th December 2022 which concluded walkthrough testing for all relevant Banking Framework requirements in scope apart from Schedule 6. A summary of this report was presented at the January 2023 ARC, and management presented its response to these findings to the last ARC in March 2023.

We have completed Phase 2 of our work and issued our assurance report to POL management on 27 March 2023. Management have also now released our report to the Banking Partners.

We issued an "except for" qualified opinion, meaning that, regarding the 328 individual Banking Framework clauses that were within the scope of the engagement, we:

- qualified our assurance opinion in respect of 16 clauses, where our sample testing identified that processes were not always operating as intended, or that limited evidence could be provided to support the operation of the process, such as:
  - Use of shared logins by branch staff, and the delayed removal of logins following staff members leaving POL;
  - Evidence of certain processes not being possible to share outside of POL due to these having been performed by third parties;
  - Being unable to inspect evidence of staff and Postmaster vetting due to the decommissioning and replacement of the vetting management system;
  - Legacy Postmaster contracts not containing clauses relating to confidentiality and data protection; and
  - Some branches not following the prescribed policy for cheque encashment.
- included an "emphasis of matter" paragraph, in respect of 20 clauses, to emphasise POL's own assertions that its processes were not always fully aligned to the Banking Framework's requirements, such as:
  - There being no monitoring of subcontractors' compliance with the Banking Framework;
  - The network transformation report no longer being issued; and
  - Certain Committees not having met as frequently as defined within the Framework.
- raised an "other matter" paragraph to highlight that some processes could not be observed as the trigger for their operation (e.g. the need for POL to inform the Banking partners when a certain scenario occurs) had not occurred in the period under review.

A 169 page report (comprising the Banking Framework requirements, POL's self-assessment of how its processes align to these requirements, and PwC's testing and results) accompanies our assurance opinion. Management have already drafted action plans to address each of the points, with assigned owners.

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Tab 6 Outcomes from the Banking Framework assurance engagement. Full report is in the reading room.

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Tab 7 Policies for Approval

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Policy Update	Meeting Date:	16th May 2023
Author:	Reena Chohan, Policy Compliance Manager	Sponsor:	Jonathan Hill Group Compliance Director / Ben Foat, Group General Counsel

Input Sought: Approval

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

i.   Internal Audit Charter;
ii.   Business Continuity Management Policy;
iii. Speak Up Policy and
iv.   Group Legal Policy

Previous Governance Oversight

Risk & Compliance Committee (RCC) 9th May 2023

Executive Summary

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

Questions addressed

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

Which Group policies were updated in this annual cycle review?

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

Policy	Last Reviewed	Updates	GE Sponsor	Governance Approval Body
Internal Audit Charter	May 2021	**Minor** updates this annual review	Group Chief Finance Officer	RCC & ARC
Business Continuity Management Policy	May 2022	**Minor** updates this annual review	Group Chief Finance Officer	RCC & ARC
Speak Up Policy	March 2022	**Minor** updates this annual review	Group General Counsel	RCC & ARC
Group Legal Policy	2019	The policy has recently been updated using the Group policy template and has been prepared	Group General Counsel	RCC & ARC

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Tab 7 Policies for Approval

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		for publication as a Group Key policy.		

What updates were included and why?

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

2. **Internal Audit Charter:** The policy has had **Minor** changes and the following updates were made to the policy this annual review:

a) Policy moved to new internal policy template
b) Minor updates such as job titles.

The policy owner has confirmed in their attestation, that the Minimum Controls identified in the policy are in operation and can be evidenced. These controls are owned and operated by the Internal Audit team and are carried out as BAU activities.

3. **Business Continuity Management Policy:** The policy has had **Minor** changes and the following updates were made to the policy this annual review:

a) Revised risk tolerance statements.
b) Minor amendments to the minimum control descriptions.
c) Business Continuity Framework Strategy document included in additional policies section

The policy owner confirmed in their attestation that the controls for Business Continuity Management Minimum Control Standards can be evidenced as working. A biennial BIA programme is completed with Business Continuity Plans created. BC training is completed with a set group of colleagues to manage incidents effectively and tests are conducted throughout the group. Building resilience reviews are ongoing to ensure they meet our recovery strategies.

4. **Speak Up Policy:** The policy has had **Minor** changes and the following updates were made to the policy this annual review:

a) The language changing Whistleblowing to Speak Up
b) Changing all 'Whistleblowing' terms to 'Speak Up'
c) Adding the recommendations by EY following External Review of the Speak Up function;
d) Speak Up Champion role amended as per 1.10
e) Adding other contacts to 1.12 as per recommendation in EY Report.
f) Review of external contact details

The policy owner confirmed in their attestation that assurance is currently being carried out on the Speak Up Team together with an external Review of the Speak up process and procedures conducted by EY. Recommendations will be detailed in their Report.

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Tab 7 Policies for Approval

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5. **Group Legal Policy**: The Legal Policy was written in 2016 and implemented locally within the Legal Team from that date. It has recently been updated using the Group policy template and has been prepared for publication as a Group policy. The following updates have been made to the policy:

a) following GLO, incorporating risk appetites and tolerances, new policy requirements and specific controls for historic matters.

The Minimum Control Standards stated within the policy are based on well-established Post Office processes, with new specific controls for Historic Matters being recently incorporated into the policy. As the Legal Policy will now form part of the Group Key Policy Framework, the policy will be subject to a Policy Assurance Review, which will be conducted by the Policy Compliance Manager in the future.

Assurance

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

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

5. Conclusion

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

Policy Appendices

1. Internal Audit Charter (Clean)
2. Internal Audit Charter (Track Changed)
3. Business Continuity Management Policy (Clean)
4. Business Continuity Management Policy (Track Changed)
5. Speak Up Policy (Clean)
6. Speak Up Policy (Track Changed)
7. Group Legal Policy (Clean)

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AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Title:	Audit, Risk and Compliance (ARC) Committee Evaluation 2022/23	Meeting Date:	16 May 2023
Author:	Marie Molloy, Senior Assistant Company Secretary	Sponsor:	Simon Jeffreys, ARC Chair

Input Sought: Noting, Discussion & Decision

The Committee is asked to:

- NOTE and DISCUSS the ARC Committee Evaluation for 2022/23 (**Appendix 1**).

- APPROVE the recommended areas and actions to address points raised for improvement.

Previous Governance Oversight

- The Nominations Committee approved the 2022/23 ARC evaluation questionnaire at its meeting on 6th December 2022.

- An externally facilitated evaluation was conducted of the Board and its Committees for 2020/21 and will be undertaken again in 2023/24[1].

Executive Summary

The 2022/23 ARC evaluation questionnaire mirrored that of 2021/22 to allow like for like comparison. The ARC Members as at February 2023 and the Group CFO, General Counsel, Director of Compliance, Head of Risk, Director of Internal Audit and Risk Management and Head of External Audit were invited to complete the questionnaire[2].

Across all evaluation areas the effectiveness of ARC was rated[3] as 'very good' which is broadly in line with prior year ratings:

- Skills, experience, diversity, knowledge   Average score 4.6 (LY 4.4)

- Leadership, ways of working, time management   Average score 4.4 (LY 4.5)

- Information and Support   Average score 4.0 (LY 3.8)

The evaluation feedback was that the Committee continues to remain effective, despite the headwinds and challenges faced by the Post Office. Positive comments were made regarding the interaction and engagement with the external auditors and the internal audit function. The approach of the committee in relation to providing an effective challenge to management and holding them to account, whilst still being supportive was remarked upon.

The two areas which may require further focus and improvement are:

- Assuring that compliance with the regulatory landscape is adequately managed and reported (score 3.6 (LY 3.8)); and
- Quality of papers and presentations received by the Committee (score 3.9 (LY3.5)).

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[1] The UK Corporate Governance Code and the Corporate Governance Code for Central Government Departments both stipulate that there should be an annual evaluation of the Board and its Committees which should be externally facilitated at least once every third year.

[2] Recently appointed ARC Chair and a non-executive Director were therefore excluded.

[3] Key   5 = Excellent   4 = Very good   3 = good/ at required standard   2 = Requires development   1 = Requires significant development

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The actions arising from the 2021/22 ARC evaluations have all been addressed.

Report

How do the responses of 2022/23 compare with 2021/22?

The overall average evaluation scores at 'very good' were broadly in line with prior years, and all scores were of or above 3.6 (3 = "good/ at required standard").

The Membership of the Committee and the executive contributors had been stable during the period in which the evaluation questionnaires were undertaken in, so the pool of questionnaire participants was very similar.

The higher scoring questions are summarised below:

Sections	Question	22/23	21/22
B Leadership, ways of working, time management	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	4.8	5.0
A Skills, experience, diversity, knowledge	How would you rate the Committee's understanding of the following areas of the Business: i. Financial reporting and management iv. Internal Audit v. External Audit	 4.8 4.7 4.7	 4.3 4.3 4.3
	How appropriate is the composition of the Committee for the requirements of the business?	4.7	4.5

The lower scoring questions are summarised below:

Sections	Question	22/23	21/22
C Information and Support	How comfortable are you that compliance with the regulatory landscape is adequately managed and reported?	3.6	3.8
	How would you rate the quality of papers and presentations received by the Committee?	3.9	3.5

The lower scoring questions and comments in our opinion reflect the challenge of addressing the range and breadth of ARC topics across Post Office and should be read in conjunction with the positive approach adopted by the Committee in providing an effective challenge to management and holding them to account, whilst still being supportive.

The timing of the December 2022 and January 2023 ARC were commented upon as being too close together. The proposed re-scheduling of the ARC dates to 27 November 2023 and 29 January 2024 will allow a sufficient gap to facilitate branch support, contractor furlough and leave during this period.

Proposed actions

Whilst acknowledging the ARC has been evaluated as 'very good', we have proposed the following actions to address the areas of relative lower scores and constructive feedback:

     i.   ARC coverage to ensure all key risk areas are reviewed to provide a holistic view of the control and operational risk environments within POL, particularly those exposed legal and regulatory environments;

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ii.   Strict enforcement of templates and ensuring papers in the reading room are appropriately cross referenced and or summarised in the main pack.

In addition, to continuously improve the effectiveness of ARC, the following changes are to be considered:

i.   Enhance coverage of lines of defence to ensure this is adequate to provide early warning/lead indicators;

ii.   whether a balanced scorecard regarding Postmaster detriment should be developed;

iii.   The Committee formally review the ' Forward Plan' on a 6 monthly basis to ensure this remains in line with the risk profile of POL.

Actions and status from the Committee Evaluation 2021/22

The actions from the Committee Evaluation 2021/22 and their status are as follows:

1.   Deep dives on key areas are continued to ensure the Committee is appropriately sighted, with the Committee to consider whether Deep dives are attended by the first line as well as the second line to widen the perspective.

    Status: Completed - Deep Dives completed on an annual basis. Head of Internal Audit and Interim Group Compliance Director attend ARC to widen the perspective.

2.   The Committee Members engage in an annual dialogue to agree where the Committee's focus areas for the coming year should be.

    Status: Completed – ARC 'Forward Plan' is created and presented to ARC in every meeting.

3.   The Committee review the calibre of materials provided by management and consider requesting management to provide revised reporting templates.

    Status: Completed - Updated paper template and guidance provided. The materials are also reviewed by the RCC to assess quality.

4.   The Committee review their Annual Work Plan to assess for any areas of refinement

    Status: Completed - The Company Secretariat continues to utilise and develop the forward plan, which is included as an item for noting at each ARC meeting.

Next Steps

If the Committee accepts the recommendations in the report, it will be asked to consider incorporating the recommendations into the forward plan for the Committee at its next scheduled periodic meeting on 10 July 2023.

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Tab 8 Committee Evaluation

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Appendix 1 - ARC Evaluation Questionnaire 2022/23

Key:

5 = Excellent	4 = Very good	3 = good/ at required standard	2 = Requires development	1 = Requires significant development

		Question	2021/22 Average	2022/23 Average
A.		**Skills, experience, diversity, knowledge**		
	1.	How appropriate is the composition of the Committee for the requirements of the business?	4.5	4.7
	2.	How would you rate the Committee's understanding of the following areas of the Business:		
	i.	Financial reporting and management	4.3	4.8
	ii.	Operational and Financial Risk Management	4.3	4.2
	iii.	Compliance	4.5	4.2
	iv.	Internal Audit	4.3	4.7
	v.	External Audit	4.3	4.7
B.		**Leadership, ways of working, time management**		
	3.	How would you assess the Chair's encouragement of debate within the Committee, including ensuring that all members are able to contribute to the discussion?	5.0 1 - N/A	4.8
	4.	How effective is the Committee at focussing on the right issues?	4.2	4.3
	5.	How effective is the Committee at providing both challenge and support to management?	4.3	4.0
C.		**Information and Support**		
	6.	How effective is the Committee at testing the information provided by management and external advisers?	3.8 1 – N/A	4.1
	7.	How would you rate the quality of papers and presentations received by the Committee?	3.5	3.9
	8.	How comfortable are you that compliance with the regulatory landscape is adequately managed and reported?	3.8	3.6
	9.	How would you rate the management information received by the ARC and its timeliness (i.e. is it the right information at the right time to provide you with the assurance you need and the understanding of the business you need)?	3.2 1 – N/A	4.0
	10.	How would you rate the access you have to any additional information and support you need to fulfil the requirements of your role (i.e. from management, secretariat or from external advisers, where required)?	4.2 1 – N/A	4.4
	11.	Are the frequency and length of ARC meetings appropriate?	Yes = 6 No = 0	Yes = 8 No = 1
	12.	Are issues brought to the ARC at an appropriate time?	Yes = 5 No = 1	Yes = 9 No = 0
	13.	Are there any issues or topics *that are not discussed* that should be considered at the Board?	Yes =1 No = 3 N/A =2	Yes = 1 No = 8

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		Question	2021/22 Average	2022/23 Average
	14.	Does the ARC have sufficient time in private to discuss matters of concern?	Yes = 2 No = 0 N/A =4	Yes = 7 No = 2

		Additional Comments
		- It is a really well chaired and run committee. - ARC agendas are very full. And the papers are voluminous. This places significant demands on members of the ARC to read and digest the papers. - I think the frequency of the ARC meetings is too frequent, in particular the timing of the december and january ARC, December is a very busy period with focus on time away from the office to provide branch support, christmas break and the reports are required immediately following the Christmas break, it places a lot of pressure on colleagues to respond to actions, progression of actions can be slow at this time of the year, factoring in change freeze, contractor furlough - This year we have had issues with regulatory compliance staffing (now sorted) which appeared to come as a surprise and I think resulted in weaker oversight from ARC. We had a similar issue with cyber controls being de-prioritised. Under the new head of compliance I can see better reporting starting but I worry that ARC do not have an effective line of sight when control frameworks aren't working as designed. - Compliance rating reflects that fact that we do not have adequate 2nd line of defence and are having to make compromises due to funding - ARC has a large agenda and has to deal with a wide array of risks. Some risk areas seem to fall outside of ARC and go to the Board which might perhaps get more focus at ARC - examples include IDG (CIJ/HIJ compliance), major projects. Both are areas of significant ongoing concern. It is also noteworthy that data management, which seems to have been under-invested in for years, has now become a focus for the organisation perhaps as a result of the Inquiry - should this issue have been a bigger focus for ARC? - While the frequency and length of ARC meetings are appropriate for the complexity of the business, I think that some topics / agenda items could be presented less frequently to allow for deep dives into other matters. For example, the risk update, internal audit update and compliance update could be reduced to alternative meetings or with shorter exception reporting only at alternative meetings. - Carla has been an outstanding Chair and Board director. Zarin provides insightful observations. I am concerned about the capability and expertise once both of those directors leave the business.
	15.	**Please comment on the effectiveness of the interaction with Internal Audit.**
		- From our perspective the IA interactions are effective, and they highlight the key issues through their papers. - Good. Cannot comment in any detail. - Excellent - good interaction and clear reporting providing transparency of audit reports/actions - Good - reports and recommendations are much more clearly articulated and combining risk with JA has strengthened the team. "Always open, honest and clear. iA are independent and it is a solid function that adds value to the organisation and the committee. They are trusted and respected - The co source operations is effective " - The interaction is good. I wonder however whether IA calls out loudly or persistently enough the issues it finds. - I believe that the committee has unrestricted, open and honest interaction with Internal Audit. The Head of Internal Audit has unrestricted access to all members of the

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		Question	2021/22 Average	2022/23 Average
		committee and regular private sessions with the chair (every second month) and with the full committee (every 6 months). • Excellent. ARC takes considerable interest and reviews Internal Audit at every meeting without fail.		
	16.	**Please comment on the effectiveness of the interaction with External Audit.**		
		• They attend the sessions and are always happy to provide their opinions on wider control issues. • There are regular sessions with the ARC Chair and the PwC partner/ director ahead of every ARC meeting. This ensures that the ARC Chair is well briefed on all external audit related issues - and has the opportunity to challenge / ask questions. This works well. • Excellent • good interaction and engagement with regards to External auditors • PwC provide a thorough audit and they provide a good and detailed audit report on the key estimates and judgements. The team at PwC have been very supportive in what has been a tricky year for the annual accounts. • Open and honest dialogue with clear decision points and transparent communications. Expectations of both organisations are well managed and EA make a full contribution at committee meetings. The team are strong • Overall good • From what I have observed, the interaction with External Audit is unrestricted and effective. The committee also holds private sessions with the external auditors at least every 6 months. • Very effective particularly PWC. ARC should encourage the use of more external audits particularly on NBIT, IDG operational and cultural improvements, HMU... those areas where parties outside of POL are unlikely to just accept a POL position given the historical issues.		
	17.	**Please include any thoughts you have about the operation of the Committee and any ideas for its future operation.**		
		• I know this may be in process, but areas of concerns (operational risk, regulatory risk and inquiry related risk) should be subject to regular deep dives. • The retirement from the Board of the current AC Chair means that the ARC is losing a highly diligent, thoughtful and effective ARC Chair. Given the breadth and depth of the current ARC remit - finding someone to continue this significant and detailed work will not be easy. • With Carla and Zarin leaving we have a massive understanding gap on financial matters with no one who know how to run a business of the size of POL • The frequency to be reviewed, consideration of financial year end, summer break and Christmas period • As I said last year the ARC has a very extensive agenda and I would recommend that we think about developing a forward agenda that prioritises discussion time on the biggest issues and does the rest through shorter papers or by exception only. The big topics coming at us are NBIT governance and assurance which is weaker than it should be, regulatory compliance, cyber controls and effective operational controls around PM policies • The committee will need to respond to the fact that the company is operating outside of risk tolerance due to the funding. There are also fewer resources internally to provide oversight. • See above • The operation of the committee continues to be effective, despite the headwinds and challenges faced by Post Office. The committee has adjusted its focus and appetite in		

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Tab 8 Committee Evaluation

		Question	2021/22 Average	2022/23 Average
		line with changing circumstances and risk profile of the business. The committee (and in particular the new members of the committee) will benefit from having deep dive presentations at the ARC meetings by key areas of the business on a rotational basis. With so many challenges being faced by the business, I think the committee has managed to adopt an approach that is effective in challenging management and holding them to account, whilst still being supporting and understanding. More of Carla, Zarin and Ben....		

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POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Procurement Governance & Compliance Report	Meeting Date:	16 May 2023
Author:	Liam Carroll - Procurement Director	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting

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

Executive Summary

Since the last ARC report in March 2023 there have been two Procurement Risk Exceptions submitted to the Group Executive and Board for approval. Our overall non-compliance value has increased by £9.9M to £12.7M. This is due to additional spend of £1.1M with Zunoma for the provision of Secure Print and Insafe International Ltd where spend has exceeded contract value by £9.3M. The resolution of the non-compliant contract with G4S for cash distribution has removed £0.5M of risk.

There are a number of issues with the data quality of contracts held in the Web3 system which may lead to the discovery of further non-compliance. A paper is being prepared by Legal and Procurement setting out the issues and improvement recommendations and will be brought to RCC in June 2023.

Report – Insafe International Ltd

1. In June 2018 Post Office compliantly let a contract for the supply and installation of branch cash safes and associated equipment (timers, locks etc) for an initial five-year term with three optional twenty-four-month extensions with a total contract value of £3.8m.
2. Although BAU spend has been well managed at £2M, an additional £9.9M has been spent on non-BAU projects. Current spend has reached £11.9M with a projected additional spend of £1.2M to March 2024.
3. This over-spend represents a significant failure to adhere to the Contract Management Framework
4. The increase in spend is considered to be a Substantial Modification under Regulation 72(8) of the Public Contracts Regulations 2015 (PCR). Substantial Modifications are not permitted under PCR unless there are any exemptions to rely on, however, in this instance

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5. The risk of a challenge arising is low and further mitigated by the plan to re-procure by October 2023 however, the possibility of challenge exists on the grounds that had potential suppliers in the market known of the value, they would have bid for the contract at the time.
6. If Retail are unable to purchase safes and associated equipment Post Office branch opening programmes would be negatively impacted, as would the ability for the Physical Security team to mitigate branch issues in securing cash on-site leaving Postmasters at risk of robbery and increased losses.

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Report – Zunoma

7.   Board approved a non-compliant direct award to Zunoma for secure print in November 2022. The contract was awarded to allow POL to continue pay-out services to customers under various schemes such as the Warm Home Discount Scheme and to meet our contractual obligations with utility companies.

8.   By increasing the spend by £1.1M it will take the total contract value to £2.7M. The reason for the increase in spend, is due to the successful delivery of numerous schemes (EBSS being the main scheme). Post Office has gained more clients, leading to an increase in additional schemes that clients have chosen to place with POL. This has meant a bigger increase in spend than anticipated.

9.   As the direct award to Zunoma was not compliant with the Public Contract Regulations we cannot rely on any Regulatory exemption for this modification. It remains Procurement's view that we are unlikely to receive a challenge to this direct award or modification.

10. Procurement is currently working with an existing supplier, HH Global to bring the secure print services within the scope of their contract by June 2023, this is a compliant route.

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Tab 11.1 Procurement Governance & Compliance

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Appendix 1 - All Open Material Incidents

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

£12,712,380

CACI - Board approved direct award in April 2020

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

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

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

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

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

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

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

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

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

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POST OFFICE LIMITED
AUDIT, RISK & COMPLAINCE COMMITTEE REPORT

Title:	POI Risk Update	Meeting Date:	16 May 2023
Author:	Ian Holloway, Director of Risk and Compliance	Sponsor:	Clare Ryder, Audit and Risk Committee Chair Post Office Insurance

Input Sought: For Discussion

Previous Governance Oversight

This paper is a regular Committee Update.

Executive Summary

1. **Top risks which POI are managing**

1.1 **Cyber security**. POI's cyber risk remains a significant concern of POI Management and the POI Board. The POI ARC commissioned a review to look at both POI's exposure to cyber risks and specifically any exposure arising from POI's reliance on POL for systems involved in the selling of POI policies and support for the POI business in areas such as finance, company secretarial and office-based systems. This review was discussed at a special ARC meeting on 4 May 2023. The POI Board have formally escalated this risk noting that there is a need for the POI Board to more fully understand the inter-relationship between POI and POL systems and the cyber exposure that these inter-relationships create.

1.2 **Understanding risks which POL considers out of tolerance**. POI is also working with the POL ARC and the POL Risk Team to understand how relevant risks which have been graded out of tolerance for POL are formally escalated to POI. This is particularly important given the regulated nature of the POI business and the inter-connectivity of a number of systems.

1.3 **Risk of Recession**. POI has core product lines in travel and protection, which are both discretionary spends for customers. Concern remains that a recession may have some impact on business volumes and profitability. Variable cost areas such as some aspects of call centre resourcing can be throttled back if volumes fall, and Management are continuing to monitor performance closely. There is no evidence yet in performance that this risk is manifesting itself and overall business volumes and profitability are holding up well. However, we note that there are likely to be further interest rate increases by the time of the POL ARC which may further impact customer spending power.

1.4 **Impact of Inflation**. Inflation is already having a major impact in Insurance. Claims costs are increasing as staff, materials (home repairs), car parts and medical expenses are all rising. Premiums are steadily increasing in Motor and Home Insurance, and whilst this offers some opportunity (commissions can rise too), the impact on customers and the market is uncertain.

Tab 11.2 Post Office Insurance ARC update

1.5 **People and organisation**. The financial services job market remains buoyant, even as the UK enters recession. POI has a number of skilled staff who will be attractive within the market more generally and general wage rates are increasing markedly beyond those paid by POL or POI. Individual retention activity has been undertaken and Management and HR have a significant focus on succession planning. To date, only limited staff turnover has been seen in POI, but there are risks that this increases over the remainder of the calendar year.

1.6 **GI pricing**. The changes required by the FCA's GI pricing initiative have been successfully delivered by POI. Management have however retained this risk at a significant level to reflect the overall impact on pricing within the household and motor markets, which did not behave quite as expected at the beginning of the year, continues to evolve, and in which there is an expectation that further market behavioural change will happen on the anniversary of the changes. This may also offer opportunity, but the uncertainty in a changing economic environment leads to maintaining a watching brief.

1.7 **Duck Creak upgrade**. Management are pleased to note that this implementation has been completed with minimum issues to report.

2.   Appointed Representative/Consumer Duty Work

2.1   The travel insurance sales process has now been redesigned and simplified to deliver a better quality of sales, by improved literature design and eliminating process failure points. This supports Postmasters and customers in achieving better sales outcomes and reduces inherent process risk.

2.2   The mystery shopping process has been adapted to mirror the new sales process. The shops conducted in October and November have been back tested using the new process and show that c.80% of sales would be compliant based on process improvement and before the addition of further enhancement initiatives.

2.3   POI Product and Compliance are working collaboratively on a series of sales quality initiatives to further enhance the effectiveness of feedback loops into the retail network, contributing to further enhancement of sales quality.

2.4   Whilst POI highlights the need to improve process, the back-testing conducted highlights that customers were for the most part given leaflets highlighting limits and exclusions. Mystery shops have been marked down where specific pages have not been highlighted. The design of the product means that key medical cover limits are unlikely to ever be breached and there are no declines across our book based on branch non-disclosure. Conduct data also does not highlight material issues via complaints, declined claims or other data. Sales quality needs to improve, but POI is satisfied on the back of our analysis that there is no material mis-selling risk.

2.5   The improvements from the process are currently being implemented and we expect to see mystery shopping results improve from June/July 2023 onwards. We will update The Committee on our progress.

Tab 11.2 Post Office Insurance ARC update

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Appendix – Risks with Residual Grades of 9 or over

Name	Owner	Description	Residual Score/Movement	Commentary
Cyber risks/Data security	Carl Roe	The security of Post Office Insurance data is compromised through attack or wilfully or negligently misused causing reputation and financial damage.	15 ⬆	Management on review believe that the risk of cyber-attack remains high. POI and POL have undertaken penetration testing and proactive security reviews in recent months. However, given the external environment, notably the Ukraine war, further attacks on UK Government businesses cannot be ruled out and even with significant controls in place some disruption cannot be ruled out. Management believe that such an attack could be very disruptive.
Inflationary Impact	Simon Parr	The current high level of inflation is putting pressure on claims costs (especially for Home) which will then put pressure on net rates / premiums. This will mean cost of insurance will increase. In addition to this inflation affects customers personal finances and increase claims (genuine and fraudulent) and reduce the propensity to purchase policies, especially Protection. This will have a financial impact on our performance and consumer reluctance to purchase protection, which may cause them significant financial impact if the worst should happen.	10 (new)	This risk has been split from the recession risk. POI is actively managing the risks of inflation within our business. POI is regularly reviewing costs and budgets and working with key suppliers to manage costs. In softer GI markets there are risks that premiums will not keep pace with underlying costs with a consequent impact on the profitability of insurers and ultimately POI.
Duck Creek upgrade	Carl Roe	Owing to the poor delivery of the Duck Creek upgrade, business cannot be traded post-delivery which would have a considerable impact to trading and to our customers.	10 ⬌	The risk is graded highly given the potential impact on our business of the upgrade not going well and the consequent impact on our ability to trade. However, POI has a good track record in recent times of IT deliveries.
IT systems failure	Carl Roe	The failure of IT systems or extended downtime disables POI's ability to trade or serve customers. Duck Creek performs poorly such that business cannot be traded for a material period of time.	10 ⬌	Some service issues related to Accenture's management of servers have been experienced in recent months. Action plans have been agreed to address these issues. POI remains vulnerable to IT downtime. Accenture as our single IT provider does enhance the level of risk - though this risk is well understood by Management and subject to close liaison and oversight.
Recessionary pressure	Simon Parr	Economic deterioration/recession impacts sales and market size and propensity to cancel.	10 ⬌	The UK is now likely to be in a recession and the impact of this recession is likely to increase as increasing fuel and related costs increase. This in turn may impact the sale of our discretionary business lines, notably travel and protection. The risk of recessionary impact is noted within our business plans and Management closely monitor business performance to understand how the impact of the recession is unfolding.
AR Oversight	Ian Holloway	POI does not work effectively to oversight POL with BOI and Capital One.	9 ⬌	For POI the key area of concern is how POI ensures the quality of sale within the branch network. This is the subject of a further paper presented to the ARC.
GI FCA Pricing requirements	Nick McCowan	The market changes radically when the new FCA price walking rules go live. POI is not ready or has misjudged the outcome. As a consequence, it is unable to deliver on its five-year plan.	9 ⬌	POI has delivered all of the changes required by the FCA's GI pricing initiative. Concern however remains on the impact of these requirements across the industry. Saga and other providers have noted GI pricing as having a material impact on profitability. POI will maintain this risk at this stage and will review when it is next attested.
People and organisation	Ed Dutton	POI is not structured correctly and does not have people of the right quality doing the right things in the right roles.	9 ⬌	Management still see this risk as being significant in what remains a good job market. At this stage however there have been very few POI leavers. Risks however remain, notably given that a pay rise has not been agreed and the bonus scheme for 2022/23 remains opaque.

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Payment Practices Reporting Compliance	Meeting Date:	16 May 2023
Author:	Tom Lee, Financial Controller	Sponsor:	Alisdair Cameron, Group Chief Finance Officer

Input Sought: Noting

The ARC is asked to note Post Office's compliance with Payment Practices Reporting requirements for the financial year ended 26 March 2023 ("FY22/23").

Previous Governance Oversight

* Risk & Compliance Committee (RCC) 9th May 2023

Executive Summary

Post Office Limited ("POL") has a statutory duty to file Payment Practices Reporting with Government on a bi-annual basis. Post Office Management Services Limited ("POI") and Payzone Bill Payments Limited ("PZ") fall outside the scope due to their size. POI was required to report until end of FY20/21, after which point the decline in company revenues removed the requirement. Reports are still produced for POI but are retained internally. The reporting includes payment policies, practices and performance. No changes have been made to the filing requirements in year.

POL has filed Payment Practices Reporting as required for the past five financial years (FY18/19 to date) for the entities in scope. POL has controls in place within the Financial Reporting Controls Framework to ensure timely and accurate reporting. The reporting is also shared with the Group CFO for POL and the FD for POI to review and approve before filing or reporting internally. This report focuses on POL as the only reportable entity.

Payment performance has been consistently strong within POL. Paid to time rates averaged in excess of 90% for FY18/19 and FY19/20 with a slight drop to 85% in FY20/21 due to the introduction of a new procurement system, Web3. Following the bedding in of the new system the average paid to time rate increased to 95% in FY21/22.

In FY22/23 the average paid to time rate was 93%, showing a slight drop on the prior year but remaining very strong. The primary drivers in late payments were late good receipting by the business, accounting for c. 50% of those paid late, issues with Purchase Orders (setup, errors and replacements and delays in invoices being submitted to the Accounts Payable team (by the business) thus impacting payments. Additional training has recently been rolled out to the business by the payment and procurement teams to remind colleagues of the importance of goods receipting and how to accurately do it in Web3, to prevent further reductions in performance.

Internal audit ("IA") completed a review over the process in Q4 FY21/22. The result was positive, with the findings being minor. Amendments, including some efficiencies and enhancements to the reporting process were made in FY22/23 as a result of the IA review.

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Tab 11.3 Payment Practices Reporting Compliance

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Questions addressed

1. What are Payment Practices Reporting requirements?
2. Has Post Office Limited Group been compliant?
3. What have the payment performance trends been to date?
4. What processes are in place to ensure compliance?

Report

Overview of payment practices reporting

1. Payment Practices Reporting ("PPR") is a statutory duty for companies, which exceed the size criteria as outlined in para 2, to publish information about their payment policies, practices and performance in relation to qualifying contracts for each reporting period in the financial year.
2. Companies are in scope for the financial year if on their last two balance sheet dates they exceed at least two of the following thresholds:
   i. £36 million turnover
   ii. £18 million balance sheet total
   iii. 250 employees
3. POL has been in scope for PPR for the last four financial years.
4. POI was in scope until end of FY20/21 when it dropped out due to a downturn in revenue.
5. PPR must be filed twice a year (April and October), with each report covering the previous 6 months.

Compliance to date

6. Post Office has filed PPR reporting since the rules came into place for financial years ending on and after 6 April 2017.
7. The payment performance statistics which have been reported to date are shown in Appendix 1. The table represents the percentage of invoices which have been paid within 30 days, 31 to 60 days or over 61 days for financial years.
8. The reporting includes policies and practices such as (i) standard payment terms (ii) changes to terms made in the reporting period (iii) dispute resolution processes. Appendix 2 shows a template of all of the required reporting information.
9. The reporting rules allow for different payment terms (i.e. more than 30 days) for different types of contract. However, Post Office primarily has standard 30-day terms across suppliers and therefore reports on this basis as standard.
10. Post Office has not received any Government correspondence in response to any PPR submitted to date.

Reporting trends

11. As shown in Appendix 1, the proportion of invoices paid within 30 days is consistently high during FY18/19 and FY19/20 for POL, remaining in excess of 90%.
12. In FY20/21, on time reporting declined due to the impact of migrating to a new procurement system, Web3, with a move towards 3-way matching driving much of the decline as the business got used to goods receipting.
13. In FY21/22 the payment performance increased to 95% and it has remained high in FY22/23 at 93%.

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Tab 11.3 Payment Practices Reporting Compliance

14. Where payments have not been made within 30 days, the majority of the remaining payments are made within the following 30 days i.e. within 60 days.

15. Post Office has identified the main reasons for late payments as (i) late goods receipting, (ii) issues with purchase orders, including setup, errors and replacements, and (iii) invoices being shared with POL stakeholders instead of Accounts Payable and only being shared with Accounts Payable for processing once they are already overdue i.e. due process not being followed. In some cases invoices are also held back purposefully whilst negotiations are ongoing with suppliers, which impact the statistics also.

16. One of the IA findings in FY21/22 was that POL should determine a target level by which performance can be measured. Given the performance has been consistently high, this has not been a priority. However, the voluntary prompt payment code has a target of 95% within 60 days which POL has consistently achieved against and sets a good marker to continue to compare with.

Processes in place to ensure accurate reporting

17. Post Office has controls in place within the Financial Reporting Controls Framework to ensure that it is compliant with the PPR rules and files accurate information on a timely basis:
    a. Bi-annual control whereby the Accounts Payable team prepare the PPR before the required deadlines. The reporting is reviewed by an Accountant outside of the Accounts Payable team to ensure independent assurance has been provided over the accuracy of the reporting.
    b. Bi-annual review of Post Office Group entities against the scope criteria in section 2 to ensure Post Office is filing PPR for all required entities.

18. The final report is shared with the Group CFO for POL and the FD for POI Limited to review and approve before filing (where required). The email accompanying the report includes details of key trends in the period, as well as any changes to policies where applicable.

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Tab 11.3 Payment Practices Reporting Compliance

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Appendix 1

POL	FY18/19		FY19/20		FY20/21		FY21/22		FY22/23	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
On time	96%	97%	94%	92%	85%	95%	96%	94%	94%	93%
1-30 days over	3%	1%	4%	6%	10%	5%	3%	4%	4%	4%
31+ days over	1%	2%	2%	2%	5%	0%	1%	2%	2%	3%

Appendix 2

Start Date of reporting period

Day	28th	per Govt notification
Month	Sept	
Year	2022	

End date of reporting period

Day	26th
Month	March
Year	2023

Payment Statistics

Average time to pay in days | 31 |

A) % of invoices paid between day 1 and 30 (inclusive)	93%
B) % of invoices paid between day 31 and 60 (inclusive)	4%
C) % of invoices paid on or after day 61	3%
% of payments due in reporting period which have not been paid within agreed period	7%

Payment Terms and Qualifying contracts

Enter you standard payment period in days	30 standard terms
Describe your standard payment terms	Payment terms range from immediate payment to 30 days
Was there any changes in payment terms in reporting period	No
Enter the maximum contractual payment period	Maximum contracted payment term is 30 days or less

Dispute resolution process

Does your business offer e invoicing	No
Invoice document management	No
Does your business offer supply chain finance options	No
Can your business deduct sums from payments as a charge for being on the supplier list	No
Has your business deducted sums from payments as a charge for remaining on supplier list	No
Is your business a member of a code of conduct or standards on payment practises	No

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Tab 11.4 Strategic Partner Risk & Failure Monitoring Paper & Dashboard

POST OFFICE LIMITED
AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

Title:	Strategic Partner Risk Update	Meeting Date:	16th May 2023
Author:	Abigail McGeever, Strategic Partnerships Business Manager	Sponsor:	Martin Roberts, Group Chief Retail Officer

Input Sought: Noting

The Committee is asked to note the Strategic Partner Q1 financial risk and stability update as per the agreed review process.

Previous Governance Oversight

- Noted and submitted to RCC reading room on 9th May 2023

Executive Summary

1. The partner risk and stability tracker measures risk within the Strategic Partner estate, the development of this risk and stability tracking process will ensure we are measuring the management of risk across our partnerships with a consistent, factual and informed approach, enabling us to highlight areas of concern whilst standardising the approach we will take in such instances of risk identified.

2. The development of this process has moved to include the risks associated with both financial and non-financial concerns which include trading behaviours, partnership engagement, management structure and prioritisation of the Post Office as a partner to enable both a qualitative and quantitative assessment of risk.

3. Information provided within this deck is formulated using our relationship with Experian, Commercial Finance and other credible analyst sources (including IGD and ACS) as necessary, along with insight from our SP account management team, in providing reassurance to the business.

4. In monitoring these elements of our largest partners, we are able to identify the possible risks associated with critical service locations or multiple branch closures. In doing so, we are able to work with network teams to create mitigation plans or rescue packages to reduce high levels of risk to the network access criteria.

5. The monitoring of the partners risk status will be managed monthly by the SP and Commercial Finance Team, formal tracking to RCC will be provided quarterly in accordance with the POL financial calendar with overall summary and full report in the reading room. Any partners identifying a new significant risk will be flagged to relevant GE members with mitigation plans and where necessary, a summary brought to RCC in the month following their status change to ensure a high level of awareness and management.

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Report Headlines (As of May 2023 Report)

6. The report shows the financial status of partners with an overlay of a management assessment that takes account of both qualitative and quantitative information available to us from credible sources such as trade press and analysts and also the insights drawn from partners themselves.

7. McColls (Morrisons Ltd) remains highlighted with significant risk as 'red' rated. This is now documented as Morrisons in the report following the transfer as of November 2022.

8. As previously highlighted 28 sites were identified by the CMA as having competition concerns (20 having PO Branches), Morrisons will sell these stores with the PO included as a mandatory requirement. The sale of these stores is planned to be concluded by 17th May 2023, transfers of the Post Office to new retailers for the 20 locations are in process and are planned to complete by end of Q1.

9. POL has worked closely with Morrisons to support the introduction of a new structure which provides greater on the ground support and knowledge for the branches. This has included a series of training workshops which are now being supported further with on the ground tools to ensure the learnings are embedded into the new structure as standard business ways of working. This will be monitored closely in the coming months but has shown great initial results in performance improvement.

10. The former McColl's business is now being operated by Alliance Property Holdings Ltd, a subsidiary of Morrisons. The existing contractual agreement will continue to apply (albeit it will now operate between APH & POL) while we continue to work through the shared purpose of agreeing a new longer term supply agreement. This is in final stages of agreement with the new framework on track to be in place in the coming weeks. We have assessed the risks and are managing these currently with the view that the risk status will move to 'amber' by end-May once the new framework agreement is in place.

11. One Stop has previously been highlighted as 'amber' risk but moves to 'red' risk status whilst we continue to work through options to review the profitability of 64 branches of the estate. There remains a risk that a small proportion of stores may be requested to close based on profitability however at present we are working closely with the partner to find solutions either via alternative formats or introducing further product propositions via the mail's strategy. Confidence is high that a solution will be found for most stores however some risk remains that there could be a small number of closures required. Any agreed closures would be subject to normal terms and notice periods.

12. CJ Lang has been added as a 'red' risk status due to some concern raised about profitability of a small number of their estate. The new Sales Director has completed a review of the business which has identified some profitability concerns and a small number of branches at potential risk of closure. We are working closely with the partner to look at alternative propositions such as D&C to mitigate potential closure risk and will provide further updates should any risk materialise.

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13. Midcounties Co-op has previously been highlighted as 'amber' risk but moves to 'green'. The risks previously identified had been based on financial assessment. Based on the latest reports available the financial position has shown positive improvement. In addition, Mid Counties have signed up to the 3 year framework agreement and invested in new stores formats through the D&C proposition demonstrating their long term commitment to working with POL and providing POL with a reduction in risk to network numbers. Given this improvement, we have assessed risks are limited at this stage and we will continue to monitor as part of the normal monthly cycle.

Further Update

14. Update provided to ARC following RCC.

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Tab 11.5 Committee Forward Plan

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

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

Tab 11.5 Committee Forward Plan

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

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

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

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

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Assurance Framework for the Strategic Platform Modernisation Programme	Zdravko Mladenov email 30/05/22	Group Chief Digital and Information Officer	Noting	Yes	-	X	Technical assurace plan	X	-	-	-	-	Moved from Jan to March 2023 at Zdravko's request ~~MOVED FROM DEC TO JAN 2023~~ ~~CE Meeting: 17th August, 12th October~~ ~~RCC Meeting: 13th September, 15th November~~ ~~ARC Meeting: 26th September, 05th December~~ ~~Board Meeting: 27th September, 06th December~~