

Post Office Ltd – Strictly Confidential**RISK AND COMPLIANCE COMMITTEE****08 November 2005 – Meeting Ref 06****Members:**

Sir Mike Hodgkinson (Chair)
 Peter Corbett
 Ian Anderson

In Attendance

Rod Ismay
 Alwen Lyons
 Keith Woollard

Secretary

Michael Dadra

Apologies

Alan Cook
 Steve Sims
 John Scott

SUMMARY ACTION POINTS

ITEM	ACTION	LEAD
0601	Martin Ferlinc to attend next meeting to outline Audit Risk Model review. (Refer to preceding action 0503)	MD
0602	Graham Halliday to be invited to attend next meeting for discussion on Compliance Framework	MD
0603	Irrelevant	
0604	Provide monthly report on IMPACT status, including: <ul style="list-style-type: none"> • Fraud identification data, MI and auditability of accounts • Summary of POLs requirements, what is being delivered and whether that is better or worse than before • Progress update and actions The report then to be copied to Compliance Committee members monthly, and subsequently to the Royal Mail Audit & Risk Committee and to Ernst & Young	RI to liaise with Vicky Noble for delivery
0605	Update Committee on outcome of Branch Audit Half Year Report recommendation concerning ownership and analysis of cash data.	RI
0606	Feed back to RI on the data mining techniques HM Revenue and Customs use	KW
0607	Recruit 2 internal auditors	RI
0608	Irrelevant	
0609		

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0610	Reschedule CIT risks and controls agenda item for next meeting and increase duration by 30 minutes	MD
0611	Schedule next year's meetings, aligning to Post Office Ltd Board meetings as well as half year and full year reporting dates	MD

1. MINUTES FROM LAST MEETING

Meeting Ref 05 - minutes approved.

2. STATUS OF ACTIONS FROM THE PREVIOUS MEETING

ITEM	ACTION AND UPDATE	LEAD
0501	<p>Further correspondence required with DWP regarding dissatisfaction at products anti-fraud features and liability, and follow on to paper on cash cheques referred in 0407.</p> <p>Correspondence crystallized in terms of reference for joint working party between Post Office Ltd and Alliance & Leicester on this. Terms include consideration of product re-engineering, security and the process and timescales for dealing with liabilities.</p> <p>A UV lamp trial is planned to follow after the Christmas period. DWP to provide £25 rewards to counter staff for impounding counterfeits, despite the contract migrating from DWP to A&L.</p> <p>Communication to branches to raise awareness of the proper encashment procedure continue – Operational focus articles issued week 22 and 25 to all Post Office branches.</p> <p>Lastly, the Product and Accounting team in Chesterfield are pursuing persistent offenders for restitution of lost monies due to their inability to adhere to proper encashment procedures.</p>	<p>RI</p> <p>Closed</p>
0502	Irrelevant	
0503	<p>Branch segmentation to identify underlying high-risk branches and a plan of how they could all be audited in a 3-year period.</p> <p>National Audit Manager to attend next meeting following review of risk model.</p>	<p>RI</p> <p>Closed to new action 0601</p>
0504	Update compliance matrix for branch audit compliance coverage.	KW

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	<p>The table was intended to show current accountabilities in the business for each compliance driven requirement.</p> <p>Branch Audit contributes data about compliance but they are not responsible for managing or enforcing compliance.</p>	CF to next mtg, agenda item.
0505	<p>Update compliance matrix with lead owners for each row and column, aligned to the Post Office Ltd organisation chart.</p> <p>Future allocation of compliance accountabilities is being reviewed.</p>	KW CF to next mtg, agenda item.
0506	<p>Update compliance matrix to make "Training" more explicit and with core lead role through Sales lines in the Chief Operating Officer's Directorate.</p> <p>Future allocation of compliance accountabilities is being reviewed.</p>	KW CF to next mtg, agenda item.
0507	<h1>Irrelevant</h1>	
0508		
0509		
0510		
0511		
0512	<p>Conclude on TUPE risks raised in former discussions about branch cover.</p> <p>The risk previously discussed was about TUPE being an issue if Post Office Ltd had to put its own staff in to manage the branch.</p>	RI Closed

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	Service consider that they are demonstrating that replacement subpostmasters are found with satisfactory timescales, that the NFSP advises such interim's about TUPE and that TUPE is not therefore a risk to Post Office Ltd in this situation.	
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3. MATTERS DISCUSSED AT THE MEETING AND NEW ACTIONS REQUESTED

The issues discussed included the following items (which are expanded on as shown):

- 3.1 Actions from previous meetings
- 3.2 Committee terms of reference and communication
- 3.3 IMPACT project status
- 3.4 Branch Audit findings and Investigation activity
- 3.5 Banking and Financial Services compliance
- 3.6 Vital few controls – assurance plan
- 3.7 Cash in Transit controls and risks
- 3.8 AOB

3.1 Actions from previous meetings

Irrelevant

3.2 Committee terms of reference and communication

Proposed terms of reference were circulated following agreement by Post Office Ltd Board without any further amendments or comments.

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IMPACT has several problems but work arounds are in place for servicing clients.

There are issues with system response times, mapping between systems, data interfaces, and ability to get accurate management information. A team from SAP are currently supporting Post Office Ltd to resolve the issues.

Action 0604

Provide monthly report on IMPACT status, including:

- Fraud identification data, MI and auditability of accounts
- Summary of POLs requirements, what is being delivered and whether that is better or worse than before
- Progress update and actions

The report then to be copied to Compliance Committee members monthly, and subsequently to the Royal Mail Audit & Risk Committee and to Ernst & Young

3.4 Branch Audit findings and Investigation activity

Losses are £1m lower than last year at period 6. This reflects no repetition of the two frauds at Blackwood and Sevenoaks, which totalled £1m last year. In the £25k-£100k loss range, however, the 13 cases this year are similar to last year.

Positive action has been taken through Branch Control since last year. This has reduced the incidence of "suspense accounts" being abused to conceal fraud.

However, there is an increase in the number of losses covered up by inflating cash figures. IMPACT will in the longer term improve cash MI here, but short term action is needed between teams involved in cash to improve the analysis and "clean up" of data.

Improvements in compliance results for Anti-Money Laundering, though training records still an issue for both FS and AML.

Financial Investigator now trained, passed exams and in place.

Action 0605

Update Committee on outcome of Branch Audit Half Year Report recommendation concerning ownership and analysis of cash data.

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Irrelevant

Action 0606

Feed back to RI on the data mining techniques HM Revenue and Customs use.

3.6 Vital few controls – assurance plan

Key controls audits and product audits have been commenced and a more formal reporting plan drafted. The Committee asked about the limited resource in this area and agreed 2 new recruits should be taken to expand audit management and data analysis capability.

6 areas (DVLA, Agents Pay, Network Reinvention Payments, T&S, Expenditure Cards and Revenue) were noted as being in the final stages of reporting.

On T&S, the audits had confirmed control failures around authorisation and a lack of escalation of inappropriate claims.

On purchasing cards, the Committee noted that the business may be planning more usage of such cards. Cost / benefit decisions would be necessary about controls, but clear communication of policy and sanction (including dismissal) would be necessary to deal with non compliance.

Action 0607

Recruit 2 internal auditors.

Irrelevant

3.7 Cash in Transit controls and risks

Cancelled at short notice due to a business incident. To be revisited at next meeting.

Action 0610

Reschedule CIT risks and controls agenda item for next meeting and increase duration by 30 minutes.

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Frequency of meeting was discussed and it was agreed that 4 meetings to be held a year with scope to increase if need to meet.

Action 0611

Schedule next year's meetings, aligning to Post Office Ltd Board meetings as well as half year and full year reporting dates.

5. DATE OF NEXT MEETING

To be scheduled and communicated.

Risk and Compliance committee to meet	Late Jan	Late March	Early Sept	Early Dec
POL Board dates	16 th Feb	25 April	18 Oct	20 Dec
CRMC	Feb	May	Nov	Feb
Agenda items				
Mins and actions	X	X	X	X
Branch Audit & Investigations	X	X	X	X
FS & AML	X	X	X	X
Compliance frameworks*	X			
VFC – Key controls / internal audit	X	X	X	X
Half yearly corporate risk returns		X	X	
Special presentations/topics				
CIT	Extra 30 mins			

*Compliance Frameworks – regulated products, approved to sell, capability to sell and compliance frameworks (inc mails integrity, FS, Phones).