

**Post Office Ltd – Strictly Confidential****RISK AND COMPLIANCE COMMITTEE****06<sup>th</sup> September 2006 – Meeting Ref 09****Members:**

Sir Mike Hodgkinson (Chair)  
Alan Cook  
Peter Corbett  
Ian Anderson

**In Attendance**

Keith Woollard  
Martin Ferlinc  
Dave Pardoe (Secretariat)

**SUMMARY ACTION POINTS**

ITEM	ACTION	LEAD
0901	<b>Irrelevant</b>	
0902		
0903	To include a program of ongoing randomly selected branches in the audit plan, to enable tracking of baseline risk.	Martin Ferlinc
0904	To analyse those branches where a financial irregularity has been revealed during 2006/7, to ascertain if there are any common profiles.	Martin Ferlinc
0905	Arrange for a presentation re: IMPACT/POLFS to Risk & Compliance Committee – what went well and what could have gone better.	Peter Corbett
0906	<b>Irrelevant</b>	
0907		
0908	Ensure Group Internal Audit update is included in subsequent Risk & Compliance Committee Meetings.	Keith Woollard

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0909	Confirm with Head Of Security that appropriate links exists with specialist Police Units on relevant matters.	Keith Woollard
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**1. MINUTES FROM LAST MEETING**

Meeting Ref 08 - minutes approved.

Matters arising :

Alan Cook requested and it was agreed that he remain a member of the Committee.

Peter Corbett commented that the position on IMPACT and the POLFS accounting system has moved on considerably since the report in March. The Committee requested a final report for its next meeting ( new Action 0905)

**2. STATUS OF ACTIONS FROM THE PREVIOUS MEETING**

ITEM	ACTION	LEAD
0801	"Fraud and control" to be a formal agenda item at the next meeting, and to include the implications of different methods of payment.  Done. Included in draft agenda for 6 September (in covering email)	Rod Ismay  Closed
0802	<b>Irrelevant</b>	
0803	Align accountability through job descriptions and performance measures post OD (as has been done with 'Compliant Sales' already) and ensure the support and tools to do it are available.	Ian Anderson Closed
0804	Network Director to be invited to report to this Committee twice a year.	Rod Ismay Ongoing
0805	Advise Ian of outstanding self-assessments on HR related key controls	Rod Ismay

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	Emailed update on specific controls and owners	Closed
0806	<b>Irrelevant</b>	
0807	Obtain brief and advice from Post Office Ltd Operations Directorate as to Information Security options in-house in POL in-house in Royal Mail Group and outsourced	Rod Ismay
	Note sent to Ric Francis and will progress from there	Closed
0808	Brief Ian O'Driscoll on Legal Services issues meetings to date	Rod Ismay
	Done. Briefed Ian and he is taking forward with Director of Legal Services	Closed
0809	Review grant usage to date – successes, failures and improvement ideas. Feed results into future strategy and control of grants.	Rod Ismay
	Have requested from Head of Network Change. To be discussed	Closed
0810	Following appointment as Managing Director, Alan Cook to resign from this Committee.	Rod Ismay NFA

Brought Forward From 8 November 2005

ITEM	ACTION	LEAD
0704	<b>Irrelevant</b>	
0605	Update Committee on outcome of Branch Audit Half Year Report recommendation concerning ownership and analysis of cash data.	Rod Ismay
	Ultimate owner agreed as Peter Corbett. Additional MI activity within the current "Retail Inventory" team in Operations is explained in Appendix 3 to the briefing pack for the March Committee and responds to a recent series of cash losses in February and March 2006.	Closed
	Following OD (Organisational Design) changes to cash	

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	ownership will be addressed by new responsibilities within Finance.	
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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 Investigation Activity Period 5 Report
- 3.3 Branch Audit Activity Period 4 Report
- 3.4 Regulatory compliance
- 3.5 Internal Controls
- 3.6 Organisational Design Review

**3.1 Actions from previous meetings**

All actions brought forward were agreed as closed with the exception of:

- 0605 Cash inventory accountability resolved in OD review - closed
- 0704 Deferment of Security Industry licencing for RDT team – letter being drafted – ongoing.
- 0802 Quantify the costs associated with cheques as a method of payment – now to be carried forward as part of a wider strategic review of methods of payment - closed.
- 0804 Network Director to be invited to attend the Committee meetings – ongoing awaiting appointment
- 0809 Review grant usage to date – review completed - Closed.

**3.2 Investigation Activity Period 5 Report**

Dave Pardoe presented the key points from the monthly Investigation Team period 5 report. In particular, the report focused on the Accrington DMB £600K fraud, successes using Proceeds Of Crime Act (POCA) initiatives and the better targeting of audit resource on dishonest branches.

Concerns about cheques as an appropriate method of payment (MOP) for DVLA transactions were raised and some discussion was generated surrounding the positioning regarding acceptance. Likewise, issues were raised with the existing Instant Access Saver Account (IASA) and Travel card offers; in themselves solid offers that are spoilt by branch non-conformance. Alan voiced an opinion that he was against modifying an offer (to the detriment of the customer) in order to force branch conformance and would rather expect steps to be taken to drive conformance - by sanction if necessary.

**Action 0901 Explore implications of reducing £9K banking fraud checks to £5K**

**Action 0902 Establish financial position with DVLA returned cheques**

**Post Office Ltd – Strictly Confidential****3.3 Branch Audit Activity Period 4 Report**

Martin Ferline presented an overview of branch audit diagnostics up to and including period 4. Diagnostics revealed that despite performance of reduced branch audits (against the same period in the last financial year) the numbers of shortages (by volume and value) had increased. The key factor appeared to be the targeting of audit resource on branches that had not responded to a request to return surplus cash. This meant that the picture presented should not be extrapolated to the whole branch population. A sample of randomly selected branches was also now being done to get a more representative view.

Martin also presented an overview of compliance audit diagnostics. Alan Cook commented that whilst improvements required continued focus, greater comfort was afforded in seeing a gradual rise of the tested areas and especially around Home Phone. Positive comments were also offered as regards the improvement in AML and FS areas.

**Action 0903** Include a program of ongoing randomly selected branches in the audit plan, to enable tracking of baseline risk.

**Action 0904** Analyse those branches where a financial irregularity has been revealed during 2006/7, to ascertain if there are any common profiles.

# Irrelevant

**3.5 Internal Controls**

The Internal Control brief was presented. Some discussion ensued about item (2) DVLA and the exact detail of the action status. The consensus of the meeting attendees was that branch sanctions must be imposed, as appropriate, given the impacting nature of the costs incurred, to the business, in settling lost licences.

The remainder of the brief was accepted without comment other than a suggestion that future briefs contain some comment on the impact of on-line MVL applications.

**Action 0906** Include in next Risk & Internal Control Team Activity Report findings on deployment of agreed actions in respect of Network Reinvention Investment Grants

**Action 0907** Include in the next Risk & Internal Control Team Activity report an update on the actions relating to DVLA discs.

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**3.6 Organisational Design Review**

The verbally presented brief was accepted without comment.

**4.0 AOB**

It was proposed and accepted that a regular Risk and Compliance Committee agenda item should be an update on Group Internal Audit activity planned and completed in POL.

**Action 0908 Ensure Group Internal Audit update is included in subsequent Risk & Compliance Committee Meetings.**

Some debate took place around ensuring that sufficient links/ recognition existed between specialist Police Units and our own Security Team given especially the cash rich nature of our branch estate.

**Action 0909 Ensure necessary links exist with specialist Police Units**

**5.0 DATE OF NEXT MEETING**

Thursday 7th December 2006 10.30 - 12.30