

In Strictest Confidence

POLARC(12)/1-7

POL ARC(12)1

Post Office Limited

(Company no. 2154540)

Minutes of the meeting of the Audit, Risk and Compliance Committee
(a duly constituted sub-committee of the Board)
held at 148 Old Street, London EC1V 9HQ
on 23 May 2012 at 8.15am

Present

Alasdair Marnoch	Chairman of the Meeting
Alice Perkins	Chairman, POL
Neil McCausland	Senior Independent Director, POL

In Attendance

Susan Crichton	Legal & Compliance Director, POL
Chris Day	Chief Financial Officer, POL
Sarah Hall	Financial Controller, POL
Alwen Lyons	Company Secretary, POL
Paula Vennells	Chief Executive, POL

Angus Grant	Audit Partner, Ernst & Young
Jeremy Midkiff	Ernst & Young

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WELCOME AND GOVERNANCE

As Chairman of POL, Alice Perkins welcomed everyone to the first formal meeting of the Audit, Risk and Compliance sub-committee established by the POL Board.

It was agreed that Alasdair Marnoch would act as Chairman of the Committee.

The terms of reference for the sub-committee, which had been approved by the Board, were noted.

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AUDIT RESULTS REPORT

- a) Copies of the report produced by Ernst & Young, setting out the external auditor's preliminary conclusions on the financial position and results of operations of POL for the financial year ended 25 March 2012, had been circulated to all those present at the meeting. Ernst & Young anticipated that an unqualified audit report would be issued.

Angus Grant confirmed the independence of the external auditor and commented on the approach to the audit and its scope.

He explained that many of the issues reported were legacy issues.

The significant audit and accounting issues set out in the report were discussed in detail, together with the key internal control findings.

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b) Going Concern

The auditors had reviewed and agreed the appropriateness of the Going Concern basis for preparation of the financial statements.

c) IT

It was recognised that the IT controls in the business had improved and that there had been a change in the governance and management of the Fujitsu contract. The auditors found that the IT systems were insufficiently effective to be fully relied upon for audit control purposes. However, through adopting mitigating procedures, Ernst & Young had been able to rely on the IT systems supporting the POL financial statements. It was noted that the POL and Ernst & Young IT teams were working closely on an agreed plan of further improvements in FY13.

ACTION: Chris Day

It was recommended that the business insist that Fujitsu provide a SAS70/ISA402 certificate to provide a transparent audit of their controls.

d) Counterparty Risk

The auditors recognised management's proactive monitoring of the Counterparty risks. Further progress had been made during the year. Angus Grant suggested that some analysis and scenario planning be undertaken to further understand the risk to the business of any significant changes to the Euro and the Chairman agreed.

ACTION: Chris Day

Irrelevant

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Irrelevant

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Irrelevant

Chris Day, Paula Vennells, Sarah Hall and Susan Crichton then left the meeting.

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AUDITOR'S COMMENTS

- a) Alasdair Marnoch asked if there were any other matters of concern which the external auditor wished to bring to the attention of the Committee, without the executive team being present.
- b) Angus Grant confirmed that there were no such issues but expressed Ernst and Young's thanks to the Finance team and other POL employees for their co-operation and assistance during the audit.

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CLOSE

There being no further business, the meeting was then closed.

Alastair Marnoch