



## POST OFFICE LIMITED

### MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON TUESDAY 22<sup>ND</sup> SEPTEMBER 2020 AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 09.00AM (VIA CONFERENCE CALL)<sup>1</sup>

<b>Present:</b>	<b>Invited Attendees:</b>
Carla Stent (Chair)	Barbara Brannon (Procurement Director): Item 2 <b>(BB)</b>
Ken McCall (SID) <b>(KM)</b>	Lisa Cherry (Group Chief People Officer): Items 5 & 5 <b>(LC)</b>
Tom Cooper (NED, UKGI) <b>(TC)</b>	Daisie Jope (Head of HR Organisation Effectiveness Project Lead): Item 5 <b>(DJ)</b>
Zarin Patel (NED) <b>(ZP)</b>	Helen Rhodes (Head of HR Organisation Effectiveness Project Lead): Item 5 <b>(HR)</b>
<b>Regular Attendees:</b>	Maxine Cross (Head of Reward and Pensions): Item 6 <b>(MC)</b>
Tim Parker (Chairman, POL) <b>(TP)</b>	Giannis Waymouth (Solicitor, Norton Rose Fulbright): Item 6 <b>(GW)</b>
Nick Read (Group Chief Executive Officer) <b>(NR)</b>	Tim Perkins (Head of Security, Safety & Loss Prevention): Item 7 <b>(TPE)</b>
Alisdair Cameron (Group CFO) <b>(AC)</b>	Ian Holloway (POI Director, Risk & Compliance): Item 8 <b>(IH)</b>
Ben Foat (Group General Counsel) <b>(BF)</b>	Mark Dixon (Treasurer): Item 9 <b>(MD)</b>
Andrew Paynter (Audit Partner, PwC) <b>(AP)</b>	Andy Bear (Account Manager, Locktons): Item 9 <b>(AB)</b>
Sarah Allen (Senior Audit Manager, PwC) <b>(SA)</b>	Jeff Smyth (Interim Group Chief Information Officer): Item 11 <b>(JS)</b>
Johann Appel (Head of Internal Audit) <b>(JA)</b>	Tony Jowett (Chief Information Security Officer): Item 11 <b>(TJ)</b>
Mark Baldock (Head of Risk) <b>(MB)</b>	Rob Wilkins (Cloud Services Director): Item 11
Jonathan Hill (Compliance Director) <b>(JH)</b>	Hugo Sharp (Deloitte Partner) <b>(HS)</b>
David Parry (Senior Assistant Company Secretary) <b>(DP)</b>	Rebecca Whibley (Assistant Company Secretary) <b>(RW)</b>
<b>Apologies:</b>	

		Action
<b>1.</b>	<b>Welcome and Conflicts of Interest</b>	
1.1	A quorum being present, the Chair opened the meeting and noted that participation was solely by conference call given the current Government guidance on home working. However, given the requirements of the Company's Articles of Association, the location of the meeting was agreed to be the Company's Registered Office.	
1.2	The Directors declared that they had no new conflicts of interest in the matters to be considered at the meeting in accordance with the	

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



## POST OFFICE LIMITED

---

	requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
--	--	--

**Irrelevant**

STRICTLY CONFIDENTIAL

2



## POST OFFICE LIMITED

---

**Irrelevant**

STRICTLY CONFIDENTIAL

3



## POST OFFICE LIMITED

# Irrelevant

<b>3.</b>	<b>Previous Meetings</b>	
3.1	The minutes of the meeting of the Audit and Risk Committee held on 27 July 2020 was <b>APPROVED</b> and <b>AUTHORISED</b> for signature by the Chair.	
3.2	Progress against the completion of actions as shown on the action log was <b>NOTED</b> .	
3.3	The draft minutes of the Risk and Compliance Committee held on 10 September 2020 were <b>NOTED</b> .	
<b>4.</b>	<b>Risk, Compliance and Internal Audit Updates</b>	
4.1	<p><b>Risk Update</b></p> <p>MB presented the Risk Update.</p> <p>He explained the dashboard (taken from Archer) presented the key risks to POL and that going forwards, risk trends would be presented to the Committee, driven by data taken from the monthly meetings with GE members. Updated risk appetite statements for Legal, Compliance &amp; Governance and technology would be presented to the Committee in November and further statements would be brought before the Committee in January and March 2021.</p>	<b>Action: MB</b>
4.2	He noted engagement levels with business units have increased as the business units have become more aware of their role as the first line of	

STRICTLY CONFIDENTIAL

4



## POST OFFICE LIMITED

	defence. However, risk articulation (being clear on the cause, event and impact of risk), alignment (ensuring risks are managed through Archer as a single source) and RAG ratings (to ensure they reflect Group standards) are areas requiring address.	
4.3	<p>The following risks were noted by the Committee:</p> <ul style="list-style-type: none"> <li>• There are 473 central risks as at 31/8/20.</li> <li>• There are 15 enterprise (strategic) risks. Key enterprise risks include Commercial risk (lack of attractive proposition for potential post masters); Covid19; GLO (legal risks associated with this); and Financial (cash flow and funding).</li> </ul>	
Irrelevant		
Irrelevant		
4.5	<p><b>Compliance Update</b></p> <p>JH presented the Compliance Update with the following points noted:</p>	
Irrelevant		
4.8	<p><b>GLO/Freedom of Information (FOI) Requests/GDPR and data protection:</b> The team is extremely busy dealing with requests related to Historic Shortfall Scheme and related/linked FOI requests. He advised of 39 FOI enquiries considered vexatious which would be reviewed accordingly.</p>	



## POST OFFICE LIMITED

	<p>Of serious concern and Committee discussion, was the discovery of 31,000 boxes previously unknown to the wider organisation, which are being reviewed [REDACTED].</p> <p>The Committee questioned whether management had a handle on data management controls such as archiving, and remarked on the lack of accountability within POL.</p> <p>NR remarked that this was an unacceptable incident and that he did not expect this to be brought to the Committee's attention by compliance. A paper on data controls is expected at GE for discussion.</p> <p>The Committee recommended a data amnesty be organised for all Post Offices be considered. [REDACTED].</p>	<p><b>Action:</b> <b>NR/BF</b> <b>/DZ</b></p> <p><b>Action:</b> <b>BF</b></p>
--	--	---

# Irrelevant

4.12	<p><b>Internal Audit (IA)</b></p> <p>JA presented the IA update.</p>	
4.13	<p>He advised of the positive progress against the 2020/2021 IA programme with seven reviews (five in POL, two in POI) completed since the last ARC meeting in July and no contentious issues to report. The plan would be reviewed against POL's new purpose recently published.</p>	
4.14	<p>The Committee noted the following audits have been reviewed since the last ARC meeting (27/7/20):</p> <ul style="list-style-type: none"> <li>GLO Historical Shortfall Scheme -Data Validation</li> </ul> <p><b>Irrelevant</b></p>	

STRICTLY CONFIDENTIAL

6



## POST OFFICE LIMITED

---

# Irrelevant

STRICTLY CONFIDENTIAL

7

**POST OFFICE LIMITED**

# Irrelevant

<b>7.</b>	<b>Suspense Accounts</b>	
7.1	<p><i>Tim Perkins joined the meeting.</i></p> <p>TP presented the suspense accounts report and advised that findings from the historical suspense accounts review would be presented to ARC in November.</p> <p>Following a request from ARC in July, he explained the report would look at:</p>	<b>Action: TPE</b>

STRICTLY CONFIDENTIAL

8



## POST OFFICE LIMITED

	<p>1) The information presented to Postmasters regarding their customer accounts.</p> <p>2) The trends prevalent or emerging in Postmaster customer accounts.</p> <p>3) Any other processes/products that can be reviewed which would give rise to similar issues to those identified with stamps.</p>	
7.2	<p>Regarding Postmasters accounts, TP advised these are settled centrally at the end of a trading period and that branches are expected to complete trading period accounting 12 times a year on a 5-week, 4-week, 4-week schedule at the end of each trading period.</p> <p>Site visits, increased monitoring and support has reduced the need for chaser letters to be sent out, and all revised processes and letters have been independently reviewed [REDACTED]</p> <p>A thorough review of POL's Loss Recovery policies and processes is now underway, and consideration is being given to other opportunities, such as the use of Branch Hub, to allow Postmasters to monitor the balances on their customer account(s). This review will conclude in Q3 2020-21.</p>	
7.3	<p>With regards to trends, the year on year balances settled centrally by branches has fallen in each trading period over the last 20 months. The reduction in balances settled centrally is driven by a reduction in both the volume of branches settling balances centrally and the average value being settled centrally.</p> <p>TC believed the balances settled per branch was high and could be reduced. The Chair requested that ways to reduce balances should be investigated and it was agreed that an update would be provided to the Committee in January 2021.</p>	<b>Action: TPE</b>
7.4	<p>In terms of reviewing similar products that could be considered at risk similar to stamps, no further products/processes had been identified. However, TP remarked that a high-level review of the product portfolio would be conducted instead, reviewing current and historical processes where known.</p> <p>The Chair recognised that governance had improved since last year, but recommended that she, NR and Declan Salter (GLO Director) have conversations to establish clear governance structures prior to the next Committee meeting. Additionally, a process is required where a chaser letter is sent to a Postmaster regarding their balances, which is then disputed.</p> <p><i>Tim Perkins left the meeting.</i></p>	<b>Action: NR &amp; Declan Salter</b>
<b>Irrelevant</b>		



## POST OFFICE LIMITED

---

**Irrelevant**

STRICTLY CONFIDENTIAL

10



## POST OFFICE LIMITED

---

**Irrelevant**

STRICTLY CONFIDENTIAL

11

**POST OFFICE LIMITED**

# Irrelevant

<b>11.</b>	<b>Law &amp; Trends</b> The Committee noted the paper. Any member comments questions are to be passed to BF.	
<b>12.</b>	<b>Bi-Annual Legal Risk Review (Non GLO/Starling)</b> The Committee noted the paper. Any member comments questions are to be passed to BF.	

# Irrelevant

STRICTLY CONFIDENTIAL

12



## POST OFFICE LIMITED

# Irrelevant

<b>14.</b>	<b>AOB</b>	
14.1	The Committee agreed that an additional meeting would be required to review going concern and the risks associated with GLO. Once funding talks are concluded, a meeting will be arranged.	
14.2	The Chair thanked DP for his contribution to ARC and wished him well in his future endeavours. RW (who would act as ARC Secretary going forwards) was welcomed to the meeting.	
14.3	There being no further business, the meeting was closed at 11.32am.	

Carla Stent

Chair

24/11/2020

Date

### Meeting Actions:

Para No.	Action Detail	Action
<h1>Irrelevant</h1>		
4.1	<b>Risk Update:</b> Updated risk appetite statements for Legal, Compliance & Governance and technology would be presented to the Committee in November and further statements would be brought before the Committee in January and March 2021.	<b>MB</b>
4.8	<b>GLO/Freedom of Information Requests/GDPR and data protection:</b> A paper on data controls (following the identification of 31,000 boxes of data) is expected at GE for discussion.	<b>NR/BF /Dan Zinner</b>

STRICTLY CONFIDENTIAL

13



## POST OFFICE LIMITED

4.8	<b>GLO/Freedom of Information Requests/GDPR and data protection:</b> The Committee recommended a data amnesty be organised for all Post Offices be considered. [REDACTED]	BF
-----	---	----

# Irrelevant

7.1	<b>Suspense Accounts:</b> TP presented the suspense accounts report and advised that findings from the historical suspense accounts review would be presented to ARC in November.	TPE
7.3	<b>Suspense Accounts:</b> The Chair requested that ways to reduce balances should be investigated and it was agreed that an update would be provided to the Committee in January 2021.	TPE
7.4	<b>Suspense Accounts:</b> The Chair recognised that governance had improved since last year, but recommended that she, NR and Declan Salter (GLO Director) have conversations to establish clear governance structures prior to the next Committee meeting. Additionally, a process is required where a chaser letter is sent to a Postmaster regarding their balances, which is then disputed.	NR / Declan Salter

# Irrelevant

## Voting Results for September Minutes

The signature vote has been passed. 1 votes are required to pass the vote, of which 0 must be independent.

Vote Response	Count (%)
For	1 (100%)
Against	0 (0%)
Abstained	0 (0%)
Not Cast	0 (0%)

## Voter Status

Name	Vote	Voted On
Stent, Carla	For	30/11/2020 11:10