



**POST OFFICE LIMITED BOARD MEETING**  
*Strictly Confidential*

**MINUTES OF AN ADDITIONAL MEETING OF THE BOARD OF DIRECTORS OF POST OFFICE LIMITED HELD ON WEDNESDAY 23 JANUARY 2019 BY TELEPHONE AND AT 20 FINSBURY STREET, LONDON EC2Y 9AQ AT 18.00 hrs**

Present:	Tim Parker	Chairman <b>(TP)</b>
	Ken McCall	Senior Independent Director <b>(KM)</b>
	Shirine Khoury-Haq	Non-Executive Director <b>(SK)</b>
	Carla Stent	Non-Executive Director <b>(CS)</b>
	Alisdair Cameron	Group Chief Financial and Operating Officer <b>(AC)</b>
In Attendance:	Jane MacLeod	Company Secretary <b>(JM)</b>
	Veronica Branton	Head of Secretariat <b>(VB)</b>
	Rob Houghton	Group CIO <b>(RH)</b>
	Ben Cooke	CIO – Back Office, Technology Transformation <b>(BC)</b>
	Michael Clements	Finance <b>(MC)</b>
	Ray Panditharatna	DMW <b>(RP)</b>
Apologies:	Tim Franklin	Non-Executive Director <b>(TF)</b>
	Tom Cooper	Non-Executive Director <b>(TC)</b>
	Paula Vennells	Group Chief Executive <b>(PV)</b>

**ACTION**

**1. WELCOME AND CONFLICTS OF INTEREST**

A quorum being present, the Chairman opened the meeting. The Directors declared that they had no 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. BACK OFFICE TRANSFORMATION**

AC introduced the paper which set out the processes, risks and mitigation plans being worked through in order to take the "Go/ No go" decision to migrate PO Limited's financial processes from POLSAP to Transtrack CWC (CWC), enabling the current system, POLSAP, to be switched off. It was planned to take the "Go/No go decision" on 24<sup>th</sup> January 2019 and for 28<sup>th</sup> January 2019 to be the first day operating on the new system.

Agents' pay was already being processed on the new system and cash processing was being carried out at the Belfast data centre. It was noted that no changes were being made to branch systems.

DMW had been engaged as an assurance partner and their latest report had been provided as an appendix to the paper. The Back Office Team (BOT) testing approach was deemed appropriate and a suitable plan was in place to address the outstanding points they had identified.

Three issues of concern had been identified in December 2018, since when further work had been undertaken:

- Systems performance: *sufficient progress had been made to enable a "go" decision*
- Reconciliations: *CWC was correctly recording the value of cash in supply chain but there were problems with how that value was being reported through to SAP CFS. Nevertheless, as the differences could be identified automatically and a process had been agreed to explain, resolve and rectify these differences, we were satisfied that the risks could be managed*



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- Cash forecasting<sup>1</sup>: a decision had been taken to stop working on a fully automated system within CWC and to build an alternative system using Power BI in order not to delay the "Go live" decision. The Power BI system would not be available until late February 2019 so standard planned orders for Sterling, which had already been communicated to branches, would be issued. These manual systems could be operated for an extended period and branches would be able to make changes to orders by telephone and urgent cash deliveries could be sent overnight by Royal Mail Special Delivery. Payments to suppliers could be made manually. It was noted that manual processes would be more costly and we could end up with more cash in branches than needed, although our processes for managing cash had improved. However, the cost of a further month's delay would be circa £1.5m, would take us closer to year end and we would remain on a system which was fragile. On balance, management believed the risk of delay appeared to outweigh the risk of migrating to the new system, subject to the final "Go/ No go" checks being satisfied.

A number of points were raised, including:

- What were the critical issues outstanding? What were the major risks? Was there a roll back position? It was reported that the relevant PO Business teams were confident that should the "Go live" fail, alternative arrangements could operate reasonably well for two to three weeks. In practice there were manual processes which had been deployed previously. Were this to happen, the customer impact would be limited because, as noted, changes were not being made to branch systems and arrangements were in place for the delivery of additional cash overnight via Royal Mail Special Delivery. Next day foreign currency orders could be impacted. We had a short window within which we could choose to roll back and we could reconcile back to cash at any point
- Did we have a plan for the introduction of Power BI? It was confirmed that we did and were reasonably confident that it could be in place in about four weeks
- What was the difference between go live tomorrow and in two weeks? It was reported that delaying now would require an extension of four weeks because we would have to align with month end. Delay entailed more operational risk with POL SAP and additional costs. We might also have to re-run the training we had already provided because this needed to be reasonably close to the "Go live" date. Proceeding also had the advantage of allowing us to deal with the issues that arose as the new system started to operate and find fixes for them
- If something changed our view on how long it would take to put Power BI in place would we choose to delay? It was reported that a delay in the region of two and a half to three months would not be viable and would represent a "red line" for the "Go/ No go" decision
- Were the support team in place and ready to operate the new system? It was reported that training had been provided for the whole of supply chain, the system had been live for some time in Belfast and a number of improvements had been made. Back office and finance had also received training
- Had any systemic problems been identified? It was confirmed that no systemic problems had been identified but that we were producing end of day cash reports in Belfast and counting the cash at the end of each day but that these reconciliations were not always reporting correctly to SAP CWS. This might be partly due to timing differences but we were seeking to identify the root cause

<sup>1</sup> The process by which the inventory management team set out how much cash should be sent to and recovered from each branch, communicating this information to Supply Chain Operations via CWC and to branches via Horizon.



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Board Directors were satisfied that appropriate testing work had been undertaken and suitable assurances received. S K-H noted that she was comfortable with the information provided on the manual processes and the approach to User Acceptance Testing (UATs), and had discussed the assurance report with DWM.

The Board **AUTHORISED** the delegation of the "Go/ No go decision" to the CFOO and the Group CIO.

**GRO**

Chairman

02/07/2019

Date

