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Risk and Compliance Committee (R&CC)		Reference: R&CC JUL 14
Date: 21st July 2014	Venue: Room 501, 148 Old Street, London	Time: 14:00 – 16:00
Attending:		
Chris Aujard	General Counsel	Chair
Paula Vennells	Chief Executive Officer	Member
Fay Healey	Head of HR	Member (for Neil Hayward)
Colin Stuart	Head of Commercial Finance	Member (for Chris Day)
Martin Edwards	Chief of Staff	Report
David Mason	Head of Risk	Report
Ian Kennedy	General Manager Network Transformation	Report
Martin George	Chief Marketing and Commercial Officer	Report
Jonathan Hill	Head of Risk, Banking Regulation and Strategy	Report
Lesley Sewell	Chief Information Officer	Report
Paul Beaumont	Risk Business Partner, Financial Services	Report
Malcolm Zack	Head of Internal Audit	Report
Simon Evans	PricewaterhouseCoopers	Observer
Mark Bayliss	Manager, Business Risk and Assurance	Secretariat
Apologies:		
Chris Day	Chief Finance Officer	Member
Alwen Lyons	Company Secretary	Member
Introduction		
Purpose		
Introduce Simon Evans from PwC as an observer.		
Agenda Item 1		
Head of Risk Report		
Purpose		
The committee to review the Head of Risk report		
Discussion		
<p>The progress made and current state of the risk management framework was reported to the committee.</p> <p>The committee asked that the current state and planned completion date of each element of the framework be included. (Action 1606)</p> <p>The committee discussed the risk communications plan and the Head of Risk confirmed that the plan included training as well as awareness and that including risk as a component of the SLT training programme was being agreed. The committee agreed that priority is given to areas where the level of experience was low. The risk team was asked to perform a risk assessment of the plan and revise it to take account of areas of known good practice and areas of low skill and knowledge in the organisation. (Action 1607)</p> <p>The committee noted the current staff shortfall in the risk team and agreed that HR would ensure that the contract replacements would be able to start work as soon as possible. (Action 1608)</p>		

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The committee reviewed the risk events section of the report and focused on the recent Travel Insurance event.

The impact, root cause and actions taken so far were discussed and the committee requested that the actions be given a high priority, particularly the Horizon changes which would prevent a recurrence. The committee requested that the Director of Financial Services produce an update on the corrective actions, taking into consideration the impact on project Titan, and circulate it to the committee members.(Action 1609)

The committee also requested that a policy be defined requiring the escalation of any events having a potentially significant reputational impact. (Action 1610)

The committee reviewed and discussed the emerging risks section of the report.

The committee agreed that the restrictions policy element of the state aid emerging risk could have a significant impact on Post Office and should be separately reported. The committee requested that the Communications and Corporate Affairs Director and the Chief Financial Officer provide a proposal covering the communications activity and other management of the risk. (Action1611) The emerging risk should also be escalated to the Audit Risk and Compliance committee at the first opportunity.

The committee requested that the emerging risk report be re-organised to emphasise entries with the highest potential impact and those likely to occur in the near future. (Action 1612)

The committee reviewed the assurance section of the report, focusing on Titan project support and the review of the Xanadu programme.

The General Counsel reported that it had been agreed with the Director of Financial Services that, as a pre-requisite for implementation of Project Titan, Grant Thornton would be independently confirming that risks and other matters arising were appropriately addressed. The committee requested that Grant Thornton present their conclusions to the committee in person. (Action 1613)

The committee agreed that the Xanadu report should be reviewed with the Chief Information Officer and the Commercial Director and revised where needed. (Action 1614)

The lessons learned from the review should then be reported to the committee. (Action 1615)

The committee discussed the risk of unexpected costs due to changes to Post Office business requiring supplier contracts to be terminated early.

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Outcomes

The committee received the Head of Risk report and identified a number of actions arising.

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Agenda Item 2
Deep Dive session - Growth
Purpose
The committee to review the management in place over the risk of failing to achieve top line growth in line with the strategy
Discussion
<p>The discussion highlighted the controls in place, areas for improvement and actions to be taken. Areas for improvement identified by the Chief Marketing and Commercial Officer and Head of Risk, Banking Regulation and Strategy, presenting the risk, were:</p> <ul style="list-style-type: none">• “horizon scanning” for future trends,• risk management of programmes, including initial risk assessments and re-assessments throughout the life of the programme,• future trends and assumptions to be better analysed and documented in the business planning cycle,• business plans need to include market reviews,• identification and review of interdependencies between programmes, and• alignment of assumptions with business partners. <p>The committee requested that the Chief Marketing and Commercial Officer, the General Counsel and the Financial Services Director follow up on this discussion and further define actions for improvement including:</p> <ul style="list-style-type: none">• Further integrating the various growth programmes, taking into account the review of the Financial Services strategy, and• Documenting the interdependencies between the programmes. <p>(Action 1617)</p> <p>The committee agreed that the Head of Commercial Finance should review the annual planning cycle, ensuring that all supporting assumptions are documented, including robust “horizon scans” and reviews of market conditions. (Action 1618)</p>
Outcomes
<p>The committee reviewed and discussed the current state and future plans for the management of the strategic growth risk and requested follow up actions.</p>

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Agenda Item 3
Network Transformation Risk Mapping
Purpose
<p>The General Manager, Network Transformation to present a mapping of the risks to the programme, their impact and source</p>
Discussion
<p>The committee reviewed the risk mapping which highlighted the following:</p> <ul style="list-style-type: none">• finance, legal and information technology are the areas most exposed to risks from the programme,• there are more risks arising from interdependencies between programmes than from within the programme, and• programme risks commonly affect multiple areas of the business. <p>The programme is undertaking a '100 day' project to further analyse the risks, improve their management and devise mitigation approaches. The committee requested that the programme report back to the committee on the outcomes of the project. (Action 1619) The committee also asked that the Head of Risk identify where risk knowledge and best practice can be shared between business units and programmes. (Action 1620)</p> <p>The committee discussed the need to allocate contingency budget or reserves for the management of programme risk at Post Office and whether it should be held by programmes or centrally. The committee requested the Head of Commercial Finance to review the financial planning process to ensure that sufficient contingency / reserve is in place for programme and portfolio risk management and report back to the committee.(Action 1621)</p>
Outcomes
<p>The committee reviewed the risks mapping from the Network Transformation programme and requested follow up actions.</p>

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Agenda Item 4
Deloitte Report and Business Continuity Management Proposal
Purpose
<p>To present a summary of the Deloitte report on internal controls over the Horizon System (Project Zebra)</p> <p>The Head of Risk to bring back the Business Continuity Management enduring model proposal for approval</p>
Discussion
<p>The Project Zebra report was reviewed and the committee agreed the response from the business to the recommendations. The Chief Information Officer confirmed that the report's conclusions would influence future systems procurement processes, including the need to perform risk and control assessments at an early stage.</p> <p>The committee requested that:</p> <ul style="list-style-type: none">the last paragraph of the report be re-written to clearly identify issues and actions arising, (Actions 1622) andactions from the report be tracked as audit actions.(Action 1623) <p>The Business Continuity Management proposal was not further discussed in detail but accepted and it was agreed that the Head of Risk document the costs and submit the proposal for business review and approval.</p>
Outcomes
<p>The committee accepted the report on Project Zebra, requesting further actions, and approved the Business Continuity Management enduring model proposal.</p>
Agenda Item 5
Minutes & Matters Arising
Purpose
<p>The committee to agree the previous minutes and receive the updates on actions to confirm completion</p>
Discussion
<p>The committee did not cover this agenda item.</p>
Outcomes
<p>The members be asked to approve the previous minutes and action updates by email</p>
Agenda Item 6
Any Other Business
Purpose
<p>The committee to consider any other business not captured on the agenda and any necessary actions</p>
Discussion
<p>The committee did not cover this item but approved the proposal to move to a monthly timetable.</p>
Outcomes
<p>The committee agreed to meet monthly.</p>

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Action Summary and Updates				
Ref	Action	Lead	By	Update
1623	Track the actions from the Project Zebra report as audit actions	Malcolm Zack	29 th August	
1622	Ensure the last paragraph of the R&CC paper on Project Zebra is re-written to clearly identify issues and actions arising.	Malcolm Zack	15 th August	
1621	Review the financial planning process to ensure that sufficient contingency / reserve is in place for programme and portfolio risk management.	Colin Stuart	29th August	
1620	Identify where risk knowledge and best practice can be shared between business units and programmes	David Mason	29th August	
1619	The NT programme to report back to the committee on the outcomes of its '100 day' project to improve and embed risk management.	Ian Kennedy	6th November	
1618	Review the annual planning cycle, ensuring that all supporting assumptions are documented, including a robust "horizon scan" and review of market conditions.	Colin Stuart	29th August	

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1615	The lessons learned from the Xanadu assurance report be reported to the R&CC	David Mason	29th September	
1614	The Xanadu assurance report be reviewed by the Chief Information Officer and the Commercial Director and be revised where needed.	David Mason	29th August	

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1612	Re-organise the emerging risk section of the Head of Risk Report to highlight entries with a high potential impact and likely to occur in the near future	David Mason	29th September	
1611	Provide the committee with a proposal covering the communications activity and other management of the emerging risk related to the restrictions policy.	Mark Davies Chris Day	29th September	

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1610	Define a policy requiring the escalation of any events having a potentially significant reputational impact.	David Mason	15th August	
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1608	Ensure that the contract replacements for risk business partners will be able to start work as soon as possible	David Mason and Fay Healey		(Action Completed)
1607	Perform an assessment of the risk communications and training plan and revise it to take account of areas of known good practice and areas of low skill and knowledge in the organisation.	David Mason	29th September	
1606	The current state and planned completion date of each element of the framework to be included in the Head of Risk report on the framework development progress	David Mason	29th September	
1601 Carried forward	Benchmarks or examples of how other businesses manage the exception to the acceptable use policy to be collated and provided to the committee	Julie George	3rd July 2014	
1600 Carried forward	Produce and circulate the job specification for the MLRO	David Mason	Next meeting	
1589 Carried forward	Assess the options for further FCA approved persons within Post Office and identify training requirements.	David Mason	Next meeting	
1586 Carried forward	Failure of external bank IT systems to be investigated to determine exact nature of failures and if connected to Bank of Ireland systems. To be reported within risk events paper if appropriate	David Mason	Next meeting	
1584 Carried forward	Discuss and agree with Group People Director how any gaps in compulsory training are resolved	David Mason	Next meeting	
1583 Carried forward	Risk & Compliance team perform a survey to identify the compulsory/obligatory corporate training that is required to be completed and identify any gaps in actual training that has been completed	David Mason	Next meeting	