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Exhibit WITN00740133

POLARC14 (2nd)
14/4 - 14/17

POST OFFICE LIMITED
(Company no. 2154540)
(the Company)

**Minutes of a meeting of the AUDIT, RISK AND COMPLIANCE SUB-COMMITTEE held
on 6 March 2014 at 148 Old Street, London, EC1V 9HQ**

Present:

Alasdair Marnoch
Neil McCausland
Tim Franklin

Chairman of Committee
Senior Independent Director
Non-Executive Director

In attendance:

Chris Aujard
Gill Catcheside
Chris Day
Sarah Hall
David Mason
Malcolm Zack
Mark Davies
Angus Grant
Steve Lyon

General Counsel (GC)
Assistant Company Secretary
CFO
Head of Financial Control and Compliance
Head of Risk Governance
Head of Internal Audit
Communications Director (Minute POLARC 14/6-14/7 only)
Partner, Ernst & Young (Minute POLARC 14/8-14/10 only)
Ernst & Young (Minute POLARC 14/8-14/10 only)

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INTRODUCTION

A quorum being present, the Chairman of the Committee opened the meeting and welcomed all those present.

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MINUTES OF THE LAST MEETINGS AND MATTERS ARISING

- (a) The Committee approved the minutes of the meetings held on 19 November 2013 and 11 February 2014 for signature by the Chairman of the Committee.
- (b) The Committee noted the actions list dated 26 February 2014.
- (c) The Committee received a report on the Bank of Ireland's saving strategy. It was noted that balances had been actively reduced to £16.0bn so that the savings book could be grown in line with the mortgage book growth, and that it was anticipated there would be no further re-structuring of the balance sheet. CD advised that there was a statement of intent with Bank of Ireland to grow both sides of the balance sheet with the Post Office but that there was no contractual arrangement in place. Nick Kennett, Director of Financial Services, was asked to confirm (i) that there were no restrictions on Post Office by being tied to the structure and growth of Bank of Ireland's balance sheet; and (ii) details of the benchmark for competitiveness to ensure that customers were not disadvantaged.

ACTION: NK

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ANNUAL REPORT AND ACCOUNTS 2013/14

- (a) Mark Davies, Communications Director, was welcomed to the meeting.
- (b) The Committee noted the key messages and plans for the publication of the Post Office's Report and Accounts for the financial year 2013/14 ("R&A"). It was agreed that the work of the Post Office Advisory Service should be included in the public purpose section.
- (c) Mark Davies was asked to circulate a timeline for the production of the R&A, together with more detail for the high level themes to include "the most difficult words and issues". It was agreed that a balanced sensible approach was required as 2013/14 had been a tough year. It was agreed that the R&A should be consistent with the Post Office's corporate branding.

ACTION: MD

- (d) It was noted that the publication date for the R&A would be after that of Royal Mail due to the price sensitive nature of the reporting of Mails. Chris Day undertook to advise Matthew Lester of Royal Mail of Post Office's R&A timeline.

ACTION: CD

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ADOPTION OF NEW UK GAAP REGIMES

- (a) The Committee received a report on the new UK financial reporting framework, and considered Post Office's response to the changes outlined.
- (b) Sarah Hall advised that, following consultation with the Company's Pension providers and corporation tax advisers, there would be no disadvantage to working towards early adoption of the new UK GAAP regimes.
- (c) The Committee asked Sarah Hall to raise the issue with the Shareholder Executive, and subject to their agreement, agreed that Post Office should early adopt the new UK GAAP regime and prepare the Company financial statements for the 2013/14 financial year end under FRS 101 (reduced disclosure).

ACTION: SH

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AUDIT PLANNING REPORT 2013/14

- (a) Angus Grant and Steve Lyon of Ernst & Young ("EY") were welcomed to the meeting.
- (b) The Committee considered the Audit Planning report for the 2013/14 financial year. Angus Grant advised it would be a year of transition with new corporate governance rules being introduced, including the "fair, balanced and understandable" requirement. Chris Day suggested it would be helpful for EY to review Post Office's 2012-13 R&A in light of the new best practice and to provide examples of good reporting by other companies.
- (c) Angus Grant noted that the Fujitsu IT controls report had been received and had no issues of concern. The Committee discussed the independence of the report on Fujitsu's controls. It was noted that a separate team from EY prepared the report against defined standards,

ACTION: EY

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and underwrote its accuracy. The Committee was advised that the audit of the Fujitsu work had improved over the last two years with higher levels of engagement and oversight, and that lessons learnt would be implemented at the start of the re-platforming process to take place in 2015.

- ACTION: CA** (d) It was agreed that the Business share its top risks with EY.
- ACTION: EY** (e) It was also agreed that EY should be invited to provide a briefing to the Financial Services Sub-Committee on regulation under the FCA.
- ACTION: GC** (f) The classification of exceptional items was discussed, including the impact of the change in RMPP terms and the utilisation of Government grant for transformation expenses. Counterparty risk was also discussed and it was agreed that Gill Catchside would forward to EY the Terms of Reference for the Financial Services Sub-Committee which had oversight of the Bank of Ireland capital and liquidity for Eagle Contract requirements
- (g) The Committee discussed and noted EY's fees for the 2013/14 audit work which had been agreed with the CFO. It was noted that the inflationary increase had been mitigated by efficiencies but there was a 7% uplift in fees mainly due to the work required for the preparation of the interim consolidated accounts for the first time in 2013-14.
- POLARC 14/9** **REVIEW OF BUSINESS TOP RISKS**
- (a) The Committee received a paper on the Executive Committee's assessment of the key risks facing the Post Office in the achievement of its strategic objectives.
- ACTION: DM** (b) It was agreed that a note on the key risks should be circulated to the Board, and that a copy of the paper be sent to EY. It was noted that the Executive Committee Governance structure included a Risk & Compliance Committee, and that each committee within the structure had risk management incorporated into its Terms of Reference.
- (c) A paper was tabled on the insurance-related issues for Project Sparrow. The Committee was advised that the risks associated with Project Sparrow were being identified and action taken to mitigate those risks, and that this was being regularly monitored by the Board. The Committee discussed the position with regard to Professional Indemnity insurance ("PI"), and was concerned at the apparent lack of clarity on the current/historic levels of insurance which might cover Sparrow risks. Chris Day and Chris Aujard would provide a report to the 26 March 2014 Board meeting to provide clarity on the insurance position, including PI cover, in respect of Sparrow; and the legal liabilities in respect of claims made in connection with Sparrow
- ACTION:CD/CA**
- (d) The Committee reviewed the other eight key risks. It was noted that these risks had been discussed by the Board.
- ACTION: CA** (e) Chris Aujard advised that he was liaising with Nick Kennett regarding Project Titan and the implications of a potential FCA authorisation.

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- (f) It was noted that the ExCo owner of the People Capability was now Neil Hayward, and that Capability and Capacity to Change would be included in the risk description.
- (g) With regard to the Network Transformation programme, the Committee agreed that it was important to deliver a sustainable network.
- (h) The continuing trend of "red" mystery shops was discussed, and the Committee agreed that an understanding of the process together with an urgent remedial action was required. Nick Kennett would be asked to produce an update for the next Board meeting.
- ACTION: NK**
- (i) Lesley Sewell was asked to provide the Committee with an update on Data Security/Integrity at the next meeting, to include lessons learnt and what controls and processes were now in place.
- ACTION: LS**
- (j) The Committee was informed that the report from Price Waterhouse Coopers on risks, risk management best practice and assurance in relation to the IT Transformation programme would be considered by the Board.
- (k) Chris Aujard, Chris Day and Dave Mason undertook to incorporate the Committee's feedback on the Business' top risks.
- ACTION: CD/CA/DM**
- (l) The Committee noted the progress made in the management of the risks affecting the Post Office strategy.
- POLARC 14/10**
- CORPORATE GOVERNANCE AND KEY ACCOUNTING STANDARDS BRIEFING**
- (a) Steve Lyon tabled a presentation outlining the changes to UK Regulatory and Corporate Governance requirements.
- (b) The Companies Act 2006 requirements for a Strategic report within the R&A, and the need for the Board to present a fair, balanced and understandable ("FBU") assessment of the Company's position and prospects within the R&A was discussed. Angus Grant advised that the Company did not have to make an FBU statement in the 2013/14 accounts, but should evaluate what work was necessary to be able to make an FBU statement in next year's R&A.
- (c) Angus Grant would send through a model set of accounts reflecting the recent changes in Corporate Governance and Key Accounting Standards. EY would also advise what level of reporting other companies were considering for the current financial year.
- ACTION: EY**
- (d) Angus Grant and Steve Lyon left the meeting.
- POLARC 14/11**
- INTERNAL AUDIT PLAN 2014/15**
- (a) The Committee received the proposed internal audit plan for 2014/15. Malcolm Zack advised that the plan incorporated the Business' top risks.
- (b) It was agreed that an internal audit plan be recommended to the

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ACTION: MZ Committee at the next meeting, incorporating a prioritisation of work and the necessary resource requirements.

POLARC 14/12 **INTERNAL AUDIT ACTIVITY REPORT**

(a) A paper on Internal Audit activity since November 2013 including key outcomes, and proposed audit and advisory work for Q1 2014 was noted.

ACTION: LS (b) Lesley Sewell was requested to provide updates on the outstanding actions.

ACTION: MZ (c) It was agreed that Internal Audit should encourage management to complete outstanding actions.

POLARC 14/13 **MORTGAGE MARKET REVIEW & BUSINESS COMPLIANCE SCORECARD**

(a) It was noted that the Mortgage Market Review and Business Compliance Scorecard would be considered by the Financial Services Sub-Committee.

POLARC 14/14 **ITEMS FOR NOTING**

(a) The summary of 2013/14 IA activity was noted.

(b) The recommendations log updates was noted.

(c) The review of the regulatory risk framework was noted.

POLARC 14/15 **ANY OTHER BUSINESS**

(a) Chris Aujard advised that a report on the Data Centre procurement process would be given at the next meeting.

POLARC 14/16 **DATE OF NEXT MEETING**

The date of the next meeting is 12 May 2014. It was agreed that the timing of the meeting be altered so that Angus Grant was able to attend by telephone.

POLARC 14/17 **CLOSE**

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

