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MINUTES OF A MEETING OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE OF POST OFFICE LIMITED HELD ON 30 NOVEMBER 2021 AT 8:30 HRS AT FINSBURY DIALS, 20 FINSBURY STREET, LONDON EC2Y 9AQ (IN PERSON AND REMOTELY)¹

Present:	Invited Attendees:
Carla Stent (Chair)	[REDACTED] (Item 5)
Tom Cooper (NED) (TC)	[REDACTED] ((Item 4)
Zarin Patel (NED) (ZP)	Amanda Jones (Group Retail & Franchise Network Director) (Item 6)
Ken McCall (SID) (KM)	[REDACTED] (Item 6)
Regular Attendees:	[REDACTED] (Items 7, 8, 9, 11.2 & 11.3)
Tim Parker (Group Chairman) (TP)	[REDACTED] (Items 8)
Nick Read (Group CEO) (NR)	[REDACTED] (Item 7)
Ben Foat (Group General Counsel) (BF)	[REDACTED] Item 11.1)
Alisdair Cameron (Group CFO) (AC)	[REDACTED] (Items 11.2, 11.3)
[REDACTED] PwC)	[REDACTED] (Item 11.3)
[REDACTED] PwC)	[REDACTED] (Item 11.3)
[REDACTED] PwC)	[REDACTED] (Item 9)
[REDACTED] (Item 3.3)	
[REDACTED] (Item 3.1)	
[REDACTED] (Item 3.2)	
[REDACTED] Deloitte)	
[REDACTED] (Item 9)	
Apologies: N/A	

	Action
Update on the Status of the FY 2020/21 Annual Report and Accounts (AYA)	
<p>Alisdair Cameron (AC) updated the Committee on the status of the FY 2020/21 Audit. The following points were made:</p> <ul style="list-style-type: none"> - Further clarification was required on POL funding in order to assist with forecasting. The Committee meeting on 2 December 2021 to review the FY 2020/21 ARA had been postponed until such time as POL were in the best position to review the contingent liability disclosures, likely to be at the end of January 2022. - Ongoing conversations were being held with BEIS/UKGI regarding funding. POL were making progress on funding for the overturned historical convictions. - POL were in the process of filing for a three-month extension to extend the year-end date of 31 December 2021 to the end of March 2022. [REDACTED] 	

¹ Participation in the meeting was in person and via Microsoft Teams

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	<ul style="list-style-type: none"> - [REDACTED] - [REDACTED] confirmed that the majority of the transactional audit work for POL had been completed in spring 2021. He agreed that there wasn't enough finality of information to conclude reporting on cashflow and funding. He recommended minimising the level of unplanned audit work in January/ February 2022. [REDACTED] - Regarding the accounts, [REDACTED] wanted to conclude the routine aspects with [REDACTED] and [REDACTED]. Regarding the statement of going concern, the plan was for the directors to flag the uncertainties surrounding POL as a going concern in relation to the non-guaranteed nature of government funding. 	
1.	Welcome and Conflicts of Interest	
1.1	A quorum being present, the Chair opened the meeting.	
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 requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.	
2.	Previous Meetings	
2.1	<p>The minutes of the meeting of the Audit and Risk Committee held on 29 June 201 were APPROVED and AUTHORISED for signature by the Chair.</p> <p>The Committee considered the minutes of the meeting of the Audit and Risk Committee held on 16 November 2021. KM requested that the sentence in para 3.3 Internal Audit Update 'KM expressed concern that there were a lot of improvements coming through the business, and these were not rated highly enough', be changed to read 'the audit rated some of the items too highly and was not reflective of the seriousness of some of the P1 findings.' Subject to this change, these minutes were APPROVED and AUTHORISED for signature by the Chair.</p>	
2.2	<p>Progress against the completion of actions as shown on the action log was NOTED as follows:</p> <p><u>Action 1 from 24/11/2020 & 26/01/2021 9.1 Historical Matters Unit</u></p> <p>The Committee agreed to pause consideration of this action while it was being decided whether it should sit with the POL Board or this Committee.</p> <p>The other actions had either been dealt with beforehand, or would be addressed during this Committee meeting.</p>	

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2.3	The draft minutes of the Risk and Compliance Committee held on 16 November 2021 were NOTED .	
3.	Risk, Compliance and Internal Audit Updates	
3.1	<p>Risk Update</p> <p>██████████ introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - Risk was seeing a gradual tightening of controls around the long-term risks as the mitigations took root. - The outcome of the budget conversation would have a direct impact on POL's risk profile, particularly in relation to financial risks and strategy and change. - ██████████ - ██████████ - A risk forum had been created for Postmaster (PM) risks. Risk had agreed with the Delivery team that the first topic for discussion would be end-of-life technology and the effect this might have on PMs. ██████████ proposed that future risk reports pick up thematic issues on this risk, rather than taking a siloed approach. - A risk had been identified around contactless payments increasing from £45 to £100. POL wouldn't be in a position to facilitate this across all branches until February 2022, but this would only affect a small number of customers, who would have to use their pin number to make payments of more than £45. - A productive conversation had been held at the 16 November 2021 RCC meeting on the risk of industrial action during the Christmas period. The deadline for taking a ballot to instigate industrial action in time for Christmas had now passed. - Risk were in communication with ██████████ and AC regarding IR35, and this had been added to the risk paper. Points to be aware of included POL's change programme, and Starling. <p>The Committee raised the following points:</p> <ul style="list-style-type: none"> - Nick Read (NR) noted that regarding main branches, footfall was ██████████. In February/ March 2022, discussions might have to be instigated on funding relating to ██████████. The Committee agreed that this was a strategic matter for the POL Board. - KM queried whether the ratings allocated to PM and Fujitsu risks reflected the accuracy of the current position in these areas, and whether these items should be rated as having a higher element of risk. ██████████ stated that the risks ratings were qualitative, and that Risk relied on the judgement of the risk owner for accurate ratings. 	

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	<p>However, Risk had identified profitability as a risk on the PM forum, and wanted PMs to challenge POL on this risk.</p> <ul style="list-style-type: none"> - [REDACTED] confirmed that the Fujitsu risk owner had recalibrated the risk from its formerly stable position, and thought that the risk rating needed to be increased. - [REDACTED] took an action to review the risk ratings, and would come back to the committee with this in January 2022. <p>The Committee NOTED the risk update.</p>	[REDACTED]
3.2	<p>Compliance Update</p> <p>[REDACTED] introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - There had been an increase in FOI requests received by POL, particularly from journalists. A steering committee had been set up to review material cases from a data protection perspective, particularly relating to the Inquiry. - [REDACTED] - FCA were focusing on anti-money laundering (AML). [REDACTED] and her team were working to drive improved AML conformance, including working with the banks to encourage them to take the lead on enhanced measures to reduce money laundering. POL had the support of BEIS in this approach; BEIS were clear that these obligations lay with the banks. - [REDACTED] noted that the Compliance paper reported at para 21 that by the end of October 2021 the overall completion rate of ABC Compliance training was 91%. That figure now stood at 95%, and Compliance had hit their training obligations target. [REDACTED] asked how this compared to previous years. [REDACTED] agreed to confirm this offline with [REDACTED]. [REDACTED] noted that there weren't enough consequences for non-compliance. The People team were due to look at this, with training scheduled for February 2022. The plan was to integrate compliance with training into employee objectives. - Having gone through some organisational changes, [REDACTED] were reluctant to let POL's area managers visit [REDACTED] branches to gain oversight of [REDACTED] Post Office activities. POL had agreed a plan with [REDACTED] for the provision of effective oversight and were moving forwards with this. NR was due to meet with [REDACTED] CEO to discuss [REDACTED] Post Office branches. - [REDACTED] updated the Committee on meetings held between Post Office Insurance (POI), POL Compliance and POL Legal on how to approach Mystery Shopping. POI were due to revert with an updated proposal giving further clarity around contractual changes and procurement issues. POI were looking to provide a co-ordinated approach across POI, Capital One and BoI in terms of how financial products were marketed. A meeting had been held with 	<p>To do:</p> <p>[REDACTED]</p>

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	<p>Capital One who were happy with the latest recommendations on our approach to Mystery Shopping.</p> <p>The Committee raised the following points:</p> <ul style="list-style-type: none"> - The Chair highlighted the organisational structure point in Action 1: 24/11/2020/ & 26/01/2021 – 9.1 – Historical Matters Unit – and asked whether this issue was being resolved. NR confirmed that it was, and that he would update the Committee on this matter before Christmas. - The Committee discussed Mails and Dangerous Goods. The Chair noted that the key issue appeared to be the application of labels, and POL needed to arrive at Phase 3 where the customer took responsibility for the label. AC stated that either the money was found to install customer-operated pin pads and Horizon updates, or this matter would not progress. The Chair agreed. The cost of the required upgrades was estimated to be £15m. - TC asked whether, when Suspicious Activity Reports (SARS) were raised in branches, whether POL looked at how well-trained the PM was, and whether this was part of the problem. ■ stated that this was checked as a matter of course. <p>The Committee otherwise NOTED the Compliance Update.</p>	NR
3.3	<p>Internal Audit (IA) Update</p> <p>■■■■ introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - Six audits had been completed since the last Committee meeting. An emerging theme was the pressure on POL employees across the business due to the workload caused by Historical Matters work and the Statutory Inquiry. Delays in recruitment had led to a reliance on contractors, and the knock-on effect of this was a delay in IA actions being completed and a slowdown in the completion of Common Issues Judgment (CIJ) and Horizon Issues Judgment (HIJ) actions. Six audits were overdue as a result of lack of capacity. <p>The Committee raised the following points:</p> <ul style="list-style-type: none"> - ■ noted that the stamp stock scheme was now understood to be separate to other PM detriments. An audit on this had almost been completed as at December 2021. AC observed that this audit had been performed quickly and cheaply and that it would be good to replicate this approach to other audits. - Zarin Patel (ZP) asked for a progress update on PCI Programme at the January 2022 Committee meeting. TC raised the issue of further delays to the PCI Programme. NR stated that the key issue was the lack of Fujitsu resources being deployed; this was not likely to improve, as the PCI programme was running in tandem with the Belfast Exit programme. - KM noted the high level of contractors used on the Strategic Modernisation Programme (SPM) and Belfast Exit, with SPM 	■■■

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	<p>currently operating with a staff base made up of 90% contractors. NR confirmed that Angela Williams, Jeff Smyth and [REDACTED] were considering this, but POL had to work around the requirements of the SPM and Belfast Exit programmes. The Chair flagged this as an issue for the POL Remuneration Committee to discuss how this might be managed and risks mitigated.</p> <ul style="list-style-type: none"> - [REDACTED] confirmed that she had no further comments on IA reports. The actions against Business Continuity and the PCI Programme needed to be monitored. - Ben Foat (BF) added context to the HMU Governance and Set-up item. Four people had left POL in the last two months, including the lead on the Historical Shortfall Scheme, so part of the issue was getting new joiners up to speed. Work was in progress on the operating structure to show where the accountabilities would sit and this would be shared with the Group Executive (GE) and the Historical Remediation Committee (HRC), but it had not been completed in time for this ARC. <p>The Committee NOTED the Internal Audit Update.</p>	
4.	Business Continuity Update	
	<p>[REDACTED] introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - Business Continuity were looking at third parties to ensure that their business continuity strategies aligned with POL's. - Business Continuity were looking to expand IT testing in order to build resilience within the business. - there were a high number of internal dependencies where Business Continuity worked closely with other POL teams, but there were no immediate points of concern to flag. <p>The Committee raised the following points:</p> <ul style="list-style-type: none"> - ZP asked about Horizon end-to-end testing. [REDACTED] stated that this did need to be tested but the question for [REDACTED] and Jeff Smyth was whether POL should run the test now, or when the new infrastructure had been put in place. - The Committee agreed to postpone the test, but the Chair requested that Business Continuity focused on reducing the number of P1 incidents. <p>The Committee NOTED the Business Continuity Update.</p>	
5.	IT Controls Deep Dive	
	<p>[REDACTED] introduced the IT Controls Deep Dive paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - The paper addressed moving the controls library from TrAction to Service Now, the realignment of IT controls with COBIT5, how these 	

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	<p>controls were tested, whether they met POL requirements and checking that the right ownership of the controls was in place.</p> <ul style="list-style-type: none"> - IT were working in conjunction with the Finance Team on the IT controls regime to build on effective frontline ownership by progressing to second line assurance, and were moving towards approval from Jeff Smyth to go forward with this. - IT had started work on KPIs and reporting requirements staying with the standard reports as far as possible from ServiceNow. - IT had conducted a survey of controls owners, and would be presenting an update on this in due course. So far feedback had been positive. - Risk and IT were working together on the link between risk and IT Controls, and how these were extended to third parties. The aim was to allow third parties to attest directly into the controls regime. - IT would continue work on HIJ conformance and Belfast Exit, and this would be reflected in POL's IT controls maturity. <p>The Committee raised the following points:</p> <ul style="list-style-type: none"> - AC noted that insurance cover had been signed off for this year. With regards to Cyber, POL had obtained less cover for higher cost. When Computacenter went down earlier in the year, POL had no oversight. This could happen to POL, Fujitsu or Horizon, so POL might not have complete control over this risk, but achieving greater clarity in this area was a point of focus for POL. ZP requested that AC send a note to ARC on what POL's cyber insurance covered. <p>The Committee NOTED the IT Controls Deep Dive Update.</p>	AC
6.	Service and Support Controls	
	<p>Amanda Jones (AJ) and [REDACTED] introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - AJ reported that [REDACTED] had left POL [REDACTED] but there was still strong oversight of service and support controls, albeit that the system was manual and relied on spreadsheets and human intervention. In August 2021 it had been proposed to transfer this system into ServiceNow, however funding had not been granted, so [REDACTED] and AJ were looking at how to deal with this pragmatically. - It was proposed that [REDACTED] map the manual controls to see how these might be set up on ServiceNow. Then a subset of the controls that had the greatest impact on POL would be identified for prioritisation to be moved across to ServiceNow. This process would be approached one team at a time, and would start with branch reconciliation. The current timeline was to get the first set of controls transferred across to ServiceNow by the end of January 2022, and [REDACTED] would focus on this as a business activity. 	

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	<p>The Committee made the following points:</p> <ul style="list-style-type: none"> - ZP asked about the progress of the Tier 2 and Tier 3 investigations. AJ stated that a new operating model had been set up for Tier 1 and Tier 2 this year, and a new leader had been brought in. There had been some absences in the team this year, and it was different work for the team but the work was under review, and was a priority for AJ and for [REDACTED], who had replaced [REDACTED]. POL were recruiting for a new team leader, and brought in an internal expert in reconciliation and risk management. - [REDACTED] confirmed that the team manager had started on 29th November 2021, and POL were now interviewing for an operations manager, with DMB staff providing support. - [REDACTED] noted that some of the recommendations for Governance Risk and Compliance (GRC) implementation were very forward-looking, so [REDACTED], [REDACTED] and [REDACTED] were proposing to put together a GRC governance group to oversee the model. - TC requested a further progress update on service and support controls in the March 2022 ARC. AJ and [REDACTED] confirmed they would provide this. The Chair stated that it would be helpful to understand any emerging key themes. <p>The Committee NOTED the Service and Support Controls update.</p>	AJ/[REDACTED]
7.	Financial Assurance over SPM	
	<p>[REDACTED] and [REDACTED] introduced the paper, which had been circulated previously and was taken as read. The Committee made the following points:</p> <ul style="list-style-type: none"> - ZP asked whether the financial controls framework would pick up issues on Postmaster detriment. AC thought this was an operations issue, and would look to Dan Zinner's team to answer this. - [REDACTED] stated he would pick up on Financial Assurance over SPM with AC and [REDACTED] offline. <p>The Committee NOTED the Financial Assurance over SPM update.</p>	
8.	Financial Reporting Controls Environment	
	<p>[REDACTED] and [REDACTED] introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - [REDACTED] reported that the move from TrAction to ServiceNow had addressed many of the improvement objectives. Risks had been streamlined, and Finance had obtained Blackline, a financial period close tool to ensure automated control around balance sheet reconciliations, reporting and journal posting. A rollout for this was projected for April 2022. - The Chair noted that the appendices to the report detailed a few processes that hadn't been run or tested, and asked whether these had been addressed. [REDACTED] confirmed that the items in the appendices 	

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	<ul style="list-style-type: none"> - The Chair requested that further clarity be gained on IR35 before Christmas, and that the matter be finalised before the 2020/21 POL annual report and accounts were signed off. - [REDACTED] <p>The Committee NOTED the Tax - IR35 update.</p>	 Angela Williams
10.	Committee Evaluation	
	<p>[REDACTED] introduced the paper. The Chair recommended that as the paper had been circulated the previous day, and the Committee had not had time to go through it, that the Committee follow up with [REDACTED] after the meeting with any further comments. The Chair, [REDACTED] and [REDACTED] agreed to meet offline to discuss the committee evaluation recommendations relating to risk.</p> <p>The Committee NOTED the Committee Evaluation update.</p>	
11.	Procurement, Governance and Compliance	
	11.1 – Retrospective Approval for Vocalink	
	<p>Alisdair Cameron (AC) introduced the paper, which had been circulated previously and was taken as read. The following points were made:</p> <ul style="list-style-type: none"> - [REDACTED] had flagged that Committee approval was required to regularise the change in counterparty from Bank of Ireland to Vocalink for the ATM contract. <p>The Committee NOTED the paper and retrospectively APPROVED Vocalink as a new counterparty as part of the transition of the ATM Network away from Bank of Ireland.</p>	
	11.2 – Procurement Compliance Report (including Bulk Cheque Clearing)	
	<p>[REDACTED] introduced the paper, which had been circulated previously and was taken as read.</p> <p>The Committee NOTED the paper and APPROVED Santander as the alternative to the banking partner Clearbank, which had been approved for the Bulk Check clearing service with Excelsa in September 2021.</p>	
	11.3 – Internal and External Audit re-tenders	
	<p>[REDACTED] and [REDACTED] introduced the paper, which had been circulated previously and was taken as read. The Committee raised the following points:</p> <ul style="list-style-type: none"> - The Committee noted that [REDACTED] - Regarding the internal audit retender, Deloitte provided internal audit for much of the HMU work, so there was a risk associated with bringing in another party at this stage. 	

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	<ul style="list-style-type: none"> - The Committee agreed that POL should instigate conversations around the provision of the external audit with the expectation that the PwC contract would be extended. On the internal audit side, a tender would be run in 2022, and POL should take a view on whether the HMU work should be separated from the rest of the internal audit work. <p>The Committee NOTED the Internal and External Audit Re-Tender paper.</p>	
12.	AOB	
	<p>The Chair requested that ■ check that the Committee was compliant with the Committee terms of reference for the FY 2020/21 Annual Report and Accounts to be filed by 31 March 2022, and send to the Chair for review.</p> <p>There being no further business, the meeting was closed at 11:10 hours.</p>	■
13.	Items for Noting	
	<p>The following papers were circulated to the Committee prior to the meeting, but were not discussed at its meeting and NOTED by the Committee:</p> <ul style="list-style-type: none"> - Post Office Insurance ARC Update - Mails Deep Dive and Dangerous Goods Update Paper - Strategic Partner Risk Update - Payment Practices Reporting Compliance - Committee Forward Plan 	

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Chair

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Date

Meeting Actions:

Para No.	Action Detail	Action
3.1	<p><u>Risk Update:</u></p> <p>■ took an action to review the risk ratings, and would come back to the committee with this in January 2022.</p>	■
3.2	<p><u>Compliance Update:</u></p> <p>■ noted that the Compliance paper reported at para 21 that by the end of October 2021 the overall completion rate of ABC Compliance training was 91%. That figure now stood at 95%, and Compliance had hit their training obligations target. ■ asked how this compared to previous years. ■ agreed to confirm this offline with ■.</p>	■
3.2	<u>Compliance Update:</u>	

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	The Chair highlighted the organisational structure point in Action 1: 24/11/2020/ & 26/01/2021 – 9.1 – Historical Matters Unit – and asked whether this issue was being resolved. NR confirmed that it was, and that he would update the Committee on this matter before Christmas.	NR
3.3	<u>Internal Audit Update:</u> Zarin Patel (ZP) asked for a progress update on the PCI Programme follow-up at the January 2022 Committee meeting.	■
4.	<u>Business Continuity Update</u> The Committee agreed to postpone the test, but the Chair requested that Business Continuity focused on reducing the number of P1 incidents.	■
5.	<u>IT Controls</u> AC noted that insurance cover had been signed off for this year. With regards to Cyber, POL had obtained a less cover for a higher cost. ZP requested that AC send a note to ARC on what POL's cyber insurance covered.	AC
6.	<u>Service and Support Controls</u> TC requested a further progress update on service and support controls in the March 2022 ARC. AJ and ■ confirmed they would provide this. The Chair stated that it would be helpful to understand any emerging key themes.	AJ/■
9.	<u>Tax – IR35 Legislation</u> AC confirmed that POL did not have any further clarity on why DWP (£33.5m) and Home Office (£89m) had been found liable under IR35 guidance other than what was in the public domain. If these cases had ended at the tribunal stage there would be public documentation on this in the future, but it was possible the parties had settled out of tribunal. AC requested that Tom Cooper feed back on this.	TC
9.	<u>Tax – IR35 Legislation</u> ■ stated that a call had been agreed with HMRC and employment tax specialists on 15 December 2022. ■ flagged that Deloitte had not been brought in on this call yet. ■ and ■ agreed to pick this up offline. <i>Post Committee meeting email from ■ on 7 December noted: Re Deloitte – we have used Deloitte from the introduction of IR35 and continue to do so in our dealings with HMRC on this. The Deloitte Internal Audit partner on the call was not aware of this, but we appointed Deloitte as tax advisors on employment taxes in 2015 and continue to use them for support and advice, ■ contacted me after the meeting and I confirmed to him we had this on-going relationship and supplied him with the partner and day to day Deloitte contacts to pass on to ■.</i>	■
9.	<u>Tax – IR35 Legislation</u>	

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	<p>The Chair requested that further clarity be gained on IR35 before Christmas, and that the matter be finalised before the 2020/21 POL annual report and accounts were signed off.</p> <p><i>Post Committee meeting email from [REDACTED] on 7 December noted:</i></p> <p><i>I am doubtful that HMRC will finalise their opinion on IR35 before the 20/21 ARA is signed off. We should be in a much better position to understand their concerns after the 15 December call.</i></p>	[REDACTED]
9.	<p><u>Tax – IR35 Legislation</u></p> <p>A paper was requested addressing the risk of contractors versus permanent employees, and how POL planned to address the £90m spent since April 2017 on contractors.</p>	Angela Williams
10.	<p><u>Committee Evaluation</u></p> <p>[REDACTED] introduced the paper. The Chair recommended that as the paper had been circulated the previous day, and the Committee had not had time to go through it, that the Committee follow up with [REDACTED] after the meeting with any further comments. The Chair, [REDACTED] and [REDACTED] agreed to meet offline to discuss the committee evaluation recommendations relating to risk.</p>	[REDACTED]
12.	<p><u>AOB</u></p> <p>The Chair requested that [REDACTED] check that the Committee was compliant with the Committee terms of reference for the FY 2020/21 Annual Report and Accounts to be filed by 31 March 2022, and send to the Chair for review.</p>	[REDACTED]