Meeting of the BBC Audit and Risk Committee

SUMMARY MINUTES

Tuesday 13 June, 2017
New Broadcasting House, London

ITEMS OF BUSINESS

1. Approval of financial statements
   a) Trading and accounting overview
   b) EY audit report
   c) Draft BBC Group Annual Report and Accounts
   d) BBC Worldwide Annual Review and financial statements
   e) Going concern and viability statement

2. Annual audit reporting
   a) Full year internal audit summary
   b) Annual report assurances

3. Memorandum of understanding with the NAO
4. NAO Licence Fee Trust Statement
5. Annual Summary of expenses
6. Draft Terms of Reference for the Audit and Risk Committee
7. Update on recent security issues
8. AOB
ATTENDANCE

Members:
- Simon Burke Non-executive director (Chair)
- Tom Ilube Non-executive director
- Ashley Steel Non-executive director

Board members present:
- David Clementi Chairman
- Tony Hall Director-General
- Anne Bulford Deputy Director-General

With:
- Sarah Jones Group General Counsel
- Ian Haythornthwaite Director, Finance
- Balram Veliath Director, Quality, Risk and Assurance
- Richard Wilson EY
- Mike Rudberg EY
- Sir Amyas Morse Comptroller and Auditor General
- Stephen Smith Executive Partner, NAO
- Kate Mathers Audit Partner, NAO
- Phil Harrold Company Secretary
- Chris Sandford Director-General’s Office (secretary)
- Tom Fussell CFO, BBC Worldwide (item 1)
- Peter Tansley Head of Internal Audit (item 2)
- Paul Keane NAO (item 4)

APOLOGIES

No apologies were received.
1. Approval of financial statements
   
   a) Trading and accounting overview

   1.1 The Audit and Risk Committee discussed a set of papers which provided assurance on and drafts of the relevant Annual Reporting documents for the BBC Group and BBC Worldwide. The Committee were asked to discuss the papers and to recommend the Annual Report and Accounts to the BBC Board for approval.

   b) EY audit report

   1.2 The external auditors, EY, introduced their year-end audit report. The scope of the audit was consistent with previous years and the work was now substantially complete.

   c) Draft BBC Group Annual Report and Accounts

   1.3 The Committee discussed a draft of the full BBC Group Annual Report and Accounts, focusing on the narrative in the Deputy Director-General’s report, the finance overview, the Audit Committee report and the financial statements themselves. The Committee welcomed the clear narrative and structure in the report, particularly given the transitional nature of the year.

   d) BBC Worldwide Annual Review and financial statements

   1.4 The Committee noted the draft BBC Worldwide Annual Review and financial statements.

   e) Going concern and viability statement

   1.5 The Committee discussed a final paper on the requirement to consider the BBC on the basis of both going concern and longer term viability. The BBC had assessed going concern over a two year period and viability over three years, modelling the impact if significant risks should materialise. The work also summarised the position in relation to the BBC’s commercial subsidiaries. The Committee was satisfied that the BBC was both a going concern and viable, for the purposes of the Annual Report.

   1.6 On basis of the papers and the discussion, the Committee recommended the Annual Report and Accounts to the Board for approval, subject to drafting comments raised in discussion.
2. **Annual audit reporting**

   **a) Full year internal audit summary**

   2.1 The Committee were provided with a summary of the work of Internal Audit against the 2016/17 work plan. All 52 planned audits were now complete, with overall audit findings consistent year on year. As a result, the Committee was assured that the internal control environment was satisfactory.

   **b) Annual report assurances**

   2.2 The Committee noted an assurance report on assertions made in the non-financial sections of the Annual Report and Accounts. This was welcomed as a positive and useful piece of work, which provided a good level of assurance.

3. **Memorandum of understanding with the NAO**

   3.1 The Committee discussed the final draft of a memorandum of understanding between the BBC and the NAO, covering the value for money audit programme. The draft of the memorandum had been extensively discussed and was welcomed as a thorough and useful piece of work which was agreed on both sides. The Committee recommended the draft to the Board for approval.

4. **NAO Licence Fee Trust Statement**

   4.1 The Committee were briefed on the draft Licence Fee Trust Statement, to be laid in Parliament and published alongside the Annual Report. The Statement was required under HM Treasury accounting rules and set out the revenue collected from the Licence Fee in the financial year. The statement was audited by the NAO.

   4.2 The Committee noted that the audit had been smooth, with no concerns to report from the NAO about the collection of the fee. Overall, licence fee sales were performing well.

   4.3 The Committee approved the statement for signature alongside the Annual Report and Accounts.
5. **Annual summary of expenses**

5.1 The Committee discussed a report summarising the payment of expenses in the BBC over the past year. It was noted that the overall trend for payments was down and that good progress had been made on clarifying the criteria for the use of taxis in central London.

5.2 The Committee agreed that the report was useful and should remain part of the annual assurance provided at year end.

6. **Draft Terms of Reference for the Audit and Risk Committee**

6.1 The Committee had before it a draft Terms of Reference for discussion, before final approval at the June meeting of the BBC Board.

6.2 The Committee discussed the draft and noted the need to retain language relating to monitoring of the external auditor. The draft was approved for onward submission to the Board.

7. **Update on recent security issues**

7.1 The Committee were provided with a brief update on physical security, following recent high profile issues. The national threat level had been raised and the BBC had responded with additional security measures.

8. **AOB**

8.1 The Chair closed the meeting by noting this was the last meeting attended by EY. He thanked the EY team for their hard work, challenge and perspectives on the BBC during the course of their work.