Meeting of the BBC Audit and Risk Committee

SUMMARY MINUTES

Thursday 21 September, 2017
BBC Television Centre, London W12

ITEMS OF BUSINESS

1. Minutes and matters arising from 13 and 22 June Audit and Risk Committees
2. Internal Audit quarterly reporting
   a) Internal Audit quarterly update
   b) Internal Audit Charter
   c) Re-grading of internal audit issues
   d) NAO/PAC actions - follow-up process
3. Risk report
4. Commercial Group valuation
5. Annual review of commercial subsidiary risks and controls
6. NAO audit planning report
7. BBC Modern Slavery Act statement
8. For approval / noting
   a) Whistleblowing update
   b) Non audit fees
9. 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:
- Balram Veliath  Director, Quality, Risk and Assurance
- Shirley Cameron  Group Financial Controller
- Sarah Jones  General Counsel
- Stephen Smith  Executive Partner, National Audit Office (NAO)
- Kate Mathers  Audit Partner, NAO
- Phil Harrold  Company Secretary
- Chris Sandford  Director-General’s Office (secretary)
- Peter Tansley  Head of Internal Audit (item 2)
- Paul McCauley  Head of Risk (item 3)
- Tom Fussell  CFO, BBC Worldwide (item 5)
- Anna Mallett  COO, BBC Studios (item 5)

APOLOGIES

No apologies were received.
AUDIT AND RISK COMMITTEE SUMMARY MINUTES – 21 September 2017

1. Minutes and matters arising from 13 and 22 June Audit and Risk Committees

1.1 The minutes were approved.

2. Internal Audit quarterly reporting

a) Internal Audit quarterly update

2.1 The Audit and Risk Committee noted the quarterly update on Internal Audit work and the findings of recent audits. It was noted that the audit plan was on track and that a number of audits were to be consolidated to make room for further work.

2.2 The Committee also noted that increased use of data analytics was being piloted by Internal Audit, providing more extensive coverage in audits. A pilot of continuous controls monitoring had also been undertaken in Human Resources, allowing internal audit to develop controls and data that could then be operated by the business.

b) Internal audit charter

2.3 The Committee approved the proposed new draft of the Internal Audit team’s Charter.

c) Re-grading of internal audit issues

2.4 The Committee approved a proposal to formalise a system for the regrading of audit actions in cases where the risk had been significantly mitigated though a final solution was expected to take time to achieve. The process would involve a management decision and would be fully documented.

d) NAO/PAC actions - follow-up process

2.5 The Committee approved a revised plan for the tracking and monitoring of audit actions arising from NAO or Public Accounts Committee reports. The approach had been discussed and agreed between the BBC and the NAO.

3. Risk report

3.1 The Committee were provided with the quarterly risk report and summary of key strategic and operational risks and mitigations. Discussing the report, the Committee noted the intention to review the current set of risks at the Executive Committee, as part of the annual risk process. It was also agreed that work to establish a risk appetite for the BBC would be discussed at Executive Committee before coming to the ARC.
4. **Commercial Group valuation**

4.1 The Committee noted a request from the DCMS to provide a valuation of the BBC’s Commercial Holdings, for inclusion in their annual accounts. The approach to providing the calculation was approved, with delegated authority to the Deputy Director-General to manage the process.

5. **Annual review of commercial subsidiary risks and controls**

5.1 The Committee noted two papers, providing information and context on the risk and control environments in BBC Studios and BBC Worldwide. The papers were part of the Committee’s annual review process and provided assurance on the controls in place.

6. **NAO audit planning report**

6.1 The Committee discussed a paper from the NAO, providing their audit planning report for the financial year 2017/18. The paper set out the main areas of audit risk that had been identified by the NAO, through analysis of the past year’s audit and their work with teams to date. It also set out their proposed approach to materiality under the audit, which was approved by the Committee on the basis that continued oversight of significant transactions would be provided. The Committee was content with the audit plan.

7. **BBC Modern Slavery Act statement**

7.1 The Committee were asked to approve the BBC’s Modern Slavery statement for 2016/17, as required under the Modern Slavery Act. The previous Executive Board had delegated responsibility for the statement to the Audit Committee. The statement was approved.

7.2 In approving the statement, the Committee asked for information on the underlying evidence to support the assurance. A working group was in place in the BBC to assess the risks in supply chains and mandatory training for specific roles was in place. Guidance on what areas the statement should cover had also been sought. BBC Worldwide had considerable expertise and experience in this area and the public service was seeking to build on their framework. No major concerns in this area had arisen in the last year. A file note of supporting information would be provided for the Committee.

8. **For approval / noting**

a) **Whistleblowing report**

8.1 The Committee noted the Whistleblowing report and also that Tom Ilube had been appointed to the role of NED whistleblowing contact, following the June meeting of the Committee.
b) **Non-audit fees**

8.2 There were no non-audit fees to report to the Committee and it was agreed that this item would be taken by exception in future.

9. **AOB**

9.1 There were no items of other business.