Meeting of the BBC Audit and Risk Committee

SUMMARY MINUTES

Wednesday 6 June, 2018
Room 3028, Old Broadcasting House, London

ITEMS OF BUSINESS

1. Briefing on pay issues
2. Annual Report and Accounts - trading overview
   a) Group trading and accounting overview
   b) Commercial subsidiaries overview
3. Annual Report and Accounts - assurance and audit
   a) Internal Audit regularity update
   b) Internal Audit - assurance on ARA data points
   c) NAO Group audit completion report
4. Annual Report and Accounts - sections for approval
   a) Deputy Director-General's statement
   b) Audit and Risk Committee report, including Risks and Opportunities
   c) Full draft Group Financial Statements
   d) Going Concern and Viability statement
   e) BBC Group Modern Slavery statement
5. Annual expenses summary
6. Treasury hedging limits
7. 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
- Sarah Jones  General Counsel
- Glyn Isherwood  Group Finance Director
- Shirley Cameron  Group Financial Controller
- Stephen Smith  Executive Partner, National Audit Office (NAO)
- Kate Mathers  Audit Partner, NAO
- Phil Harrold  Company Secretary
- Chris Sandford  Director-General’s Office (secretary)
- Tom Fussell  CFO, BBC Studios (for item 2)
- Peter Tansley  Head of Internal Audit (for item 3)

APOLOGIES
None
AUDIT AND RISK COMMITTEE SUMMARY MINUTES - 6 June 2018

1. Briefing on pay issues
   1.1 The Committee were given an update on recent pay issues, including work underway to assure the 2017/18 salary disclosures and the 2018 BBC Gender Pay Gap report. The Remuneration Committee would approve the pay disclosures as part of the Remuneration Report. The NAO would provide a separate assurance opinion on that report.

2. Annual Report and Accounts – trading overview, Group and Commercial
   2.1 The Committee were provided with an overview of Group and Commercial trading. It was noted that the BBC’s general approach was to seek to break even, so to run a surplus in a year without major sporting events was to be expected. Gains from the increase in the licence fee were also encouraging. Overall the cash balance was positive and the deficit had been reduced on the defined benefit pension scheme. Spend overall on talent was down.

   2.2 The Committee discussed the summary of savings achieved and noted that these needed to be presented clearly in the ARA. It was noted that the increased valuation for Commercial Holdings in the DCMS accounts was due to higher profitability and the inclusion of Studios as a commercial entity. Additional proposed spend on the E20 project was referenced in provisions and new genre spend reporting was to be included, as per the new Charter.

   2.3 Discussing the Commercial subsidiaries, the Committee noted that Commercial Holdings accounts were consolidated in the Group. There were no significant concerns in the accounts and the working relationship globally with the NAO had been good. It was noted that Studios and Worldwide would both publish statutory accounts for this year, with increased reporting as a result of regulatory requirements.

3. Annual Report and Accounts - assurance and audit
   a) Internal Audit regularity update

   3.1 The Committee considered a paper from Internal Audit that set out an opinion on the BBC’s compliance with relevant frameworks and directions, as covered
by the NAO's review of regularity. The work had compiled a list of relevant frameworks and reviewed all transactions within the scope of these. Pay issues would need to continue to be monitored, but no other concerns had been raised.

3.2 The NAO had worked closely with the team on the review and felt it provided good assurance. It would be advisable to keep the information gathered in one place for future review. The Committee agreed that such a review would be of use in future years, as part of the year end process.

b) Internal Audit - assurance on ARA data points

3.3 The Committee noted a paper from Internal Audit that set out assurance plans on the non-financial parts of the ARA. The work was on track and was aiming to cover all data points and statements. It would report to the June Board meeting.

c) NAO Group audit completion report

3.4 The NAO presented their audit completion report. There had been good and productive work during the year and the work was substantially complete, other than final discussions on pay issues. The audit was largely clean with some adjustments on smaller issues.

3.5 On pay, the NAO had announced a review on the use of personal service companies which would consider the BBC's overall historic policy and approach. The current approach was felt to be proportionate.

3.6 Having discussed the proposed adjustments set out in the paper, the Committee confirmed that it did not believe any of these required correcting. The Committee also noted the proposed draft audit report and the draft management letter of representation. It was noted that an opinion was not provided on propriety, but that these issues would be raised only if material. The Committee thanked the NAO for their work on the report.
4. Annual Report and Accounts - sections for approval

4.1 The Committee discussed a number of specific sections of the ARA for approval.

   a) Deputy Director-General's statement

4.2 The Committee noted the Deputy Director-General’s statement and Financial Overview. It was agreed that the narrative should be clear on the extent of savings made to date and the need to achieve further in the current period.

   b) Audit and Risk Committee report, including Risks and Opportunities

4.3 The Committee discussed the Draft Audit Committee report and Risks and Opportunities section.

4.4 The Committee approved the report, subject to the drafting changes discussed.

   c) Full draft Group Financial Statements

4.5 The Committee noted the statements and asked that work be done to consider how better to explain complex issues in the accounts in future.

   d) Going Concern and Viability statement

4.6 The Committee were asked to review and confirm the Going Concern and Viability statements.

4.7 The Committee approved the Going Concern and Viability statements on the basis of the assessment laid out by management.

   e) BBC Group Modern Slavery statement

4.8 The Committee approved the 2018 statement, as required under the Modern Slavery Act 2016 and to be published alongside the Annual Report.

4.9 On the basis of the papers presented, the Audit and Risk Committee recommended the Annual Report and Accounts to the Board for approval. The Committee thanked the teams involved for the way in which the process had been handled in the transitional year.

5. Annual expenses summary
5.1 The Committee discussed the annual summary of expenses across all staff and the Executive. The information was not for disclosure, though the detail for all senior managers was published quarterly online.

5.2 The report was noted.

6. Treasury hedging limits

6.1 The Committee discussed a proposal to amend Treasury hedging limits in BBC Studios for the current financial year.

6.2 The proposal was approved, subject to approval at a higher level than that proposed in the paper.

7. AOB

7.1 There were no other items of business.

Approved by the Committee: ____________________________ (Chairman)

________________________________________ (Date)