Meeting of the BBC Audit and Risk Committee

SUMMARY MINUTES

Wednesday 6 June, 2019
Room 3028, Old Broadcasting House, London

ITEMS OF BUSINESS

1. Annual Report and Accounts - trading overview
2. Annual Report and Accounts - assurance and audit
   a) Internal audit regularity update
   b) NAO Group audit completion report and draft audit report
   c) Internal audit - assurance of ARA data points
3. Annual Report and Accounts - sections for approval
   a) Audit and Risk Committee report
   b) CFO review and financial overview
   c) Group financial statements
   d) Commercial Holdings financial statements
   e) Going concern and viability statement
4. BBC Group Modern Slavery statement
5. Annual expenses summary
6. BBC response to PAC report on personal service companies
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

With:
- Balram Veliath  Director, Quality, Risk and Assurance
- Sarah Jones   General Counsel
- Glyn Isherwood  Chief Financial Officer
- Shirley Cameron  Group Financial Controller
- Shirley Garrood  Incoming Chair of ARC
- 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 (for item 2)
- Tom Fussell  CFO, BBC Studios (for item 3)

APOLOGIES
None
1. Annual Report and Accounts – trading overview, Group and Commercial

1.1 The Committee were provided with an overview of Group and Commercial trading. It was noted that the NAO were to provide a qualified regularity opinion in the Annual Report and Accounts. This was on the basis that an element of the provision set aside to address historic tax issues for presenters in relation to the IR35 rules was not in line with the BBC’s frameworks of authorities and the payments were deemed to be irregular on that basis.

1.2 The Committee noted and discussed this position, and reviewed how it was presented in the ARA. The Board had agreed that the approach being taken was the most efficient and cost-effective of the options available and the Committee took note of that position. The way that the qualification was explained and presented was discussed and agreed, subject to minor drafting points raised in discussion.

1.3 The Committee also discussed and noted the way in which the provision had been arrived at and the basis on which the level was set. The NAO confirmed that the provision was the best estimate possible. The Committee were briefed on the ongoing discussions with the HMRC.

1.4 In other areas of the Accounts, the deficit position was expected as a result of the reduction in licence fee funding and a high sport year. Savings performance had been strong, as had commercial performance, allowing for good levels of content investment. Net debt levels were broadly consistent and would be revised to take account of IFRS 16 in the next year. The Committee were updated on the process of valuing Commercial Holdings in the DCMS accounts.

1.5 The Committee noted the overview.

2. Annual Report and Accounts - assurance and audit

a) Internal Audit regularity update

2.1 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. Other than the issue already discussed in relation to personal service companies, the review had shown no other issues in terms of regularity.
b) Internal Audit - assurance on ARA data points

2.2 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

2.3 The NAO presented their audit completion report. There had been good and productive work during the year, the work was substantially complete and a true and fair opinion on the accounts was expected, alongside the qualified view on regularity. There had been a number of late changes that had required careful consideration, with regularity key among these. The key risks and areas were those which had been reported in the year.

2.4 Commercial work had focused on risks and testing around revenue recognition and amortisation of content sales. A number of new judgements had arisen in the year and this showed the increasing complexity of accounting issues in this area.

2.5 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. The Committee thanked the NAO for their work on the report.
3. **Annual Report and Accounts - sections for approval**

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

   **a) Audit and Risk Committee report, including Risks and Opportunities**

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

3.3 The Committee approved the report.

   **b) CFO review and Financial Overview**

3.4 The Committee noted the CFO review and Financial Overview.

   **c) Full draft Group Financial Statements**

3.5 The Committee noted the statements.

   **d) Commercial Holdings Financial Statements**

3.6 The Committee reviewed the draft statements for the Commercial Holdings Group and were updated on discussions with Ofcom about the presentation of reporting on lines of business. The statements would be approved at the Commercial Holdings Board ahead of signing by the BBC Board.

   **e) Going Concern and Viability statement**

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

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

3.9 On the basis of the discussions and papers presented, the Audit and Risk Committee approved the Annual Report and Accounts for signature at the Board.

4. **BBC Group Modern Slavery statement**

4.1 The Committee approved the 2019 statement, as required under the Modern Slavery Act 2016 and to be published alongside the Annual Report.
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. **BBC response to PAC report on personal service companies**

6.1 The Committee discussed a draft response to the Public Accounts Committee’s recommendations, made as part of their review of the use of personal service companies at the BBC. The Committee had requested a written response by June 2019 and the draft response was approved by the Committee.

7. **AOB**

7.1 There were no other items of business.