



## AUDIT AND RISK COMMITTEE

### TERMS OF REFERENCE (reviewed September 2024)

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#### 1. Constitution

- 1.1. The BBC Board has established a committee of the board known as the Audit and Risk Committee (“the Committee”) as required under Charter article 31(3).
- 1.2 This document provides the Terms of Reference for the Committee and should be read in conjunction with the Standing Orders for the Board where relevant.

#### 2. Remit

- 2.1 The remit of the Committee is to review and maintain oversight of the BBC Group’s internal control and risk management processes, particularly with respect to financial reporting and the key operational risks facing the corporation..
- 2.2 The Committee is authorised by the Board to:
  - investigate any activity within its responsibilities;
  - seek any information that it requires from any employee of the Group, with all employees directed to cooperate with any request made by the Committee;
  - obtain outside legal or independent professional advice, with such advisors invited to attend meetings as necessary; and
  - request a meeting of the Board where appropriate.

#### 3. Responsibilities

- 3.1 In line with the highest standards of corporate governance, the Committee has responsibilities in the following areas.
- 3.2 To review and oversee the BBC’s internal control and risk management processes, including:
  - the design of financial and non-financial internal control systems and systems to identify, assess, manage and monitor financial and non-financial risks;
  - reports on the effectiveness of the internal control, financial reporting and risk management systems;
  - ensuring arrangements are in place to help detect fraud, prevent corruption and by which staff may, in confidence, raise concerns about possible improprieties; and
  - to provide regular updates to the Board on these matters.
- 3.3 To provide oversight on the key current and emerging operational risks facing the BBC, the BBC’s risk appetite and the actions being taken to mitigate those risks to an acceptable level. The Committee will review the risk management framework and its effectiveness, including risk policy, movement and severity of risks and mitigating actions. The Committee will:

- review performance against agreed targets for operational risks and confirm the status of management actions on a quarterly basis;
- challenge the overall risk management process for the BBC, including identification, classification, management and reporting of risks on an annual basis; and
- escalate risk matters to the Board as required, for example where risks are outside of the accepted appetite.

3.4 To review and challenge, where necessary, the actions and judgements of management in relation to the BBC's Group Annual Report and Accounts and related formal statements, including the BBC's modern slavery statement. The Committee should review the findings and recommendations made by the external auditor including: any major issues that arose during the audit that have subsequently been resolved and those issues that are unresolved; key accounting and audit judgements; the regularity of the Group accounts; analysis of the BBC's going concern and viability statements; and levels of errors identified during the audit, before recommending the materials for submission to and approval by the BBC Board.

3.5 To oversee and direct the work of the BBC's Internal Audit function, including to:

- concur in the appointment, replacement or dismissal of the Director of Quality, Risk and Assurance;
- approve Internal Audit's work programme;
- approve any co-source arrangement for the provision of internal audit;
- review the planned and actual activities and resources of the Internal Audit function and ensure no unjustified restrictions or limitations are made;
- review and monitor management's responses to the recommendations and findings of the Internal Auditors; and
- review the effectiveness of the Internal Audit function and ensure that it has the appropriate standing within the BBC.

3.6 The Committee should meet separately with the Director of Quality, Risk and Assurance and Director of Internal Audit to discuss any matters that the Committee or the internal auditors believe should be discussed privately and to ensure that Internal Audit is accountable to the Committee.

3.7 To review critical projects that have been delegated to the Committee on a quarterly basis and to annually review the composition of the critical projects portfolio.

3.8 To give due consideration to Parliament's expectations of the management of BBC resources, as expressed in reports of the Public Accounts Committee and Value for Money reports by the National Audit Office, including approval of the BBC's responses to the Public Accounts Committee on their reports.

- 3.9 To review the external auditor's proposed audit scope and strategy and ensure no unjustified restrictions or limitations are made and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- 3.10 To meet separately with the external auditor to discuss any matters that the Committee or the auditor believes should be discussed privately and to consider the independence of the external auditor including:
- seeking reassurance that the external auditor and their staff have no family, financial, employment, investment or business relationship with the BBC (other than in the normal course of business);
  - seeking from the audit firm on an annual basis information about policies and processes for maintaining independence, including ensuring that key audit team members are rotated at appropriate intervals;
  - to pre-approve and review fees in respect of non-audit services provided by the external auditor in accordance with the BBC's policy on non-audit fees and to ensure the provision of non-audit services does not impair the auditors' independence or objectivity; and
  - to review the performance of the external auditor.
- 3.11 To assist the Board in complying with Ofcom's trading and separation regulatory requirements, as set out in its Operating Framework, including by:
- considering reports from management and Internal Audit on the extent to which the activities of the BBC are consistent with Ofcom's requirements;
  - monitoring and assuring training requirements for Fair Trading across the BBC Group;
  - considering the submission relating to trading and separation matters for inclusion in the Annual Report and Accounts, in advance of that report being submitted to the Board;
  - considering the approach to annual assurance of compliance controls, taking appropriate action where any issues are raised and, if commissioned externally, to provide oversight of the commissioning, execution and conclusions;
  - considering and approving for publication the BBC's transfer pricing methodologies and the Group trading manual;
  - monitoring fair trading risks across the Group, commissioning internal audit activity where necessary to review areas of high risk or concern; and
  - reviewing ongoing compliance of the BBC's commercial activities with the Four Commercial Criteria under the Charter and Agreement.
- 3.12 To consider any other matters when requested to do so by the Board.

#### **4. Membership and attendance**

- 4.1 Members of the Committee are appointed by the Board on the recommendation of the Nominations Committee, in consultation with the Chair of the Committee. Including the Chair, the Committee consists of at least three non-executive directors, at least one of whom must have recent and relevant financial experience.
- 4.2 The Chairman of the Board, the Director-General, the Group Chief Operating Officer, the Group Chief Financial Officer and the Director of Quality, Risk and Assurance are invited to attend meetings. Other individuals may be invited to attend all or part of any meeting as and when appropriate. The Committee may also seek such advice and/or assistance from individuals as it considers appropriate. This may include (but not be limited to) the Group General Counsel, the Controller, Regulation and the Director of Internal Audit. Arrangements will be made to ensure close alignment between the work of the Committee and the Commercial Board, including through the attendance of a Commercial Board director as an observer at Committee meetings.
- 4.3 The external auditor will be invited to attend all meetings.
- 4.4 The Company Secretary (or their nominee) attends as secretary of the Committee.
- 4.5 The Committee is free to meet in private at any time.

#### **5. Quorum**

- 5.1 The quorum necessary for the transaction of business is two Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in it or exercisable by the Committee.

#### **6. Frequency of meetings**

- 6.1 The Committee meets at least five times a year and at other times as required, with relevant meetings timed according to the BBC's financial reporting cycle.
- 6.2 Meetings may be held without members being physically present in the same place, for example by telephone or video-conference. When a member attends by telephone or video-conference they are counted as being in attendance for the purposes of a quorum.

#### **7. Notice of meetings**

- 7.1 Meetings of the Committee are summoned by the Company Secretary or his nominee. Meetings may also be called at the request of any of the Committee members or the external auditor, if they consider it necessary.

- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no fewer than three working days prior to the date of the meeting.

**8. Minutes of meetings**

- 8.1 The Company Secretary (or their nominee) shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2 The Company Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Committee members should also advise the Company Secretary of any conflicts, as they arise, outside of the meetings.
- 8.3 Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

**9. Review and reporting**

- 9.1 The Committee's performance and terms of reference shall be reviewed annually and any changes recommended to the Board for approval.
- 9.2 The Chair will formally report to the Board after each meeting of the Committee.
- 9.3 The Chair shall formally report to the Board at least once a year on all matters within the Committee's duties and responsibilities. The Committee shall also make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.