



## **Meeting of the BBC Audit and Risk Committee**

### **SUMMARY MINUTES**

Tuesday 24 June 2024

Old Broadcasting House and by video conference

#### **ITEMS OF BUSINESS**

1. Committee business
  - a) Apologies and conflicts of interest
  - b) Minutes and matters arising from 14 March Audit and Risk Committee
2. Annual Report and Accounts - for recommendation to the Board
  - a) Accounting matters and Britbox accounting
  - b) Going concern and viability statement - for approval
  - c) Internal audit assurance of ARA data assertions
  - d) Regularity review
  - e) Internal audit annual report
  - f) ARA sections for review and approval
3. Draft Licence Fee Trust statement - for approval
4. NAO Audit completion report on the 2023/24 financial statements audit and LF trust statement
5. For approval:
  - a) BBC Group modern slavery statement 2023/24
  - b) DCMS assurance letter
6. Internal audit:
  - a) Audit and Assurance Quarterly Update
  - b) Internal Audit charter
  - c) External Quality Assessment of Internal Audit
  - d) Audit and Assurance Operating Model and Re-Procurement of Audit Services
7. Across the UK project update
8. AOB and for noting:
  - a) Action update: News international controls
  - b) Summary of Annual Travel and Expenses – 2023/24

## ATTENDANCE

### *Members:*

- Chris Jones Non-executive director (Chair)
- Shumeet Banerji Non-executive director

### *Board members present:*

- Tim Davie Director-General
- Leigh Tavaziva Group Chief Operating Officer

### *With:*

- Ian Griffiths Commercial Board NED
- Alan Dickson Chief Financial Officer
- Balram Veliath Director, Quality, Risk and Assurance
- Claire Rollo National Audit Office
- Greg Wilson National Audit Office
- Greg Dunkley National Audit Office
- Phil Harrold Company Secretary
- Chris Sandford Head of Governance (secretary)
- Holly King Group Financial Controller (2-5)
- Lorraine Burgess CFO, Studios (2-4)
- Shirley Cameron Director, Revenue Management (item 3)
- Peter Tansley Director, Internal Audit (2,6)
- Rhodri Talfan Davies Director, Nations (item 7)
- Tom Wrathmell Project Director, AtUK (item 7)

## **AUDIT AND RISK COMMITTEE SUMMARY MINUTES – 24 June 2024**

### **1. Minutes and matters arising from 14 March Audit and Risk Committee**

- 1.1 The minutes were approved and no new conflicts of interest were raised.

### **2. Annual Report and Accounts - assurance and audit**

#### *a) Accounting matters and Britbox accounting*

- 2.1 The Committee were briefed on key matters arising from the year-end process. There had been significant complexity during the period, driven in part by two large transactions happening close to year-end, being the Britbox deal and the HMRC tax rebate. These issues, along with issues around consolidation processes and tax accounting, had made it a challenging process. The transition to a new business process outsource provider was also noted, and was ready to go live on 1 July. The Committee agreed that work should be done to understand the lessons learned from the process and to discuss these at the September meeting.
- 2.2 Discussing issues relating to the accounts, the Committee noted a small number of issues that were yet to be resolved. These included the final disclosures around the Britbox deal, audit evidence for tax accounting and any potential matters arising from the ongoing investigation by the Competition and Markets Authority. Complexity around leases and programme asset accounting was noted. The Committee received a briefing on all major judgements and estimates and also noted work underway to amend references to alternative performance measures, with revised text to be agreed offline with the Chair. The Committee noted there had been no change to the reported position on risks of material misstatement due to fraud or error.
- 2.3 The Committee discussed a briefing on the treatment of the one-off Britbox transaction. The Committee also noted the approach to auditing of a number of small commercial subsidiaries, with low materiality.

#### *b) Going concern and viability statement - for recommendation to the Board*

- 2.4 The Committee reviewed the assessment of going concern and viability, along with the associated statements in the ARA. It was noted that the horizon of going concern had been revised to the required and expected one year from the date of signing, rather than the two year plan. The approach to cash management, required savings and debt headroom were noted, as well as the quarterly review process by the Executive. On the basis of the assessment of risks, the statements were recommended for discussion and agreement at the Board. The Committee noted the need to consider the implications of the Charter review process in future statements of this type.

*c) Internal audit assurance of ARA data assertions*

- 2.5 The Committee noted a paper from Internal Audit that provided assurance of certain non-financial data and assertions in the ARA, focussed on sections not subject to comfort by the NAO. The work was now concluded and no major issues were raised. The Committee noted that the error rate was lower than the previous year. The final paper would be tabled at the 27 June Board meeting.

*d) Regularity review*

- 2.6 The Committee reviewed the annual review of regularity, conducted to give assurance in this area alongside the NAO's formal opinion. The analysis was discussed and it was noted that any potential fine arising, accrued or paid, from the Competition and Markets Authority's ongoing investigation would be considered irregular. The work would also consider broader issues of propriety in the next year. The Committee noted the finding that there was nothing materially irregular arising in the year.

*e) Internal audit annual report*

- 2.7 The Committee discussed the overall assessment of the control environment, produced by Internal Audit in support of statements made in the Annual Report. The proposed view that the BBC has adequate controls with some areas for improvement was noted, and this was the same as the prior year. The Committee requested more detail in support of the assessment in the next year, and also noted work needed to improve the controls environment overall.

*f) Annual Report and Accounts – sections for review and recommendation*

- 2.8 The Committee reviewed specific sections of the report, including the ARC report and the Risks and Opportunities report, recognising that it had responsibility to consider the whole document. Work to bring more balance to the drafts of the CEO and COO statements was noted, as well as additional disclosure added to the sustainability section. Subject to a final review for any late changes, the Committee concurred with management that the report was fair, balanced and understandable and complied with the Code on a comply or explain basis.

**3. Draft Licence Fee Trust statement**

- 3.1 The Committee reviewed the draft Licence Fee Trust statement, to be presented to Parliament alongside the Annual Report and Accounts. Movements in the TV penetration and evasion rates were noted, and the Committee discussed and approved the narrative disclosures. Two late amendments to drafting for tone would be made as per the discussion. The NAO confirmed they were comfortable with the report and

noted that the process in the year had been good, with no unadjusted misstatements reported. The report was approved, subject to the changes discussed.

#### **4. NAO Audit completion report on the 2023/24 financial statements audit and LF trust statement**

- 4.1 The Committee were presented with the NAO's audit completion report and were briefed on the key sections. The overall risk assessment was noted and there were a small number of issues to be resolved in the coming days. A clean opinion was expected to be given, subject to incorporating any significant post-balance sheet events, and a short update report would be presented to the Board. The Committee confirmed it was content with the risk assessment and with the preparation of the statements of going concern, which were considered a fair assessment.
- 4.2 The Committee reviewed the findings set out in the audit completion report, including the BBC Group extended auditor's report, Trust Statement audit certificate, draft letters of representation and the opinion on pay disclosures.
- 4.3 The Committee discussed the presentation of unadjusted misstatements, noting that the final position was being concluded subject to the tax audit. Subject to no significant issues arising from the final stages of the audit, the Committee noted and endorsed management's view that none of the misstatements were material, either individually or in aggregate, and therefore did not require adjustment. The draft letters of representation would be signed subject to assurances from the Executive Committee.
- 4.4 The Committee noted the proposed approach to signing of the accounts, with timings to be adjusted as a result of the general election.
- 4.5 Subject to all of the above, the Committee agreed that it would recommend the Annual Report and Accounts, the letters of representation and the statements of going concern and viability to the Board for approval.
- 4.6 The Committee noted the significant amount of work which was required to prepare the ARA and extended its thanks to the teams in Finance, Corporate Affairs and the NAO for all their contributions.

#### **5. For approval:**

##### *a) BBC Group Modern Slavery statement 2022/23*

- 5.1 The Committee approved the 2023/24 statement, noting the analysis and work done in support of the position.

*b) DCMS assurance letter*

- 5.2 The draft letter to the DCMS Audit Committee Chair was noted and would be sent after the meeting.

**6. Internal Audit**

*a) Audit and Assurance Quarterly Update*

- 6.1 The Committee reviewed a report on the audits completed in the last quarter. Nine audits and pieces of assurance work had been completed in the period.
- 6.2 The Committee noted that findings in relation to the D&I strategy were being addressed. An independent review and assessment of the recent data breach relating to the pension trustees was underway. The latest position in terms of overdue actions was noted, having been reviewed at the Operations Committee. The Committee noted the report.

*b) Internal Audit charter*

- 6.3 The Committee reviewed and approved proposed amendments to wording of the Internal Audit Charter.

*c) External Quality Assessment of Internal Audit*

- 6.4 The Committee approved a proposed scope for the external assessment to be conducted later in the year, noting that the process should be undertaken every five years. Practical expertise in internal auditing would be a key aspect of the review.

*d) Audit and Assurance Operating Model and Re-Procurement of Audit Services*

- 6.5 The Committee discussed and approved a proposed new operating model for the Internal Audit team. The Committee noted that any new model would need to ensure the expertise available was aligned to the key risks. A tender process for co-sourcing would begin later in the year, following the external assessment process.

**7. Across the UK project update**

- 7.1 The Committee were briefed on progress with the Across the UK project, including the proposed response to the Public Accounts Committee's recent report. The key findings from the PAC process were discussed, including the need to identify clear output measures of audience impact to sit alongside the current input measures on spend and staff movements. The Committee noted that current financial benefit projections were higher than originally forecast. Lessons learned through the life of the project were

discussed and it was noted that a large amount of commissioning and production power had now been decentralised.

- 7.2 The Committee welcomed progress with phase 1 of the programme and agreed the need to develop clear output measures in response to the PAC findings. The draft PAC response would be updated as per the comments raised in the discussion.

## **8. AOB and for approval**

### *a) Action update: News international controls*

- 8.1 The Committee noted an update on the risk acceptance process for issues arising from the work on international controls in News. The first annual confirmation of risk acceptances would be planned for September, subject to confirmation by the Executive.

### *b) Summary of Annual Travel and Expenses – 2023/24*

- 8.2 The Committee noted the annual report on overall expenses across the BBC. The report was noted and the Executive would respond to the points raised.