



National Audit Office

Helping the nation spend wisely

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Room GREEN 3
Date 15 April 2011

Dear Ms Nelson,

ARRANGEMENTS FOR NATIONAL AUDIT OFFICE WORK AT THE BBC

Thank you for your e-mail of 31 March requesting written evidence on the National Audit Office's role in relation to the BBC.

As you will be aware, the National Audit Office has been conducting value for money examinations at the BBC for a number of years, both on behalf of the BBC Trust and before it the BBC Governors. Unlike our reports on central government, these examinations are not performed under our statutory powers but are provided for by the Framework Agreement between the Secretary of State for Culture, Media and Sport and the BBC.

You will also be aware that the Coalition Government announced in May 2010 its intention to improve transparency by giving the National Audit Office 'full access' to the BBC's accounts. The Government announced it had reached an agreement in principle with the BBC on delivering this commitment in September 2010 and DCMS officials and the BBC are currently discussing the necessary amendments to the Framework Agreement.

I thought the most helpful way to offer our perspective on the accountability of the BBC would be to forward copies of recent correspondence between the Comptroller and Auditor General and the Secretary of State. These include a 17 September 2010 letter setting out what the Comptroller and Auditor General believes the National Audit Office needs to be able to do an effective job of examining the value for money of the BBC, and a 22 October 2010 letter providing his views on the Government's agreement in principle with the BBC. You will note that the latter was also copied to the Chair of the Culture, Media and Sport Select Committee.

If there are any matters you would like to discuss I would be happy to do so.

*yours sincerely
Martin Sinclair*

Martin Sinclair
Assistant Auditor General





National Audit Office

Comptroller and Auditor General
Amyas Morse

Rt Hon Jeremy Hunt MP
Secretary of State for Culture,
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Our Reference AM/1516/10
Date 17 September 2010

Dear Minister,

NATIONAL AUDIT OFFICE AUDIT OF THE BBC

I very much welcome your comment at the Select Committee earlier this week that the National Audit Office should have the right to examine areas of its own choosing, at times of its own choosing, of the way the BBC spends the licence fee, and the Coalition Government's commitment to give the National Audit Office full access to the BBC's accounts.

Since you have championed the changes, I thought it would be helpful to set out what we need to be able to do an effective job on behalf of Parliament in examining value for money at the BBC.

We need the following:

- the ability to decide on our programme of value for money work;
- unfettered access to information held by the BBC; and
- the ability to report independently to Parliament.

Of course, our value for money work would be strengthened if we were the auditor of the BBC's accounts. That said, the case for us to audit the BBC's accounts stands on its own merits as the BBC's funding is the only significant block of money voted by Parliament that is not audited by the Comptroller and Auditor General.

As regards value for money work specifically, I will take each element in turn.

1. The ability to decide on our programme of value for money work

This is the area you referred to in your comments this week and making this change would be a major improvement on the current arrangements. We are looking for the choice, scope and timing of our value for money work to be at the Comptroller and Auditor General's discretion. At present we require the BBC Trust's agreement to carry out a review and in practice we must also agree the terms of reference before we start work. This means the BBC Trust in effect controls the content and timing of our programme.



2. Unfettered access to information held by the BBC

In order to carry out our work thoroughly and promptly, the Comptroller and Auditor General needs a right of access to information held by the BBC. At present, we have no such right and in practice the BBC regularly argues that information is commercially sensitive or relates to areas of editorial judgement. (Of course, I recognise the importance of both of these issues but I would expect them to be applied only occasionally and to a high standard of proof.) This has resulted in protracted discussions about what information we need and what we should publish, which materially delays our work with attendant effects on resources and on our ability to get the job done promptly and deliver a high quality, complete product.

3. The ability to report independently to Parliament

The ability for the Comptroller and Auditor General to report independently to Parliament would allow us to determine the timing of publication, and to present our findings without the addition of the BBC's comments. This is not the position at present as we currently report to the BBC Trust, which adds responses from BBC Management and from the Trust itself. No other organisation we audit is able to add its perspectives before the Committee of Public Accounts has had the opportunity to consider the reports. In addition, the BBC Trust arranges for the reports to be laid before Parliament by the Department for Culture, Media and Sport, meaning it controls the timing of publication which can lead to a considerable delay between completion and publication of the reports.

I hope this letter is helpful in setting out the elements I consider are required to achieve more effective accountability for the public money the BBC spends. In doing so, I do not want to belittle the work that we have done under the existing arrangements, which I think has been very valuable, both to Parliament and to the BBC itself. Our reviews have found that the BBC does some things very well, while in other areas there is scope for improved value for money. Delivering the three elements above would, however, provide greater transparency, build public confidence, and allow Parliament to hold the BBC to account more effectively for its use of public money.

I would, of course, be happy to discuss these matters further if that would be helpful.

I am copying this letter to the Chief Secretary to the Treasury and to Jonathan Stephens.


AMYAS C E MORSE



National Audit Office

Comptroller and Auditor General
Amyas Morse

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Rt Hon Jeremy Hunt MP
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2-4 Cockspur Street
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Reference AM/1555/10
Date 22 October 2010

Dear Secretary of State,

Thank for your letter of 22 September about National Audit Office access to the BBC. I wanted to take a little time to reflect before responding.

I should start by registering my concern that we were only informed of the Government's planned announcement a few days before it was made. These are matters that directly concern the work of the National Audit Office, and I must therefore ask that we are involved from the outset in the discussions about the wording of the relevant parts of the formal Agreement between the Government and the BBC. As an Officer of the House of Commons, I will be looking for an outcome which is consistent with the Comptroller and Auditor General's ability to support Parliament by providing independent and unfettered scrutiny of the BBC.

I am grateful for confirmation that you have agreed in principle with the BBC that the Comptroller and Auditor General will be able to decide which areas of BBC spending will be examined by the National Audit Office. This is a positive step, although "spending" does not capture the full scope of our interest, which is in the use of all BBC resources and includes revenue generating activities, as they both exploit BBC resources and contribute to them.

I also welcome your assurance that we will have the right of access to any information required to carry out our programme of work, and this right should extend to the information we need to identify the areas to be examined. I should add, however, that without a statutory right of access, we will continue to have no right of access to information covered by the Data Protection Act.

I agree with you that the position on editorial matters needs to be clear. Just as we do not question the merits of government policy objectives, we do not and should not question the BBC's editorial judgements. I have previously made clear to the BBC that I am happy to work with them to come to a working definition of editorial policy which is not so broad as to inhibit or prevent proper audit scrutiny of the way BBC resources are used.

You envisage a "requirement" that we inform the BBC Trust before deciding our programme of work. In a public statement on 22 September the BBC Trust went further and referred to the National Audit Office choosing its programme "on an annual basis". As your letter is silent on who will decide the timing of value for money work, it might be helpful to clarify what I have in mind. The Comptroller and Auditor General's ability to decide what to do and when to do it go hand in hand. The former is worth little without the latter. We would expect to discuss our plans with the



BBC Trust and the BBC Executive so we could take account of their views, as we do with other organisations, but I would be unwilling to commit to annual plans. We must have flexibility to react to changing circumstances and issues of the day.

I am disappointed that it remains your view that my reports should reach Parliament via the BBC Trust and the Secretary of State. This means that the Comptroller and Auditor General will not control the timing of publication. It raises the possibility that the BBC Trust or the Secretary of State could redact material or indeed not publish the report, and, under current arrangements, it means that the BBC, uniquely, responds to the issues raised by our reports before they have been considered in Parliament.

I have shared with you previously my view that the Comptroller and Auditor should be the external auditor of the BBC's accounts, an appointment which the BBC Trust can make only with the approval of the Secretary of State. This is more than a point of principle, as we will not be as well placed to identify and deliver a fully informed programme of value for money work as we would be were we the BBC's external auditors.

I understand that there are difficult issues at play here and welcome your commitment to monitoring the effectiveness of the arrangements proposed in your letter. I am concerned, however, that audit access which depends on continuing agreement between Government and the BBC rather than on statute leaves important matters unresolved and may mean that in practice the Coalition's proposals may not take things much further forward in terms of independent scrutiny of the BBC.

Finally, I should tell you that John Whittingdale, Chair of the Culture, Media and Sport Committee, has written to seek my views on the Government's proposed changes. I thought the most straightforward way of dealing with his request would be to let him see this letter to you and so I am sending him a copy.

I am also copying the letter to Jonathan Stephens.


AMYAS C E MORSE