



ENHANCING PUBLIC SERVICE ACCOUNTABILITY IN BROADCASTING

KPMG reports on media content policy at the Channel 4 Television Corporation

Effective accountability and transparent reporting are important to the Channel 4 Television Corporation. As a publicly-owned broadcaster with a remit enshrined in legislation, Channel 4 is accountable to a range of stakeholders and the general public for its performance. So as well as meeting its statutory reporting requirements and those placed on it regulators such as Ofcom, back in 2009, Channel 4 introduced its own 'public impact methodology' – voluntarily. This was used to monitor its performance against a 'basket of key measures' and after the results had been independently assured by the accountants KPMG they were published in Channel 4's annual report – helping this to win an award from *Accountancy Age* to go along with the many awards the television corporation has won for its programming.

'We are blazing a trail in television and we wanted to extend this innovation into reporting,' says Glyn Isherwood, director of finance at Channel 4. Then when the Digital Economy Act was introduced in 2010, it enhanced the remit of Channel 4 and expanded it to reflect the many ways it delivers public value across its portfolio of services; it also introduced a new statutory requirement for Channel 4 to publish an annual Statement of Media Content Policy (SMCP). This created a single framework that brought together the Public Impact Report (that Channel 4 had previously published voluntarily) and a Statement of Programme Policy (required by Ofcom), and after the SMCP has also voluntarily been subjected to a limited independent assurance review by KPMG, the report on this is included in Channel 4's annual report.

KPMG delivers its limited independent assurance using ISAE 3000 (see summary, overleaf), an internationally recognised framework that professional accounting firms use for engagements (other than statutory audits and reviews of historical financial information) to assess and report on performance data and control systems. It's a principles-based framework that can be applied effectively to a broad range of underlying subject matters, which can be selected to reflect the unique needs of each engagement. For Channel 4 the broad set

of measures ranges from volume of British films shown on its Film4 channel and the number of views to its 4OD platform, to audience perceptions of Channel 4's reputation for reflecting alternative point of view. The measures are based on data that originates within the corporation, from bodies such as Ofcom and from third-party providers of online data services (see summary, overleaf).

'Producing a limited assurance report is an iterative and collaborative process,' explains Hugh Green, KPMG partner and lead on the Channel 4 assurance report, and over the past four years, the two organisations have worked together to refine the SMCP report so that it reflects the broadcaster's evolution and performance in a way that is valued by stakeholders. 'Assurance is an area that is unfamiliar to many organisations, but we do it a lot,' says Green, and KPMG has the experience to guide clients on 'the art of the possible' and help them to explore the ways in which various approaches to performance reporting may be perceived by stakeholders.

'Having independent and expert assurance can add additional credibility to the data in the underlying reports,' says Green, if the measures selected achieve the right balance. 'One of our roles is to ensure that there is no cherry picking,' he explains, as this can reduce the value of a performance report by turning it into a corporate public relations exercise – something that Channel 4 was also keen to avoid. 'We want it to resonate with people, and having it independently assured enhances its credibility,' says Isherwood, and the feedback from stakeholders has been very positive, which is good news, because as the director of finance at Channel 4 adds: 'We never forget that we have a public service to deliver and that the value of what we do is measured beyond the bottom line.'

SUMMARY

ASSURANCE ENGAGEMENT: KPMG FOR CHANNEL 4



KPMG provided limited assurance to Channel 4 using the framework provided by the International Standard on Assurance Engagements ISAE 3000 developed by the International Auditing and Assurance Standards Board.

A limited assurance engagement involves performing procedures to obtain sufficient appropriate evidence to give limited assurance over the data. The procedures selected depend on the judgement of KPMG and its understanding of the data and other engagement circumstances, and its consideration of areas where material misstatements are likely to arise.

KPMG examined key measures in the data tables, graphs and charts relating to Channel 4 in its 2011 annual report and the year-on-year trends as defined in the Statement of Media Content Policy.

For the key measures that were calculated from information derived within Channel 4 KPMG's work consisted of:

- Conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the systems and controls used to generate, aggregate and report on the key data.
- Examining and testing of the systems and processes in place to generate, aggregate and report on the key data.
- Assessing the completeness and accuracy of the key data by:
 - testing the operating effectiveness of systems and controls;
 - assessing relevant supporting documentation used to aggregate and report the key measures;
 - assessing the significant assumptions and judgements made by Channel 4 in the preparation of the key charts;
 - testing the documentation which supports the measurement, calculation and estimation of the key charts; and
 - assessing and testing the source data used to generate the key charts.
- Examining the presentation of key charts and the calculation of year-on-year trends in Channel 4's annual report in light of KPMG's findings.

For the key measures calculated, based on information from outside of Channel 4, KPMG relied upon the information supplied by BARB, Ipsos MORI, Attentional, Ofcom and Broadcast, as applicable, but did not carry out any independent verification procedures on the information provided to Channel 4 other than:

- Conducting interviews with management and other personnel at Channel 4 to obtain an understanding of the external information used and the level of information available to support the measures.
- Assessing the accuracy of extraction from external information sources and the compilation of trends for the medium-term viewing measure.
- Examining the presentation of key measures and the calculation of year-on-year trends in Channel 4's annual report in light of KPMG's findings.

For the key measures based on information from Channel 4's third-party online service providers the work consisted of:

- Assessing the accuracy of the calculation performed within Channel 4.
- Examining the presentation of key measures and the calculation of year-on-year trends in Channel 4's report in light of KPMG's findings.

The ISAE 3000 framework can be used to provide limited assurance or reasonable assurance. As the extent of evidence-gathering procedures is greater for the latter than it is for the former, a lower level of assurance is provided by limited assurance. Depending on the circumstances and how the report is expected to be used, an organisation, together with its accountants, will need to assess what level of assurance best meets its needs.