

**Reference ID:** PAC25

**Query:** Mazars report and all correspondence, including emails to former employees at senior and other levels

**Response:** We attach copy of the Mazars Interim Report. We are not in a position to provide individual correspondence with employees.

## Interim Report

Examination of the books and records of RTÉ relating to certain matters raised by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media

Report to DTCAGSM  
25 August 2023

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# 1. Introduction

## 1.1. Background to this Interim Report

- 1.1.1. On 12<sup>th</sup> July 2023 Mazars were appointed by the Minister of Tourism, Culture, Arts, Gaeltacht, Sport and Media to examine the books and other records of account of RTÉ, pursuant to section 109(7)(a) of the Broadcasting Act 2009 (as amended) (hereinafter referred to as “the Review”).
- 1.1.2. Under section 109(7)(a) of the Broadcasting Act 2009, RTÉ, the Director General and any relevant member of staff is required to facilitate any such examination by Mazars.
- 1.1.3. The Terms of Reference for the Review was provided by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media (“the Department” or “DTCAGSM”) to Mazars on 14<sup>th</sup> July 2023.
- 1.1.4. A project plan setting out the objectives, scope and approach for this Review, and indicative timelines, was agreed with the Department on 17<sup>th</sup> July 2023.
- 1.1.5. The Review commenced on the 17<sup>th</sup> July 2023 and is conducted by Mazars Ireland.
- 1.1.6. The Terms of Reference includes a provision to ‘to furnish interim reports to the Department as required’ which forms the basis upon which this report is presented to the Department.
- 1.1.7. The Review remains in progress across all substantial matters raised in the Terms of Reference (matters a to d) and this Interim Report is presented to provide the Department with an update on the steps taken and aspects examined to date, as detailed in section 1.2. As the review work is ongoing, further facts may emerge as the work continues. The factual overview set out in this Interim Report is provisional only and the final position will be set out in the Final Report at a later date.

## 1.2. Scope of this Interim Report

- 1.2.1. This Interim Report is based on review work undertaken in the period from 17<sup>th</sup> July 2023 to 25<sup>th</sup> August 2023.
- 1.2.2. The Terms of Reference for the Review is attached at Appendix A to this Interim Report.
- 1.2.3. Items (a) to (e) of the Terms of Reference include the following:
  - (a) to identify all off-balance sheet accounts currently held by RTÉ or held during the period 2017 to 2022;
  - (b) to identify and examine all transactions made through the barter account and any other off-balance sheet account identified by Mazars for the period 2017 to 2022;

- (c) to identify whether transactions made through the barter account or any other off-balance sheet accounts which have been identified in the period under examination were correctly identified and recorded in the audited Financial Statements of RTÉ presented to the Minister under section 109(4) of the Broadcasting Act 2009;
  - (d) in examining the transactions, to consider all relevant available documentation and to meet with relevant persons, as appropriate;
  - (e) to furnish interim reports to the Department as required.
- 1.2.4. All matters referred to in the Terms of Reference remain in progress. This Interim Report is presented to provide:
- an update in respect of the steps taken to date;
  - a factual overview of the processes examined to date which form part of, in particular, matters (b), (c) and (d) of the Terms of Reference.
- 1.2.5. Specifically, this Interim Report provides an overview of the accounting practices, financial processes and related records subject to examination in respect of RTÉ's management of the barter account and transactions with barter media agencies. We do not offer any findings or conclusions in this Interim Report.
- 1.2.6. This factual overview is reported on the basis of the periods examined to date (2017 to 2022) and has not been adjusted to take account of any changes implemented by RTÉ in subsequent periods.
- 1.2.7. RTÉ has not received or reviewed a copy of this report in advance of publication, but we note that key aspects of the factual overview relating to the barter account were discussed and confirmed with RTÉ verbally, and any further information presented by RTÉ as part of this verbal confirmation has been taken into account prior to reporting. We also note that Mazars did not provide a copy of the factual overview presented in this Interim Report to the barter media agencies.
- 1.2.8. We reserve the right to amend this Interim Report for any further information and documentation presented by RTÉ or discovered as part of our ongoing review work.

### **1.3. Review process to date**

1.3.1. The review process commenced on 17<sup>th</sup> July 2023 following the issuing of the Terms of Reference by the Department on 14<sup>th</sup> July 2023 and the agreement of the project plan on 17<sup>th</sup> July 2023.

1.3.2. To date the review process included (but was not limited to) the following:

- Review commencement which included signing of contracts, confirmation of the Terms of Reference and project plan with the Department, conflict of interest checks, mobilisation of the review team, a commencement meeting with RTÉ and agreement and implementation of data and file sharing protocols with RTÉ;
- Meetings with the Department to ensure clarity of understanding of the Terms of Reference, and to provide progress updates;
- Requesting detailed information and documentation from RTÉ relevant to the matters detailed in the Terms of Reference, as well as subsequent clarifications in respect of the information and documentation provided;
- Obtaining a detailed understanding of the accounting practices, financial processes and related records subject to examination in respect of RTÉ's management of the barter account and transactions with barter media agencies; performing a detailed review of transaction workflows, authorisations and approvals;
- Extraction and secure storage of RTÉ's financial system data relating to the period under review;
- Performing detailed keyword searches on financial system data and specific email communications relating to the matters contained in the Terms of Reference;
- Obtaining and examining detailed documents and information necessary for the purpose of the review of the matters set out in the Terms of Reference, including but not limited to contracts, correspondence, memoranda, minutes, internal reports, e-mails, financial records, external data and notes;
- Meetings with RTÉ (interim) executives and staff (primarily to date in the Commercial Finance, Finance and Sales teams) to discuss the matters set out in the Terms of Reference, and information and documentation provided to the review team, and any clarifications to date from the review team. At all times, RTÉ personnel made themselves available to us for the purposes of the Review;
- At all times, Mazars retained sole control of the procedures and processes of the Review and were the final decision-makers on all matters of procedure relating to the Review.

#### **1.4. This Interim Report**

- 1.4.1. This Interim Report is confidential and has been prepared solely for the purpose of assisting the Minister and DTCAGSM in respect of the matters subject to examination as set out in the Terms of Reference. Mazars assumes no responsibility in respect of or arising out of or in connection with the contents of this report to parties other than to the Minister and DTCAGSM.
- 1.4.2. We reserve the right to amend the layout, information and factual overview set out in this report, prior to any submission in any potential legal proceedings.
- 1.4.3. This Interim Report is based on work carried out and on information provided to us by RTÉ to date. As new information may be made available in the future, we reserve the right to review and update, and may revise our factual overview as necessary.
- 1.4.4. Following on from Section 1, the structure of the report is as follows:

Section 2: Summary of barter account factual overview

Section 3: Detailed barter account factual overview

## 2. Summary of barter account factual overview

### 2.1. Context of this Interim Report

2.1.1. Mazars presents the factual overview in this Interim Report based on information and documentation provided by RTÉ to date, in the context of all aspects of the Terms of Reference being substantially in progress. On this basis we do not make any findings or conclusions in this Interim Report. This Interim Report provides a factual overview of the barter account processes examined to date which form part of, in particular, matters (b), (c) and (d) of the Terms of Reference (Appendix A).

### 2.2. Factual overview of the barter account

2.2.1. A barter transaction is generally known as the exchange of goods or services, in exchange for other goods or services<sup>1</sup> without the exchange of cash. A barter account is generally known as a record of barter transactions entered into by two parties. We understand that the use of barter accounts is common practice in the advertising industry.

2.2.2. RTÉ confirmed that it operates a barter account which facilitated commercial arrangements with three barter media agencies for the period of our review from 2017 to 2022. For the period prior to 2021 we were not provided with commercial agreements in place and signed by both parties between RTÉ and the barter media agencies.

2.2.3. RTÉ provided unsigned Agency Deal Memoranda with effect from 1<sup>st</sup> January 2021 and unsigned Consolidated Terms & Conditions of Business with effect from 1<sup>st</sup> January 2019 in response to our request for contracts / agreements that are in place with the three barter media agencies. An additional unsigned Agency Deal Memorandum with effect from 1<sup>st</sup> January 2022 was also provided by RTÉ for one of the barter media agencies.

RTÉ contends that these documents form the basis of a valid agreement with the barter media agencies on the basis that barter media agencies are aware that all advertising sales bookings made from that date, are subject to the terms and conditions in these documents, as stated in both documents. RTÉ have confirmed that the Agency Deal Memoranda and Consolidated Terms & Conditions of Business were provided to one of the barter media agencies, and similar full and clear confirmation in respect of the remaining two barter media agencies is yet to be provided by RTÉ.

2.2.4. The key commercial terms that we understand had been implemented by RTÉ for the period of our review, are contained within the unsigned 2021 memoranda with barter media agencies, and set out the following:

- Cash/Trade Credit split to be negotiated by Head of Trading RTÉ and Trading / Media Director from barter media agency, but will be a minimum of 50:50 cash: trade credit<sup>2</sup>;
- Cash-out ratio for trade credits is agreed at a minimum of 1:65<sup>3</sup>, trade credit: cash;

<sup>1</sup> <https://www.accaglobal.com/gb/en/business-finance/types-finance/bartering.html>

<sup>2</sup> We understand that for the period reviewed, this split was intended to mean that 50% of net sales is to be paid to RTÉ on the basis of prevailing credit terms, and the remaining 50% will be maintained as an off-balance sheet record of available trade credit with barter media agencies.

<sup>3</sup> We understand this is intended to illustrate a ratio of €1 / €0.65.



- A Booking by a Buyer to purchase Media (whether accepted by RTÉ verbally, in writing, electronically or otherwise) will constitute the Buyer's acceptance of, and agreement to be bound by, the Deal Memorandum and Terms and Conditions of Business and the and/or Booking irrespective of whether or not the Deal Memorandum or Booking is signed by the Buyer.
- 2.2.5. RTÉ confirmed that its utilisation of barter media agencies was based on a commercial decision in circa 2012, to enable RTÉ to access wider media advertising markets. It is not within the scope of our review to assess the commercial basis for this decision. We note that for each sales booking with barter media agencies, RTÉ receives circa 70% of the value of the gross booking amount (or 82.5% of the net booking amount after sales commission) through a combination of an initial cash payment and subsequent utilisation of available trade credit.
- 2.2.6. Based on information provided by RTÉ, we note that the sales booking and initial sales recording process in respect of barter media agencies are aligned to the same processes for other agencies. This includes an initial commission charge of 15%, which RTÉ advised Mazars is an industry standard percentage, of the gross sales amount and a manual interface between the sales and finance systems.
- 2.2.7. We understand that for barter media agency sales, RTÉ applies the cash / trade credit split of 50 / 50 as referenced in the Agency Deal Memoranda on the net sales amount (after the 15% sales commission). We noted some instances where this ratio was not applied, and we have not been presented with a formal approval process for such variations in line with the required approval terms within the Agency Deal Memoranda. We acknowledge that email discussions were provided showing how the different ratios were discussed and agreed.
- 2.2.8. RTÉ confirmed that, on a periodic (monthly) basis, journals are posted to the finance - system to effectively reduce the net advertising sales amount through barter media agencies and corresponding amount owing (in debtors) by barter media agencies, by 50%. This results in 50% of the net sales amount through barter media agencies (and the corresponding debtor) being maintained off-balance sheet and not appearing in monthly financial reports or budgetary reporting. Mazars were not presented with any formal approval process around this aspect of the transactions with barter media agencies.
- 2.2.9. RTÉ has provided us with (quarterly) statements of the off-balance sheet trade credit balances maintained by barter media agencies and subject to reconciliations by RTÉ.
- 2.2.10. RTÉ has the option to cash out on trade credit balances with barter media agencies and can do so at a rate of 65% of the available trade credit balance. Mazars were not provided with a formally documented process or evidence of approval decision in respect of requested cash-outs. We acknowledge email evidence provided by RTÉ in respect of two cash-out instances which indicates awareness between the Commercial Team and Finance Team of the decision to cash out.
- 2.2.11. RTÉ confirmed that it also exercised the option to make purchases of goods and services through barter media agencies in order to avail of available trade credit balances. This was primarily done with one barter media agency and each purchase resulted in an

amount equivalent to 1.5384 (1/0.65) times the purchase amount being deducted from the trade credit balance with the relevant barter agency. We note that:

- RTÉ does not appear to have a formally approved policy and procedure in place around making purchases through barter media agencies;
- these purchases do not appear to be subject to the formal purchase approval requirements applicable to general purchases;
- these purchases do not appear to be based on formal procurement or quotation procedures applicable to general purchases;
- the cumulative amount of purchases through barter media agencies does not appear to be tracked as part of monthly budgetary reporting; and
- access to such purchases do not appear to have been limited to an approved list of RTÉ staff.

2.2.12. RTÉ provided us with a Code of Business Conduct which contains guidelines to staff in respect of gifts and entertainment. We note that this code does not set specific thresholds or approvals required that could be applied to barter media agency related purchases. RTÉ explained that the code is a principles based code and for that reason thresholds are not contained within it in respect of gifts and entertainment but that RTÉ personnel are expected to adhere to the principles of 'honesty and integrity in the conduct of business activities', 'loyalty to RTÉ', and 'confidentiality'.

2.2.13. RTÉ confirmed that it maintains its own record of purchases with barter media agencies. We note that supporting evidence such as invoices, receipts and booking forms relating to these purchases are not stored by RTÉ in an easily accessible manner, and requires detailed searches of electronic mail boxes (over 1,400 emails relating to the period under review) to identify whether such evidence exists.

2.2.14. RTÉ confirmed that it accounted for the purchases through barter media agencies through year-end adjustments from 2019, which effectively brought the sum of these purchases into the financial accounts of RTÉ at year-end (allocated against identified expenditure codes) and recognised the corresponding advertising sales amounts. This did not take place for 2017 and 2018, and the unused balance of trade credit accounts with barter media agencies were not accounted for in RTÉ's financial accounts prior to an adjustment made as part of RTÉ's year-end and external audit process in respect of the 2022 financial year. Mazars have not validated the 2022 adjustment or any retrospective adjustment made to the financial accounts of RTÉ.

2.2.15. Based on our review to date, Mazars have not identified any benefit to RTÉ in exercising the option to make purchases through barter media agencies rather than cashing out on the available trade credit balance, as the value received appears to be the same or similar.

2.2.16. RTÉ has confirmed to Mazars that the following transactions represent the total of activity with barter media agencies for the period under review (2017-2022):

	Gross Sales (100%)	15% Trade Commission	Net Sales	Cash receipt	Trade credit addition	Trade Credit Purchase Goods / Services Value	Trade Credit Cash-out Value	Balance of trade credit
2017 to 2022	€7,403,499	€1,110,527	€6,292,972	€3,081,614	€3,211,358	€1,208,180	€1,597,711	€697,822 <sup>4</sup>

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<sup>4</sup> Includes prior period opening balance of €292,362 and unreconciled difference of €7

### 3. Detailed barter account overview

#### 3.1. Barter Media Agencies – Engagement and Contracts

3.1.1. Based on information provided by RTÉ, our understanding is that in circa 2012 a commercial decision was made by RTÉ to engage with certain barter media agencies so that RTÉ could access additional media advertising revenue that may not have been otherwise available to RTÉ. The nature and basis of this commercial decision is not within the scope of our review and was not explored in further detail.

3.1.2. RTÉ confirmed to Mazars that it engaged the services of and had trading activity with three barter media agencies during the review period in scope, from 2017 to 2022. These were:

- i. [Barter media agency 1] – commenced trading from November 2012
- ii. [Barter media agency 2] – commenced trading from November 2015
- iii. [Barter media agency 3] – commenced trading from September 2021

Mazars have not engaged with the barter media agencies concerned and therefore it is not considered appropriate to identify them in this Interim Report.

3.1.3. Mazars requested copies of all commercial contracts in place with the 3 barter media agencies for each of the years 2017 to 2022 to understand and confirm the arrangements in place across the review period with each agency. The following information was received from RTÉ:

- i) [Barter media agency 1]
  - Barter Agreement between [Barter media agency 1] and RTÉ dated 7<sup>th</sup> October 2019 on [Barter media agency 1] headed paper. The agreement appears to be signed by [Barter media agency 1] but not by RTÉ. The agreement does not include an effective start date or end date. Some key commercial terms contained with the agreement include:
    - *“Where RTÉ wish payment of a cash bill by [Barter media agency 1], this can still be achieved by the application of a ratio. The ratio will be 1.5384 times the net cash value of the payment required, payable in a Media Credit.”*
    - *“...a typical cash trade blend of 50% cash and 50% trade credits will be payable to RTÉ”*
    - *“The value of the Media Credit owed by either party should not be allowed to exceed €250,000 either way without written confirmation by both parties.”*
    - *“The trade credit shall have a nominal cash value of 65c in the €.”*
  - Barter Agreement between [Barter media agency 1] and RTÉ with no date or signatures. The key terms in this (draft) agreement appears to be largely similar to the 2019 agreement, but we were unable to confirm which period it relates to.

- Unsigned copy of a 2021 Agency Deal Memorandum between RTÉ and [Barter media agency 1]. The document is an unsigned Word document which relates to the purchase of all advertising on or after 1st January 2021 with an agreement period between 1st January 2021 to 31st December 2021 and states that the agreement was “renewable automatically unless ended by either party due to...change in circumstances...material change in Terms and Conditions”. Key commercial terms included in the unsigned 2021 Agency Deal Memorandum with [Barter media agency 1] are:
  - *“Cash/Trade Credit split to be negotiated by Head of Trading RTÉ and Trading Director, but will be a minimum of 50:50 cash: trade credit.”<sup>5</sup>*
  - *“[Barter media agency 1] will from time to time, provide at RTÉ’s request with such services that are available from [Barter media agency 1] portfolio of goods and services that can be paid for with a trade credit.”*
  - *“Services will include: goods, services and cash bills.”*
  - *“The agreed ratio for payment for a cash bill is as follows: 1: 15384 net cash amount: trade credit.”*
  - *“[Barter media agency 1] to also provide other payment options such as part cash: part trade credit, etc”*
  - *“Trade credits will have no expiry date “*
  - *“Cash out ratio for trade credits is agreed at a minimum of 1:65<sup>6</sup>, trade credit: cash”.*
- ii) [Barter media agency 2]
  - Unsigned copy of a 2021 Agency Deal Memorandum between RTÉ and [Barter media agency 2]. The document is an unsigned Word document which relates to the purchase of all advertising on or after 1st January 2021 with an agreement period between 1st January 2021 to 31st December 2021 and states that the agreement was “renewable automatically unless ended by either party due to...change in circumstances...material change in Terms and Conditions”. Key commercial terms included in the unsigned 2021 Agency Deal Memorandum with [Barter media agency 2] are:
    - *“Cash/Trade Credit split to be negotiated by Head of Trading RTÉ and Media Director, but will be a minimum of 50:50 cash: trade credit<sup>4</sup>”*
    - *“[Barter media agency 2] will from time to time, provide at RTÉ’s request with such services that are available from [Barter media agency 2] portfolio of goods and services that can be paid for with a trade credit.”*
    - *“Services will be delivered to RTÉ at the lowest prices reasonably obtainable by [Barter media agency 2].”*
    - *“Cash/Trade Credit split to be negotiated by Head of Trading RTÉ and Trading Director “*
    - *“Trade credits will have no expiry date”*
    - *“Cash out ratio for trade credits is agreed at a minimum of 1:65<sup>7</sup>, trade credit: cash”*

<sup>5</sup> We understand that for the period reviewed, this split was intended to mean that 50% of net sales is to be paid to RTÉ on the basis of prevailing credit terms, and the remaining 50% will be maintained as an off-balance sheet record of available trade credit with barter media agencies.

<sup>6</sup> We understand this is intended to illustrate a ratio of €1 / €0.65.

<sup>7</sup> We understand this is intended to illustrate a ratio of €1 / €0.65.

iii) [Barter media agency 3]

- Unsigned copy of a 2021 Agency Deal Memorandum between RTÉ and [Barter media agency 3]. The document is an unsigned Word document which relates to the purchase of all advertising on or after 1st January 2021 with an agreement period between 1st January 2021 to 31st December 2021 and states that the agreement was “renewable automatically unless ended by either party due to...change in circumstances...material change in Terms and Conditions”. Key commercial terms included in the unsigned 2021 Agency Deal Memorandum with [Barter media agency 3] are:
  - *“Cash/Trade Credit split to be negotiated by Head of Trading RTÉ and Trading Director, but will be a minimum of 50:50 cash: trade credit<sup>8</sup>, unless otherwise agreed by HOT RTÉ and TD [Barter media agency 3] in specific circumstances”*
  - *“[Barter media agency 3] will from time to time, provide at RTÉ’s request with such services that are available from [Barter media agency 3]’s portfolio of goods and services that can be paid for with a trade credit.*
  - *“Cash out ratio for trade credits is agreed at a minimum of 1:65<sup>9</sup>, trade credit: cash”.*
  - *“Trade credits will have no expiry date“*
  
- Unsigned copy of a 2022 Agency Deal Memorandum between RTÉ and [Barter media agency 3]. The document is an unsigned Word document which relates to the purchase of all advertising on or after 1st January 2022 with an agreement period between 1st January 2022 to 31st December 2022 and states that the agreement was “renewable automatically unless ended by either party due to...change in circumstances...material change in Terms and Conditions”. Key commercial terms included in the unsigned 2022 Agency Deal Memorandum with [Barter media agency 3] are:
  - *“Cash/Trade Credit split to be negotiated by Head of Trading RTÉ and Trading Director with 50/50 cash/trade credit being the standard rate”*
  - *“Other cash/barter ratio will be agreed on an as needed basis – for example 100 barter will be available on occasion when trading conditions allow to build up trade credit, such ratios will be agreed in advance and must be based on incremental revenue to RTÉ”*
  - *[Barter media agency 3] will from time to time, provide at RTE’s request with such services that are available from [Barter media agency 3] portfolio of goods and services that can be paid for with a trade credit.*
  - *Cash out ratio for trade credits is agreed at a minimum of 1:65<sup>10</sup>,, trade credit: cash*
  - *“Trade credits will have no expiry date“*

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<sup>8</sup> We understand that for the period reviewed, this split was intended to mean that 50% of net sales is to be paid to RTÉ on the basis of prevailing credit terms, and the remaining 50% will be maintained as an off-balance sheet record of available trade credit with barter media agencies.

<sup>9</sup> We understand this is intended to illustrate a ratio of €1 / €0.65.

<sup>10</sup> We understand this is intended to illustrate a ratio of €1 / €0.65.

- 3.1.4. RTÉ advised that it introduced a 'Consolidated Terms & Conditions of Business – 2019' in conjunction with the Agency Deal Memoranda to standardise contractual arrangements applicable to media sales through agencies.

The 'Consolidated Terms & Conditions of Business – 2019' states the following:

*"These Terms and Conditions of Business together with the Deal Memorandum and any Booking are legally binding and contain the agreement ("Agreement") between the Buyer and RTÉ, relating to the purchase of Media.*

*These Terms and Conditions of Business apply to the purchase of all Advertising on or after 1st January 2019.*

*A Booking by a Buyer to purchase Media (whether accepted by RTÉ verbally, in writing, electronically or otherwise) will constitute the Buyer's acceptance of, and agreement to be bound by, these Terms and Conditions of Business and the Deal Memorandum and/or Booking irrespective of whether or not the Deal Memorandum or Booking is signed by the Buyer."*

The unsigned 2021 Agency Deal Memoranda obtained in respect of the three barter media agencies include reference to similar terms, and states:

*"A Booking by a Buyer to purchase Media (whether accepted by RTÉ verbally, in writing, electronically or otherwise) will constitute the Buyer's acceptance of, and agreement to be bound by, the Deal Memorandum and Terms and Conditions of Business and the and/or Booking irrespective of whether or not the Deal Memorandum or Booking is signed by the Buyer."*

- 3.1.5. We understand that RTÉ contends that the Agency Deal Memoranda and Consolidated General Terms & Conditions of Business form the basis of a valid agreement with the barter media agencies on the basis that barter media agencies are aware that all advertising sales booking made from that date, are subject to the terms and conditions in these documents, as stated in both documents. For [Barter media agency 2] RTE provided evidence of discussions in respect of trade terms between RTE and [Barter media agency 2], however no evidence was provided that the Agency Deal Memorandum was approved by either party. For [Barter media agency 1] and [Barter media agency 3] RTE did not provide clear evidence that the Agency Deal Memoranda were provided to the barter media agencies.
- 3.1.6. RTÉ confirmed that, for [Barter media agency 1] and [Barter media agency 2] on the basis that the commercial terms contained in these documents were renewable automatically as per clause 2 of the 2021 Agency Deal Memoranda, RTÉ did not re-issue any agreement terms with these two barter media agencies for 2022 as the terms and conditions had not been re-negotiated. As noted above, for [Barter media agency 3] a new unsigned Agency Deal Memorandum was put in place for 2022, due to some changes in the terms and conditions.

## 3.2. Barter media agency trading terms applied by RTÉ

- 3.2.1. For the three barter media agencies, RTÉ appears to have an agreed general process with the agencies whereby for each advertising sales booking (trade), 50% of the net booking amount (after deducting 15% agency commission which RTÉ advised Mazars is an industry standard percentage) is paid by the agency in cash and the balance is added to a trade credit balance for bartering purposes.
- 3.2.2. We understand that RTÉ has the option of utilising the trade credit balance by either purchasing goods and/or services through the barter agency or by cashing out the balance available.
- 3.2.3. Where RTÉ exercises the cash-out option in respect of a trade credit balance available, the amount paid to RTÉ is 65% of the trade credit amount requested. This means that for every €1,000 worth of trade credit cashed out by RTÉ, RTÉ receive €650 and the trade credit balance is reduced by €1,000 by the barter media agency.
- 3.2.4. In instances where RTÉ exercises the option to purchase goods or services through the barter media agency, RTÉ confirms the value of the purchase to the agency who then pays for the purchase on RTÉ's behalf, subject to an adequate trade credit balance being available. The amount of trade credit utilised by RTÉ for such a purchase is 1.5384 (1 / 0.65) times the amount of the purchase. This means that for a purchase through a barter media agency amounting to €650, the trade credit balance is reduced by €1,000 by the barter media agency.
- 3.2.5. We note that for each sales booking with barter media agencies, RTÉ receives circa 70% of the value of the gross booking amount (or 82.5% of the net booking amount after sales commission) through a combination of an initial cash payment and subsequent utilisation of available trade credit., This is explained in the examples below:
- Example 1 – Cash-out – If RTÉ received a gross booking amount of €12,000, €1,800 is immediately deducted as 15% agency commission. Of the balance, 50% or €5,100 is received in cash and the remaining 50% or €5,100 is added to the trade credit balance maintained by RTÉ and the barter media agency. Where RTÉ decides to cash out the full trade credit balance, it will receive €3,315 while the trade credit balance is reduced by the full €5,100 (a difference of €1,785). The total cash received by RTÉ for a gross advertising sales booking of €12,000 is therefore €8,415 (€5,100 + €3,315), which is circa 70% of the value of the gross booking amount (or 82.5% of the net booking amount after sales commission).
  - Example 2 – Trade Credit Purchase – If RTÉ received a gross booking amount of €12,000, €1,800 is immediately deducted as 15% agency commission. Of the balance, 50% or €5,100 is received in cash and the remaining 50% or €5,100 is added to the trade credit balance maintained by RTÉ and the barter media agency. Where RTÉ decides to utilise this full trade credit balance by requesting the purchase of goods or services through the barter media agency, it will be limited to an amount of €3,315 (€5,100 / 1.5384) while the trade credit balance is reduced by the full €5,100. As in the example of the cash-out transaction above, value received by RTÉ is circa 70% of the value of the gross booking amount (or 82.5% of the net booking amount after sales commission).



### **3.3. Media advertising sales – Booking and recording**

- 3.3.1. RTÉ utilises the Caria web-based platform as the initial point where advertising campaign data is recorded by agencies, including but not limited to information about the advertiser, advertisement duration, target demographic and airing dates.
- 3.3.2. The Implementation Team in RTÉ is responsible for managing television, radio and digital campaigns and transferring campaign data from Caria to Landmarks (RTÉ's sales system).
- 3.3.3. We understand that the Landmarks system is utilised by RTÉ for the central tracking of all advertising campaigns and their airing status, and assigning specific time slots to advertisements. Landmarks also appears to be an essential reporting tool for the creation of data in respect of, for example, aired advertisements, times they were broadcast, and the ratings from viewers (which may have a scheduling and/or financial impact to RTÉ if targets are not achieved).
- 3.3.4. Sales invoices in respect of advertising sales bookings are generated within the Landmarks system and we understand that these are sent to media advertising agencies on the first day of the month succeeding the advertising period. The responsibility for overseeing and executing this invoicing procedure rests with the Accounts Receivable Team within the Finance Team who also perform checks on the sales invoices raised against campaign data and associated values.
- 3.3.5. Advertising campaign bookings with barter media agencies are processed in a consistent manner to this process and the process applied to advertising sales generally by RTÉ. In respect of sales bookings with barter media agencies, the relevant barter media agency is invoiced as the client.
- 3.3.6. We understand from RTÉ that, on a monthly basis, the Implementation Team finalises the sales transactions in Landmarks for that period, and a detailed report listing all sales transactions for the month is generated from Landmarks by the Account Receivable Team. The exported file is subject to a quality review, although evidence of this review is not retained, and we note that at this point it is possible to effect manual adjustments (for example to correct account codes) to the exported sales list.
- 3.3.7. The exported sales listing from the Landmarks system, once reviewed and adjusted as needed, is imported into RTÉ's financial accounting system Business World (formerly Agresso). This is performed through a batch import process which generates a unique batch transaction number. This process facilitates the processing of advertising revenue and trade debtors within RTÉ's financial records.

- 3.3.8. When the sales invoices are raised, the 15% agency commission is deducted from all advertising sales generated by agencies (including barter media agencies).

The accounting treatment for an example advertising sales invoice raised for €12,000 (gross before commission) is set out below:

Business World account		Income & Expenditure Statement (P&L)		Balance sheet (SoFP)	
Code	Description	DR	CR	DR	CR
1100	Advertising - Gross		€12,000		
1101	Advertising - Agency commission	€1,800			
B250	Debtors Control Account			€10,200	

### 3.4. Initial cash receipt and journal adjustments

- 3.4.1. RTÉ applies a general process with the barter media agencies whereby for each advertising sales booking (trade), 50% of the net booking amount (after deducting 15% agency commission) is paid by the agency in cash and the balance is added to a trade credit balance for bartering purposes. We noted some instances where this ratio was not applied, and we have not been presented with a formal approval process for such variations in line with the required approval terms within the Agency Deal Memoranda. We acknowledge that email discussions were provided showing how the different ratios were discussed and agreed.

- 3.4.2. We understand that, on a monthly basis, RTÉ's Commercial Finance Team generates a monthly "Billable Report" sourced from the Landmarks system. This report reflects the value of barter advertising sales for the corresponding month. A manual journal is then completed by the Commercial Finance Team to journal out 50% of the identified net barter revenue and a temporary credit is posted to prepayments.

Following the same example of an advertising sales invoice raised for €12,000 (gross before commission), the journal entries would appear as follows:

Business World account		Income & Expenditure Statement (P&L)		Balance sheet (SoFP)	
Code	Description	DR	CR	DR	CR
1113	Advertising <sup>11</sup>	€5,100			
B370	Prepayments				€5,100

<sup>11</sup> While not the same as the original account code used for advertising sales, this code forms part of income and the journal therefore has the effect of reducing income.

- 3.4.3. We understand from RTÉ that the Accounts Receivable Team, within the Finance Team monitors and records cash receipt transactions in the Business World finance system. The credit terms for advertising sales invoices is a period of 30 days. The relevant barter media agency is required to process a cash payment to RTÉ equivalent to 50% of the net sales amount (after deducting 15% agency commission) within the credit terms.

Following the same example of an advertising sales invoice raised for €12,000 (gross before commission), the recording of such a cash receipt would be as follows:

Business World account		Income & Expenditure Statement (P&L)		Balance sheet (SoFP)	
Code	Description	DR	CR	DR	CR
B500	RTÉ BOI - no. 1 Main Account			€5,100	
B250	Debtors Control Account				€5,100

- 3.4.4. At this point, after receiving the initial cash payment from the barter media agency, a debtor amount equal to 50% of the net sales amount (after deducting 15% agency commission) would remain unpaid.
- 3.4.5. A manual journal is then prepared and posted to remove the remaining amounts from the RTÉ balance sheet by a member from the Accounts Receivable Team.

Following the same example of an advertising sales invoice raised for €12,000 (gross before commission), this journal entry to remove the outstanding balance sheet entries would appear as follows:

Business World account		Income & Expenditure Statement (P&L)		Balance sheet (SoFP)	
Code	Description	DR	CR	DR	CR
B370	Prepayments			€5,100	
B250	Debtors Control Account				€5,100

- 3.4.6. At this point, any amount owed to RTÉ is now off-balance sheet and not contained within RTÉ's financial accounts. The trade credit balance is now manually tracked on a spreadsheet maintained by RTÉ and separately maintained by each barter media agency.
- 3.4.7. RTÉ has not provided us with a formally approved policy and procedure in place with respect to this area reviewed in respect of cash receipts and journal adjustments to reflect barter arrangements.

### 3.5. Trade credit balance statements and cash-outs

- 3.5.1. RTÉ has confirmed that barter media agencies provide RTÉ with (quarterly) manual statements (Excel files) which show the barter sales transactions recorded with each agency, the amounts cashed out or used through purchases, and the remaining trade credit balances available.
- 3.5.2. We understand that a member of the Commercial Team completes (quarterly) reconciliations of these barter trade credit statements and a further annual reconciliation is completed by the RTÉ Commercial Team against internal sales schedules, records and agreements.
- 3.5.3. In cases where discrepancies between internal RTÉ records and agency statements arise, the RTÉ Commercial Team noted that it will contact the barter agency to resolve same.
- 3.5.4. Once the RTÉ Commercial Team are satisfied with the completion of the trade credit statement reconciliation process for each barter media agency, a decision can be made within RTÉ to cash out some or all of the trade credit balance whereby RTÉ generates a sales invoice to the barter media agency, requesting 65% of the trade credit value to be cashed out. Mazars were not provided with a formally documented process or evidence of decision approval in respect of requested cash-outs. We acknowledge email evidence provided by RTÉ in respect of two cash-out instances which indicates awareness between the Commercial Team and Finance Team of the decision to cash out.
- 3.5.5. All RTÉ sales invoices are denominated in €. The barter media agency statements for [Barter media agency 2] are maintained in Stg£, while the [Barter media agency 1] and [Barter media agency 3] statements are maintained in €. RTÉ and the [Barter media agency 2] use a set conversion rate of 1.13 to convert € amounts into Stg£ for the purposes of trade credit balance calculations. There has been no change to this foreign exchange ratio applied since 2017. Payments are received in € in the RTÉ bank account.
- 3.5.6. RTÉ has not provided us with a formally approved policy and procedure in place with respect to this area reviewed in respect of barter media agencies trade credit balance statement reconciliations and cash-outs.

### 3.6. Goods / Services purchased through barter media agencies

- 3.6.1. In accordance with the general process applied by RTÉ with barter media agencies, as an alternative to cashing out the available trade credit balance with barter media agencies, RTÉ can arrange to make purchases of goods or services through the barter media agencies.
- 3.6.2. Based on our review of the three barter media agency accounts for the period from 2017 to 2022, [Barter media agency 1] was the primary account where RTÉ utilised the option of purchases to utilise the available trade credit balance. RTÉ has presented information which confirmed that the [Barter media agency 3] account was not used to make any purchases and that there were only two purchases made on the [Barter media agency 2] account in 2017.
- 3.6.3. An individual in the Commercial Team is responsible for facilitating and recording of barter trade credit account purchases made by RTÉ.
- 3.6.4. RTÉ has provided a manually maintained internal schedule which records barter trade credit account purchases, detailing the RTÉ requester's name, the date the request was made, the event name, the event date, the cost as stated on the invoice or receipt, and the amount deducted from barter media agency's trade credit balance (calculated as the original value times 1.5384). RTÉ confirmed that these records of purchase activities through barter media agencies are only available from mid-2018 onwards.
- 3.6.5. The barter trade credit account purchase is initiated when a requester submits details of the purchases or expenses needed for an event to the responsible person in the Commercial Team. Such requests could include costs associated with, for example, booking hotels, restaurants, flights, and other related services. Our analysis of the nature and extent of these purchases is ongoing. We have not seen evidence of any formal approval process, approval thresholds or approval hierarchy in place within RTÉ or specifically within the Commercial Team in respect of these purchases, although we understand that the transactions are coordinated by a member of the Commercial Team .
- 3.6.6. Depending on the nature of the purchase, the transaction will be supported by an invoice or receipt to RTÉ or the barter agency (normally [Barter media agency 1]). When [Barter media agency 1] make a payment on behalf of RTÉ based on the invoice or receipt, they will provide RTÉ with a booking form which includes the supplier name, description, cost of the invoice or receipt and trade credits used. The responsible individual in the Commercial Team will sign and date the booking form and return it to [Barter media agency 1].
- 3.6.7. We understand that RTÉ requests for such purchases that invoices are addressed to the barter media agency for the agreed amount to be paid on RTÉ's behalf. The barter media agency is normally billed in euro and make payments using the exchange rate for that day. As such there can be exchange rate differences.
- 3.6.8. RTÉ informed Mazars that certain key personnel within the RTÉ Commercial Division have access to request purchases through the barter trade credit account. Mazars notes that this is not formally documented or agreed within a policy or procedure. Additionally, based on our initial analysis and through discussions with RTÉ, other staff not referred to

as the authorised users may have on occasion made purchases through the barter account.

- 3.6.9. We understand from RTÉ that procurement or quotation processes are not used in deciding to make purchases through barter media agencies. The nature of the barter arrangements meant that the type of purchasing involved as outside of RTE’s standard purchasing and procurement processes and as a result the associated internal controls and approvals processes for purchasing and procurement were not followed. RTÉ confirmed that discussions are held directly with the barter media agencies to obtain value for money in respect of any trade credit purchases made, with reliance being placed on the expertise of the agencies to secure favourable terms and maximise the use of trade credits. No evidence of this part of the process was provided to Mazars.
- 3.6.10. As part of our review work, Mazars sought to access the supporting documentation and communications around requests for purchases through barter media agencies. We note that supporting evidence such as invoices, receipts and booking forms relating to these purchases are not stored by RTÉ in an easily accessible manner, and requires detailed searches of electronic mail boxes (over 1,400 emails relating to the period under review) to identify whether such evidence exists.
- 3.6.11. We understand that, as part of RTÉ’s financial year end close process, a reconciliation of barter account purchases is completed by a member of the Commercial Finance Team. As part of this reconciliation, the barter media agency statements are reviewed and compared to the record of purchase activity maintained by the responsible individual in the Commercial Team. This results in identification of the expenditure categories and account codes applicable to barter trade account purchases for the purpose of bringing these transactions into the financial accounts of RTÉ.

A manual journal is created and posted for this expenditure, with the corresponding entry increasing advertising revenue. An example of the manual journal entry pertaining to barter trade account purchases is set out below:

Business World account		Income & Expenditure Statement (P&L)		Balance sheet (SoFP)	
Code	Description	DR	CR	DR	CR
4001	Staff Subsistence	1,000			
4002	Staff Air Fares	1,000			
6651	Audience Research	1,000			
6701	Representation Business	1,000			
7000	Promotion Costs	1,000			
1113	Advertising		5,000		

- 3.6.12. RTÉ confirmed to Mazars that the manual journals noted above were not included within RTÉ financial accounts for 2017 and 2018. These year end journals were only posted from 2019 onwards.
- 3.6.13. We noted that this manual journal only accounted for the barter trade account balance utilised through purchases with barter media agencies during the year, and did not account for or bring into the financial accounts of RTÉ the remaining trade credit balances

with barter media agencies (prior to an adjustment made as part of RTÉ’s year-end and external audit process in respect of the 2022 financial year).

- 3.6.14. Mazars noted that purchases made through barter media agencies are not subject to budgetary controls or (monthly) budgetary reporting and the annual budget of RTÉ does not include a specific category designated for purchases through barter media agencies.
- 3.6.15. Based on our analysis of barter purchase transactions to date, we have not identified any benefit to RTÉ in exercising the option to make purchases through barter media agencies rather than cashing out on the available trade credit balance, as the value received appears to be the same or similar.
- 3.6.16. RTÉ has not provided Mazars with a formally approved policy and procedure in place with respect to this area reviewed in respect of goods or services purchased through barter media agencies
- 3.6.17. RTÉ provided us with a Code of Business Conduct which contains guidelines to staff in respect of gifts and entertainment. We note that this code does not set specific thresholds or approvals required that could be applied to barter media agency related purchases. RTÉ explained that the code is a principles based code and for that reason thresholds are not contained within it in respect of gifts and entertainment but that RTÉ personnel are expected to adhere to the principles of ‘honesty and integrity in the conduct of business activities’, ‘loyalty to RTÉ’, and ‘confidentiality’.

### 3.7. Summary of trade credit balances at 31<sup>st</sup> December 2022

- 3.7.1. RTÉ provided Mazars with the following amounts in respect of trade credit balances at the 31<sup>st</sup> December 2022 year-end:

Barter media agency	Barter statement trade credit value at 31 <sup>st</sup> December 2022	Trade credit cash-out value of 65% calculated by RTÉ
[Barter media agency 1]	€223,515	€145,285
[Barter media agency 2]	€129,972	€84,482
[Barter media agency 3]	€344,335	€223,818
<b>Total<sup>12</sup></b>	<b>€697,822</b>	<b>€453,585</b>

- 3.7.2. We understand that a calculation similar to the above table will be completed at each year-end going forward to account for the trade credit balance at the cash-out value. Mazars have not validated these amounts as the process of examining the barter trade credit accounts is ongoing.

<sup>12</sup> Rounding differences of €1 in both totals.

### 3.8. Summary of barter media agency transactions

3.8.1. RTÉ has confirmed to Mazars that the following transactions represent the total of activity with barter media agencies for the period under review (2017-2022):

*[Barter media agency 1]*

Period	Gross Sales (100%)	15% Trade Commission	Net Sales	Cash receipt	Trade credit addition	Trade Credit Purchase Goods / Services Value	Trade Credit Cash-out Value	Balance of trade credit
Pre 2017 <sup>13</sup>	€2,302,335	€345,350	€1,956,985	€1,237,963	€719,022	€452,582	€85,619	€180,821
2017	€395,499	€59,325	€336,174	€168,087	€168,087	€182,469	-	€166,439
2018	€478,364	€71,755	€406,609	€203,305	€203,304	€232,890	-	€136,853
2019	€475,679	€71,352	€404,327	€202,164	€202,163	€436,914	-	(€97,898)
2020	€465,730	€69,860	€395,870	€197,935	€197,935	€631	-	€99,406
2021	€1,321,979	€198,297	€1,123,682	€561,841	€561,841	€23,606	€99,402	€538,239
2022	€1,296,879	€194,532	€1,102,347	€551,174	€551,173	€327,658	€538,239	€223,515
<b>Total 2017 – 2022:</b>	<b>€4,434,130</b>	<b>€665,121</b>	<b>€3,769,009</b>	<b>€1,884,506</b>	<b>€1,884,503</b>	<b>€1,204,168</b>	<b>€637,641</b>	

*[Barter media agency 2]*

Period	Gross Sales (100%)	15% Trade Commission	Net Sales	Cash receipt	Trade credit addition	Trade Credit Purchase Goods / Services Value	Trade Credit Cash-out Value	Balance of trade credit
Pre 2017	€262,450	€39,368	€223,082	€111,541	€111,541	-	-	€111,541
2017	€90,562	€13,585	€76,977	€38,489	€38,488	€4,012	-	€146,017
2018	€274,566	€41,185	€233,381	€119,040	€114,341	-	-	€260,358
2019	€547,410	€82,112	€465,298	€245,883	€219,415	-	-	€479,773
2020	€478,607	€71,791	€406,816	€217,288	€189,528	-	-	€669,301
2021	€721,869	€108,280	€613,589	€322,820	€290,769	-	€669,302	€290,768
2022	€305,833	€45,875	€259,958	€129,979	€129,979	-	€290,768	€129,972 <sup>14</sup>
<b>Total 2017 – 2022:</b>	<b>€2,418,847</b>	<b>€362,828</b>	<b>€2,056,019</b>	<b>€1,073,499</b>	<b>€982,520</b>	<b>€4,012</b>	<b>€960,070</b>	

*[Barter media agency 3]*

Period	Gross Sales (100%)	15% Trade Commission	Net Sales	Cash receipt	Trade credit addition	Trade Credit Purchase Goods / Services Value	Trade Credit Cash-out Value	Balance of trade credit
Pre 2017	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	€57,084	€8,562	€48,522	€24,261	€24,261	-	-	€24,261
2022	€493,438	€74,016	€419,422	€99,348	€320,074	-	-	€344,335
<b>Total 2017 – 2022:</b>	<b>€550,522</b>	<b>€82,578</b>	<b>€467,944</b>	<b>€123,609</b>	<b>€344,335</b>	<b>-</b>	<b>-</b>	

<sup>13</sup> The inclusion of transaction values prior to 2017 is to illustrate the opening balance of trade credit on 1 January 2017.

<sup>14</sup> Includes an unknown difference of €7



## Appendix A: Review Terms of Reference

Pursuant to section 109(7)(a) of the Broadcasting Act 2009 (as amended), as of 12 July 2023 Mazars have been appointed by the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media to examine the books and other records of account of RTÉ. Under section 109(7)(a) of the Broadcasting Act 2009, RTÉ, the Director General and any relevant member of staff is required to facilitate any such examination by Mazars.

The terms of reference of the examination are as follows:

- (a) to identify all off-balance sheet accounts currently held by RTÉ or held during the period 2017 to 2022;
- (b) to identify and examine all transactions made through the barter account and any other off-balance sheet account identified by Mazars for the period 2017 to 2022;
- (c) to identify whether transactions made through the barter account or any other off-balance sheet accounts which have been identified in the period under examination were correctly identified and recorded in the audited Financial Statements of RTÉ presented to the Minister under section 109(4) of the Broadcasting Act 2009;
- (d) in examining the transactions, to consider all relevant available documentation and to meet with relevant persons, as appropriate;
- (e) to furnish interim reports to the Department as required;
- (f) to furnish a final report to the Department; and,
- (g) these terms of reference may be amended by the Department from time to time, including to expand the scope or duration of the examination.