

**Reference ID:** PAC21

**PAC Letter Reference:** S1399 PAC33

**Query:** Copies of any reports submitted by the internal audit department at RTÉ to the audit and risk committee, including any special reports on individual items in addition to internal audit reports

**Response:**

See attached listing of reports. Reports are organised into folders from 2013 to 2023, cross-referenced in number to the listing of reports attached.

# RTÉ Internal Audit

## Review of Internal Financial Control in 2rn

7 February 2019

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

[Redacted]

**RTÉ:**

[Redacted]



# Background and Scope

## Background

### Introduction

RTÉ Transmission Network DAC is a wholly owned subsidiary of RTÉ and trades as 2rn.

This report sets out the findings of Internal Audit's review of the financial processes in 2rn and the financial control self-assessment questionnaire. This report should be considered in conjunction with the 2rn Risk Register.

### Regulatory / Legislative Background

#### **a) Code of Practice for the Governance of State Bodies**

Section 7.5 of the 2016 Code of Practice for the Governance of State Bodies ("the Code") outlines that:

*"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, the Code's 'Business and Financial Reporting Requirements', a supporting document to the main Code, outlines that:

*"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each Division and corporate functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

In the Annual Report for the year-ended 31 December 2018, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

#### **b) Directors' Compliance Statement**

The Companies Act 2014 imposes a requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Objective and Scope

The scope of this review were the financial controls in place in 2rn at 31 December 2018. This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes and control activities set-out in *Appendix A*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the financial processes in 2rn (*set-out in more detail in the table overleaf*);
- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and
- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

- ✗ IT audit of the financial systems;
- ✗ A full regulatory audit of the Tariff Pricing Models.

This review was focused on verification and testing of the operation of controls – via inspection, review of process flows and substantive testing – and did not represent a full financial audit of each process.

# Objectives and Scope

## Objective and Scope (Cont'd)

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview of control questions
<b>A</b>	<b>Purchasing and accounts payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; payment procedures
<b>B</b>	<b>Sales and accounts receivable</b>	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; reconciliations
<b>C</b>	<b>Cash and treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation / sign-off
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value; authorisation of right-offs
<b>E</b>	<b>Fixed assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval
<b>F</b>	<b>People payments</b>	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; filing of returns
<b>G</b>	<b>Management accounts / financial close</b>	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts
<b>H</b>	<b>Tax compliance – VAT / Employment Taxes</b>	VAT; PAYE / PRSI, Professional Services Withholding Tax – covered as part of work on the Directors' Compliance Statement

# Risk and Summary Findings

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 5 – Failure to grow Commercial Revenue

Other specific RTÉ risks relevant to this report are as follows:

- Proper books of account not being maintained
- Fraud

The audit has also taken into account the 2rn Risk Register.

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 88%+ across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Self Assessment Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No issues were identified in this audit which merit classification as “key management issues”.

Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by Internal Audit.

Due to limited numbers of staff within certain functions, namely Treasury and Payroll, all functions are not fully segregated. In mitigation, all payroll and banking transactions and postings are approved by the Financial Controller. Refer to the action plan in Appendix C for more details on this area.

# Conclusion and Rating

## Overall Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of internal financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2018, focusing on reviewing the key financial controls. Responsibility for certain financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, as summarised in Appendix A, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

## Rating



SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2018 and examine documentation, evaluation sheet, award letter, etenders notification, etc.</li> </ul>	Observation and inspection
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Walkthrough Testing and Approval
3)	All invoice payments and payment runs are authorised by appropriate personnel	<ul style="list-style-type: none"> <li>Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.</li> </ul>	Substantive testing
		<ul style="list-style-type: none"> <li>Review a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	<ul style="list-style-type: none"> <li>Check a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Observation and inspection
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	<ul style="list-style-type: none"> <li>Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.</li> </ul>	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	<ul style="list-style-type: none"> <li>Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.</li> </ul>	Substantive testing
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines 2015	<ul style="list-style-type: none"> <li>Select a 2rn Purchase Card envelope for one month in 2018 and confirm that supporting documentation is in place with appropriate approval.</li> </ul>	Observation and inspection
		<ul style="list-style-type: none"> <li>Inspect files generally for existence, approval and retention.</li> </ul>	Observation and inspection
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Walkthrough Testing

	Key Control Activity	Summary of Test of Control	Testing Approach
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed	<ul style="list-style-type: none"> <li>Inspect contract / Accommodation Request Form (ARF) with supporting documentation for one order.</li> </ul>	Observation and inspection
10)	All discounts from rate card are approved by an appropriate official in advance	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card</li> </ul>	Observation and inspection
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Examine a reconciliation of the debtors’ listing / ledger to the debtors’ control account in the GL for one month and review reconciling items</li> </ul>	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	<ul style="list-style-type: none"> <li>Analyse aged debtor listing for one month</li> </ul>	Substantive testing
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	<ul style="list-style-type: none"> <li>Verify approval of, and reason for, a sample of credit notes selected from [REDACTED] Consider the appropriateness of the Approver.</li> </ul>	Observation and inspection
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	<ul style="list-style-type: none"> <li>Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books</li> </ul>	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Observation and inspection
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	<ul style="list-style-type: none"> <li>Audit the bank reconciliation for each bank account for one month and check for review by a senior person.</li> </ul>	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	<ul style="list-style-type: none"> <li>Verify that reconciling items were cleared by the next month end.</li> </ul>	Substantive testing
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and</li> </ul>	Observation and inspection



	Key Control Activity	Summary of Test of Control	Testing Approach
	signatories and authority limits. There is also formal procedures and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	for non-cheque payments (EFT etc) and verify dual signatories based on authority limits	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.</li> </ul>	Substantive testing
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Observation and inspection
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	<ul style="list-style-type: none"> <li>Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.</li> </ul>	Substantive testing
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person</li> </ul>	Observation and inspection
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Substantive testing
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Observation and inspection
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures</li> </ul>	Observation and inspection
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	<ul style="list-style-type: none"> <li>Select a sample of Travel &amp; Subsistence claims and check to see if they are supported by receipts and filed as appropriate</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records	<ul style="list-style-type: none"> <li>Audit the reconciliation between [REDACTED] and [REDACTED] payroll records for one month.</li> </ul>	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and [REDACTED] payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Review the reconciliation between PAYE/PRSI return to the revenue to [REDACTED] and NorthgateArinso records for one month</li> </ul>	Substantive testing
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>View the management accounts for one month</li> </ul>	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	<ul style="list-style-type: none"> <li>Examine that reconciling items have been closed off</li> </ul>	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.</li> </ul>	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	<ul style="list-style-type: none"> <li>Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.</li> </ul>	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	<ul style="list-style-type: none"> <li>Assess and review the monthly accruals process</li> </ul>	Observation and inspection
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	<ul style="list-style-type: none"> <li>Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL.</li> <li>Verify that the VAT returned has been filed by the due date</li> </ul>	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	<ul style="list-style-type: none"> <li>Check a PAYE/PRSI return has been correctly filed on time for one month.</li> </ul>	Substantive testing
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns by 2rn	<ul style="list-style-type: none"> <li>Obtain listing of all other taxation returns / payments submitted by 2rn during 2018 (Professional Services Withholding Tax)</li> <li>Check that the return has been filed on time and correctly for one month.</li> </ul>	Substantive testing

**INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE - YEAR-ENDED 31 DECEMBER 2018  
SUMMARY OF SCORES**

Section	Process Area	Score	Maximum Score	Percentage	<i>Please list any questions to be completed by RTÉ Shared Service functions.</i>
<b>A</b>	<b>Purchasing and Accounts Payable</b>	35	40	88%	
<b>B</b>	<b>Sales and Accounts Receivable</b>	31.5	36	88%	
<b>C</b>	<b>Inventory</b>	14	16	88%	
<b>D</b>	<b>Cash and Treasury</b>	21	24	88%	
<b>E</b>	<b>Fixed Assets</b>	15.5	16	97%	
<b>F</b>	<b>People Payments</b>	14	16	88%	
<b>G</b>	<b>Management Accounts / Financial Close</b>	20	20	100%	
<b>H</b>	<b>Tax Compliance</b>	8	8	100%	

Note: Taxation is also covered in more detail as part of audit work on Director's Compliance Statement

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><b><u>Segregation of Duties</u></b></p> <p>Due to limited numbers of staff within certain functions and recent changes in staffing, all functions within these areas are not fully segregated.</p> <p>In order to address this, 2rn have segregated the key control functions within each area, by applying the following key controls:</p> <ul style="list-style-type: none"> <li>• <b>Treasury</b> <ul style="list-style-type: none"> <li>- While duties are not fully segregated in this area, the main control is enforcing segregation between the person responsible for bank lodgments and the person completing the bank reconciliations.</li> <li>- All bank reconciliations are also signed off by the Financial Controller.</li> </ul> </li> <li>• <b>Payroll</b> <ul style="list-style-type: none"> <li>- All adjustment sheets and payroll reports are signed off the Financial Controller.</li> <li>- Payroll journals are posted by Central Finance in RTÉ.</li> </ul> </li> <li>• <b>Accounts Payable</b> <ul style="list-style-type: none"> <li>- The supplier master file for 2rn is managed and updated centrally by Central Procurement, meaning that a new supplier cannot be added without their knowledge or involvement.</li> <li>- The task of ordering/receipting goods is segregated from the person responsible for making payments.</li> <li>- Approval and sign-off from the Financial Controller and the Managing Director are required prior to making</li> </ul> </li> </ul>		<p>In the context of recruitment currently taking place, 2rn will continue to ensure that these key controls are in place and monitor whether sufficient segregation of duties are in place for each of the finance functions.</p>	L	<p>██████████ Ongoing</p>

	<b>Finding</b>	<b>Management Comment</b>	<b>Agreed Action</b>	<b>Priority</b>	<b>Manager responsible and Completion Date</b>
	payment runs.				

# RTÉ Internal Audit

## 2rn Data Risk Assessment

2 February 2018

**Circulation:**

- ██████████, Executive Director 2rn
- ██████████, Telecommunications Industry Manager
- ██████████, Regional Manager
- ██████████, IT Engineer



# Background

## 1. Background

### Introduction

The EU has reformed its rules on data protection in order to harmonise such rules across the EU and to reflect changes in technology and how data is generated and used. The EU's General Data Protection Regulations ("GDPR") will be directly applicable in all EU Member States, including Ireland, on 25 May 2018.

### Current Law

The Data Protection Acts 1988 and 2003 transposes Directive 95/46/EU into Irish law (the "DPA"). The DPA focuses on eight main principles:

- Obtain and process the information fairly
- Keep it only for one or more specified and lawful purposes
- Process it only in ways compatible with the purposes for which it was given initially
- Keep it safe and secure
- Keep it accurate and up-to-date
- Ensure that it is adequate, relevant and not excessive
- Retain it no longer than is necessary for the specified purpose or purposes
- Give a copy of his/her personal data to any individual, on request.

The DPA applies to personal data which is defined as "any information relating to an identified natural person".

2rn is a "Data Controller" defined as a person or entity who, either alone or with others, controls the contents and use of personal data. In addition, on occasions 2rn engages certain third parties to process data on its behalf. These parties are known as "Data Processors". Processing means doing anything with personal data: from collection, using, copying to destroying the personal data.

### GDPR

Many existing regulatory concepts on data protection will be retained under GDPR, but there will be significant changes that require consideration and preparation.

GDPR has significantly enhanced the obligations of Data Controllers and Data Processors. It introduces very detailed obligations on organisations to act transparently in relation to its data. GDPR also introduces specific restrictions and conditions impacting the existing rules on consent (for use of data) and legitimate interests.

The GDPR also gives individuals the right to sue data controllers, such as 2rn, for non-material loss. The emphasis in GDPR is on a more complex concept of 'consent'; the enhanced rights of the individual data subject; a greater focus on data security and privacy by design; and, above all, transparency.

This is a central tenet: organisations must be wholly transparent – what data is collected, why the data is needed and how it is used. Organisations must know what they are doing with personal data and must say it up front. Organisations must protect the privacy of people's data above all else.

### GDPR Compliance

The GDPR increases the compliance burden on organisations and the potential fines under the GDPR are high.

The GDPR provides for a two-tier fine system, depending on the type of non-compliance. For lower tier offences, a fine up to the higher of €10 million or 2% of the organisation's total worldwide annual turnover in the previous year may be imposed. Lower tier offences include breach of privacy by design obligations, rules relating to processor contracts, record keeping obligations and processing security obligations.

For upper tier offences, a fine up to the higher of €20 million or 4% of the organisation's total worldwide annual turnover in the previous year may be imposed. Upper tier offences include breach of the basic principles of processing personal data (including conditions for consent), infringing data subjects' rights and unlawful transfers of data outside of the European Economic Area ('EEA').

In late 2017, the Executive Director 2rn requested Internal Audit to carry out a review of 2rn's preparedness for the introduction of GDPR.

# Scope and Summary

## 2. Scope

The scope of this review was the data being gathered in 2rn as part of day to day business activities. The data is documented in Appendix 1 and, for each data source identified, we recorded the following:

- Description of data
- System / repository used
- Whether it comprises “personal data”
- Individual(s) covered by the data
- Location of data
- Security governing access to the data
- Physical state
- Risk rating

The audit did not address:

- ✗ Data collected / managed via RTÉ Shared Services (██████████) as this is subject to a broader review as part of RTÉ’s GDPR project
- ✗ IT audit of the data

## 4. Executive Summary

The EU has reformed its rules on data protection in order to harmonise such rules across the EU and to reflect changes in technology and how data is generated and used. The General Data Protection Regulations will be directly applicable in all EU Member States on 25 May 2018. The Executive Director 2rn requested Internal Audit to carry out a review of 2rn’s preparedness for the introduction of GDPR.

Internal Audit compiled a register of the data being gathered by 2rn as part of its business activities. Some of this data meets the definition of personal data and, in some cases, the data is hosted by third parties. While the level of personal data being gathered is relatively limited, a number of actions should be carried out in advance of May 2018 in order to be fully compliant with GDPR. While many existing regulatory concepts on data protection will be retained under GDPR, there will be significant changes and it is now timely to consider and prepare for these changes. The actions are set-out in Appendix 1 and summarised overleaf.

We appreciate the assistance received from 2rn personnel during the course of this review.

## 3. Risks

The key Group corporate risks addressed by the report are as follows:

- Risk # 1 – Reputation Risk
- Risk # 6 – Business continuity and disaster recovery



# Actions

## 5. Actions

The actions which should be put in place in advance of the introduction of GDPR are summarised below. Refer to Appendix 1 – *Register of Data in 2rn* – for full description of the action and for further background and context.

<i>Area / Theme</i>	<i>Data Line in Register</i>	<i>Summary Actions</i>
<b>1. Websites</b>	1, 4	Terms & Conditions and a Privacy Policy should be put in place for the [REDACTED], visible at the point of creating a new account and permanently visible at the bottom of the web pages.
<b>2. Contracts with 3rd Parties / Hosted Service Providers</b>	1, 2, 3, 4	<ul style="list-style-type: none"><li>▪ Undertake a legal review the contract with the Service Provider to include the addition of relevant specific GDPR clauses therein.</li><li>▪ Ascertain if any data sub-processors are used by the Service Provider and if they are appropriately approved by 2rn.</li><li>▪ Determine if the servers are located in the European Economic Area.</li><li>▪ Confirm / reconfirm there is a lawful basis on which to obtain / process the data gathered.</li></ul>
<b>3. Structures and Responsibility</b>	All	Assign a single GDPR coordinator / champion to monitor and coordinate the activities and actions in 2rn ahead of May 2018.
<b>4. Policies &amp; Procedures – general</b>	All	<ul style="list-style-type: none"><li>▪ Ensure an updated Information Security Management System Policy is in place for 2rn</li><li>▪ Create a Data Retention and Destruction Policy and where feasible impose the terms of the 2rn policy on Suppliers</li></ul>
<b>5. Training</b>	General	Agree a communication / training plan to inform staff of the EU's General Data Protection Regulations and the impact on their day to day business activities, linking with the RTÉ programme as appropriate.

**Responsibility:** [REDACTED]

*Appendix 1 – Register of Data in 2rn*

APPENDIX 1 - REGISTER OF DATA GATHERED IN 2RN

Item	Description of Data	System / Repository	Personal Data?	Description of data	Individual(s) covered by the data	Location	Security	Physical State	Risk Rating	Actions to improve security / compliance
Specific to 2rn										
1	Online booking records for access to 2rn sites at pre-approved time slots	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
2	Email records	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
3	Repository for various document. (This is a document management system accessible via email Apps)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
4	Records of registered users of the login functionality of www.2rn.ie	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
5	Schedule of Engineers' service calls and log of completed work	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
6	System to monitor the transmission network	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
7	Maintenance and technical data (to check links etc.)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]

Item	Description of Data	System / Repository	Personal Data?	Description of data	Individual(s) covered by the data	Location	Security	Physical State	Risk Rating	Actions to improve security / compliance
8	Various business and personal data in physical files.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
9	Backups	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		See actions above.
10	Phone records in the National Monitoring Centre	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] se	[REDACTED]	[REDACTED]		[REDACTED]
										[REDACTED]
<b>Managed via RTÉ Shared Services</b>										
11	Personal records of employees, contractors and pensioners	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/a	Addressed as part of RTÉ's review process
12	Financial application	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/a	Addressed as part of RTÉ's review process
13	Travel and subsistence claims	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/a	Addressed as part of RTÉ's review process
14	Various business and personal data in physical files.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	N/a	Addressed as part of RTÉ's review process

# RTÉ Internal Audit

## Review of 2rn Internal Financial Control

12 March 2021

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

██████████ Chairman RTÉ Transmission Network DAC (trading as 2rn)  
██████████ Executive Director 2rn  
██████████, Financial Controller 2rn

**RTÉ:**

██████████, Group Financial Controller



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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# Introduction, Background and Risk

## Introduction

RTÉ Transmission Network DAC is a wholly owned subsidiary of RTÉ and trades as 2rn.

This report sets out the findings of Internal Audit's review of the financial processes and internal control in 2rn, in conjunction with the annual financial control self-assessment questionnaire. This report should be considered in conjunction with the 2rn Risk Register.

## Background

The effectiveness of internal control and the annual review of same for 2rn is governed by two external requirements, being:

- Code of Practice for the Governance of State Bodies ("the Code"); and
- Companies Act 2014.

### ***Code of Practice for the Governance of State Bodies:***

Section 1.8 of the Code states that:

"The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place."

Each year, as part of the year end process, Internal Audit carries out testing and review of internal controls of 2rn to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each Division and corporate functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of internal financial controls.

In the Annual Report for the year-ended 31 December 2020, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

### ***Companies Act 2014:***

The Companies Act 2014 imposes a requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Risk

The key RTÉ corporate risks addressed by the report are as follows:

- Risk #11 – Management of Finances and Business Planning;
- Risk #12 – Changes in Legislation/Regulation and Compliance; and
- Risk #4 – Commercial Revenue.

*(Based on Q4 2020 rankings, currently under review)*

Other specific risks relevant to this report are as follows:

- Fraud; and
- Regulatory / maintaining proper books of account.

# Objective and Scope

## Objective

The objective of this audit was to review the company's internal financial control and processes and conclude on the effectiveness of same.

## Scope

The scope of our review covered the internal financial controls set-out in *Appendix A* from 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020 and included the following considerations:

- Testing the existence and operation of the key controls in place in respect of the financial processes in 2r; and
- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the results of our testing.

The scope did not include:

- ✗ IT audit of the financial systems; and
- ✗ A full regulatory audit of the Tariff Pricing Models.

The Internal Financial Control review does not represent a full financial audit of each process.

# Controls

## Key Controls

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview
<b>A</b>	<b>Purchasing and Accounts Payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
<b>B</b>	<b>Sales and Accounts Receivable</b>	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
<b>C</b>	<b>Cash and Treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
<b>E</b>	<b>Fixed Assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
<b>F</b>	<b>People Payments</b>	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
<b>G</b>	<b>Management Accounts/Financial Close</b>	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
<b>H</b>	<b>Tax Compliance</b>	Preparation and submission of VAT workings for returns; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.



# Findings

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review. Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by Internal Audit.

- ✓ The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.
- ✓ The effectiveness ratings assigned to the financial controls in the Internal Financial Control Self Assessment Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No issues were identified in this audit which merit classification as “key management issues”.

Other matter:

- *Segregation of Duties:* It is difficult to achieve full segregation of duties in smaller Finance functions and the 2rn Treasury and Payroll functions are not fully segregated as a result. In order to address this, over recent years, 2rn has segregated a number of key controls as a mitigating action. For example, all payroll and banking transactions and postings are approved by the Financial Controller. All bank reconciliations are also signed off by the Financial Controller and Payroll journals are posted by Central Finance in RTÉ. These controls operate effectively, and we have no findings to report in this regard

# Conclusion and Report Rating

## Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2020, focusing on key controls. Responsibility for majority of financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation and effectiveness of a sample of financial controls in 2rn as noted within *Appendix A*. The results of our testing has been merged with the results of the completed Internal Financial Control Questionnaire – please see *Appendix B*. This highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes.

It is on the basis of the above findings that we assess the overall standard of the process as “Satisfactory”.

## Report Rating



SATISFACTORY

**Auditor: Tess O'Neill, Internal Audit Manager**

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2020 and examine documentation, evaluation sheet, award letter, eTenders notification, etc.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices.	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	<ul style="list-style-type: none"> <li>Test one EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger.</li> </ul>	Re-performance.
		<ul style="list-style-type: none"> <li>Test a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	<ul style="list-style-type: none"> <li>Examine a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	<ul style="list-style-type: none"> <li>Test one creditor reconciliation and ensure all reconciling items have been followed up and cleared the following month.</li> </ul>	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	<ul style="list-style-type: none"> <li>Test one creditor reconciliation and ensure the creditors' listing agrees to the GL.</li> </ul>	Re-performance.
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines.	<ul style="list-style-type: none"> <li>Test one Purchase Card envelope and verify that supporting documentation is in place with appropriate approval.</li> </ul>	Re-performance.
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	<ul style="list-style-type: none"> <li>Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.</li> </ul>	Inquiry, Observation and Inspection.
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Test one debtor reconciliation and ensure the debtors’ listing agrees to the GL and review reconciling items.</li> </ul>	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	<ul style="list-style-type: none"> <li>Test one aged debtor listing.</li> </ul>	Re-performance.
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	<ul style="list-style-type: none"> <li>Test the approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Re-performance.
<b>C</b>	<b>Cash and Treasury</b>		
	<i>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</i>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	<ul style="list-style-type: none"> <li>Test a sample of lodgements and check timeliness of recording in books.</li> </ul>	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Inquiry, Observation and Inspection.
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	<ul style="list-style-type: none"> <li>Test one bank reconciliation for each bank account for a sample of periods and check for review by a senior person.</li> </ul>	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that reconciling items were cleared by following month, where applicable.</li> </ul>	Re-performance.
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
<b>C.4</b>	<b>Loan Covenants</b>		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Test one quarterly compliance certificate to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.</li> </ul>	Re-performance.
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Inquiry, Observation and Inspection.
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	<ul style="list-style-type: none"> <li>Test the Fixed Asset Register was reconciled to the GL for sample of periods.</li> </ul>	Re-performance.
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Test one addition and one disposal, verifying they are appropriately authorised in writing by a senior person.</li> </ul>	Re-performance.
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Inquiry, Observation and Inspection.
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Inquiry, Observation and Inspection.
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	<ul style="list-style-type: none"> <li>To be addressed as part of RTÉ Group audit work in this area</li> </ul>	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records.	<ul style="list-style-type: none"> <li>Test the reconciliation between [REDACTED] and [REDACTED] payroll records for one period.</li> </ul>	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and [REDACTED] payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Test the reconciliation between PAYE/PRSI returns to Revenue to [REDACTED] and [REDACTED] records for one period.</li> </ul>	Re-performance.
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>Test that management accounts are approved and submitted to Central Finance for one month.</li> </ul>	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	<ul style="list-style-type: none"> <li>Test that all account balances are reconciled before the submission of management accounts to Central Finance.</li> </ul>	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that intercompany balances (both P&amp;L and B/S) have been reconciled for one month and agree to confirmations from the relevant parties.</li> </ul>	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	<ul style="list-style-type: none"> <li>Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.</li> </ul>	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	<ul style="list-style-type: none"> <li>Test for one month, that the accruals listings are available and reconcile to the GL.</li> </ul>	Re-performance.
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	<ul style="list-style-type: none"> <li>Test that VAT workings reconcile to the GL for one month.</li> <li>Test that the VAT workings were provided to Central for filing.</li> </ul>	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	<ul style="list-style-type: none"> <li>Test that PAYE/PRSI returns have been correctly filed on time for a one period.</li> </ul>	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	<ul style="list-style-type: none"> <li>Test that returns agree to back-up and have been filed on time for one period.</li> </ul>	Re-performance.

## INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2020

Summary of Effectiveness Ratings				
Section	Process Area	Score	Maximum Score	Percentage
A	Procurement and Accounts Payable	33	36	92%
B	Sales and Accounts Receivable	34.8	36	97%
C	Inventory	15	16	94%
D	Cash and Treasury	21.25	24	89%
E	Fixed Assets	15	16	94%
F	People Payments	17.25	20	86%
G	Management Accounts/Financial Close	19.3	20	97%
H	Taxation Compliance	8	8	100%

**Note:**

**Taxation:** also covered as part of audit work on the Director's Compliance Statement.

**Treasury:** additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

# RTÉ Internal Audit

## Report on Commercial Revenue – Digital

1 July 2013

### Circulation:

Chairman (Executive Summary)  
Noel Curran, Director-General  
Executive  
Members of the Audit and Risk Committee



*Extract*



# Executive Summary: Background

## Background

### Budgeted Revenue

Digital is budgeted to generate €[REDACTED] revenue in the year ended 31 December 2013, as analysed below:

### Budget, by Income Type

Advertising & Sponsorship  
Programme Interactive Competitions  
Other Merchandising, Libraries etc  
Content Consumer  
Content (Business to Business)  
Total Budgeted Revenue

€m



### Income

RTÉ Digital may be split into three main income generating divisions: *Digital Commercial Income*, *Merchandising Income* and *Commercial Telecoms*.

### Digital Commercial Income

The majority of Commercial Income derives from advertising sales and sponsorship on *RTÉ.ie* and the *RTÉ Player*. The remaining income under this category is derived from advertising sales on both Aertel and Mobile. Advertisements are sold to both agencies and direct customers based on a rate card / deal sheet.

### Merchandising Income

Merchandising income may be split into two categories: merchandising sales – the sale of DVD's, Box Sets, etc. – and content sales, which is the sale of Video On Demand (VOD) to consumers through deals with third parties such as Netflix, Hulu and UPC.

### Commercial Telecoms

Income generated from commercial telecoms derives from the provision of SMS (text) and premium phone lines services (IVR), in conjunction with competitions on radio and television programmes. Revenue from Premium Lines is reported in Digital only since 1 January 2013. The day to day operations of SMS text and premium lines is managed by the third party vendors.

### Financial Update

The Digital IBD has generated commercial income of €6.5m year-to-date in May 2013. This may be analysed against budget as follows:

Digital Revenue 31 May 2013	Actual YTD €m	Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	6.5	[REDACTED]	(0.7)	(10%)
<b>Broken down by Revenue Type:</b>				
Digital Commercial Income	2.4	[REDACTED]	(1.3)	(35%)
Merchandising Income	1.1	[REDACTED]	0.2	22%
Commercial Telecoms	3.0	[REDACTED]	0.4	15%

### New Sources of Revenue

Digital's intention is to continue to generate income from existing sources while also exploiting new opportunities, as they emerge. These opportunities include content sales with third parties such as iTunes and Amazon, or platform expansions, such as launching the RTÉ Player International.

### RTÉ Guide

Revenue generated from sale of the RTÉ Guide is reported under the Corporate IBD. However, Digital is responsible for its finance function. Circa 78% of the revenue generated from the RTÉ Guide stems from Guide circulation (i.e. the cover price). Advertising and sponsorship make up the remainder.

### IT Systems

The key systems used by Digital personnel are:

- [REDACTED]: Main financial accounting system
- [REDACTED]: Digital Sales Booking system
- [REDACTED]: Trafficking system for hosting of adverts on RTÉ.ie

# Executive Summary: Objectives, Scope & Key Issues

## Scope of audit

The scope of this audit was restricted to the Digital IBD, together with relevant aspects of the Central Accounts Receivable.

- ✗ The audit did not include:
  - ✗ Review of income generated from Merchandising Sales (which was covered in a separate audit of Non-Broadcast Commercial Revenue Television)
  - ✗ IT Audit of the IT systems in use: [REDACTED]
  - ✗ Independent verification of circulation returns figures provided by third parties (RTÉ Guide distributor)

## Objectives of audit

To confirm the existence and operation of controls over the main risks in the Digital sales and accounts receivable functions, to include:

- Customer Account Management;
- Accuracy of pricing of sales;
- Recording of sales bookings;
- Invoicing of customers and issue of credit notes;
- Follow up on overdue accounts;
- Maintenance of appropriate books and records;
- User access controls in place in [REDACTED]; and
- Compliance with relevant laws and regulations.

## Key Management Issues

### Back-up procedures on Origins

The [REDACTED] sales system is backed up on a weekly basis rather than on a daily basis. This is out of line with the back-up controls in place in industry standard sales systems. In the event of a systems failure, this poses a risk of data loss in respect of the sales booked in the period since the last back-up.

### Evidence of Approvals

In some cases we noted that the sales processes provide for verbal approval with no / limited paper-trail of authorisation. Written approval is preferable than verbal approval and represents a stronger control, especially in the event of a dispute with a third party.

# Executive Summary: Conclusion & Rating

## Overall Conclusion

Commercial revenue in Digital IBD was €6.5m for the five month period to 31 May 2013, as compared to a budget of [REDACTED]. Despite a strong growth of 25% in income as compared to the equivalent period in prior year, Digital has experienced a tough trading environment as it works to achieve an aggressive budget target.

The shortfall in revenue may be largely attributed to the impact on advertising and sponsorship arising from the current economic climate and also due to delays in securing new contracts for Content Sales. The Digital sales team operate in a competitive marketplace with many significant structural changes – driven by media consumption habits, technology and the actions of competitors – impacting the industry. New revenue sources continue to be exploited by the sales development team.

While generally strong, the standard of financial and operational control in the commercial revenue function in Digital requires improvements in a small number of areas. As outlined in the action plan, we identified opportunities to tighten control in the areas of IT controls in the sales system, deal approval procedures and some specific sales processing procedures. These actions are currently in progress and some have already been completed. Many of the findings are considered low to moderate priority issues, although the issue of back-up procedures for the [REDACTED] sales system and the lack of evidence of approvals are highlighted as the two key issues in the report.

We appreciate the co-operation and assistance received from Digital IBD and Central Accounts Receivable during the course of this audit.

## Rating



Improvement Needed

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>IT Functionality</b>				
1.	<p><b><u>Back-up procedures</u></b></p> <p>The [redacted] sales system is backed up on a weekly basis rather than on a daily basis. This is out of line with the back-up controls in place in industry standard sales systems.</p> <p>In the event of a systems failure, this poses a risk of data loss in respect of sales booked in the period since the last back-up. This poses a risk for the efficient operation of the sales team and, especially, the finance team in the event of a failure during the monthly financial reporting process.</p>	<p>Agreed. [redacted]</p>	<p>Discussions will be held with the software vendor / RTÉ Technology to investigate the feasibility and cost of back-ups being performed on a daily basis.</p>	H	<p>[redacted] 30 September 2013</p>
2.	<p><b><u>Recording price on the [redacted] sales system</u></b></p> <p>Sales prices are not electronically enforced, within a predefined range, on [redacted]s. As a result, a member of the sales team could input a different price to that per the Rate Card, or the Deal Sheet, agreed with the client / agency.</p> <p>We understand that the option to include this functionality was considered at the time of implementation, but did not progress due to cost reasons.</p> <p>The risk is that members of the sales team could discount inappropriately in order to meet sales targets.</p> <p>As a mitigating control to monitor pricing and discounting, the Sales and Business Development Manager performs a daily manual check of all orders to ensure that rates are in line with the Rate Card / Deal Sheet.</p> <p>However, by their nature, manual controls are less effective</p>	<p>No action planned to amend the [redacted] system as this has been looked at previously and it was determined to be too expensive. This will be addressed with the planned migration to the [redacted] system. [redacted]</p>	<p>This will be considered in the context of any future migration to the [redacted] k system.</p>	M	<p>[redacted] 31 December 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>than system controls – e.g. the reviewer could miss an error, may be unavailable for an extended period of leave or may not have sufficient time to perform such detailed checks.</p>				
3.	<p><b>██████ system limitations</b></p> <p>During the course of our audit, we noted that the invoice description field and the Insertion Order field in ██████s have limited text entry capacity.</p> <p>As a result, there is insufficient space for a full description of the service (i.e. if a customer is being invoiced for several campaigns, the text field may not allow for the entry of all related orders and descriptions of each).</p> <p>The risk arising is that customers receive insufficient information on their invoice resulting in queries regarding orders and billings. This creates inefficiencies and results in delays in processing sales. During the audit we were informed of specific examples where this issue arose.</p>	<p>Certain vital input fields on each booking appear automatically on the invoice and there is usually adequate information included on the invoices.</p> <p>It is recognised that the discretionary field of 30 characters is very limiting for entering information additional to the set fields, but such extra information is rarely required.</p> <p>Query will be put to ██████s about the possibility of expanding this field. (██████)</p>	<p>Discussions will be held with the software vendor to investigate the feasibility and cost of amending the data field to allow for a broader text field, thereby facilitating more accurate descriptions of invoices and insertion orders.</p>	L	<p>██████ 30 September 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Sales bookings and approval process</b>				
4.	<p><b><u>Lack of formal signoff of “Off Rate Card” transactions</u></b></p> <p>The Sales team are required to request approval in respect of transactions which are “off-rate card” or “off deal sheet” i.e. transactions which deviate from the published rates, or the discounted rates agreed with the agency.</p> <p>During testing of a sample of invoices, we noted that a €500 (6.7%) discount off the standard rate-card price of €7,500 (re: half-day home page takeover) did not have formal approval on file in the case of one invoice.</p>	<p>Agreed – procedure in place.</p> <p>An email will now be sent by the Sales team to the Sales and Business Development Manager, outlining details of all proposed ‘off-rate card’ discounts prior to being offered to clients. Email trail of all discounts is then maintained. (██████████)</p>	<p>In order to provide a better audit trail, formal written sign-off from the Sales and Business Development Manager will be documented and maintained for all* “off-rate card” / “off deal sheet” transactions.</p> <p>(* If necessary, to give flexibility to staff, the sign-off could be amended to apply only if above a predefined monetary amount and / or percentage</p>	M	<p>██████████ 31 August 2013</p>
5.	<p><b><u>Lack of formal signoff on monthly Revenue figures</u></b></p> <p>As an extra control check prior to posting the monthly revenue to ██████████, the Financial Accountant, Digital emails the revenue per the draft management accounts to the Sales and Business Development Manager. His approval is granted verbally and is not evidenced.</p> <p>Written approval is preferable and represents a stronger control.</p> <p>Secondly, we recommend that it would be more a meaningful and effective control if the Sales and Business Development Manager signs-off of the monthly invoice run as opposed to the revenue per the management accounts.</p>	<p>Going forward the Commercial Director will sign off the monthly invoice listing and revenue per management accounts in writing on a monthly basis. (██████████)</p>	<p>The monthly invoice listing will be signed-off as evidence of approval by the Sales and Business Development Manager.</p>	M	<p>██████████ 31 August 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
6.	<p><b><u>Lack of Formal Sign-Off of annual Deal Sheets</u></b></p> <p>There is a contract in place with all agencies which lists the volume discount off rate card price offered by RTÉ. This document is commonly referred to as the 'deal sheet'.</p> <p>However, due to the nature of the industry, these annual deals are not always formally signed by a representative of RTÉ and the advertising agency by way of acceptance of the terms and conditions of the deal.</p> <p>During testing of 15 Digital invoices for Online, Player and Mobile, we noted that none of the deal sheets for 2012 were formally signed off in writing by both parties. The trading rates were agreed via a “final offer” email sent by RTÉ to each agency.</p> <p>We were informed that disputes on price have never arisen once the ‘final offer’ emails are sent to the agencies. However, the risk of a dispute occurring is higher with the absence of a signed contract.</p>	<p>Agreed.</p> <p>We are insisting that all 2013 deal sheets are signed off in writing by both RTÉ and the agencies.</p> <p>We are currently in the process of getting these contracts signed and will provide Internal Audit with all signed copies when received.</p>	<p>The negotiations team will endeavour to ensure that all future annual deals are formally signed off in writing by a representative of RTÉ and the clients’ agency.</p>	M	<p>██████████ 31 August 2013</p>
7.	<p><b><u>Editing of existing online bookings</u></b></p> <p>The comment box field (in ██████████) is sometimes not completed by the Ad. Operations team. As a result, the history of each campaign – trail of changes, why was it moved, etc. – may not be adequately documented. This creates a risk of insufficient sales intelligence to effectively monitor changes to campaigns, or to track the reasons for under-delivery. It also creates difficulties if another member of the team (other than the person setting-up the campaign) has to review the campaign at a later stage.</p>	<p>Following the meeting with Internal Audit, a reminder email reinforcing the requirement to complete the comments box field for each campaign on the ██████████ system, will be sent to Online Traffickers.</p>	<p>The comments box in the ██████████ system will be used by staff to manually record the changes that have been made to a booking, the date of the change, and the reason for that change etc.</p>	M	<p>██████████ 31 August 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>No exception reporting is currently performed on bookings that have been edited on the [REDACTED] system after the start date for the advertising campaign and the system does not have an audit trail facility which would allow an individual to track the changes made to campaigns.</p>				
<p>8.</p>	<p><b>Error on invoice</b></p> <p>During the course of our testing of a sample of 20 invoices we noted that agency commission was not deducted from one invoice, in error.</p> <p>This matter is under investigation. (As the ‘agency’ was RTE Television this does not impact the net group revenue position. However, the agency commission was not correctly accounted for in respect of this transaction, as recorded in RTE Commercial Enterprises Limited.)</p>	<p>This error occurs for cross media campaigns when it is not made clear whether the overall RTE invoice is to an agency or directly to the client. As this is an internal invoice, errors are identified and rectified quickly.</p> <p>The Financial Accountant in Digital now checks on a monthly basis with the IBD to be billed on all internal invoices to confirm whether agency commission should be included or not.</p>	<p>Procedures will be put in place to check the applicability of Agency Commission on internal invoices.</p>	<p>M</p>	<p>[REDACTED] Done</p>
<p>9.</p>	<p><b>Consultation of [REDACTED] for online campaign delivery</b></p> <p><i>Background</i> Online advertising campaigns are sold on the basis of the delivery of an agreed number of page impressions. Digital uses the industry standard [REDACTED] tracking system for hosting advertisements on RTE.ie. The system also logs the number of page impression and provides sales intelligence to help forecast the number of impressions for future campaigns, using algorithms based on data from previous months.</p>	<p>Agreed – procedure already in place.</p> <p>Although improved, there is still a gap in communication between Sales and Ad Operations evident.</p> <p>The procedure is that Online Sales personnel will always consult with the [REDACTED] k system via the</p>	<p>Prior to booking a new campaign, the agreed number of page impressions to be delivered [REDACTED] system to ensure that the target is realistic. A reminder will also be issued to the sales teams regarding this matter.</p>	<p>L</p>	<p>[REDACTED] 31 August 2013</p>



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><i>Finding</i></p> <p>During the course of our audit we noted that the [REDACTED] system / Ad Operations team is not always consulted by sales personnel prior to agreeing, with the Agency / Customer, the number of page impressions to be delivered by the online campaign.</p> <p>By not consulting the [REDACTED] system on a consistent basis there is an increased risk of unrealistic page impressions being agreed for online advertising campaigns. This results in the risk of non-delivery of the agreed page impressions within the allotted time and, therefore, will then lead to campaign extensions or credit notes being issue.</p>	<p>Online Trafficker prior to agreeing page impressions per campaign with clients.</p> <p>A reminder reinforcing this will be communicated to the team. ([REDACTED])</p>			
10.	<p><b><u>Inaccurate SMS / IVR invoice</u></b></p> <p>Commercial revenue is earned from competitions run by the Programme Interaction and Competitions Department (PIC). The telecommunication services used to deliver the competitions are outsourced to two third parties, and revenue generated from calls / texts is shared between RTÉ and the third party.</p> <p>During testing of a sample of four invoices we noted that one supplier [REDACTED] rounds RTÉ’s share of revenue per call (in €cent) to two decimal places on the face of the pro forma invoice. While we noted that the invoiced amount is correct and in accordance with the contracted rates, the use of rounding causes confusion when recalculating the invoice.</p> <p>The contracted rates have been agreed based on three decimal places, and not two per the invoice. While a minor matter, the former should be used on the invoice.</p>	<p>Noted. ([REDACTED])</p>	<p>We will ask the service provider to use the rate as per rate card on the face of the invoice (i.e. three as opposed to two decimal places).</p>	L	<p>[REDACTED] 31 August 2013</p>



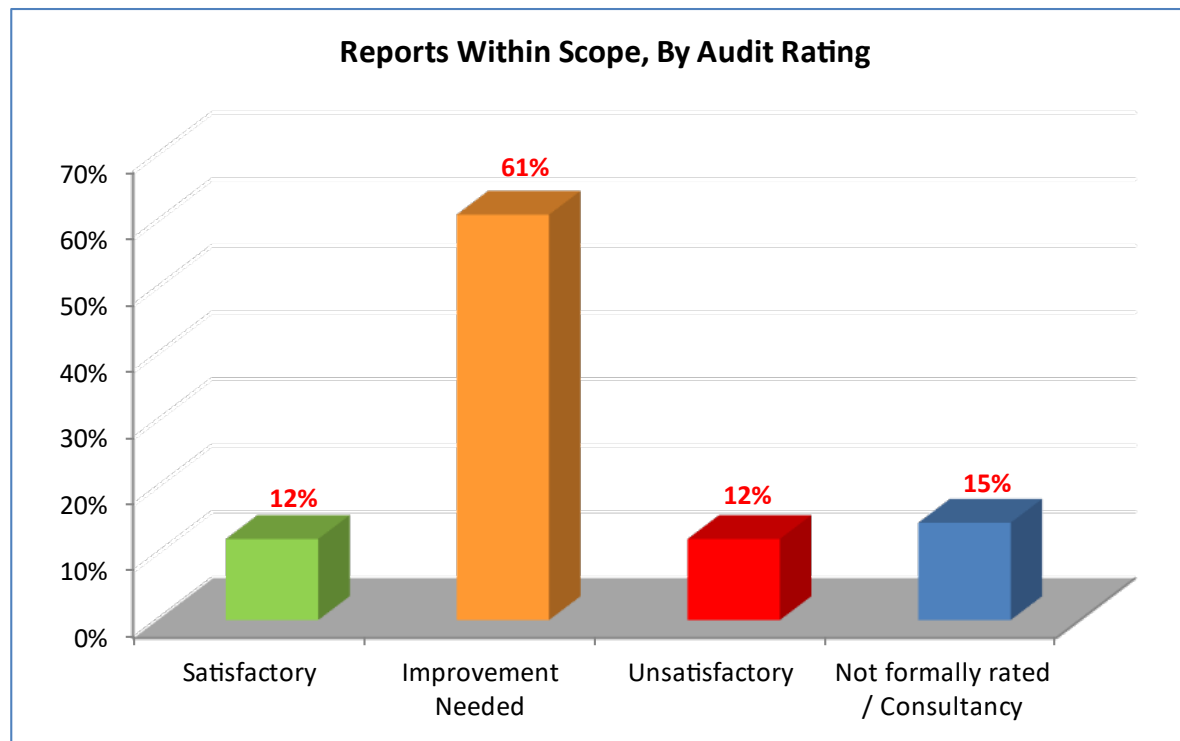
## Implementation of Actions in Internal Audit Reports: Status Update, Q4 2022

Peadar Faherty, 24 January 2023

## Background

- As part of its scheduled audit plan, Internal Audit issues reports containing actions agreed to address any control deficiencies identified during an audit
- The actions contain a responsible manager(s) and a target completion date.
- We last checked on progress in implementing actions just before the global pandemic.
- This is a follow-on report, incorporating both in progress actions at the date of the last review, as well as new actions from audit reports issued since.
- This review was based on planned audit reports. Other work carried out by Internal Audit – most “consultancy” assignments, ad-hoc reviews, whistle-blowing reviews, etc. – is not within scope as this work does not always lead to a formal, rated audit report.

# Internal Audit Reports within scope, by audit rating: (41 open reports)



*Note: this refers to reports containing open actions and is not indicative of the overall patterns of report ratings. "Satisfactory" reports, by their nature, have fewer actions, are more easily fixed and are therefore less represented on this log.*



**Satisfactory**: Standards of control for all key risks and activities are satisfactory. Objectives are being achieved efficiently, effectively and economically.

The report may suggest a small number of areas where there is scope for minor improvement in control. These areas have mitigating back-up controls, relate to low risk areas, or the risk of loss associated with the inadequate / missing control is not material.



**Improvement Needed**: While some controls are functioning as intended, the overall control environment is lacking or has degraded since the last audit. Improvements in control are therefore necessary for one or more medium risk areas. The report contains a number of re-occurring findings / control weaknesses. Mitigating controls are not in place and changes are necessary to make the control environment more effective and efficient. A loss could occur if the control environment continues to be unaddressed.

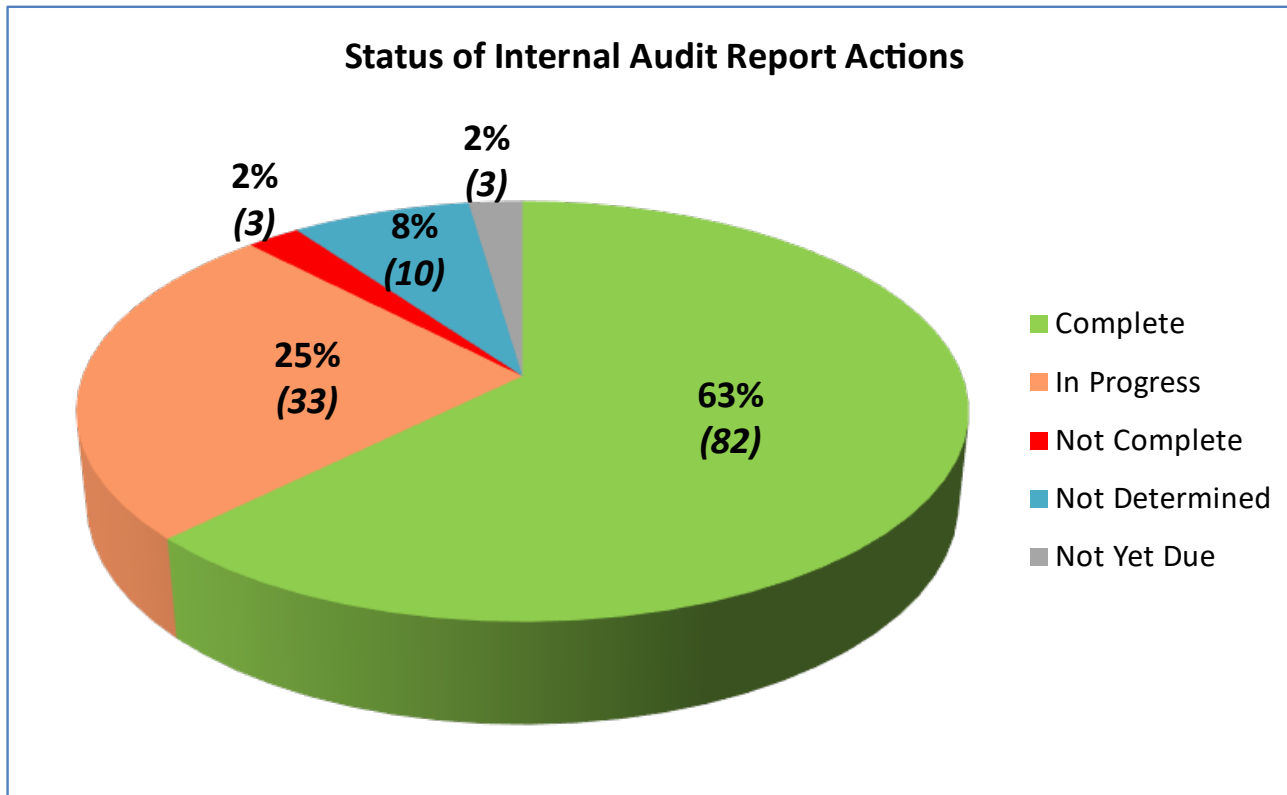
While actions are identified to address these findings, these actions are at an early stage of implementation and may require further investigation and resources to address the control weakness.



**Unsatisfactory**: Controls over high risk areas are below an acceptable standard and require improvement as a priority (e.g. the report contains at least one major finding / control weakness which could result in immediate loss).

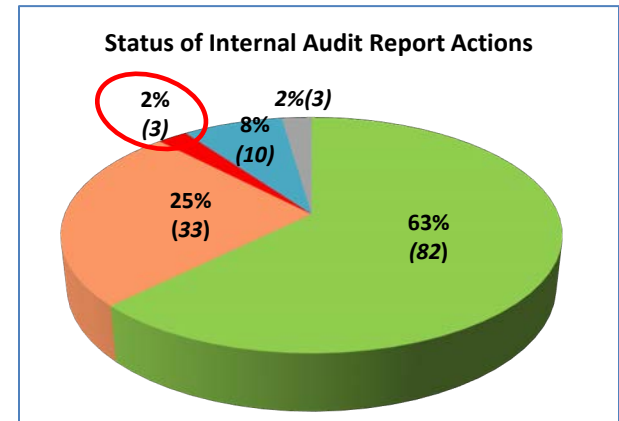
The general control environment requires an immediate improvement. Objectives are not being met, or are being met without achieving value for money.

# Status of Actions (December 2022)



# Analysis of Actions “Not Complete”

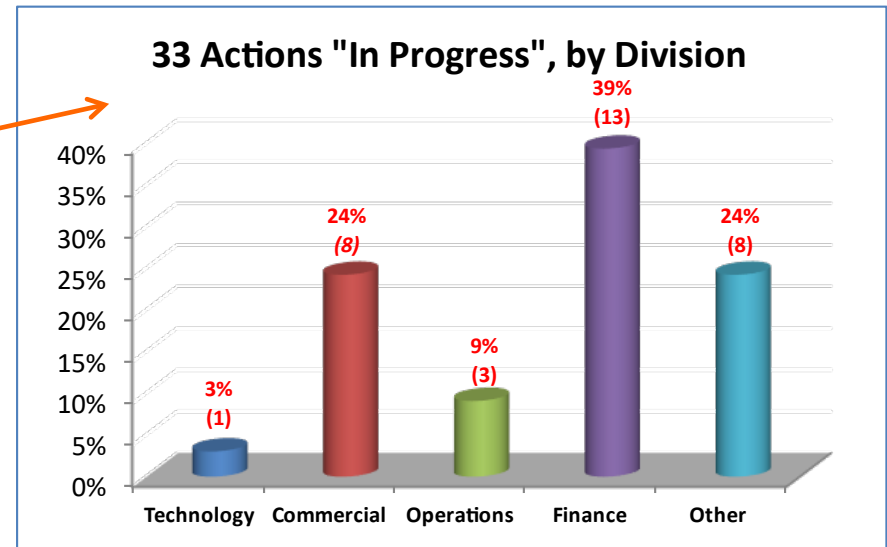
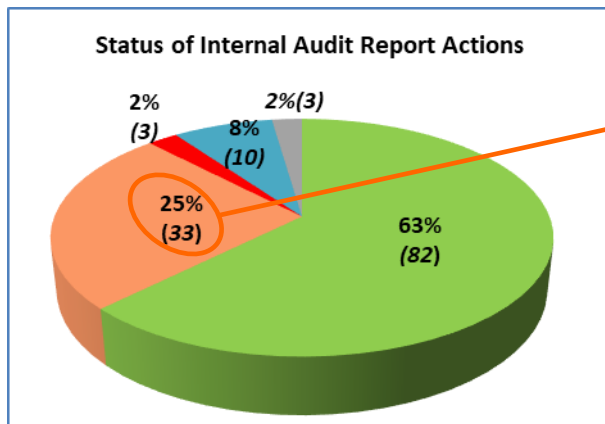
Population = 3 actions, across 2 reports



No. Actions	No. Reports	Area	Summary
3	2	Finance	Procurement Cards – two actions Supplier and Employee Master Data – close account
<u>3</u>	<u>2</u>		

# Analysis of Actions “In Progress”

Population = 33\* action items, across 17 Internal Audit reports



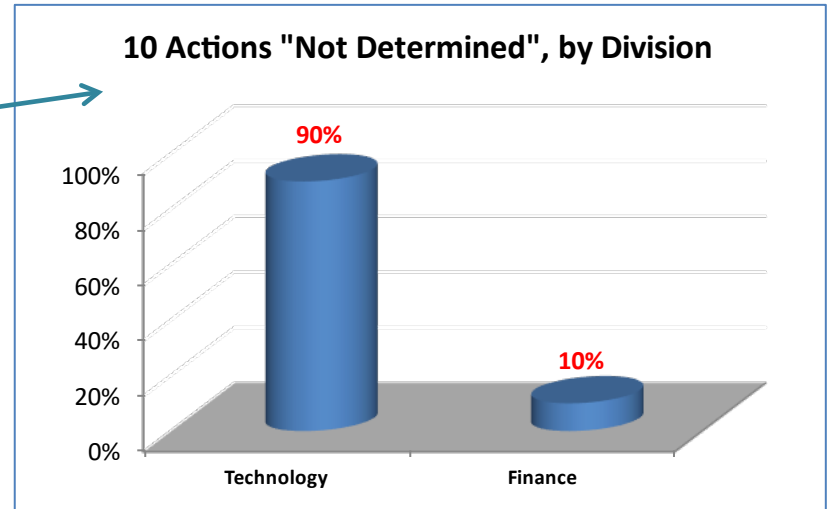
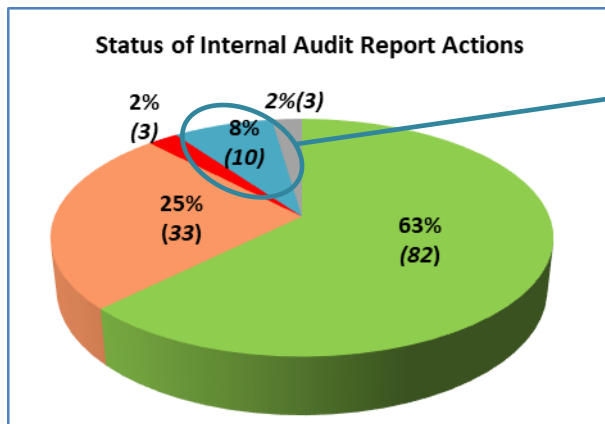
*\*Note: the ERP project, which is the subject of delays, is specifically referenced in 12% of the in progress actions. The ERP project will also have an indirect impact on other in progress actions.*



## Analysis of Actions “In Progress”

No. Actions	No. Reports	Area	Summary
13	8	Finance	<ul style="list-style-type: none"> <li>• Procurement Compliance: eight actions (Invoice Manager, PO Compliance, Tendering etc.)</li> <li>• Purchase Cards: three actions – longer term process / policy</li> <li>• Supplier and Employee Master Data: one action to close accounts</li> <li>• Phishing Controls: one action on user access controls</li> </ul>
8	2	Commercial	<ul style="list-style-type: none"> <li>• Compliance with Regulations: seven actions (Advertising Minutage / HFSS &amp; Alcohol / System Weaknesses)</li> <li>• Premium Rate Competitions: one action</li> </ul>
3	1	Operations	<ul style="list-style-type: none"> <li>• Programme Classification (Player v Linear TV inconsistencies)</li> </ul>
1	1	Technology	<ul style="list-style-type: none"> <li>• Backup Policy and Procedures documentation</li> </ul>
8	5	Other	<ul style="list-style-type: none"> <li>• HR: 4 actions (<i>H&amp;S, Lump Sum Payments, Supplier &amp; Master Data</i>)</li> <li>• Corporate: 2 actions (<i>Travel &amp; Subsistence &amp; Corporate Compliance Framework Review</i>)</li> <li>• All: 2 actions (<i>PeopleSoft Fee Payments</i>)</li> </ul>
<b><u>33</u></b>	<b><u>17</u></b>		

# Analysis of Actions “Not Determined”



## Conclusion

- In summary, good progress has been made in implementing the actions, with the 63% (54% in last review) of actions now complete.
- In addition, some of the actions in progress are at an advanced stage of completion.
- Our review indicates that owners of actions are giving reports attention, although some slippage in implementation dates occurs.
- Audit work is not performed equally across all divisions. Certain areas received extra focus during the pandemic due to changing risk profiles. As a result, divisions with a larger number of outstanding actions reflect the volume of work in the area as opposed to being indicative of overall compliance levels.
- Themes: the actions in progress are spread across 17 report and there is no single reason for non-completion of actions.
- A small number of common themes arise including – ageing technology and system weaknesses; purchasing compliance issues (PO, tendering) and policies / processes out of date or needing modernisation.

## Next Steps

- The actions from Internal Audit reports in progress will be added to the log.
- A further update report on the status of implementing actions will be prepared later in 2023.

# RTÉ Internal Audit

R2148 PAC33  
Item 21

## Report on Music Reporting to Collecting Societies

21 January 2016

### Circulation:

Director-General  
Members of the Audit and Risk Committee  
Executive

### Television:

[Redacted]

### Radio:

[Redacted]

### Legal:

[Redacted]

### Relevant Extracts:

#### Television

[Redacted]

#### Technology

[Redacted]



#### Radio

[Redacted]

# Introduction and Background

## Background

### Introduction

Music/artistic works are subject to copyright law in Ireland. A songwriter is entitled to a royalty in relation to each 'performance' of his/her song on radio or television, either as music or as background music in:

- Programmes (whether produced in-house, by the IPU or acquired);
- Advertisements;
- Presentation events/promos; and
- Signature tunes.

As it would not be practical for each copyright holder to act on their own behalf in the collection of royalties, they appoint collecting societies to act as their agents, licensing the use of copyright material in return for royalties.

### Collecting Societies

There are four collecting societies operating in Ireland, namely:

- Irish Music Rights Organisation ("IMRO"), which represents the composers/songwriters in the collection of royalties due in respect of the public performance of their compositions;
- Phonographic Performance Ireland Limited ("PPI"), which represents the producers of commercial sound recordings (generally this means the record companies);
- Recorded Artists and Performers Limited ("RAAP"), which represents the artists/performers; and
- Mechanical Copyright Protection Society (Ireland) Limited ("MCPS"), which represents:
  - the composers/songwriters in respect of the making of copies of their compositions (including digital reproductions); and
  - the producers of certain non-commercial music recordings.

The collecting societies are affiliated to similar societies in other countries, in some cases collecting a royalty on behalf of the affiliate society.

### Fees and Returns

A flat fee has been contracted by RTÉ with the collecting societies. In the last published Annual Report (year ended 31 December 2014), RTÉ reported payments to Collecting Societies in the amount of €7.4m.

These fees cover both RTÉ Television and RTÉ Radio, and as applicable, Digital rights. (RAAP currently receives its royalties directly from PPI. Consequently, RTÉ has no separate contractual arrangements with RAAP).

The collecting societies distribute these fees to the composers, performers etc. based on music output reports submitted by RTÉ. These output reports list all of the music on each individual TV/radio programme, with details of the composer, record label and publisher, together with the duration used for each piece.

### Process - Television

Music returns are completed on a Web Based System connected to the channel management system, which generates the fully broadcast transmission log. Each individual music return received from programme teams must be individually scanned into the system by the Music Reporting Administrator and manually checked. Returns are received from a variety of sources (IPU, Production Teams, etc) and in a variety of formats. Outstanding returns are tracked, followed up and submitted to Collecting Societies at a later date once received.

### Process - Radio

In October 2013 RTÉ Radio launched a Tracklist App for reporting music which has not been automatically sent from [REDACTED]. The App includes music played during programmes from CD, downloaded from the internet, live performances and music used within edited 'packages' which is to be manually added by programme teams.

The Tracklist App was developed by Radio programme teams and Radio Broadcast Services. It is web based and user-friendly and makes the reporting of manual music returns easier and more accessible.

# Objectives and Scope

## Process - Radio (cont'd):

The application also has functionality to publish music playlists to Radio websites and this is operational for a large number of Radio programmes.

██████████ generates a daily log, comprising tracks automatically played via ██████████, which is available overnight for downloading by the Collecting Societies. On a monthly basis, logs of manual music returns are submitted to the Collecting Societies based on data collected from programme teams.

## Objective and Scope

The objectives of this audit were to review RTE's compliance with IMRO, PPI and MCPS reporting requirements. Specifically the review was intended to:

- ✓ Identify the reporting requirements of the collecting societies;
- ✓ Identify how Television and Radio programme teams, and Sales Functions, comply with these requirements;
- ✓ Test the accuracy and completeness of RTE's reports to the collecting societies; and
- ✓ Understand any reporting issues arising.

The scope of this audit covered the music reports to the three main collecting societies (IMRO, PPI and MCPS) by RTE's two television stations (RTE One and RTE 2) and the four primary national radio stations (RTE Radio 1, RTE 2fm, RTE lyric fm and RTE Raidió na Gaeltachta). The testing covered dates in 2015 with audit samples selected randomly, as outlined in the action plan.

The Scope did not include:

- ✗ The five exclusively digital services
- ✗ A technical / IT audit of the Tracklist App

## Risk

The key corporate risks addressed by the report are as follows:

- Risk # 1 – Reputation Risk
- Risk # 3 – Management and Prioritisation of Financial Resources

# Findings

## Key Findings

The key points identified during the course of this review is outlined below. See the action plan for full details of the findings.

### Completeness of Advertising Returns

We noted instances of missing music returns in respect of advertising broadcast on Television and Radio.

This is because some Advertising Agencies are slow to submit returns in respecting of advertising copy, or fail to make a return. This is despite Irish Agencies receiving a reminder to submit copyright information at the point when they are submitting advertising copy to RTÉ via the Caria Advertising system. UK Agencies pose a greater challenge in this regard.

### Completeness of Programme Returns

The level of completeness of returns was generally high for Television and Radio programmes, with ongoing engagement with programme teams to follow-up on instances of missing returns.

Some ad-hoc / isolated issues of missing returns were noted on specific programmes as set-out in the action plan.

### IT System in Television

The Music Reporting System in Television does not have the full functionality to meet the day to day business needs in an efficient and automated manner. The processes are manual and the system is out-dated. We note that an investigation of the feasibility of using Radio's Tracklist App in Television has been carried out.



# Conclusion and Rating

## Conclusion

While data on music played on RTÉ's services, or used as background music, may not in itself be considered critical business data, as Ireland's public-service media organisation, in receipt of Television Licence Fees, it is incumbent upon RTÉ to fulfil its music reporting obligations to collecting societies. As a result, this area is subject to potential reputation risk and is material from a financial perspective.

The level of completeness of returns was high in RTÉ's Radio services, 97% and higher across each of the services. There has been a notable improvement in the level of compliance since the last audit, which may be traced to the implementation of the Tracklist App. The App makes the process of compiling manual music returns easier and more accessible to programme teams. Improvements in the automation of the reporting process have also been introduced and the system of Administrators for each channel is working well. There is scope for improvement in relation to the timeliness of returns of a small number of programme teams, as outlined in the action plan.

The level of completeness of music returns is also high for RTÉ Television services, slightly higher for RTÉ One (95%) than that for RTÉ 2 (90%) in the sample of returns reviewed. This represents an improvement since the last audit, despite a cut in the number of staff involved in the music reporting process in Television. A small number of areas contributing to the missing returns are set-out in the action plan. The process in Television involves engagement with a number of Independent Producers and outside companies, in addition to a large number of in-house programme teams. The IT System is old and some processes are very manual.

We noticed instances of missing music returns in respect of advertising broadcast on both Television and Radio. The overall average completion rate was 76% in Television and 60% in Radio. Reliance is placed on the Advertising Agencies to submit returns in a timely manner. This issue is already understood by the Sales Traffic team and the area was receiving renewed focus prior to the commencement of the audit, with some actions already in progress. The level of completeness is improving.

While no serious risks were identified in the audit, the report is assigned a combined rating at the mid-point (orange) in the audit rating scheme across the three areas above, with the lower level of completeness in advertising returns contributing to the overall rating. We appreciate the assistance of the relevant staff in Television, Radio and Television Sales during the course of this audit.

## Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Advertising Returns</b>				
1.	<p><b><u>Music Returns for Advertising</u></b></p> <p>We noted instances of missing music returns in respect of advertising broadcast on Television and Radio.</p> <p><b>Background</b>                      Music used in adverts is subject to copyright law in Ireland and therefore falls within the scope of music returns to Collecting Societies. Advertising copy is submitted to RTÉ via a "Copy Instruction Form" (which can be submitted electronically via the Caria advertising system, or manually via email). When an Agency submits copy electronically via Caria, an alert automatically pops up, reminding them to submit the copyright information. (This applies to Irish Agencies only; the UK Agencies are not inclined to implement this at this stage). The Copy Instruction Form contains a section for Agencies to identify any music used in the advert.</p> <p>There is no official timeline for submission of Advertising Returns to the Collecting Societies, but RTÉ endeavour to do it quarterly. Two months (June and September 2015) were selected for testing, taking into account both RTÉ One and RTÉ 2 for Television, and RTÉ Radio 1, RTÉ 2fm and RTÉ lyric fm for Radio.</p> <p><b>Context to Testing</b>                      There has been renewed focus on this area by the Sales Traffic team in approximately the last 12 months, which has been targeted at new advertising copy received. However, there is still some legacy advertising copy being aired that would not have music copyright assigned to it. It is hoped that, as time</p>	<p>The Sales Traffic Team is taking all reasonable measures to address the submission of music returns. We are unable to force Agencies to make submissions. The alternative approach would be not to transmit adverts for which a music return was not received, but this is not commercially viable.</p> <p>(██████████)</p> <p>Agreed (██████████)</p>	<p>The ██████████ and the Sales Traffic Manager will attempt to resolve the technical issue with the electronic submission of reports to ensure that the returns being submitted to the Collecting Societies are accurate.</p> <p>A formal once-off reminder will be issued to the Irish advertising agencies reminding them of their responsibility to provide music details for each advertisement.</p> <p>The ██████████ will implement a more structured process that is uniform across all team members and covering all stages of the music return process. In particular, reminders will be issued on the importance of follow-ups.</p> <p>In the UK, ad copy is collected centrally by Clearcast (Ad. Clearance service for Agencies). It may be possible to obtain copyright information from Clearcast, but this is likely to involve a charge. TV Sales have looked into this but the costs were not specified. Therefore, there is scope to explore this area again.</p>	M to H	<p>██████████ 31 March 2016</p> <p>██████████ 30 April 2016</p> <p>██████████ 30 April 2016</p> <p>██████████ 31 May 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>progresses, one would expect the completion rate to increase as more new copy is submitted and old adverts cease to be broadcast.</p> <p><b>Results – Overview</b></p> <ul style="list-style-type: none"> <li>• <u>Technical Issue</u>: During testing it was noted that there is a discrepancy between the level of music returns received and processed by the Sales Traffic team and what is being reported to Collecting Societies as part of the electronic submission of reports. This appears to be due to a technical processing issue. The reports currently being submitted by RTÉ to the Collecting Societies are showing a lower number of returns than what is actually received from the Agencies.</li> <li>• <u>Incomplete Returns - Television</u>: We identified incomplete returns in respect of Television advertising. The overall average completion rate for the two returns selected was <b>76%</b> across the two Television services.</li> <li>• <u>Incomplete Returns - Radio</u>: There is a higher level of incomplete returns in respect of Radio advertising. The overall average completion rate for the two returns was <b>60%</b> across the three services.</li> </ul> <p>The problem with incomplete returns is that agencies, especially UK ones, often ignore this section of the Copy Instruction Form, or there are significant delays in returning music. Significant effort is often then required by the Traffic Team in Television Sales to follow-up outstanding returns with the agencies. The current policy is that all outstanding returns will be followed-up once, using the IMRO logo in all emails as an additional reminder.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> <li>• <u>Accuracy of music used</u>: Ten adverts were selected for testing, from both the June return and the September return, and across all stations in Television and Radio. The adverts were listened to, the duration checked and music source verified to the internet. No issues were noted.</li> </ul>				
	<b>Television Music Reporting</b>				
2.	<p><b><u>Completeness of Returns – RTÉ One</u></b></p> <p><b>Background</b> The music returns in Television are based on weekly reports "Submissions Reports" (Saturday to Friday) and are submitted monthly to the Collection Societies, four weeks in arrears. Four sample weeks across four different months from both RTÉ One and RTÉ 2 were selected for audit testing. This allowed a sufficient period of time for the submission of late returns via the quarterly Additions report.</p> <p><b>Results – Overview</b> The level of completeness of returns for RTÉ One was high. As outlined in the Executive Summary, there has been an improvement in the level of compliance since the last audit. The overall average completion rate for the four weeks tested was <b>95%</b>.</p> <p>The level of missing returns ranged from 3.1% to 7.6% across the four weeks tested (reducing to between 1.8% and 7.1% after the submission of the Additions Report).</p>	<p>The level of compliance is high and has improved since the last audit.</p> <p>This is a good result, considering the loss of one staff member since the previous audit.</p> <p>██████████</p>	<p>The Producers of the programmes referred to in the finding will be issued with another reminder and informed of the results of the audit.</p>	M	<p>██████████ 29 February 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><b>Results – Programmes</b>                      While acknowledging the high levels of compliance, the following programmes contribute to the majority of missing returns and need to be reminded of the importance of completing timely returns:</p> <p><u>“Best of” Programmes:</u> Missing returns for [REDACTED] accounted for 13% (6 episodes) of the total outstanding returns. [REDACTED] accounted for 4% (2 episodes). In mitigation, the best of is an edited version of the original broadcasts received and is often completed by a different editor / producer. All of the returns for the original broadcasts of each show have been submitted to date.</p> <p><u>Outside Companies:</u> Missing returns for <i>Referendum Commission Public Information Broadcast</i> accounted for 7% (3 episodes) of the total outstanding returns. <i>Firefighters</i>, an IPU Production, accounted for 4% (2 episodes). These programmes were completed by outside companies but the music return was never submitted despite being requested on numerous occasions by RTÉ personnel.</p> <p>Of the remaining two programmes with greater than one return outstanding at time of testing [REDACTED], both have since submitted their music returns.</p>				
3.	<p><b><u>Completeness of Returns – RTÉ 2</u></b></p> <p><b>Results – Overview</b>                      The level of completeness of returns for RTÉ 2 for the four weeks tested was <b>90%</b>.</p>	See above for comment.	See action in point # 1 above.	M	[REDACTED] 29 February 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>The level of missing returns ranged from 10.5% to 20.5% across the four weeks tested (falling to 3.8% to 20.5% after the submission of the Additions Report).</p> <p><b>Results – Programmes</b></p> <p>The following three areas contributed to the majority of missing returns and need to be reminded of the importance of completing timely returns:</p> <p>a) <u>Young People’s</u>: Missing music returns in Young People’s accounted for 68% (43 out of 63 episodes) of [REDACTED] and other various. In mitigation, the number outstanding has recently been reduced to 14%. Returns for summer months are often not completed until later in the year due to programme teams taking summer holidays.</p> <p>b) <u>Sport</u>: Missing music returns in Sport accounted for 14% (9 out of 63) of total outstanding returns: [REDACTED] episodes) and other various. In addition, a further 7% of Sport output is [REDACTED] (4 episodes), which is an IPU production. In mitigation, the number of returns outstanding has recently been reduced to 8%.</p> <p>c) <u>Other</u>: The remaining 11% of missing music returns are ad-hoc isolated incidents across various programmes.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	<p><b><u>Music Reporting IT System / Manual Processes</u></b></p> <p>The Music Reporting IT system in Television is old and does not have the full functionality to meet the day to day business needs in an efficient and automated manner.</p> <p><b>IT System: Operation</b> In contrast to Radio, where an automated system has been introduced since late 2013, the system in Television is manual, out of date and has not been upgraded since the previous audit.</p> <p>Music returns are completed on a Web Based System, connected to the [REDACTED], which generates the fully broadcast transmission log. SRS is the key input for the Music Returns System. For the Music Returns System to work, each individual music return received per programme (Q-sheets) must be scanned into the SRS system.</p> <p>The scanner and impute programme work on an out-dated Windows Internet Explorer. This will potentially cause more recurring technical problems in the future as newer versions are released. There is also a system support issue as the system gets older.</p> <p>In the event of a technical fault, there is a risk that the system may not be available for an extended period of time.</p> <p><b>Manual Process</b> The compilation of the station return from individual programme returns (Q sheets) is a very manual process. The returns received have to be scanned into the system or rekeyed.</p>	<p>The Music Reporting Administrator has assisted Technology and Operations, in their assessment of the feasibility of system changes.</p> <p>The option of using the music reporting system in Radio has been examined. We await the conclusion of the investigations. [REDACTED]</p> <p>Agreed [REDACTED]</p>	<p>A short report will be prepared outlining the options for upgrading the Music Reporting IT System. In conjunction with Television management a decision will then be made on whether to: (a) progress to a full scoping and costing exercise, (b) close the project, or (c) consider upgrading the existing Music Reporting IT System.</p>	M	<p>[REDACTED] 30 June 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Prior to scanning, each music return must be reviewed and another manual check is required to ensure the information loaded by the SRS system matches the information on the Q-sheet. The system is unable to check this automatically.</p> <p>In addition, the follow-up process for overdue returns is time-consuming and inefficient, involving multiple phone calls, emails and tracking of returns. Rekeying of data submitted by RTÉ must also take place by the Collecting Societies.</p> <p><b>Upgrade of the System</b>                      TV Operations and Technology, in conjunction with the developers (OpenApp) of the Tracklist App in Radio, held some initial planning meetings to examine feasibility of extending the use of the Tracklist App to Television. IMRO was involved in some preliminary discussions. This was an exploratory process to consider options.</p> <p>The extension of the Tracklist App to Television is not a straightforward project given the wide variety of formats and sources of inputs of music returns in Television, including external Independent Production Companies. In addition, the scheduling processes in Television are more complex than Radio, which may require enhancements to the schedule based electronic App in place in Radio.</p> <p>The investigation of an upgrade has been paused due to other higher priority Technology projects and the financial constraints on IT budgets.</p> <p><i>(We acknowledge that the extension of the Tracklist App to</i></p>				



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><i>Television is just one of a number of possible Technology projects under consideration across RTÉ, and of a lower priority. Internal Audit's Technology Risk Assessment Report, in Summer 2015, highlighted a number of other priority projects across RTÉ which are in need of action, some impacting broadcasting.)</i></p>				
5.	<p><b><u>Accuracy of Music Returns</u></b></p> <p><b>Background</b> We selected a sample of eight programmes across both stations and viewed each programme on the Compliance Viewer. We checked whether a music return was filed by the programme team for each of the programmes selected and compared all music played and its duration to what was submitted in each of the music returns. The details (artist, song title, publisher, etc) were agreed to an external source, where necessary.</p> <p><b>Result</b> The returns six (out of eight) programmes were accurate and complete.</p> <p>We noted some inaccuracies in the music returns for two of the remaining eight programmes selected.</p> <ul style="list-style-type: none"> <li>• [REDACTED] (RTÉ One): two missing pieces of music out of 10 used on the programme. In addition, the theme tune for the commercial break was omitted and the closing theme tune was omitted from the return. Reporters and other third parties are relied on for the submission of music for Nationwide.</li> <li>• [REDACTED] (RTÉ One): one missing piece of music</li> </ul>	<p>We are pleased to note that the level of accuracy is high.</p> <p>The specific issues highlighted in the finding are considered relatively minor.</p> <p>[REDACTED]</p>	<p>The programmes in the sample were selected randomly and it is likely that the minor issues identified may be relevant to other programme teams.</p> <p>A reminder will be issued about the need to complete music returns on a timely basis to include the complete range of music on the programme. In particular, the reminder should focus on the importance of theme tunes, inserts, music in the background, etc.</p>	L	<p>[REDACTED]</p> <p>29 February 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	out of 18 used on the programme. In mitigation, it was noted on the return that this piece was still outstanding.				
	<b>Radio Music Reporting</b>				
6.	<p><b><u>Completeness of Returns</u></b></p> <p><b>Background</b> We examined the completeness of the auto daily log and the manual music returns for the four primary Radio stations, for a one month period. We selected the month of August 2015 to allow a sufficient period of time for the submission of the manual log (in mid October 2015) and any supplementary logs. We compared the music returns to the numbers of programmes broadcast.</p> <p><b>Results – Overview</b> In summary, the level of completeness of returns was high. As outlined in the Executive Summary, there has been a notable improvement in the level of compliance since the last audit which may be traced to the implementation of the Tracklist App in Radio. It is a user-friendly product and promotes high compliance levels, which is evidenced in our audit of the completeness of returns.</p> <p>The level of missing returns ranged from 0.6% to 3.2% across the four stations, the latter percentage relating to RTÉ Raidió na Gaeltachta.</p> <p><b>Results – Programmes</b> While acknowledging the high levels of compliance, the following programmes contribute to the missing returns and need to be</p>	<p>Agreed</p> <p>██████████</p>	<p>The Producers of the programmes referred to in the finding will be contacted and informed of the missing returns identified during the course of the audit.</p> <p>The Producer will ensure that returns are completed on a timely basis in the future.</p>	<p>M</p>	<p>██████████ Done</p> <p>Programme team responsibility is set-our below / Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>reminded of the importance of completing timely returns:</p> <p><u>RTÉ Radio 1</u>: while the level of compliance is generally high, we noted gaps in the returns for the [REDACTED]</p> <p>[REDACTED]</p> <p><u>RTÉ 2fm</u>: music returns in respect of pre-recorded programmes appear to be an issue on RTÉ 2fm, such as the [REDACTED]</p> <p>[REDACTED] Compliance levels are generally high on RTÉ 2fm.</p> <p><u>RTÉ lyric fm</u>: the issues primarily relate to the [REDACTED]</p> <p>[REDACTED] No return was submitted in respect of the five episodes in the period covered by the audit.</p> <p><u>RTÉ Raidio na Gaeltachta</u>: [REDACTED]</p> <p>[REDACTED]</p> <p>In mitigation, the nature of the RTÉ Raidio na Gaeltachta schedule is such that a high proportion of returns are manual which are more difficult to coordinate. In addition, only Casla provides for auto-publishing of tracks.</p>		<p>The Producer will ensure that returns are completed on a timely basis in the future:</p>		<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
7.	<p><b><u>Publishing Play-lists on Programme Websites</u></b></p> <p><i>Issue</i>                      During audit testing, we noted differences between the tracks listed on the Tracklist App (and published on the programme website) and the tracks listed on the [REDACTED] log available for download by IMRO / PPI overnight. In some cases the number of tracks listed on the App is lower than the number of tracks recorded on the daily log.</p> <p>The differences ranged from 0% to 44% across a sample of ten programmes tested. The largest difference related to [REDACTED] “performer” field can be a more complicated matter in RTÉ lyric fm as compared to the other stations. If that field is empty, the track will not be published.)</p> <p><i>Implication</i>                      As the daily log is available for download overnight by the Music Societies, there is no issue with the accuracy or completeness of the music return.</p> <p>However, this issue could cause confusion, or reputation damage, should a rights holder query why a track played on RTÉ Radio is not listed on the programme website. We were informed of instances where a rights holder noted this omission and contacted RTÉ Radio to query whether the appropriate music return was made. (The Tracklist App automatically published to the programme website for many RTÉ Radio programmes).</p>	<p>We are aware of that issue and we have specified a solution for it. We are currently awaiting a third party to schedule development time to resolve it.</p> <p><i>(Radio Technology)</i></p>	<p>The technical issue with the publication of tracks will be addressed by the third party developer.</p>	<p>M</p>	<p>[REDACTED]                      30 April 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><b>Cause</b> This may be due to a technical issue which means that if a particular setting is not applied as part of the cataloguing process in [REDACTED] the track will not be published and will not appear on the Tracklist App. This is a known issue and is being actioned by Radio Technology.</p>				
<p>8.</p>	<p><b>Logging of Station Imaging in Music Returns</b> The music return for one episode of [REDACTED], reviewed as part of our audit sample, included five station imaging (jingles) slots of a duration of four minutes each (20 minutes in total).  This represents in excess of 20% of the music content of the programme, which on first review appeared high. We would have expected that each imaging slot on the programme would have been listed as a few seconds.  We were informed that the station imaging included in The [REDACTED] represented a “catch-up” return for imaging played on various programmes across the schedule, but which was not automatically logged as part of the individual programme returns. The imaging was therefore logged as a ‘block’ on one programme.  While this approach ensures an accurate approximation of the total duration of station imaging, it is preferable, for ease of administration, to set-up this to log automatically as part of the daily log.  <b>Pre-listening to music</b> There is a risk of an incorrect duration of music being logged in</p>	<p>This matter has now been addressed. [REDACTED]</p>	<p>Station Imaging will be added to the Music Database in [REDACTED] so that it will be recorded in the daily log automatically when played on air on each programme.  The Music Administrators will issue a reminder to programme teams to use the [REDACTED] pre-listen function to preview music as opposed to the “PFL” button on the desk.</p>	<p>M to L</p>	<p>[REDACTED] 31 March 2016  Music Administrators 31 March 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	the event that a Presenter uses the “PFL” button on the desk to pre-listen to music as opposed to following the correct procedure of using the [REDACTED] pre-listen function.				
9.	<p><b>Accuracy of Music Returns</b></p> <p><b>Background</b> We selected a sample of eight programmes and listened to the programme in the archives, logging the music played on the programme. We compared our log to the automated / manual log of music recorded by the programme teams.</p> <p><b>Result</b> We noted some inaccuracies in the music returns for four of the eight programmes selected.</p> <p>In one of four cases, we noted a significant level of inaccuracy:</p> <ul style="list-style-type: none"> <li>[REDACTED]: 15 missing tracks out of a total of 28 tracks. (It appears that no manual return was prepared for this programme. Five tracks were listed as manual tracks, but these all related to station imaging. As a result, it appears that some of the manual return is outstanding)</li> </ul> <p>(We acknowledge that the above programme contains a lot of new music and, given the late time slot, there may be practical difficulties with adding tracks to the [REDACTED] Music Database, via the Sound Library, at short notice).</p> <p>We noticed some ad-hoc inaccuracies for the remaining three programmes:</p>	<p>The issues on [REDACTED] Show primarily reflect the manner in which the music is added to the audio database, and may relate to some pre-recorded material.</p> <p>The remaining issues reflect cases where a manual return was not completed.</p> <p>[REDACTED]</p>	<p>[REDACTED] Show:</p> <p>This matter will be resolved by:</p> <ul style="list-style-type: none"> <li>Adding music to the [REDACTED] Music Database (via the Sound Library) in the first instance; or</li> <li>In the event that music is added to the Audio Database, completing a manual return after the event to record that the track is played.</li> </ul> <p>A reminder will be issued to the programme teams about the need to record manual returns.</p>	M	<p>[REDACTED] / Ongoing</p> <p>[REDACTED] Ó hÉanaigh</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> <li>Nova (RTÉ lyric fm): two missing tracks out of 10 tracks on the programme. In addition various clips, inserts and extracts of music during a 40-minute feature interview were not logged</li> <li>Reels to Ragas (RTÉ lyric fm): three missing tracks out of 13</li> <li>Togha agus Rogha (RTÉ Raidio na Gaeltachta): two missing tracks out of nine tracks played on the programme. In addition a short extract of a tune used as part of a competition was not listed.</li> </ul> <p>The returns for the remaining four (out of eight) programmes were accurate and complete.</p>				
10.	<p><b><u>Music Administrator</u></b></p> <p>Each station has a Music Administrator, responsible for following up on missing music returns, issuing reminders and providing assistance as needed. This is not a dedicated post, but is carried out in addition to existing duties.</p> <p>At the time of our audit testing we noted that there was no dedicated Music Administrator for RTÉ 2fm. This increases the risk that gaps in returns, such as pre-recorded programmes identified above, may not be addressed on a timely basis with the programme teams locally.</p>	<p>A Music Administrator has now been appointed since the completion of the audit.</p> <p>██████████</p>	<p>A new ██████████ will be appointed for RTÉ 2fm.</p>	M	Done
11.	<p><b><u>Programmes Out of Scope</u></b></p> <p>We noted that no process is in place to identify any ad-hoc requirement for a music return on programmes which normally comprise of speech content. For example, a News and Current</p>		<p>Reminders will be issued to News and Current Affairs programme teams to consider the requirement for a music return for specific events or other once-off programmes.</p>	L	N/a

	<b>Finding</b>	<b>Management Comment</b>	<b>Agreed Action</b>	<b>Priority</b>	<b>Manager responsible and Completion Date</b>
	<p>Affairs programme which contains an ad-hoc music related package, a movie feature etc. is not currently within the scope of the music reporting processes.</p> <p>On balance we consider that this is immaterial in the context of the total music output. The administration of putting a process in place for News and Current Affairs programming would outweigh the associate risk of non-compliance.</p> <p>However, it is timely to issue a reminder to programme teams to make a return in respect of special editions etc., particularly in advance of 1916 special events etc., where music content might be a more significant element of the programme.</p>		<p>No further action deemed necessary.</p>		



# RTÉ Internal Audit

## Review of Purchase Receipting Process

21 January 2014

**Circulation:**

Chairman (Executive Summary)

Noel Curran, Director-General

Executive

Members of the Audit and Risk Committee

[Redacted text block]



# Background

## Background

### Introduction: Overview of Supplier Payment Processes

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [REDACTED].

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via [REDACTED]. (Both these processes are outside the scope of this audit).

### Purchase Orders

Purchases processed via Accounts Payable must have an approved purchase order (PO) before any purchase commitment is made. POs are raised and approved on [REDACTED] using a web based tool – [REDACTED] Web. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

#### *Tiered delegated authority approval limits*

Order Value	Approver
€0 - €10,000	Costpool Manager
€10,001 - €100,000	Costpool Manager / Central Purchasing / Senior Manager / FD of IBD
€100,001 - €250,000	Costpool Manager / Central Purchasing / Senior Manager / FD of IBD / MD of IBD
€250,001 - €750,000	Costpool Manager / Central Purchasing / Senior manager / FD of IBD / MD of IBD / CFO
€750,001	Costpool Manager / Central Purchasing / Senior manager / FD of IBD / MD of IBD / CFO / DG

Goods are receipted on [REDACTED] web, by the requisitioner, when delivered and services are receipted when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [REDACTED].

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, normally by EFT to the supplier's bank account, in line with credit terms.

### Invoice Manager

A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO.

### Purchase Cards

Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by [REDACTED]. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [REDACTED] web and reduces cost by eliminating the administration associated with low value orders.

### Receipting of Goods / Services

The system controls within [REDACTED] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for normal variances such as delivery charges etc.

# Objectives and Scope

## Inherent IT Risk

[REDACTED]

Staff in Accounts Payable are aware of this inherent systems weakness and manually compare all invoices to the approved PO value. However, by their nature, manual controls are weaker than automatic system controls.

While manual controls are in place, we carry out an annual review of POs, in order to identify any instances of inappropriate receipting in excess of the approved order amount.

## Audit Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2013 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG place reliance on this work as part of their external audit.

The output of the audit will be a report, an electronic file and working papers.

## Scope of Audit

The scope of our review covered all POs approved (and processed) during the period 1 January 2013 to 31 December 2013, across all IBDs. The audit involved:

- ✓ Extracting PO data from [REDACTED] and analysis of same
- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system
- ✓ Inspecting any invoices processed in excess of approved orders and investigating further as necessary
- ✓ Detecting any instances of missing PO numbers in the automatic number sequence on [REDACTED]

The scope did not include:

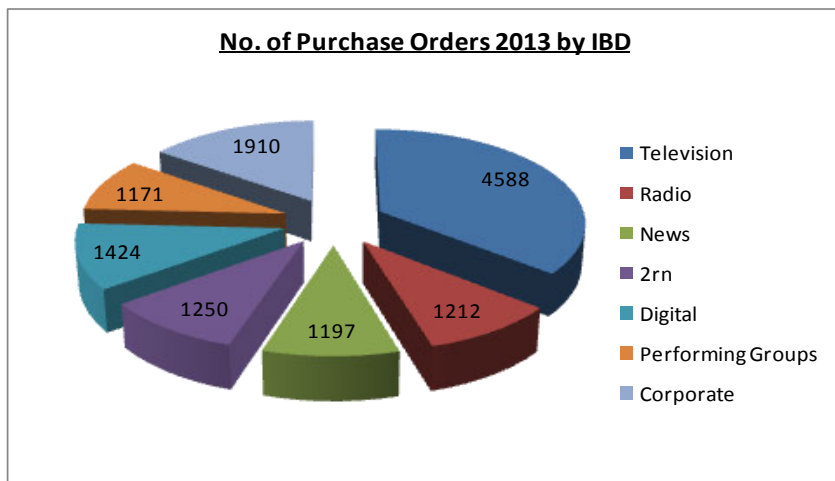
- ✗ Reviewing purchase card payments (a separate report on purchase card payments is currently in progress)
- ✗ A full review of all invoices posted on [REDACTED] to detect duplicate payments – to be covered separately in the audit plan.

*[Note on restatement of 2012 data: we have expanded the scope of the audit this year to include Capital WIP and Commissioned programme POs. Accordingly, we have presented the 2012 data on a consistent basis (i.e. adjusted to include Capital WIP and Commissioned programme POs). This should be noted in any review of the prior year audit report (dated 6 February 2013).]*

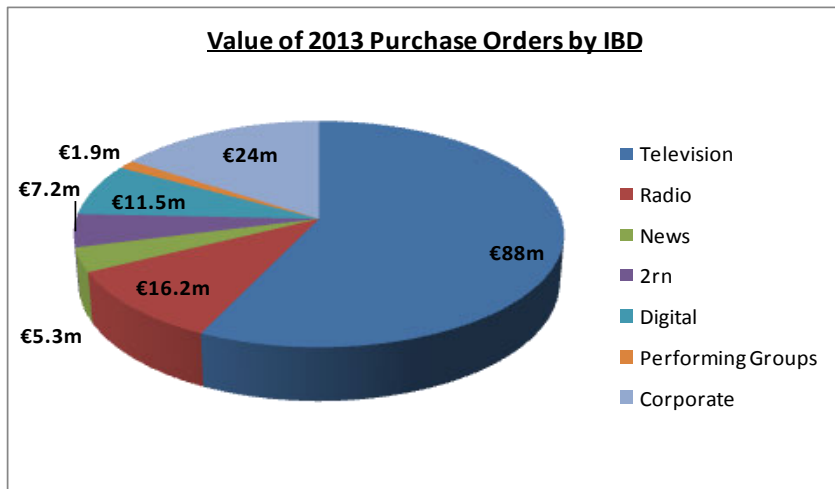
# Data Analysis

## Purchase Order Data

12,752 POs were raised in 2013, in comparison to 13,442 in 2012. (These totalled 22,252 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by IBD:



The graph below details the value, by IBD, of POs raised in 2013. The total value of POs raised in this period was €154.4m (€176.8m in 2012).



## Stratification of Purchase Order Data

A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value	Number of Orders Processed in 2013
€0 - €5,000	10,415
€5,001 - €10,000	979
€10,001 - €100,000	1,140
€100,001 - €250,000	124
€250,001 - €750,000	57
€750,001	37
<b>Total</b>	<b>12,752</b>

### Note:

1,283 of the POs raised in 2013 (2012 – 1,321) were less than €100 in value and just over one quarter of those related to ten suppliers, generally recurring consumable supplies. Of the 1,283 POs raised, 1,102 had invoices posted against them at the time of issuing this report.

(A further 1,222 POs raised in 2013 were for a value between €101 and €200.)

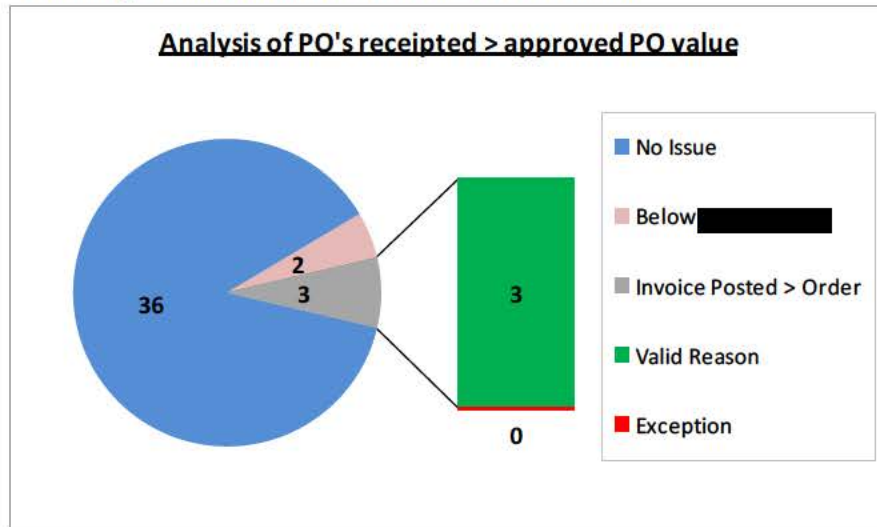
While not a matter within the scope of this audit, there may be an option to use a purchase card (or blanket orders) to further reduce the administration task of processing these low value orders. This matter will be investigated further locally.

# Summary Findings

## Summary Findings

Of the 12,752 POs raised during 2013, 41 POs (0.3%) were highlighted for further testing as the value of the goods received against the order exceeded the original approved order amount.

A summary of the review of the 41 orders is set-out below:



The excess of the receipting above the approved order amount was less than the acceptable [REDACTED] in respect of two orders and these orders do not require further investigation.

For 36 of the orders, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting the goods (e.g. a mix up between the price and quantity fields).

Finally, in the case of three orders, both the goods received and the invoice processed were in excess of the original approved order. These orders were investigated further.

- ✓ In the case of two of the three exceptions, the invoice processed was less than the acceptable [REDACTED] and did not require further investigation.
- ✓ While the remaining invoice was greater than [REDACTED] above the approved order, the invoice value was immaterial and this is not reported as an exception as a result.

The audit did not identify any issues with the number sequencing of orders created on [REDACTED]. The identified gaps in the sequencing of PO numbers were all confirmed to be due to a known system-related issue.

The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

# Conclusion

## Conclusion

While an electronic check of the invoice value against the goods receipt value takes place at the point of processing an invoice in Accounts Payable, due to a system weakness within [REDACTED] there is no limit on the value of goods which can be receipted against the corresponding open order i.e. the goods receipted value can be in excess of the approved purchase order value. As a result, purchases could potentially be made in excess of the purchase order value originally approved in line with the Delegated Authority Limits. While manual controls are in place in Accounts Payable to address this risk, we carried out audit work to manually test the three-way match. The work will be relied upon as part of the external audit.

Internal Audit carried out a review of 12,752 purchase orders (representing a value of €154.4m). We noted no issues with excessive receipting and the manual controls are operating effectively.

However, the underlying issue remains and a system of electronic three-way matching (invoice matched to open purchase order and to goods receipt value) on [REDACTED] is the most preferred method of addressing this issue. This matter will be addressed as part of the next upgrade of [REDACTED] and is currently impacted by resource constraints.

On the basis of the manual controls in place and the absence of any exceptions or duplicate payments identified in the period under review, the standard of control is assessed as being “Satisfactory”. We appreciate the assistance of staff in Accounts Payable.

## Rating



SATISFACTORY

# RTÉ Internal Audit

R2148 PAC33  
Item 21

## Review of Card Payment Terminal Processing

15 January 2020

Final

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Divisions:**

[Redacted]



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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# Introduction, Background, Risk, Objective and Scope

## Introduction

Internal Audit (“IA”) has reviewed the processing of receipts through card payment terminals located on the RTÉ campus. The receipts are from both credit and debit cards. There are four card terminals in use for said purposes. Please see table below for further details.

	Location	Department Responsible
1	Administration Building	Finance
2	Library Building	Archives
3	Radio Centre	Archives
4	Library Building	Archives

## Background

The processing of receipts through card terminals are governed by two external requirements, being:

- General Data Protection Regulation (“GDPR”); and
- Payment Card Industry Data Security Standard (“PCI DSS”).

GDPR is an EU regulation which was transposed into Irish Law by virtue of the Data Protection Act 2018. It provides for higher standards of data protection for individuals and imposes increased obligations on organisations that process personal data.

PCI DSS is an information security standard designed to increase controls around cardholder data to reduce payment card fraud. Regardless of the size of a business, compliance with PCI DSS is essential for any merchant that accepts credit/debit cards as a form of payment.

## Risk

The key corporate risks addressed by the report are as follows:

- Risk #10 – Changes in Legislation/Regulation and Compliance;
- Risk #5 – Brand and Reputation; and
- Risk #6 – Management of Finances and Business Planning.

Other specific risks relevant to this report are as follows:

- Fraud.

## Objective

The objective of this audit was to review how sales receipts through card terminals are processed and to check compliance with both GDPR and PCI DSS.

## Scope

The scope of our review covered all sales receipts through card terminals for 2019 (up to 6<sup>th</sup> December 2019) and included the following considerations:

- How card information is obtained, captured and stored;
- Completeness of sales transactions;
- Assess any opportunity for fraud; and
- Compliance with GDPR and PCI DSS.

The scope did not include:

- ✗ RTÉ merchandise store – fully outsourced;
- ✗ Restaurants – fully outsourced; and
- ✗ IT security of the card terminal infrastructure.

# Overview and Context of Findings

## Process

Sales receipts processed through card terminal payments are minimal, as noted per the below table. The types of sales that are paid for by card are:

	Location	Purpose	2019 Transaction Value*	No. of Transactions in 2019*
1	Administration Building	- Commercial Television Advertising Sales - Commercial Radio Advertising Sales - Commercial Digital Advertising Sales - Performing Groups Sales (e.g. orchestra)	■	■
2	Library Building	- Commercial and Private Television Archive Sales - Commercial and Private Still/Image Archive Sales - Classified RTÉ Guide Advertising Sales	■	■
3	Radio Centre	- Commercial and Private Radio/Sound Archive Sales - Commercial and Private Still/Image Archive Sales	■	■
4	Library Building	- Commercial and Private Still/Image Archive Sales	■	■
<b>Total</b>			■	■

\* up to 06/12/19

## Initiating Transactions

When the sales noted above are being paid for by card by the customer, the card details are taken via phone. The individual in the relevant department takes down the card information and immediately goes to process the transaction on the relevant terminal. Once the transaction is completed, the individual disposes of the card details and they are not recorded elsewhere. IA notes from discussion with all terminal users that they request that card details are not provided via email. For the rare occasion where a customer emails with card details included, this email is permanently deleted once the transaction is completed.

All card terminals have a standalone dial-out connected via a fax line. The terminal is not connected to the internet or any other system within RTÉ's network environment. No cardholder data is recorded electronically within RTÉ and only paper copies of the terminal receipts are maintained.

# Overview and Context of Findings

## Accounting for Card Transactions

Sales other than commercial television, radio and digital advertising sales are captured outside of [REDACTED]. These transactions are recorded on a manual sales order, or a pro forma invoice. The paperwork is provided to Accounts Receivable with the card terminal receipts attached on a monthly basis (for archive sales), or as they occur for all other sales. The sales are then manually inputted on [REDACTED] (financial reporting system) by Accounts Receivable personnel in Group Finance.

Commercial television, radio and digital advertising sales are captured through [REDACTED], which is the commercial sales system. On a monthly basis, a file from [REDACTED] is downloaded by Accounts Receivable and uploaded to [REDACTED]. There are a number of checks completed by Accounts Receivable to ensure the accuracy of the upload.

All of the manual sales are allocated to the relevant Debtor account on [REDACTED]. All sales from [REDACTED] already have the relevant Debtor account included on the upload file and are automatically allocated accordingly. All Debtor accounts are reconciled on a monthly basis.

## Banking Arrangements

In addition, all bank accounts are reconciled on a monthly basis. All card terminal receipts go through the relevant bank account and are distinctly identifiable by their description which also includes the terminal ID that the receipt was processed through to facilitate tracking.

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Potential Non Compliance with PCI DSS	Low

# Findings

## 1: Compliance with PCI DSS



### Description

PCI DSS is intended for all organisations involved in payment processing, including merchants, regardless of their size or transaction volume. In contrast to large merchants, such as department stores and online retailers, smaller merchants often have simpler environments, with limited amounts of cardholder data and fewer systems that need protecting, which can help reduce the level of PCI DSS compliance required.

Merchants are divided into different categories based on the number of factors, including the number of transactions processed. As RTÉ processes sales transactions through card payment terminals, it is regarded as a merchant and falls within the scope of the PCI DSS. However, due to the low level of transactions and value, RTÉ is considered a small merchant. In addition, the actual processing of RTÉ receipts is managed by and outsourced to Elavon, who are a leading global payment provider.

PCI DSS has a number of compliance requirements (for both IT security and reporting requirements), the level of which vary depending on the number of card transactions processed annually by an organisation. To date, RTÉ has not evaluated what compliance requirements need to be adhered to under PCI DSS. One of the 12 PCI DSS requirements for all organisations regardless of the number of transactions, is to “Regularly test security systems and processes” which is already in place by Technology via the Edgescan supplier.

Recommendation	Owner	Due Date
1. Management should contact Evalon, being RTÉ’s merchant bank for card terminal payments, to confirm the level of compliance validation and reporting requirements and address any requirements arising.	██████████ (Financial Accountant - Shared Services)	31 March 2020

# Conclusion and Report Rating

## Conclusion

Although sales receipts through card payment terminals are minimal, there are external legislations and standards that need to be adhered to. In addition, there is reputation risk in the event of non compliance.

RTÉ has adequate controls in place to minimise the opportunity for fraud and to ensure the completeness of sales. The RTÉ processes in place for recording card payments also adhere to the principles of data protection under GDPR, however the compliance requirements under the Payment Card Industry Data Security Standard is not known. As a result, there is a risk that RTÉ is not complying with all requirements under the standard. However, the risk is assessed as low as RTÉ is a small merchant under the standard, with the lowest compliance requirements given the minimum number of transactions.

It is on the basis of the above findings that we assess the overall standard of the process as “Satisfactory”.

## Report Rating



SATISFACTORY

Auditor: [REDACTED], Internal Audit Manager

# RTÉ Internal Audit

## Review of Security

21 January 2015

### Circulation:

Noel Curran, Director-General  
Members of the Audit and Risk Committee  
Executive



# Background

## Background

### The Department

The RTÉ Security department is managed by the Manager, Services Facilities, reporting to the Head of Property and Services. Security is part of the broader Property and Services function in the Corporate Centre.

The department consists of two separate functions – operational security and access control – and is staffed by a mix of RTÉ personnel and staff provided via an outsource contract with Paragon Security.

#### *Operational Security*

A team of 12 staff members (8 RTÉ personnel and 4 outsourced personnel) provide 24 x 7 operational security coverage, via two 12-hour rostered shifts. Each shift is manned by a crew of three: a Security Supervisor assisted by a Security Officer and a Security Chargehand. The Supervisor is based in the Security Control room in Ground Floor Stage 7 and the Officers move around the Donnybrook campus as necessary. Shifts start / end at 06:30.

#### *Access Control*

The main gate to the Donnybrook campus is manned by Security, via the outsource contract, from 06:00 – 24.00 (01:00 on Friday / Saturday). Outside these hours, cover is provided by the Security Officer in the Control Room.

### Responsibilities

The Security function has a broad range of responsibilities covering the RTÉ campus and, remotely, the Regional Offices. The responsibilities include:

- Oversee the CCTV system;
- Investigate and manage fire alarm activations;
- Manage the issue of keys / open locked offices etc.;
- Administer the Co-Tag (ID Card) access system, manage the related access levels to RTÉ premises and manage the issue of temporary cards;
- Security policy matters;

### Responsibilities (Cont'd)

- Lost property;
- Attend while visiting dignitaries are on site and attend during special events;
- Attend during certain live audience programming events (primarily in Television Studios);
- Manage and control public protests taking place adjacent to RTÉ property; and
- Carry out investigations and reviews as necessary.

A security log is maintained by the Supervisor for each shift, listing the key events and incidents during the shift. The log is submitted to the Manager, Services Facilities for review after the shift.

The Manager Services Facilities and the Head of Property and Services liaise with the Gardaí and relevant authorities, as required, and deal with sensitive security matters such as nuisance calls, personal safety matters, etc.

### Regulation

The Private Security Authority, established pursuant to the Private Security Services Act 2004, is the statutory body with responsibility for licensing and regulating the private security industry in Ireland.

Licences are required by those working in the security sector within the state, whether employed by a licensed contractor or directly by a business as in house security personnel.

### Regions

The security arrangements for regional RTÉ premises are managed via the RTÉ Security function in Donnybrook. This includes the CCTV system, fire alarm and Co-Tag access controls.

*\*We noted 2,850 active ID cards in use [by staff members, contractors and retired staff] at the time of our audit. Various user profiles are in operation to restrict access to an appropriate level.*

# Scope and Key Issues

## Scope / Objectives

The scope of the audit was organisation-wide. The key objectives of the audit may be summarised as follows:

- ✓ Consider the risks impacting the Security function;
- ✓ Review the procedures in place for granting access to RTÉ premises, including ID Card application forms, and the management of temporary cards;
- ✓ Review the security access user profiles in place to restrict access to premises (based on job roles);
- ✓ Test the procedures for processing re-charges to costpools for lost cards;
- ✓ Examine the rostering practices and staff timesheets;
- ✓ Inspect and validate a sample of billings from the outsourced security contractor;
- ✓ Assess compliance with relevant regulations in the security area;
- ✓ Consider and assess the role of Security in the event of a disaster / business continuity event; and
- ✓ Review operating and monitoring procedures in the Security control room (CCTV, fire alarm activation, etc.)

The scope did not include the following:

- ✗ The physical security of premises housing staff members based in the Institutes of Technologies
- ✗ Detailed technical review of IT systems in use for the Co-Tag system (██████████), CCTV (██████████ maintained by ██████████) and Fire Alarms (██████████)

## Key Management Issues

No major issues were identified in this audit which merit classification as “key management issues”. A small number of other less significant observations are included in the action plan.

## Rating



**SATISFACTORY**



# Conclusion

## Conclusion

The Donnybrook campus is a significant open site with a large number of business visitors, audience members and other groups attending on site. The Security department must balance the demands of ensuring a high level of Security for staff members and on-site contractors, while also maintaining a smooth and efficient access regime for visitors to RTÉ, in keeping with RTÉ's role as a Public Service media organisation.

Lower staff resources over recent years has increased the focus on greater automation of access controls, especially restricted Co-Tag (ID Card) access to all premises and CCTV monitoring. All staff members also have a role to play to prevent 'tailgating' and unauthorised movement around the site.

The standard of control in the Security function is assessed as being "satisfactory". The audit focused on the key operational security areas of access cards, user profiles to restrict access, staff timesheets, CCTV and general operating procedures and policies. We noted some control improvement opportunities, as set-out in the action plan. Actions have been agreed to address those, or are in progress.

We would like to thank staff within Property and Services / Security for assistance during the course of the audit.

	Finding	Management Comment (██████████)	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><b><u>Licensing from the Private Security Authority</u></b></p> <p><i>Background</i> The Private Security Authority (“PSA”), established pursuant to the Private Security Services Act 2004, is the statutory body with responsibility for licensing and regulating the private security industry in Ireland.</p> <p>Licences are required by those working in the security sector in Ireland. Different licences apply depending on the sector of the industry – Security Guard, Cash in Transit Guard, Door Supervisor, etc. – and the licence must be renewed after a period of two years. Applicants are subject to a ‘fit and proper assessment’ by the PSA to ascertain if they meet suitability criteria.</p> <p><i>Finding</i> There is a risk that a member of the RTÉ Security staff may be refused accreditation by the PSA, or have accreditation withdrawn, without the knowledge of RTÉ.</p> <p>In the current process flow for a new / renewal licence application, the application form is firstly completed by the individual. RTÉ then submits the form to the PSA and pays the appropriate fee on behalf of the individual. The PSA carries out its own assessment and clearance procedures, based on the information submitted on the application form, and informs the individual of its decision regarding the licence application.</p> <p>RTÉ does not receive notification from the PSA at the end of the process.</p>	Agreed	On an annual basis, RTÉ will request the PSA Licence from each staff member / contractor to confirm that it is valid and up to date.	M	<p>(██████████)</p> <p>1 January 2015 and ongoing</p>

	Finding	Management Comment (██████████)	Agreed Action	Priority	Manager responsible and Completion Date
2.	<p><b><u>User Access Levels</u></b></p> <p>Access to RTÉ’s premises is secured by Co-Tag ID card access. We noted 2,850 active ID cards in use by staff members, contractors and retired staff at the time of our audit. A number of different user profiles are in operation to restrict access to an appropriate level.</p> <p>While a member of the Security team has access to all areas, a contractor attending on site will have time restricted access to a limited number of buildings depending on the nature of their work. Similarly, staff members are assigned to an access role which reflects their geographical location of work and job role. Due to the manner in which the system is designed it is not possible to be assigned to more than one access role on the Co-Tag system.</p> <p><i>Findings</i></p> <p>We selected a sample of user access roles and reviewed the individuals assigned to the role. In general, roles were assigned correctly based on job responsibilities and we noted no significant issues. However, the following matters need to be addressed:</p> <ul style="list-style-type: none"> <li>• The title of one access group “Gp10 – Security” is misleading and should be renamed. It does not relate to security personnel, which have a separate dedicated group, but is an access group granting enhanced access for Donnybrook staff members accessing regional locations</li> <li>• One individual (in Production Design) was assigned a powerful profile to access all areas, but no longer requires that access level</li> <li>• One of the individuals in the Technology group (Gp36) had departed the organisation</li> </ul> <p>A review needs to be carried out to address the above matters.</p>	<p>We will update the user access profiles as suggested.</p>	<p>The user access level titled “Gp10 – Security” will be renamed to better reflect the scope of the role.</p> <p>A small number of other access roles will be updated to reflect the matters set-out in the findings.</p>	L	<p>██████████ 28 February 2015</p>

	Finding	Management Comment (██████████)	Agreed Action	Priority	Manager responsible and Completion Date
3.	<p><b><u>Security Tender</u></b></p> <p>Some security work is outsourced to a third party security company. ██████████. was selected as the preferred contractor following a competitive tender process in 2009.</p> <p><i>Findings</i></p> <p>We noted the following during the audit:</p> <ul style="list-style-type: none"> <li>• Given the passage of time since the original tender (in early 2009), it is timely to carry out a new competitive re-tender;</li> <li>• Some of the services currently carried out by the firm were not included in the scope of the original tender;</li> <li>• It is timely to formalise some changes to daily rates since the last contract;</li> <li>• There are opportunities for greater efficiencies in the manner in which the outsourced contract is used to deliver the overall Security service. These opportunities have been identified by management but need to be reflected in the specification of a new contract, via a new tender.</li> </ul> <p>Management is aware of, and actioning, the above issues but industrial relations difficulties have delayed progress in this area.</p> <p>A process is ongoing with employee representatives: discussions are currently taking place with the IRT and have reached a final conciliation phase. A new tender will take place when complete. Plans are well advanced and this issue was being addressed prior to the commencement of the audit.</p>	<p>Discussions are ongoing since 2014 and are progressing through the IRT process. A tender will take place when this process is complete.</p>	<p>A new tender for Security Services is scheduled to take place in 2015.</p>	<p>M</p>	<p>██████████ 30 September 2015</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	<p><b><u>Management of Nuisance Phone Calls</u></b></p> <p>A Policy exists to deal with the receipt of offensive text messages, with procedures in place to liaise with the Telecom Service Provider to block the sender of the text, if deemed necessary. Similarly, a protocol exists for the management of offensive e-mails, co-ordinated by the Manager, Services Facilities, with input from Technology.</p> <p>It is timely to develop a Policy to address offensive phone calls, which by their nature may give rise to different data protection and access issues than e-mails or text messages. While e-mails and text messages may be easily quarantined or blocked, respectively, phone calls require a different approach. This Policy would set-out:</p> <ul style="list-style-type: none"> <li>• The individual(s) authorised to investigate matters relating to nuisance phone calls;</li> <li>• The grounds for disclosure of phone call data (for example investigating nuisance calls or inappropriate behaviour, security threat, legal cases);</li> <li>• The individuals to whom data may be disclosed;</li> <li>• The level of interrogation permitted, having regard for any Data Protection concerns, and</li> <li>• The approach to addressing issues.</li> </ul> <p>Management has already commenced discussions with Legal and Technology and work in this area is in progress.</p>	<p>Agreed.</p>	<p>A policy / protocol on the management of nuisance phone calls to RTÉ will be developed, in consultation with the RTÉ Solicitors' Office and the Data Protection Officer.</p>	<p>L</p>	<p>[Redacted] 30 April 2015</p>
5.	<p><b><u>Accessing CCTV Data</u></b></p> <p>CCTV data is addresses as part of the broader RTÉ Technology Usage Policy and its use governed by the RTÉ Data Protection Policy and Guidelines.</p>	<p>Agreed.</p>	<p>To be documented as part of the action in finding # 4.</p>		<p>See finding # 4</p>

	Finding	Management Comment (██████████)	Agreed Action	Priority	Manager responsible and Completion Date
	<p>A process currently exists to manage requests received by the RTÉ Security department for access to CCTV data. This process involves the input of the Data Protection Officer.</p> <p>While the process is working effectively at present, it is not formally documented. As part of the agreed action outlined in finding # 4 above, the protocol for dealing with requests to the RTÉ Security department for access to CCTV records will also be documented.</p>				
6.	<p><b>Notification of Visit</b></p> <p>RTÉ Security provides a security service for programme teams when certain visiting dignitaries (<i>Ambassadors, senior local or international politicians, other high-profile programme contributors, etc.</i>) are on site. A security presence is maintained (e.g. adjacent to a programme studio) during their attendance on site.</p> <p>Security is reliant on timely advance notification from programme teams of such events, in order to facilitate efficient planning and to ensure that any necessary actions are taken in advance.</p> <p>Having reviewed the security log, in a number of isolated occasions we noted delays in providing security with advance notification of visits. Given the changes in programme teams over recent years, it is also timely to issue a reminder to relevant programme areas.</p>	<p>No major issues have been experienced and programme teams are generally cooperative. However, it is timely to issue a reminder, especially for new programmes, or areas less familiar with receiving dignitaries.</p>	<p>A reminder will be issued to programme personnel to contact security at least two days in advance of the attendance of visiting dignitaries.</p>	L	<p>██████████ 31 March 2015</p>

# RTÉ Internal Audit

## Tendering Procedures – Follow-up Review

4 January 2017

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Purchasing:**

Eamonn Reid, Head of Procurement  
[REDACTED]

**Central Finance:**

[REDACTED]

**IBD Finance:**

[REDACTED]



# Executive Summary: Background and Scope

## Background

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances. RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances.

Internal Audit carried out a scheduled audit of tendering procedures across the organisation. The objective of the audit was to establish whether a competitive tender was undertaken for a sample of suppliers to RTÉ, in circumstances as required by Public Procurement Guidelines.

A report was issued in late 2015 outlining the audit issues identified and the actions management agreed to undertake to address these issues. The audit was rated “Unsatisfactory”, reflecting the potential reputation risk.

## Key Issues

The three key management issues raised in the report are set-out below:

### 1. Tenders not Undertaken

In seven cases, a competitive tender was not carried out in circumstances when one would be expected, given the level and the nature of the expenditure. The issue of concern is reputation risk: RTÉ is not in a position to demonstrate openness and transparency in the procurement process, in the event of a challenge by a third party.

### 2. Weaknesses in Tender Process

We identified a number of cases where a direct invitation to tender process continued to be followed when a national tender was required.

### 3. Training and Awareness / Process Issues

There is also scope to carry out “refresher” training focusing on the tender procedures at National and EU level.

Various actions were agreed to address these points.




## Scope of Review

The scope of this follow-up audit was limited to:

- ✓ Ascertaining the status of audit issues identified in our previous audit report;
- ✓ Ascertaining the status of the agreed management actions; and
- ✓ Agreeing new management actions, where necessary.

The testing undertaken of the current procedures and processes was less than a full scope audit and involved spot checks to ascertain the status of the issues.











The status of each action has been colour coded overleaf as follows:

-  Very little progress on implementation of the agreed action.
-  Agreed action (or a similar action) partially implemented.
-  Agreed action (or a similar action) fully implemented.


*Note:* For key issues actions one and two, the colour coding will be broken down based on the status of each individual tender for greater insight, rather than on an overall basis.



# Status of Issues – High Priority Actions

Issues raised in the previous audit report / action				
1.	<p><b><u>Tender Not Undertaken</u></b></p> <p><i>Finding:</i> In <b>seven</b> cases, a competitive tender was not carried out in circumstances when one would be expected, given the level and the nature of the expenditure.</p> <p><i>Action:</i> The Line Managers for the seven suppliers will be asked to liaise with Purchasing as regards tendering options. The services outlined will be subject to the necessary competitive tender to ensure compliance with Public Procurement Guidelines. <i>Results:</i> See below</p>			
	Tender Not Undertaken	Type of Service	Status of tender completion	Comments
	1			Tender Completed
	2			Tender Completed
	3			Tender in Progress - currently being signed off by Project Team
	4			Tender in Progress - Currently meeting with suppliers and Invitation To Tender (ITT) in final stages.
	5			Tender in Progress - Development of ITT is in progress. May be incorporated into the marketing framework.
	6			Tender not Commenced ( <i>See action plan for comments</i> )
	7			Tender Completed
2.	<p><b><u>Weaknesses in Tender Processes</u></b></p> <p><i>Finding:</i> We identified <b>three</b> cases where a direct invitation to tender process continued to be followed when a national tender was required.</p> <p><i>Action:</i> Purchasing Line Managers will be asked to liaise with Purchasing as regards the tendering options. <i>Results:</i> See below</p>			
	Incorrect Tender Type	Type of Service	Status of tender completion	Comments
	1			Tender in Progress - currently advertised on etenders
	2			Tender not Commenced ( <i>See action plan for comments</i> )
3			Tender Completed	

## Status of Issues (Cont'd)

	Issues raised in the previous audit report / action	Actions Undertaken
3.	<p><b><u>Training Related Matters</u></b></p> <p><i>Findings:</i></p> <ul style="list-style-type: none"> <li>a) Use of a direct invitation to tender process is extensive across RTÉ divisions. The decision on the appropriateness of a direct invitation to tender is often made locally by the Line Manager, without sufficient involvement from Central Purchasing.</li> <li>b) There were weaknesses relating to insufficient documentation and filing in place to evidence the tender process.</li> <li>c) There is therefore scope to carry out “refresher” training focusing on the tender procedures at National and EU level.</li> </ul> <p><i>Actions:</i></p> <ul style="list-style-type: none"> <li>a) Plans will be drawn up to carry out a number of training sessions for buyers to inform them of any changes to the Public Procurement Guidelines and to provide a reminder of RTÉ policy in this area. This will also address the area of documentation and paperwork.</li> <li>b) The relevant Line Managers will be reminded of the circumstances during which a direct invitation to tender is appropriately used and of the associated risks.</li> <li>c) To overcome the risk of poor filing locally, a copy of the scorecards / evaluation sheets and the names of the members of the evaluation team will be sent to Central Purchasing for filing in the central files maintained by purchasing.</li> </ul> <p><i>Results:</i> RTÉ Procurement conducted eight procurement training courses in 2016 covering the above topics. 109 RTÉ staff attended the training and more courses will be scheduled for 2017. The circumstances during which a direct invitation to tender is appropriately used was covered along with the importance of filing paperwork. Letters of acceptance are not issued by Central Purchasing until the scoresheets and relevant paperwork are signed and scanned to them in electronic format. All signed contracts are stored on a contracts database.</p> <p>Since the last audit was completed, all POs over €10,000 in value must be accompanied by text in the “internal text” field of the requisition in Agresso Web to aid Central Purchasing in identifying whether a tender process was carried out. All requisitions without this text are immediately rejected by Central Purchasing. This control has also assisted in raising awareness on Procurement Guidelines among staff.</p> <p>In addition, all three RTÉ procurement staff attended a training course on the new public procurement EU Directives provided by the Office of Government Procurement. The Head of Procurement also successfully completed a Advanced Diploma on Public Procurement Law from The Honourable Society of the King's Inns in 2016.</p>	

# Conclusion

## Conclusion

Progress has been made in addressing all three action items in the original internal audit report. In the seven cases where a **tender was not undertaken**, three have now been fully completed and three are in progress, leaving one supplier to be addressed.

In three instances, a direct invitation to tender process continued to be followed when a national tender was required. The **correct tender process** has since been completed or is in progress for two of the three suppliers. Action is still needed for the remaining supplier. New agreed actions to address the outstanding matters are summarised in the appendix.

The final point on **training related matters** has been completed and plans for continuing training and awareness are ongoing for 2017. Controls have also been implemented at various stages of the Requisition and Tender process to ensure compliance with Public Procurement Guidelines. We would expect to see the benefits of this to continue into 2017, as training took place at various points throughout the year.

There were no new audit issues noted as part of the update review. We would like to take this opportunity to thank staff for their assistance in completing this update review.

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Results of Audit</b>				
1.	<p><b><u>No Tender Undertaken</u></b></p> <p>No tender process occurred in the two cases highlighted as an issue in our original audit report. See below for more details:</p> <ul style="list-style-type: none"> <li>• <b>Paint Supplies:</b> Central Purchasing were in discussions with the Line Managers in this area to determine what type of tender is required. This will resume again in Q1, 2017. <i>(Spend of €90k approximately (Ex-VAT) in the two year period 2015-2016)</i></li> <li>• <b>Set Design:</b> A Tender process was commenced after the time of the initial audit but the project got delayed. This will be actioned again and reviewed in Q1, 2017. <i>(Spend of €290k approximately (Ex-VAT) in the two year period 2015-2016)</i></li> </ul>	<p>Agreed</p> <p>██████████</p>	<p>The relevant purchasing Line Managers for these suppliers will be asked to liaise with Purchasing as regards the tendering options. The services outlined will be subject to the necessary competitive tender to ensure compliance with Public Procurement Guidelines.</p>	H	<p>██████████</p> <p>31 March 2017</p> <p>██████████</p> <p>31 March 2017</p>

# RTÉ Internal Audit

## Review of Internal Financial Control in 2rn

26 February 2016

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**



**RTÉ:**



# Background and Scope

## Background

### Introduction

RTÉ Transmission Network Limited is a wholly owned subsidiary of RTÉ and trades as 2rn.

The purpose of this report is to set-out the findings of an Internal Audit review of the financial processes in 2rn and the financial control self-assessment questionnaire. This report should be considered in conjunction with the recently updated 2rn Risk Register.

### Background

Section 2.4 of the Code of Practice for the Governance of State Bodies (“the Code”) outlines that:

*“The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place”.*

Furthermore, in line with Section 10.1 of the Code, the Board is required to conduct an annual review of:

*“The body’s system of internal controls, including financial, operational and compliance controls and risk management”.*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and shared functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

In the Annual Report for the year-ended 31 December 2015, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control. This report forms part of the Audit & Risk Committee’s consideration.

## Objective and Scope

The scope of this review were the financial controls in place in 2rn at 31 December 2015. This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes and control activities set-out in *Appendix A*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the following financial processes in 2rn:
  - Purchasing and Accounts Payable
  - Sales and Accounts Receivable
  - Cash and Treasury
  - Fixed Assets
  - Inventory
  - People Payments
  - Management Accounts
  - Taxation
- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and
- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

- ✗ IT audit of the financial systems.

This review was focused on verification and testing of the operation of controls – via inspection, review of process flows and substantive testing – and did not represent a full financial audit of each process.

# Risk and Summary Findings

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources
- Risk # 4 – Commercial Revenue

Other specific RTÉ corporate risks relevant to this report are as follows:

- Fraud
- Proper books of account not being maintained

The audit has also taken into account the 2rn Risk Register, especially the various risks underpinning the objective of “effectively managing 2rn’s finances into the future through optimising funding sources and controlling costs”.

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating in the range 81% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ IBDs.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No exceptions were identified during the course of testing. No issues were identified in this audit which merit classification as “key management issues”.

Please refer to *Appendix A* overleaf for details of the specific controls tested and the audit activities undertaken by Internal Audit.

# Conclusion and Rating

## Overall Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies*, Internal Audit carries out specific work in the area of internal financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2015, focusing on reviewing the key financial controls. In the context of the repositioning of 2rn in 2013, responsibility for certain financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, as summarised in Appendix A, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

## Rating



SATISFACTORY



	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2015 and examine documentation, evaluation sheet, award letter, etenders notification, etc.</li> </ul>	Observation and inspection
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Walkthrough Testing
3)	All invoice payments and payment runs are authorised by appropriate personnel	<ul style="list-style-type: none"> <li>Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.</li> </ul>	Substantive testing
		<ul style="list-style-type: none"> <li>Review a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	<ul style="list-style-type: none"> <li>Check a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Observation and inspection
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	<ul style="list-style-type: none"> <li>Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.</li> </ul>	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	<ul style="list-style-type: none"> <li>Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.</li> </ul>	Substantive testing
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines 2015	<ul style="list-style-type: none"> <li>Select a 2rn Purchase Card envelope for one month and confirm that supporting documentation is in place with appropriate approval.</li> </ul>	Observation and inspection
		<ul style="list-style-type: none"> <li>Inspect files generally for existence, approval and retention.</li> </ul>	Observation and inspection
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Walkthrough Testing
9)	Procedures are in place for processing customer orders and formal	<ul style="list-style-type: none"> <li>Inspect contract / Accommodation Request Form (ARF) with</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	contracts or supporting documentation are filed	supporting documentation for one order.	
10)	All discounts from rate card are approved by an appropriate official in advance	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card</li> </ul>	Observation and inspection
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Examine a reconciliation of the debtors’ listing / ledger to the debtors’ control account in the GL for one month and review reconciling items</li> </ul>	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	<ul style="list-style-type: none"> <li>Analyse aged debtor listing for one month</li> </ul>	Substantive testing
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	<ul style="list-style-type: none"> <li>Verify approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Observation and inspection
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	<ul style="list-style-type: none"> <li>Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books</li> </ul>	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Observation and inspection
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	<ul style="list-style-type: none"> <li>Audit the bank reconciliation for each bank account for one month and check for review by a senior person.</li> </ul>	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	<ul style="list-style-type: none"> <li>Verify that reconciling items were cleared by the next month end.</li> </ul>	Substantive testing
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	on authority limits	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.</li> </ul>	Substantive testing
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Observation and inspection
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	<ul style="list-style-type: none"> <li>Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.</li> </ul>	Substantive testing
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person</li> </ul>	Observation and inspection
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Substantive testing
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Observation and inspection
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures</li> </ul>	Observation and inspection
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	<ul style="list-style-type: none"> <li>Select a sample of T&amp;S claims and check to see if they are supported by receipts and filed as appropriate</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records	<ul style="list-style-type: none"> <li>Audit the reconciliation between [REDACTED] and [REDACTED] payroll records for one month.</li> </ul>	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and [REDACTED] payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Review the reconciliation between PAYE/PRSI return to the revenue to [REDACTED] and [REDACTED] records for one month</li> </ul>	Substantive testing
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>View the management accounts for one month</li> </ul>	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	<ul style="list-style-type: none"> <li>Examine that reconciling items have been closed off</li> </ul>	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.</li> </ul>	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	<ul style="list-style-type: none"> <li>Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.</li> </ul>	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	<ul style="list-style-type: none"> <li>Assess and review the monthly accruals process</li> </ul>	Observation and inspection
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	<ul style="list-style-type: none"> <li>Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL.</li> <li>Verify that the VAT returned has been filed by the due date</li> </ul>	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	<ul style="list-style-type: none"> <li>Check that the PAYE/PRSI return has been filed on time for one month.</li> </ul>	Substantive testing

**INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE - YEAR-ENDED 31 DECEMBER 2015  
SUMMARY OF SCORES**

Section	Process Area	Score	Maximum Score	Percentage
A	Purchasing and Accounts Payable	34	40	85%
B	Sales and Accounts Receivable	32.5	36	90%
C	Inventory	13	16	81%
D	Cash and Treasury	22.5	24	94%
E	Fixed Assets	15.5	16	97%
F	People Payments	14.5	16	91%
G	Management Accounts / Financial Close	19.25	20	96%
H	Tax Compliance	8	8	100%

*Please list any questions to be completed by RTÉ Shared Service functions.*

Q27

Q35 not applicable

# RTÉ Internal Audit

## Review of Internal Financial Control in 2rn

21 February 2017

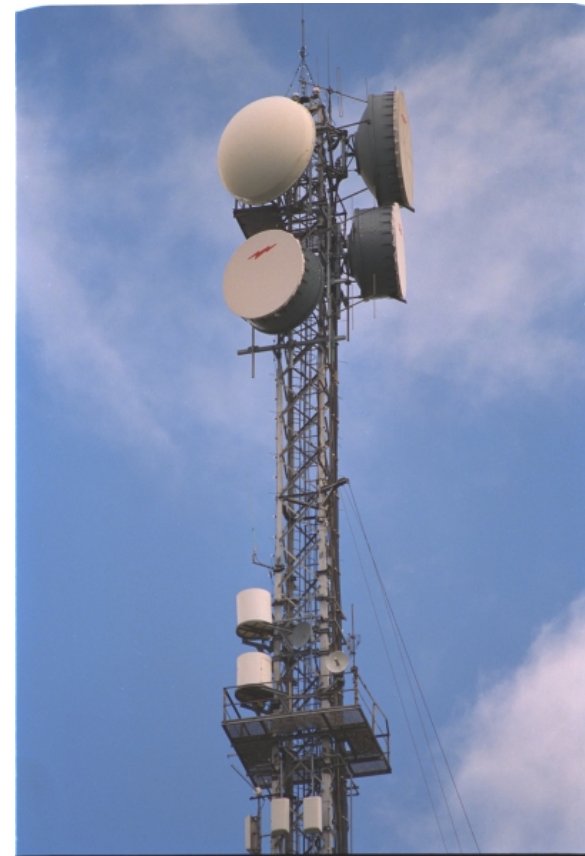
**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**



**RTÉ:**



# Background and Scope

## Background

### Introduction

RTÉ Transmission Network DAC is a wholly owned subsidiary of RTÉ and trades as 2rn.

The purpose of this report is to set-out the findings of Internal Audit's review of the financial processes in 2rn and the financial control self-assessment questionnaire. This report should be considered in conjunction with the 2rn Risk Register.

### Regulatory / Legislative Background

#### **a) Code of Practice for the Governance of State Bodies**

Section 2.4 of the 2009 Code of Practice for the Governance of State Bodies ("the Code") outlines that:

*"The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place".*

Furthermore, in line with Section 10.1 of the Code, the Board is required to conduct an annual review of:

*"The body's system of internal controls, including financial, operational and compliance controls and risk management".*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and corporate functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

In the Annual Report for the year-ended 31 December 2016, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

#### **b) Directors' Compliance Statement**

The Companies Act 2014 imposes a new requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

The requirement is applicable to 2n for the first time for the financial year-ended 31 December 2016. This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Objective and Scope

The scope of this review were the financial controls in place in 2rn at 31 December 2016. This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes and control activities set-out in *Appendix A*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the financial processes in 2rn (*set-out in more detail in the table overleaf*);
- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and
- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

- ✗ IT audit of the financial systems.

This review was focused on verification and testing of the operation of controls – via inspection, review of process flows and substantive testing – and did not represent a full financial audit of each process.

# Objectives and Scope

## Objective and Scope (Cont'd)

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview of control questions
<b>A</b>	<b>Purchasing and accounts payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines; amendments to masterfiles
<b>B</b>	<b>Sales and accounts receivable</b>	Reviewing credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; reconciliations
<b>C</b>	<b>Cash and treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value
<b>E</b>	<b>Fixed assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects
<b>F</b>	<b>People payments</b>	Payroll and Fee payments; personal expenses; recording of annual leave; reconciliation to General Ledger
<b>G</b>	<b>Management accounts / financial close</b>	Preparation; review and clearance; financial close; intercompany accounts; journals and suspense accounts
<b>H</b>	<b>Tax compliance – VAT / Employment Taxes</b>	VAT; PAYE / PRSI, Professional Services Withholding Tax – covered as part of work on the Directors' Compliance Statement



# Risk and Summary Findings

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources
- Risk # 4 – Commercial Revenue

Other specific RTÉ risks relevant to this report are as follows:

- Proper books of account not being maintained
- Fraud

The audit has also taken into account the 2rn Risk Register, especially the various risks underpinning the objective of “effectively managing 2rn’s finances into the future through optimising funding sources and controlling costs”.

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating in the range 88% - 96% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ IBDs.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No issues were identified in this audit which merit classification as “key management issues”.

We noted one minor issue with regard to the maintenance of receipts for expense claims (Section F: People Payments).

Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by Internal Audit.

# Conclusion and Rating

## Overall Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and, for the first time in 2rn, the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of internal financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2016, focusing on reviewing the key financial controls. In the context of the repositioning of 2rn in 2013, responsibility for certain financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, as summarised in Appendix A, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

## Rating



SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2016 and examine documentation, evaluation sheet, award letter, etenders notification, etc.</li> </ul>	Observation and inspection
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Walkthrough Testing
3)	All invoice payments and payment runs are authorised by appropriate personnel	<ul style="list-style-type: none"> <li>Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.</li> </ul>	Substantive testing
		<ul style="list-style-type: none"> <li>Review a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	<ul style="list-style-type: none"> <li>Check a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Observation and inspection
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	<ul style="list-style-type: none"> <li>Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.</li> </ul>	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	<ul style="list-style-type: none"> <li>Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.</li> </ul>	Substantive testing
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines 2015	<ul style="list-style-type: none"> <li>Select a 2rn Purchase Card envelope for one month and confirm that supporting documentation is in place with appropriate approval.</li> </ul>	Observation and inspection
		<ul style="list-style-type: none"> <li>Inspect files generally for existence, approval and retention.</li> </ul>	Observation and inspection
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Walkthrough Testing
9)	Procedures are in place for processing customer orders and formal	<ul style="list-style-type: none"> <li>Inspect contract / Accommodation Request Form (ARF) with</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	contracts or supporting documentation are filed	supporting documentation for one order.	
10)	All discounts from rate card are approved by an appropriate official in advance	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card</li> </ul>	Observation and inspection
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Examine a reconciliation of the debtors’ listing / ledger to the debtors’ control account in the GL for one month and review reconciling items</li> </ul>	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	<ul style="list-style-type: none"> <li>Analyse aged debtor listing for one month</li> </ul>	Substantive testing
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	<ul style="list-style-type: none"> <li>Verify approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Observation and inspection
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	<ul style="list-style-type: none"> <li>Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books</li> </ul>	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Observation and inspection
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	<ul style="list-style-type: none"> <li>Audit the bank reconciliation for each bank account for one month and check for review by a senior person.</li> </ul>	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	<ul style="list-style-type: none"> <li>Verify that reconciling items were cleared by the next month end.</li> </ul>	Substantive testing
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	on authority limits	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.</li> </ul>	Substantive testing
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Observation and inspection
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	<ul style="list-style-type: none"> <li>Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.</li> </ul>	Substantive testing
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person</li> </ul>	Observation and inspection
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Substantive testing
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Observation and inspection
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures</li> </ul>	Observation and inspection
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	<ul style="list-style-type: none"> <li>Select a sample of Travel &amp; Subsistence claims and check to see if they are supported by receipts and filed as appropriate</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records	<ul style="list-style-type: none"> <li>Audit the reconciliation between [REDACTED] and [REDACTED] payroll records for one month.</li> </ul>	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and [REDACTED] payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Review the reconciliation between PAYE/PRSI return to the revenue to [REDACTED] and [REDACTED] records for one month</li> </ul>	Substantive testing
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>View the management accounts for one month</li> </ul>	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	<ul style="list-style-type: none"> <li>Examine that reconciling items have been closed off</li> </ul>	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.</li> </ul>	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	<ul style="list-style-type: none"> <li>Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.</li> </ul>	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	<ul style="list-style-type: none"> <li>Assess and review the monthly accruals process</li> </ul>	Observation and inspection
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	<ul style="list-style-type: none"> <li>Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL.</li> <li>Verify that the VAT returned has been filed by the due date</li> </ul>	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	<ul style="list-style-type: none"> <li>Check a PAYE/PRSI return has been correctly filed on time for one month.</li> </ul>	Substantive testing
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns by 2rn	<ul style="list-style-type: none"> <li>Obtain listing of all other taxation returns / payments submitted by 2rn during 2016 (Professional Services Withholding Tax)</li> <li>Check that the return has been filed on time and correctly for one month.</li> </ul>	Substantive testing

**INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE - YEAR-ENDED 31 DECEMBER 2016  
SUMMARY OF SCORES**

Section	Process Area	Score	Maximum Score	Percentage (See Notes)	<i>Please list any questions to be completed by RTÉ Shared Service functions.</i>
A	Purchasing and Accounts Payable	35	40	88%	Q27 n/a       Q35 n/a
B	Sales and Accounts Receivable	32.5	36	90%	
C	Inventory	14	16	88%	
D	Cash and Treasury	18	20	90%	
E	Fixed Assets	15.5	16	97%	
F	People Payments	14.5	16	91%	
G	Management Accounts / Financial Close	19.25	20	96%	

Note: Taxation covered separately as part of audit work on Director's Compliance Statement

# RTÉ Internal Audit

## Review of Internal Financial Control in 2rn

20 February 2018

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive



**RTÉ:**





# Background and Scope

## Background

### Introduction

RTÉ Transmission Network DAC is a wholly owned subsidiary of RTÉ and trades as 2rn.

This report sets out the findings of Internal Audit's review of the financial processes in 2rn and the financial control self-assessment questionnaire. This report should be considered in conjunction with the 2rn Risk Register.

### Regulatory / Legislative Background

#### **a) Code of Practice for the Governance of State Bodies**

Section 7.5 of the 2016 Code of Practice for the Governance of State Bodies ("the Code") outlines that:

*"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, the Code's 'Business and Financial Reporting Requirements', a supporting document to the main Code, outlines that:

*"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and corporate functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

In the Annual Report for the year-ended 31 December 2017, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

#### **b) Directors' Compliance Statement**

The Companies Act 2014 imposes a new requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

The requirement was applicable to 2n for the first time for the financial year-ended 31 December 2016. This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Objective and Scope

The scope of this review were the financial controls in place in 2rn at 31 December 2017. This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes and control activities set-out in *Appendix A*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the financial processes in 2rn (*set-out in more detail in the table overleaf*);
- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and
- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

- ✗ IT audit of the financial systems;
- ✗ A full regulatory audit of the Tariff Pricing Models.

This review was focused on verification and testing of the operation of controls – via inspection, review of process flows and substantive testing – and did not represent a full financial audit of each process.

# Objectives and Scope

## Objective and Scope (Cont'd)

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview of control questions
<b>A</b>	<b>Purchasing and accounts payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; payment procedures
<b>B</b>	<b>Sales and accounts receivable</b>	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; reconciliations
<b>C</b>	<b>Cash and treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation / sign-off
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value; authorisation of right-offs
<b>E</b>	<b>Fixed assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval
<b>F</b>	<b>People payments</b>	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; filing of returns
<b>G</b>	<b>Management accounts / financial close</b>	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts
<b>H</b>	<b>Tax compliance – VAT / Employment Taxes</b>	VAT; PAYE / PRSI, Professional Services Withholding Tax – covered as part of work on the Directors' Compliance Statement

# Risk and Summary Findings

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 5 – Failure to grow Commercial Revenue

Other specific RTÉ risks relevant to this report are as follows:

- Proper books of account not being maintained
- Fraud

The audit has also taken into account the 2rn Risk Register, especially the various risks underpinning the objective of “effectively managing 2rn’s finances into the future through optimising funding sources and controlling costs”.

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 88%+ across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Self Assessment Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No issues were identified in this audit which merit classification as “key management issues”.

Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by Internal Audit.

# Conclusion and Rating

## Overall Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of internal financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2017, focusing on reviewing the key financial controls. In the context of the repositioning of 2rn in 2013, responsibility for certain financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, as summarised in Appendix A, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

## Rating



SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2017 and examine documentation, evaluation sheet, award letter, etenders notification, etc.</li> </ul>	Observation and inspection
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Walkthrough Testing and Approval
3)	All invoice payments and payment runs are authorised by appropriate personnel	<ul style="list-style-type: none"> <li>Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.</li> </ul>	Substantive testing
		<ul style="list-style-type: none"> <li>Review a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	<ul style="list-style-type: none"> <li>Check a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Observation and inspection
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	<ul style="list-style-type: none"> <li>Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.</li> </ul>	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	<ul style="list-style-type: none"> <li>Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.</li> </ul>	Substantive testing
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines 2015	<ul style="list-style-type: none"> <li>Select a 2rn Purchase Card envelope for one month in 2017 and confirm that supporting documentation is in place with appropriate approval.</li> </ul>	Observation and inspection
		<ul style="list-style-type: none"> <li>Inspect files generally for existence, approval and retention.</li> </ul>	Observation and inspection
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Walkthrough Testing

	Key Control Activity	Summary of Test of Control	Testing Approach
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed	<ul style="list-style-type: none"> <li>Inspect contract / Accommodation Request Form (ARF) with supporting documentation for one order.</li> </ul>	Observation and inspection
10)	All discounts from rate card are approved by an appropriate official in advance	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card</li> </ul>	Observation and inspection
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Examine a reconciliation of the debtors’ listing / ledger to the debtors’ control account in the GL for one month and review reconciling items</li> </ul>	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	<ul style="list-style-type: none"> <li>Analyse aged debtor listing for one month</li> </ul>	Substantive testing
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	<ul style="list-style-type: none"> <li>Verify approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Observation and inspection
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	<ul style="list-style-type: none"> <li>Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books</li> </ul>	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Observation and inspection
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	<ul style="list-style-type: none"> <li>Audit the bank reconciliation for each bank account for one month and check for review by a senior person.</li> </ul>	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	<ul style="list-style-type: none"> <li>Verify that reconciling items were cleared by the next month end.</li> </ul>	Substantive testing
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	signatories and authority limits. There is also formal procedures and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	for non-cheque payments (EFT etc) and verify dual signatories based on authority limits	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.</li> </ul>	Substantive testing
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Observation and inspection
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	<ul style="list-style-type: none"> <li>Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.</li> </ul>	Substantive testing
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person</li> </ul>	Observation and inspection
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Substantive testing
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Observation and inspection
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures</li> </ul>	Observation and inspection
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	<ul style="list-style-type: none"> <li>Select a sample of Travel &amp; Subsistence claims and check to see if they are supported by receipts and filed as appropriate</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records	<ul style="list-style-type: none"> <li>Audit the reconciliation between [REDACTED] and [REDACTED] payroll records for one month.</li> </ul>	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and NortgateArinso payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Review the reconciliation between PAYE/PRSI return to the revenue to [REDACTED] and [REDACTED] records for one month</li> </ul>	Substantive testing
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>View the management accounts for one month</li> </ul>	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	<ul style="list-style-type: none"> <li>Examine that reconciling items have been closed off</li> </ul>	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.</li> </ul>	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	<ul style="list-style-type: none"> <li>Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.</li> </ul>	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	<ul style="list-style-type: none"> <li>Assess and review the monthly accruals process</li> </ul>	Observation and inspection
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	<ul style="list-style-type: none"> <li>Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL.</li> <li>Verify that the VAT returned has been filed by the due date</li> </ul>	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	<ul style="list-style-type: none"> <li>Check a PAYE/PRSI return has been correctly filed on time for one month.</li> </ul>	Substantive testing
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns by 2rn	<ul style="list-style-type: none"> <li>Obtain listing of all other taxation returns / payments submitted by 2rn during 2017 (Professional Services Withholding Tax,)</li> <li>Check that the return has been filed on time and correctly for one month.</li> </ul>	Substantive testing



**INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE - YEAR-ENDED 31 DECEMBER 2017  
SUMMARY OF SCORES**

Section	Process Area	Score	Maximum Score	Percentage (See Notes)	<i>Please list any questions to be completed by RTÉ Shared Service functions.</i>
A	Purchasing and Accounts Payable	34	40	88%	Q35 n/a to 2rn
B	Sales and Accounts Receivable	31.5	36	88%	
C	Inventory	14	16	88%	
D	Cash and Treasury	21	24	88%	
E	Fixed Assets	15.5	16	97%	
F	People Payments	14	16	88%	
G	Management Accounts / Financial Close	19.5	20	98%	

Note: Taxation covered separately as part of audit work on Director's Compliance Statement

# RTÉ Internal Audit

## Review of 2rn Internal Financial Control

12 March 2020

Final

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

[Redacted]  
[Redacted]  
[Redacted]

**RTÉ:**

[Redacted]



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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# Introduction, Background and Risk

## Introduction

RTÉ Transmission Network DAC is a wholly owned subsidiary of RTÉ and trades as 2rn.

This report sets out the findings of Internal Audit's review of the financial processes and internal control in 2rn, in conjunction with the annual financial control self-assessment questionnaire. This report should be considered in conjunction with the 2rn Risk Register.

## Background

The effectiveness of internal control and the annual review of same for 2rn is governed by two external requirements, being:

- Code of Practice for the Governance of State Bodies ("the Code"); and
- Companies Act 2014.

### ***Code of Practice for the Governance of State Bodies:***

Section 1.8 of the Code states that:

"The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place."

Each year, as part of the year end process, Internal Audit carries out testing and review of internal controls of 2rn to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each Division and corporate functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of internal financial controls.

In the Annual Report for the year-ended 31 December 2019, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

### ***Companies Act 2014:***

The Companies Act 2014 imposes a requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Risk

The key corporate risks addressed by the report are as follows:

- Risk #12 – Changes in Legislation/Regulation and Compliance; and
- Risk #11 – Management of Finances and Business Planning.

Other specific risks relevant to this report are as follows:

- Fraud; and
- Proper books of account.

# Objective and Scope

## Objective

The objective of this audit was to review the company's internal financial control and processes and conclude on the effectiveness of same.

## Scope

The scope of our review covered the internal financial controls set-out in *Appendix A* from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019 and included the following considerations:

- Testing the existence and operation of the key controls in place in respect of the financial processes in 2rn; and
- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the results of our testing.

The scope did not include:

- ✗ IT audit of the financial systems; and
- ✗ A full regulatory audit of the Tariff Pricing Models.

The Internal Financial Control review does not represent a full financial audit of each process.

# Overview and Context of Findings

## Key Controls

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview
<b>A</b>	<b>Purchasing and Accounts Payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
<b>B</b>	<b>Sales and Accounts Receivable</b>	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
<b>C</b>	<b>Cash and Treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
<b>E</b>	<b>Fixed Assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
<b>F</b>	<b>People Payments</b>	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
<b>G</b>	<b>Management Accounts/Financial Close</b>	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
<b>H</b>	<b>Tax Compliance</b>	Preparation and submission of VAT; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Lack of documented policy and procedures	Low

# Findings

## 1: Lack of documented policy and procedures



### Description

Internal Audit (“IA”) tested the existence and operational effectiveness of 2rn financial controls and noted no significant deficiencies. Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by IA.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Self Assessment Questionnaire were reviewed in light of our testing results and adjusted accordingly. The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes. Please refer to *Appendix B* for summary details. IA notes that the ratings are broadly consistent with those reported last year and with those reported by other RTÉ Divisions.

As part of our testing, IA noted that 2rn does not have its own policies in place and use RTÉ’s policies. While 2rn is required to comply with RTÉ policies, IA would expect that local policies are in place where RTÉ’s policies do not cover a 2rn related matter as the businesses are different.

Further to this, 2rn does not have its financial processes documented. Documented financial procedures will help ensure that all key controls are identified and can also reduce key person risk and help with segregation of duties.

Recommendation	Owner	Due Date
1. Management should review RTÉ policies and put local policies in place where a matter is not covered by an RTÉ policy. If no changes are deemed necessary, the conclusion of same should be documented.	██████████ (Financial Controller - 2rn)	30 June 2020
2. Management should document all financial processes and identify the key controls within each process ( <i>leverage off ERP documentation where applicable</i> ).	██████████ Financial Controller - 2rn)	30 June 2020

# Conclusion and Report Rating

## Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2019, focusing on key controls. Responsibility for majority of financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation and effectiveness of a sample of financial controls in 2rn as noted within *Appendix A*. The results of our testing has been merged with the results of the completed Internal Financial Control Questionnaire – please see *Appendix B*. This highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes. The introduction of documented policy and procedures as recommended will help ensure that all key controls are identified.

It is on the basis of the above findings that we assess the overall standard of the process as “Satisfactory”.

## Report Rating



SATISFACTORY

Auditor: [REDACTED]



	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2019 and examine documentation, evaluation sheet, award letter, etenders notification, etc.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices.	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	<ul style="list-style-type: none"> <li>Test a sample of EFT payment runs (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger.</li> </ul>	Re-performance.
		<ul style="list-style-type: none"> <li>Test a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	<ul style="list-style-type: none"> <li>Examine a sample of the invoices on ████████ to verify that they were paid by due date.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	<ul style="list-style-type: none"> <li>Test a sample of creditor reconciliations and ensure all reconciling items have been followed up and cleared the following month.</li> </ul>	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	<ul style="list-style-type: none"> <li>Test a sample of creditor reconciliations and ensure the creditors' listing agrees to the GL.</li> </ul>	Re-performance.
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines.	<ul style="list-style-type: none"> <li>Test a sample of Purchase Card envelopes and verify that supporting documentation is in place with appropriate approval.</li> </ul>	Re-performance.
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	<ul style="list-style-type: none"> <li>Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.</li> </ul>	Inquiry, Observation and Inspection.
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Test a sample of debtor reconciliations and ensure the debtors’ listing agrees to the GL and review reconciling items.</li> </ul>	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	<ul style="list-style-type: none"> <li>Test a sample of aged debtor listings.</li> </ul>	Re-performance.
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	<ul style="list-style-type: none"> <li>Test the approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Re-performance.
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	<ul style="list-style-type: none"> <li>Test a sample of lodgements and check timeliness of recording in books.</li> </ul>	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Inquiry, Observation and Inspection.
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	<ul style="list-style-type: none"> <li>Test bank reconciliations for each bank account for a sample of periods and check for review by a senior person.</li> </ul>	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that reconciling items were cleared by following month, where applicable.</li> </ul>	Re-performance.
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Test a sample of quarterly compliance certificates to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.</li> </ul>	Re-performance.
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Inquiry, Observation and Inspection.
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	<ul style="list-style-type: none"> <li>Test the Fixed Asset Register was reconciled to the GL for sample of periods.</li> </ul>	Re-performance.
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Test a sample of additions/disposals and verify they are appropriately authorised in writing by a senior person.</li> </ul>	Re-performance.
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Inquiry, Observation and Inspection.
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Inquiry, Observation and Inspection.
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	<ul style="list-style-type: none"> <li>Test a sample of Travel &amp; Subsistence claims and verify that they are supported by receipts and filed as appropriate.</li> </ul>	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records.	<ul style="list-style-type: none"> <li>Test the reconciliation between [REDACTED] and [REDACTED] payroll records for a sample of periods.</li> </ul>	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and [REDACTED] payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Test the reconciliation between PAYE/PRSI returns to Revenue to [REDACTED] and [REDACTED] records for a sample of periods.</li> </ul>	Re-performance.
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>Test that management accounts are approved and submitted to Central Finance for a sample of periods.</li> </ul>	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	<ul style="list-style-type: none"> <li>Test that all account balances are reconciled before the submission of management accounts to Central Finance.</li> </ul>	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that intercompany balances (both P&amp;L and B/S) have been reconciled for a sample of periods and agree to confirmations from the relevant parties.</li> </ul>	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	<ul style="list-style-type: none"> <li>Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.</li> </ul>	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	<ul style="list-style-type: none"> <li>Test for a sample of periods, that the accruals listings are available and reconcile to the GL.</li> </ul>	Re-performance.
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	<ul style="list-style-type: none"> <li>Test that VAT workings reconcile to the GL for a sample of periods.</li> <li>Test that the VAT workings were provided to Central for filing.</li> </ul>	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	<ul style="list-style-type: none"> <li>Test that PAYE/PRSI returns have been correctly filed on time for a sample of periods.</li> </ul>	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	<ul style="list-style-type: none"> <li>Test that returns agree to back-up and have been filed on time for a sample of periods.</li> </ul>	Re-performance.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2019

Summary of Effectiveness Ratings				
Section	Process Area	Score	Maximum Score	Percentage
A	Procurement and Accounts Payable	32.65	36	91%
B	Sales and Accounts Receivable	34.5	36	96%
C	Inventory	15	16	94%
D	Cash and Treasury	21.45	24	89%
E	Fixed Assets	14.8	16	93%
F	People Payments	17	20	85%
G	Management Accounts/Financial Close	19	20	95%
H	Taxation	8	8	100%

**Note:** Taxation is also covered as part of audit work on the Director's Compliance Statement.

# RTÉ Internal Audit

## Review of 2rn Internal Financial Control



24 February 2022

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

██████████, Chairman RTÉ Transmission Network DAC (trading as 2rn)  
██████████, Executive Director 2rn  
██████████ Financial Controller 2rn

**RTÉ:**

██████████ Group Financial Controller



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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The effectiveness of internal control and the annual review of same for 2rn is governed by two external requirements, being:

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- Companies Act 2014.

### **Code of Practice for the Governance of State Bodies:**

Section 1.8 of the Code states that:

*"The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place."*

Each year, as part of the year end process, Internal Audit carries out testing and review of internal controls of 2rn to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each RTÉ division and corporate function completes a self-assessment questionnaire which forms the basis of Internal Audit testing of internal financial controls for the RTÉ Group.

In the Annual Report for the year-ended 31 December 2021, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

### **Companies Act 2014:**

The Companies Act 2014 imposes a requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Risk

The key RTÉ corporate risks addressed by the report are as follows:

- Risk #8 – Management of Finances and Business Planning;
- Risk #10 – Changes in Legislation/Regulation and Compliance; and
- Risk #5 – Commercial Revenue.

*(Based on Q4 2021 rankings, currently under review)*

Other specific risks relevant to this report are as follows:

- Fraud; and
- Regulatory / maintaining proper books of account.



# Objective and Scope

## Objective

The objective of this audit was to review the company's internal financial control and processes and conclude on the effectiveness of same.

## Scope

The scope of our review covered the internal financial controls set-out in *Appendix A* from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021 and included the following considerations:

- Testing the existence and operation of the key controls in place in respect of the financial processes in 2rn; and
- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the results of our testing.

The scope did not include:

- ✗ IT audit of the financial systems; and
- ✗ A full regulatory audit of the Tariff Pricing Models.

The Internal Financial Control review does not represent a full financial audit of each process.

# Controls

## Key Controls

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview
<b>A</b>	<b>Purchasing and Accounts Payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
<b>B</b>	<b>Sales and Accounts Receivable</b>	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
<b>C</b>	<b>Cash and Treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
<b>E</b>	<b>Fixed Assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
<b>F</b>	<b>People Payments</b>	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
<b>G</b>	<b>Management Accounts/Financial Close</b>	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
<b>H</b>	<b>Tax Compliance</b>	Preparation and submission of VAT workings for returns; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

# Findings

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review. Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by Internal Audit.

- ✓ The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.
- ✓ The effectiveness ratings assigned to the financial controls in the Internal Financial Control Self Assessment Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No issues were identified in this audit which merit classification as “key management issues”.

Other matter:

- *Segregation of Duties:* It is difficult to achieve full segregation of duties in smaller Finance functions and the 2rn Treasury and Payroll functions are not fully segregated as a result. In order to address this, over recent years, 2rn has segregated a number of key controls as a mitigating action. For example, all payroll and banking transactions and postings are approved by the Financial Controller. All bank reconciliations are also signed off by the Financial Controller and Payroll journals are posted by Central Finance in RTÉ. These controls operate effectively, and we have no findings to report in this regard

# Conclusion and Report Rating

## Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2021, focusing on key controls. Responsibility for majority of financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation and effectiveness of a sample of financial controls in 2rn as noted within *Appendix A*. The results of our testing has been merged with the results of the completed Internal Financial Control Questionnaire – please see *Appendix B*. This highlights that a strong control environment exists across the financial processes within scope.

It is on the basis of the above findings that we assess the overall standard of the process as “Satisfactory”.

## Report Rating



SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2021 and examine documentation, evaluation sheet, award letter, eTenders notification, etc.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices.	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	<ul style="list-style-type: none"> <li>Test one EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger.</li> </ul>	Re-performance.
		<ul style="list-style-type: none"> <li>Test a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	<ul style="list-style-type: none"> <li>Examine a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	<ul style="list-style-type: none"> <li>Test one creditor reconciliation and ensure all reconciling items have been followed up and cleared the following month.</li> </ul>	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	<ul style="list-style-type: none"> <li>Test one creditor reconciliation and ensure the creditors' listing agrees to the GL.</li> </ul>	Re-performance.
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines.	<ul style="list-style-type: none"> <li>Test one Purchase Card envelope and verify that supporting documentation is in place with appropriate approval.</li> </ul>	Re-performance.
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	<ul style="list-style-type: none"> <li>Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.</li> </ul>	Inquiry, Observation and Inspection.
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Test one debtor reconciliation and ensure the debtors’ listing agrees to the GL and review reconciling items.</li> </ul>	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	<ul style="list-style-type: none"> <li>Test one aged debtor listing.</li> </ul>	Re-performance.
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	<ul style="list-style-type: none"> <li>Test the approval of, and reason for, a sample of credit notes selected from [REDACTED]. Consider the appropriateness of the Approver.</li> </ul>	Re-performance.
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	<ul style="list-style-type: none"> <li>Test a sample of lodgements and check timeliness of recording in books.</li> </ul>	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Inquiry, Observation and Inspection.
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	<ul style="list-style-type: none"> <li>Test one bank reconciliation for each bank account for a sample of periods and check for review by a senior person.</li> </ul>	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that reconciling items were cleared by following month, where applicable.</li> </ul>	Re-performance.
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
<b>C.4</b>	<b>Loan Covenants</b>		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Test one quarterly compliance certificate to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.</li> </ul>	Re-performance.
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Inquiry, Observation and Inspection.
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	<ul style="list-style-type: none"> <li>Test the Fixed Asset Register was reconciled to the GL for sample of periods.</li> </ul>	Re-performance.
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Test one addition and one disposal, verifying they are appropriately authorised in writing by a senior person.</li> </ul>	Re-performance.
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Inquiry, Observation and Inspection.
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Inquiry, Observation and Inspection.
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	<ul style="list-style-type: none"> <li>To be addressed as part of RTÉ Group audit work in this area</li> </ul>	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records.	<ul style="list-style-type: none"> <li>Test the reconciliation between [REDACTED] payroll records for one period.</li> </ul>	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Test the reconciliation between PAYE/PRSI returns to Revenue to [REDACTED] records for one period.</li> </ul>	Re-performance.
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>Test that management accounts are approved and submitted to Central Finance for one month.</li> </ul>	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	<ul style="list-style-type: none"> <li>Test that all account balances are reconciled before the submission of management accounts to Central Finance.</li> </ul>	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that intercompany balances (both P&amp;L and B/S) have been reconciled for one month and agree to confirmations from the relevant parties.</li> </ul>	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	<ul style="list-style-type: none"> <li>Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.</li> </ul>	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	<ul style="list-style-type: none"> <li>Test for one month, that the accruals listings are available and reconcile to the GL.</li> </ul>	Re-performance.
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non-compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	<ul style="list-style-type: none"> <li>Test that VAT workings reconcile to the GL for one month.</li> <li>Test that the VAT workings were provided to Central for filing.</li> </ul>	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	<ul style="list-style-type: none"> <li>Test that PAYE/PRSI returns have been correctly filed on time for a one period.</li> </ul>	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	<ul style="list-style-type: none"> <li>Test that returns agree to back-up and have been filed on time for one period.</li> </ul>	Re-performance.



## INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2021

Summary of Effectiveness Ratings				
Section	Process Area	Score	Maximum Score	Percentage
A	Procurement and Accounts Payable	36.9	40	92%
B	Sales and Accounts Receivable	34.9	36	97%
C	Inventory	15.5	16	97%
D	Cash and Treasury	21.25	24	89%
E	Fixed Assets	15	16	94%
F	People Payments	17.25	20	86%
G	Management Accounts/Financial Close	20	20	100%
H	Taxation Compliance	8	8	100%

**Note:**

**Taxation:** also covered as part of audit work on the Director's Compliance Statement.

**Treasury:** additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

# RTÉ Internal Audit

## Report on Acquired Programme Inventory

3 February 2015

**Circulation:**

Noel Curran, Director-General  
Executive  
Members of the Audit and Risk Committee

Dermot Horan, Director of Production and Acquisitions



# Executive Summary: Background and Scope

## Background

A full operational audit of Programme Acquisitions was completed in late 2013, rated “Satisfactory”. This follow-on process audit is focused on the area of acquired inventory. KPMG will place reliance on this report as part of the year-end statutory audit.

### Financial

RTÉ transmitted in excess of [REDACTED] hours (10,939 commercial hours) of internationally and nationally acquired programmes on RTÉ One and RTÉ Two during 2014, representing [REDACTED] of total programming output ([REDACTED] of all Peak Time transmission). The cost of transmitting acquired programmes was [REDACTED] million (excluding centrally allocated overheads) during 2014, which is [REDACTED] under budget. This was charged to the Income Statement in line with RTE’s accounting policy. Acquisitions in license, but not yet broadcast, are held in programme inventory. The full year budget for 2015 is [REDACTED].

### General

The majority of acquisitions are sourced from the US, the UK, Australia and New Zealand. The US is the most important market, representing c.70% of the world's film / programme production market.

Deals to secure acquisitions are normally negotiated at the film and television markets. These markets take place across the world and bring together the main buyers (broadcasters), distributors, Hollywood studios, film companies etc. RTÉ attends all of the most important markets annually and maintains contact with key suppliers throughout the year.

### Competition

The market for acquired content is becoming increasingly competitive with other channels pursuing joint Ireland / UK rights in respect of certain prime acquisitions. This threatens RTÉ’s capability of securing a “first-run” of the following season’s new release series. Securing a “second-run” right means a broadcast after transmission on another channel, which impacts the potential audience.

The emergence of subscription online channels such as Netflix also pose a competitive threat, especially for movies. These channels attempt to secure a rights window before the traditional broadcasters.

### Approval

Each deal is initially authorised by the Director of Production and Acquisitions and the MD of Television. The approval of the CFO and the Director General may also be required, depending on the deal value.

## Scope of Audit

The scope of our audit was acquired programme inventory at 30 September 2014. We selected a sample size of 15 for testing, with a mix of medium-sized stand-alone deals and large studio deals. We also achieved a geographical spread of suppliers and carried out testing across various dates in 2014.

The audit involved the following work:

- ✓ Checking the accuracy of contract data recorded on the [REDACTED] system;
- ✓ Agreeing details of additions to contracts;
- ✓ Verifying compliance with the terms of the contract;
- ✓ Recalculating the opening balances, amortisation charges and closing balances for a sample of inventory;
- ✓ Ensuring amortisation charges are in line with accounting policy;
- ✓ Checking amortised programmes to transmission logs;
- ✓ Tracing supplier payments to [REDACTED];
- ✓ Reviewing a sample of month end inventory accounting transactions.

The audit did not include:

- ✗ A review of the IT systems;
- ✗ Sports rights acquisitions;
- ✗ Programmes commissioned from the Independent sector or produced in-house;
- ✗ Programme material acquired by RTÉ on behalf of TG4.

# Executive Summary: Findings and Conclusion

## Findings

The sample selected for Internal Audit's review of Acquired Inventory is set-out in *Appendix 1*. In summary:

- ✓ Inventory was accurately recorded on [REDACTED] in line with contract terms
- ✓ All programme additions were recorded in agreement with contract terms
- ✓ Amortisation of programmes was calculated correctly in all instances and accounted for in an appropriate manner
- ✓ All programmes recorded as being amortised on [REDACTED] were consistent with the Transmission Logs

No exceptions were identified during the course of testing.

## Overall Conclusion

The amortisation of acquired programmes transmitted on RTÉ Television represents a material cost in the RTÉ Group accounts and therefore merits close review. In addition, by carrying out regular Internal Audits of Acquired Programme Inventory, the External Auditors are able to reduce the scope of their work in this area.

The cost of acquired programmes transmitted on RTÉ Television was [REDACTED] (before overheads) for the year to 31 December 2014. Internal Audit has carried out a review of the acquired inventory balance and the month end accounting process. Based on the samples tested as part of this audit, we conclude that the current process is operating effectively. We noted no issues of concern as part of this audit and the standard of control assessed is satisfactory.

We would like to thank staff in TV Broadcast and Acquisitions for their assistance during the course of this assignment.

## Rating



**SATISFACTORY**

# Appendix 1 – Audit Sample

## Sample Selection

#	Master Deal		Deal Title	Programme Name	Start Date	End Date	Opening Stock			Closing Stock	
	Code	Deal Code					01/01/2014	Cur	Additions	Amortised	30/09/2014
1	AQM0006215	AQM0006215	Thousand Words, A	Thousand Words, A							
2	AQM0005191	AQM0005191	Blue Heelers (3-7)	Blue Heelers (3-7)							
3	AQM0005524	AQM0005524	Eagle Eye	Eagle Eye							
4	AQM0006182	AQM0006182	Golden Globe 2014	Golden Globe 2014							
5	AQM0006213	AQM0006213	Mad Men (7a)	Mad Men (7a)							
	AQM0006176	AQM0006176	Disney Features 2014	Disney Features 2014							
6	AQM0006176	45287	36 Disney Library Features 2014	Emil And The Detectives							
7	AQM0006176	45287	36 Disney Library Features 2014	Toy Story							
8	AQM0006200	45474	Disney Fish Hooks (2) (Eps 22-43)	Get A Yob!/ Spiders Bite F038 Ep 8							
9	AQM0006200	45483	Disney The Suite Life On Deck (3)	Party On! F060 Ep 9							
10	AQM0006200	45501	Disney Motorcity (1)	Texas-Ify It! F005 Ep 5							
	AQM0006156	AQM0006156	NBC / Universal 2014 Deal	NBC / Universal 2014 Deal							
11	AQM0006156	45114	Suits (2)	Meet The New Boss Ep 3							
12	AQM0006156	45118	Royal Pains (5)	Vertigo Ep 5							
13	AQM0006156	45124	Sean Saves The World (1)	Dark Sean Rises, The Ep 15							
14	AQM0006156	45184	12 First Run Features	Ted							
15	AQM0006156	45187	4 Premium Library Features	Mamma Mia!							

### Legend:

 Large deal - 5 programmes selected from each



## 2. Scope and methodology

This audit is based on a review of data provided to RTÉ Internal Audit by ██████ in respect of the period January 2011 to March 2013\*. The data comprised the financial details of all car rentals in the period and also included the driver's name, time and duration of rental, vehicle rented, distance travelled and other similar data.

*[\*In some cases, for comparative purposes, we have extended the period of the car rental expenditure data, beyond the period of data provided by ██████. In such cases, the data is based on actual billings by ██████ and has been extracted from ██████]*

The Head of Property and Services commissioned a review of the following:

- ✓ General use of the car rental service
- ✓ Approval process
- ✓ Rates (versus travel and subsistence disbursements)
- ✓ Assessment of fall in travel and subsistence costs since the introduction of the service.

The review did not involve:

- ✗ IT audit of the ██████ booking engine
- ✗ Appropriateness of the approver assigned to the booking (which is based on the ██████ costpool approvers)

Any review of the car rental service necessitates consideration of mileage, as car rental was introduced as a cost saving exercise intended to replace, where feasible, the more expensive option of mileage. Therefore we have extended our analysis to include consideration of mileage.

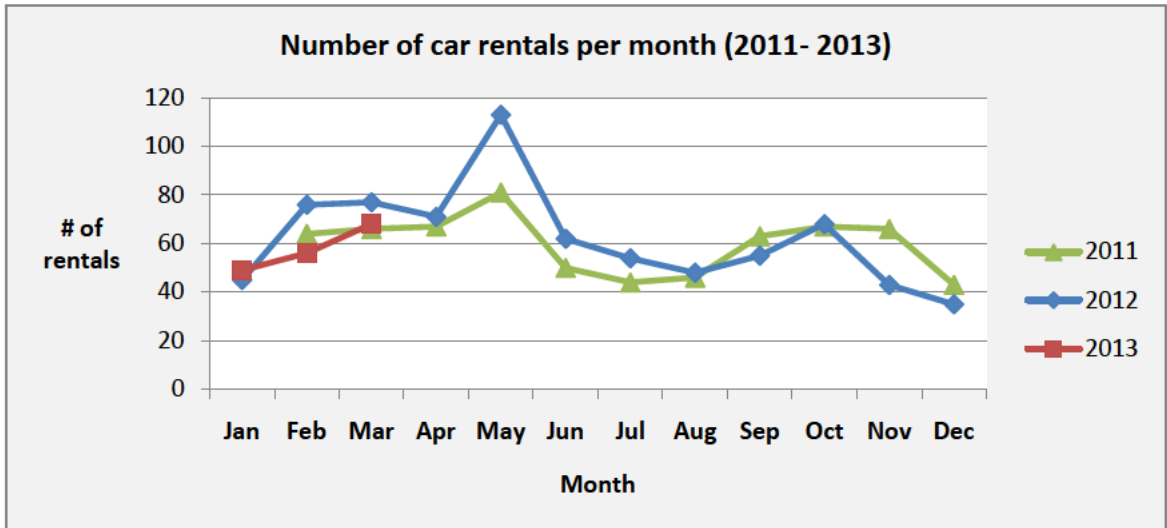
The comparative data on mileage was extracted from ██████. It is important to note that the mileage costs are based on the date the trip took place as opposed to the date of the mileage claim. Secondly, parking charges have been excluded from the mileage account code.

## 3. Financial analysis

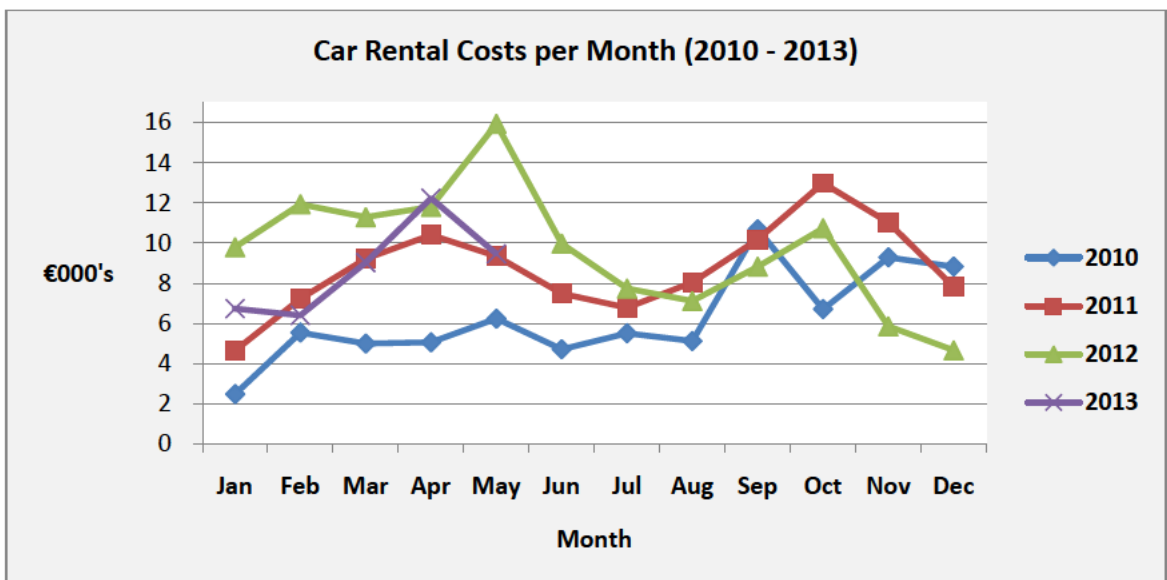
This section presents background financial analysis (of the ██████ car rental service in RTÉ) in order to provide a context of the scale and level of the contract.

### 3.1 Use of service – overview

The number of ██████ car rentals has been increasing since the service was extended across RTÉ in Q4 of 2010, rising to 747 rentals in 2012 (from 657 in 2011):



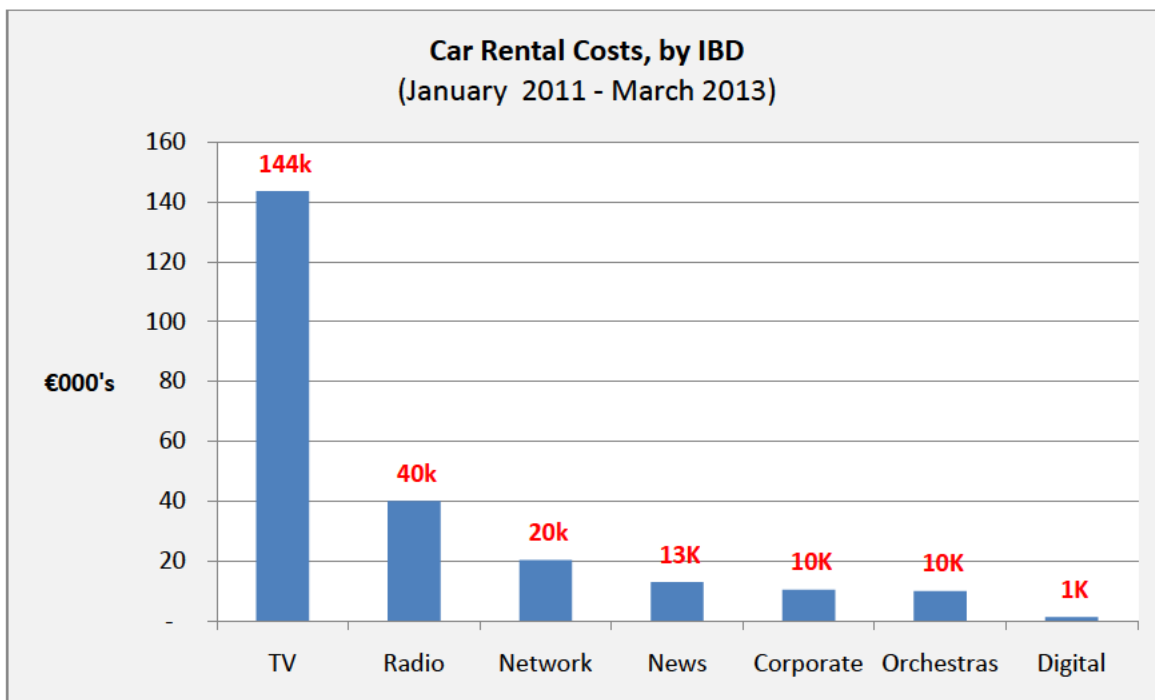
This is further illustrated by examining the value of rentals in the period before and after the extension of the service. (2011 was the first full year the service was operational across all of RTÉ).



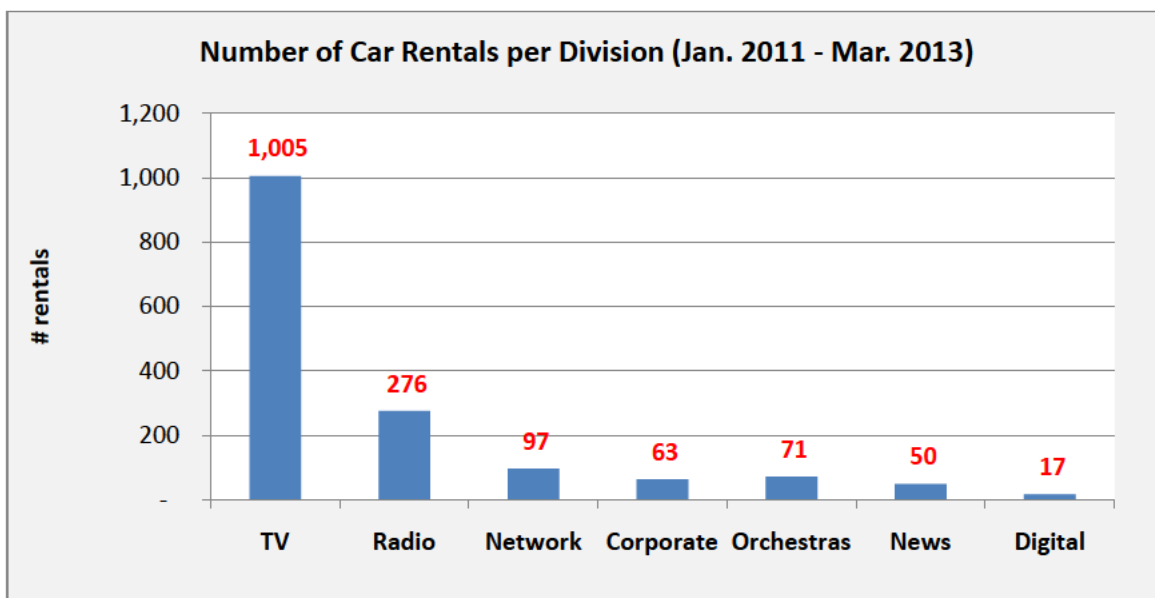
*Note:* variations from month to month reflect changes in production demand, special events (general election in February 2012, sports events, GAA championship etc.) and ad-hoc costs associated with the damage of vehicles (we noted large damage charges in January 2012, May 2012 and October 2012).



The use of the service varies across divisions and, despite increased use of car rental, the service is predominantly used in Television (64% of all car rentals / 60% in value terms).



The numbers of rentals per division are set-out below:



While the use of the service has increased since being extended across all of RTÉ, there is scope to examine options for promoting increased use in other divisions.

### 3.2 Use of service – by costpool and individual

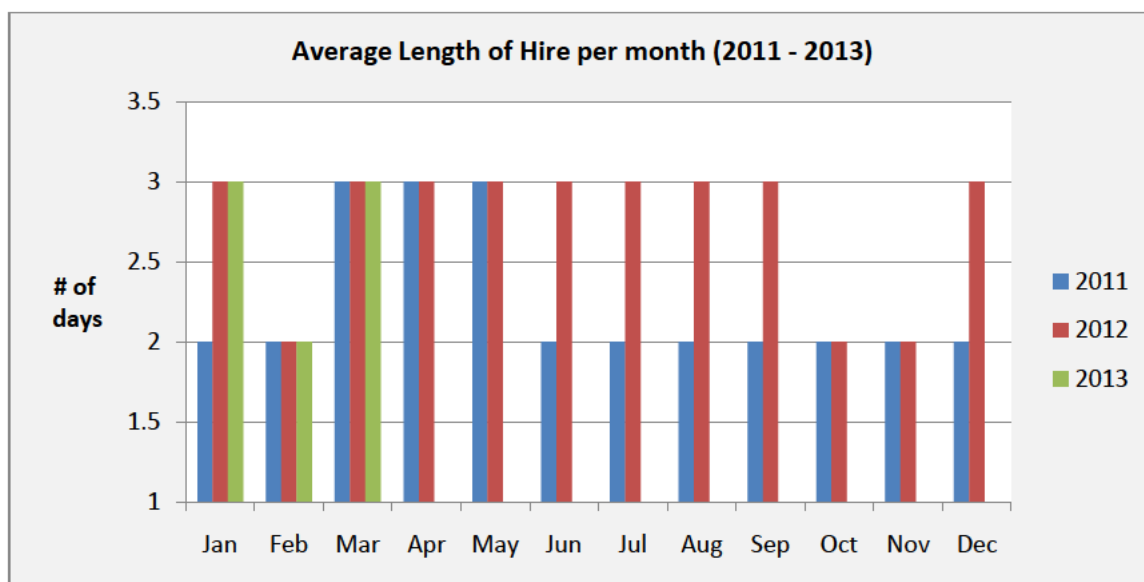
The car rental service is predominantly used by programme / output areas. 43% of the car rental cost in the period under review derives from fifteen costpools, primarily programme related. Ten of the fifteen costpools are in Television.

When usage of the service is examined at an individual user level, fifteen users account for 33% of the total car rental cost in the period. The highest user of the service (in RTÉNL) incurred costs of €7.8k in the period under review.

In summary, use of the service is driven by output areas, with a small number of frequent users driving demand.

### 3.3 Length of hire

The average length of hire across the entire period examined is approximately two and a half days, broadly in line with expectation when the service was introduced. This is analysed by month below:



We identified 16 lengthy rentals, ranging from 11 days to 28 days, in the period covered by the review (cost of €9.1k).

### 3.4 Type of vehicle rented

The types of vehicles being rented under the contract with [REDACTED] are set-out below. For illustrative purposes, we list the 1-2 day rental rate based on the existing contracted rates. (The 1-2 day rate falls for rentals of a longer duration).

Class	1-2 day rate	Type	# Rentals	Cost (€'000)	% of Total
IDMR	€34	Hyundai i40 or similar	912	127	53.3%
CDMN	€29	VW Golf or similar	205	28	11.9%
EDMN	€25	VW Polo or similar	169	19	8.1%
FFMR	€63	SANTA FE 2.0	63	21	9.0%
SVMN	€45	Ford Galaxy7 pax	55	11	4.4%
CWMN	€38	Hyundai i30 est or similar	50	10	4.2%
EBMN	€25	Nissan Micra or similar	34	3	1.2%
IKMN	€50	Ford Transit or similar	29	7	2.7%
CWMR	€38	Hyundai i30 est or similar	20	4	1.6%
FDMR	€55	Hyundai i35 or similar	11	2	0.6%
EKMN	€28	VW Caddy or similar	10	2	0.7%
Various	Various	Various	21	5	2.3%
<b>Totals</b>			<b>1579</b>	<b>238</b>	<b>100.0%</b>

### 3.5 Damage

Damage incurred during a period of rental is the responsibility of RTÉ (and it is a decision for RTÉ whether to make a claim through its insurance policy).

We noted damage costs of €7.9k in the period covered by the review, primarily driven by three separate instances of damage.

## 4. Findings

This section presents our findings on the use of the service and sets-out observations on the overall vehicular transportation costs.

At the outset it is important to note that any analysis of the use of car rental as compared to mileage must be considered in the context of other factors impacting underlying cost of travel: the cost reduction programmes, falls in the level of indigenous output and lower staff numbers arising from restructuring.

### *4.1 Use of the car rental service: overall use*

- a) As illustrated in Section 3.1 above, the use of the [REDACTED] car rental service has increased since its extension across RTÉ.

The cost increased by 28.5% from 2010 to 2011, which was the first full year of the extended service. The level of usage also increased, by 9%, from 2011 (€105k) to 2012 (€116k).

The pattern of use in the first five months of 2013 highlights a 25% fall in the use of the car rental service, which is most likely driven by a lower level of activity in production output and budget cuts. (While mileage costs are also falling in 2013, we observed that the fall in the use of car rental in the 2013 is almost twice the fall in mileage costs in the same period).

- b) The use of the car rental service varies across divisions, but is predominantly used in Television (64% of all car rentals / 60% in value terms).

Therefore, while the overall use of the service has increased since being extended across all of RTÉ, there is scope to examine options for promoting increased use in other divisions.

Secondly, options for a car rental, or similar, service for individuals based outside of Dublin merit consideration, especially given that mileage cost continue to be incurred by those based in the regions. This point is illustrated by the fact that, in the period covered by the review:

- Mileage costs charged to two costpools – programme related costpools in Cork and Galway, respectively – are equal to approximately two-thirds of the car rental cost for all of RTÉ in the period;
  - 13 of the 15 highest individual claimants of mileage are based in regional locations;
  - Mileage charged to RTÉ Raidió na Gaeltachta costpools equates to nearly a quarter of all mileage claims.
- c) The top claimants of mileage are not using the car rental service. In the period from January 2010 to May 2013 we noted that the top 15 claimants of mileage incurred mileage costs of €422k (circa 25% of all mileage costs in the period), but the corresponding car rental cost for these individuals was only €1k. Therefore, individuals who are high claimants of mileage merit a closer examination.

Similarly, we noted that two of the top five highest users of the car rental service are also high claimants of mileage. This raises questions as to whether these individuals are maximising the use of the car rental service and whether some of their mileage claims could also have been replaced by car rental. We acknowledge that it may not be practical to travel to RTÉ and

collect a rental car before progressing on a business journey in all cases and that a mix of both mileage and car rental is likely to occur depending on the journey.

- d) The contract is operating effectively from a day-to-day process point of view, with vehicles generally dropped off at the Donnybrook campus and the keys retained by security. ██████ is satisfied with the timeliness of returns, with extension to rental being notified to ██████, by the user, in advance. During the audit, RTE users did not raise any concerns with the timeliness of delivery of the vehicle, cleanliness of vehicle or adherence to category of vehicle requested.

#### ***4.2 Use of the car rental service: other observations regarding use***

- a) In general, the cars being rented are broadly in line with expectation when the service was introduced. As illustrated by Section 3.4 above, 21% of rentals fit into the category of 1.2L / 1.4L cars. A further 59% fall into the category of intermediate 1.6L / 1.8L rentals.

There is scope for improved cost efficiencies by increasing the use of the CDMN (1.4L) band of rental, which is 15% - 31% cheaper than the intermediary 1.6L / 1.8L, yet suitable for most types of production situations.

16% of rentals are of jeeps / four wheel drive vehicles. While not possible as part of this review to examine the business reason for each individual rental, the costpools with the highest rental of these vehicles indicate a valid business reason for hiring such a large vehicle - transporting goods / products, remote network locations, programme related, etc.

We did not identify any excessive use of luxury cars, with any rentals for valid editorial reasons and use on-air.

- b) To take account of factors such as urgent bookings over the weekend, the existing processes provide a facility for bookings directly by telephone or email. The booking is taken by an administrator in ██████ input to the booking system and, in the majority of cases, it process for approval in a manner similar to all other RTE online bookings.

While this method of booking is intended to operate in a small number of cases, we noted that 19.5% of bookings were made using a phone / email, as opposed to the user inputting the booking via the ██████ website. Bookings by phone potentially reduce the time available to make a considered decision on the cost effectiveness of the vehicles and provide ██████ with a sales opportunity to promote the rental of a higher class of vehicle.

- c) The duration of the rental is in line with intention at the time of the introduction of the policy. Cars are not being used for an excessively lengthy period of time, nor are cars being rented in circumstances when a taxi or other transportation option would prove more appropriate.
- Only 16 rentals were for a duration greater than 10 days
  - While 147 (9%) rentals were for a period of one day or less, in excess of 85% of these rentals were for at least ¾ day rental. We identified two instances of rentals which were for an excessively short duration and an alternative transportation option would have been more appropriate. *[The rental is charged based on the duration of the booking. Some of the ¾ day rentals could, potentially, have been returned much earlier than the booked duration, However, no data is available on the actual return time]*

The review highlighted that the monthly reports provided by ████████ to RTÉ list the “return date / time” as the booked return time, as opposed to the actual return time. Therefore, extensions to the original approved booking will not be evident from the data. ████████ has agreed to amend the reporting format from August 2013.

- d) The data highlights that use of the car rental service is not being maximised during special events. For example, as evident in section 3.5 above, we noted an increase in mileage during periods of election. In contrast, the car rental costs in Section 3.1 do not highlight a corresponding increase in usage.

The data highlights further scope to plan for the use of rented cars during such periods of higher production demand.

#### ***4.2 Invoicing***

We identified a number of instances of inaccurate charges being levied by ████████ due to system errors:

- Where the period of rental was extended from that originally booked, we noted that discounted rates for longer rental period were not applied in all cases. For example, a 1-2 day rental is charged at a higher daily rate than a 3-6 day rental. However, an extension of a 2 day rental to, say, 3 days was not always updated in the rate charged
- Some drop off and mileage charges being levied, even though these are exempt under the contract

These inaccuracies involved RTÉ being overcharged for the rental in the amount of circa €5k. ████████ will provide a credit against the August 2013 billing. This matter also highlights a lack of review or spot checking of the data.

We noted a small number of excessive toll charges, which are unreasonable based on the duration of the rental, for example €190 (in one day rental), €113 (three day rental) and €81 (two day rental). These charges are misclassifications and errors related to the issue outlined above.

#### ***4.3 Overall expenditure on vehicle travel / transportation costs***

We have considered the impact of the car rental service on the total RTÉ expenditure on vehicular travel.

By way of background, members of staff incur vehicular travel costs in three ways:

- Use of personal car and reclaim of mileage associated with the trip through the Transfare system, at the agreed rates based on the size of the car. (Local cost saving arrangement may be in place which provide for the claiming of a lower number of KMs than the actual length of the trip, or the capping of mileage claims);
- Use of personal car and reclaim the petrol costs associated with the trip through the Transfare system; and
- Car rental, via ████████.

The cost of each is set-out in the table below:

Year	Car Rental	Petrol	Mileage	Total	Vs 2010
2010	75,210	43,263	577,886	<b>696,360</b>	100%
2011	105,232	57,360	592,672	<b>755,264</b>	+8%
2012	115,719	63,464	492,704	<b>671,888</b>	-4%
2013 (Actual Jan-May)	43,893	23,435	205,979		
2013 (Forecast)	105,342	56,244	442,855	604,441	-13%

*Footnotes:*

- The General Election in February 2011 contributed to a once-off increase of approximately €30k - €35k in mileage
- As outlined in Section 2, mileage costs are based on the date the trip was incurred and excludes parking (which is also included in the mileage account code)
- Due to the impact of "seasonality" arising from lower output levels in the summer months, some caution should be exercised in relation to the forecast for 2013. The forecast mileage is determined on an extrapolation based on five months cost, subject to adjustment to the forecast to reflect the seasonality pattern over previous years.

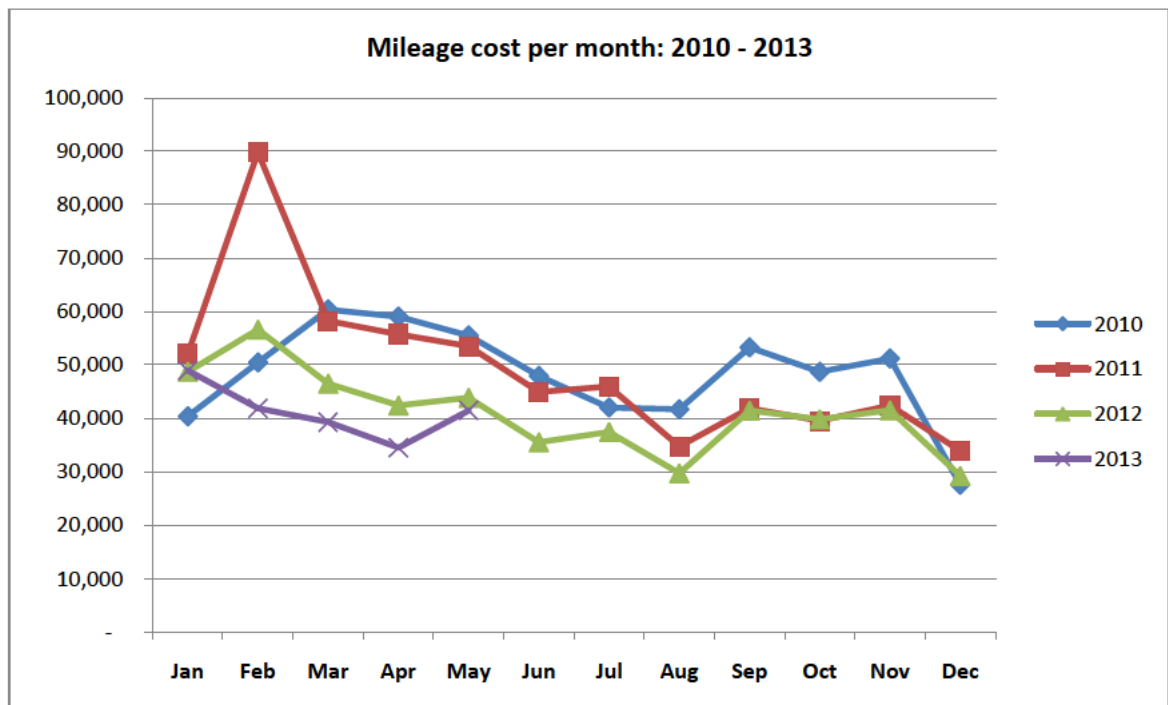
We note the following in relation to the overall expenditure on vehicular transportation costs:

**4.3.1 Use of car rental**

Car rental has increased as a portion of the vehicular transportation cost, from 11% of total vehicular transport cost in 2010 to 17% in 2012. The data for the first five months indicates that the trend is broadly unchanged (at 16% of total cost).

**4.3.2 Mileage costs**

The movement in mileage claims in the period covered by this review is set-out below.



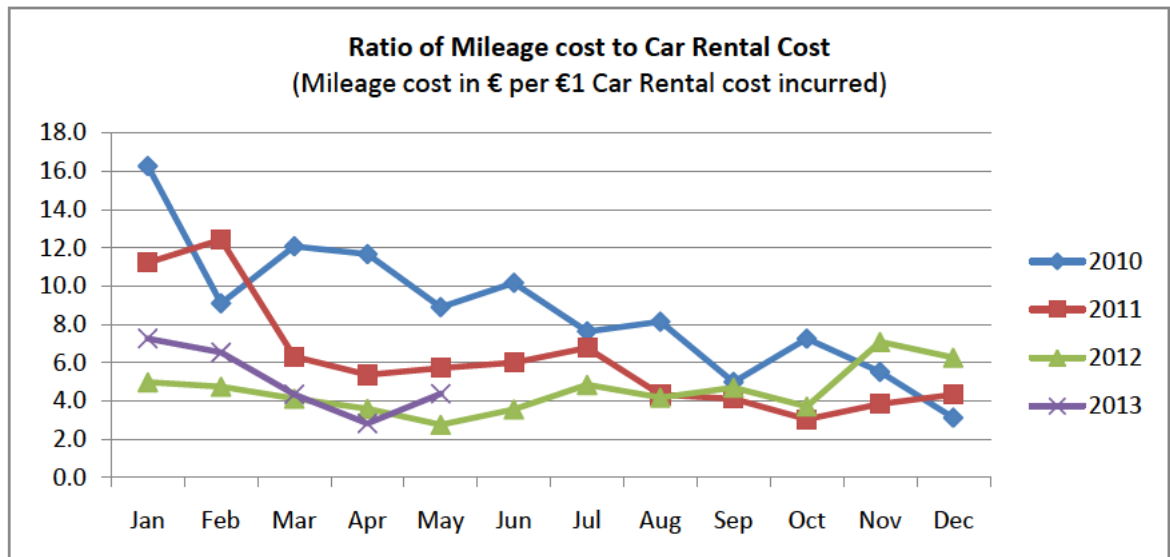
(Note - the general election in February 2011 contributed to a large increase in claims)

In summary, the level of mileage has fallen over recent years, from €578k in 2010 to €493k in 2012. The pattern has continued in the early months of 2013 and a further fall is therefore forecast for the full year.

The car rental contract with [REDACTED] was extended to all divisions as a cost saving exercise in order to replace mileage costs with the (cheaper) alternative of car rental, where feasible.

This objective has been achieved and mileage has fallen since the introduction of the car rental service. However, the fall in mileage may arise for a variety of factors such as lower level of output and cost reductions.

Therefore, in order to better assess the success of replacing mileage costs with car rental, the following chart maps the ratio of mileage to car rental costs, tracking the mileage cost for every €1 car rental cost. An increased use of car rental as compared to mileage is reflected in a fall in the ratio.



Note: general election in February 2011.

We observed an increase in the use of car rental in the period covered by the review, as evidenced by a fall in the ratio of mileage cost to car rental costs. During 2010, prior to the extension of the service to all of RTE, on average €8.73 of mileage was incurred for every €1 spent on car rental. As the use of car rental expanded this fell to €6.12 in 2011 and, in 2012, €4.54 of mileage cost was incurred for every €1 of car rental. This has increased to an average of €5.07 in the first five months of 2013.



#### **4.3.3 Total vehicular transport cost**

The cost of vehicular transport has also fallen: the full year cost in 2012 was 4% lower than 2010 and a further fall is forecast in 2013.

When the fall in production output and staff numbers is taken into account the decrease in vehicular transport costs is at a slower rate than originally expected at the time of the extension of the car rental service i.e. we would have expected to observe more displacement of mileage with car rental in the period covered by the review.

#### **4.4 Insurance arrangements**

- a) RTÉ has a number of insurance policies in place to cover key risk areas. The Motor Fleet Policy addresses the area of motor insurance and vehicles leased or hired by RTÉ are covered by the policy. The insurance brokers summary of the policy defines the “permitted driver” as:

*“Any person driving with the consent of the Insured provided they hold a valid licence to drive such a vehicle, or having held a valid licence are not barred from holding one. (Drivers with driving convictions post or pending, and/or with medical conditions, and/or with 4 or more penalty points need to be declared to insurers prior to permission to drive being given)”*

Marsh, 2013 Summary of Insurance

We noted the following:

- There is no formal process in place for drivers to confirm they are compliant with their obligations under the RTÉ insurance policy
- There is no formal process in place for notifying RTÉ of endorsements to licences or the accumulation of excessive penalty points.

We also observed that the process for collecting driving licences from staff using the car rental services is inconsistent across divisions.

We acknowledge that the latter risk (re: holding driving licences) is mitigated by the fact that many of the individuals using the services are also registered for mileage and, therefore, would have come within the scope the checking processes in place prior to being granted approval to claim mileage (licence, class three insurance, etc.).

Some coverage of private vehicles under the “occasional business use” clause of the Motor Fleet policy is permitted. This matter is addressed in a separate Internal Audit report on Insurance Arrangements, to be issued shortly.

## 5. Actions

The findings identified above may be addressed by the following suggested actions:

- a) The mileage data reviewed in this audit highlights that the Top 15 **claimants of mileage** incur a quarter of RTÉ's annual mileage cost. The mileage charged by these individuals is also 1.25 times RTÉ's entire annual spend on the car rental service. There is an opportunity to take targeted action to generate savings.

Therefore, the Finance Travel and Subsistence group should examine the Top 15 claimants of mileage, as a separate project, and identify options to migrate some of their mileage to other methods / systems – [REDACTED] car rental, provision of a long term car rental during peak periods of output, provision of a "pooled" RTÉ fleet car, etc. We acknowledge that any actions agreed have to be applied fairly to all staff and rolled-out across the entire organisation.

- b) 64% of car rentals are in Television IBD. Therefore, consider options for promoting the **use of the car rental service** in other divisions.

This finding also reflects the fact that Radio and News and Current Affairs, in particular, have a high proportion of mileage claimants based in regional locations which are not within the scope of the car rental service. Therefore, consider options to promote the use of car rental, or other services, in the regional locations of greatest mileage claims. For example:

- As explained in Section 4.1, the mileage cost incurred in two regional programme related costpools alone is equal to two-thirds of the total RTÉ spend on car rental. In line with action a) above, review the high mileage claimants in large regional costpools.
  - Nearly 25% of RTÉ's annual mileage cost is charged to costpools of RTÉ Raidió na Gaeltachta, where the [REDACTED] car rental service is not available. In conjunction with action a), explore options for reducing mileage costs of the high claimants in RTÉ Raidió na Gaeltachta (examine car pooling, long-term rental, other options).
- c) Improve the **reporting and monitoring procedures** in respect of the car rental contract. At present the focus is limited to billing and monthly procedures relating to the upload of data from the booking system to [REDACTED]. While the car rental service operates effectively via the online booking system, there is scope to improve the monitoring controls.

Implement reporting procedures to track usage by division, costpool, top users, vehicle types, etc. In turn, and in conjunction with mileage data from [REDACTED], this data can be used to set targets at divisional level and to monitor the use of the service generally.

Secondly, in light of the undetected overcharge highlighted in Section 4.2, improve monitoring procedures to include monthly spot checks of the rental data provided by [REDACTED], focusing on non-standard daily rental charges, unusually large toll charges, etc.

- d) Consider the feasibility of amending the [REDACTED] **booking website** to provide for confirmation of valid driving licence and compliance with insurance conditions. This could be achieved in a manner similar to the existing „terms and conditions“ check box. Secondly, agree a consistent organisation-wide compliance process – possibly annually – to check any endorsements to licence, disqualifications, etc.

- e) Plan for better utilisation of the car rental service during **special events**. The last general election resulted in an approximate increase of €30k - €35k in mileage as compared to an increase of only €2k in car rental. There is potential to better utilise car rental for special events.
- f) **Communicate** and promote the car rental service via the corporate intranet. While the booking website is accessible on the travel section of the intranet a general reminder of the car rental service should be issued to all staff from time to time as an intranet “news item”. The last such reminder happened in late 2010 and is therefore now overdue.
- g) Originally used in Television, the car rental service was extended throughout the organisation in the latter part of 2010 with Property and Services and Television maintaining a high-level oversight role. The existing structures were not revised in a formal way following the extension of the service throughout RTÉ and roles are not clear at present. It is therefore now timely to examine the **allocation of responsibilities**, to formalise roles for the monitoring the car rental service, to agree the role of the divisional finance / local teams and to better promote the service as a business transportation option.

For the purpose of the internal audit tracking log, these actions will be coordinated by [REDACTED] with a target completion date of 30 November 2013. Actions a) and b) require specific input from the Finance Travel and Subsistence group.

## 6. Conclusion

This memorandum outlines our findings following a review of the car rental service provided by [REDACTED]. While focusing on car rental, the review also necessitated consideration of RTÉ’s overall spend on vehicular transportation costs and, in particular, mileage.

Use of the car rental service has increased since being extended from Television to the entire organisation in late 2010. The system is operating effectively from a day to day process point of view, with no issues of note raised by RTÉ users or [REDACTED] officials. While the total vehicular transport cost has fallen since the introduction of the car rental service, this fall must be considered in the context of other factors impacting underlying cost of travel: the cost reduction programmes, falls in the level of indigenous output, lower staff numbers, etc.

This review highlighted the need to promote the use of the car rental service in divisions outside of Television and to consider options for a similar service in a small number of regional locations which contribute to high mileage.

Given that the Top 15 claimants of mileage incur circa 25% of RTÉ’s annual mileage cost, there is merit in examining alternative options for these individuals and rolling-out any follow-on actions throughout the organisation. Further coverage of the mileage cost base would be achieved by extending this review to cover a small number of high mileage regional costpools.

The undetected overcharge by [REDACTED] (due to a systems error) is a cause of concern and monitoring controls need to be strengthened as a result.

While a management request as opposed to a normal scheduled audit assignment, we rate this assignment at the mid-point – “*Improvement Needed*” – in the usual Internal Audit rating.

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies *Year-ended 31 December 2020*

15 April 2021

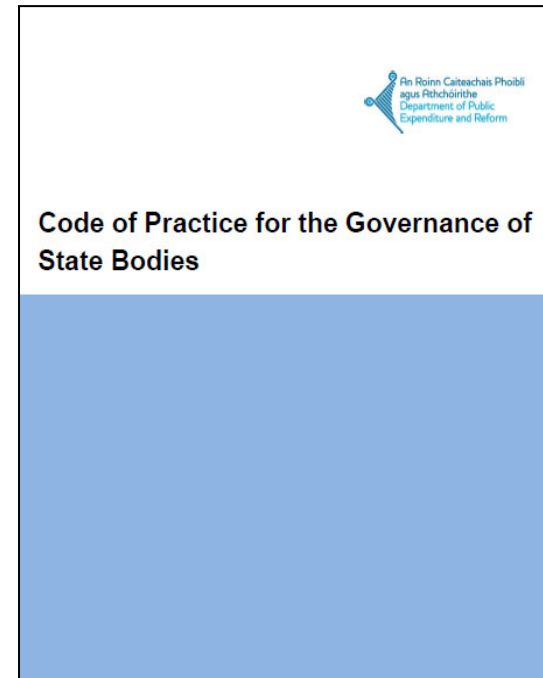
**Circulation:**

Director-General

Members of the Audit and Risk Committee

Executive

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# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. The Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies.”.*

The governance relationship between the Government and a State Body is outlined overleaf. Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media on RTÉ’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ’s compliance with the Code of Practice.

The External Auditors are required to review RTÉ’s disclosures and note any inconsistencies identified in the Independent Auditor’s Report in the Annual Report.

### Code of Practice (2016)

The most recent version of the Code of Practice was issued by the Department of Public Expenditure and Reform in 2016, and came into effect for the first time for the year ending 31 December 2017.

The 2016 Code of Practice is accompanied by four “associated Code requirement and guidance documents”. The four additional documents are listed below:

- Business and Financial Reporting Requirements
- Audit and Risk Committee Guidance
- Remuneration and Superannuation
- Board-Self Assessment Evaluation Questionnaire

The Code comprises ten sections, as below. (See *Appendix 1* for full details).

## Contents of Code of Practice

1.	Role of the Board
2.	Role of the Chairperson
3.	Role of Board Members
4.	Board Effectiveness
5.	Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures
6.	Business and Financial Reporting
7.	Risk Management, Internal Control, Internal Audit and Audit and Risk Committees
8.	Relations with the Oireachtas, Minister and Parent Department
9.	Remuneration and Superannuation
10.	Quality Customer Service

# Background and Governance Framework

The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

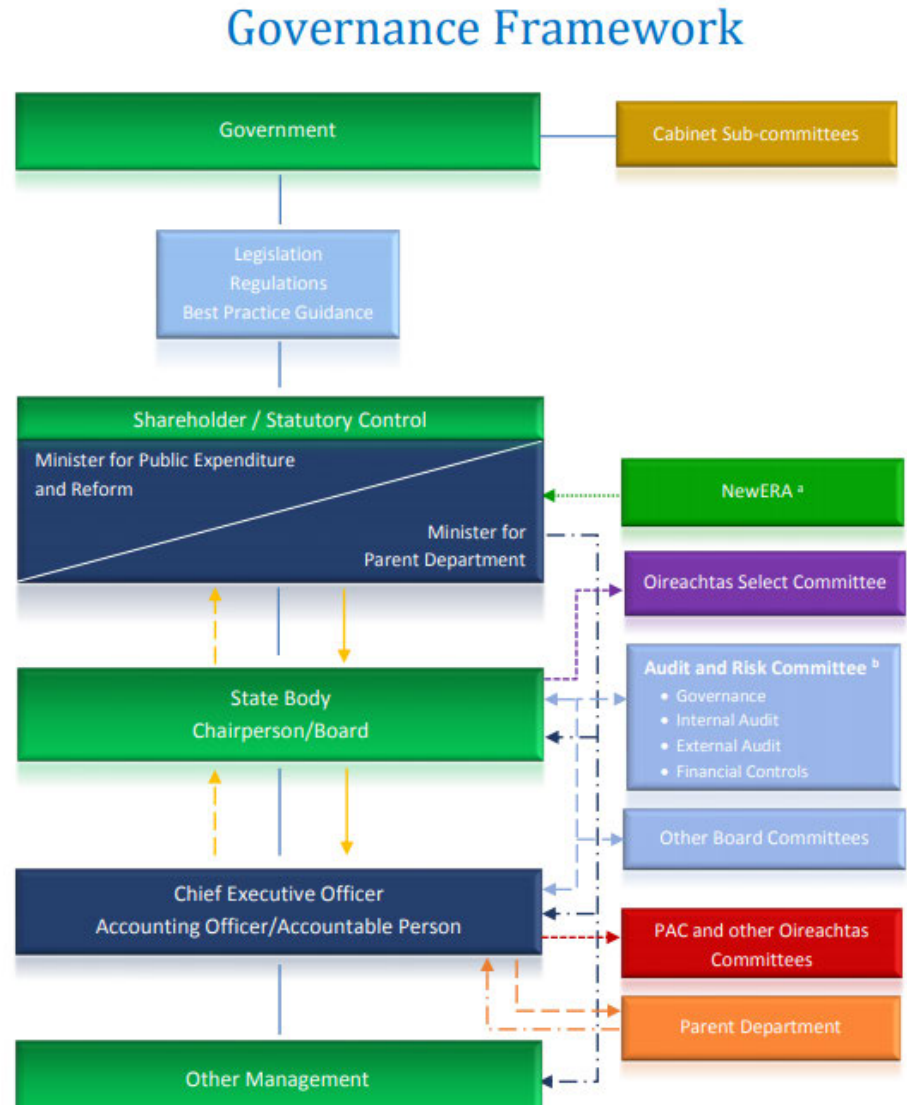
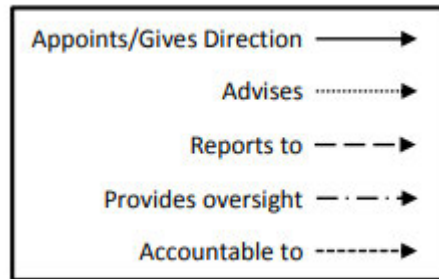
**A new Annex on Gender Balance, Diversity, and Inclusion to supplement the existing Code of Practice was published in September 2020.**

## Governance Framework

The Governance Framework diagram (across) outlines the main features of the governance framework relationship between Government and State bodies.

The diagram does not purport to cover all aspects of this relationship which will vary depending on the differing nature, scale and responsibilities of the State body and the governing legislation establishing the State body.

For example, the Broadcasting Authority of Ireland (BAI) is a regulatory / monitoring body, specific to RTÉ.



# Objective and Scope

## Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2020.

This assessment was carried out having regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2016 Code of Practice is within scope of this review.

### ***Checklist***

A comprehensive Code of Practice Checklist was submitted by RTÉ to the Department for Tourism, Culture, Arts, Gaeltacht, Sport and Media ('DTCAGSM') in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2020. The Checklist addresses 134 items and requires the attachment of relevant back-up information.

DTCAGSM Officials carry out a verification exercise on the contents of the checklist, normally in a late summer / early autumn timeframe.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows (Q4 2020 update):

Risk # 11 – Business Planning and Financial Prioritisation

Risk # 12 – Changes in Legislation / Regulation & Compliance

# Findings

## Findings - YE 31/12/2020

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2020. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2020, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DTCAGSM's Code of Practice compliance checklist.

### Results

- ✓ The checks carried out by Internal Audit indicate that RTÉ is broadly compliant with the 2016 Code of Practice for the Governance of State Bodies. We noted one exception in relation to procurement – see below.
- ✓ Variations from the Code are for valid reasons, such as reflecting the nature of RTÉ as a Statutory Corporation entity, or were approved by DTCAGSM (and confirmed in the document “*Guidance on the application of Code of Practice for the Governance of State Bodies*”, issued by the DTCAGSM).
- ✓ Our other audit work during the year did not highlight any other material issues of non-compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Annual Report and Group Financial Statements and in the Chair's Report to the Minister.

### Audit Exception – Procurement

✗ We noted one exception, in relation to compliance with the Public Procurement Guidelines

- The Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details.
- The exceptions relates to 31 suppliers (2019 – 54), or 1.6% (2019 – 2.0%) of the cumulative 2020 payments to suppliers contracted through [REDACTED]. Half of the exceptions are suppliers with a low level of expenditure, <€50k.
- As outlined in the report, some historic factors are relevant to the exceptions, especially the limited functionality of [REDACTED] increases the difficulty of tracking tendering arrangements and the system is at end of useful life

### Actions

- Actions have been agreed to address the above matters including:
  - Tenders will be carried out as necessary;
  - A significant capital project to implement a new ERP system is in progress. This will replace legacy Finance and HR systems; and
  - Oversight of key supplier relationships is being consolidated, resulting in better centralised managerial responsibility. Procurement activity is now overseen by Procurement Managers, by expenditure category
- In addition, while not covered in this audit, new processes and policy is in place for the engagement of Contractors in RTÉ following the Eversheds review.



# Findings

## Findings (Cont'd)

### **Conclusion**

It is appropriate for the Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media (*in accordance with Paragraph 2.6 of the Code of Practice*) to confirm that RTÉ is compliant with the Code of Practice for the Governance of State Bodies, subject to a reference to the procurement exception and the actions in progress.

While some procurement exceptions were identified in respect of 2020, the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2021 to monitor the implementation of the actions. The aggregate value of the exceptions (*'non tendered' and 'tender status unknown' categories*) has decreased, in total, by €1.7m since the equivalent 31/12/2019 year-end audit.

The disclosures required under the Code of Practice are being made and the Checklist will be submitted to the DTCAGSM with the Annual Report.

**Rating: Compliant with Code of Practice**

Internal Audit Report:  
**Review of Office 365 Security and Privacy: Exchange Online**

11 February 2019



**Circulation**

[Redacted text block]



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# 1. Overview and Introduction

## 1.1 Background

Organisations of all sizes now rely on email as a key mechanism for internal and external communications. This provides significant efficiencies, almost instant global communication and an ability to share data and information in multiple formats. Email systems and mailboxes have now become repositories for the storage and transmission of valuable and sensitive data. It is therefore important for organisations to ensure that suitable messaging policies are in place, covering appropriate use, email data lifecycle management and email data privacy and security. Increasing global cyber security risks and a heightened focus on privacy, following the introduction of the General Data Protection Regulation, highlights the importance of ensuring policies and controls are robust and fit for purpose. A review of RTÉ’s email platform, Office 365 Exchange Online, was therefore included in the 2018 Annual Internal Audit Programme.

## 1.2 Scope and Objectives

RTÉ identified the need for an independent review of the controls employed in its 365 Exchange Online environment. The internal audit review focused on security and privacy, particularly in relation to the operation of the “customer managed controls” (those controls which can be tailored by RTÉ) employed in the following areas:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

### **1.3 Approach to Fieldwork**

Our approach to the completion of the Internal Audit Review included the following actions:

- An opening meeting to discuss the scope and approach to this review;
- An appraisal of relevant risks in relation to the deployment of 365 Exchange Online within RTÉ and the risks inherent to 365 Exchange Online and email environments generally;
- A review of policies and procedures, where available;
- Reviewing previous relevant internal audit reports and other sources of assurance in this area;
- Discussions with relevant personnel to obtain an understanding of the processes and controls in place within RTÉ;
- An analysis of the 365 Exchange Online Security and Compliance Configuration, focusing on accepted good practice and adherence to any specific RTÉ security policies or defined standards;
- A close-out meeting with relevant RTÉ personnel to communicate our initial findings and confirm their factual accuracy prior to producing this report.

## 2. Summary and Conclusions

### 2.1 Overview

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- [Redacted list item]
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## 2.2 Summary Findings and Conclusion

[Redacted text block]

Finding / Reference No.	[Redacted]	[Redacted]	[Redacted]
3.1	[Redacted]		[Redacted]
3.2	[Redacted]		[Redacted]
3.3	[Redacted]		[Redacted]
3.4	[Redacted]		[Redacted]
3.5	[Redacted]		[Redacted]



## 2.3 Rating



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No.	Findings	Implications	Priority	Recommendation	Responsibility / Date
■	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	■	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
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No.	Findings	Implications	Priority	Recommendation	Responsibility / Date
	<p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> </ul>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>		<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	
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# RTÉ Internal Audit

## Review of Purchase Order Compliance (Q3, Q4 2022)

26 January 2023

**Circulation:**

Richard Collins, Chief Financial Officer

**Finance:**

[REDACTED], Head of Procurement  
[REDACTED], Procurement Category Manager  
[REDACTED], Group Financial Controller



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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# Background, Risk, Objective and Scope

## Background

█████ Purchase Orders ('POs') are raised and approved on █████ using a web-based tool – █████. Approvers are determined by the costpool and the value of the PO.

Tiered approval is provided for in line with RTÉ's delegated authority limits. Amounts above €2m. require Board approval (*with some exceptions in line with Board approved policy*).

Goods are receipted on █████ web by the requisitioner when delivered and services are receipted when the service is completed. Invoices are either sent directly to Accounts Payable by the supplier or from the requisitioner/approver if the supplier issued the invoice to them. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on █████.

The system controls within █████ do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO (automated control). There is a 5% tolerance limit to allow for variances such as delivery costs etc. (refer to the Risk Section). Payment takes place, generally by EFT to the supplier's bank account.

### **Procurement Policy**

In line with the RTÉ Purchasing Policy POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

Previous Internal Audit ("IA") reports highlighted that POs are sometimes raised after the invoice is received, which is contrary to Policy. This has an impact on the year-end accruals process for Finance teams as it increases the level of manual investigation needed and the possibility of misstatements.

## Objective

The objective of this audit was to review the POs raised for the two quarters ended 31 December 2022 to ensure compliance with the Purchasing Policy.

## Scope

The scope of our review covered all POs (including Capital WIP and Commissioned Programmes) approved and processed for the two quarterly periods ended 31 December 2022, with the following considerations:

- A three days "grace" period was allowed;
- Orders to the value of <€1,000 were excluded from the results;
- All currencies were included;
- The following categories of expenditure were omitted from the analysis:
  - ✘ Competition Winners;
  - ✘ Donations;
  - ✘ Rates; and
  - ✘ Department of Foreign Affairs (travel recharges).

## Risk

The key corporate risks addressed by the report are as follows:

- Risk #9 – Management of Finances and Business Planning; and
- Risk #10 – Legislation/Regulation & Compliance.

Other specific risks relevant to this report are as follows:

- Fraud.

# Findings

## Summary Findings

On review of the POs tested during the half year period ended 31 December 2022, we noted the following:

- The number of POs being raised after receipt of invoice increased slightly since the last review. The number of late POs was 29% for Q3 2022 and remained at 29% for Q4. This is slightly higher than reported in Q1 & 2 2022 (27%). See “[1a\) PO Summary – Number of Invoices](#)” for further details.
- The monetary value of the POs raised after receipt of invoice fluctuated during the period: 19% in Q3 and a reduction to 15% in Q4. Please see “[1b\) PO Summary – Value of Invoices](#)” for further details. This represented an improvement on the position last reported (first half of the year).
- Two divisions (**Content** and **Operations**) are consistently higher in relation to the percentage share of late POs. Please see “[2\) Late PO by Division Summary - % of All Late POs](#)” for further details.

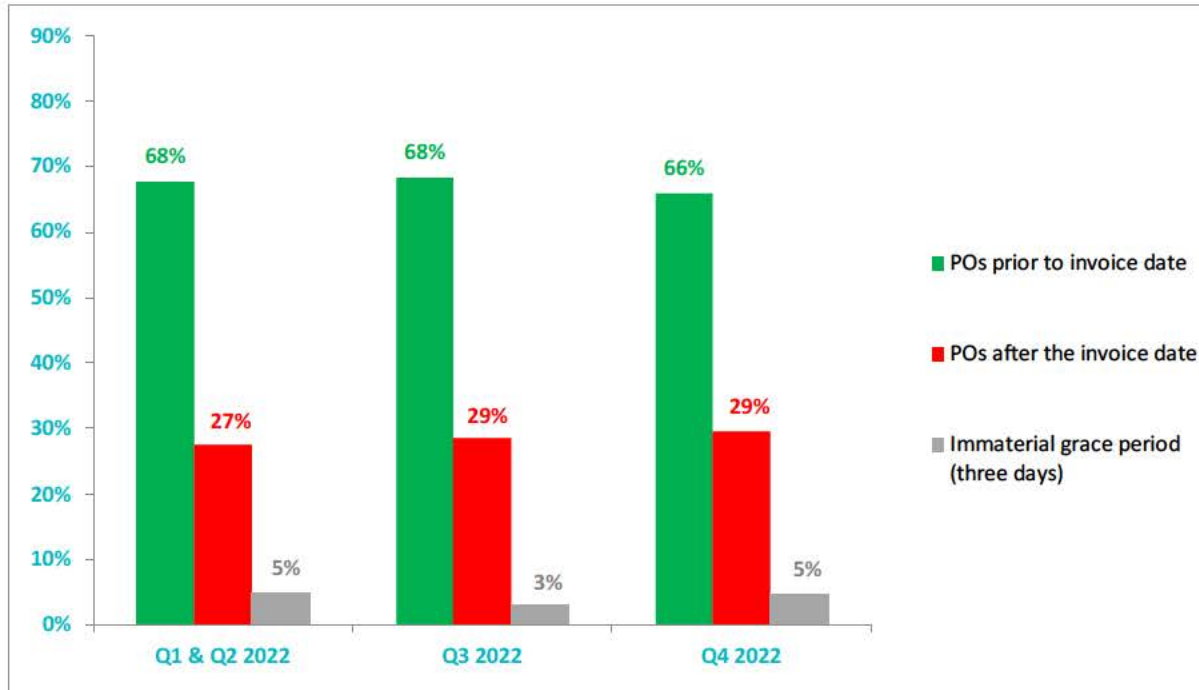


# Findings

## 1a) PO Summary – NUMBER of Invoices

PO Summary - Analysis of number of invoices > €1,000

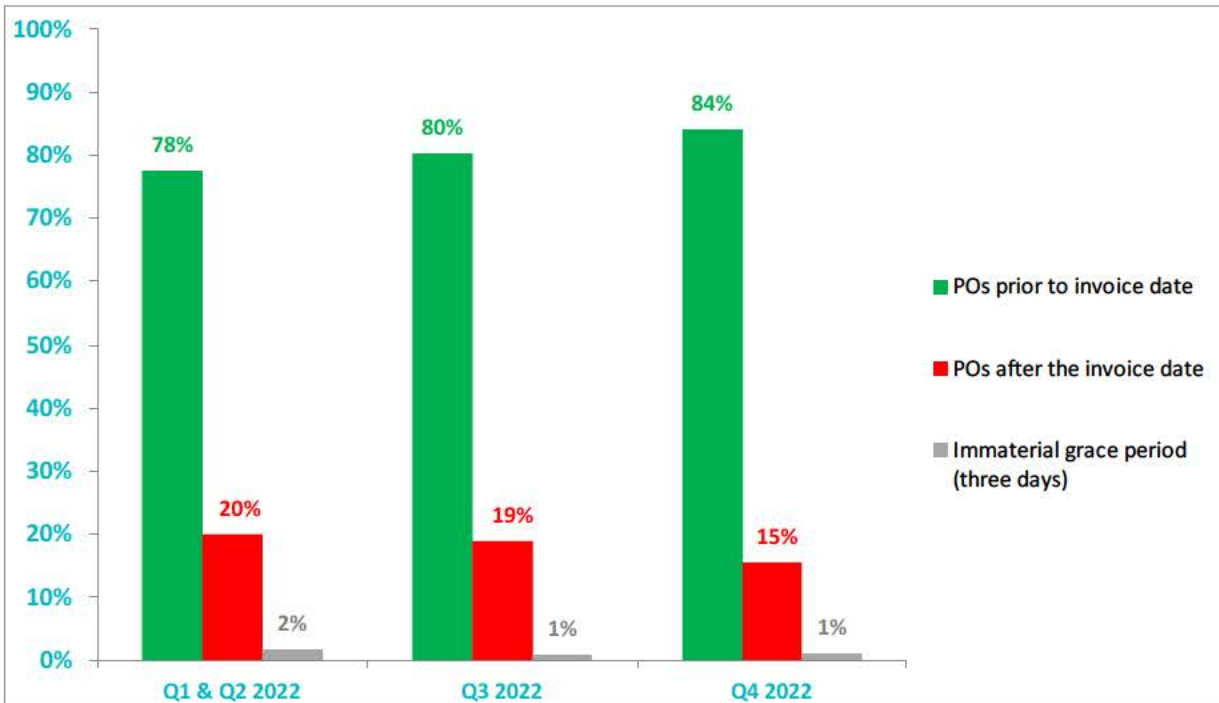
	Previously Reported		Current Period Under Review	
Analysis of number of invoices	Q1 & Q2 2022	Q3 2022	Q4 2022	Average
POs prior to invoice date	68%	68%	66%	67%
POs after the invoice date	27%	29%	29%	29%
Immaterial grace period (three days)	5%	3%	5%	4%
Total	100%	100%	100%	100%



## Findings (Cont'd)

### 1b) PO Summary – VALUE of Invoices

PO Summary - Analysis of <u>value</u> of invoices > €1,000				
	Previously Reported	Current Period Under Review		
Analysis of value of invoices	Q1 & Q2 2022	Q3 2022	Q4 2022	Average
POs prior to invoice date	78%	80%	84%	82%
POs after the invoice date	20%	19%	15%	17%
Immaterial grace period (three days)	2%	1%	1%	1%
Total	100%	100%	100%	100%



## Findings (Cont'd)

### 2) Late PO by Division Summary - % of All Late POs

Late POs by Division Summary (% All Late POs)			
	Previously Reported	Current Period Under Review	
Division	Avg. (Q1-Q2 2022)	Quarter 3 2022	Quarter 4 2022
Content - RTÉ	34%	34%	38%
Operations - RTÉ	27%	27%	26%
Audience, Channel & Marketing	11%	12%	13%
News - RTE	4%	3%	2%
Network - RNL	2%	5%	3%
Central Services - RTE	3%	2%	3%
Technology - RTÉ	5%	5%	3%
Finance - RTÉ	4%	1%	2%
Commercial - CEL	4%	7%	6%
Human Resources - RTÉ	4%	1%	1%
Content - IPU	2%	1%	1%
Commercial - RTÉ	2%	2%	2%
<b>Total</b>		<b>100%</b>	<b>100%</b>

#### Audit Key

**Red %** Denotes deterioration or static movement in the percentage of late POs from prior month.

**Green %** Denotes improvement in the percentage of late POs from prior month.

# Conclusion

## Conclusion & Action

The results of our Purchase Order compliance review are broadly consistent with the last review, for the first half of 2022.

The level of late POs was 29% for both Q3 and Q4 2022. This represents the level of invoices being received in RTÉ prior to managerial approval of the corresponding PO, contrary to RTÉ Purchasing Policy. The average for Q1 & Q2 2022 was 27%. *(This result takes account of exclusions to our scope and a number of days 'grace')*.

In monetary value terms, the average is 17%, compared to 20% for the first half of 2022 and represents an improvement.

### **Actions:**

A Finance Working Group had been formally working to address the late PO issue. On a monthly basis, and in conjunction with IA, reviews were completed and communicated to the business. However, this formal approach was discontinued during the pandemic and therefore merits revisiting.

The work and action of the Working Group should resume and continue in 2023 in conjunction with the local finance teams. It is on the basis of the above findings that we assess the overall standard of the process as "Improvement Needed".

Rating



IMPROVEMENT NEEDED

# RTÉ Internal Audit

## Report on RTÉ National Symphony Orchestra

31 January 2014

**Circulation:**

Chairman (Executive Summary)  
Noel Curran Director-General  
Executive  
Members of the Audit and Risk Committee

**Performing Groups:**

[Redacted]

[Redacted]

[Redacted]



# Executive Summary: Objectives and Scope

## Background

### Introduction

The RTÉ National Symphony Orchestra (“RTÉ NSO”) was established in 1948. The Orchestra has a broad musical focus ranging from art music from c.1750 to contemporary classical Irish and International compositions. The RTÉ NSO’s activities include live performance, broadcasts (most performances are recorded live for broadcast on RTÉ lyric fm) and regional tours. The majority of the RTÉ NSO’s performances are in the National Concert Hall (“NCH”) in Dublin.

### Music and Seasons

The character of the RTÉ NSO has remained firmly within the western classical tradition of large-scale symphonic activity. It is seen as “Ireland’s National Symphony Orchestra”. Its Friday night season of approximately 30 concerts at the NCH (from September to May) is a central fixture in the Irish music calendar.

The RTÉ NSO performs a number of concerts and workshops for schoolchildren, as part of the *Music in the Classroom* series. Of late, and due to necessary cost reductions, the RTÉ NSO has performed less frequently outside Dublin. It is hoped that the situation will be improved by utilising a less expensive touring model.

### Orchestra Members

The Orchestra comprises 81 staff musician posts covering the following categories of instruments: strings, wood-wind, brass, percussion and harp. Other musicians (augmentees) are engaged as necessary to supplement the core body of musicians.

The Principal Conductor of the RTÉ Symphony Orchestra is [REDACTED]. International soloists and guest conductors are engaged to perform with the orchestra for performances during the season.

## Management Team

The RTÉ NSO’s management and administrative team comprises nine employees. The General Manager has overall responsibility for the orchestra’s management, artistic direction and in planning the musical direction for each season / the content of individual concerts, consulting with Alan Burbeyev where appropriate. The General Manager is assisted by a day to day Orchestra Manager; a Marketing & Communications Manager and Assistant; a Concert & Planning Co-Ordinator; a Librarian and an Administrative Assistant. In addition, two full time Orchestral Assistants are responsible for moving equipment/ instruments and for setting and “striking” (dismantling) the stage before and after each rehearsal and concert.

## Scope of audit

- ✓ The scope of our audit was to review the key financial and operational activities of the RTÉ National Symphony Orchestra.
- ✗ The scope did not include:
  - ✗ IT Audit, e.g. of the [REDACTED]

## Objectives of audit

To confirm the existence and operation of effective controls over the primary financial and operating risks in the RTÉ NSO to include:

- Operations - schedule and performance planning; venue booking; procedures for engaging guest performers; marketing etc.
- Revenue recording, including NCH billings;
- Employee contracts – fee payments including the processing of leave without pay and sick leave;
- Health and Safety matters: at venues, noise audits, etc.;
- Hire and purchase of sheet music / music copyrights;
- Existence and recording of fixed assets;
- Rotation of musicians; and
- Financial matters/management accounts, including travel & subsistence.

# Executive Summary: Key Issues and Overall Conclusion

## Key Management Issues

### Casual Musician Contracts

Casual musicians in the RTÉ Orchestras are not issued with casual contracts of employment. They only sign attendance sheets after each engagement.

### RTÉ Music Library Facilities

We identified issues with the completeness and accuracy of music records. There is scope for a full inventory of sheet music records, to include the assessment and documentation of the physical condition of the music records.

### Access Rights to Instrument Storeroom

The storage area for percussion instruments in the NCH is accessible by non-RTÉ personnel and is also used for general storage. This increases the risk of theft / damage. Also, there are restrictions on the access times to the storage area.

### Overpayment of Musicians

Musicians received a small overpayment of travel and subsistence while on tour. Meals were paid for by RTÉ, but the musicians also received an allowance to cover meals, which is in breach of the RTÉ Travel policy. The breach was identified by the local Finance team in advance of the audit.

Note: We also identified a small number of other control observations. See the action plan, attached, for further details of these issues.

## Overall Conclusion

The RTÉ National Symphony Orchestra delivered 94 performances during the 2013 calendar year, including 18 “educational performances”. In addition it performed seven times with the RTÉ Philharmonic Choir. The total annual concert attendances was in excess of 79,000 people (including attendances when the NSO performed with the Philharmonic Choir). The marketplace for musical/entertainment events remains competitive with a growing number of competing entertainment events, particularly in the Dublin region. The RTÉ NSO operates in that competitive environment.

We identified opportunities to tighten controls, in particular contracting casual musicians, travel and subsistence, health and safety matters and instrument storage facilities. The NSO management is committed to addressing these issues and some are in the process of being addressed.

The co-operation and assistance received from NSO and Finance personnel and staff during the course of this audit was greatly appreciated.

## Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Personnel Related Costs / Contracts</b>				
1.	<p><b>Fee Payments</b></p> <p><i>Background</i> A sample of 26 musicians was selected to test the accuracy of fee payments. The sample included soloists, conductors, contributors, augmentees and temporary staff. Fee payments were agreed to pre-agreed payment rates, or to signed contracts depending on the nature of the performance. Holiday payments, PRSI deductions and VAT-related transactions were also reviewed as part of our testing.</p> <p><i>Results:</i> No issues of note were identified during testing, with musicians engaged appropriately and paid according to pre-defined rates / contracted rates.</p> <p>a) <u>Holiday Pay</u> Holiday pay was paid correctly in 25 out of 26 cases. In one instance, an incorrect fee code was applied on the [REDACTED] system by an NSO Administrator leading to incorrect holiday pay at 8% being paid. A code for each rank is manually inserted by Administrators when inputting the number of hours worked.</p> <p>b) <u>PRSI</u> PRSI was paid correctly in 25 out of 26 cases. In one instance, PRSI was paid to an individual engaged under a special guest contract. PRSI should not be applied on this type of contract. This individual was formerly an employee and the error arose due to failure to update [REDACTED] on the employee's departure.</p>	<p>Agreed. [REDACTED]</p> <p>Agreed. [REDACTED]</p>	<p>a) NSO Administrators will ensure that the correct fee code is inserted to the system when processing holiday pay.</p> <p>b) Tax details of departed employees will be updated upon departure in a timely manner to prevent future unnecessary payments being made should they be reengaged.</p>	M	<p>[REDACTED] 31 March 2014</p> <p>[REDACTED], HRSS 31 March 2014</p>



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	<p><b><u>Casual musicians: contracts</u></b></p> <p><i>Testing</i> During testing of personnel related operating costs we selected a sample of payments to contractors and staff and agreed these to supporting paperwork.</p> <p><i>Findings</i> While noting that all payments were supported by some form of paperwork, in some cases a timesheet, casual musicians in the RTÉ Orchestras are not issued with casual contracts of employment.</p> <p>There is an agreement (September 2004) between RTÉ and the Musicians Union of Ireland for the rates and terms for freelance musicians when performing with the RTÉ NSO. The rates are updated periodically.</p> <p>This agreement requires a formal contract for each engagement, and sets out fees payable in the event of cancellation within certain timeframes. However, formal contracts are not issued by RTÉ to casual musicians.</p> <p>While this risk is already well understood and highlighted in previous audit reports, in the event of a dispute with a musician, the absence of a formal contract increases the risk of a lack of clarity regarding the terms of the engagement and differences may be more difficult to resolve in the absence of a written contract.</p> <p>In mitigation, some progress has been made in addressing this issue since the previous audit but other more pressing HR matters took priority leading to the delay in full implementation.</p>	<p>Agreed. ██████████ )</p>	<p>This matter will be considered by the Orchestra management with a view to strengthening control while also having regard for the administrative effort associated with 60-70 attendance sheets per week.</p>	<p>M</p>	<p>██████████ 31 May 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	<p><b><u>Unpaid Leave of Absence</u></b></p> <p><i>Testing</i> Two tests were performed on unpaid leave, as follows:</p> <p>1) A sample of 10 instances of leave without pay during 2013 were examined to ensure that authorisation forms were in place and approved in advance.</p> <p><u>Findings:</u></p> <ul style="list-style-type: none"> <li>- Signed authorisation forms were on file for 9 of the 10 instances of leave, approved in advance and in agreement with HR [REDACTED] data. One form was not on file. In mitigation, a signed letter of application for leave was available.</li> <li>2) From our sample in finding # 1 (<i>Fee Payments</i>) above, we compared a sample of 5 individuals engaged on a casual basis to cover unpaid leave to the corresponding [REDACTED] data to ensure that the individual they were covering for actually took unpaid leave.</li> </ul> <p><u>Findings:</u></p> <ul style="list-style-type: none"> <li>- In all 5 cases the details corresponded to [REDACTED] unpaid leave data and no issues were noted.</li> </ul>	<p>Agreed. [REDACTED]</p>	<p>1) A reminder will be issued to ensure that Leave of Absence authorisation forms will be submitted and filed for all instances of unpaid leave.</p> <p>2) No action needed.</p>	<p>M</p>	<p>[REDACTED] 31 March 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Financial</b>				
4.	<p><b><u>Overpayment of subsistence</u></b></p> <p>A sample of NSO staff was selected in order to review travel and subsistence claims: two from administrative / management staff and two musicians.</p> <p>There were no issues noted in the case of the administrative / management staff and all receipts for expenses claimed were on file. The claims were appropriately processed via Transfare.</p> <p>In the case of the musicians, it was noted that musicians travelling on the <i>John Murray Roadshow Tour</i> to Limerick, Waterford and Galway in June received a daily allowance (DA 1) despite also having the food paid for while on tour. The following is an extract from the RTÉ Travel Policy:</p> <p><i>“Where an RTÉ staff member who would normally qualify for subsistence under the regulations receives a meal that is also claimed for under entertainment, his/her subsistence allowance is reduced by the Day Allowance 1. This rule also applies in cases where the meal is being claimed by a colleague under entertainment, or is paid for by another organisation or is provided free of charge as part of a conference package.”</i></p> <p>An overpayment therefore occurred for all musicians (81) on tour, estimated at a value of approximately €3k. This is currently in the process of being recouped.</p> <p>In mitigation, this appeared to be an isolated incident.</p>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The Interim General Manager RTÉ NSO will ensure that overpayment of subsistence will be recouped on a timely basis.</p> <p>The NSO General Manager will liaise with the Orchestra Manager to agree procedures for subsistence on NSO tours in advance of the tour, and to ensure adherence to the RTÉ Travel Policy.</p>	H	<p>Interim General Manager RTÉ NSO ([REDACTED]) 31 March 2014</p> <p>Interim General Manager RTÉ NSO ([REDACTED]) 30 April 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Health and Safety</b>				
5.	<p><b><u>Risk Assessments on venues</u></b></p> <p><i>Testing</i> We selected six venues from the monthly RTÉ NSO schedules to test whether a health and safety risk assessment form was completed for each venue prior to the concert.</p> <p>In selecting venues we focused on “non-standard” venues such as regional venues and schools which are not regularly on the Orchestra’s schedule.</p> <p><i>Finding</i></p> <ol style="list-style-type: none"> <li>1) A risk assessment was not carried out in one instance.</li> <li>2) We received a risk assessment for the remaining five out of six venues. However, we noted that the risk assessment for one venue was not fully completed until the musicians were onsite (i.e. completed late).</li> </ol> <p>The specific details are as follows:</p> <ul style="list-style-type: none"> <li>• <u>No risk assessment:</u> This related to a school visited by the NSO for RTÉ Children's week (Education Project). A risk assessment was not carried out for this venue due to staffing changes at the time. This is an isolated incident.</li> <li>• <u>Late completion of risk assessment:</u> In certain instances, when the venue is particularly far away, the risk assessment process commences prior to the visit but is only completed when the Orchestra Manager has travelled to the venue with the orchestra on tour. This creates a risk that an issue / hazard could arise on site, before the risk assessment is complete.</li> </ul>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The Orchestra Manager will ensure that a risk assessment is carried out prior to any concerts being scheduled in a venue.</p> <p>In instances where it is not possible to fully complete the risk assessment prior to attending the venue for the concert, the Orchestra Manager will gather as much information as is possible and issue an interim risk assessment to orchestra members if specific hazards are identified.</p>	M	<p>[REDACTED]</p> <p>31 March 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
6.	<p><b><u>Orchestra Safety Statement</u></b></p> <p>The Health and Safety Statement for the Orchestras has not been updated since 2010.</p> <p>While the current Safety Statement is generally acceptable from an operational viewpoint, the document needs to be updated for recent organisation structural and personnel change and for “general housekeeping” matters. It is also timely to update for any other business changes, given the passage of time.</p>	<p>Agreed. ( [REDACTED] )</p>	<p>The Health and Safety Statement for the Orchestras will be updated for any changes required by new legislation, working practices and/or changes in management structure / responsibilities.</p>	L	<p>[REDACTED] 30 April 2014</p>
7.	<p><b><u>Health and Safety</u></b></p> <p>Redacted – relates to a specific medium priority Health and Safety issue; circulated to the Health and Safety Manager in hard copy.</p>			M	<p>[REDACTED] 31 March 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Music Library and Copyrights</b>				
8.	<p><b><u>Music Library Records</u></b></p> <p><i>Background</i> Music is subject to copyright laws and must therefore be hired or purchased for use in particular concerts. In the EU, music is subject to copyright until the composer has been dead for over 70 years.</p> <p><i>Testing</i> Five pieces of music used in concerts during the period covered by the audit were selected for testing. Hired music was traced back to invoices and purchased music was compared to the [REDACTED] system records.</p> <p>Two-way testing was also performed by selecting five pieces of music randomly from the [REDACTED] (Library) system and tracing these through to the location on the physical Library floor, followed by reverse testing of five pieces from the Library floor back to [REDACTED] system records.</p> <p><i>Findings</i> <i>a) <u>Completeness and Accuracy of Music Records</u></i> We identified issues with the completeness and accuracy of the recording of library holdings as follows:</p> <ul style="list-style-type: none"> <li>- [REDACTED] System to Library Floor: In one of the five instances tested, the catalogue number on [REDACTED] did not trace back to the library floor.</li> <li>- Library floor to [REDACTED] System: There was no listing on [REDACTED] for one of the five pieces selected on the Library floor.</li> </ul>	<p>Discussions are currently in train regarding replacement of [REDACTED] which might affect when inventory and updating of catalogue can/ should be carried out.</p> <p>[REDACTED]</p> <p>Noted.</p> <p>[REDACTED]</p>	<p>The issues identified in finding a) will be updated and corrected on the [REDACTED] system.</p> <p>A full inventory of music on file will be carried out. In addition to recording up to date information on the location and existence of music, this will also afford an opportunity to record any sets of music in poor condition.</p>	M	<p>[REDACTED] 31 March 2014</p> <p>[REDACTED] / Interim General Manager RTÉ NSO [REDACTED] [REDACTED] 31 May 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>b) <u>Condition of Music:</u></p> <ul style="list-style-type: none"> <li>- There was no Conductor's score enclosed in one instance, making the music unusable at short notice.</li> <li>- Two sets of the same piece of music were on file in another instance, one set being unusable and taking up some of the limited storage space.</li> <li>- Some sets of music stored in the library were worn out and unusable. While the [REDACTED] system may identify a piece of music, there is sometimes no further comment recorded in order to track the current condition of the music.</li> </ul> <p>A full inventory of music on file is therefore recommended.</p>				
9.	<p><b><u>Storage of Music in Donnybrook Archive</u></b></p> <p>There is a lack of space to store all of the music on site in the NCH and music from Irish composers is therefore stored in the archive rooms in Donnybrook. This music continues to be in use and is part of the RTÉ NSO's performance library. We noted the following:</p> <ol style="list-style-type: none"> <li>1) The music stored in the archive rooms in Donnybrook is stored in boxes on high shelves above shoulder height, requiring the boxes to be lifted up and down. Music should ideally be stored in bags as is the case in the NCH Library.</li> <li>2) The existence of two separate music storage areas can create administrative inefficiencies, with unnecessary time spent on travel between locations. In mitigation, NSO concerts are planned months in advance allowing sufficient time for music to be organised. Secondly, the music stored in Donnybrook is needed on a less</li> </ol>	<p>The assessment of old/ historic material may need the input of specialist music archivists/ librarians. The inventory review will also include an assessment of the most appropriate storage location, which may be external to RTÉ.</p> <p>[REDACTED]</p> <p>Noted.</p> <p>[REDACTED]</p>	<p>An inventory of music on file in the Donnybrook Archives, and its condition, will be carried out.</p> <p>Consideration will be given to seeking storage of physically vulnerable or unique music in a more suitable location elsewhere, having regard for the nature of the music.</p>	L	<p>[REDACTED] / Interim General Manager RTÉ NSO [REDACTED] 30 June 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>frequent basis.</p> <p>3) Some of the older music from Irish composers stored in the Archives is the original copy and the only existing set of scores / parts available. Every time this music is used by RTÉ there is a risk of parts/ scores being lost, the music becoming damaged and eventually, unusable. It is often an expectation by composers that RTÉ will preserve this original music, some of which RTÉ will never have a use for again.</p> <p>A stock assessment of the music stored in the Donnybrook Archive and its condition is warranted.</p>				
10.	<p><b>Skills</b></p> <p>We noted that there is no immediate deputy, or replacement identified in the event of absence of the Librarian.</p> <p>Consideration should be given to organising training / work/shadowing of the Librarian’s role in the event of a short-term absence.</p>	<p>Given the current skill set of the NSO team it would be possible for one of a number of individuals to be given some rudimentary training in how the library works to cover emergency situations. At present this is not a workable solution due to staff vacancies. For the future (and when/ if this position should become vacant) it might be an idea to adapt the role of the Administration Assistant to one of ‘Operations Assistant’ or similar where a person with musical knowledge as well as administrative skills would be recruited and would therefore have the capability to help out during short-term absences of</p>	<p>Training /work-shadowing of the Librarian’s role will be organised with another member of staff to ensure a replacement is available if needed at short notice.</p>	L	<p>Interim General Manager RTÉ NSO [REDACTED] 31 May 2014</p>



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
		<p>other members of the team. This would have the added benefit of allowing for possible promotion opportunities for that person and continuity of experience and development of staff which would be of benefit to RTÉ.</p> <p>██████████</p>			
	<b>Fixed Assets</b>				
11.	<p><b><u>Access rights to instrument storeroom</u></b></p> <p><i>a) Security of Instruments</i> The storage area for the Orchestra’s instruments in the NCH is accessible by non-RTÉ personnel and is also used for general storage. This increases the risk of damage to, and theft of, the instruments.</p> <p><i>b) Operating Hours for accessing instrument store-room</i> The instrument store-room is only accessible at certain times. For example, it is not possible to access it when another concert is taking place. This sometimes leads to instruments temporarily stored in areas which other non-RTÉ performers can easily access, increasing the risk of theft.</p> <p>This is particularly relevant in cases where the musicians have performed off-site and the instruments must be returned to the NCH storeroom.</p> <p>This issue also increases the risk of unnecessary overtime payments for the Orchestral Assistants.</p>	<p>Agreed.</p> <p>██████████</p>	<p>Consideration will be given to installing a cage or other secure structure for housing expensive and/or delicate instruments in order to protect them from potential damage and to secure them from access by non-RTÉ staff.</p> <p>The key to access this area will be held by the Orchestra Manager and will not be accessible to non-RTÉ personnel.</p>	M	<p>██████████ 31 March 2014</p> <p>██████████ 28 February 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
12.	<p><b><u>Fixed Asset Register and Labelling of instruments</u></b></p> <p><i>Testing</i> Five assets were selected from the Fixed Asset Register (“FAR”) for physical inspection and to confirm their existence. Furthermore, a sample of three instruments were selected from the store-room and traced back to the FAR to test the completeness and accuracy of records.</p> <p><i>Finding</i> All instruments selected for physical inspection were located.</p> <p><i>Other Matters</i> It was difficult to identify certain instruments and to link them to the FAR, in circumstances when there was more than one of that type of instrument listed.</p> <p>There is no internal asset ID number or labelling on any of the instruments linking back to the FAR. For example, in the case of the double bases, it is difficult to identify each separate instrument on the FAR for depreciation purposes.</p> <p>There is currently a project in place to collect and deliver the instrument numbers to Finance for insertion into the FAR, where possible, thereby addressing the issue above. This project had commenced in advance of the audit and is progressing.</p> <p>Most instruments have identifiable serial numbers other than some string instruments and small percussion instruments.</p>	<p>Agreed. [REDACTED]</p>	<p>The project to collect and deliver the instrument numbers to Finance for insertion into the FAR will be completed and kept up to date going forward.</p> <p>(This project had commenced prior to this audit).</p>	<p>L</p>	<p>[REDACTED] 30 April 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Rotation</b>				
13.	<p><b><u>Rotation of musicians</u></b></p> <p><i>Background</i> Rotation is the consequence of an artistic decision regarding the number of musicians required to perform specific repertoire. If a piece within a music programme, or an entire programme, has been reduced for artistic reasons then musicians will take turns in being relieved from certain programme duties and will be “on rotation”. While on rotation the musicians are “on call” should they be required at a later stage.</p> <p>The tracking of rotation is recorded in notebooks by “book-holders” in each section of the orchestra. The purpose of this process is to ensure consistency and fairness in who is being rotated off the performance and to keep a record of it.</p> <p><i>Testing</i> Rotation books from two sections - First Violins and Violas- were requested for review and a walkthrough of how the process works was performed and documented.</p> <p><i>Issues:</i></p> <p>a) <u>Format of Rotation Books</u> The format of the rotation books currently in use is difficult to follow. Small pocket-sized notebooks are used for each section with recordings made in pencil. There are different rotation approaches in use across each section. Consideration should be given to introducing a roster format that will be uniform across all sections and be easy to follow. Soft copy rosters would facilitate easier tracking of rotation.</p>	<p>Agreed. (██████████)</p>	<p>The current format of the rotation books will be changed to a soft-copy roster format that is uniform across all sections and easier to follow for tracking purposes.</p> <p>Rotation rosters will be submitted weekly to the Orchestra Manager for sign-off. This new approval will facilitate the tracking of musicians:</p> <ul style="list-style-type: none"> <li>• Working the concert</li> <li>• On-call</li> <li>• Not working</li> </ul> <p>In instances where current book-holders are not Section Leaders, the Section Leaders will replace the current book-holders, managing rotation in liaison with the Orchestra Manager and ensuring the Orchestra Manager to make final decisions as necessary.</p>	<p>M</p>	<p>██████████ 30 April 2014</p> <p>██████████ 30 April 2014</p> <p>██████████ 31 May 2014</p>

	<b>Finding</b>	<b>Management Comment</b>	<b>Agreed Action</b>	<b>Priority</b>	<b>Manager responsible and Completion Date</b>
	<p>b) <u>Approval by Orchestra Manager</u>                      The Section Leaders and the Orchestra Manager are only consulted re: rotation when an issue or problem arises amongst the musicians. While the Orchestra Manager is ultimately responsible for the area, there is no formal approval process by the Orchestra Manager of Rotation. In addition, the musicians themselves have no editorial management responsibility and therefore should not have the final authority over who is playing certain concerts and who is assigned to rotation.</p>				

# RTÉ Internal Audit

## Review of 2rn Internal Financial Control



8 March 2023

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

██████████ Chairman RTÉ Transmission Network DAC (trading as 2rn)  
██████████ Executive Director 2rn  
██████████, Financial Controller 2rn

**RTÉ:**

██████████ Group Financial Controller



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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# Introduction, Background and Risk

## Introduction

RTÉ Transmission Network DAC is a wholly owned subsidiary of RTÉ and trades as 2rn.

This report sets out the findings of Internal Audit's review of the financial processes and internal control in 2rn, in conjunction with the annual financial control self-assessment questionnaire. This report should be considered in conjunction with the 2rn Risk Register.

## Background

The effectiveness of internal control and the annual review of same for 2rn is governed by two external requirements, being:

- Code of Practice for the Governance of State Bodies ("the Code"); and
- Companies Act 2014.

### **Code of Practice for the Governance of State Bodies:**

Section 1.8 of the Code states that:

*"The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place."*

Each year, as part of the year end process, Internal Audit carries out testing and review of internal controls of 2rn to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each RTÉ division and corporate function completes a self-assessment questionnaire which forms the basis of Internal Audit testing of internal financial controls for the RTÉ Group.

In the Annual Report for the year-ended 31 December 2022, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control in the Group. This report forms part of the Committee's consideration.

### **Companies Act 2014:**

The Companies Act 2014 imposes a requirement on directors to include a Directors' Compliance Statement in the annual directors' report. The directors are required to confirm their responsibility for securing the company's compliance with certain relevant obligations and to confirm that assurance measures (actions) have been carried out or if they have not, to explain why.

This audit is an important input to Internal Audit's programme of work to provide assurance to the directors in this area.

## Risk

The key RTÉ corporate risks addressed by the report are as follows:

- Risk #1 – Commercial Revenue;
  - Risk #8 – Management of Finances and Business Planning; and
  - Risk #10 – Legislation/Regulation and Compliance.
- (Based on Q3 2022 rankings, currently under review)*

Other specific risks relevant to this report are as follows:

- Fraud; and
- Regulatory / maintaining proper books of account.

# Objective and Scope

## Objective

The objective of this audit was to review the company's internal financial control and processes and conclude on the effectiveness of same.

## Scope

The scope of our review covered the internal financial controls set-out in *Appendix A* from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022 and included the following considerations:

- Testing the existence and operation of the key controls in place in respect of the financial processes in 2r; and
- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the results of our testing.

The scope did not include:

- ✗ IT audit of the financial systems; and
- ✗ A full regulatory audit of the Tariff Pricing Models.

The Internal Financial Control review does not represent a full financial audit of each process.



# Controls

## Key Controls

The key controls in place in respect of the financial processes in 2rn are set-out in the table below:

	Process	Overview
<b>A</b>	<b>Purchasing and Accounts Payable</b>	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
<b>B</b>	<b>Sales and Accounts Receivable</b>	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
<b>C</b>	<b>Cash and Treasury</b>	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
<b>D</b>	<b>Inventory</b>	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
<b>E</b>	<b>Fixed Assets</b>	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
<b>F</b>	<b>People Payments</b>	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
<b>G</b>	<b>Management Accounts/Financial Close</b>	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
<b>H</b>	<b>Tax Compliance</b>	Preparation and submission of VAT workings for returns; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

# Findings

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review. Please refer to *Appendix A* for details of the specific controls tested and the audit activities undertaken by Internal Audit.

- ✓ The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 94% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.
- ✓ The effectiveness ratings assigned to the financial controls in the Internal Financial Control Self Assessment Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No issues were identified in this audit which merit classification as “key management issues”.

Other matter:

- *Segregation of Duties:* It is difficult to achieve full segregation of duties in smaller Finance functions and the 2rn Treasury and Payroll functions are not fully segregated as a result. In order to address this, over recent years, 2rn has segregated a number of key controls as a mitigating action. For example, all payroll and banking transactions and postings are approved by the Financial Controller. All bank reconciliations are also signed off by the Financial Controller and Payroll journals are posted by Central Finance in RTÉ. These controls operate effectively, and we have no findings to report in this regard

# Conclusion and Report Rating

## Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies* and the *Director's Compliance Statement*, Internal Audit carries out specific work in the area of financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2022, focusing on key controls. Responsibility for majority of financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation and effectiveness of a sample of financial controls in 2rn as noted within *Appendix A*. The results of our testing has been merged with the results of the completed Internal Financial Control Questionnaire – please see *Appendix B*. This highlights that a strong control environment exists across the financial processes within scope.

It is on the basis of the above findings that we assess the overall standard of the process as “Satisfactory”.

## Report Rating



SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2021 and examine documentation, evaluation sheet, award letter, eTenders notification, etc.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices.	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	<ul style="list-style-type: none"> <li>Test one EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger.</li> </ul>	Re-performance.
		<ul style="list-style-type: none"> <li>Test a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	<ul style="list-style-type: none"> <li>Examine a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Inquiry, Observation and Inspection.
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	<ul style="list-style-type: none"> <li>Test one creditor reconciliation and ensure all reconciling items have been followed up and cleared the following month.</li> </ul>	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	<ul style="list-style-type: none"> <li>Test one creditor reconciliation and ensure the creditors' listing agrees to the GL.</li> </ul>	Re-performance.
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines.	<ul style="list-style-type: none"> <li>Test one Purchase Card envelope and verify that supporting documentation is in place with appropriate approval.</li> </ul>	Re-performance.
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	<ul style="list-style-type: none"> <li>Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.</li> </ul>	Inquiry, Observation and Inspection.
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Test one debtor reconciliation and ensure the debtors’ listing agrees to the GL and review reconciling items.</li> </ul>	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	<ul style="list-style-type: none"> <li>Test one aged debtor listing.</li> </ul>	Re-performance.
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	<ul style="list-style-type: none"> <li>Test the approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Re-performance.
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	<ul style="list-style-type: none"> <li>Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	<ul style="list-style-type: none"> <li>Test a sample of lodgements and check timeliness of recording in books.</li> </ul>	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Inquiry, Observation and Inspection.
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	<ul style="list-style-type: none"> <li>Test one bank reconciliation for each bank account for a sample of periods and check for review by a senior person.</li> </ul>	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that reconciling items were cleared by following month, where applicable.</li> </ul>	Re-performance.
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Test one quarterly compliance certificate to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.</li> </ul>	Re-performance.
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Inquiry, Observation and Inspection.
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	<ul style="list-style-type: none"> <li>Test the Fixed Asset Register was reconciled to the GL for sample of periods.</li> </ul>	Re-performance.
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits.	<ul style="list-style-type: none"> <li>Test one addition and one disposal, verifying they are appropriately authorised in writing by a senior person.</li> </ul>	Re-performance.
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Inquiry, Observation and Inspection.
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Inquiry, Observation and Inspection.
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures.</li> </ul>	Inquiry, Observation and Inspection.
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	<ul style="list-style-type: none"> <li>To be addressed as part of RTÉ Group audit work in this area</li> </ul>	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on ██████ is reconciled to ██████ payroll records.	<ul style="list-style-type: none"> <li>Test the reconciliation between ██████ and ██████ payroll records for one period.</li> </ul>	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to ██████ and ██████ payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Test the reconciliation between PAYE/PRSI returns to Revenue to ██████ and ██████ records for one period.</li> </ul>	Re-performance.
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>Test that management accounts are approved and submitted to Central Finance for one month.</li> </ul>	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	<ul style="list-style-type: none"> <li>Test that all account balances are reconciled before the submission of management accounts to Central Finance.</li> </ul>	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Test that intercompany balances (both P&amp;L and B/S) have been reconciled for one month and agree to confirmations from the relevant parties.</li> </ul>	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	<ul style="list-style-type: none"> <li>Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.</li> </ul>	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	<ul style="list-style-type: none"> <li>Test for one month, that the accruals listings are available and reconcile to the GL.</li> </ul>	Re-performance.
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non-compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	<ul style="list-style-type: none"> <li>Test that VAT workings reconcile to the GL for one month.</li> <li>Test that the VAT workings were provided to Central for filing.</li> </ul>	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	<ul style="list-style-type: none"> <li>Test that PAYE/PRSI returns have been correctly filed on time for a one period.</li> </ul>	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	<ul style="list-style-type: none"> <li>Test that returns agree to back-up and have been filed on time for one period.</li> </ul>	Re-performance.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2022

Summary of Effectiveness Ratings				
Section	Process Area	Score	Maximum Score	Percentage
A	Procurement and Accounts Payable			91%
B	Sales and Accounts Receivable			97%
C	Inventory			97%
D	Cash and Treasury			89%
E	Fixed Assets			94%
F	People Payments			89%
G	Management Accounts/Financial Close			99%
H	Taxation Compliance			100%

**Note:**

**Taxation:** also covered as part of audit work on the Director's Compliance Statement.

**Treasury:** additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)



# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2019*

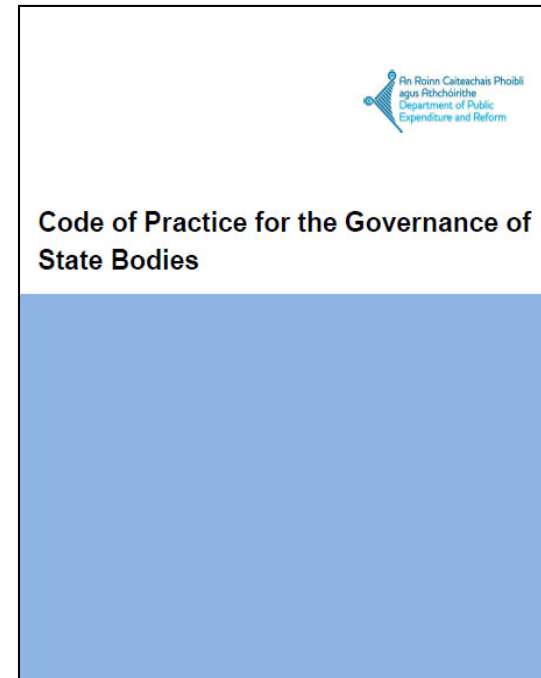
9 April 2020

**Circulation:**

Director-General

Members of the Audit and Risk Committee

Executive



# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. The Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies.”*

The governance relationship between the Government and a State Body is outlined overleaf. Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Communications, Climate Action and Environment (“DCCA”) on RTÉ’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ’s compliance with the Code of Practice.

The External Auditors are required to review RTÉ’s disclosures and note any inconsistencies identified in the Independent Auditor’s Report in the Annual Report.

### Code of Practice (2016)

The most recent version of the Code of Practice was issued by the Department of Public Expenditure and Reform in 2016, and came into effect for the first time for the year ending 31 December 2017.

The 2016 Code of Practice is accompanied by four “associated Code requirement and guidance documents”. The four additional documents are listed below:

- Business and Financial Reporting Requirements
- Audit and Risk Committee Guidance
- Remuneration and Superannuation
- Board-Self Assessment Evaluation Questionnaire

The Code comprises ten sections, as below. (See *Appendix 1* for full details).

## Contents of Code of Practice

1.	Role of the Board
2.	Role of the Chairperson
3.	Role of Board Members
4.	Board Effectiveness
5.	Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures
6.	Business and Financial Reporting
7.	Risk Management, Internal Control, Internal Audit and Audit and Risk Committees
8.	Relations with the Oireachtas, Minister and Parent Department
9.	Remuneration and Superannuation
10.	Quality Customer Service

# Background and Governance Framework

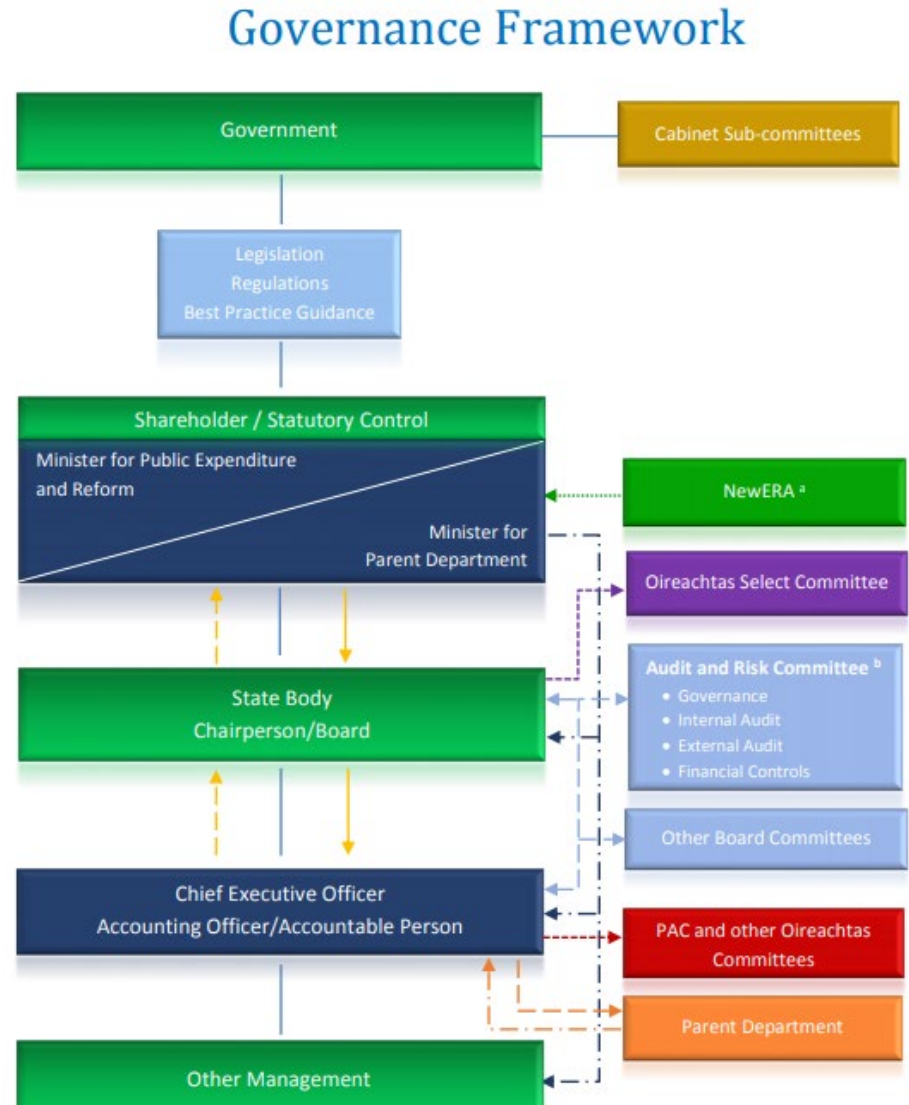
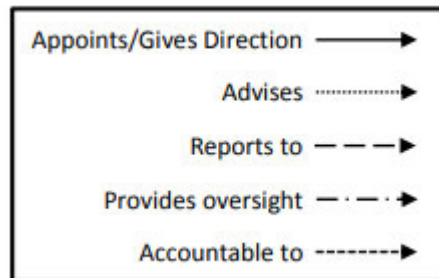
The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

## Governance Framework

The Governance Framework diagram (across) outlines the main features of the governance framework relationship between Government and State bodies.

The diagram does not purport to cover all aspects of this relationship which will vary depending on the differing nature, scale and responsibilities of the State body and the governing legislation establishing the State body.

For example, the Broadcasting Authority of Ireland (BAI) is a regulatory / monitoring body, specific to RTÉ.



# Objective and Scope

## Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2019.

This assessment was carried out having regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2016 Code of Practice is within scope of this review.

### ***DCCAE Checklist***

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAE in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2019. The Checklist addresses 134 items and requires the attachment of relevant back-up information.

DCCAE Officials carry out a verification exercise on the contents of the checklist, normally in a late summer / early autumn timeframe.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows:

Risk # 11 – Managing of Finances and Business Planning

Risk # 12 – Changes in Legislation / Regulation & Compliance

# Findings

## Findings - YE 31/12/2019

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2019. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2019, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DCCA's Code of Practice compliance checklist.

### Results

- ✓ The checks carried out by Internal Audit indicate that RTÉ is broadly compliant with the 2016 Code of Practice for the Governance of State Bodies. We noted one exception in relation to procurement – see below.
- ✓ Variations from the Code are for valid reasons, such as reflecting the nature of RTÉ as a Statutory Corporation entity, or were approved by DCCA (and confirmed in the document “*Guidance on the application of Code of Practice for the Governance of State Bodies*”, issued by the DCCA).
- ✓ Our other audit work during the year did not highlight any other material issues of non-compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Annual Report and Group Financial Statements and in the Chair's Report to the Minister.

### Audit Exception – Procurement

✗ We noted one exception, in relation to compliance with the Public Procurement Guidelines

- The April 2020 Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details.
- The exceptions relates to 54 suppliers, or 2.0% of the cumulative 2019 payments to suppliers contracted through [REDACTED]. Nearly half of the exceptions are suppliers with a low level of expenditure, <€50k.
- As outlined in the report, some historic factors are relevant to the exceptions, especially the limited functionality of [REDACTED] increases the difficulty of tracking tendering arrangements and the system is at end of useful life

### Actions

- Actions have been agreed to address the above matters including:
  - Tenders will be carried out as necessary;
  - A significant capital project to implement a new ERP system is in progress. This will replace legacy Finance and HR systems;
  - Oversight of key supplier relationships is being consolidated, resulting in better centralised managerial responsibility. Procurement activity is now overseen by Procurement Managers, by expenditure category; and
  - New processes and policy in place for the engagement of Contractors in RTÉ following the Eversheds review.

# Findings

## Findings (Cont'd)

### **Conclusion**

It is appropriate for the Chair's Report to the Minister for Communications, Climate Action and Environment (*in accordance with Paragraph 2.6 of the Code of Practice*) to confirm that RTÉ is compliant with the Code of Practice for the Governance of State Bodies, subject to a reference to the procurement exception and the actions in progress.

While some procurement exceptions were identified in respect of 2019, the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2020 to monitor the implementation of the actions. The aggregate value of the exceptions (*'non tendered' and 'tender status unknown' categories*) has decreased, in total, by €0.4m.

The disclosures required under the Code of Practice are being made and the Checklist will be submitted to the DCCAIE with the Annual Report.

**Rating: Compliant with Code of Practice**

The Code of Practice for the Governance of State Bodies sets-out a large number of requirements, too detailed to cover in this appendix. However, the table below sets-out a high-level summary of the key compliance activities and RTÉ Policies applicable to the main sections in the Code of Practice.

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
1 - 5	The Board and Directors	<ul style="list-style-type: none"> <li>• Role of the Board</li> <li>• Role of the Chairperson</li> <li>• Role of Board Members</li> <li>• Board Effectiveness</li> <li>• Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures</li> </ul>	<p><i>Board</i></p> <ul style="list-style-type: none"> <li>• Matters reserved to the Board for consideration and decision</li> <li>• Delegated Authority Limits – <i>both updated in 2018</i></li> <li>• Code of Business Conduct for RTÉ Board Members</li> <li>• Directors’ Register of Interests</li> <li>• Directors’ Emolument Forms</li> <li>• Board Papers and Board appointment / induction process</li> <li>• Board Approved Budget</li> <li>• Chair’s annual report to the Minister in accordance with Paragraph 2.6 of the 2016 Code of Practice for the Governance of State Bodies (“Chair’s Report)</li> <li>• Board Committees and terms of reference</li> <li>• Board Self-Assessment Evaluation Questionnaire</li> <li>• RTÉ Statement of Strategy</li> <li>• RTÉ Revised Strategy 2020 – 2024</li> </ul> <p><i>Other compliance documents</i></p> <ul style="list-style-type: none"> <li>• Code of Business Conduct for RTÉ Employees</li> <li>• Good Faith Reporting Policy</li> <li>• RTÉ Staff Manual</li> <li>• RTÉ Annual Report disclosures, including Corporate Governance report</li> </ul>
6	Business and Financial Reporting	<ul style="list-style-type: none"> <li>• Annual Report and Financial Statements</li> <li>• Additional Reporting Requirements</li> </ul>	<ul style="list-style-type: none"> <li>• RTÉ Annual Report and Group Financial Statements</li> <li>• Chair’s Report</li> <li>• RTÉ Subsidiary Company Annual Reports</li> <li>• Independent Auditor’s Report</li> </ul>
7	Risk management, Internal Control, Internal Audit and Risk Committees	<ul style="list-style-type: none"> <li>• Internal Control</li> <li>• Review of Effectiveness of Internal Control</li> </ul>	<ul style="list-style-type: none"> <li>• RTÉ Journalism Guidelines</li> <li>• RTÉ Content Standard Guidelines</li> </ul>

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
		<ul style="list-style-type: none"> <li>• Internal Audit Function</li> <li>• Risk Management</li> <li>• Audit and Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>• RTÉ Social Media Guidelines</li> <li>• RTÉ Child Protection Policy</li> <li>• RTÉ Grievance Procedure</li> <li>• Risk Management policy and structures</li> <li>• RTÉ Top Strategic Risks and Key Risk Indicators</li> <li>• Quarterly Risk meeting with Risk Sponsors and Risk Owners</li> <li>• Divisional Risk Registers</li> <li>• The Board’s annual review of internal control and risk management</li> <li>• Audit and Risk Committee’s oversight of risk and Internal Control</li> <li>• Independent Auditor’s Report</li> <li>• Internal Audit Charter</li> <li>• RTÉ Fair Trading Policy and Procedures</li> <li>• RTÉ Fair Trading Complaints Procedures</li> </ul>
8	Relations with the Oireachtas, Minister and Parent Department	<ul style="list-style-type: none"> <li>• Parent Departmental Oversight Role</li> <li>• Performance Delivery Agreements</li> <li>• Periodic Critical Review</li> <li>• Procedures for Procurement</li> <li>• Property Acquisition and Disposal of Surplus Property</li> <li>• Capital Investment Appraisal</li> <li>• Tax Compliance</li> <li>• Reports and Accounts of State Bodies</li> <li>• Additional Reporting Arrangements</li> <li>• Legal Disputes Involving Other State Bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight Agreement between RTÉ and DCCAÉ</li> <li>• Annual Statement of Performance Commitments (“ASPC”)</li> <li>• RTÉ Public Service Statement 2015</li> <li>• RTÉ Statement of Strategy</li> <li>• RTÉ Revised Strategy 2020 – 2024</li> <li>• Purchasing Procedures and Guidelines</li> <li>• Capital Project Approval Process and Capital Committee</li> <li>• Asset disposal process</li> <li>• RTÉ Tax Compliance Statement (Section 225 Companies Act 2014)</li> </ul>
9	Remuneration	<ul style="list-style-type: none"> <li>• Remuneration and Superannuation</li> <li>• Travel and Official Entertainment</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration and Management Development Sub-Committee</li> <li>• RTÉ Annual Report disclosures</li> <li>• Confirmation in Chair’s annual report to the Minister</li> <li>• RTÉ Travel Policy</li> </ul>
10	Quality Customer Service	<ul style="list-style-type: none"> <li>• Customer Charter</li> <li>• Customer Action Plan</li> <li>• Display and Content of Charter and Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints Process</li> <li>• ASPC</li> <li>• Competition Voting Terms &amp; Conditions</li> </ul>



	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
-	Guidance Documents	<ul style="list-style-type: none"> <li>Business and Financial Reporting Requirements</li> </ul>	<ul style="list-style-type: none"> <li>Chair’s annual report to the Minister in accordance with Paragraph 2.6 of the 2016 Code of Practice for the Governance of State Bodies</li> <li>RTÉ Annual Report and Group Financial Statements</li> <li>RTÉ Subsidiary Company Annual Reports</li> <li>Monthly Management Accounts</li> <li>Interim unaudited accounts (six months)</li> <li>Delegated Authority Limits</li> <li>Annual Budget</li> </ul>
		<ul style="list-style-type: none"> <li>Audit and Risk Committee Guidance</li> </ul>	<ul style="list-style-type: none"> <li>Audit &amp; Risk Committee Terms of Reference</li> <li>Audit &amp; Risk Committee Self-Assessment Questionnaire</li> </ul>
		<ul style="list-style-type: none"> <li>Remuneration and Superannuation</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration &amp; Management Development Sub-Committee</li> <li>Remuneration Disclosures in Annual Report</li> </ul>
		<ul style="list-style-type: none"> <li>Board-Self Assessment Evaluation Questionnaire</li> </ul>	N/A

# RTÉ Internal Audit

## Review of Cost Allocation Process

14 March 2016

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**RTÉ:**

[Redacted]

**KPMG:**

[Redacted]



# Background and Scope

## Background

### Introduction

The purpose of this memorandum is to set-out the findings of an Internal Audit review of the year-end cost allocation process.

### Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards, the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Energy and Natural Resources.

The cost allocation process comprises a set of financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 2). The cost allocation process facilitates the presentation of revenues and costs as follows:

- Segmental analysis of revenues and costs by Integrated Business Division (“IBD”) in line with RTÉ’s organisation structure;
- Segmental analysis of revenue and costs by channel, service and broadcasting genre and between public service and non-public service activities.

The process is carried out within a standalone General Ledger Cost Allocations Database of the [REDACTED] financial system, with Microsoft Excel used as the reporting tool.

### Allocation Methodology

Direct costs are charged in the first instance to the IBD, activity or programme to which they relate, or through which they are controlled.

Indirect costs at an IBD level are allocated to specific activities or programmes using consistently applied principles. For example, payroll related operating costs associated with particular programmes are allocated based on the staff assigned to the programme and / or the number of hours spent by staff members on the programme activity.

Other indirect / shared service costs are allocated to the IBD consuming the service using appropriate full cost absorption costing methods. Centrally provided shared services encompass activities which are carried out centrally on behalf of IBDs. These services include HR Shared Services, Technology, Corporate Communications and Group Finance.

The cost of the corporate HQ is not allocated to IBDs and is reported as an “other” segment.

[REDACTED]  
The allocations process takes place after the year-end financial close, utilising a copy of the live [REDACTED] database. The process is performed by RTÉ Group Finance using the allocations functionality of [REDACTED].

## Objective and Scope

The scope of this audit was the cost allocation process, as outlined in the Cost Allocation Process Overview manual.

This audit was undertaken in accordance with an Internal Audit work-programme and involved audit work in each of the following areas:

- Process documentation;
- Process review;
- Accuracy and appropriateness of the cost apportionment rationale;
- Accuracy and appropriateness of the rules allocating costs to ‘receiving’ costpools;
- Operational of model.

# Scope and Risk

## Objective and Scope *(Continued)*

The audit sample size is set-out in Appendix 1, selected from the output of “Run 2” of the allocations model. (From an operational point of view, audit testing was carried out in the “Allocations 2015” Agresso Database, in period 201605).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the financial year-ended 31 December 2015;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

The scope did not include:

- ✗ IT aspects of the ██████████ Allocations database.

KPMG will place reliance on this audit as part of the year-end statutory audit.

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources

The audit is relevant as it addresses an area which is important to RTÉ’s legal and regulatory compliance.

# Findings, Conclusion and Rating

## Findings & Recommendation

We conclude that the cost allocations model is operating effectively and, having regard for the sample set-out in Appendix 1, is based upon consistently applied and objectively justified principles.

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit. The Microsoft Excel based reports used for financial reporting are consistent with the underlying [REDACTED] records. The Agresso Allocations Database used for the allocations process is consistent with the “live” [REDACTED] General Ledger Database.

We recommend that the Cost Allocation Process Overview Manual is updated to reflect the changes to the trigger rationale and allocation basis which arose as part of the 31 December 2015 year-end allocations process. This will ensure that the manual continues to remain relevant and provides an up to date written record of the allocations process.

## Overall Conclusion

The RTÉ Annual Report presents important segmental information by division and channel in Note 2 d) and Note 2 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of the notes.

Internal Audit has carried out a review of the cost allocation process. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

We would like to thank staff in Group Finance for their assistance during the course of this assignment.

## Rating



**SATISFACTORY**

# Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1		Empty Corporate Human Resources costpools		
2		Allocate Property and Service costpools		
3		Empty Technology costpools		
4		Audience research contracts		
5		Various broadcasting costs in Television		
6		Commercial Sales costs allocated to Channels		
7		Allocate Studio 3 News costs to programmes		
8		Allocate Radio broadcast costs to programmes		
9		Outside Broadcast costs		
10		Various support / back-office costs		
11		Capital Expenditure allocation	)	
12		Central Training costs*		

\* This is a new trigger in the current financial year.

\*\* Financial Data is redacted in circulation to non Group Finance recipients of the report.

# RTÉ Internal Audit

## Review of Insurance Arrangements

30 September 2013

**Circulation:**

Chairman (Executive Summary)  
Noel Curran, Director-General  
Members of the Audit and Risk Committee  
Executive

[REDACTED]

[REDACTED]

[REDACTED]



# Background and Scope

## Background

### Background

Marsh Ireland was selected as RTÉ's insurance broker following a restricted tender process in September 2010. In return for an annual brokerage fee, Marsh arranges the annual procurement of insurance policies to address applicable insurance risks, manages the administration of the insurance policies and manages the claims process on RTÉ's behalf. Marsh also provides ongoing advice on insurance coverage during the term of the policy.

RTÉ's insurance arrangements are coordinated via Central Finance, with input from the RTÉ Solicitors' Office and Human Resources, as necessary. The Insurance Administrator, reporting to the Head of Procurement, is RTÉ's central contact point with the Broker and administers day-to-day queries regarding insurance coverage, indemnity letters, the processing of claims, etc. All matters relating to the media liability policy, and any associated claims, is managed by the Director of Legal Affairs.

### Policies

RTÉ, like any organisation, faces a variety of business risks and has a number of insurance policies in place to mitigate the risks arising. Some policies have a limit, or claim excess, and may also have certain exclusions.

RTÉ has insurance policies in place to cover the following categories of risk areas:

- Public liability
- Employer's liability
- Media liability (broadcast risk)
- Directors' and Officers' liability
- Pension Trustee liability
- Business interruption
- Other business – engineering, computer, travel, marine transit, and crime
- Motor fleet

### Claims

A Liability Claims Review meeting takes place twice per year attended by Marsh, RTÉ's principal insurer [REDACTED], the solicitor appointed by the insurer to manage claims and various RTÉ representatives (Finance, Health and Safety and Human Resources).

A Liability Claims report is maintained by the Broker to track 'active' claims and is circulated at regular intervals. The report lists each claim and tracks the nature of the claim, the present position of the claim, the outstanding reserve, amounts paid etc. At the time of writing RTÉ has a number of open claims dating back to October 2004. The majority of claims fall into a category best described as "slips, trips and falls".

Before an incident reaches the status of a claim, RTÉ has a policy in place regarding the reporting of accidents, with a template Accident on Duty form posted on the intranet for completion by the injured party and his / her line manager.

## Scope of Audit

The scope of the audit was organisation-wide. The objectives of this audit were to:

- ✓ Review the insurance cover in place in RTÉ and assess the adequacy of same;
- ✓ Review the accident tracking, monitoring and reporting procedures;
- ✓ Assess the process by which claims are administered, defended and processed;
- ✓ Assess the efficiency of the coordination between the different RTÉ departments which have a role to play in the area under review; and
- ✓ Consider the arrangements in place for securing indemnity from third party contractors.

The scope did not include a review of the process and strategy for defending claims arising under the Media Liability policy.



# Key Issues and Agreed Action

## Key Management Issues

The findings are set-out in the action plan. The key management issues are set-out below:

### Accident reporting and recordkeeping

There is scope to improve the recording and management of accidents events. The audit identified instances of accidents currently the subject of a liability claim, but which were not recorded on the central log of accidents. We also identified instances of inconsistent information held by departments, such as accident reports logged by HR, but not recorded in the insurance files in Central Finance.

We noted limited formal metrics / KPIs to track the nature, frequency and location of accidents. These areas are now in the process of being addressed.

### Claims handling process

Having reviewed a sample of active claim files, we observed delays in managing correspondent from the Personal Injuries Assessment Board. We also identified opportunities to improve the administration of claims.

There is no formal written policy in place for the management of accidents. Such a policy is an important prerequisite to put RTÉ in a strong position to devise a strategy and approach to dealing with a claim, should one arise. The policy would clarify the timing of an engineering report; the individual(s) required to attend when the engineer attends on site; policy regarding the taking of photos upon notification of accident; and policy regarding retention of CCTV and other physical evidence and related matters.

### Insurance arrangements for Contractors

Reliance is placed on personnel locally (in the divisions) to check the insurance arrangement of third parties engaged as part of productions – special effects, stunts, specialist studio production personnel. In many cases the person engaging the Contractor has no specialist knowledge of the insurance checks which should be carried out, or the risks involved. While an advisory service is available via the Broker / Insurance department to assist the divisions, there is scope to improve the awareness of this service and to carry out insurance briefing sessions in this regard.

# Conclusion

## Conclusion

This audit involved a review of RTÉ's insurance arrangement. While not extending to a full review of health and safety, which is audited separately, the audit also necessitated consideration of accident tracking and reporting by line management to Human Resources. HR is reliant on Line Managers locally to notify that an accident has taken place.

It is important to acknowledge a number of positive aspects of RTÉ's management of insurance. Firstly, RTÉ has a low history of accidents and claims, given the size of the organisation and the scale of business operations. Most accidents relate to minor slips, trips and falls. RTÉ has appointed a qualified Broker to advise on all insurance matters, the policies in place and the management of claims. Regular meetings take place with the Broker and the Insurers. Adequate insurance policy coverage is in place, having regard for the nature of RTÉ's business and the risks faced. A governance structure is in place with liaison between Legal, Finance and Human Resources. Finally, the Broker has not raised any issues with the manner in which insurance is currently being managed.

The audit highlighted some areas for improvement including: accident management and recordkeeping, aspects of the claim handling process and matters relating to third party Contractors. The actions to address these areas are set-out in the attached action plan.

Some of these actions are complete, or are already in progress. In addition, following changes in personnel, a number of improvement initiatives in the area of accident management and reporting had started in Human Resources prior to the commencement and the audit. These actions have been documented in the action plan, where relevant.

The nature of the claim process is such that some of the active claims reviewed in this audit relate to events which occurred, perhaps, one or two years ago. However, process improvement have taken place since that date although it takes time for the benefit of those improvements to be observed.

We appreciate the assistance of the relevant personnel during the course of this audit.

Rating



Improvement Needed

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<b>Accident recordkeeping</b>			
1.	<p><b><u>Incomplete records: accident log</u></b></p> <p>We reviewed the Central Human Resources log of accidents as part of this audit.</p> <p>Five accidents which are currently the subject of a liability claim were not recorded on the Central Human Resources log. This may be due to the fact that the accident:</p> <ul style="list-style-type: none"> <li>• had been omitted from the log in error, or</li> <li>• was not reported to HR in the first place.</li> </ul> <p>Secondly, the Central Human Resources log of accidents was compiled retrospectively, in early 2013, for the period 2010 to 2012 inclusive. This approach adversely impacts the availability of timely, up to date information.</p> <p>(We noted that new accident recording procedures have been implemented by the Health and Safety Manager).</p>	<p>Accidents will be logged by the Health and Safety function in Central Human Resources.</p> <p>(See also finding #6 and actions re: communication to Line Managers).</p>	H	<p>Done</p>
2.	<p><b><u>Incomplete records: insurance claim files</u></b></p> <p>During our review of files for sample of current insurance claims<sup>1</sup>, we identified examples of insurance claims which only came to the attention of the Insurance department via the Plaintiff’s solicitor.</p> <p>Two of a random sample of eight insurance claim files examined as part of this audit did not have an accident report on file: either because one was not completed by the injured party, or because the form was not shared with the Insurance department. In these cases notification from the Plaintiff’s solicitor alerted the Insurance department of the accident.</p>	<p>Revised procedures have been agreed between Finance and Human Resources and the flow of information / accident reports is set-out in a revised <i>RTÉ Accident / Incident Reporting Flowchart</i>.</p> <p>See also finding #7 on the policy for the management of accidents.</p>	M	<p>Done</p>

<sup>1</sup> Unless specifically stated, when references are made to “claims” or “claim files” in this document, media liability claims were not included in the sample audited. See Ex. Summary for scope of audit.

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>While not identified as part of our random sample, we were informed of examples where the accident report had to be sought and prepared retrospectively, once the matter was the subject of a claim.</p> <p>As a result, RTÉ’s approach to managing the claim is sometimes reactive – see finding #7 for further details.</p>			
3.	<p><b><u>Records maintained in different departments</u></b></p> <p>We compared the accident reports filed by Central Finance to the Central Human Resources log of accidents.</p> <p>We identified five instances of accidents logged by HR, but which were not recorded in the insurance files in Central Finance.</p> <p>There is also scope to improve the management of files and to consolidate all relevant data / reports in one central file. Currently, different departments may retain separate files for the same event.</p>	See finding #2 above.	L	N/a
	<b>Accident reporting</b>			
4.	<p><b><u>Reporting of statistics / KPIs</u></b></p> <p><i>Accident reporting</i> We noted limited formal management report of accidents and the absence of ongoing metrics / KPIs to track the nature, frequency and location of accidents. As a result, it is currently difficult to identify trends or patterns of accidents or ‘near-misses’.</p> <p><i>Learning from accidents</i> We noted the absence of a consistent policy in place in RTÉ for:</p> <ul style="list-style-type: none"> <li>• Providing feedback / learning points to operational line management to</li> </ul>	A new policy on the reporting of accidents will be put in place. Using the accident log set-out in finding #1, this will involve the quarterly reporting of summary accident statistics and KPIs to the Group Head of Human Resources, the Managing Director Corporate Development and others, as deemed necessary.	M	<div style="background-color: black; width: 100px; height: 15px; margin-bottom: 5px;"></div> 30 November 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>prevent future accidents, and</p> <ul style="list-style-type: none"> <li>Follow-up reporting on accident events to the department where the accident occurred.</li> </ul> <p>Approximately 13 of the current / active claims relate to incidents in a defined production studio area, thereby affording an opportunity for specific action and briefing for line management locally in the department.</p> <ul style="list-style-type: none"> <li>Six of these claims relate to alleged injuries suffered by two individuals, both working in the same department. While acknowledging that the area involves manual work, and is therefore at higher risk of accident, the pattern of claims in the area in a short period of time is a cause of concern and further training and action may be required locally.</li> </ul>			
5.	<p><b><u>Accident on Duty form</u></b></p> <p>RTÉ has two “Accident on Duty” forms – one to be completed by the injured party and one by his / her supervisor or line manager.</p> <p>The existing Accident on Duty form on the intranet is out of date and could be improved. For example, we consider the question “<i>do you intent to make a claim against any third party</i>” to be inappropriate for an initial accident report. One of the claim files reviewed as part of this audit contained an Accident on Duty form completed by a programme contributor. In those circumstances, the question is not appropriate.</p> <p>Secondly, the form provides insufficient space to provide a detailed description of the accident and is open ended i.e. the form does not prompt the collection of further relevant information by asking a series of focused questions to gather more specific information on the accident.</p> <p>We note that the Health and Safety Manager has prepared an updated version of each form, which is welcome.</p>	<p>The Accident on Duty forms will be revised and updated on the intranet.</p>	M	<p>██████████ Done</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
6.	<p><b><u>Briefing to Line Managers</u></b></p> <p>On a broader communication level, it is timely to issue a reminder to Line Managers about the RTÉ accident reporting procedures. This will also provide an opportunity to circulate contact details of individuals in Insurance / Health and Safety in the event of queries arising. It has been a number of years since a reminder was issued and the recent reorganisation and change has resulted in a number of new individuals in supervisory positions.</p>	<p>A reminder of the revised accident reporting procedures will be issued to Line Managers e.g. via the forthcoming briefing sessions on the RTÉ Child Protection Policy and group-wide e-mail.</p> <p>A dedicated Health and Safety page will be created on The Hub (intranet) to be used as an information tool for staff and an easily accessible source of guidance, forms, etc.</p>	M	<p>██████████ In progress to 31 December 2013</p> <p>██████████ 31 December 2013</p>
<b>Insurance claims process</b>				
7.	<p><b><u>Accident management</u></b></p> <p>We noted there is no written RTÉ policy for the management of accidents when an accident occurs. Such a policy would outline:</p> <ul style="list-style-type: none"> <li>• the timing of an engineering report;</li> <li>• the individual(s) / department(s) required to attend when the engineer attends on site (this is likely to vary depending on the type of accident);</li> <li>• policy regarding the taking of photos upon notification of accident;</li> <li>• policy regarding retention of CCTV and other physical evidence;</li> <li>• agreed process for the flow of information between Health and Safety and Insurance;</li> <li>• Etc.</li> </ul> <p>The objective of such a policy is to ensure that RTÉ has as much information as possible on file to facilitate an informed response, should the accident lead to a notification of claim from the Personal Injuries Assessment Board (“Injuries Board”).</p> <p>Given the cross-departmental input needed to investigate an accident and respond to a claim (when a claim arises from the accident) a proactive accident management policy is an important prerequisite to put RTÉ in a better position to devise a strategy and approach to dealing with the claim. At</p>	<p>A formal policy for the management of accidents will be developed as part of the updating of the RTÉ Safety Strategy and rolled-out throughout the organisation.</p> <p>The Broker will be asked to put a more formal process in place to track and follow-up on the status of the completion of Engineering / Loss Adjuster reports in order to ensure that reports are completed on a timely basis after being commissioned.</p>	<p>H</p> <p>L</p>	<p>██████████ 31 December 2013</p> <p>██████████ 31 December 2013</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>present the approach is sometimes reactive.</p> <p><i>[The impact of the absence of an accident management policy may be illustrated by the following example:</i>                      During our review of claim files we noted an engineering report dated 5 March 2013 in response to an 18 November 2011 accident. The report was commissioned after the claim was formally notified to RTÉ in early 2013. The insurance files contained limited other information.</p> <p>However, an accident report was prepared at the time of the accident and a 20 November 2011 entry to PeopleSoft recorded that the individual took an extended period of certified sick leave due to the injuries sustained in the accident. This information afforded an opportunity to gather further preliminary information – photos, interviews with crew, access to design drawings etc. – in the event of a claim. This is especially relevant as the stage where the accident occurred, in a third party premises, was scheduled to be de-rigged shortly afterwards.</p> <p>A formal accident policy would provide guidance on the approach to managing accidents and gathering data to be in a better position to defend a claim should one arise, perhaps one or two years later.]</p>			
8.	<p><b><u>Correspondent from the Personal Injuries Assessment Board</u></b></p> <p>Correspondence from the Injuries Board is passed to the insurers, who deal with the correspondence on RTÉ’s instructions.</p> <p>As a general observation, based on our review of a sample of active claims files, we observed delays in responding to correspondent from the Injuries Board.</p> <p>In the sample of eight claim files examined as part of the audit, six involved correspondence from the Injuries Board. These six cases are analysed below:</p>	<p>A tracking mechanism will be developed in conjunction with the Broker to monitor the status of each Formal Notice of claim received from the PIAB. This will track the status of RTÉ’s response to the PIAB during the 90 day period (<i>from receipt of notice</i>) granted to respondents to decide whether or not to consent to the PIAB assessing the claim.</p> <p>During meetings with the Brokers the ageing and status of each open PIAB Notice will be reviewed.</p> <p>In conjunction with the actions set-out in finding #10, an “owner” will be assigned to each active claim. That individual will be responsible for dealing with the claim and</p>	M	<p>██████████ 30 November 2013</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<ul style="list-style-type: none"> <li>• <b>Four</b> (67%) were not responded to within the timeline set-out by the Injuries Board. (In the one case where the Injuries Board letter was answered, the deadline to respond had passed almost two months earlier).</li> </ul> <p>In each of these cases, given the absence of a response, the Injuries Board initially outlined their intention to proceed with assessing the claim.</p> <ul style="list-style-type: none"> <li>○ In three of the cases we noted that, after further demand letters from the Injuries Board to RTÉ for the payment of the application fee, the Injuries Board later issued an Authorisation to the Plaintiff to bring proceedings in the courts.</li> <li>○ The remaining case is still open – in a letter to RTÉ the Injuries Board outlined its intention to proceed to assess the claim, and requested payment of the application fee from RTÉ.</li> </ul> <ul style="list-style-type: none"> <li>• Of the remaining <b>two</b> claim files involving correspondence from the Injuries Board: <ul style="list-style-type: none"> <li>○ The Injuries Board refused to assess one of the claim</li> <li>○ In the second case, which is a recent claim, the Injuries Board has recently issued a final reminder requesting a response from RTÉ.</li> </ul> </li> <li>• Of the six cases referred to above, two related to correspondence received in the period prior to the appointment of RTÉ’s existing insurance Broker.</li> </ul> <p>This finding highlights a lack of a consistent process for handling correspondence.</p>	<p>coordinating RTÉ response to the PIAB notice, including calling a case meeting of relevant parties, as deemed necessary, to agree the RTÉ response and approach.</p>		
9.	<p><b><u>Engineering reports</u></b></p> <p>On occasions RTÉ’s insurers are not providing RTÉ with a copy of engineering reports on a timely basis. During our review of claim files as part of the audit, two engineering reports were not on file even though a report had been commissioned by the insurers. In other cases, a copy of the report was provided to RTÉ and retained on the claim file.</p>	<p>See action in finding #7, above.</p>	M to L	N/a



	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>Notwithstanding the attendance of RTÉ personnel when the engineer is on site for the survey, RTÉ is in a good position to identify any errors, inaccuracies or mistaken assumptions in the report, ensuring an accurate position is established before a decision on dealing with the claim. This will also provide RTÉ with an opportunity to challenge the report of the engineer, where such an approach is warranted.</p> <p>Secondly, engineering reports are not always completed on a timely basis after the occurrence of the accident.</p>			
10.	<p><b><u>Record-keeping</u></b></p> <p>It is difficult to obtain statistics on closed claims, a summary of how historic claims were resolved, amounts paid under claims etc. While this data is available in a summarised format from the insurers, there is scope to improve the internal tracking processes and to have an easily accessible organisational view of claims, irrespective of the origination of the claim.</p> <p>In addition, we noted the absence of a central consolidated log of all insurance events.</p> <p>Finally, we noted that multiple files in relation to the same case are sometimes maintained in different areas. A central record of all claims is preferable.</p>	<p>A new central log has been designed to track each claim and to assign responsibility for managing the claim. The individual assigned responsibility for managing each case will be set-out in the log.</p>	M	<p>██████████ Done</p>
11.	<p><b><u>Responsibility for the management of insurance claims</u></b></p> <p>The roles and responsibilities for managing individual insurance claims in RTÉ are not documented.</p> <ul style="list-style-type: none"> <li>○ While in many instances the nature of the claim – employee related, accident related, broadcast / editorial related, etc. – determines the department most suitable to lead the case, some cases require input from different departments. Clarity in roles is therefore important.</li> </ul>	<p>As per finding #10, once a new case comes to the attention of RTÉ and is logged centrally, one individual will be assigned responsibility for leading each insurance case (i.e. case manager).</p> <p>This log will be circulated monthly to relevant parties (HR, Legal, Finance, Insurance and other senior managers, as necessary) and each case manager will update the log to record any developments in his/her case. Secondly, the log</p>	M	<p>██████████ Done</p> <p>██████████ ██████████ ██████████</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>○ The sample of historic personal injury claim files reviewed as part of this audit highlighted that, in some cases, there was no single person or department responsible for managing and leading the claim. In other cases, we noted a lack of coordination in dealing with the Insurers and more than one RTÉ contact point dealt with the Insurers in relation to the claim.</p> <p>In dealing with the Insurance company, it is important that RTÉ has a consistent organisation viewpoint on the strategy for dealing with a particular claim.</p> <p>We understand that a Finance / HR / Legal group has been meeting over recent months to review the area of insurance and the approach to managing claims. Therefore, this finding is most applicable to the historic claim files reviewed as part of the audit.</p>	<p>will be discussed as part of quarterly insurance meetings. The Broker will attend the quarterly meetings, with the Insurers attending every second meeting (i.e. six monthly).</p> <p>The HR / Legal / Finance group examining the issue of insurance will discuss the matter of the final decision making authority for devising a strategy to deal with a claim and will agree on the process for holding case meetings in this regard.</p>		<p>Ongoing from 31 October 2013</p> <p>As above 31 December 2013</p>
	<p><b>Administration of claims</b></p>			
<p>12.</p>	<p><b><u>Liability Claims Review meeting</u></b></p> <p>RTÉ’s Brokers are slow in circulating the minutes of the bi-annual liability claims review meeting, which has an impact on the timely completion of follow-up actions. This also increases the risk of a lack of clarity in the allocation of responsibility for same.</p>	<p>The RTÉ Brokers will be requested to circulate the meeting minutes to attendees within an agreed timeframe, to be set by RTÉ (circa 10 days).</p>	<p>L</p>	<p>██████████ 31 October 2013</p>
<p>13.</p>	<p><b><u>Updating Liability Claims summary report</u></b></p> <p>A summary Liability Claims report is maintained by RTÉ’s Broker to track each ‘active’ claim – the nature of the claim, the present position, the outstanding reserve, amounts paid etc. During our review of a sample of active claim files we identified examples where the Liability Claims report was not maintained up to date.</p>	<p>The RTÉ Brokers will be reminded to update the Liability Claims report on a timely basis as any new information on the case becomes available.</p>	<p>L</p>	<p>██████████ 31 October 2013</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>For example, the report dated 15/5/2013 lists an engineer’s report as “still awaited”, even though it was completed on 5/3/2013 and a copy provided to RTÉ. Another example is a case recorded as “IB notice received” even though the date of responding to the Injuries Board had passed and the status of the claim had moved.</p>			
14.	<p><b><u>Delays in responding to information requests</u></b></p> <p>As part of our review of the file of a claim settled in March 2013, we noted a five month and 24 day delay in RTÉ responding to an information request (copy of contract with a Production Company) from the Loss Adjuster appointed by the insurance company. These types of delays have the potential to adversely impact RTÉ’s defence of the claim.</p> <p>While settled recently, this is a historic claim prior to the insurance broker tender. Staff changes in Central Finance have also taken place since that date and we consider a delay on this scale to be an isolated incident.</p>	<p>For noting – this is an historic issue and no specific action deemed necessary. The actions for finding #11 also address this finding via the assignment of responsibility for managing each case.</p>	L	N/a
	<p><b>Insurance arrangements for third parties / Contractors</b></p>			
15.	<p><b><u>Checking insurance arrangements</u></b></p> <p>Considerable reliance is placed on personnel locally (in the divisions) to check the insurance arrangement of third parties engaged as part of production – special effects, stunts, specialist studio production personnel, etc. In many cases the person engaging the Contractor has no specialist knowledge of the:</p> <ul style="list-style-type: none"> <li>• Type and level of insurance cover RTÉ should request from the Contractor;</li> <li>• Methods of checking the validity of cover;</li> <li>• Indemnity which should be provided to RTÉ;</li> <li>• Checks to carry out on restrictions in the policy etc.</li> </ul> <p>During the course of the audit we were made aware of issues whereby the</p>	<p>This matter will be addressed as part of procurement training scheduled for the autumn, which will also have an insurance module. The training will focus on making staff aware of the insurance advisory services available via Insurance / RTÉ Broker.</p>	L	<p>██████████ 31 December 2013</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	<p>insurance implication of productions – particularly out of the ordinary productions / events – were not being considered in a timely manner and notified to Central Finance in order to report to RTÉ’s Brokers.</p> <p>We identified examples of these issues as part of previous health and Safety audits.</p>			
	<p><b>Other matters</b></p>			
<p>16.</p>	<p><b><u>RTÉ Indemnity</u></b></p> <p>On occasions RTÉ is asked to indemnify a third party as part of a production, for example filming in a shopping centre, museum, public transport system, or during an Outside Broadcast involving an audience.</p> <p>The relevant letter is issued by the Insurance Administrator, who consults with the Insurers if deemed necessary. In the absence of the Insurance Administrator, the matter is dealt with by the Broker.</p> <p>There is a low risk that RTÉ could provide indemnity in circumstances when an indemnity is not required i.e. if the production is an IPU production, or if the individual requesting indemnity is a non-employee contractor with his / her own personal insurance policy.</p> <p>While the existing Insurance Administrator is experienced and knowledgeable of the RTÉ employees who normally request indemnity, and the types of productions applicable, a checklist of questions to ask in response to a request for an indemnity letter would assist in identifying circumstances when further investigation is required before issuing an indemnity. This is relevant in the event that the existing staff member (or the representative of the Insurer) is not available.</p>	<p>A checklist will be developed outlining the questions to be asked in response to a request, to the insurance department, for an indemnity letter from RTÉ.</p>	<p>L</p>	<p>██████████ 31 December 2013</p>

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
17.	<p><b><u>Use of vehicles for business purposes</u></b></p> <p><i>Background</i></p> <p>RTÉ staff use vehicles for business purposes in three ways, as set-out below. The insurance implications of each method is also outlined below.</p> <p>The RTÉ Travel and Expenses Policy sets-out the policy on the use of a private car for business purposes and the claiming of mileage expenses. In summary, pre-authorisation from the Divisional Head is required. Secondly, persons granted authorisation to use their car on official business purpose must provide evidence that their insurance policy permits such use and that RTÉ is indemnified accordingly. Subsequently, evidence is provided to Finance on an annual basis, at the time of insurance renewal, in order to continue to claim mileage via the Transfare system.</p> <p>RTÉ also offers staff a car rental service via Europcar. Bookings are made via a dedicated website with authorised users selecting a vehicle from a predefined list of approved RTÉ vehicles. Booking requests are routed to the costpool manager for approval or rejection. These vehicle rentals are covered by the RTÉ Motor Fleet insurance policy.</p> <p>Finally, RTÉ maintains a small fleet of motor vehicles, generally in production areas such as news crews, Radio Roadcaster, field production and a small number of ‘pool’ vehicles. These vehicles are owned or leased by RTÉ and are covered by the RTÉ Motor Fleet insurance policy.</p> <p><i>Finding</i></p> <p>In recent times a new method of using private cars for business purposes has emerged as a cost saving exercise. This involves the use of a private car for business, but reclaiming the petrol costs associated with the trip as opposed to the mileage. However, unlike the mileage reclaim system, evidence that the individual’s insurance policy permits such use is not sought, nor is an indemnity sought for RTÉ under the individual’s policy. Therefore, there is a</p>	<p>The Finance Travel and Subsistence Group will prepare a paper examining this issue.</p> <p>The RTÉ Travel Policy will be updated to address the matter of reclaiming of petrol receipts.</p>	M	<p>██████████ 30 November 2013</p> <p>██████████ 31 December 2013</p>

	<b>Finding</b>	<b>Agreed Action</b>	<b>Priority</b>	<b>Completion Date and Manager Responsible</b>
	<p>potential exposure for RTÉ in the event of an accident on RTÉ business.</p> <p>The risk is mitigated in that the RTÉ Motor Fleet policy provides coverage of private vehicles under the “occasional business use” clause, although in such circumstances trips are generally of an unplanned nature. Secondly, individuals reclaiming petrol receipts were formerly claimants of mileage and already subject to insurance checking procedures. However, this provides only limited mitigation and is not suitable for regular users of petrol receipts process.</p> <p>New procedures need to be put in place in respect of those claiming refunds of petrol receipts to mitigate the insurance risk. In addition, the Travel Policy does not clearly outline a policy on the area of reclaim petrol receipts and needs to be updated.</p>			

# RTÉ Internal Audit

## Review of Purchasing Compliance

*Year-ended 31 December 2016*

**8 March 2017**

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**IBD Finance:**



# Background

## Background

### Introduction: Overview of Supplier Payment Processes

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [REDACTED]

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via PeopleSoft fees. (Both these processes are outside the scope of this audit).

### Purchase Orders

Purchases processed via Accounts Payable must have an approved purchase order ("PO") before any purchase commitment is made. POs are raised and approved on Agresso using a web based tool – [REDACTED]. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

#### Tiered delegated authority approval limits

Order Value	Approver
€0 - €10,000	Costpool Manager
€10,001 – €100,000	Costpool Manager / Central Procurement / Senior Manager / FD of IBD
€100,001 - €250,000	Costpool Manager / Central Procurement / Senior Manager / FD of IBD / MD of IBD
€250,001 - €750,000	Costpool Manager / Central Procurement / Senior manager / FD of IBD / MD of IBD / CFO
€750,001	Costpool Manager / Central Procurement / Senior manager / FD of IBD / MD of IBD / CFO / DG

Goods are received on [REDACTED] web, by the requisitioner, when delivered and services are received when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [REDACTED]

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, generally by EFT to the supplier's bank account.

### Invoice Manager

A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO.

### Purchase Cards

Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by Ulster Bank. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [REDACTED] web and reduces administration costs.

### Receipting of Goods / Services

The system controls within [REDACTED] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for variances such as delivery costs etc.

### Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*. Procedures have been implemented to identify the dates upon which invoices fall due for payment to ensure that payments are made by such dates.



# Objective and Scope

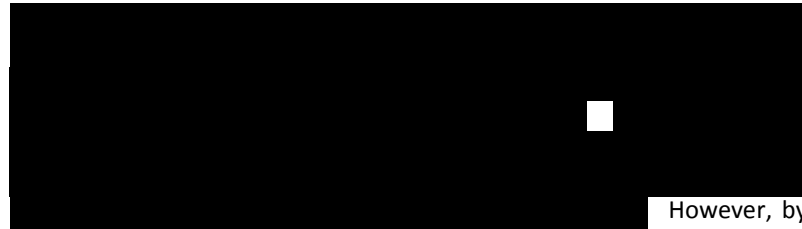
## Risk

The key corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources

Other specific risks relevant to this report are as follows:

- Fraud
- Duplicate Payments
- Compliance with Regulation
- Purchase commitments being made prior to managerial approval
- Inherent IT Risk / System Functionality:



However, by their nature, manual controls are weaker than automatic system controls.

## Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2016 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG place reliance on this work as part of their external audit. We also review the timeliness of invoice payments and the extent to which orders are raised, and approved, in advance of invoices.

The output of the audit is a report, an electronic file and working papers.

## Scope

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed during the period 1 January 2016 to 31 December 2016, across all IBDs. The audit involved three main areas of work:

- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per IBD; and
- ✓ Identifying the number of POs that were raised after the invoice date.

The scope did not include:

- ✗ Reviewing purchase card payments
- ✗ A full review of all invoices posted on [REDACTED] to detect duplicate payments – indirectly covered as part of a separate audit.

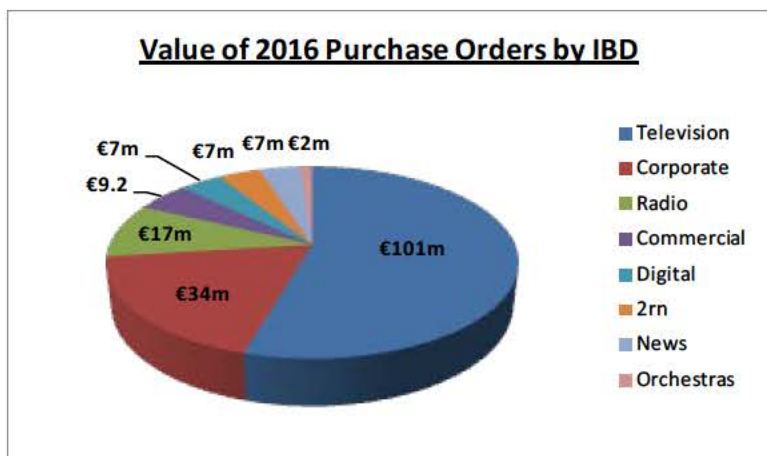
# Data Analysis

## A Purchase Order Data

13,931 POs were raised in 2016, in comparison to 13,441 in 2015. (These totalled 20,488 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by IBD:



The graph below details the value, by IBD, of POs raised in 2016. The total value of POs raised in this period was €185.4m.



A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

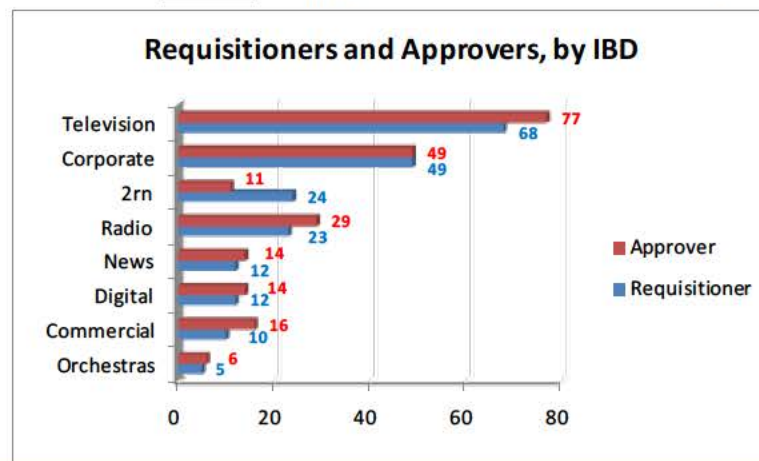
Value of PO	Number of Orders Processed in 2016
€0 - €5,000	11,130
€5,001 - €10,000	1,253
€10,001 - €100,000	1,290
€100,001 - €250,000	141
€250,001 - €750,000	78
€750,001 <sup>2</sup>	39
<b>Total</b>	<b>13,931</b>

Note:

1,094 of the POs raised in 2016 were less than €100 in value and just over 28.5% of those related to ten suppliers, generally recurring consumable supplies.

## B Requisitioners and Approvers

At the end of 2016, there were a total of 216 Approvers and 203 Requisitioners on [REDACTED]. The graph below shows the breakdown by IBD.

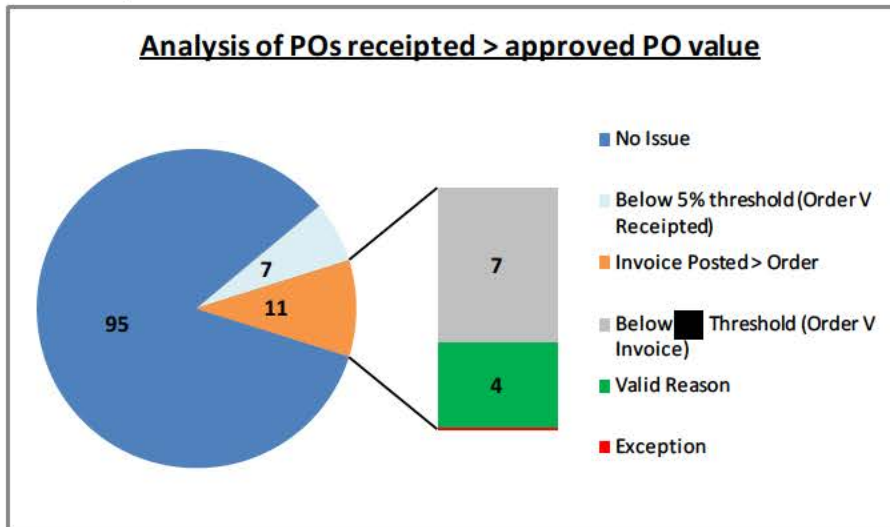


# Summary Findings

## 1) Purchase Receiving Process

Of the 13,931 POs raised during 2016, 113 POs (0.8%) were highlighted for further testing as the value of the goods received against the order exceeded the original approved order amount.

A summary of the review of the 113 orders is set-out below:



For **95** of the orders, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting the goods (e.g. a mix up between the price and quantity fields).

In the case of **11** orders, both the goods received and the invoice processed were in excess of the original approved order. These orders were investigated further. Of the 11, seven are below the **█** threshold. In the remaining four cases, they were valid payments and no audit exceptions arose. See the Action Plan (#1) for full details of the explanations.

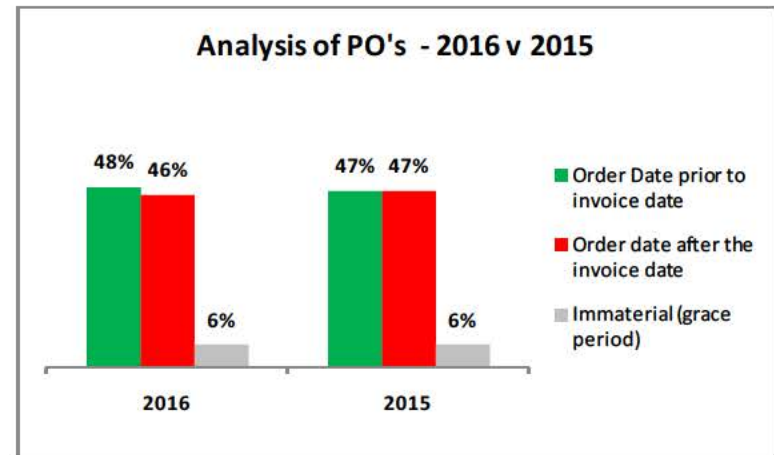
## 2) Requisitioners and Approvers

We reviewed the list of PO Requisitioners and Approvers, concluding that the number and job roles of the individuals is appropriate. We identified one departed individual listed as an Approver. The validity of two non-employee Requisitioners is also considered in action # 4.

## 3) Raising POs before Invoice

A comparison of the date the PO was approved compared to the Invoice date was undertaken. In 2016, we identified that **46%** of POs were dated after the Invoice date. This finding highlights a risk of purchase commitments being made prior to managerial approval of the order.

See the chart below for further analysis of the in scope orders:



As part of other audit work we identified some improvements in late 2016, following actions by a Finance Working Group.

# Conclusion

## Conclusion

Internal Audit carried out a review of the processing of all POs in 2016. The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

We reviewed the list of PO Requisitioners and Approvers by IBD, concluding that the number and job roles of the individuals is appropriate. Actions to address some matters are set-out in the action plan, in particular the existence of two non-employees as Requisitioners.

We noted that 46% of POs were dated after the Invoice date which highlights an issue regarding the extent to which purchase commitments are being made prior to managerial approval. In line with the RTÉ Purchasing Procedures, the PO should be raised and approved prior to making the commitment and in advance of receiving the invoice. A Finance Group has been working to address this issue since Q4 2016. Given the nature of the actions, it will take some time for the improvement initiatives to be fully reflected in the statistics for the full year.

The standard of control is satisfactory in terms of the purchase receipting process. However, on the basis of the above findings, we assess the overall standard of control as "Improvement Needed". We appreciate the assistance of staff in Accounts Payable and Central Purchasing.

## Rating



**IMPROVEMENT NEEDED**


	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date																									
	<b>Purchase Receipting Process</b>																													
1.	<p><b><u>Invoices processed in excess of Approved Order Value</u></b></p> <p><i>Background</i> 113 of the POs (0.8%) raised in 2016 were highlighted for review as the value of the goods receipted exceeded the original approved order amount. For 95, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. A further seven were within the acceptable [REDACTED]</p> <p><i>Finding</i> In the case of the remaining <b>11</b> orders, the invoice processed was in excess of the original approved order. These orders were investigated further, as follows:</p> <ul style="list-style-type: none"> <li>In <b>seven</b> of the nine exceptions, the invoice processed was less than the acceptable [REDACTED] and did not require further investigation.</li> <li>For the other <b>four</b> orders an invoice was processed, and paid, for an amount in excess of the original approved order. Details are set out in the table below:</li> </ul> <table border="1" data-bbox="130 1141 833 1354"> <thead> <tr> <th>Service Provided</th> <th>Approved PO Value</th> <th>Invoice Paid</th> <th>Invoice &gt; Order</th> <th>Analysis Below</th> </tr> </thead> <tbody> <tr> <td>[REDACTED]</td> <td>€38,813</td> <td>€42,818</td> <td>-€4,005</td> <td>1</td> </tr> <tr> <td>[REDACTED]</td> <td>€25,000</td> <td>€32,090</td> <td>-€7,090</td> <td>2</td> </tr> <tr> <td>[REDACTED]</td> <td>€5,500</td> <td>€5,963</td> <td>-€463</td> <td>3</td> </tr> <tr> <td>[REDACTED]</td> <td>€557</td> <td>€859</td> <td>-€302</td> <td>4</td> </tr> </tbody> </table>	Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below	[REDACTED]	€38,813	€42,818	-€4,005	1	[REDACTED]	€25,000	€32,090	-€7,090	2	[REDACTED]	€5,500	€5,963	-€463	3	[REDACTED]	€557	€859	-€302	4	N/A	No action necessary – no inappropriate processing of invoices greater than the approved order amount.	N/A	N/A
Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below																										
[REDACTED]	€38,813	€42,818	-€4,005	1																										
[REDACTED]	€25,000	€32,090	-€7,090	2																										
[REDACTED]	€5,500	€5,963	-€463	3																										
[REDACTED]	€557	€859	-€302	4																										

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>A valid purchase / payment was made in each of these instances. See below for a more detailed explanation of each exception.</p> <p>1) [REDACTED]                      In this case the company billed RTÉ an incorrect invoice amount. When the balance was due to be paid, the full invoice value was posted in error against the PO. A credit note was then posted via Invoice Manager to correct the full amount of the original invoice. Credit notes are not handled through the Purchase Order system. The correct payment was then posted through Invoice Manager.</p> <p>2) [REDACTED]:                      This payment was in relation to the 1916 events and required urgent payment at the time. A PO was raised for an amount lower than what was invoiced by the company. Due to some dispute over the invoice amount and subsequent time delays, there was no time to raise a second PO for the (agreed valid) balance. The balance was paid via Invoice Manager as needed to be paid immediately.</p> <p>3) [REDACTED]:                      Blanket PO: The original PO was raised as a blanket PO to cover varying monthly charges from the supplier. However the actual charges exceeded the blanket PO and an amount was paid before further POs were raised and approved. This is a valid payment.</p> <p>4) [REDACTED]:                      The PO was raised for the amount prior to any VAT being applied. VAT is not reclaimable on Food/Drink so the full cost (including the VAT charge) was paid. The entitlement to</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	deduct input VAT relates solely to VAT incurred on costs of accommodation and does not include VAT incurred on expenditure on food or drink.				
	<b>PO Management</b>				
2.	<p><b><u>Purchase Orders raised after the Invoice</u></b></p> <p><i>Background</i> A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data used to examine receipting.</p> <p>The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed in 2016, with the following assumptions:</p> <ul style="list-style-type: none"> <li>• Three days “grace” period for minor administrative delays will be allowed</li> <li>• Orders to the value of &lt;€1,000 will be excluded from results</li> <li>• All currencies will be included</li> <li>• The following categories of expenditure will be omitted from the analysis so the results are not distorted:                             <ul style="list-style-type: none"> <li>- Competition Winners;</li> <li>- Donations;</li> <li>- Rates; and</li> <li>- Department of Foreign Affairs (travel recharges).</li> </ul> </li> </ul> <p><i>Findings</i> The results of the analysis were as follows:</p> <ul style="list-style-type: none"> <li>• We identified that <b>46%</b> of the POs approved during 2016 were dated after the Invoice date (“After-the-Fact”).</li> </ul>		<p><b><i>Finance Working Group</i></b> The Finance Working Group will continue to monitor the level of compliance and liaise with Finance teams. The Group will coordinate the issuing of reminders to Requisitioners and Approvers that an approved order should be in place prior to making any purchase commitment and prior to receiving an invoice for the goods / services.</p> <p><b><i>Data and Reporting</i></b> Reports detailing the number of After-the-Fact POs will be prepared monthly for review at the monthly Finance Meeting.</p> <p>The level of compliance (of POs raised before the invoice date) will be monitored locally and actioned accordingly based on the report. This will involve liaising with Requisitioners and Approvers, as required, e.g. where issues of persistent After-the-Fact POs are identified.</p>	M	<p>[Redacted] in conjunction with [Redacted] Ongoing</p> <p>Done</p> <p>[Redacted] 31 March 2017 and Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date												
	<ul style="list-style-type: none"> <li>For the same period in 2015, using restated data, 47% of POs were dated after the Invoice.</li> <li>The total number of POs generated in the period (within scope for this test) is similar year on year, with 7,065 POs raised in 2016 and 6,547 in 2015.</li> </ul> <p>See the chart below for further analysis of the in scope orders:</p> <div data-bbox="134 594 833 1003" data-label="Figure"> <table border="1"> <caption>Analysis of PO's - 2016 v 2015</caption> <thead> <tr> <th>Year</th> <th>Order Date prior to invoice date</th> <th>Order date after the invoice date</th> <th>Immaterial (grace period)</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>48%</td> <td>46%</td> <td>6%</td> </tr> <tr> <td>2015</td> <td>47%</td> <td>47%</td> <td>6%</td> </tr> </tbody> </table> </div> <p><i>Impact</i>                      This finding outlines a risk of purchase commitments being made prior to managerial approval of the order. In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any commitment. The invoice would then be expected to follow at a later date.</p> <p>It should be noted that some of these would have already been approved as part of another process, prior to the PO stage e.g. capital approval form, business case, or purchase of a</p>	Year	Order Date prior to invoice date	Order date after the invoice date	Immaterial (grace period)	2016	48%	46%	6%	2015	47%	47%	6%				
Year	Order Date prior to invoice date	Order date after the invoice date	Immaterial (grace period)														
2016	48%	46%	6%														
2015	47%	47%	6%														



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>programme / rights.</p> <p>This finding also has a knock-on effect on RTÉ’s compliance with The <i>European Communities (Late Payment in Commercial Transactions) Regulations 2012</i>, which became operative on 16 March 2013. The Regulations provide that the standard deadline for public authorities to make business payments is 30 days and that Interest shall be payable in respect of a late payment if claimed by the Supplier.</p> <p>A specific Finance Working Group has been established to implement action and monitor the level of compliance locally in the Divisions. The working group commenced in the latter part of 2016 and is continuing into 2017. Therefore it will take some time for the actions to be fully implemented and the benefits recognised.</p> <p>As part of separate internal audit work in December 2016, we noted evidence of improvement in the timeliness of the raising orders in the latter months of 2016 period (as compared to the equivalent period in 2015), following the implementation of actions. It will be later in 2017 before the improvement is reflected in the full population of data for a full year.</p>				
3.	<p><b><u>Legacy Open POs</u></b></p> <p>The total value of open POs (i.e. POs received, but not yet invoiced) at 31 December 2016 was €8.4 million: comprising of €5.2 million for POs raised in 2014 and 2015. This comprises various low value amounts across the number of POs. The equivalent value at 31 December 2015 was €9.5 million.</p>		<p>An exercise to review the number of legacy open POs that are no longer required will be undertaken, at least half yearly, in each of the IBDs.</p> <p>Any POs that are no longer required will be closed as necessary.</p>	L	 30 June 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Given the passage of time and the high volume of orders, it is likely that there are a number of legacy open POs that are no longer required and need to be closed.</p>				
	<p><b>Requisitioners &amp; Approvers of POs</b></p>				
<p>4.</p>	<p><b><u>Departed Employees</u></b></p> <p><i>Background</i></p> <p>The number and appropriateness of Approvers and Requisitioners on [REDACTED] at 31 December 2016 was reviewed. These listings were compared with recent staff lists from HR to ensure that all Approvers / Requisitioners were employees of RTÉ and reviewed for other unusual features.</p> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>At the end of 2016, there were a total of 216 Approvers and 203 Requisitioners on [REDACTED]</li> <li>One Approver was a former employee who had departed from the Television IBD in July 2016, and should not still be listed as an active Approver.</li> <li>We identified that two non-employees were set-up as Requisitioners on [REDACTED] as outlined below.</li> </ul> <p>Except in very exceptional circumstances, with appropriate approval from senior finance officials, it is not appropriate for non-employees to be set up as Requisitioners.</p>		<p><i>Departed employee still set-up as an Approver</i></p> <p>The issue with the departed employee is relevant to broader issues around RTÉ Technology User Access Policy. That is being reviewed separately by Internal Audit as part of a broader review of the identification of departed employees and the removal of those employees from relevant IT systems.</p> <p><i>Non Employees set-up as Requisitioners</i></p> <p>Individual A: While this appears to be an isolated incident, a review of the employment status of proposed new Requisitioners (i.e. determine whether they are employees or non employees) will be carried out prior to their set-up as Requisitioners on [REDACTED]</p> <p>Individual B: N/A the individual has departed the organisation and no longer has access to the systems.</p>	<p>M</p>	<p>Covered in a separate audit.</p> <p>[REDACTED] 31 March 2017 and Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> <li>- <b>Individual A:</b> One Requisitioner was engaged as an Independent Contractor, working in a PDA / programme type role in Young People’s and Entertainment. In this particular instance, the individual was assumed to be an employee in error and therefore set up as a Requisitioner on [REDACTED]</li> <li>- This was due to the fact that a number of other programme personnel – all employees of RTÉ – were all being set-up as Requisitioners at the same time as a single batch. The non-employee was not separately highlighted within that group due to an isolated error.</li> <li>- <b>Individual B:</b> A second non-employee was also set up as a temporary Requisitioner on [REDACTED] (Merchandising department). In this case, the set-up was intentional and the individual, hired through an employment agency, was set up as a Requisitioner due to a shortage of resources on the team.</li> <li>- The individual has since left the organisation. Approval was sought and granted from the Commercial Finance Manager in Television.</li> </ul>				

# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2020*

### *Report 1 of 2 (Procurement Register)*

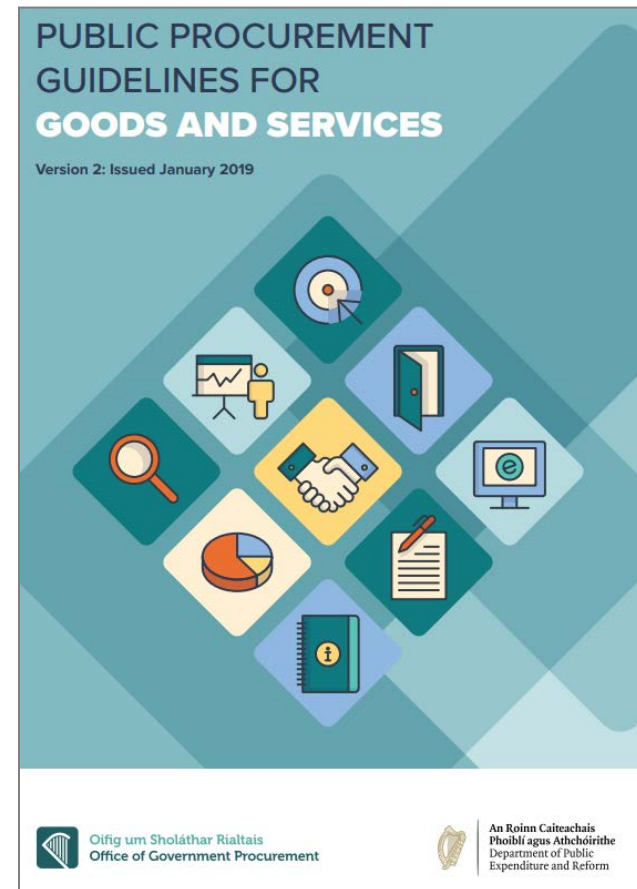
**16 April 2021**

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**

██████████, Head of Procurement  
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# Introduction and Background

## Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

## Background

### National and EU Tendering Procedures

The Office of Government Procurement issued an updated version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were updated and applicable from 1 January 2020 (last revised on 18 December 2017).

### Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* (“the Code”) contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

*“The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff.”*

Section 8.16 of the Code also states that the Board:

*“should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson’s comprehensive report to the Minister.”*

RTÉ currently has three key payment systems to pay individuals and companies supplying goods/services to RTÉ: Accounts Payable [REDACTED] Fees and Payroll [REDACTED].

➤ **Accounts Payable** [REDACTED] is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order (“PO”) System on [REDACTED] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

➤ [REDACTED] **Fees** is used to pay non-employees providing “personal services”, including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [REDACTED] Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

➤ **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

# Risk, Objective and Scope

## Risk

The key corporate risks (Q4 '20 update) addressed by the report are as follows:

- Risk # 10 – Brand and Reputation (*FOI requests etc*);
- Risk # 11 – Management of Finances and Business Planning; and
- Risk # 12 – Regulatory Change & Compliance.

## Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT (“NRV”));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

## Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2020 to 31 December 2020, across the [REDACTED] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as “tendered” in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did not include:

- ✗ Contributors paid via [REDACTED] Fees – separate processes following Eversheds Review – see page 5;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

# Overview and Context of Findings

## ██████████ Fees

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on the previous page, ██████████ Fees is out of scope of our testing of the Procurement Register as a separate process (Eversheds review), and the implementation of follow on actions, has been underway for the past three years.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also taken place. RTÉ has engaged with each Contractor, issuing contracts of employment as appropriate.

While procedures are in place in respect of payments via ██████████ there is less formal monitoring and reporting of tendering in respect of Contractors engaged via ██████████ fees.

A significant capital project to implement a new ERP system is also currently in progress. This will replace legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

## ██████████ Payable ██████████

### Data Analysis

Payments were made to 1,700 suppliers on ██████████ from 1 January 2020 to 31 December 2020. The total value of payments made was €151.6 million and this is the scope for our audit testing.

### Categories Out of Scope:

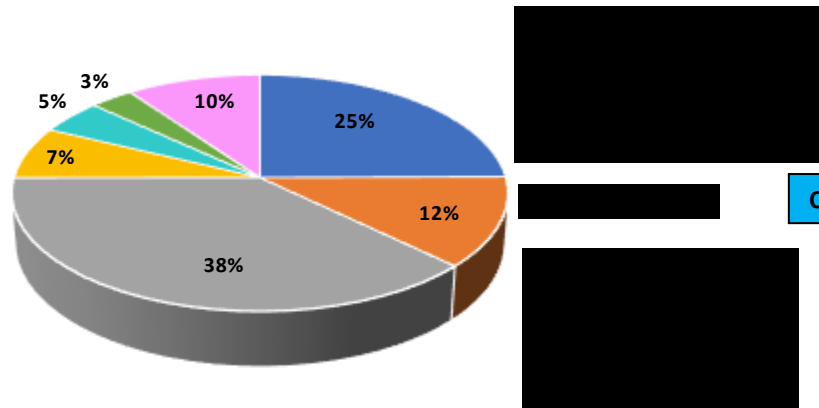
Of the €151.6 million in payments, €64 million (42.3%) was excluded from testing as it fell into an out-of-scope category or another process. The graph overleaf provides a more detailed break-down of these items.



# Findings

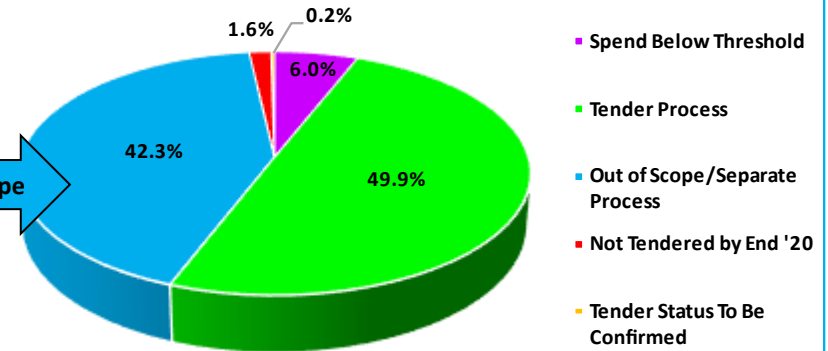
## Findings – Overview

1: Categories Out of Scope / Seperate Process (42.3%)



Out of Scope

2: Procurement Register 2020 (by category)



As illustrated in the above charts, 42.3% (€64 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and are procured via a bidding process organised by the rights holder. The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable. The categories are detailed in chart 1.

Of the remaining 57.7% (€87.4 million), a tender process occurred for 49.9% (€75.6 million) and 6.0% (€9.0 million) fell below the threshold which required a more formal process under Public Procurement Rules.

This leaves 1.6% (€2.4 million) of total spend not tendered and 0.2% (€0.4 million) with the tender status unknown at the point of testing. It is reasonable to conclude that the latter is unlikely to have been subject to a tender process.

# Findings (Cont'd)

## Review of Compliance

The audit identified an absence of a formal procurement process at the time of testing for **1.6%** (2019: 2%) of expenditure via ██████ in 2020. This represents **€2.4** (2019: €3.7) million in expenditure and **31** (2019: 54) suppliers.

The level of exception has fallen by €1.3m from prior year and there was also a reduction of 23 in the number of supplier exceptions. This reflects the action by the Procurement Team in 2020. Please see table below for further details on the exceptions.

1: Absence of Formal Procurement Process Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
██████ 2020	151.6	1,700	2.4	1.6%	31	1.8%
██████ - 2019	180.5	1,875	3.7	2.0%	54	2.9%
Movement	-28.9	-175	-1.3	-0.4%	-23	-1.1%

Expenditure Band	Suppliers	€'000
<€50k	15	551
€50k - €100k	9	662
€100k - €214k	6	817
>€214k (EU Threshold)	1	346
<b>Total</b>	<b>31</b>	2,376

In the case of a further **0.2%** (2019 – 0.5%) of spend, the tender status at the time of testing was unknown. This represents **€0.4** (2019: €0.8) million in value and **7** (2019: 18) suppliers. Please see table below for further details.

2: Tender Status Unknown Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
██████ - 2020	151.6	1,700	0.4	0.2%	7	0.4%
██████ - 2019	180.5	1,875	0.8	0.5%	18	1.0%
Movement	-28.9	-175	-0.4	-0.3%	-11	-0.5%

The level of compliance has improved on the prior year results.

It is useful to also consider the consolidation of both exceptions highlighted above ('non tendered' and 'tender status unknown'). On that basis, we noted that the aggregate value of the exception fell by **€1.7m** in 2020, illustrating a higher level of valid competitive tendering in 2020 and the continuous effort by the Procurement Team to reduce the levels of non compliance over recent years. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported at each year-end.

# Conclusion and Report Rating

## Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, Internal Audit ('IA') carried out a review of all payments made in excess of €28,000 during the period 1 January 2020 to 31 December 2020, on the [REDACTED] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2020. IA also carried out testing on the database, verifying random samples as necessary.

Our finding highlight that a formal procurement process did not take place for 1.6% of payments to suppliers in 2020. The tender status of a further 0.2% of the total population was unknown at the time of testing.

While these exceptions exist, the position has improved from prior year and reflects the continuous action by the Procurement Team to reduce the levels of non compliance over recent years. The improvement is illustrated in a reduction of 23 suppliers in the number of suppliers where a formal procurement process did not take place. In value terms, this represents an improvement of €1.3m. A small improvement was also noted in those categories as 'tender status unknown'.

In addition, IA notes that a number open audit actions ongoing – please refer to **Appendix 1** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ ERP System;
- ✓ Monitoring and reporting; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as "Improvement Needed".

## Report Rating



**IMPROVEMENT NEEDED**

## Appendix 1 – Audit Recommendations

#	Recommendation	Owner	Due Date
1	<p><b>Tender Process:</b> Where required for the exceptions identified in the report, a new/updated tender will be carried out.</p> <p>Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.</p>	Head of Procurement / Project Manager(s) & FD / FC locally	31 December 2021
2	<p><b>Monitoring / Reporting of non compliant procurement spend:</b> The non compliant tender spend and unknown tender spend as noted in the report should be reported to the relevant division and monitored accordingly.</p>	Head of Procurement	31 May 2021 & ongoing
3	<p><b>Implementation of new ERP System(s):</b> A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems.</p> <p>This project will bring a number of benefits to the Payables modules including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.</p>	CFO / Group Financial Controller	Q3 2021
4	<p><b>Oversight by Procurement department:</b> Managers in the Procurement Department now oversee procurement activity by expenditure category.</p> <p>The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.</p>	Head of Procurement	Ongoing

# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2018*

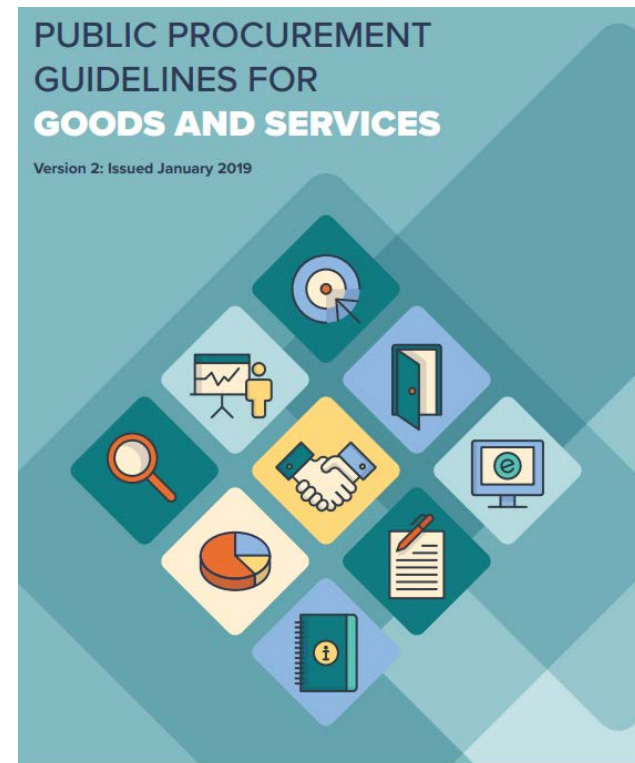
### *Report 2 of 2 (Procurement Register)*

12 April 2019

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**



# Background

## Background – Public Procurement

### Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

### National and EU Tendering Procedures

The Office of Government Procurement issued an updated version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. There were no changes to the EU threshold values (last revised on 18 December 2017).

### Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* (“the Code”) contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

*“The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff.”*

Section 8.16 of the Code also states that the Board:

*“should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson’s comprehensive report to the Minister.”*

## Background – RTÉ Process

RTÉ has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable (██████████) Payroll (██████████) and (██████████)

➤ **Accounts Payable** (██████████) is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order (“PO”) System on (██████████) to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

➤ (██████████) is used to pay non-employees providing “personal services”, including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via (██████████). Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

➤ **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

# Objectives, Scope and Risks

## Audit Objectives

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments / contracts in excess of €25,000 (Ex-VAT);
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

## Audit Scope

The scope of our review covered all payments made in excess of €25,000 during the period 1 January 2018 to 31 December 2018, across the [REDACTED] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions / out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers;
- ✓ Reviewing the database for completeness via two-way testing; and
- ✓ Testing a sample of items listed as “tendered” in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did not include:

- ✗ Contributors paid via [REDACTED] – separate review process currently underway: see below.
- ✗ Payments to employees
- ✗ Payments made via Purchase Cards
- ✗ A review of payments / contract values below €25,000 in value

## Risks

The key corporate risks addressed by the report are as follows:

Risk # 4 – Brand and Reputation

Risk # 6 – Managing of Finances and Business Planning

Risk # 10 – Changes in Legislation / Regulation & Compliance

# Data Analysis & Summary Findings

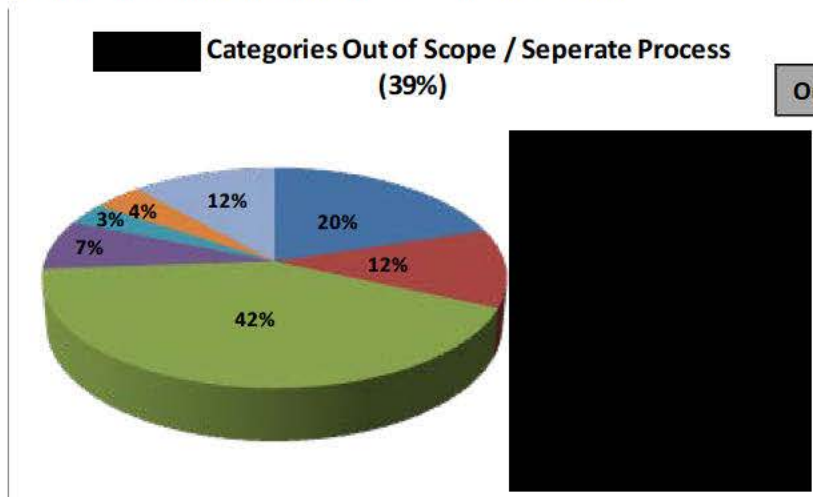
## Payments

### Data Analysis

Payments were made to 1,934 suppliers on [redacted] from 1 January 2018 to 31 December 2018. The total value of payments made was €174.2 million and this is the scope for our audit testing.

### Categories Out of Scope:

Of the €174.2 million in payments, €68 million (39%) was excluded from testing as it fell into an out of scope category, or another process. The graph below provides a more detailed break-down of these items:

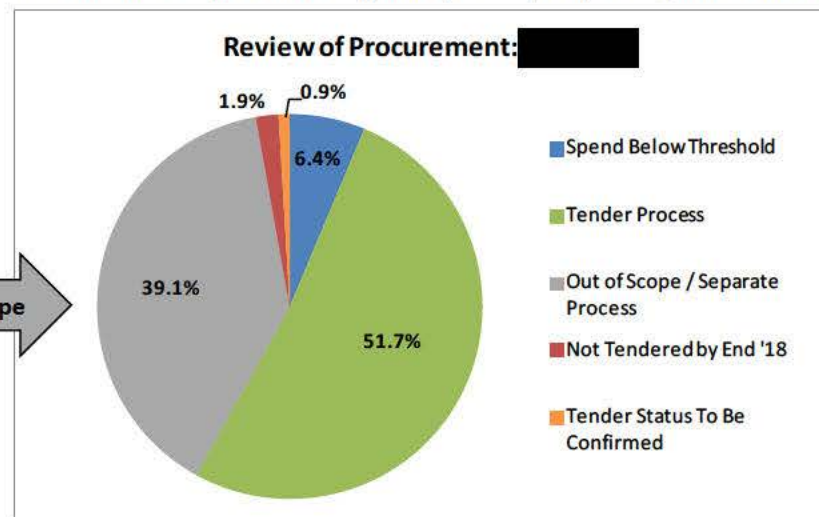


As illustrated in the chart above, some expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and is procured via a bidding process organised by the rights holder.

The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable.

### Audit Results

As illustrated in the chart below, 6% (€11 million) of the total spend fell below the threshold which required a more formal process under Public Procurement Rules. Of the remaining expenditure, above the tender threshold, a tender process occurred for 52% (€90 million). The categories that are out of scope / have a separate process (39%) are explained across.



The audit identified an absence of a formal procurement process, by the end of 2018, in the case of **1.9%** (2017 – 2.8%) of the expenditure via [redacted]. This represents €3.3 million expenditure and 37 suppliers. See table below:

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[redacted]	174.2	1,934	3.3	1.9%	37	1.9%

For a further **0.9%** (2017 – 1.7%), the tender status at the time of testing is to be confirmed. This represents €1.6 million in value and 31 suppliers. These suppliers are currently being reviewed.



# Summary & Key Findings



RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader
- Limited Company
- Actor
- Writer
- Special Guest
- On The Spot Contributor

As outlined on the previous page, [REDACTED] is out of scope of our testing of the Procurement Register as a separate review process is currently underway.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Further detailed analysis continues on a case by case basis for a number of individuals highlighted in the review.

A significant capital project to implement a new ERP system is also currently in progress. This will replace a number of legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

## Key Management Issue

We identified instances of non-compliant procurement during our review, as follows:

- By the end of 2018, a tender process was not completed for 1.9% of payments on the contracts database (1.9% of 1,934 suppliers)
- The tender status is yet to be confirmed for a further 0.9%, at the date of this audit report

However, we note the general improvement in the results compared to prior year across all categories.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported. While procedures are in place in respect of payments via [REDACTED] there is no formal monitoring and reporting of tendering in respect of Contractors engaged via [REDACTED]

# Conclusion

## Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. (This was effective for the first time for the year-ended 31 December 2017.)

In monitoring compliance with these new rules, Internal Audit carried out a review of all payments made in excess of €25,000 during the period 1 January 2018 to 31 December 2018, on the ██████ payment systems. We verified whether a valid contracts database was in place, listing all payments / contracts in 2018. Internal Audit also carried out testing on the database, verifying random samples as necessary.

It was noted that a formal procurement process did not take place for 1.9% of all payments made in 2018. A further 0.9% of the total population was deemed to be inconclusive as the tender status was yet to be confirmed at the time of testing. This represents an improvement in the position, across all categories, compared to the prior-year, reflecting the work carried out in the Procurement Department during 2018. In summary,

- ✓ Instances of an absence of a formal procurement process improved from 2.9% of the database in 2017 to 1.9% in the current year
- ✓ Similarly, suppliers categorised as ‘tender status unknown’ improved from 1.7% of the database in 2017 to 0.9% in 2018
- ✓ The proportion of the suppliers which have been subject to a tender process has increased from 46% in 2017 to almost 52% in 2018 (the balance is attributable to supplies out of scope)

Work is necessary to reduce these instances of non-competitive procurement and to ensure compliance with the Code. A number of actions are set-out in the action plan. It is also necessary to investigate and conclude upon the instances where the tender status is unknown.

The findings reflect the limitations of the financial system and the traditional dispersed buying structure across the Divisions. On the basis of the actions in progress and the improvements observed during 2018, the report merits a rating at the mid-point on the audit scale.

On the basis of the above findings, we assess the overall standard of control as “Improvement Needed”.

Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><b>Tender Process for Payments via</b> [REDACTED]</p> <p><b>Background</b> Payments were made to 1,934 suppliers on [REDACTED] and the total value of payments made was €174.2 million.</p> <p>€68 million (39%) of payments were excluded from testing as they fell into one of the out of scope categories, or followed another process. These out of scope items are explained in more detail via the chart in the executive summary.</p> <p><b>Findings – General</b></p> <ul style="list-style-type: none"> <li>Over recent years, the managerial responsibility for supplier relationships was fragmented across divisions, which increased the difficulty of centralised monitoring of procurement. As a result, it is sometimes difficult to get a consolidated view of the historic tendering arrangements with the supplier.</li> <li>Due to the limited functionality of [REDACTED] and the system being at end of useful life, the Contracts Database is largely Excel based. The limited functionality of [REDACTED] also increases the difficulty of tracking tendering arrangements. Excel is manual, increasing the risk of errors. Version control and difficulty in tracking data input to the Contracts Database may arise.</li> </ul> <p><b>Findings – Financial Matters</b></p> <ul style="list-style-type: none"> <li>6% (€11 million of the spend) fell below the threshold which required a more formal process under Public Procurement Rules and 39% was out of scope.</li> </ul>	Agreed	<p><b>1) Tender Process</b></p> <p>Where required, a new / updated tender will be carried out.</p> <p><b>2) Organisational Restructure (One RTÉ)</b> The reorganisation of RTÉ, with the implementation of the ‘One RTÉ’ structure, has created new consolidated divisions and co-located teams. Oversight of key supplier relationships is now being consolidated, resulting in better centralised managerial responsibility. This is in place, but the process is ongoing.</p> <p>As teams continue to come together, especially in output areas, a better organisational view of expenditure should emerge, addressing the traditional fragmented nature of buying.</p> <p><b>3) Procurement Department: Resources / Structure</b></p> <p>Additional resources are now in place for the Procurement Department, with Managers overseeing procurement activity by expenditure category. This additional resourcing will assist in the development and ongoing monitoring of the Procurement Register, with a view to observing improved results over time.</p>	H	<p>[REDACTED] 31 December 2019</p> <p>Director-General Ongoing</p> <p>[REDACTED] Done</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> <li>Of the remaining 94% above the tender threshold, a tender process occurred for <b>52%</b> (€90 million).</li> <li>The audit identified an absence of a formal procurement process in the case of <b>1.9%</b> of the expenditure via [REDACTED]. This represents €3.3 million expenditure and 37 suppliers.</li> <li>For a further <b>0.9%</b>, the tender status at the time of testing was unknown and is yet to be confirmed. This represents €1.6 million in value.</li> </ul> <p><b>Implication</b> This review highlighted instances of non-competitive procurement within 2018 payments via [REDACTED]. In other cases there is no current information available on the tender status.</p>		<p><b>4) Monitoring &amp; Oversight by Procurement department: Top 10 Suppliers</b> Procurement has identified the Top 10 suppliers of products / services to each Division and to the RTÉ group. A named individual will be responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. This project is at an advanced stage of being rolled out and will continue. Procurement will engage with the nominated individuals, with quarterly meetings taking place. This is linked to organisational restructuring.</p> <p><b>5) Implementation of new ERP System(s)</b> A major capital project to implement a new ERP system in 2019 is currently in progress. This will replace a number of legacy Finance and HR systems. This project will bring a number of benefits including better visibility of data, better functionality and more efficient workflows.</p> <p>The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.</p>		<p>[REDACTED] Ongoing</p> <p>[REDACTED] Ongoing to Q4 2019</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	<p><b>Tender Process for Payments via</b> [REDACTED]</p> <p>As outlined in the Executive Summary, [REDACTED] is out of scope of our testing of the Procurement Register as a separate review process is currently underway. However, the following findings are relevant:</p> <ul style="list-style-type: none"> <li>As already highlighted in the other audit reports, no formal monitoring and reporting of the status of tendering in respect of Contractors engaged via [REDACTED] is currently in place.</li> <li>In addition, the engagement processes have traditionally been different to those of other suppliers, engaged via [REDACTED] even though some contracts share similar characteristics.</li> </ul> <p>These matters are now being addressed in the context of the Eversheds Sutherland review.</p>		<p>New processes and policy has been implemented in respect of the engagement of Contractors in RTÉ, in the context of a wider examination of freelance / contractor contractual engagements, undertaken by Eversheds Sutherland. Further detailed analysis continues on a case by case basis for a number of individuals highlighted in the review.</p> <p>A significant capital project to implement a new ERP system is also currently in progress. This will replace a number of legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.</p>		<p>[REDACTED] 31 December 2019</p> <p>[REDACTED] Ongoing to Q4 2019</p>

# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2021*

### *Report 1 of 2 (Procurement Register)*

**31 March 2022**

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**



***The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit***

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## Table of Contents

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# Introduction and Background

## Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTE is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

## Background

### National and EU Tendering Procedures

The Office of Government Procurement issued the most recent version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values are updated every two years and the thresholds from 1 January 2020 to 31 December 2021 are applicable for this review.

### Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* (“the Code”) contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

*“The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff.”*

Section 8.16 of the Code also states that the Board:

*“should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson’s comprehensive report to the Minister.”*

RTE currently has three key payment systems to pay individuals and companies supplying goods/services to RTE: Accounts Payable [REDACTED] and Payroll [REDACTED]

➤ **Accounts Payable** [REDACTED] is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order (“PO”) System on [REDACTED] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

➤ [REDACTED] is used to pay non-employees providing “personal services”, including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [REDACTED] t Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

➤ **Payroll** is used to pay for the services of all other RTE employees and is not used to make payments to suppliers or third parties.



# Risk, Objective and Scope

## Risk

The key corporate risks (Q4 '20 update) addressed by the report are as follows:

- Risk # 4 – Brand and Reputation (*FOI requests etc*);
- Risk # 8 – Management of Finances and Business Planning; and
- Risk # 10 – Legislation / Regulation & Compliance.

## Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT (“NRV”));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

## Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2021 to 31 December 2021, across the A [REDACTED] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as “tendered” in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did not include:

- ✗ Contributors paid via [REDACTED] – separate processes following Eversheds Review – see page 5;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

# Overview and Context of Findings



RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on the previous page, [REDACTED] Fees is out of scope of our testing of the Procurement Register as a separate process (Eversheds review), and the implementation of follow on actions, was undertaken.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also taken place.

While procedures are in place in respect of payments via A [REDACTED], there is less formal monitoring and reporting of tendering in respect of Contractors engaged via [REDACTED] t fees.

A significant capital project to implement a new ERP system is also currently in progress. This will replace legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

## Accounts Payable [REDACTED]

### Data Analysis

Payments were made to 1,686 suppliers on [REDACTED] from 1 January 2021 to 31 December 2021. The total value of payments made was €160.2 million and this is the scope for our audit testing.

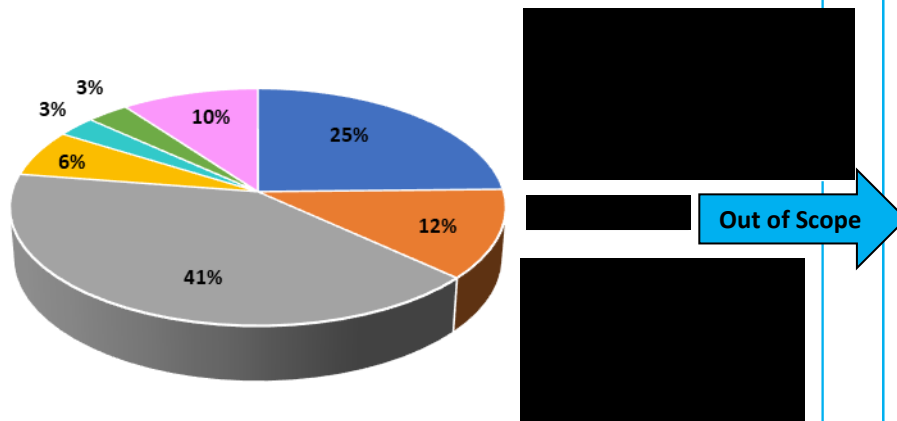
### Categories Out of Scope:

Of the €160.2 million in payments, €65.6 million (40.9%) was excluded from testing as it fell into an out-of-scope category or another process. The graph overleaf provides a more detailed break-down of these items.

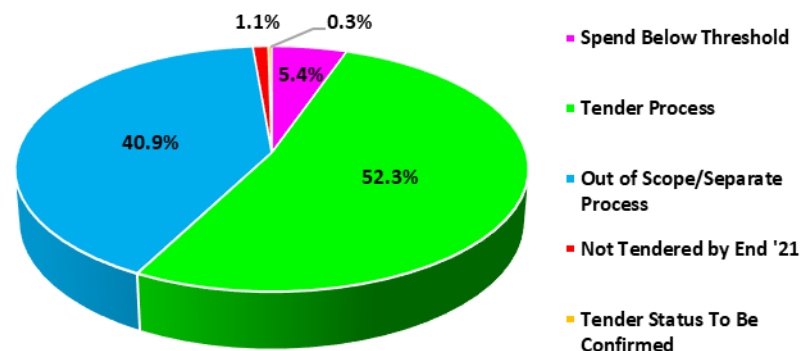
# Findings

## Findings – Overview

1: Categories Out of Scope / Seperate Process (40.9%)



2: Procurement Register 2021 (by category)



As illustrated in the above charts, 40.9% (€65.6 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and are procured via a bidding process organised by the rights holder. Suppliers assigned to these categories have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable.

Of the remaining 59% (€94.7 million), a tender process occurred for 52.3% (€83.9 million) and 5.4% (€8.5 million) fell below the threshold which required a more formal process under Public Procurement Rules.

This leaves 1.1% (€1.8 million) of total spend not subject to a tender and the tender status of a further 0.3% (€0.4 million) was unknown at the point of testing. It is reasonable to conclude that the latter expenditure is unlikely to have been subject to a tender process.

# Findings (Cont'd)

## Review of Compliance

The audit identified an absence of a formal procurement process at the time of testing for **1.1%** (2020: 1.6%) of expenditure via ██████ in 2021. This represents **€1.8** (2020: €2.4) million in expenditure and **21** (2020: 31) suppliers.

The level of exception has fallen by €0.6m from prior year and there was also a reduction of 10 in the number of supplier exceptions. This reflects the action by the Procurement Team in 2021. Please see table below for further details on the exceptions.

1: Absence of Formal Procurement Process Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
██████ - 2021	160.2	1,686	1.8	1.1%	21	1.2%
██████ - 2020	151.6	1,700	2.4	1.6%	31	1.8%
Movement	<b>8.6</b>	<b>-14.0</b>	<b>-0.6</b>	<b>-0.5%</b>	<b>-10.0</b>	<b>-0.6%</b>

Expenditure Band	Suppliers	€'000
<€50k	7	265
€50k - €100k	8	566
€100k - €214k	5	656
>€214k (EU Threshold)	1	283
<b>Total</b>	<b>21</b>	<b>1,770</b>

In the case of a further **0.3%** (2020 – 0.2%) of spend, the tender status at the time of testing was unknown. This represents **€0.4** (2020: €0.4) million in value and **10** (2020: 7) suppliers. Please see table below for further details.

2: Tender Status Unknown Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	%
██████ - 2021	160.2	1,686	0.40	0.25%	10	0.6%
██████ - 2020	151.6	1,700	0.36	0.24%	7	0.4%
Movement	<b>8.6</b>	<b>-14</b>	<b>0.04</b>	<b>0.01%</b>	<b>3</b>	<b>0.2%</b>

As shown, the level of compliance has improved on the prior year results in Table 1 (Absence of Formal Procurement Process), but has remained largely unchanged in Table 2 (Tender Status Unknown).

It is useful to also consider the consolidation of both exceptions highlighted above ('non tendered' and 'tender status unknown'). On that basis, we noted that the aggregate value of the exception fell by **€0.6m** in 2021, illustrating a higher level of valid competitive tendering in 2021 and the continuous effort by the Procurement Team to reduce the levels of non compliance over recent years. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported at each year-end.

# Conclusion and Rating

## Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, Internal Audit ('IA') carried out a review of all payments made in excess of €28,000 during the period 1 January 2021 to 31 December 2021, on the [REDACTED] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2021. IA also carried out testing on the database, verifying random samples as necessary.

Our finding highlights that a formal procurement process did not take place for 1.1% of payments to suppliers in 2021. The tender status of a further 0.3% of the total population was unknown at the time of testing.

While these exceptions exist, the position has improved from prior year and reflects the continuous action by the Procurement Team to reduce the levels of non compliance over recent years. The improvement is illustrated in a reduction of 10 suppliers in the number of suppliers where a formal procurement process did not take place. In value terms, this represents an improvement of €0.6m.

In addition, IA notes that a number of open audit actions are ongoing – please refer to **Appendix 1** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ ERP System;
- ✓ Monitoring and reporting; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as “Improvement Needed”.

## Rating



**IMPROVEMENT NEEDED**

## Appendix 1 – Audit Recommendations

#	Recommendation	Owner	Due Date
1	<p><b>Tender Process:</b> Where required for the exceptions identified in the report, a new/updated tender will be carried out.</p> <p>Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.</p>	Head of Procurement / Project Manager(s) & FD / FC locally	31 December 2022
2	<p><b>Monitoring / Reporting of non compliant procurement spend:</b> The non compliant tender spend and unknown tender spend as noted in the report should be reported to the relevant division and monitored accordingly.</p>	Head of Procurement	31 July 2022 & ongoing
3	<p><b>Implementation of new ERP System(s):</b> A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems.</p> <p>This project will bring a number of benefits to the Payables modules including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.</p>	CFO / Group Financial Controller	31 December 2022
4	<p><b>Oversight by Procurement Department:</b> Managers in the Procurement Department now oversee procurement activity by expenditure category.</p> <p>The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.</p>	Head of Procurement	Ongoing

# RTÉ Internal Audit

## Review of Purchasing Compliance *Year-ended 31 December 2017*

*Report 1 of 2*

**23 February 2018**

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Division Finance:**

Fiona O'Shea, Group Financial Controller



**Extracts:**



# Background

## Background

### Introduction: Overview of Supplier Payment Processes

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [REDACTED]

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via [REDACTED] fees. (Both these processes are outside the scope of this audit).

### Purchase Orders

Purchases processed via Accounts Payable must have an approved purchase order ("PO") before any purchase commitment is made. POs are raised and approved on [REDACTED] using a web based tool – [REDACTED] Web. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

### Tiered delegated authority approval limits

Order Value	Approver
€0 - €10,000	Costpool Manager
€10,001 – €100,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division / MD of Division
€250,001 - €750,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO / DG

Goods are received on [REDACTED] web, by the requisitioner, when delivered and services are received when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [REDACTED]

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, generally by EFT to the supplier's bank account.

### Invoice Manager

A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO.

### Purchase Cards

Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by Ulster Bank. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [REDACTED] web and reduces administration costs.

### Receipting of Goods / Services

The system controls within [REDACTED] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for variances such as delivery costs etc.

### Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*. Procedures have been implemented to identify the dates upon which invoices fall due for payment to ensure that payments are made by such dates.



# Objective and Scope

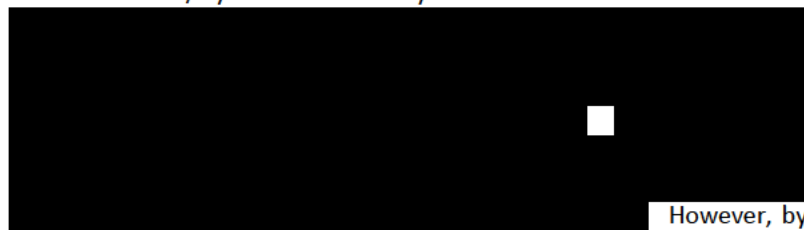
## Risk

The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Reputation and Compliance

Other specific risks relevant to this report are as follows:

- Fraud
- Duplicate Payments
- Compliance with Regulation
- Purchase commitments being made prior to managerial approval
- Inherent IT Risk / System Functionality:



However, by their nature, manual controls are weaker than automatic system controls.

## Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2017 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG places reliance on this work as part of their external audit. We also review the timeliness of invoice payments and the extent to which orders are raised, and approved, in advance of invoices.

The output of the audit is a report, an electronic file and working papers.

## Scope

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs input) approved and processed during the period 1 January 2017 to 31 December 2017, across all Divisions. The audit involved three main areas of work:

- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Identifying the number of POs that were raised after the invoice date.

The scope did not include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate 2018 audit report to follow).
- ✗ Reviewing purchase card payments
- ✗ A full review of all invoices posted on [REDACTED] to detect duplicate payments – indirectly covered as part of a separate audit.

# Data Analysis

## A Purchase Order Data

11,695 POs were raised in 2017, in comparison to 13,931 in 2016. (These totalled 16,843 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by Division:



The graph below details the value, by Division, of POs raised in 2017. The total value of POs raised in this period was €196m (€185.4m in 2016).



A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

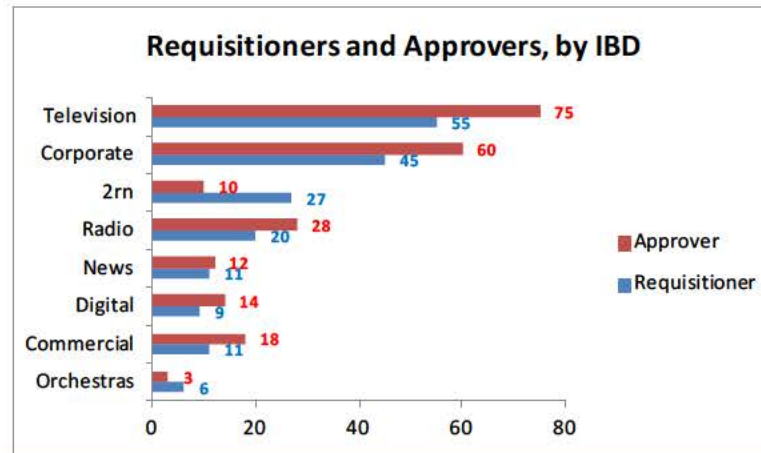
Value of PO	Number of Orders Processed in 2017
€0 - €5,000	9,160
€5,001 - €10,000	1,136
€10,001 - €100,000	1,112
€100,001 - €250,000	164
€250,001 - €750,000	84
€750,001 upwards	39
<b>Total</b>	<b>11,695</b>

*Note:*

844 of the POs raised in 2017 were less than €100 in value and just over 34% of those related to ten suppliers, generally recurring consumable supplies. 160 of the 844 POs under €100 in value have no invoice posted against them.

## B Requisitioners and Approvers

At the end of 2017, there were a total of 220 Approvers and 184 Requisitioners on [REDACTED]. The graph below shows the breakdown by Division.



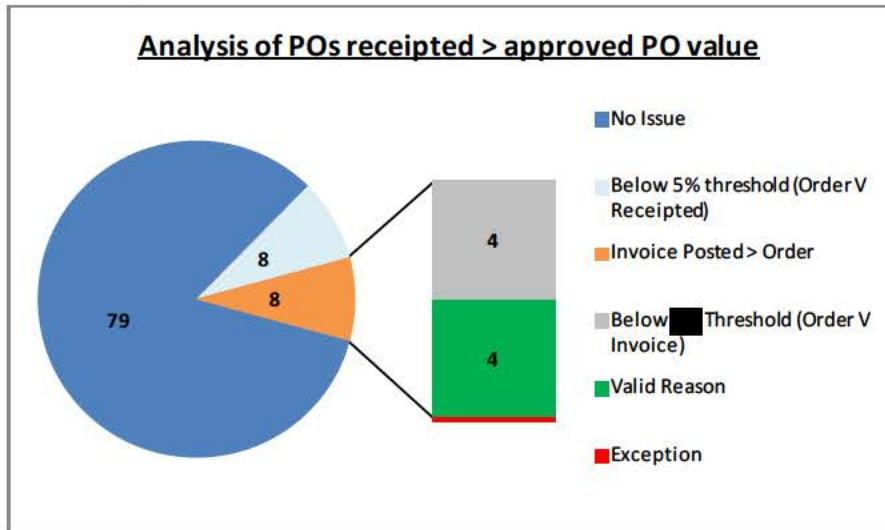
# Summary Findings

## 1) Purchase Receipting Process



Of the 11,695 POs raised during 2017, 95 POs (0.8%) were highlighted for further testing as the value of the goods received against the order exceeded the original approved order amount.

A summary of the review of the 95 orders is set-out below:



For **79** of the orders, the amount invoiced was equal to, or less than, the approved PO and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting (e.g. a mix up between the price and quantity fields). A further **8** were within the [redacted].

In the case of **8** further orders, both the goods received and the invoice processed were in excess of the original approved order. These orders were investigated further. Of the 8, four are below the [redacted] threshold. In the remaining four cases, they were valid payments and no audit exceptions arose. See the Action Plan (#1) for full details of the explanations.

## 2) Requisitioners and Approvers



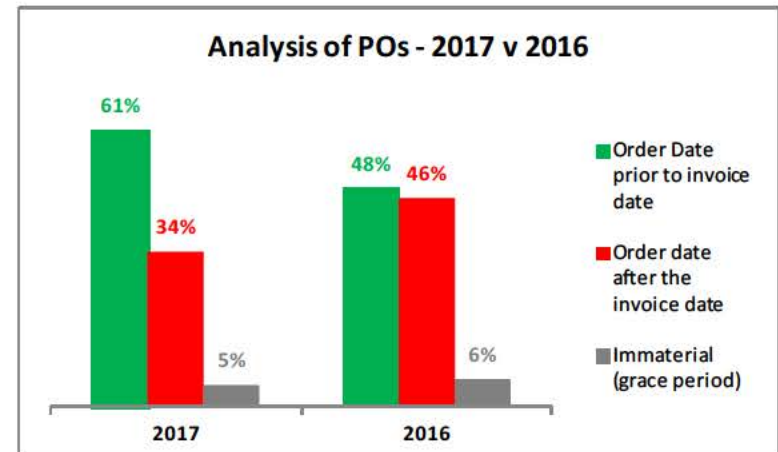
We reviewed the list of PO Requisitioners and Approvers, concluding that the number and job roles of the individuals is appropriate. We identified a significant number of departed individual still listed as an Approver / Requisitioner. An employee set up as an Approver under an incorrect staff number is also considered in action # 4.

## 3) Raising POs before Invoice



A comparison of the date the PO was approved compared to the Invoice date was undertaken. In 2017, we identified that **34%** of POs were dated after the Invoice date. This finding highlights a risk of purchase commitments being made prior to managerial approval of the order.

See the chart below for further analysis of the in scope orders:



As part of other audit work we identified significant improvements during the course of 2017, following actions by a Finance Working Group.

# Conclusion

## Conclusion

Internal Audit carried out a review of the processing of all POs in 2017. The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

We reviewed the list of PO Requisitioners and Approvers by Division, concluding that the number and job roles of the individuals is appropriate. Actions to address some matters are set-out in the action plan, in particular the existence of departed Approvers and Requisitioners still having active accounts on [REDACTED]

We noted that 34% of POs were dated after the Invoice date which highlights an issue regarding the extent to which purchase commitments are being made prior to managerial approval. In line with the RTÉ Purchasing Procedures, the PO should be raised and approved prior to making the commitment and in advance of receiving the invoice. An ongoing Finance Group has been working to address this issue since late 2016 and improvements are evident when compared with the last audit. The work of the group will continue and we expect that the positive impact of the action will be continued into 2018.

The standard of control is satisfactory in terms of the purchase receipting process. However, on the basis of the above findings, we assess the overall standard of control as "Improvement Needed". We appreciate the assistance of staff in Accounts Payable and Central Purchasing.

## Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date																									
	<b>Purchase Receipting Process</b>																													
1.	<p><b><u>Invoices processed in excess of Approved Order Value</u></b></p> <p><i>Background</i> 95 of the POs (0.8%) raised in 2017 were highlighted for review as the value of the goods receipted exceeded the original approved order amount. For <b>79</b>, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. A further <b>eight</b> were within the acceptable <span style="background-color: black; color: black;">████</span> threshold.</p> <p><i>Finding</i> In the case of the remaining <b>eight</b> orders, the invoice processed was in excess of the original approved order. These orders were investigated further, as follows:</p> <ul style="list-style-type: none"> <li>In <b>four</b> of the eight exceptions, the invoice processed was less than the acceptable <span style="background-color: black; color: black;">████</span> threshold and did not require further investigation.</li> <li>For the other <b>four</b> orders an invoice was processed, and paid, for an amount in excess of the original approved order. Details are set out in the table below:</li> </ul> <table border="1" data-bbox="130 1141 833 1352"> <thead> <tr> <th>Service Provided</th> <th>Approved PO Value</th> <th>Invoice Paid</th> <th>Invoice &gt; Order</th> <th>Analysis Below</th> </tr> </thead> <tbody> <tr> <td>Catering Service</td> <td>€900</td> <td>€981</td> <td>-€81</td> <td>1</td> </tr> <tr> <td>Catering Service</td> <td>€827</td> <td>€1,018</td> <td>-€190</td> <td>1</td> </tr> <tr> <td>News Agency</td> <td>€9,000</td> <td>€9,533</td> <td>-€533</td> <td>2</td> </tr> <tr> <td>Catering Service</td> <td>€3,200</td> <td>€3,924</td> <td>-€724</td> <td>1</td> </tr> </tbody> </table>	Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below	Catering Service	€900	€981	-€81	1	Catering Service	€827	€1,018	-€190	1	News Agency	€9,000	€9,533	-€533	2	Catering Service	€3,200	€3,924	-€724	1	N/A	No action necessary – no inappropriate processing of invoices greater than the approved order amount.	N/A	N/A
Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below																										
Catering Service	€900	€981	-€81	1																										
Catering Service	€827	€1,018	-€190	1																										
News Agency	€9,000	€9,533	-€533	2																										
Catering Service	€3,200	€3,924	-€724	1																										

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>A valid purchase / payment was made in each of these instances. See below for a more detailed explanation of each exception.</p> <p><b>1) Catering Service:</b> The PO was raised for the amount prior to any VAT being applied in these three instances. VAT is not reclaimable on Food/Drink so the full cost (including the VAT charge) was paid. The entitlement to deduct input VAT relates solely to VAT incurred on costs of accommodation and does not include VAT incurred on expenditure on food or drink.</p> <p><b>2) News Agency:</b> Blanket PO: The original PO was raised as a blanket PO to cover varying monthly charges from the supplier. However the actual charges exceeded the blanket PO and an amount was paid before further POs were raised and approved. This is a valid payment.</p>				
	<p><b>PO Management</b></p>				
<p>2.</p>	<p><b><u>Purchase Orders raised after the Invoice</u></b></p> <p><i>Background</i> A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data-set used to examine receipting.</p> <p>The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed in 2017, with the following assumptions:</p> <ul style="list-style-type: none"> <li>• Three days “grace” period for minor administrative delays will be allowed</li> </ul>		<p><b>Finance Working Group</b> The Finance Working Group will continue to monitor the level of compliance and liaise with Finance teams. The Group will coordinate the issuing of reminders to Requisitioners and Approvers that an approved order should be in place prior to making any purchase commitment and prior to receiving an invoice for the goods / services.</p>	<p>M</p>	<p>[REDACTED] in conjunction with [REDACTED] Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date												
	<ul style="list-style-type: none"> <li>Orders to the value of &lt;€1,000 will be excluded from results</li> <li>All currencies will be included</li> <li>The following categories of expenditure will be omitted from the analysis so the results are not distorted:                             <ul style="list-style-type: none"> <li>Competition Winners;</li> <li>Donations;</li> <li>Rates; and</li> <li>Department of Foreign Affairs (travel recharges).</li> </ul> </li> </ul> <p><i>Findings</i> The results of the analysis were as follows:</p> <ul style="list-style-type: none"> <li>We identified that <b>34%</b> of the POs approved during 2017 were dated after the Invoice date (“After-the-Fact”).</li> <li>For the same period in 2016, 46% of POs were dated after the Invoice.</li> <li>The total number of POs generated in the period (within scope for this test) is similar year on year, with 7,490 POs raised in 2017 and 7,513 in 2016.</li> </ul> <p>See the chart below for further analysis of the in scope orders:</p> <div data-bbox="186 1019 772 1360"> <table border="1"> <caption>Analysis of POs - 2017 v 2016</caption> <thead> <tr> <th>Year</th> <th>Order Date prior to invoice date</th> <th>Order date after the invoice date</th> <th>Immaterial (grace period)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>61%</td> <td>34%</td> <td>5%</td> </tr> <tr> <td>2016</td> <td>48%</td> <td>46%</td> <td>6%</td> </tr> </tbody> </table> </div>	Year	Order Date prior to invoice date	Order date after the invoice date	Immaterial (grace period)	2017	61%	34%	5%	2016	48%	46%	6%		<p><b>Data and Reporting</b> Reports detailing the number of After-the-Fact POs will be prepared monthly for review at the monthly Finance Meeting.</p> <p>The level of compliance (of POs raised before the invoice date) will be monitored locally and actioned accordingly based on the report. This will involve liaising with Requisitioners and Approvers, as required, e.g. where issues of persistent After-the-Fact POs are identified.</p>		<p>[Redacted Name]</p> <p>[Redacted Name]</p> <p>Ongoing</p>
Year	Order Date prior to invoice date	Order date after the invoice date	Immaterial (grace period)														
2017	61%	34%	5%														
2016	48%	46%	6%														

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><i>Impact</i></p> <p>This finding outlines a risk of purchase commitments being made prior to managerial approval of the order. In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any commitment. The invoice would then be expected to follow at a later date.</p> <p>It should be noted that some of these would have already been approved as part of another process, prior to the PO stage e.g. capital approval form, business case, or purchase of a programme / rights.</p> <p>This finding also has a knock-on effect on RTÉ’s compliance with <i>The European Communities (Late Payment in Commercial Transactions) Regulations 2012</i>. The Regulations provide that the standard deadline for public authorities to make business payments is 30 days and that Interest shall be payable in respect of a late payment if claimed by the Supplier.</p> <p>A specific Finance Working Group was established in late 2016 to implement action and monitor the level of compliance locally in the Divisions. We noted evidence of improvement in the timeliness of the raising orders in the latter months of 2017 period (as compared to the equivalent period in 2016), following the implementation of actions. The full year impact of the improvements and actions should be evident in 2018. This Group will continue local monitoring once the new financial structure is in place.</p>				



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	<p><b><u>Legacy Open POs</u></b></p> <p>The total value of open POs (i.e. POs received, but not yet invoiced) at 31 December 2017 was €5.5 million comprising of €3.2 million for POs raised in 2016. This comprises various low value amounts across the number of POs. The equivalent value at 31 December 2016 was €8.4 million.</p> <p>Given the passage of time and the high volume of orders, it is likely that there are a number of legacy open POs that are no longer required and need to be closed.</p>		<p>An exercise to review the number of legacy open POs that are no longer required will be undertaken, at least half yearly, in each of the Divisions.</p> <p>Any POs that are no longer required will be closed as necessary.</p>	L	<p>[REDACTED]</p> <p>Controller to 30 June 2018</p>
	<p><b><u>Requisitioners &amp; Approvers of POs</u></b></p>				
4.	<p><b><u>Departed Employees</u></b></p> <p><i>Background</i> The number and appropriateness of Approvers and Requisitioners on [REDACTED] at 31 December 2017 was reviewed. These listings were compared with recent staff lists from HR to ensure that all Approvers / Requisitioners were employees of RTÉ and reviewed for other unusual features.</p> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>At the end of 2017, there were a total of 220 Approvers (217 in 2016) and 184 Requisitioners (184 in 2016) on [REDACTED]</li> <li><i>Departed Approvers / Requisitioners:</i> <ol style="list-style-type: none"> <li>A number of Approvers on the listing (as at 31 December 2017) are former employees who departed from the organisation in late 2017, and should not still</li> </ol> </li> </ul>		<p><i>Departed Approvers / Requisitioners</i></p> <p>Once the remainder of departures have taken place, IT Finance will review the listing of Approvers and ensure that work-lists have been transferred and their accounts deactivated.</p> <p>The listing of Requisitioners will be reviewed and all departed employee accounts will be closed immediately.</p> <p><i>Employee set up under incorrect ID Number</i> This employee will be set up on [REDACTED] under their correct staff ID number. The incorrect Approver number will be made inactive on [REDACTED] and all previous</p>	M	<p>[REDACTED]</p> <p>30 June 2018</p> <p>[REDACTED]</p> <p>31 March 2018</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>be listed as active Approvers. Many of these people departed either under the Voluntary Exit Programme or retirement.</p> <p>In mitigation, in order for the work lists of these departed approvers to be transferred temporarily to other current employees, their accounts still need to remain active. Once the work lists have a finalised designated approver, the accounts of the departed employees will be made inactive.</p> <p>b) We also identified a number of Requisitioners on the listing that are former employees, who departed from the organisation in late 2017. Unlike the Approvers, there is no business reason for these accounts to remain active and they should be closed.</p> <ul style="list-style-type: none"> <li>• <i>Employee set up under incorrect ID Number:</i> <ul style="list-style-type: none"> <li>a) We identified one Approver (recently joined) that was set up on [REDACTED] under an incorrect Employee ID number due to an administrative error. In order to avoid confusion, this will need to be amended in some way as there is a risk that a future staff member will be assigned this staff number.</li> </ul> </li> </ul>		<p>transactions will be given a note so that the trail of transactions will not be lost.</p>		



**RTÉ INTERNAL AUDIT**

**REPORT TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL  
CONTROL AND RISK MANAGEMENT. YEAR-ENDED 31 DECEMBER 2013.**

Part 1: Audit and Risk Committee Meeting of 13 March 2014

Part 2: Audit and Risk Committee Meeting of 9 April 2014

## **Part 1: Audit and Risk Committee Meeting of 13 March 2014**



## REPORT TO THE AUDIT AND RISK COMMITTEE

(INTERIM REPORT ON RISK MANAGEMENT – TOP RISKS OF NON-BROADCAST DIVISIONS;  
CORPORATE RISK REGISTERS; INTERNAL FINANCIAL CONTROL)

**MEETING: 13<sup>TH</sup> MARCH 2014**

### Circulation

***Members of the Audit and Risk Committee:***

Seán O’Sullivan (Chairman)  
Karlin Lillington  
Eunice O’Raw  
Stuart Switzer

Emer Finnan  
*(Advisor to Audit & Risk Committee)*

***CC:***

Noel Curran (Director-General)  
Breda O’Keeffe (Chief Financial Officer)  
Cillian DePaor (RTÉ Group Secretary)  
Fiona O’Shea (Group Financial Controller)  
Ruaidhri Gibbons (KPMG Audit Partner)

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 1. EXECUTIVE SUMMARY

#### 1.1 PURPOSE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to commence its review, on behalf of the Board, of the effectiveness of the internal control system in RTÉ; and
- Outline the work performed by Internal and report the results of the audit testing carried out.

#### 1.2 INTERNAL CONTROL

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives. As outlined in more detail in *Appendix A*, internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

#### 1.3 WHY REVIEW THE EFFECTIVENESS OF INTERNAL CONTROL?

##### *The Code of Practice for the Governance of State Bodies*

A review of the effectiveness of the system of internal control is a requirement of the Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Finance in June 2009, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 10.1 requires that:

*"The Board is responsible for the body's system of internal control and should review annually the effectiveness of the body's system of internal controls, including financial, operations and compliance controls and risk management".*

The annual report of each State Body must include a statement on "internal financial control" (using a prescribed format) and the external auditors are required review this statement. The Chairperson's annual report to the Minister for Communications, Energy and Natural Resources must also include a statement on the system of internal financial control.

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 1.4 WHAT SHOULD THIS REVIEW INVOLVE?

Guidance has been published to assist Audit Committees to discharge their duties in this area:

- The publication “Internal Control: Revised Guidance for Directors on the Combined Code” (commonly referred to as the “Turnbull Guidance”) outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards. See *Appendix B* for an extract from the Guidance setting out the questions which the Board may wish to discuss with management when carrying out its annual assessment of internal control.
- The Office of the Comptroller and Auditor General issued guidance for completing the Code of Practice statement on internal control (although this guidance has not been re-issued to reflect the 2009 updates to the Code of Practice)

The guidance in these two documents has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

### 1.5 METHODOLOGY

Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control. This work involved:

- 1) Spot checks on compliance with the **Code of Practice for the Governance of State Bodies**
- 2) Coordinating the completion of **internal control self-assessment questionnaires**, used by the divisions to assess the:
  - Financial control environment
  - IT control environment
- 3) In conjunction with the Head of Statutory Compliance / RTÉ Risk Officer, assisting the divisions to update their **risk registers** – these are maintained by each division as a standalone Microsoft Excel document, with an overall summary / cover sheet outlining the top risk of the division.

Given the large agenda, this work is being presented to the Audit and Risk Committee in two parts:

- [Today](#) – Top risks in 2rn and in Digital; selected Corporate risk registers; Internal Financial Control.
- [9 April 2014 meeting](#) – Top risks in Television, Radio, News and Current Affairs and Orchestras; Selected Corporate risk registers; RTÉ Group “Top 10” Risks; Code of Practice for the Governance of State Bodies.



## **SECTION 2 – BUSINESS RISKS**

## REPORT TO THE AUDIT AND RISK COMMITTEE

### 2. BUSINESS RISKS

#### 2.1 DOCUMENTATION BY IBDs

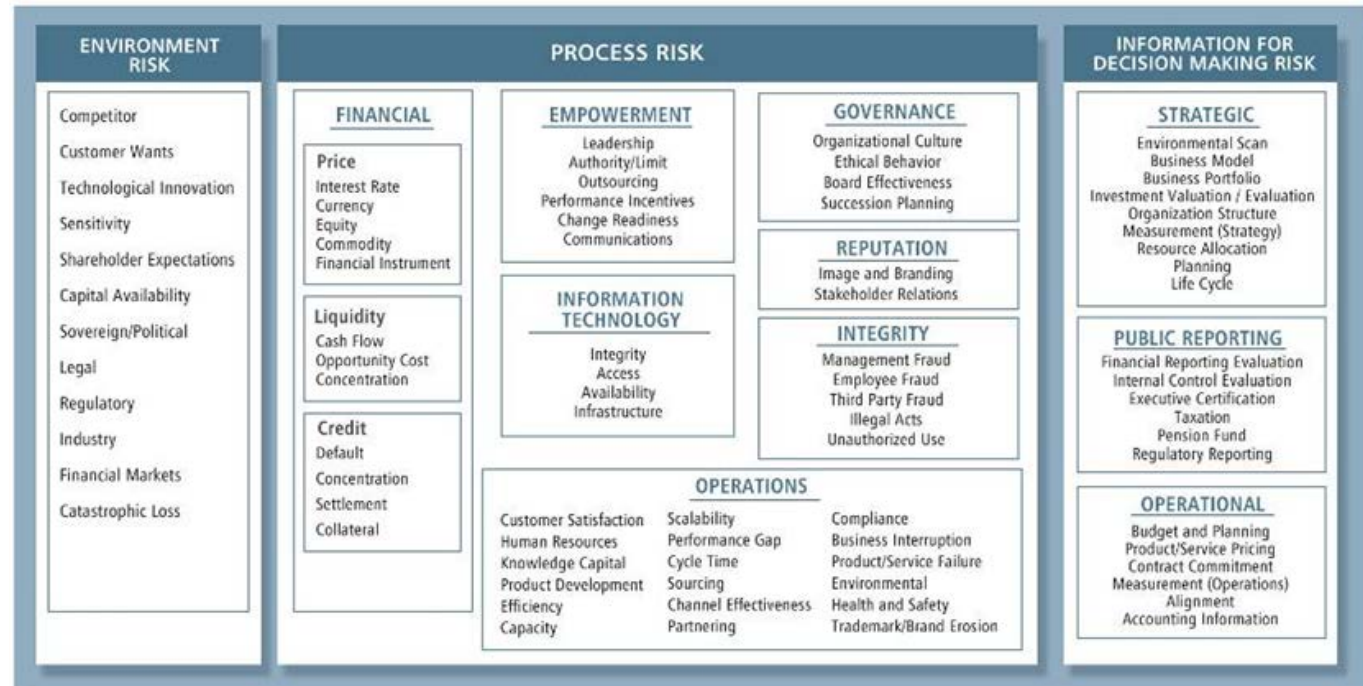
Each IBD completed an exercise which involved documenting:

- Its primary objectives, as per the MAR / Strategy 2013-2017 document;
- The key risks to the achievement of those objectives;
- Its assessment of the likelihood and impact (both financial and reputation) of each risk;
- The controls it has in place to manage each risk; and
- The “owner” of each risk.

#### 2.2 RISK UNIVERSE FRAMEWORK

Any organisation is subject to a broad range of potential risk areas.

For the purpose of background information, the following risk universe provides an overview of the types of risks faced by a typical organisation of RTÉ’s size:



## REPORT TO THE AUDIT AND RISK COMMITTEE

### 2.3 DETERMINING RISK RATINGS

A large number of risks were identified by management across each of the IBDs. In order to prioritise risks and to identify the key risks in RTÉ, we used management's assessment of the significance and likelihood of each risk to calculate an overall risk rating for each risk, on a scale of 1 to 25. The following risk assessment matrix summarises the way in which each risk rating was calculated and maps the risk ratings to a general classification of low, moderate or high risk.

IMPACT	LIKELIHOOD				
	Negligible (1)	Low (2)	Moderate (3)	High (4)	Extraordinary (5)
Negligible (1)	1	2	3	4	5
Low (2)	2	4	6	8	10
Moderate (3)	3	6	9	12	15
High (4)	4	8	12	16	20
Extraordinary (5)	5	10	15	20	25

**Example:**  
Likelihood of risk: High (score = 4)  
Impact of risk: Moderate (score = 3)

⇒ Risk rating = 12 (4 x 3)  
i.e. Moderate Risk

Management rated the likelihood / impact of risks on a 5 point scale ranging from negligible to extraordinary (where 5 is extraordinary)

Low Risk
Moderate Risk
High Risk

(Note re: calculating risk rating:

- In instances where management's assessment of the financial impact and the reputation impact of the risk is different, we have used the higher of the financial or reputation impact.
- In some cases where more than one risk had the same significance rating, management increased/decreased the significance ratings of individual risks by 1-2 points in order to place emphasis on the significance of one risk vis-à-vis another. As a result, the calculation of the significance rating may not correspond exactly to the risk assessment matrix in all cases).

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 2.4 KEY RISKS

We have set out in the pages overleaf the “top risks” for the following non-broadcast divisions:

- 2rn
- Digital

The risk registers of the following Corporate functions are also set-out overleaf:

- Technology
- Saorview
- Property and Services
- RTÉ Guide
- Legal Affairs

A number of other risk registers, including the output divisions, will be table at the meeting of 9 April 2014. In addition, the meeting will consider the RTÉ Group Top 10 Risks.

## **RISK REGISTER – 2RN**

TOP RISKS IN 2RN - 2014

Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	R	Versus Rank in Prior Year
1 Adverse findings arising from <b>ComReg's investigation</b> of alleged abuse by 2rn of its dominant position in the market for the provision of Wholesale Analogue Terrestrial Television Transmission and Distribution Services	2.1	Financial Controller	Moderate	High	Moderate	12	a) Robust response to documents etc. and clear presentation of 2rn's position b) Engagement of relevant legal / regulatory experts to assist as necessary b) Provision of back-up documentation and financial models to support position		↑ (4)
2 Significant <b>reduction in prices</b> chargeable to major customers arising from customer demands for reductions and competitive pressures	4.1	Telecoms Industry Manager	High	Moderate	Low	12	a) Fixed price contracts in place for existing equipment b) Begin negotiation process well in advance of expiry of current contract and incentivise customers to sign at current contract value by offering enhanced operating terms and improved service levels. c) Incentives for customers to add equipment	a	↑ (3)
3 <b>Loss of a major customer</b> (2rn is reliant on a small number of large customers), especially in the context of the broader consolidation currently underway in the Telecoms industry.	4.2 / 4.5	Telecoms Industry Manager	Moderate	Moderate	Negligible	10	a) Regular meetings with major customers to review levels of service and customer requirements b) Contracts in place with large customers c) Regular meetings and follow-up with potential targets to explain service offering d) Today FM examining access arrangements under new regulatory framework e) Q2: rolling short term contracts in place, pending Competition Authority / European Commission decision on sale of business f) Meteor: as above	a c	↑ (7)
4 Ongoing <b>economic turbulence</b> resulting in the contraction of major customers' businesses and, consequently, loss of revenue for 2rn.	4.3	Telecoms Industry Manager	Moderate	Moderate	Low	9	a) Management monitor movements in income on a monthly basis b) Regular meetings with major customers to review levels of service and customer requirements	a	↓ (2)
5 <b>Poor weather conditions</b> resulting in additional cost incurred to fix faults / replace damaged equipment.	4.9	Executive Director / Head of Operations	Moderate	Moderate	Negligible	9	a) Insurance cover for all equipment b) Maintenance program ensures equipment is weather-proofed insofar as is practical c) Building / Structure / Equipment design caters for bad weather insofar as is practical	a c	↑ (8)

Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	R	Versus Rank in Prior Year
6 Failure to understand, and respond to, <b>emerging technologies</b> resulting in a loss of customers.	3.1	Executive Director	Moderate	Moderate	Low	9	a) Ongoing review of market developments b) Regular attendance by staff and management at appropriate industry seminars and exhibitions c) Ongoing education and training in the division	R	→
7 Failure to deploy existing staff to best advantage due to <b>Restrictive Agreements</b> with staff.	5.2	HR Executive	Low to Moderate	Moderate	Low	9	a) Ongoing review of organisational structure in view of changing business environment b) Ongoing RT negotiations	R R	New to Top Risks
8 <b>People and skills</b> risks arising from organisational change: a) Reorganisation of Finance Function and impact on segregation of duties b) Impact of restructuring and change c) Failure to fully deliver work practice changes in a timely manner	5.1	Executive Director / Financial Controller	Moderate	Moderate	Low	9	a) Review of key tasks and skill sets required post exist of staff b) Detailed monthly review of control procedures c) Work practice changes / process changes as necessary	a b	↑ (10)
9 2rn unable to optimise involvement in <b>Digital development</b> in Radio	3.2	Business Development Manager	Moderate	Moderate	Low	9	a) Membership and full participation in "Digital Radio for Ireland" Group b) Regular attendance by staff and management at appropriate industry seminars and exhibitions c) Ongoing review of market developments	a y	→
10 <b>Breach of Banking Covenants</b> in place for borrowing.	4.6	Financial Controller	Low	Moderate	High	8	a) Contracts in place with customers, thereby providing clarity on forward revenue streams and cash flows b) Quarterly Review Process c) Monitor revenue base: begin negotiation process well in advance of expiry of current contract. Incentivise customers to sign at current contract value: enhanced operating terms and improved service levels.	a b b	↓ (5)

## **RISK REGISTER – DIGITAL**



Top Risks in Digital IBD - 2014

Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Rank in Prior Year
1 Economic turbulence leading to ongoing reductions in <b>commercial revenue</b> and hindering the rapid exploitation of new Digital commercial income streams	3.1 / 3.2 / 3.3	[REDACTED]	High	Extraordinary	Moderate	20	a) RTÉ Executive monitor fortnightly revenue reports which include market and economic commentary b) Fortnightly three month rolling forecasts as part of the Executive revenue report give a short term view of revenue performance c) Close ongoing review of advertising industry trends d) Development of dedicated teams to pursue committed increases in revenue from targetted Merchandising and Content Sales initiatives e) Re-orientation of Online sales teams to expand existing online advertising models into developing platforms and services f) Formulation of Cross Media initiatives to tackle revenue decline	a) Fortnightly Executive Revenue Report and Commentary b) Fortnightly Executive Revenue Report and Commentary c) Discussions with main Advertising Agencies d) Weekly monitoring of agency and client spends. Weekly review of Indirect / Exchange revenue growth. e) Cross media discussion/meetings	a) [REDACTED] Digital IBD Management b) [REDACTED] / [REDACTED] Digital IBD Management c) [REDACTED] d) [REDACTED] e) [REDACTED] f) [REDACTED] /Conor Mullen	→
2 Reductions in operating costs fail to keep pace with <b>declining levels of income</b> i.e. cost base not reactive enough to shortfalls in income.  (Risk that operating cost "floor" has been reached in the 2014 Digital Budget)	3.4	[REDACTED]	High	High	High	16	a) Ongoing monitoring of revenue and costs to budget via monthly management accounts b) Competitive Tendering for all major contracts c) New Digital Operating Cost baseline now established as per 2014 Budget d) Ongoing Value for Money initiatives seeking cost reductions	a) Monthly management accounts b) Tenders under E.U or National Guidelines	a) [REDACTED] llivan / Digital IBD Management b) [REDACTED] Digital IBD Management c) [REDACTED] Digital IBD Management d) [REDACTED] Digital IBD Management	→
3 Insufficient operational and capital funds being available to RTÉ Digital to enable it to <b>develop and launch its proposed range of new services and products</b> in a timely manner to:  - Support commercial activities; and  - Maintain leadership position in the Irish market.	2.2	[REDACTED]	High	High	High	16	a) Multi Annual Review submission inclusive of Digital Strategy 2015 b) Annual Digital Performance Commitments agreed and delivered c) Approval at RTE Executive Board level of business cases for all major Digital projects d) Secure, at RTE Executive Board level, the necessary commitments to funding to implement the Digital strategy	a) RTE MAR/Digital Strategy 2015 b) ASPC for Digital c) RTE Executive Board level approval	a) [REDACTED] b) All BD managers d) [REDACTED]	→
4 <b>Statutory and regulatory restrictions</b> delaying / hindering:  - The expansion of Digital operations and services; &  - The freedom to commercially exploit its slate of products in new markets.	4.2	[REDACTED]	High	High	Moderate	16	a) Ongoing review of changes in legislation, and ongoing operation in full compliance with all statutory provisions primarily in respect of Broadcasting Act 2009 b) Seeking all relevant regulatory permissions for new/expanded services c) Proactive defence of competitor/industry complaints including robust public defence of current on-line development position d) Proactive association with external competitors re content sharing	b) Departmental / IBA submissions	a) IBD Management b) IBD Management with assistance from relevant senior RTÉ managers c) IBD Management with assistance from relevant senior RTÉ managers d) IBD Management with assistance from relevant senior RTÉ managers	↑  (5)

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Rank in Prior Year
5	<p>Disruption in operations and/or reductions in services due to either the loss or immediate <b>non availability of key Production and all other Operations staff.</b></p> <p>Talent shortage / staff retention risk.</p>	2.3	[REDACTED]	High	Moderate	High	16	<p>a) Second tier organisational structure now in place across all production and operations responsibilities and cross skilling under ongoing review</p> <p>b) Retention of existing technology staff and the outsourcing of necessary contractor/agency staff now under pressure due to improved market conditions</p> <p>c) Flexibility of outsourcing design and technical expertise from external agency providers and of using casual staff</p> <p>d) Restrictions on headcount recruitment impacting on available resources across Digital</p>	a) Organisational structure	<p>a) All Digital Managers</p> <p>b) [REDACTED]</p> <p>c) [REDACTED]</p> <p>d) [REDACTED]</p>	<p>↑</p> <p>(8)</p>
6	<p>Failure to adequately <b>conclude partner arrangements</b> with relevant external parties in the expanding internet/digital space to:</p> <p>(a) expand the audience reach and relevance of RTE's digital services and products</p> <p>(b) co-finance vital RTE Digital projects.</p>	4.1	[REDACTED]	High	Moderate	High	16	<p>a) Ongoing meetings/discussions with key Content Providers</p> <p>b) Ongoing meetings/discussions with key Digital Players</p> <p>c) Ongoing contacts with interested partners on relevant projects in pursuit of co-financing opportunities</p> <p>d) Ongoing contacts with interested partners on relevant projects in pursuit of co-financing opportunities</p> <p>e) Scanning the Digital environment for co-financing opportunities re Player Licencing</p> <p>f) Early identification of necessary or desirable development/operational projects</p> <p>g) Ongoing meetings/discussions with competitor players</p>		<p>a) [REDACTED]</p> <p>b) [REDACTED]</p> <p>c) [REDACTED]</p> <p>d) [REDACTED]</p> <p>e) [REDACTED]</p> <p>f) [REDACTED]</p> <p>g) [REDACTED]</p>	<p>↓</p> <p>(4)</p>
7	<p><b>Failure of project delivery:</b></p> <p>7A) Failure to adequately plan and prioritise digital and other projects so as to ensure that projects are efficiently managed and controlled and are delivered on time;</p> <p>7B) Failure to deliver key enhanced content projects (such as RTE News Now on Digital platforms, Connected TV's, RTE ie site launches/redesigns, Social Media Integration, RTE Premium Player) on time and within budget.</p>	2.1	[REDACTED]	High	Moderate	High	16	<p>a) Creation of agreed schedule of Projects planned at Digital Executive level.</p> <p>b) Partnership contract with external Technology service provider</p> <p>c) Ongoing research of industry and consumer requirements</p> <p>d) Forge strategic alliances with key industry players e.g. Telco's, ISP's, Technology Vendors, TV Vendors and Development partners</p> <p>e) Budgets in place for approved capital expenditure projects with agreed timelines</p>	<p>a) Annual Projects Plan</p> <p>b) Version One contract in place</p> <p>e) BD Digital Projects schedule / Annual Capital Budget</p>	<p>a) [REDACTED] relevant managers</p> <p>b) [REDACTED] / All relevant managers</p> <p>d) [REDACTED]</p> <p>e) [REDACTED]</p>	<p>↓</p> <p>(6)</p>

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Rank in Prior Year
8	<p><b>Reorganisation of RTE Digital</b> has resulted in a separation of responsibilities between content generation / editorial production and revenue generation / commercial, creating a risk that Digital output content is not 'fit for the purposes' in terms of:</p> <ul style="list-style-type: none"> <li>- Appealing to online audiences; and</li> <li>- Supporting its commercial exploitation and of content sales syndication.</li> </ul>	1.1	[REDACTED]	High	High	Moderate	16	<ul style="list-style-type: none"> <li>a) Explain and agree joint strategy re emerging platforms with all relevant BD's with nominated points of contact in relevant IBDs.</li> <li>b) Introduction of new Analytics Stats package to provide more in depth data about user preference/habits to enable Editorial and Commercial to tailor content accordingly.</li> <li>c) Integration of Digital Sales teams with cross media revenue teams.</li> </ul>	<ul style="list-style-type: none"> <li>b) Analytics System Reporting</li> </ul>	<ul style="list-style-type: none"> <li>a) [REDACTED]</li> <li>b) [REDACTED]</li> <li>c) [REDACTED]</li> </ul>	↑ (10)
9	<p>Failure to secure <b>Digital distribution and content rights</b> (including music rights) for multi-platform use and for distribution on third party platforms or on proposed new services (or secure rights in part only and/or at commercially unviable terms and conditions)</p>	1.2	[REDACTED]	High	Moderate	Moderate	12	<ul style="list-style-type: none"> <li>a) As far as practicable we endeavour to have all rights cleared as part of established 'umbrella' Newsroom/Radio/Sport/ PU Acquired content contracts with agency services e.g. Reuters, and music rights holders such as MRO/MCPS/PPI</li> <li>b) Whenever possible, separate Digital contracts are negotiated with own service providers where commercially viable, e.g. BBC, Disney etc</li> <li>c) Strategy on RTÉ Player/Sales Content rights clearance renewal to obtain maximum right clearances for online/on demand use as part of overall revenue share agreement with programme makers.</li> <li>d) Distribution on third party platforms require separate Producer and Music clearances across a range of content providers in an evolving market with new commercial models. Separate Contracts with all relevant Distribution partners and Producers.</li> </ul>	<ul style="list-style-type: none"> <li>a) Annual contracts</li> <li>b) Annual/bi-annual contracts</li> <li>c) Contracts with all relevant programme makers re acquired programmes</li> <li>d)</li> </ul>	<ul style="list-style-type: none"> <li>a) [REDACTED]</li> <li>b) [REDACTED]</li> <li>c) [REDACTED]</li> <li>d) [REDACTED]</li> </ul>	↓ (7)
10	<p><b>Bad Debts</b> Events</p>	3.10	[REDACTED]	High	Moderate	Low	12	<ul style="list-style-type: none"> <li>a) Credit references and payment in advance sought for new customers</li> <li>b) Monthly meeting of Digital Accountant and sales managers with the Manager of Central Accounts Receivable to review monthly aged debtors listing</li> <li>c) Proactive approach to management of Merchandising credit at high risk periods in collaboration with our Distribution agent</li> </ul>	<ul style="list-style-type: none"> <li>b) Monthly aged debtors listing review</li> <li>c) Close contact with appointed Merchandising Distributor for Seasonal Sales periods</li> </ul>	<ul style="list-style-type: none"> <li>a) Central AR</li> <li>b) [REDACTED]</li> <li>c) [REDACTED]</li> </ul>	↓ (9)

**Footnotes**

- Reflecting the new organisation structure, content / editorial related risks are captured in the area where the content is generated - News, TV entertainment, Sport etc.

## **RISK REGISTERS – CORPORATE FUNCTIONS**

Technology Risk Register - February 2014			
Rank	Risk Category	Business Risk	Risk Rating
1	Operational Risk	<b>Single points of failure</b> in critical broadcast infrastructure, negatively impacting broadcast continuity and output. Examples include the single playout facility in the TV Building (i.e. no second off-site facility) and the single point of failure in the Sky uplink disk in the 'satellite farm'.	High
2	Financial Risk	<b>Financial resource constraints</b> leading to under-investment in technology infrastructure and systems resulting in continued "sweating" of ageing and legacy equipment, which could lead to operational impacts and inefficiencies.	High
3	Market and Commercial Risk	Loss of competitiveness and market share due to a <b>delay in rolling-out new broadcast technologies</b> , especially delays in upgrading studios to High-Defintion in a timely manner.	High
4	Operational Risk	<b>People and skills</b> risk to include:  a) Skills development impacted by insufficient training and development plans being in place; and b) Insufficient knowledge sharing taken place previously.	Moderate
5	Operational Risk	Resistance to implement revised work practices and to engage in more <b>collaborative, innovative working arrangements</b> . Ultimately, this may impact on the organsiational culture required to implement the RTÉ Strategy 2013-2017.	Moderate <sup>1</sup>
6	Operational Risk / Reputation Risk	Breaches in, or failure of, <b>IT security</b> resulting in reputation damage or lack of availability of key systems. This could arise due to intentional or unintentional misuse of RTÉ technology systems such as unauthorised access to, or inappropriate use of, IT systems.	Moderate

1: Assessed as "moderate" for Technology personnel, and "moderate" in relation to RTÉ personnel generally.

Saorview Risk Register - February 2014			
Rank	Risk Category	Business Risk	Risk Rating
1	Strategic Risk / Financial Risk	Reduction of <b>UHF spectrum</b> for terrestrial broadcasting due to the reallocation of UHF spectrum to mobile broadband and related uses. This may have a negative cost impact on RTÉ and the consumer.	Moderate
2	Strategic Risk	The negative impact on the <b>attractiveness of DTT</b> , to third party broadcasters, due to the cost of carriage.	High
3	Reputation Risk	The <b>withdrawal of a broadcast customer(s)</b> from the market, resulting in a knock on impact on the cost of carriage on DTT.	Moderate
4	Reputation Risk / Financial Risk	Failure to deliver the SAORVIEW <b>Technology Roadmap</b> due to insufficient funding.	High

## Corporate Risk Register

### Property and Services - February 2014

	Business Risk	Significance rating (1-25)	Key Controls
1	<p>Insufficient capital expenditure adversely impacting the building fabric and increasing the risk of <b>obsolescence</b> in equipment and technology. In turn, this could lead to failures and breakdowns, possibly impacting on production output.</p> <p>A postponement of the <b>Project 2025</b> redevelopment plan, and the corresponding impact on short term capital investment, is an important underlying factor.</p>	20	<p>a) Constant review of assets carried out to determine the assets most at risk.                      b) In drawing up Capital Budgets priority given to essential works to ensure no unplanned obsolescence in the lifetime of the plan.                      c) Rolling Capital Plan                      d) Engagement with engineers and architects as necessary / works carried out</p>
2	<p>The impact of <b>restructuring and change</b> in the business, such as:</p> <ul style="list-style-type: none"> <li>- Insufficient investment in training to upskill existing staff to take on new roles;</li> <li>- Deficits in experience and skills due to retirements; and</li> <li>- Failure to deliver improvements in work practises and to absorb the extra work load for staff members remaining in the department.</li> </ul>	12	<p>a) Reorganisation of the departments and reassignment of responsibilities to ensure identified gaps are filled promptly and services continue to be provided efficiently                      b) Work practice change and discussion with staff and Unions as necessary                      c) Internal communications process to keep staff informed                      d) Succession planning</p>
3	<p>Loss of the following <b>key on-site facilities</b> for a prolonged period of time due to a fault or breakdown:</p> <ul style="list-style-type: none"> <li>- electricity</li> <li>- gas</li> <li>- air-conditioning</li> <li>- water</li> </ul>	9	<p>a) Disaster recovery plan in place.                      b) Business Continuity Plan in place.                      c) Second ESB supply installed with automatic changeover in the event of ESB outage.                      d) Monitoring systems in place - IT System to highlight faults in plant and equipment as they occur                      e) Regular maintenance in line with an agreed schedule of maintenance</p>
4	<p><b>Security</b> breaches resulting in:</p> <ul style="list-style-type: none"> <li>- unauthorised access to the RTÉ Campus</li> <li>- theft of equipment</li> <li>- unauthorised access to live studio during broadcast</li> </ul>	9	<p>a) Access controls in place / CO-TAG system and perimeter security. Procedures for laptop physical security                      b) Employment of competent security personnel                      c) CCTV and monitoring controls in place                      d) Standard operating procedures for Management of Audiences at Live Television Programmes                      e) Risk Assessments carried out - enhanced security controls for high profile events                      f) Routine checks of vehicles exiting the premises</p>
5	<p>Failure of key 'day-to-day' upgrade <b>projects</b>, or problems in the delivery of projects from a project timeline and / or project budget perspective</p>	8	<p>a) Project Plans in place with timelines and consideration of risks                      b) Dedicated Project Manager for projects                      c) Only competent 3rd Parties are hired - preferred supplied list for building and related services                      d) Engage with users locally (e.g. in respect of recent staff accommodation changes / moves)</p>
6	<p>Non compliance with <b>Health and Safety regulations</b> (for example statutory minimum training requirements due to tightening of training budgets) resulting in fines and / or adverse publicity and reputation damage.</p>	6	<p>a) Special training carried out as necessary - Working at Heights; Safe Pass; Manual Lifting; Working with Electricity etc.                      b) Training records maintained on PeopleSoft / BMS System and monitored for the expiry of training courses                      c) Safety Statements and "method statements" in place outlining safe procedures to carry out the work.                      d) Appointment of Health and Safety Officer and safety updates provided to local managers                      e) Circuit breakers installed across the system to prevent electrical excesses and similar physical controls in place.                      f) Employment of competent staff                      g) Risk Assessments carried out in advance of large projects</p>

Corporate Risk Register

Property and Services - February 2014

	Business Risk	Significance rating (1-25)	Key Controls
7	<b>Injury</b> to staff member following a fall, working at heights, working with electricity etc.	6	<ul style="list-style-type: none"> <li>a) Safety equipment/clothing/safety harness provided to staff to prevent injury</li> <li>b) Special training carried out as necessary - Working at Heights; Safe Pass; Manual Lifting; Working with Electricity etc.</li> <li>c) Safety Statements and "method statements" in place outlining safe procedures to carry out the work.</li> <li>d) Appointment of health and safety officer and safety updates provided to local managers</li> <li>e) Procedures in place for handling suspicious items in post and social media protocols</li> </ul>
8	<b>Business disruption</b> resulting from industrial unrest or the unwillingness of staff to implement revised work practices.	6	<ul style="list-style-type: none"> <li>a) Regular meetings with union representatives.</li> <li>b) Existence of dispute resolution process.</li> <li>c) Internal communications process to keep staff informed.</li> <li>d) Partnership meetings</li> <li>e) Performance management and evaluation system for management.</li> </ul>
9	Non-compliance with, or lack of knowledge of, <b>buildings engineering and maintenance regulations</b>	6	<ul style="list-style-type: none"> <li>a) Procedures to receive regulatory updates directly to staff members (e.g. HSA updates, IBEC notifications). Staff participate in internal safety forums as necessary. In addition, updates are received from the RTÉ Health &amp; Safety Officer.</li> <li>b) Access to legal advice, as necessary</li> </ul>
10	Failure to maintain, store and dispose of <b>hazardous materials</b> / chemicals in an appropriate manner	6	<ul style="list-style-type: none"> <li>a) Safety statement in place</li> <li>b) Method statements outlining how work should be carried out</li> <li>c) Communication with staff in relevant areas in the IBD's - make-up and wardrobe, services, building,</li> <li>d) Formal audits by Dublin City Council approx. twice per year and local (internal) audits also carried</li> </ul>
11	<b>Employee / public liability</b> cost due to an injury to a member of staff, contractor or visitor on site.	4	<ul style="list-style-type: none"> <li>a) Insurance held</li> <li>b) Warning notices in place where needed</li> <li>c) Access to sites is controlled / upgrade works at network "self-help" sites</li> <li>d) All major contractors required to produce method statements prior to commencement of work</li> <li>e) Third Party employees and agents required to show proof of training (Safe Pass) as relevant</li> <li>f) Safety statements in place</li> </ul>



RTE GUIDE RISK REGISTER 2014

Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility
1 Continuing viability of the RTE Guide as a "cash generator" within the RTE portfolio of businesses	[REDACTED]	High	High	Low	16	a) Reorganisation of RTE Guide as a cost efficient standalone enterprise b) Close monitoring of operational revenues and discretionary costs	a) Implementation of KPMG Report b) Review of monthly management accounts	a) [REDACTED] b) [REDACTED]
2 Fall in copy sales for the RTE Guide, resulting in an inability to maintain current circulation revenue levels	[REDACTED]	High	Moderate	Moderate	12	a) Close monitoring of weekly RTE Guide circulation figures b) Implementation of annual promotion and marketing plan c) Regular shelf space auditing by contract merchandisers d) Ongoing new initiatives with major multiples to arrest decline.	a) Weekly RTE Guide Sales Reports Revenue Report b) Annual promotion and marketing plan c) Weekly management meetings	a) [REDACTED] b) [REDACTED] c) [REDACTED] d) [REDACTED]
3 Inability to maintain current advertising revenue levels	[REDACTED]	High	Moderate	Low	12	a) Close monitoring of weekly RTE Guide Advertising income b) Implementation of short term income initiatives as appropriate	a) Weekly management meetings b) Ongoing comparison with annual Advertising Budget	a) [REDACTED] b) [REDACTED]
4 Failure of the printer to print the RTE Guide on time, in sufficient numbers and to an appropriate quality	[REDACTED]	Moderate	Moderate	High	12	a) Close liaison of Production Manager with printer on an issue by issue basis b) Contract with Printer includes provision for alternative printing arrangements c) Business Interruption Insurance in place	Weekly operational monitoring	a) [REDACTED] b) [REDACTED] c) [REDACTED]
5 Increase in printing / paper costs of the RTE Guide	[REDACTED]	Moderate	Moderate	Low	9	a) Contract in place with print costs element fixed. b) Sourcing of paper from independent supplier, other than through printer c) Close monitoring of non print other add-on costs, incl close analysis of weekly invoices d) Special prints are priced in advance to ensure the fee is acceptable (based on cost/benefit analysis)		a) [REDACTED] b) [REDACTED] c) [REDACTED] d) [REDACTED]

## Corporate Risk Register

Legal Affairs			
Rank	Category	Business Risk	Risk Rating
1	Broadcast Risk	Failure to comply with editorial standards and obligations to fairness, impartiality and privacy	High
2	Competition Law Risk	Challenges to RTÉ's revenue, both public and commercial, but particularly the latter	Medium to High
3	Operational Risk	<p>The absence of an organisation-wide training function to assess the training needs of staff, to ensure that they are skilled to meet the needs of RTÉ, resulting in deficits in experience and knowledge (post ERRF &amp; VSF).</p> <p>In addition, this weakness contributes to the absence of a system to identify areas where skills' problems arise and to alert management of same in a timely manner.</p>	High

**SECTION 3 – FINANCIAL CONTROL**

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 3. INTERNAL FINANCIAL CONTROL

#### 3.1 BACKGROUND

##### *Internal Financial Control*

Each IBD and, where applicable, central functions / shared services completed a self-assessment of the internal financial controls in the following areas:

	Process	Overview of control questions
A	Purchasing and accounts payable	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines; amendments to masterfiles
B	Sales and accounts receivable	Reviewing credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; reconciliations
C	Cash and treasury	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations
D	Inventory	Recording of inventories, stock movement; provisions against carrying value
E	Fixed assets	Recording assets; valuation; additions and disposals; capital expenditure projects
F	People payments	Payroll and Fee payments; personal expenses; recording of annual leave; reconciliation to General Ledger
G	Management accounts / financial close	Preparation; review and clearance; financial close; intercompany accounts; journals and suspense accounts
H	Tax compliance	VAT; PAYE / PRSI

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### *IT Controls*

The internal financial control questionnaire also contained a section addressing the area of IT control. This section was completed by the relevant IT personnel in Central IT / IBD IT teams and addressed:

- The key central IT systems – ██████████ (financials), ██████████ (payroll and fees) and ██████████ (employee expenses);
- The inventory management system – ██████████; and
- The sales booking systems – ██████████ (Television and Radio) and ██████████s (Digital).

### **3.2 REPORTING REQUIREMENTS**

In line with Section 2.4 of the Code of Practice for the Governance of State Bodies:

*“The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place”.*

Furthermore, as outlined in Section 10.1 of the Code of Practice, the Board’s consideration of internal control should include *“the body’s system of internal controls, including financial control”*

As a result, we carry out specific work in the area of Internal Financial Control.

### **3.3 CONTROL EFFECTIVENESS**

Management completed an assessment of the effectiveness of each financial control (45 questions) and IT control (four questions for each of six IT systems) using a scale of 1-4, where 4 is the highest rating.

In the following pages we have set-out, by IBD, details of the effectiveness ratings assigned to the individual financial and IT control questions in each of the process areas. In summary, the output of this exercise highlights that a strong control environment exists in RTÉ, with the average control effectiveness rating in the range 83% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year with some processes showing marginal rating improvements (from an already high base).

The average IT rating is lower, at circa 70%, reflecting the age of some systems (e.g. ██████████), testing of back-up plans and related matters.

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 3.4 INTERNAL AUDIT PROCEDURES

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;
- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The reasons for differences in the ratings assigned to the same control question by different IBDs;
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.
- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation / supporting evidence

### 3.5 OPINION

In our opinion:

The effectiveness ratings assigned to the financial control and IT control processes within scope are reasonable and, for the sample tested, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

## INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Summary of Effectiveness Ratings								
Section	Process Area	TV	Radio	News	Digital	Orchestras	2rn	Average
<b>A</b>	Purchasing and Accounts Payable	83%	83%	83%	83%	83%	85%	83%
<b>B</b>	Sales and Accounts Receivable	93%	96%	N/A	90%	95%	89%	93%
<b>C</b>	Inventory	89%	79%	100%	Immaterial	N/A	75%	86%
<b>D</b>	Cash and Treasury	90%	90%	90%	90%	90%	85%	89%
<b>E</b>	Fixed Assets	91%	94%	94%	88%	90%	97%	92%
<b>F</b>	People Payments	85%	93%	93%	95%	88%	97%	92%
<b>G</b>	Management Accounts / Financial Close	92%	98%	93%	98%	98%	96%	96%
<b>H</b>	Tax Compliance	100%	100%	100%	100%	100%	100%	100%
<b>I</b>	Information Technology							
	Central IT Systems (██████████)	74%	74%	74%	74%	74%	74%	74%
	Sales Booking systems	79%	79%	N/A	56%	Outsourced	Manual	71%
	Inventory Management systems	66%	Manual	N/A	Manual	N/A	N/A	66%

**Section A: Purchasing and Accounts Payable**

**(Completed by: Central Purchasing and Central Accounts Payable. 2rn: completed separately)**

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
1	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3	3	3	3	3	3	3
2	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3	3	3	3	3	3	3
3	Score the effectiveness of the procedures and controls over the receipting of goods and services	3	3	3	3	3	3.5	3
4	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3	3	3	3	3	3.5	3
5	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	4	4	4	4	4	4	4
6	Score the effectiveness of the procedures for confirming balances with suppliers	3	3	3	3	3	4	3
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3	3	3	3	3	3	3
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	3	3	3	3	3	3	3
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4	4	4	4	4	3	4
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4	4	4	4	4	4	4

**Total Score for Purchasing and Accounts Payable Processes**

<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>34</b>
83%	83%	83%	83%	83%	85%



**Section B: Sales and Accounts Receivable**

(Completed by: Central, except for questions 12, 14 and part of 19. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	4	4	N/A	4	4	3.5	4
12	Score the effectiveness of the procedures and controls over the processing of customer orders	3.5	4	N/A	3	N/A	3	3
13	Score the effectiveness of the procedures and controls over the invoicing of customers	3.5	3.5	N/A	3.5	3.5	3.5	4
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer	3.5	4	N/A	3	N/A	4	4
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	4	4	N/A	4	4	4	4
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3	3	N/A	3	3	3	3
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4	4	N/A	4	4	4	4
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4	4	N/A	4	4	3	4
19	Score the effectiveness of reconciliation procedures and controls	4	4	N/A	4	4	4	4

*Total Score for Sales and Accounts Receivable Processes*

<b>33.5</b>	<b>34.5</b>	<b>N/A</b>	<b>32.5</b>	<b>26.5</b>	<b>32</b>
93%	96%	N/A	90%	95%	89%

**Section C: INVENTORY**  
**(Completed by: Each IBD)**

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)	3.8	3.5	4	4	N/A	3	3.7
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.	3.5	N/A	4	N/A	N/A	3	3.5
22	Score the effectiveness of the procedures and controls over stock movements	3.5	3	4	2	N/A	3	3.1
23	Score the effectiveness of the month end inventory accounting procedures	3.5	3	4	N/A	N/A	3	3.4

*Total Score for Inventory Processes*

14.3	9.5	16	6	N/A	12
89%	79%	100%	75%	N/A	75%

**Section D: Cash and Treasury**

**(Completed by: Central Banking and Treasury. 2rn: completed seperately)**

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3	3	3	3	3	3	3
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5	3.5	3.5	3.5	3.5	3.5	4
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4	4	4	4	4	4	4
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	3.5	3.5	3.5	3.5	3.5	3.5	4
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4	4	4	4	4	3	4
29	Score the effectiveness over the recording of borrowings	4	4	4	4	4	4	4

*Total Score for Cash and Treasury Processes*

<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>17</b>
90%	90%	90%	90%	90%	85%

**Section E: Fixed Assets**  
**(Completed by: Each IBD)**

	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.5	3.5	3	3	3	3.5	3.3
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	3.5	3.5	4	4	3.75	4	3.8
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	3.75	4	4	4	4	4	4.0
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.75	4	4	3	N/A	4	3.8

*Total Score for Fixed Assets Processes*

14.5	15	15	14	10.75	15.5
91%	94%	94%	88%	90%	97%

**Section F: People Payments**

**(Completed by: People Payments: questions 33, 34 & 37. Each IBD: questions 35 & 36. 2rn: completed separately)**

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	4	4	4	4	4	4	4.0
35	Score the effectiveness of the procedures and controls over the payment of Fees	3.5	3.5	3.5	3.5	3.5	N/A	3.5
36	Score the effectiveness of the procedures and controls over the processing of personal expenses	3.5	3	4	3.5	3	3.75	3.5
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	2	4	3	4	3	3.75	3.3
38	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	4	4	4	4	4	4	4.0

**Total Score for People Payments Processes**

17	18.5	18.5	19	17.5	15.5
85%	93%	93%	95%	88%	97%

**Section G: Management Accounts / Financial Close**  
**(Completed by: Each IBD)**

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
39	Score the effectiveness of the monthly management accounts preparation process	4	4	4	4	4	4	4.0
40	Score the effectiveness of the monthly management accounts review and clearance process	3.85	3.5	4	4	4	4	3.9
41	Score the effectiveness of the financial close procedures and controls	3.5	4	3	4	4	3.5	3.7
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	4	4	4	3.5	3.75	3.8
43	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.5	4	3.5	3.5	4	4	3.7

*Total Score for Management Accounts / Financial Close Processes*

<b>18.35</b>	<b>19.5</b>	<b>18.5</b>	<b>19.5</b>	<b>19.5</b>	<b>19.25</b>
92%	98%	93%	98%	98%	96%

**Section H: Tax Compliance**  
**(Completed by: Corporate Centre)**

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
44	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	4	4	4	4	4	4	4.0
45	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	4	4	4	4	4	4	4.0

**Total Score for Tax Compliance Processes**

<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
100%	100%	100%	100%	100%	100%

**Section I: Information Technology**

**(Completed by: IT personnel in Central IT, Central HR, Central Finance and the IBDs)**

No.	Question	TV	Radio	News	2rn	Digital	Orchestras
A	Score the effectiveness of the access controls to the [redacted] ERP system	4	4	4	4	4	4
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	2	2	2	2	2	2
C	Score the effectiveness of the back-up procedures for software and transaction listings	4	4	4	4	4	4
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	3	3	3	3	3	3

Total Score for [redacted]

13	13	13	13	13	13
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A	Score the effectiveness of the access controls to [redacted]	3.5	3.5	3.5	3.5	3.5	3.5
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	2	2	2	2	2	2
C	Score the effectiveness of the back-up procedures for software and transaction listings	2.5	2.5	2.5	2.5	2.5	2.5
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	2.5	2.5	2.5	2.5	2.5	2.5

Total Score for [redacted]

10.5	10.5	10.5	10.5	10.5	10.5
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**Section I: Information Technology (Cont'd)**

No.	Question	TV	Radio	News	2rn	Digital	Orchestras
A	Score the effectiveness of the access controls to [REDACTED]	4	4	4	4	4	4
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	2	2	2	2	2	2
C	Score the effectiveness of the back-up procedures for software and transaction listings	4	4	4	4	4	4
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	2	2	2	2	2	2

Total Score for [REDACTED]

12	12	12	12	12	12
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**Consolidated Score for Centralised IT Systems**

35.5	35.5	35.5	35.5	35.5	35.5
74%	74%	74%	74%	74%	74%

TV	Radio	News	2rn	Digital	Orchestras
[REDACTED] k	[REDACTED]	N/A	Manual	[REDACTED]	Manual

**Sales Booking Systems**

A	Score the effectiveness of the access controls to computerised sales systems	3.6	3.6	N/A	N/A	3	N/A
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	3.5	3.5	N/A	N/A	1	N/A
C	Score the effectiveness of the back-up procedures for software and transaction listings	2.5	2.5	N/A	N/A	2	N/A
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	3	3	N/A	N/A	3	N/A

**Consolidated Score for Sales Booking Systems**

12.6	12.6	N/A	N/A	9	N/A
79%	79%	N/A	N/A	56%	N/A

TV	Radio	News	2rn	Digital	Orchestras
█	Manual	N/A	N/A	N/A	N/A

**Section I: Information Technology (Cont'd)**

**Inventory Management System** █

<b>A</b>	Score the effectiveness of the access controls to █	2	N/A	N/A	N/A	N/A	N/A
<b>B</b>	Score the effectiveness of the plans to ensure continuity in the event of a disaster	2.5	N/A	N/A	N/A	N/A	N/A
<b>C</b>	Score the effectiveness of the back-up procedures for software and transaction listings	3	N/A	N/A	N/A	N/A	N/A
<b>D</b>	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	3	N/A	N/A	N/A	N/A	N/A

**Score for IBMS**

10.5	N/A	N/A	N/A	N/A	N/A
66%	N/A	N/A	N/A	N/A	N/A

**APPENDIX A**  
***INTERNAL CONTROL: BACKGROUND***

### APPENDIX A: INTERNAL CONTROL: BACKGROUND

#### 1.1 WHAT IS INTERNAL CONTROL?

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives in terms of:

- Strategic and financial goals (including the effectiveness and efficiency of operations);
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

#### 1.2 COMPONENTS OF INTERNAL CONTROL

Internal control consists of the following five interrelated components. All five components must be present and functioning effectively to conclude that internal control is effective.

**Components of Internal Control** (*source: COSO pyramid*)



##### **Control Activities**

Control activities are the policies and procedures that help ensure management directives are carried out. A critical aspect of internal control, control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as such as:

- approvals;
- authorisation levels and verification controls;
- reconciliations;
- reviews of operating performance;
- security of assets; and
- segregation of duties.

##### **Risk Assessment**

Risk assessment is the identification and analysis of relevant risks which could affect the achievement of an organisation's objectives.

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### ***Control Environment***

The control environment sets the tone of an organisation and is the foundation for all other components of internal control. Examples of control environment factors include:

- the integrity, ethical values and competence of personnel, including Codes of Business Conduct, Good Faith Reporting etc;
- the way management assigns authority and responsibility and organises its people (organisational structure); and
- management's philosophy and operating style.

### ***Information and Communication***

Relevant information must be identified, captured and communicated in a form and timeframe that enables personnel to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information, which make it possible to run and control the business. Information systems are therefore an important part of internal control. There also needs to be effective communication with external parties, such as customers, suppliers and regulators.

### ***Monitoring***

Internal control systems need to be monitored through a process that assesses the quality of the system's performance over time. This is accomplished by ongoing monitoring activities, audits and specific evaluations. Internal control deficiencies should be reported upwards through the organisation structure, with serious matters reported to top management and the board.

## **1.3 INTERNAL CONTROL: ROLES AND RESPONSIBILITIES**

Everyone in an organisation has responsibility for internal control.

- *Management:* the CEO of an organisation is ultimately responsible and should assume "ownership" of the system. Responsibility for the establishment of more specific internal control policies and procedures is assigned to senior managers and other personnel responsible for the unit's functions. Of particular significance are *Financial Officers* and their staff, whose control activities cut across all operating units of an enterprise and have a key role in implementing internal control.
- *Board:* management is accountable to the board of directors, which provides governance and oversight of control activity.
- *Internal Auditors:* Internal auditors play a role in evaluating the effectiveness of control systems and contribute to ongoing effectiveness through the monitoring and reporting issues and control weaknesses.
- *Risk Management:* assist in the identification and management of risk and coordinate risk management efforts.

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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- *Other Personnel:* internal control is, to some degree, the responsibility of everyone in an organisation and therefore should be an explicit or implicit part of everyone's job description. Virtually all employees produce information used in the internal control system or take other actions needed to effect control.
- *External:* External auditors bring an independent and objective view to the assessment of internal control, contributing directly through the annual audit and indirectly by providing information useful to management and the board, via the management letter.

### 1.4 REVIEWING INTERNAL CONTROL

Guidance is available to assist Audit Committees to discharge their duties in this area. The guidance in the following two documents has been taken into account in determining the nature and scope of the assessment of the effectiveness of the system of internal control in RTÉ.

#### *Office of the Comptroller and Auditor General*

The Office of the Comptroller and Auditor General has issued guidance for completing the Code of Practice statement on internal financial control ("the C&AG Guidance"). The C&AG Guidance includes a set of questions to assist directors in considering the system of internal financial control, including:

- 1) Has the Board identified and analysed the risks pertaining to the accuracy of the financial statements?
- 2) Has the Board considered business risks?
- 3) After identifying risks, has the Board considered and determined:
  - their significance;
  - the likelihood of occurrence; and
  - the manner in which management should respond to those risks?
- 4) Has the Board examined the procedures in use by the Body which are designed to address the business risks? (Such procedures may include written procedures material; information processing controls such as authorisation limits, proper approval of transactions, design and use of documentation; physical controls; etc).

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### *The Turnbull Guidance*

The publication “Internal Control: Revised Guidance for Directors on the Combined Code” (commonly referred to as the Turnbull Guidance) provides clarification on the procedures which should be performed during a review of the effectiveness of a system of internal control. The Turnbull Guidance notes that the internal controls considered by the Board should include “*all material controls including financial, operational and compliance controls and risk management systems*”. The Guidance also suggests that, in performing a review of the effectiveness of internal control, the Board should:

- consider the significant risks and assess how they have been identified, evaluated and managed;
- assess the effectiveness of the related system of internal control in managing the significant risks;
- consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses; and
- consider whether the findings indicate a need for more extensive monitoring of the system of internal control.

The Turnbull Guidance includes a list of useful questions for the Board to assist it in assessing the effectiveness of the company’s risk and control processes. See *Appendix C* for further details.

### **1.5 LIMITATIONS OF INTERNAL CONTROL**

An internal control system, no matter how well operated, can provide only reasonable, not absolute, assurance to management and the Board regarding the achievement of an entity's objectives.

This is due to the limitations inherent in all internal control systems. These include the realities that judgments in decision-making can be faulty, and that breakdowns in control can occur because of errors and mistakes – whether simple administrative errors or serious mistakes in strategic decisions. Additionally, controls can be circumvented by the collusion of two or more people, or by management override of the system. Another limiting factor is that the design of an internal control system must reflect the fact that there are resource constraints and that the benefits of controls must be considered relative to their costs. Finally, shifts in government policy, competitors’ actions or economic conditions can be beyond the controls in place.

**APPENDIX B**  
***GUIDANCE FOR ASSESSING INTERNAL CONTROL***





**FINANCIAL REPORTING COUNCIL**

**INTERNAL CONTROL**

**REVISED GUIDANCE FOR DIRECTORS ON THE COMBINED CODE**

**OCTOBER 2005**

## **Five - Appendix**

### **Assessing the effectiveness of the company's risk and control processes**

Some questions which the board may wish to consider and discuss with management when regularly reviewing reports on internal control and when carrying out its annual assessment are set out below. The questions are not intended to be exhaustive and will need to be tailored to the particular circumstances of the company.

This Appendix should be read in conjunction with the guidance set out in this document.

#### **Risk assessment**

- Does the company have clear objectives and have they been communicated so as to provide effective direction to employees on risk assessment and control issues? For example, do objectives and related plans include measurable performance targets and indicators?
- Are the significant internal and external operational, financial, compliance and other risks identified and assessed on an ongoing basis? These are likely to include the principal risks identified in the Operating and Financial Review.
- Is there a clear understanding by management and others within the company of what risks are acceptable to the board?

#### **Control environment and control activities**

- Does the board have clear strategies for dealing with the significant risks that have been identified? Is there a policy on how to manage these risks?
- Do the company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and risk management and internal control system?
- Does senior management demonstrate, through its actions as well as its policies, the necessary commitment to competence, integrity and fostering a climate of trust within the company?
- Are authority, responsibility and accountability defined clearly such that decisions are made and actions taken by the appropriate people? Are the decisions and actions of different parts of the company appropriately co-ordinated?

- Does the company communicate to its employees what is expected of them and the scope of their freedom to act? This may apply to areas such as customer relations; service levels for both internal and outsourced activities; health, safety and environmental protection; security of tangible and intangible assets; business continuity issues; expenditure matters; accounting; and financial and other reporting.
- Do people in the company (and in its providers of outsourced services) have the knowledge, skills and tools to support the achievement of the company's objectives and to manage effectively risks to their achievement?
- How are processes/controls adjusted to reflect new or changing risks, or operational deficiencies?

### **Information and communication**

- Do management and the board receive timely, relevant and reliable reports on progress against business objectives and the related risks that provide them with the information, from inside and outside the company, needed for decision-making and management review purposes? This could include performance reports and indicators of change, together with qualitative information such as on customer satisfaction, employee attitudes etc.
- Are information needs and related information systems reassessed as objectives and related risks change or as reporting deficiencies are identified?
- Are periodic reporting procedures, including half-yearly and annual reporting, effective in communicating a balanced and understandable account of the company's position and prospects?
- Are there established channels of communication for individuals to report suspected breaches of law or regulations or other improprieties?

### **Monitoring**

- Are there ongoing processes embedded within the company's overall business operations, and addressed by senior management, which monitor the effective application of the policies, processes and activities related to internal control and risk management? (Such processes may include control self-assessment, confirmation by personnel of compliance with policies and codes of conduct, internal audit reviews or other management reviews).

- Do these processes monitor the company's ability to re-evaluate risks and adjust controls effectively in response to changes in its objectives, its business, and its external environment?
- Are there effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risk and control assessments?
- Is there appropriate communication to the board (or board committees) on the effectiveness of the ongoing monitoring processes on risk and control matters? This should include reporting any significant failings or weaknesses on a timely basis.
- Are there specific arrangements for management monitoring and reporting to the board on risk and control matters of particular importance? These could include, for example, actual or suspected fraud and other illegal or irregular acts, or matters that could adversely affect the company's reputation or financial position.

## **Part 2: Audit and Risk Committee Meeting of 9 April 2014**



## REPORT TO THE AUDIT AND RISK COMMITTEE

(REPORT ON RISK MANAGEMENT – RTÉ GROUP TOP RISKS; TOP RISKS OF BROADCAST DIVISIONS AND ORCHESTRAS; CORPORATE RISK REGISTERS. REPORT 2 OF 2)

**MEETING: 9<sup>TH</sup> APRIL 2014**

### Circulation

***Members of the Audit and Risk Committee:***

Seán O’Sullivan (Chairman)  
Karlin Lillington  
Eunice O’Raw  
Patricia Quinn  
Stuart Switzer

Emer Finnan *(Advisor to Audit  
& Risk Committee)*

***CC:***

Noel Curran (Director-General)  
Breda O’Keeffe (Chief Financial Officer)  
Cillian DePaor (RTÉ Group Secretary)  
Fiona O’Shea (Group Financial Controller)  
Ruaidhri Gibbons (KPMG Audit Partner)

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 1. OVERVIEW

#### 1.1 PURPOSE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to review, on behalf of the Board, the effectiveness of the internal control system in RTÉ; and
- Outline the work performed by Internal Audit and report the results of the audit testing undertaken.

#### 1.2 AUDIT METHODOLOGY

Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control. This work involved:

- 1) Coordinating the completion of **internal control self-assessment questionnaires**, followed by sample testing, to assess the:
  - Financial control environment
  - IT control environment
- 2) In conjunction with the Head of Statutory Compliance / RTÉ Risk Officer, assisting the divisions to update their **risk registers** – these are maintained by each division as a standalone Microsoft Excel document, with an overall summary outlining the top risks of the division.
- 3) Spot checks on compliance with the **Code of Practice for the Governance of State Bodies**

Given the large agenda, this work is being presented to the Audit and Risk Committee in two parts:

- 13 March 2014 – Top risks in 2m and in Digital; Corporate risk registers; Internal Financial Control.
- Today – RTÉ Group “Top Risks”; Top risks in Television, Radio, News and Current Affairs and Orchestras; Selected Corporate risk registers; Code of Practice for the Governance of State Bodies.



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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 1.3 CONCLUSION

After reviewing the documents presented at the meetings of 13 March 2014 and the 9 April 2014, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

- a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and
- b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2013. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

## **SECTION 2 – BUSINESS RISKS**

# REPORT TO THE AUDIT AND RISK COMMITTEE

## 2. BUSINESS RISKS

### 2.1 DOCUMENTATION BY IBDs

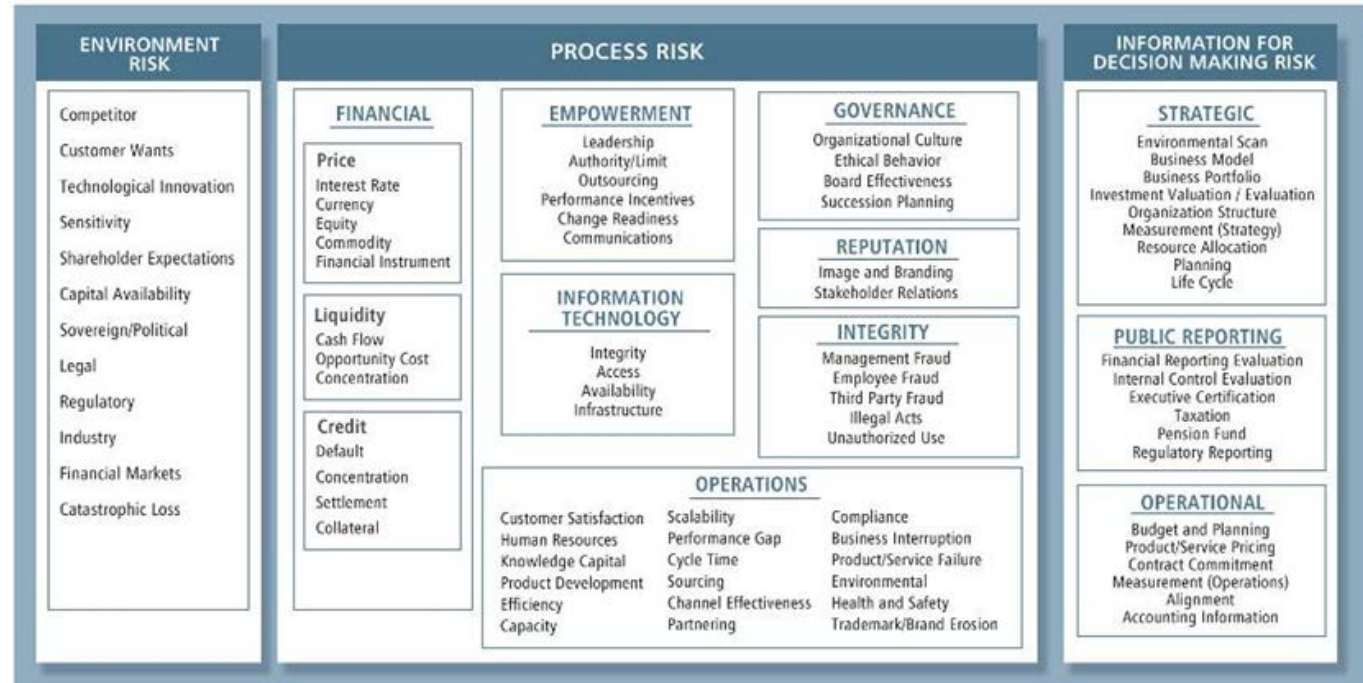
Each IBD completed an exercise which involved documenting:

- Its primary objectives, as per the Five-Year Strategy (*RTÉ Today, Tomorrow 2013 – 2017*);
- The key risks to the achievement of those objectives;
- Its assessment of the likelihood and impact (both financial and reputation) of each risk;
- The controls it has in place to manage each risk; and
- The “owner” of each risk.

### 2.2 RISK UNIVERSE FRAMEWORK

Any organisation is subject to a broad range of potential risk areas.

For the purpose of background information, the following risk universe provides an overview of the types of risks faced by a typical organisation of RTÉ’s size:



## REPORT TO THE AUDIT AND RISK COMMITTEE

### 2.3 DETERMINING RISK RATINGS

A large number of risks were identified by management across each of the IBDs. In order to prioritise risks and to identify the key risks in RTÉ, we used management's assessment of the significance and likelihood of each risk to calculate an overall risk rating for each risk, on a scale of 1 to 25. The following risk assessment matrix summarises the way in which each risk rating was calculated and maps the risk ratings to a general classification of low, moderate or high risk.

IMPACT	LIKELIHOOD				
	Negligible (1)	Low (2)	Moderate (3)	High (4)	Extraordinary (5)
Negligible (1)	1	2	3	4	5
Low (2)	2	4	6	8	10
Moderate (3)	3	6	9	12	15
High (4)	4	8	12	16	20
Extraordinary (5)	5	10	15	20	25

**Example:**  
 Likelihood of risk: High (score = 4)  
 Impact of risk: Moderate (score = 3)  
 ⇒ **Risk rating = 12 (4 x 3)**  
 i.e. **Moderate Risk**

Low Risk
Moderate Risk
High Risk

*(Note re: calculating risk rating:*

- In instances where management's assessment of the financial impact and the reputation impact of the risk is different, we have used the higher of the financial or reputation impact.
- In some cases where more than one risk had the same significance rating, management increased/decreased the significance ratings of individual risks by 1-2 points in order to place emphasis on the significance of one risk vis-à-vis another. As a result, the calculation of the significance rating may not correspond exactly to the risk assessment matrix in all cases).

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 2.4 BUSINESS RISKS

We have set out in the appendices to *Section 2* the “top risks” of the following divisions:

- Television
- Radio
- News & Current Affairs
- Orchestras

### 2.5 CORPORATE REGISTERS

Also set-out in the appendices are the risks of the following corporate functions:

- Human Resources
- Group Finance
- Technology (originally circulated in the pack for the 13 March 2014 meeting – now updated to reflect the prior year comparatives)

### 2.6 KEY RISKS – RTÉ GROUP

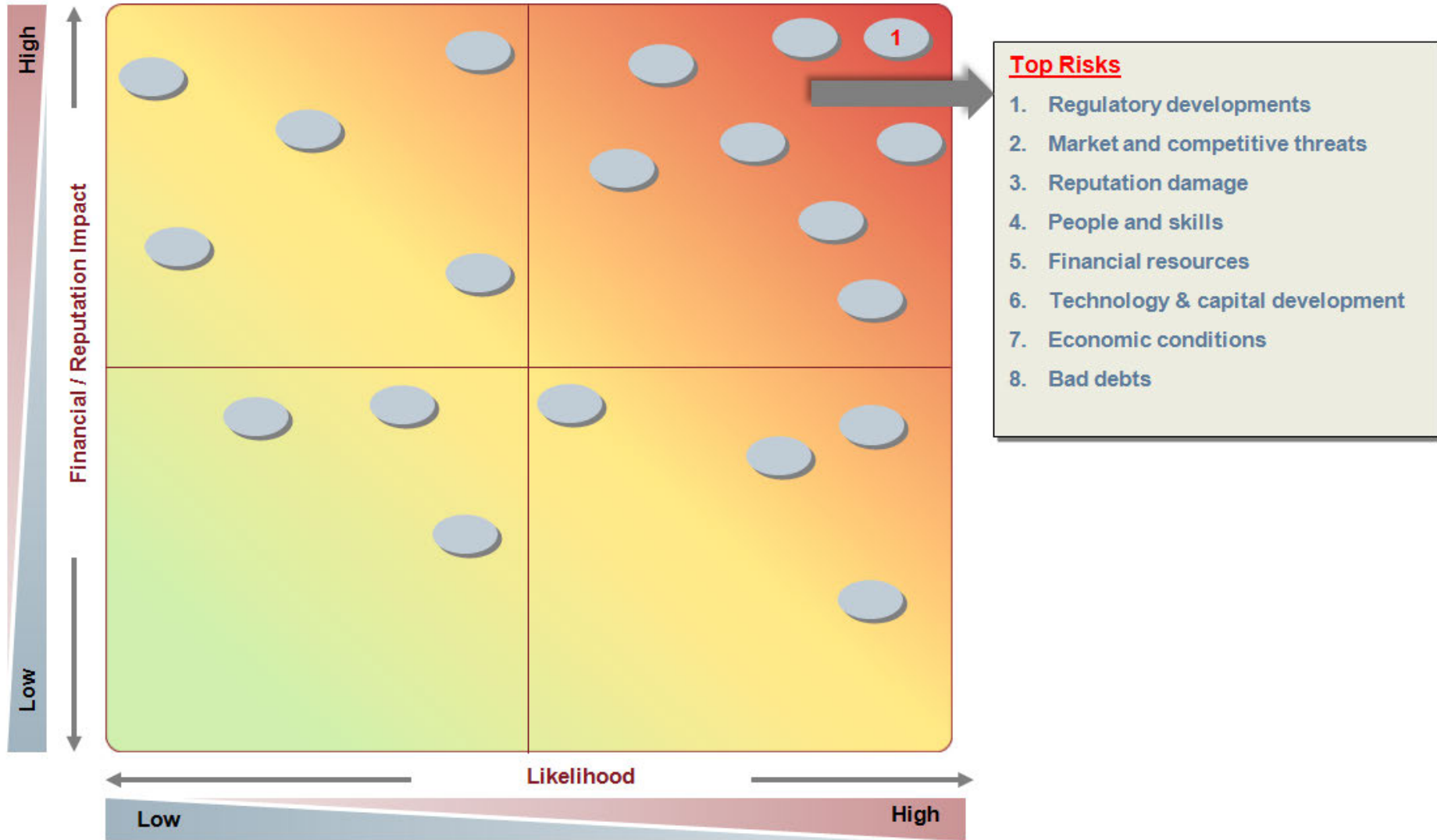
While the main objective of this exercise is to update the divisional risk registers, we have also identified the risks which have the highest average risk ratings in the risks registers of the individual IBDs (i.e. the “Top Group Risks”). These risks should be considered as being the key risks for the RTÉ Group as a whole.

The Top Risks of the RTÉ Group have been approved by the members of the Executive and are set-out overleaf. The listing of the top risks will form a key input to the Audit and Risk Committee’s own risk work programme for the remainder of 2014.

The ranking of each risk has been determined based on the average risk rating for each risk across the divisions. Judgment has been exercised in determining the ranking, with some of the risks having similar significance ratings. Rather than focusing excessively on the ranking of one risk vis-à-vis another, the Top Risks should be viewed as important risk areas which need ongoing attention and management (i.e. the risks in the top right quadrant below).

The following is an illustration of the top risks on a risk map, which maps the likelihood and significance of risks.

Illustrative RTÉ Risk Map



## **RTÉ GROUP - TOP RISKS**

## RTÉ Group Top Risks - 2014

Rank	Risk Category	Description of Risk	Trend v Last Year
1	Legal and Regulatory Compliance Risk	The impact of <b>Regulatory developments</b> , such as the proposed introduction of a household-based <b>Public Service Broadcasting Charge</b> in early 2015. Other regulatory threats include: (a) challenges to RTÉ's public or commercial revenue, or new charges on the Licence Fee; (b) changes to advertising / sponsorship regulations; (c) slow response by the BAI to PVTs / submissions, impacting RTÉ's ability to commercially exploit new strategic opportunities and (d) unfavourable regulatory decisions impacting 2m, or 3rd party challenges to how RTÉ operates 2m.	↑ (2)
2	Commercial and Market Risk	<b>Market and Competitive</b> threats, such as:  <ul style="list-style-type: none"> <li>Increasing presence of competitors in the marketplace, including the knock-on impact on the distribution of RTÉ services;</li> <li>Increased opt-out advertising and greater fragmentation of audiences due to competing services, new market entrants and, in Television, the impact of further digital penetration;</li> <li>In Television and Digital, the challenge of monetising new viewing habits arising from increasing PVR and non-linear TV viewing (VOD, iPad, Smartphones);</li> <li>High Reliance on a small number of advertising agencies and clients, allied to increased market concentration due to a smaller number of buying groups and greater UK based decision making on advertising spend.</li> </ul>	↑ (4)
3	Broadcast / Editorial Risk	<b>Reputation Damage</b> - damage to RTÉ's reputation arising from a failure to comply with editorial standards and obligations to fairness, impartiality and privacy, resulting in defamation claims and negative publicity.	↑ (5)
4	Operational Risk	<b>People and Skills</b> risks arising from organisational change:  <ul style="list-style-type: none"> <li>Deficits in experience, skills and succession planning following staff departures over recent years;</li> <li>Insufficient training, development and knowledge sharing, compounding existing gaps;</li> <li>Failure to deliver the improvements in work practices and the collaborative, innovative working culture needed to absorb the extra work load for staff members remaining in the organisation.</li> </ul>	↓ (3)  <i>(Slightly restated from prior-year)</i>
5	Financial Risk	<b>Lack of Financial Resources</b> to invest in:  <ul style="list-style-type: none"> <li><b>Indigenous content</b> such as indigenous programming output; sports rights; new digital product and services; etc.</li> <li>The funding of the <b>capital investment</b> programme;</li> <li>Key <b>programme acquisitions</b>, in an environment of increased licencing of joint UK / Ireland acquisition rights by dominant foreign broadcasters, and / or price pressures.</li> </ul> <p>This may lead to a potential dilution of RTÉ's public service value or a failure to deliver the public service objects as set down in legislation and in the RTÉ Strategy 2013 - 2017.</p>	↑ (6)
6	Operational Risk	<b>Technology &amp; Capital Development</b> risks:  a) Loss of competitiveness and market share due to a failure to roll-out new broadcast (e.g. HD Studios) and other technologies on a variety of platforms in a timely manner; b) Failure to deliver key strategic technology projects on time and budget; c) Under-investment in technology infrastructure; d) <i>[The impact of a) - c) leading to]</i> Obsolescence in technology, combined with single points of failure in critical broadcast infrastructure, potentially impacting broadcast continuity and output.	↑ (7)
7	Economic Risk	<b>Economic Conditions</b> in Ireland and the Eurozone impacting commercial income, licence fee evasion and, consequently, cash reserves / funding requirements.	↓ (1)
8	Financial Risk	<b>Bad Debt</b> events e.g. an advertising agency or a customer defaults on a debt; failure of RTÉ debtors to meet the T&C's of the credit insurance provider in order to have the debt covered by the credit insurance policy	→



## **RISK REGISTER – Television**

**Top Risks in Television IBD - 2014**

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Versus Rank in Prior Year
1	<p><b>Market and Competitive Threats:</b></p> <p><b>(1a)</b> Increasing competitive threats leading to falls in commercial impacts &amp; revenue and the non-achievement of <b>revenue and market share targets:</b></p> <ul style="list-style-type: none"> <li>- Entry of new competitors into the marketplace;</li> <li>- Increasing levels of UK TV Channels selling opt-out advertising in Ireland;</li> <li>- Continuing trend of decision making re marketing investment in Republic of Ireland moving offshore and further consolidation of Agency groups;</li> <li>- Inability to accurately measure non-linear TV viewing (VOD, iPad, Smartphones etc) will impede an integrated sell of viewing to RTE content; and</li> <li>- Increasing use of PVR leading to loss of revenue.</li> </ul>	TV Content and Editorial Board	High	Extraordinary	High	24	<ul style="list-style-type: none"> <li>a) Review particularly competitive times in the schedule to identify recommendations and actions to improve competitiveness. (Review done when compiling following years schedules for planning and budget purposes and also on an ongoing basis.)</li> <li>b) Daily tracking of audience performance via ratings and weekly monitoring of commercial impacts across all audiences. All major changes discussed at TV Content and Editorial Board / TV Board.</li> <li>c) i) Corporate Editorial where programme performance, trends and competitors are reviewed. ii) TV Content and Editorial Board where TV programme performance is reviewed, competitors assessed etc.</li> <li>d) Review of output performance</li> <li>e) On-Line Audience Reaction Panel which gives daily responses to programmes and can be tailored for specific research.</li> </ul>	↑ (4)
	<p><b>(1b)</b> Competitive threat leading to continued <b>fragmentation</b> of the TV market (around 800 channels were available in Ireland in 2013).</p>	TV Content and Editorial Board	High	High to Extraordinary	High	24	<ul style="list-style-type: none"> <li>a) RTÉ platform contracts with Sky and UPC</li> <li>b) RTÉ's contract with Sky: defensive actions such as RTÉjr on Kids EPG and new DTT channels secured in contract</li> <li>c) Explore new technologies to connect with the audience such as mobile phone apps, tablets, mobile TV and social media initiatives.</li> <li>d) RTÉ Television continues to examine varied and compelling channel offering for the Saorview platform</li> <li>e) Participation in IBEC Audiovisual Federation Group</li> <li>f) UPC contract provides for Saorview channels in a prominent EPG location</li> </ul>	↓ (1)
2	<p><b>Regulatory and / or legislative developments</b> impacting negatively on RTÉ Television:</p> <ul style="list-style-type: none"> <li>- Advertising regulations (Trading restrictions, alcohol, HFSS, advertising to children etc.);</li> <li>- Slow decision making by Regulators - PVTs increasingly required for new strategic initiatives in Television;</li> <li>- Reduction in Licence Fee / extra changes in the collection system;</li> <li>- Broadcasting Legislation and BAI Regulations;</li> <li>- Regulatory impact of serious decline in commercial competition.</li> </ul>	TV Board	High	Extraordinary	High	23	<ul style="list-style-type: none"> <li>a) Meet and present to key decision makers including Competition Authority, BAI and DCENR</li> <li>b) Submissions made to BAI, EBU, European Commission etc. making RTÉ's case on sports rights, licence fee, advertising pricing, minutage etc.</li> <li>c) Secure economic and legal advice, or commission reports, as deemed necessary</li> <li>d) Jointly work with industry and advertising bodies to develop a coherent approach to advertising, sponsorship and product placement.</li> <li>e) Work with SPI, BAI, DCENR on Terms of Trade and related matters incl VAT</li> <li>f) Engage and work with other broadcasters, where appropriate, both in Ireland and internationally and also benchmark with other broadcasters.</li> </ul>	↓ (1)

Top Risks in Television IBD - 2014

Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	ersus Rank n Prior Year
<p><b>3</b> Cuts or insufficient <b>investment in the indigenous programming schedule</b> on RTÉ One and RTÉ Two leading to an erosion of competitiveness and a loss of market share, thereby resulting in a fall in commercial revenue and ultimately a potential dilution of RTÉ's PSB value</p> <p>[This risk also includes <b>poor programme investment decisions</b> resulting in a failure to provide a compelling programme offering to the audience (content, production values, etc.). Likelihood of this element of the risk occurring is low to medium.]</p>	TV Content and Editorial Board	High	Extraordinary	High	22	<p>a) Review estimated effect of programme cuts on audience share and commercial impacts before a cut is made, to assess damage to schedule and revenue</p> <p>b) All budget cuts which are being made to the Schedule are fully discussed and agreed by the TV Board to ensure that damage to the market share and Commitments is minimised</p> <p>c) Continue to look for value for money offerings in programme production models both for in-house and commissioned programmes in order to achieve better value and avoid programme cuts.</p> <p>d) Output Reviews which looks at output, share performance, audience demos., CPH, overall investment</p> <p>e) Continue to look for co-funding opportunities, advertiser funded models and other sources of funding which leverage RTÉ's investment</p>	↓ (2)
<p><b>4</b> <b>Loss of foreign acquisitions</b> (e.g. exclusivity first run on international series) and sports rights due to acquired programming inflation and / or dominant competing broadcasters acquiring exclusive UK and Ireland rights</p>	Dir. of Production and Acquisitions / Head of Sport	High	High	Moderate to High	20	<p>a) Strong relationships forged and contracts already in place with most key suppliers (acquisition deals, output deals)</p> <p>b) Acquisition contracts are closely monitored to give RTE the optimum licences and transmission rights / times.</p> <p>c) Acquisition Plan in place which will be updated each year tracking key rights and when they are due to expire.</p> <p>d) Networking with other Irish broadcasters on programme strategy, where appropriate</p> <p>e) Sports rights strategy and negotiation plans</p>	↑ (6)
<p><b>5</b> <b>People and skills</b> risks arising from organisational change, including:</p> <ul style="list-style-type: none"> <li>- Low and uncoordinated investment in training and career development compounding experience gaps;</li> <li>- Failure to deliver improvements in work practices needed to absorb the extra work load of staff members remaining in the organisation;</li> <li>- Deficits in experience, skills and knowledge.</li> </ul>	Director of Operations / Head of HR and other TV IBD Board Directors	High	High to Extraordinary	Moderate	19	<p>a) Change work processes, resource demand and organisation structures in order to manage departures of staff.</p> <p>b) Review international practices and look for best practise examples in other broadcasters</p> <p>c) Continue to negotiate work practice changes with staff and Unions: 13-point roster, TV reform agenda process and the broader 'Guidlina Principles' change document</p> <p>d) Use of project management skills to deliver restructuring change needed.</p> <p>e) Responsive changes to management structures and span of control</p>	↓ (3) <i>Risk slightly estated from prior year</i>
<p><b>6</b> Further <b>Economic Turbulence</b> in Ireland and the Eurozone adversely impacting commercial income and licence fee evasion.</p>	Commercial Director TV	High	Extraordinary	High	18	<p>a) The RTÉ Executive monitor fortnightly Board Revenue reports which includes market and economic commentary and rolling forecasts.</p> <p>b) Pricing strategy for Television Advertising</p> <p>c) Sales restructuring across IBD's implemented by the Commercial Director</p> <p>d) Implement further cross media selling of advertising and sponsorship packages.</p> <p>e) Monitor licence fee collection, household stats and calculated evasion rates. Action as necessary e.g. enagaement with stakeholders on issues</p> <p>f) Market intelligence, agency and client contacts</p>	↓ (5)

## Top Risks in Television IBD - 2014

Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Versus Rank in Prior Year
7 Lack of investment in ageing equipment resulting in <b>obsolescence</b> , breakdowns in technical systems and studio equipment, possibly <b>impacting output</b> .	Operations Director	High	Moderate to High	High	16	a) Periodic review of assets carried out to determine most at risk. b) Constant review of broadcast technology in studio and on site c) In drawing up Capital Budgets priority given to essential works to ensure no unplanned obsolescence in the lifetime of the plan.	↑ (8)
8 <b>Reputation damage</b> arising from editorial errors or inappropriate transmission, defamation / libel claims or negative publicity surrounding programming output	MD TV & TV Content and Editorial Board	High	High	High	16	a) Training for TV Producer/Director Group. b) Previewing of programmes for libellous content. c) Editorial meetings at IBD and corporate level and a new Editorial Standards Board now in place d) Defined editorial process and structure in TV e) Programme Standards Guidelines f) Programme Editorial Specifications for all Commissioned Programmes g) Centralised complaints mechanism h) Access to legal advice as necessary	↓ (7)
9 Loss of competitiveness and market share due to: - Delay in developing or rolling-out <b>new broadcast technologies</b> (upgrade studios to HD) in a timely and efficient manner and / or - A <b>failure to develop content on a variety of platforms</b> (DTT, mobiles, VOD, RTE Player), due to rights restrictions and or available funding.	CTO / Director of Operations / MD TV	High	High	High	15	a) Review uptake of HD ready TV sets by Irish consumers and take up of HD services with cable and satellite operators. b) RTÉ One HD and RTE Two HD offering on DTT c) Launch of RTE One +1, RTE Two HD, RTEjr, News Now following digital switchover d) Negotiation of rights across many platforms (acquisitions, commissions (terms of trade) e) Development of Digital Strategy across TV, Radio, On-line	→
10 A depleted independent sector and stagnant TV sector has resulted in a lack of dynamic <b>production companies and producers</b> , hampering innovation and risk taking.	Channel Controllers	High	High	High	15	a) Vary the combination and mix of programmes being commissioned b)	<b>New to Top Risks</b>
11 Loss of key <b>personnel</b> in operations and elsewhere in the business. Impacts on succession planning.	Head of HR / Dir. of Operations	High	High	Moderate	15	a) Continue to negotiate work practice changes with staff and Unions b) Responsive changes to management structures and span of control	<b>New to Top Risks</b>

**Note:** A fall in income is an overarching threat in Television IBD and is captured in risks 1 (*market threats*), 2 (*regulatory*), 3 (*impact on indigenous output*) and 6 (*further economic downturn*). Risks 1, 3 and 6, in particular, are largely interchangeable and are closely related in terms of the cause and effect relationship between these risks.

## **RISK REGISTER – Radio**

RADIO IBD - TOP RISKS 2014

Business Risk	Risk Owner	Likelihood	Financial Impact	Reputation impact	Significance rating (1-25)	High-Level Controls	vs Rank Prior Year
1 Quarterly and full year <b>commercial revenue</b> targets for 2014 are not achieved	Commercial Director	High to Extraordinary	High to Extraordinary	Moderate	20	<ul style="list-style-type: none"> <li>a) Responsive sales initiatives and actions aimed at addressing any decline</li> <li>b) Market intelligence from Radio Sales</li> <li>c) Benchmarking against competitors</li> <li>d) Continued monitoring and control from Finance Department - early identification of issues</li> </ul>	→
2 <b>Loss of audience share</b> due to:  (a) Gains by competitors - national and / or local competitors  (b) Inadequate engagement with audiences, e.g. marketing and promotion	MD Radio & Channel Heads	High	High	High	18	<ul style="list-style-type: none"> <li>a) Review of audience performance via review of JNLR reports</li> <li>b) Radio Board fortnightly meetings and actions</li> <li>c) Radio BD Comms. and Marketing Plan</li> <li>d) Ongoing review of Audience Research Panel (ARP) Data</li> <li>e) Commissioning of ad-hoc reports produced by selected market research companies/RTÉ audience research</li> </ul>	→
3 Failure to maintain <b>editorial quality</b> , resulting in a loss of audience and / or <b>reputation damage</b> .	MD Radio & Channel Heads	Moderate	High	High to Extraordinary	17	<ul style="list-style-type: none"> <li>a) Editorial Management structure, including Producers in Charge for all programmes</li> <li>b) Channel Editorial meetings, held weekly</li> <li>c) Programme Standards Guidelines, Social Media Guidelines (RTÉ Journalism Guidelines in N &amp; CA)</li> <li>d) Editorial Standards Board</li> <li>e) Access to legal advice</li> <li>f) Centralised complaints mechanism</li> <li>g) Training of staff</li> </ul>	→
4 <b>Regulatory developments</b> impacting RTÉ Radio	Commercial Director	High	High	Moderate	16	<ul style="list-style-type: none"> <li>a) Engagement with key stakeholders; submissions prepared and presented</li> <li>b) Track ASPC and monitor fulfilment to demonstrate value of licence fee</li> <li>c) Submissions to the BAI and DCENR, coordinated at a corporate level</li> <li>d) Secure economic and legal advice, and commission reports, as necessary</li> </ul>	↑ (7)
5 Worsening <b>economic downturn</b> resulting in further reductions in commercial revenue, licence fee income and a requirement for further cost reductions.	Radio Board	High	High	Moderate	16	<ul style="list-style-type: none"> <li>a) The Radio Board monitor sales reports and monthly management accounts.</li> <li>b) Cost control plans communicated to all Managers and to staff</li> <li>c) Processes to monitor the delivery of Cost Plan</li> <li>d) Focussed Monitoring of cost management areas</li> <li>e) Continued monitoring &amp; control by Finance Dept</li> <li>f) Monthly Income and Expenditure forecasts and cost review to identify variances against budget</li> </ul>	↓ (4)

RADIO IBD - TOP RISKS 2014

Business Risk	Risk Owner	Likelihood	Financial Impact	Reputation impact	Significance rating (1-25)	High-Level Controls	versus Rank in Prior Year
<p>6 Negative <b>Business Impact</b> due to <b>people and skills</b> issues:</p> <p>(a) Failure in succession planning and / or managing performance</p> <p>(b) Loss of key personnel</p> <p>(c) Inadequate resources arising from lower funding and headcount levels</p>	Radio Board	Moderate to High	High	Moderate to High	16	<p>a) Manpower plan, including age profile of all radio staff.</p> <p>b) Talent Development - plan and action</p> <p>c) Succession Plan in place for each Channel</p>	↓ (5)
<p>7 Business disruption or disadvantage arising from <b>organisational restructuring</b></p>	Radio Board	High	High	Moderate	16	<p>a) Internal communications processes to keep staff informed</p> <p>b) Regular meetings with employee representatives.</p> <p>c) Existence of dispute resolution process.</p> <p>d) Manpower planning group</p> <p>e) Changes in structures and operations as necessary to cope with staff departures</p>	↓ (6)
<p>8 <b>Credit Default</b> by an advertising agency or client on a debt owing to RTÉ</p>	Radio FD / Group Financial Controller / Radio Sales	Moderate	High	Moderate	14	<p>a) Credit Insurance in place</p> <p>b) Debtors listing: reviewed and monitored</p> <p>c) Credit references sought for new customers</p> <p>d) Monthly review of debtors by Radio FD with Central Finance and Radio Commercial Director</p>	→

## **RISK REGISTER – News & Current Affairs**

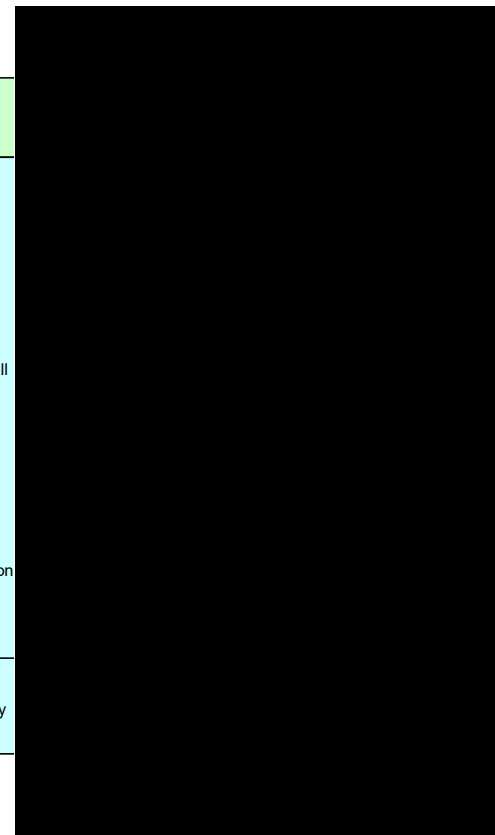


Top Risks in News and Current Affairs IBD - 2014

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Sus in Year
1	Failure to maintain <b>editorial standards</b> and comply with obligations to fairness, impartiality and privacy.	M.D. News & Current Affairs & Managing Editors	Moderate	High	Extraordinary	16	<ul style="list-style-type: none"> <li>a) Editorial management structure, ensuring clarity in the editorial management chain. The News management team has also expanded.</li> <li>b) Each programme has a responsible editorial manager</li> <li>c) RTÉ Journalism Guidelines</li> <li>d) System of daily editorial conferences</li> <li>e) Access to legal advice as necessary</li> <li>f) Editorial Standards Board</li> <li>g) Training - training session on Journalism Guidelines for all editorial staff; Investigative Journalism training</li> <li>h) Special editorial structure where necessary e.g. Election Steering Committee</li> <li>i) Centralised complaints mechanism</li> <li>j) Policy on timely corrections, clarifications and apologies, including escalation procedures, in circumstances where mistakes happen</li> <li>k) Spot checks on compliance with editorial standards and on staff members' familiarity with guidelines</li> <li>l) Physical reorganisation of newsroom to integrate Newsdesk more efficiently</li> </ul>	
2	Lack of <b>availability of resources</b> (especially staff) to maintain editorial standards and to implement programme developments / enhancements.	M.D. News & Current Affairs	High	Moderate	High	16	<ul style="list-style-type: none"> <li>a) Ongoing review of resource utilisation and effectiveness (with timely identification of actions), and prioritisation of output.</li> <li>b) Reorganisation of news roles, new approaches to news gathering, greater integration of broadcast and online activities.</li> </ul>	
3	<b>Loss of audience</b> to competing Television, Radio and Online news services, impacting audience share.	M.D. News & Current Affairs	High	High	High	16	<ul style="list-style-type: none"> <li>a) Ongoing viewing and monitoring of opposition</li> <li>b) Focussed research undertaken, where necessary</li> <li>c) Tracking of audience performance</li> <li>d) Responsive programme changes to broadcast and online offerings as necessary</li> </ul>	
4	Loss of, or disruption to, output / services due to <b>technological failure</b> , the use of new cheaper technology, or the loss of the skilled IT personnel needed to remedy the problem.	M.D. News and Current Affairs & Technology Manager	Moderate	Moderate	High	12	<ul style="list-style-type: none"> <li>a) Development of BD procedures &amp; technical support systems &amp; training.</li> <li>b) Development of inter IBD procedures &amp; technical support systems &amp; training.</li> <li>c) New corporate IT structures to consolidate approach</li> <li>d) Business Continuity processes</li> </ul>	

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Versus Rank in Prior Year
5	<b>Editorial competition</b> from other media outlets for stories and breaking news coverage.	M.D. News & Current Affairs	Moderate	Negligible	High	12	<ul style="list-style-type: none"> <li>a) Ongoing viewing and monitoring of opposition</li> <li>b) Focussed research undertaken, where necessary and affordable.</li> <li>c) Tracking audience performance.</li> <li>d) Responsive programme changes.</li> </ul>	→
6	Loss of <b>audience</b> to competitors' non-news programme offerings, impacting audience share	M.D. News & Current Affairs	Moderate	High	Negligible	12	<ul style="list-style-type: none"> <li>a) Ongoing viewing and monitoring of opposition</li> <li>b) Focussed research undertaken, where necessary</li> <li>c) Tracking audience performance</li> <li>d) Responsive programme changes to our broadcast and online offerings as necessary</li> </ul>	→
7	Loss of <b>flexibility in delivering output</b> at certain times of the day (e.g. broadcast a breaking news item at short notice), impacting audience share and audience perception of RTÉ News services.	M.D. News & Current Affairs	Moderate	Low	Moderate to High	12	<ul style="list-style-type: none"> <li>a) Active planning of events to encourage flexibility</li> <li>b) Investment in technology to deliver new video mobile journalism solutions to enhance flexibility</li> <li>c) Investment in News Now and the launch of <i>Morning Edition</i>, providing greater opportunities to bring an item to air at short notice.</li> </ul>	→
8	Better use of <b>technology by competitors</b> , impacting efficiency and quality of output.	M.D. News & Current Affairs / Technology Manager	Moderate	Moderate	Moderate	10	<ul style="list-style-type: none"> <li>a) Ongoing review of trends and technological developments.</li> <li>b) Ongoing viewing and monitoring of opposition</li> <li>c) Research and development and trial of new solutions</li> <li>d) Role of Innovation Lead Technology to promote new solutions</li> <li>e) Investment in technology to deliver new video mobile journalism solutions to enhance flexibility</li> </ul>	↑ (9)

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Versus Rank in Prior Year
9	<b>Illegal or unethical acts</b> undertaken in the course of operations.	M.D. News & Current Affairs	Moderate	Moderate	High	10	<ul style="list-style-type: none"> <li>a) Editorial management structure, ensuring clarity in the editorial management chain. The News management team has also expanded.</li> <li>b) Each programme has a responsible editorial manager</li> <li>c) RTÉ Journalism Guidelines</li> <li>d) System of daily editorial conferences</li> <li>e) Access to legal advice as necessary</li> <li>f) Editorial Standards Board</li> <li>g) Training - training session on Journalism Guidelines for all editorial staff; Investigative Journalism training</li> <li>h) Special editorial structure where necessary e.g. Election Steering Committee</li> <li>i) Centralised complaints mechanism</li> <li>j) Policy on timely corrections, clarifications and apologies, including escalation procedures, in circumstances where mistakes happen</li> <li>k) Spot checks on compliance with editorial standards and on staff members' familiarity with guidelines</li> <li>l) Physical reorganisation of newsroom to integrate Newsdesk more efficiently</li> </ul>	↓ (8)
10	<b>Adverse regulatory developments</b> impacting the development of online news services.	Corporate & I.B D Management	Moderate	Moderate	Moderate to High	10	<ul style="list-style-type: none"> <li>a) Advocacy of RTÉ position in appropriate national and European fora</li> <li>b) Commission economic reports and analysis as necessary</li> </ul>	→



## **RISK REGISTER – Orchestras**

TOP RISKS - Orchestras Quartet & Choirs 2014

Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Versus Rank in Prior Year
<p>1 Failure, through <b>lack of adequate funding</b>, to meet public service commitments / RTÉ Board policy and published strategic planning initiatives as per the five year corporate plan (2013-2017). Reduced financial support for OQ&amp;C resulting in a diminution of the necessary <b>quality, artistic standard and range of output</b> in the programmes, particularly for the NSO.</p> <p>This risk reflects the economic downturn and budget cuts.</p>	2.1	High	High	High	21	<ul style="list-style-type: none"> <li>a) IBD Editorial Board reviews formal planning processes, fortnightly</li> <li>b) Editorial Line management of Orchestra Programmers</li> <li>c) Engagement of conductors/producers as necessary to deliver programmes</li> <li>d) Succession Planning/recruitment -only essential recruitment/replacement taking place</li> <li>e) Monitoring of developments in the industry and with competitors</li> <li>f) Strategic plan in place / monthly, quarterly and annual review</li> </ul>	<ul style="list-style-type: none"> <li>a) Minutes</li> <li>d) Submission to IBD Board for approval</li> </ul>	↑ (3)
<p>2 The real value of budgets is down for 2014, particularly affecting NSO and Chamber Music. This arises from continuing economic downturn, resulting in a <b>lack of financial resources</b> for musical talent.</p>	3.1	High	High	High	21	<ul style="list-style-type: none"> <li>a) Annual budget process and iterations together with assiduous monthly forecasting, particularly in H1 of 2014</li> </ul>	<ul style="list-style-type: none"> <li>a) Annual Budget book iterations</li> </ul>	→
<p>3 <b>Economic downturn</b> contributing to the non-achievement of commercial revenue targets from:</p> <ul style="list-style-type: none"> <li>- Box office sales</li> <li>- Facilities hire due to a fall in 3rd party demand</li> <li>- Economic downturn contributes to a reduction in the range of output</li> </ul>	3.2	High	High	High	20	<ul style="list-style-type: none"> <li>a) Formal monitoring of Box Office sales reports and weekly Venues Advance Sales reports. Actions taken to address any shortfalls identified.</li> <li>b) Ticket pricing review</li> <li>c) Closer working / initiatives with TV and Radio to help boost sales figures</li> </ul>	<ul style="list-style-type: none"> <li>a) i) Fortnightly, monthly IBD sales reports and ii) Venue advance sale reports</li> <li>b) Pricing reviews</li> </ul>	↓ (1)
						<ul style="list-style-type: none"> <li>a) Identification of all potential customers and contacts through intelligence gathering within IBD and from other IBDs and corporate centre</li> <li>b) Building of strategic relationships with best potential customers / agents / promoters and National Concert Hall</li> <li>c) Relationship-management of key customers</li> </ul>		
						<ul style="list-style-type: none"> <li>a) IBD Board and Orchestra Manager maximise commercial opportunities</li> <li>b) Fortnightly, monthly and quarterly review of costs and output being implemented at Board level</li> </ul>	<ul style="list-style-type: none"> <li>a) Management Accounts/Fin Reports</li> <li>b) Annual IBD budget / Commitment</li> </ul>	

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Versus Rank in Prior Year
4	There is effectively no budget for comprehensive audience research, resulting in a lack of knowledge or <b>understanding of audience preferences.</b>  Limited access to Box Office audience data (from the NCH) due to Data Protection considerations increase this risk.	1.1	High	High	High	20	a) Research carried out to build knowledge of audience and market b) Budget process c) Ongoing engagement with the NCH management re identifying options for increasing access to further customer information. d) Engagement with customers via Social Media	a) Informal in-venue data collection & joint	↑ (7)
5	<b>Human Resources risks:</b>  - Failure to recruit and retain musicians and particularly conductors of the highest international calibre  - Failure to identify gaps in existing skills and to address these gaps  - Staff vacancies (Executive Director and General Manager NSO)	2.2	High	Moderate	High	20	a) Maintain pool of available freelance talent b) Succession planning for key titled conductor posts in both orchestras c) Titled and Guest Conductor budgets d) General Succession Planning Policy e) Maintain programme budgets within agreed revised limits to remunerate musicians adequately f) Manpower plan and/or skills audit	a) Database of available talent	↑ (8)
6	<b>Industrial action</b> leading to disruption of work, particularly in the case of the RTÉ NSO.	2.3 4.1	High	Moderate to High	High	17	a) Partnership process at IBD and Corporate level.	a) Agreed Partnership communiques	↑ (9)
7	A potential lack of resources to improve the Orchestras web-site to drive <b>growth in on-line sales.</b>  (This is pending the preparation and review of formal capital justification / proposals and the risk, ultimately, will depend on the capital resources available to the organisation and prioritisation of same)	1.2	Moderate to High	Moderate	High	17	a) Collaboration with Digital IBD to develop website b) Submission of capital proposals in line with normal RTÉ procedures	a) Report of priority next steps	New

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Res	Versus Rank in Prior Year
8	Failure to maintain and <b>develop collaborative relationships</b> with local arts and culture partner organisations, Promoters / Sponsors etc.	4.2	High	Moderate	Moderate	15	a) Increased focus on relationship-mgt with regional partners by orchestra managers, and the Marketing Dept (PR, marketing and sponsorship) - actions developed accordingly	a) Every alternate week at IBD Board and Editorial Board meetings	a)	↓ (6)
9	<b>Regional output</b> commitments are not achieved, impacting the perception of the national orchestras as being exclusively Dublin focused and not viewed as regional Orchestras.	1.3 2.4	High	Low	High	15	a) Clear internal reporting on unit cost of different categories of regional activity, achievement of best financial balance within policy priorities as part of IBD planning and budget-setting  b) Successful renegotiation of travel rules for orchestras will assist in controlling costs.	a) Ongoing financial reporting -fortnightly, monthly, quarterly  b) Monthly financial accounts and sales returns	a)  b)	↓ (4)

**Note:** The 2013 risk of *Strategic Planning* (ranked # 5) has fallen out of the top risks listing this year.

## **RISK REGISTERS – CORPORATE FUNCTIONS**



Risk Register - 2014				
Rank	Business Risk	Risk Rating	Key Controls	Rank in 2013
<b>Group Human Resources</b>				
1	Technology failure resulting in the non availability of the <b>PeopleSoft system</b>	High	a) A policy of no system changes or modifications to PeopleSoft (except for critical changes) b) Rigorous system and performance testing of all changes c) Support arrangements in place d) Technology security controls - anti-virus, data back-up etc.	(1)
2	Engaging staff or independent contractors with no or inappropriate <b>contracts</b> , or engaging agency staff without the appropriate approvals	Moderate to High	a) Dedicated Cross-Divisional Hiring and Contract Review Group b) Request for Engagement forms in respect of staff hires, with IBD MD approval c) Contracts must be in place and input to PeopleSoft before a payment can be made d) Segregation of duties - set-up, payment, local HR - in the hire process e) Restricted access to set-up a new employee on PeopleSoft f) Standard processes, checklists and forms within HRSS and training of staff g) Second check of contracts prior to issue in the HRSS	(2)
3	Adverse impact on <b>service</b> from the HRSS arising from the departure of staff, especially in the context of an increase in the number of contract renewals / new contracts issued	Moderate	a) Ongoing review of work practices and processes b) Workflow IT System being rolled-out, currently implemented in Radio IBD c) Regular tracking of service performance via internal statistics / KPIs	(3)
4	Non compliance with <b>Child Protection Policy</b> resulting in reputation damage and / or potential injury to children and young people while on site	Moderate	a) Child Protection Policy and briefing sessions for all divisions b) Health and Safety Officer in place to coordinate activity in this area c) Training and engagement with divisions	(6b)
5	Non compliance with <b>Health and Safety regulations</b> resulting in injury to staff, fines and potential adverse publicity and reputation damage.	Moderate to Low	a) Safety Statement and local 'method statements' in place outlining safe procedures to carry out the work c) Health and Safety Officer in place to coordinate activity in this area d) Training, especially where a regulatory requirement exists (Safe Pass, Working at Heights, etc.) e) Risk Assessments completed as required	(6a)
6	Business disruption resulting from <b>industrial unrest</b> (including unofficial action)	Low	a) Regular meetings with union representatives. b) Internal communications process to keep staff informed (newsletter, meetings etc.) c) Dispute resolution processes exist with dedicated staff in Corporate HR	(4)
7	Further <b>loss of key HR personnel</b> and skills, and a failure to have appropriate succession plans in place	Low	a) Succession planning and training b) Ongoing review of existing structures in light of changes in the business	(5)
8	Failure to implement <b>new working practices</b> and improve efficiencies, resulting in a failure to achieve targeted cost reductions	Low	a) Training for staff b) New HRSS processes in conjunction with local HR teams c) Automation of key tasks with a dedicated team focusing on management reporting matters/IT	(7)
9	Adverse impact of <b>business restructuring and change</b> such as staff 'burnout' and stress as staff take on new duties following the departure of colleagues; poor motivation of staff due to higher workload, post restructuring; increase in staff sick days taken; etc.	Low	a) Staff Welfare Policies set out in the Staff Manual b) Monitoring of sick leave via the HRSS c) Awareness and monitoring locally by HR teams d) All decisions on ERRF / VSF / Alternative Working Arrangements / etc. were assessed for business impact prior to making the "accept / reject" decision on each application	(8)
10	Inaccurate tracking and reporting on <b>headcount</b> / staff numbers	Low	a) Fortnightly validation of payroll and PeopleSoft data b) Monthly PeopleSoft audits to check data accuracy	(9)

Corporate Risk Register - 2014

Shared Services: Group Finance			
Business Risk	Risk Rating	Key Controls	
<b>Shared Services: Group Finance</b>			
1	Inaccurate TV licence sales figures provided by An Post / Department of Social Protection ("DSP") leading to potential misstatement of the Licence Fee income recognised by RTÉ	High	<ul style="list-style-type: none"> <li>a) Weekly/ monthly analysis of "over the counter unit sales" from An Post.</li> <li>b) Monthly review of DSP payment and reconciliation of movements in DSP database.</li> <li>c) Reconciliation of "over the counter" licence fee income prepared by An Post, quarterly in arrears.</li> <li>d) Meetings between CFO and DCENR.</li> </ul>
2	Increase in Television Licence Fee evasion <i>[Primarily a 3rd party risk]</i>  The trend of payments migrating to a monthly direct debit mechanism as a means of paying for the Television Licence Fee is a related risk. This trend increases the risk of direct debits being rejected by the bank, particularly following the implementation of SEPA, and increases the risk of the subsequent cancellation of direct debits by the customer.	High	<ul style="list-style-type: none"> <li>a) Marketing/awareness campaign in conjunction with An Post/ DCENR.</li> <li>b) Ongoing engagement with DCENR / An Post re: Licence collection methods</li> <li>c) Engagement between CFO / GFC and DCENR as regards all licence fee matters</li> <li>d) Regular monitoring of sales reports, including the patterns of direct debit sales</li> </ul>
3	An advertising agency or customer defaults on a debt owing to RTÉ <i>[This is a shared risk with the divisions - see divisional Risk Registers]</i>	High	<ul style="list-style-type: none"> <li>a) Credit insurance in place for all key agencies which limits RTÉ's exposure to bad debts. Adherence to terms of credit insurance policy.</li> <li>b) Credit references sought for all new customers, with advance payment procedures</li> <li>c) Monitor ongoing exposure to agencies including future bookings via weekly consolidated reporting</li> <li>d) Ongoing monitoring of aged debts and action taken regarding old or problematic debts by Accounts Receivable.</li> <li>e) Weekly reporting of top debtors to the Group Commercial Director / IBD Commercial Directors / CFO and FDs/FCs.</li> <li>f) Debtors queries, old debtors, slow paying debtors - reviewed at monthly Sales/AR meetings</li> <li>g) Meeting problem debtors in order to agree payment plans as and when they arise</li> </ul>
4	Incorrect / inappropriate taxation treatment adopted by RTÉ.  Changing Revenue attitude with respect to taxation matters, as evidenced, for example, by the August 2012 <i>Corporate Governance and Tax Compliance</i> correspondence to the Chairpersons of all Commercial State Bodies. The risk includes a potential change in the VAT treatment under new Terms of Trade (IPU Commissions)	Medium	<ul style="list-style-type: none"> <li>a) Professional taxation advisors engaged to provide advice on complex taxation matters</li> <li>b) Competent accounting staff employed, who keep up to date on developments in taxation</li> <li>c) Prudent provisioning for any doubtful items</li> <li>d) Taxation is a matter on the Board agenda</li> <li>e) Taxation compliance report completed by KPMG</li> <li>f) Annual training programme</li> </ul>
5	Misstatement / overpayment of a Fee payment (Contractor/Contributor etc.) or payment in excess of the agreed / contracted rate	Medium	<ul style="list-style-type: none"> <li>a) Formal approval procedures followed - costpool approval and finance approver</li> <li>b) Restricted access to update standing data for Northgate</li> <li>c) Certain contractors are paid based on standard rate codes, which are set-up in the system and not manually input</li> <li>d) IT controls within PeopleSoft - when a fee line is entered the system checks against the (max fee amount) maximum total amount for the entire contract</li> <li>e) Contracts in place outlining the agreed rates and the deliverables</li> </ul>
6	Financial risks associated with the migration to the Single Euro Payments Area (SEPA), such as the rejection of files transmitted electronically to the bank; delays in the receipt of salaries by employees due to bank processing issues; technical difficulties in the conversion of files; etc.	Medium	<ul style="list-style-type: none"> <li>a) Project plan in place to manage the migration</li> <li>b) Regular meetings with the main banking partners and with Northgate</li> </ul>
7	Inappropriate or fraudulent tendering procedures	Medium	<ul style="list-style-type: none"> <li>a) Evaluation team for contract tenders and the use of evaluation criteria</li> <li>b) Involvement/oversight of the purchasing department in all EU / National tenders</li> <li>c) Purchasing Procedures and Guidelines document</li> <li>d) Segregation of duties - tendering, ordering, supplier set-up and invoicing</li> <li>e) Code of Business Conduct for Staff Members - posted on RTÉ.ie</li> </ul>

**Corporate Risk Register - 2014**

**Shared Services: Group Finance**

Business Risk		Risk Rating	Key Controls
8	Inappropriate payments, and / or material commitments entered into, on behalf of RTÉ	Medium	a) Commitment approval sought in advance of awarding major contracts. b) Purchase order approval process, with tiered delegated approval limits c) Segregation of duties between supplier set-up, ordering, invoice processing and settlement d) Purchasing Procedures and Guidelines document
9	Breach of banking covenants in place for borrowings [2m and RTÉ risk]	Medium to Low	a) Quarterly review process in place in 2m (see 2m Risk Register); Half-Year / Annual review processes in the case of RTÉ - the reviews involve a historic and forward looking review
10	A bank, with which RTÉ deposits its cash resources, goes bankrupt leading to loss of funds	Low	a) Minimum credit rating, as defined by the Treasury Policy, needed before RTÉ may lodge cash with a bank (primarily funds invested with Irish financial institutions).
11	Failure to monitor and forecast cash position in an effective manner resulting in: - RTÉ unknowingly running out of cash resources; or - RTÉ experiencing temporary cash flow difficulties, overdraft costs, loss of interest income etc.	Low	a) Detailed cash analysis on a daily basis and annual cash flow projections (2013 - 2017) updated regularly. b) Monthly management accounts, incorporating cash flow statement and liquidity KPI's
12	Errors or misstatement in the presentation of the revised Television Licence Fee Attribution disclosure in the Group Financial Statements as at 31 December 2013.	Low	a) Formally documented allocations process and manual in place b) Formal review and sign-off by the IBD FDs / FCs
13	Misstatement of Payroll costs as part of processing	Low	a) Fortnightly validation of Payroll paid personnel with PeopleSoft data. b) Review of budget versus actual of payroll costs and investigation of differences c) Validation by costpool managers, of individuals paid through their costpool
14	Misappropriation of RTÉ funds i.e. fraudulent cheque or bank withdrawals, theft of cash	Low	a) Most customers pay by cheque or EFT - very limited cash transactions b) Petty cash is maintained in locked cabinets / drawers to prevent theft c) Petty Cash reconciliations are carried out at regular intervals d) Cheque books are stored in locked cabinets. e) Cheque payments and bank withdrawals require two authorised signatories f) Electronic payments made to creditors are approved by the Group Financial Controller and CFO prior to payment.
15	Inappropriate and / or unauthorised foreign exchange contracts entered into on behalf of RTÉ	Low	a) Treasury policy in place b) Foreign exchange contracts entered into based on detailed rolling foreign currency projections c) Foreign currency exchange contracts are signed by two authorised signatories, normally the CFO and the DG.

**Note:** There were no material changes to the rankings of risks as compared to those listed in the 2013 Risk Register.

Technology Risk Register - February 2014				
Rank	Risk Category	Business Risk	Risk Rating	Rank Versus 2013 <sup>2</sup>
1	Operational Risk	<b>Single points of failure</b> in critical broadcast infrastructure, negatively impacting broadcast continuity and output. Examples include the single playout facility in the TV Building (i.e. no second off-site facility) and the single point of failure in the Sky uplink disk in the 'satellite farm'.	High	↑ (2)
2	Financial Risk	<b>Financial resource constraints</b> leading to under-investment in technology infrastructure and systems resulting in continued "sweating" of ageing and legacy equipment, which could lead to operational impacts and inefficiencies.	High	New
3	Market and Commercial Risk	Loss of competitiveness and market share due to a <b>delay in rolling-out new broadcast technologies</b> , especially delays in upgrading studios to High-Defintion in a timely manner.	High	↓ (1)
4	Operational Risk	<b>People and skills</b> risk to include: a) Skills development impacted by insufficient training and development plans being in place; and b) Insufficient knowledge sharing taken place previously.	Moderate	↓ (1) <i>Risk split into two risks this year</i>
5	Operational Risk	Resistance to implement revised work practices and to engage in more <b>collaborative, innovative working arrangements</b> . Ultimately, this may impact on the organsitional culture required to implement the RTÉ Strategy 2013-2017.	Moderate <sup>1</sup>	New
6	Operational Risk / Reputation Risk	Breaches in, or failure of, <b>IT security</b> resulting in reputation damage or lack of availability of key systems. This could arise due to intentional or unintentional misuse of RTÉ technology systems such as unauthorised access to, or inappropriate use of, IT systems.	Moderate	↓ (3)

1: Assessed as "moderate" for Technology personnel, and "moderate" in relation to RTÉ personnel generally.

2: This Register is not directly comparable to prior year due to the restructuring of IT and the establishment of a new Technology division replacing Central IT

**SECTION 3**  
***Code of Practice for the Governance  
of State Bodies***

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## REPORT TO THE AUDIT AND RISK COMMITTEE

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### 3. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

#### 3.1 INTRODUCTION

Published by the Department of Finance in June 2009, the revised Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

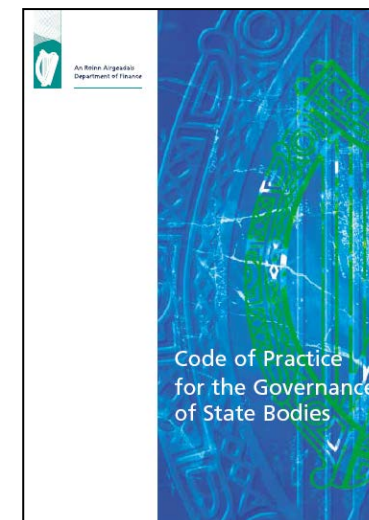
*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State bodies”.*

Board members and employees of State Bodies are required to follow the principles set out in the Code of Practice in order to ensure that all their activities “meet the highest standards of corporate governance”.

Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. On an annual basis, the Chairman of the Board is required to report to the Minister for Communications, Energy and Natural Resources on RTÉ’s compliance with the Code of Practice.

In addition to relying on the results of Internal Audit’s programme of work for 2013, we carried out spot checks on RTÉ’s compliance with the Code of Practice by selecting a sample of the activities covered by the DCENR’s own Code of Practice compliance checklist. (*This checklist was provided to RTÉ by the Broadcasting Policy Division in correspondence dated 17 June 2010.*) We noted no exceptions as part of this testing.

Further work to check compliance with the year-end / reporting requirements per the Code of Practice will be carried out in April 2014, as part of drafting the Chairman’s Annual Report to the Minister (in accordance with Section 13.1 of the Code of Practice).



#### 3.2 FINDINGS

The spot checks indicate that RTÉ remains compliant with the Code of Practice for the Governance of State Bodies. Our other audit work during the year did not highlight any other issues of non compliance with the Code of Practice.

# RTÉ Internal Audit

## Review of Travel & Subsistence

20 February 2015

**Circulation:**

Members of the Audit and Risk Committee  
Noel Curran, Director-General  
Executive

**Divisional Finance**

[Redacted text]



# Executive Summary: Objectives and Scope

## Background

### Overview

██████████ is RTÉ's electronic travel and subsistence system and was implemented in February 2003. It is integrated with Agresso and has workflow approval functionality.

RTÉ's Travel Policy is contained in Chapter 7 of the Staff Manual (6th Edition) and is posted on the travel section of the intranet. Amendments to the policy are communicated via the intranet, with the last material revision in 2008.

### Expense claims – process

All claims should be submitted using ██████████ in accordance with the RTÉ Travel Policy and must be made within 21 days of completion of the duty during which the expenditure was incurred. In summary:

- The claimant enters the details of the claim into ██████████
- Receipts are placed into a pre-printed travel receipts envelope by the claimant, showing the claim number, date of claim and the claimant's name
- Each approver is responsible for viewing and substantiating all receipts
- The claim is approved electronically
- The date of approval is written on the envelope by the approver and the sealed envelope is forwarded to the relevant Finance co-ordinator
- The Finance co-ordinators are responsible for ensuring that all envelopes are received and archived in approval date order

## Scope of audit

The scope of our audit was the employee expense claims processed through ██████████ during the period 1 January 2014 to 30 November 2014. We selected a sample of 40 claims and requested the relevant ██████████ envelopes. All IBDs and the Corporate Centre were within the scope of this review. We also carried out some high level analysis of the full population of transactions.

We tested the following:

- ✓ Verified an envelope was on file;
- ✓ Checked for evidence of the approver viewing the claim;
- ✓ Verified that valid receipts were retained;
- ✓ Checked that the details of those entertained was recorded; and
- ✓ Examined if all subsistence / mileage claims were made in accordance with the RTÉ Travel Policy.

Any instances of missing receipts are categorised as follows:-

Category	Description
A	<b>Major:</b> missing receipt for a purchase in excess of €500, or numerous higher value receipts.
B	<b>Intermediate:</b> missing receipts related to amounts greater than €100 but less than €500, or related to a number of missing low value receipts.
C	<b>Moderate:</b> missing receipts related to individual amounts of less than €100, or where the number / value of missing receipts was low in the context of the number of transactions.

The scope of our audit did not include:

- ✗ Expenses claimed via Purchase card – covered in a separate assignment;
- ✗ Club Travel – used by employees to book work related flights; and
- ✗ Taxi Voucher system – with payment subsequently made on account.

## Methodology

The full population was interrogated based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our “focused” random sample. In addition, a number of other ██████████ claims were selected randomly from the full population.

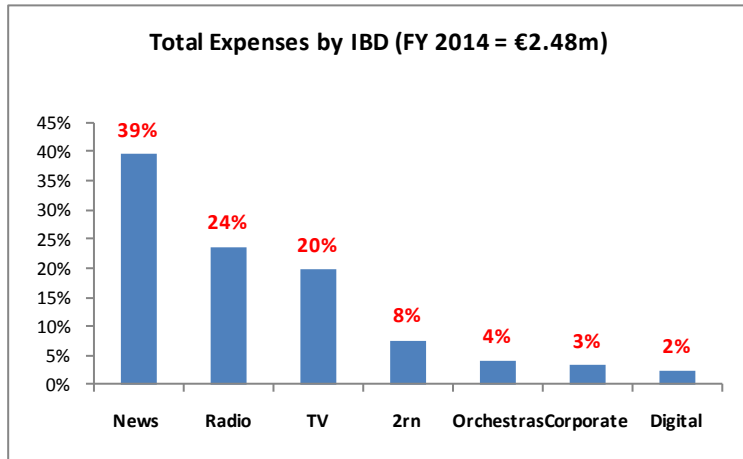
In total, 4/5 of our sample was based on the “focused audit tests” and a further 1/5 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.



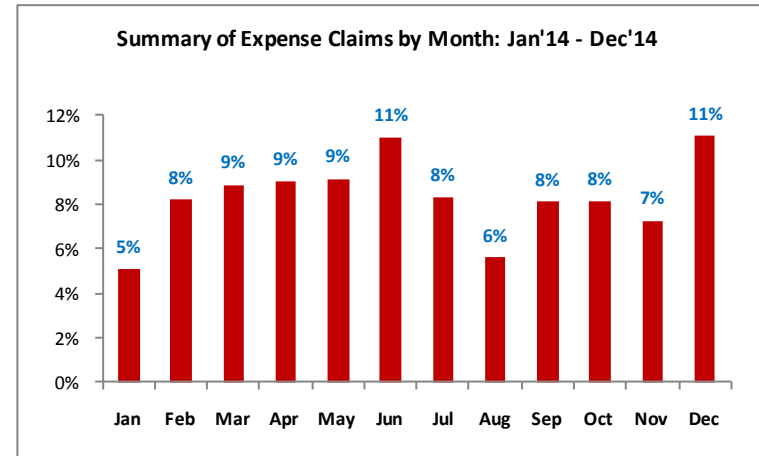
# Executive Summary: Financial Background

## Financial Background

(A)



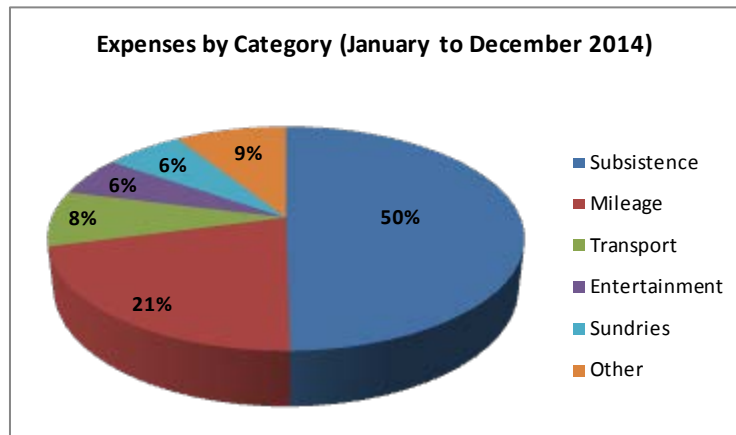
(B)



€2.5m of transactions were processed through RTÉ's [REDACTED] system in the twelve month period to 31 December 2014, up from €2.3m in the same period in 2013 (an increase of 8%). The largest spend is in News (39%), Radio (24%) and Television (20%). The total number of claims processed in the twelve month period was 11,582, up by 4% from the same period in 2013.

Claims peak before the year-end cut-off in December and in June as the Spring production season ends.

(C)

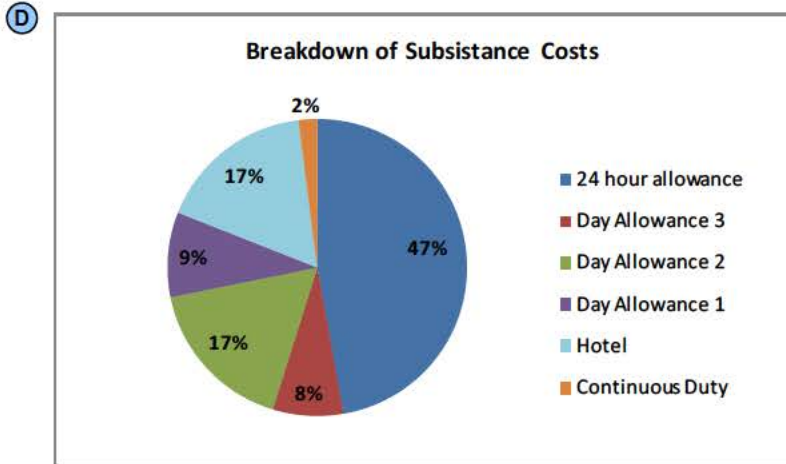


An analysis of spend by category is illustrated in chart C. Subsistence costs represent the highest expenditure for the period at 50%. This consists of subsistence claims and hotel costs.

Staff Mileage is 21%, followed by Transport, Entertainment and Sundries.

The "other expenses" category makes up 9% and comprises various expense captions: travel costs (6%), mobile phones (1%), make-up (1%), and any other (1%).

# Executive Summary: Summary Findings

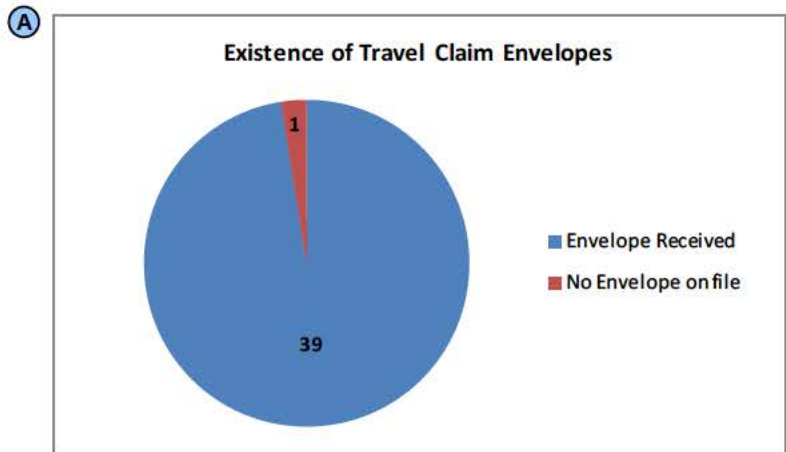


Daily allowance (“DA”) subsistence claims arise where the claimant is required to be away from their home or place of work. Claims are based on the hours worked. The 24 hour allowance is a flat rate allowance covering accommodation, meals, etc. for a 24 hour period.

Each of the DAs has a different monetary value based on the location of where the allowance is being claimed and the hours worked.

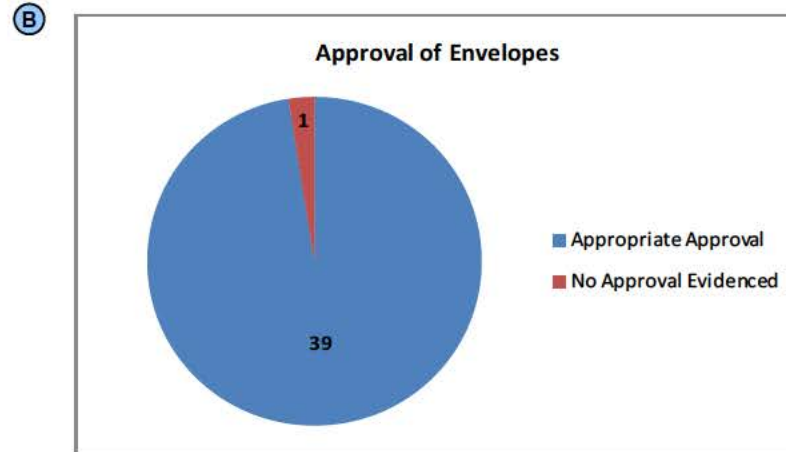
As shown in chart D across, nearly half (47%) of Subsistence expenditure is made up of the 24-hour daily allowance, followed by receipted hotel claims and the Day Allowance 2 (10 hours and up to 14 hours), each representing 17%.

## Summary Findings



### Existence of envelopes:

A [redacted] envelope was on file for 39 (98%) of the 40 claimants selected for testing. One envelope was not available for audit (2%). This is an improvement on the prior audit where 18% of envelopes were unavailable for testing.

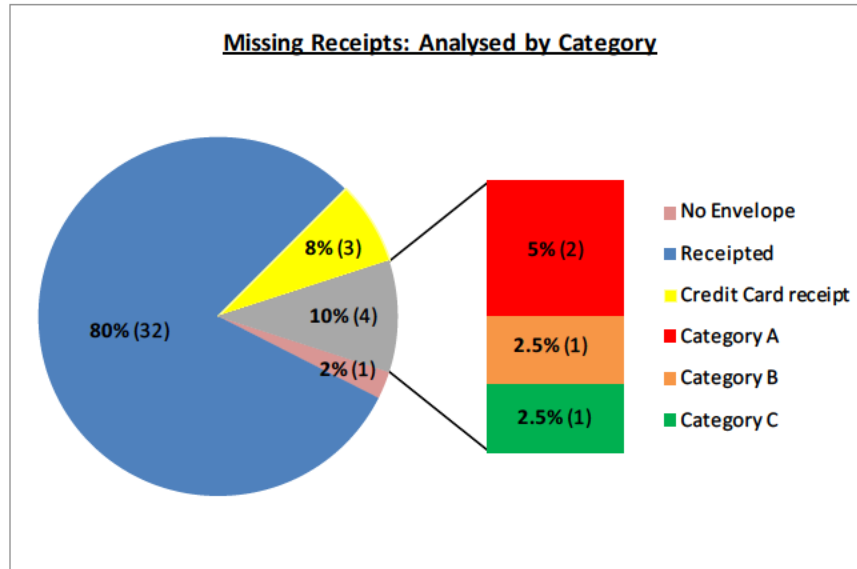


### Authorisation / Sign-off of envelopes:

Of the 40 expense claim envelopes tested, 39 (98%) were physically evidenced as approved, while one (2%) was not approved. In mitigation, all claims were electronically approved in [redacted].

# Executive Summary: Summary Findings (Cont'd)

©



## **Evidence of Receipts:**

We noted issues with receipting in the case of four of the 40 [REDACTED] envelopes tested (10%). A further three (8%) envelopes contained a credit card receipt but not a full till receipt. While a credit card receipt is some mitigation it does not provide full explanation / evidence of the claim, especially in the case of hotel or entertainment bills.

■ As shown in the chart above, two of the envelopes with missing receipts was assigned a “Category A” rating, as follows:

- Other Travel and Non Travel expense claims to the value of €1,380 (in connection with production abroad)
- 3 x €100 parking receipts (in connection with extended periods of parking)

■ One envelope was assigned a “Category B” rating for a Hotel bill to the value of €340 (in Ireland). Three other low value receipts were also missing.

■ One envelope was assigned a “Category C” rating for a missing train receipt to the value of €95 for a trip abroad. All other receipts were in order.

©

The action plan contains a small number of actions to address other matters in the areas of entertainment, recording daily allowances, cost control initiatives, etc. noted as part of the audit.

# Executive Summary: Key Issues and Overall Conclusion

## Key Management Issues

### Compliance with Policy

We noted the following matters:

- One out of 40 envelopes tested was not available for inspection
- One of 40 envelopes reviewed was not evidenced as approved, although it was electronically approved
- Four of 40 envelopes reviewed contained missing receipts
- Other matters as detailed in the Action Plan

### Policy Updates

The RTÉ Travel Policy has not been updated since November 2008. We note that the update is in progress, with ongoing discussions with employee representatives taking place.

## Overall Conclusion

For the most part, the individual expense items tested as part of this audit were valid claims duly supported by a receipt and submitted in line with the RTÉ Travel policy. The standard of control has been improving consistently over recent audits. Furthermore, we did not identify any deliberate fraudulent claims as part of our analytical review.

However, the report highlighted some missing receipts and may indicate a lack of a thorough review by approvers. Receipts are important both from an internal control perspective and in the event of a future Revenue audit.

We noted some improvement from the last audit, particularly with regard to the number of envelopes available for inspection. This reflects a renewed focus on this area led by the Finance teams. We outline a small number of other findings in the action plan.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

## Rating



**IMPROVEMENT NEEDED**

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Compliance with RTÉ Travel Policy</b>				
1.	<p><b><u>Existence of Envelopes</u></b></p> <p>We selected a sample of 40 [REDACTED] claims for review across the organisation.</p> <p>A [REDACTED] envelope was available for 39 (98%) out of the 40 envelopes selected.</p> <p>In the remaining instance, in Digital, the envelope and relevant receipts were not available for inspection.</p>	Agreed.	The Financial Controller will inform the relevant Line Manager of the specific breach of policy relating to the retention of an envelope. This will be addressed locally.	M	[REDACTED] 31 March 2015
2.	<p><b><u>Authorisation / Sign-off of envelopes</u></b></p> <p>We reviewed the approval of the [REDACTED] envelopes tested, as follows:</p> <ul style="list-style-type: none"> <li>Of the 40 envelopes tested, 39 (98%) were physically signed off by an appropriate approver / costpool manager in accordance with the RTÉ Travel Policy.</li> <li>One envelope, in Radio, was not signed by an appropriate approver / costpool manager. It was not therefore possible to validate whether the receipts were physically inspected by the Line Manager prior to approval on [REDACTED].</li> </ul> <p>In mitigation, all claims were electronically approved in [REDACTED].</p>	Agreed.	A reminder will be issued to the approver of the claim to evidence the date of approval of the claim, as required under the policy. <i>(We note that the claim was electronically approved.)</i>	L	[REDACTED] 31 March 2015
3.	<p><b><u>Evidence of Receipts</u></b></p> <p>Full receipts were retained on file in the case of 82%* of the [REDACTED] envelopes inspected for testing of receipts. <i>(*80% of the</i></p>	Agreed.	The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, or the use of credit card receipts, to ensure that they are addressed with the	M	[REDACTED]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><i>full sample examined.)</i></p> <p><b>Missing Receipts</b>                      We noted issues with missing receipts in the case of <b>four</b> of the envelopes tested (10%). The claims were made by individuals in News &amp; Current Affairs (2 envelopes) and Radio (2 envelopes).</p> <p>As shown in the Executive Summary, two cards were assigned a Category A rating, one a Category B rating and one a Category C rating.</p> <p>These are explained in further detail as follows:</p> <ul style="list-style-type: none"> <li><span style="color: red;">■</span> Card assigned to <i>News &amp; Current Affairs</i>: Other Travel and Non Travel expense claims to the value of €1,380 (in connection with production abroad).</li> <li><span style="color: red;">■</span> Card assigned to <i>News &amp; Current Affairs</i>: 3 x €100 parking receipts (in connection with extended periods of parking).</li> <li><span style="color: orange;">■</span> Card assigned to <i>Radio</i>: Hotel bill to the value of €340 (in Ireland).</li> <li><span style="color: green;">■</span> Card assigned to <i>Radio</i>: A missing train receipt to the value of €5 for a trip abroad.</li> </ul> <p><b>Credit Card Receipts</b>                      A further <b>three</b> envelopes (8%) contained a credit card receipt but not a full till receipt. While this is some mitigation as it identifies the amount and the supplier, it does not provide full explanation / evidence of the items included in the claim, especially in the case of hotel or entertainment bills. The claims were made by individuals in Television (2 envelopes) and 2rn (1 envelope).</p> <p>In five other cases the missing receipts were considered</p>		<p>relevant claimant.</p> <p>The FDs / FCs will remind all approving Line Managers of their responsibility to ensure that valid receipts are retained on file in ████████ envelopes and checked prior to signing-off on the expenditure.</p>		<p>30 April 2015</p> <p>Financial Directors / Financial Controllers                      30 April 2015</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>immaterial in the context of the claim (e.g. a minor toll charge) and therefore not included in the analysis of missing receipts above.</p>				
<p>4.</p>	<p><b><u>Entertainment</u></b></p> <p>During testing we noted non-compliance with certain clauses in the RTÉ Travel Policy relating to entertainment claims (business entertainment). The exceptions arose for the following reason:</p> <ul style="list-style-type: none"> <li>• <b>Three</b> of the sample of claims which contained a business entertainment expense failed to provide the full details of those being entertained and the reason for entertainment, which is contrary to Section 12 of the RTÉ Travel Policy.</li> <li>• <b>One</b> instance where the claimant had expensed a meal under entertainment but had not reduced the Daily Allowance accordingly. <ul style="list-style-type: none"> <li>○ Section 11 of the Travel Policy states that “<i>where a meal is claimed under entertainment, or where the claimant was provided with a free meal (attendance at a conference, paid by another organisation etc), the appropriate subsistence charge should be reduced by Day Allowance 1</i>”.</li> </ul> </li> </ul>	<p>Agreed.</p>	<p>Within each division, an email will be sent by the FDs / FCs to [REDACTED] approvers reminding them of particular areas to be mindful of when approving claims including provision of details of those being entertained for business purposes and the reduction of the subsistence charge for meals.</p> <p><i>(In the case of confidential meetings, it is acceptable to include a more generic description and initials, if necessary.)</i></p>	<p>M</p>	<p>Financial Directors / Financial Controllers 30 April 2015</p>
<p>5.</p>	<p><b><u>Policy Updates</u></b></p> <p>The RTÉ Travel Policy has not been updated since November 2008. An update of the Policy is therefore now overdue. We acknowledge that the update is currently in progress and has been delayed pending discussion with employee representatives. A draft was submitted to employee representatives for discussion in late 2013.</p>	<p>Agreed.</p>	<p>The RTÉ Travel Policy will be updated and communicated to staff.</p>	<p>M</p>	<p>[REDACTED] 30 June 2015</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Other Observations</b>				
6.	<p><b><u>Mobile Phone Bills</u></b></p> <p>We identified one instance where large recurring monthly mobile phone bills were being claimed via [REDACTED].</p> <p>In certain instances it makes economic sense to transfer employees with large recurring bills over to the corporate RTE package. There are corporate tariffs and data bundles with preferential rates on equipment available.</p> <p>(This matter has been communicated to the individual’s Line Manager).</p>	<p>Agreed.</p> <p>[REDACTED], <i>Claimant’s Line Manager</i>)</p>	<p>The option of transferring the individual in question over to the corporate RTE package will be explored.</p>	L	<p>[REDACTED] Completed</p>
7.	<p><b><u>Subsistence Claims</u></b></p> <p><b><i>Background</i></b> The nature of broadcasting operations often requires travel overseas. Subsistence rates for a number of foreign locations are listed on the travel section of The Hub, with the rate varying depending on the location.</p> <p><b><i>Finding</i></b> The subsistence rate for New York and Washington is higher than that the rest of the USA. The 24-hour rate for New York/Washington is \$320, as compared to \$270 in the rest of the USA.</p> <p>During testing we noted that the higher rate (\$320) was claimed in respect of travel outside New York/Washington.</p>	<p>Agreed.</p> <p>This was an oversight by the claimant. That said, cities such as Chicago, Boston and San Francisco are as expensive, if not more so, than Washington. Since appointment, the claimant has been fantastic in terms of budgeting and getting value for money for RTE.</p> <p>[REDACTED] [REDACTED], <i>Claimant’s Line Manager</i>)</p>	<p>The lower subsistence rate will be claimed in the future for US cities visited outside of New York and Washington.</p>	M	<p>[REDACTED] 30 April 2015</p>



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
8.	<p><b>Use of [REDACTED] for costs of non-employees</b></p> <p><i>Background</i> There is a facility in place on [REDACTED] whereby expenses can be paid in advance to employees where the need arises.</p> <p>Advance payments to cover expenses, or “Per Diems”, are not uncommon in the music/orchestra business. In certain instances, agencies may insist on Per Diem payments upfront in advance of the concert, prior to payment of the performance fee. However as Soloists / Composers are not RTÉ staff there is no facility to claim for Per Diem expenses of non-employees in advance.</p> <p><i>Finding</i> To facilitate Per Diem payments to a Soloist in advance of a concert, costs were covered personally by the Orchestra Manager and then later claimed via [REDACTED]. We noted one instance in our sample.</p> <p>Although requests for advance payments such as these are not common, claiming Per Diems for non-employees via [REDACTED] is not an ideal solution as it is not what the system was intended for. In addition, this may pose problems in reporting personal claims in the event of an FOI request.</p> <p>The preferred treatment is for the Soloist to include the expenses / Per Diems on the invoice / fee payment.</p>	<p>Agreed.</p> <p>I am not particularly comfortable with either my team or myself having to do this on occasion.</p> <p><i>(Anthony Long)</i></p>	<p>The Orchestra Manager will liaise with Finance to explore and consider alternative approaches for the payment of Per Diems to Soloists.</p>	L	<p>[REDACTED] 30 April 2015</p>

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2018*

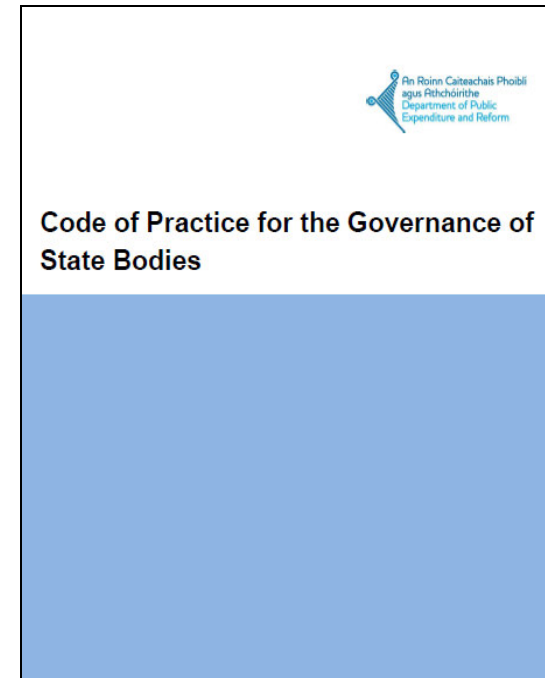
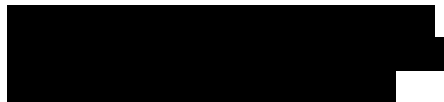
**11 April 2019**

**Circulation:**

Director-General

Members of the Audit and Risk Committee

Executive



# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. The Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies.”*

The governance relationship between the Government and a State Body is outlined overleaf. Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Communications, Climate Action and Environment (“DCCA”) on RTE’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTE’s compliance with the Code of Practice.

The External Auditors are required to review RTE’s disclosures and note any inconsistencies identified in the Independent Auditor’s Report in the Annual Report.

### Code of Practice (2016)

The most recent version of the Code of Practice was issued by the Department of Public Expenditure and Reform in 2016, and came into effect for the first time for the year ending 31 December 2017.

The 2016 Code of Practice is accompanied by four “associated Code requirement and guidance documents”. The four additional documents are listed below:

- Business and Financial Reporting Requirements
- Audit and Risk Committee Guidance
- Remuneration and Superannuation
- Board-Self Assessment Evaluation Questionnaire

The Code comprises ten sections, as below. (See *Appendix 1* for full details).

## Contents of Code of Practice

1.	Role of the Board
2.	Role of the Chairperson
3.	Role of Board Members
4.	Board Effectiveness
5.	Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures
6.	Business and Financial Reporting
7.	Risk Management, Internal Control, Internal Audit and Audit and Risk Committees
8.	Relations with the Oireachtas, Minister and Parent Department
9.	Remuneration and Superannuation
10.	Quality Customer Service

# Background and Governance Framework

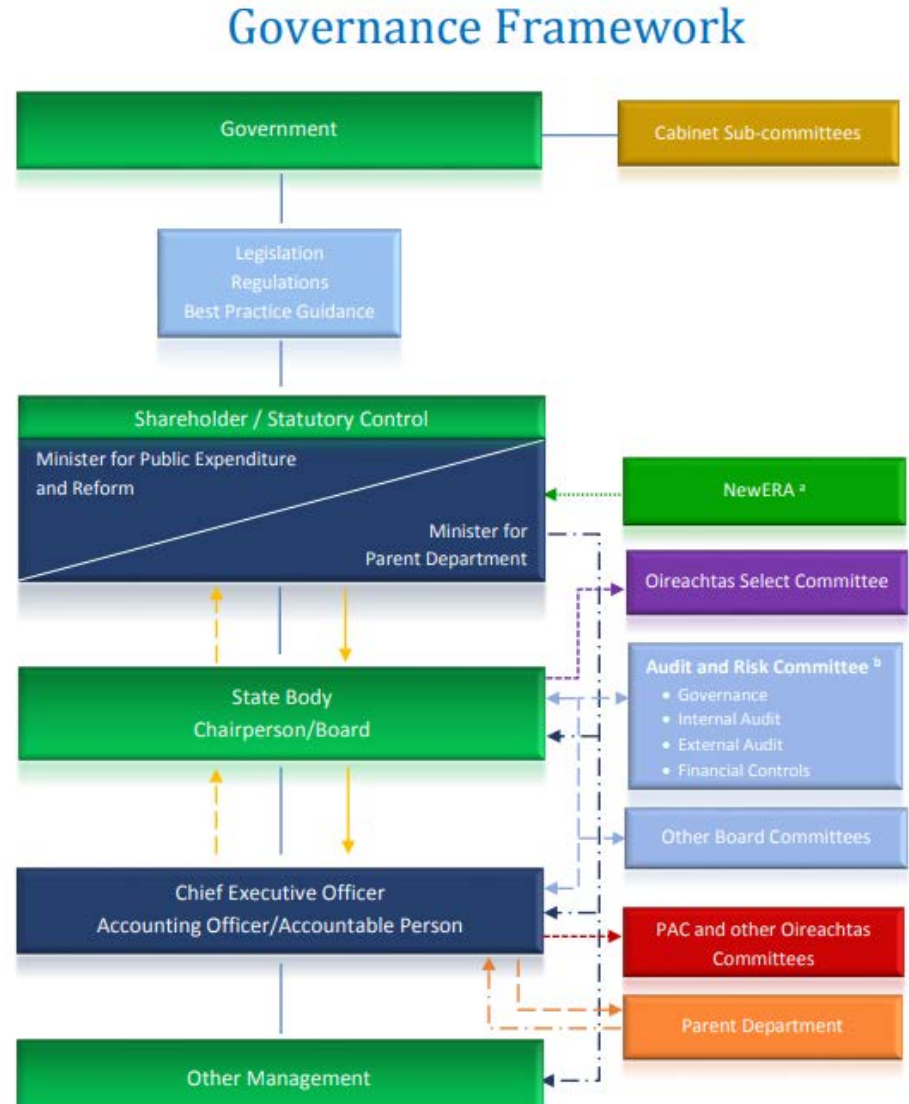
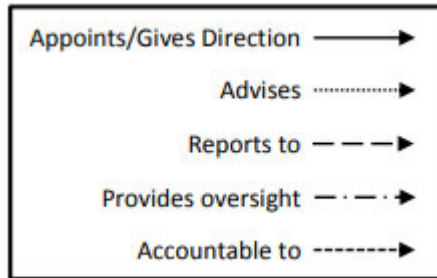
The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

## Governance Framework

The Governance Framework diagram (across) outlines the main features of the governance framework relationship between Government and State bodies.

The diagram does not purport to cover all aspects of this relationship which will vary depending on the differing nature, scale and responsibilities of the State body and the governing legislation establishing the State body.

For example, the Broadcasting Authority of Ireland (BAI) is a regulatory / monitoring body, specific to RTÉ.



# Objective and Scope

## Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2018.

This assessment was carried out having regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2016 Code of Practice is within scope of this review.

### ***DCCAE Checklist***

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAE in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2018. The Checklist addresses 134 items.

DCCAE Officials carry out a verification exercise on the contents of the checklist, normally in a late summer / early autumn timeframe.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows:

Risk # 6 – Managing of Finances and Business Planning

Risk # 10 – Changes in Legislation / Regulation & Compliance

# Findings

## Findings - YE 31/12/2018

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2018. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2018, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DCCAE's Code of Practice compliance checklist.

### Results

- ✓ The checks carried out by Internal Audit indicate that RTÉ is broadly compliant with the 2016 Code of Practice for the Governance of State Bodies. However, we noted one exception in relation to procurement – see below.
- ✓ Variations from the Code are for valid reasons, such as reflecting the nature of RTÉ as a Statutory Corporation entity, or were approved by DCCAE (and confirmed in the document *"Guidance on the application of Code of Practice for the Governance of State Bodies"*, issued by the DCCAE).
- ✓ Our other audit work during the year did not highlight any other material issues of non compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Annual Report and Group Financial Statements and in the Chair's Report to the Minister.

### Audit Exception – Procurement

✗ We noted one exception, in relation to compliance with the Public Procurement Guidelines

- The April 2019 Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details. However, we note the improvements from prior-year in the issues highlighted
- The exceptions relates to 37 suppliers, or 1.9% of the cumulative 2018 payments to suppliers contracted through [REDACTED]
- Some historic factors are relevant to the exceptions:
  - The limited functionality of [REDACTED] increases the difficulty of tracking tendering arrangements and the system is at end of useful life
  - The fact that managerial responsibility for supplier relationships and purchasing was traditionally fragmented across Divisions in RTÉ, which increased the difficulty of centralised monitoring of procurement and understanding historic tendering arrangements

### Actions

- Actions have been agreed to address the above matters including:
  - A significant capital project to implement a new ERP system in 2019 is in progress. This will replace a number of legacy Finance and HR systems;
  - With the ongoing implementation of the 'One RTÉ' organisation structures, oversight of key supplier relationships is being consolidated, resulting in better centralised managerial responsibility;
  - Additional resources are now in place for the Procurement Department, with Managers overseeing procurement activity by expenditure category;
  - New processes and policy implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland; and
  - Tenders will be carried out as necessary for any items highlighted as an exception.

# Findings

## Findings (Cont'd)

### **Conclusion**

It is appropriate for the Chair's Report to the Minister for Communications, Climate Action and Environment (*in accordance with Paragraph 2.6 of the Code of Practice*) to confirm that RTÉ is compliant with the Code of Practice for the Governance of State Bodies, subject to a brief reference to the procurement exception and the actions in progress.

While some procurement exceptions were identified in respect of 2018, we noted an improvement in the position from prior year and the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2019 to monitor the implementation of the actions.

**Rating: Compliant with Code of Practice**

The Code of Practice for the Governance of State Bodies sets-out a large number of requirements, too detailed to cover in this appendix. However, the table below sets-out a high-level summary of the key compliance activities and RTÉ Policies applicable to the main sections in the Code of Practice.

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
1 - 5	The Board and Directors	<ul style="list-style-type: none"> <li>• Role of the Board</li> <li>• Role of the Chairperson</li> <li>• Role of Board Members</li> <li>• Board Effectiveness</li> <li>• Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures</li> </ul>	<p><i>Board</i></p> <ul style="list-style-type: none"> <li>• Matters reserved to the Board for consideration and decision</li> <li>• Delegated Authority Limits – <i>both updated in 2018</i></li> <li>• Code of Business Conduct for RTÉ Board Members</li> <li>• Directors’ Register of Interests</li> <li>• Directors’ Emolument Forms</li> <li>• Board Papers and Board appointment / induction process</li> <li>• Board Approved Budget</li> <li>• Chair’s annual report to the Minister in accordance with Paragraph 2.6 of the 2016 Code of Practice for the Governance of State Bodies (“Chair’s Report)</li> <li>• Board Committees and terms of reference</li> <li>• Board Self-Assessment Evaluation Questionnaire</li> <li>• RTÉ Statement of Strategy 2018 - 2022</li> </ul> <p><i>Other compliance documents</i></p> <ul style="list-style-type: none"> <li>• Code of Business Conduct for RTÉ Employees</li> <li>• Good Faith Reporting Policy</li> <li>• RTÉ Staff Manual</li> <li>• RTÉ Annual Report disclosures, including Corporate Governance report</li> </ul>
6	Business and Financial Reporting	<ul style="list-style-type: none"> <li>• Annual Report and Financial Statements</li> <li>• Additional Reporting Requirements</li> </ul>	<ul style="list-style-type: none"> <li>• RTÉ Annual Report and Group Financial Statements</li> <li>• Chair’s Report</li> <li>• RTÉ Subsidiary Company Annual Reports</li> <li>• Independent Auditor’s Report</li> </ul>
7	Risk management, Internal Control, Internal Audit and Risk Committees	<ul style="list-style-type: none"> <li>• Internal Control</li> <li>• Review of Effectiveness of Internal Control</li> <li>• Internal Audit Function</li> </ul>	<ul style="list-style-type: none"> <li>• RTÉ Journalism Guidelines</li> <li>• RTÉ Content Standard Guidelines</li> <li>• RTÉ Social Media Guidelines</li> </ul>



	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
		<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Audit and Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>• RTÉ Child Protection Policy</li> <li>• RTÉ Grievance Procedure</li> <li>• Risk Management policy and structures</li> <li>• RTÉ Top Strategic Risks and Key Risk Indicators</li> <li>• Quarterly Risk meeting with Risk Sponsors and Risk Owners</li> <li>• Divisional Risk Registers</li> <li>• The Board’s annual review of internal control and risk management</li> <li>• Audit and Risk Committee’s oversight of risk and Internal Control</li> <li>• Independent Auditor’s Report</li> <li>• Internal Audit Charter</li> <li>• RTÉ Fair Trading Policy and Procedures</li> <li>• RTÉ Fair Trading Complaints Procedures</li> </ul>
8	Relations with the Oireachtas, Minister and Parent Department	<ul style="list-style-type: none"> <li>• Parent Departmental Oversight Role</li> <li>• Performance Delivery Agreements</li> <li>• Periodic Critical Review</li> <li>• Procedures for Procurement</li> <li>• Property Acquisition and Disposal of Surplus Property</li> <li>• Capital Investment Appraisal</li> <li>• Tax Compliance</li> <li>• Reports and Accounts of State Bodies</li> <li>• Additional Reporting Arrangements</li> <li>• Legal Disputes Involving Other State Bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Oversight Agreement between RTÉ and DCCA</li> <li>• Annual Statement of Performance Commitments (“ASPC”)</li> <li>• RTÉ Public Service Statement 2015</li> <li>• RTÉ Statement of Strategy 2018 – 2022</li> <li>• Purchasing Procedures and Guidelines</li> <li>• Capital Project Approval Process and Capital Committee</li> <li>• Asset disposal process</li> <li>• RTÉ Tax Compliance Statement (Section 225 Companies Act 2014)</li> </ul>
9	Remuneration	<ul style="list-style-type: none"> <li>• Remuneration and Superannuation</li> <li>• Travel and Official Entertainment</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration and Management Development Sub-Committee</li> <li>• RTÉ Annual Report disclosures</li> <li>• Confirmation in Chair’s annual report to the Minister</li> <li>• RTÉ Travel Policy</li> </ul>
10	Quality Customer Service	<ul style="list-style-type: none"> <li>• Customer Charter</li> <li>• Customer Action Plan</li> <li>• Display and Content of Charter and Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints Process</li> <li>• ASPC</li> <li>• Competition Voting Terms &amp; Conditions</li> </ul>

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
-	Guidance Documents	<ul style="list-style-type: none"> <li>• Business and Financial Reporting Requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Chair’s annual report to the Minister in accordance with Paragraph 2.6 of the 2016 Code of Practice for the Governance of State Bodies</li> <li>• RTÉ Annual Report and Group Financial Statements</li> <li>• RTÉ Subsidiary Company Annual Reports</li> <li>• Monthly Management Accounts</li> <li>• Interim unaudited accounts (six months)</li> <li>• Delegated Authority Limits</li> <li>• Annual Budget</li> </ul>
		<ul style="list-style-type: none"> <li>• Audit and Risk Committee Guidance</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Committee Terms of Reference</li> <li>• Audit &amp; Risk Committee Self-Assessment Questionnaire</li> </ul>
		<ul style="list-style-type: none"> <li>• Remuneration and Superannuation</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration &amp; Management Development Sub-Committee</li> <li>• Remuneration Disclosures in Annual Report</li> </ul>
		<ul style="list-style-type: none"> <li>• Board-Self Assessment Evaluation Questionnaire</li> </ul>	N/A

# RTÉ Internal Audit

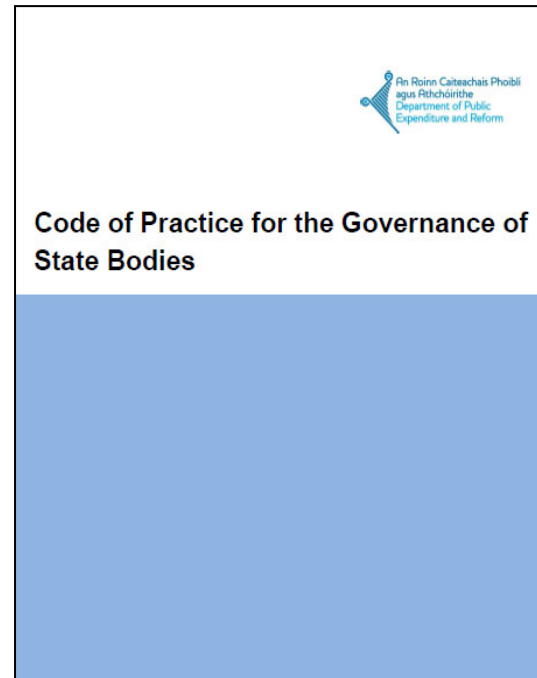
## Review of Compliance with the Code of Practice for the Governance of State Bodies *Year-ended 31 December 2021*

14 April 2022

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

Paula Mullooly, Director of Legal Affairs  
Group Financial Controller  
Head of Procurement



# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. The Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies.”*

The governance relationship between the Government and a State Body is outlined overleaf. Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media on RTÉ’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ’s compliance with the Code of Practice.

The External Auditors are required to review RTÉ’s disclosures and note any inconsistencies identified in the Independent Auditor’s Report in the Annual Report.

### Code of Practice (2016)

The most recent version of the Code of Practice was issued by the Department of Public Expenditure and Reform in 2016, and came into effect for the first time for the year ending 31 December 2017.

The 2016 Code of Practice is accompanied by four “associated Code requirement and guidance documents”. The four additional documents are listed below:

- Business and Financial Reporting Requirements
- Audit and Risk Committee Guidance
- Remuneration and Superannuation
- Board-Self Assessment Evaluation Questionnaire

The Code comprises ten sections, as below. (See *Appendix 1* for full details).

## Contents of Code of Practice

1.	Role of the Board
2.	Role of the Chairperson
3.	Role of Board Members
4.	Board Effectiveness
5.	Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures
6.	Business and Financial Reporting
7.	Risk Management, Internal Control, Internal Audit and Audit and Risk Committees
8.	Relations with the Oireachtas, Minister and Parent Department
9.	Remuneration and Superannuation
10.	Quality Customer Service

# Background and Governance Framework

The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

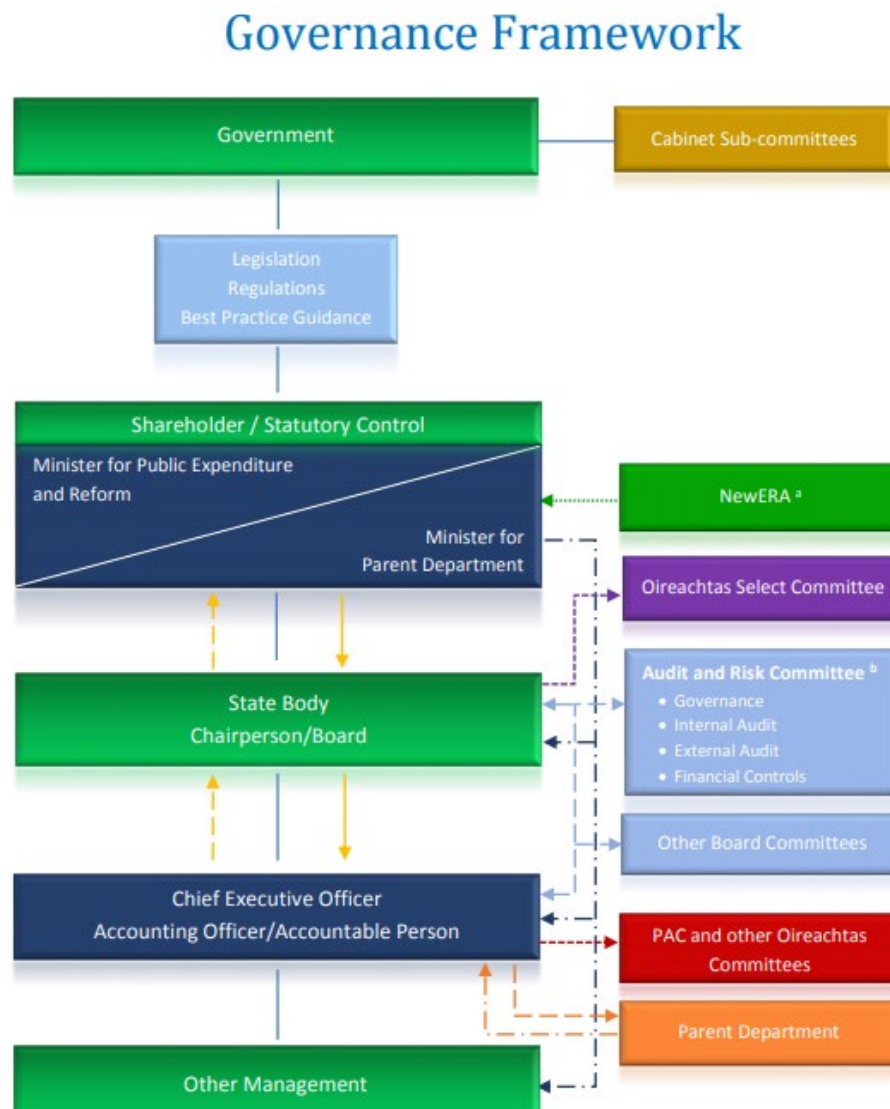
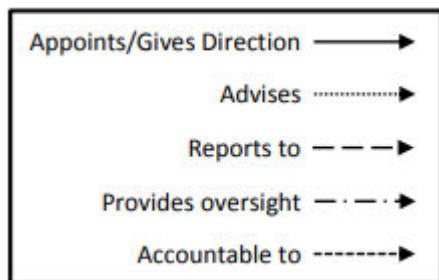
An additional Annex on Gender Balance, Diversity, and Inclusion to supplement the existing Code of Practice was published in September 2020.

## Governance Framework

The Governance Framework diagram (across) outlines the main features of the governance framework relationship between Government and State bodies.

The diagram does not purport to cover all aspects of this relationship which will vary depending on the differing nature, scale and responsibilities of the State body and the governing legislation establishing the State body.

For example, the Broadcasting Authority of Ireland (BAI) is a regulatory / monitoring body, specific to RTÉ.



# Objective and Scope

## Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2021.

This assessment was carried out having regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2016 Code of Practice is within scope of this review.

### ***Checklist***

A comprehensive Code of Practice Checklist was submitted by RTÉ to the Department for Tourism, Culture, Arts, Gaeltacht, Sport and Media ('DTCAGSM') in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2021. The Checklist addresses 137 items and requires the attachment of relevant back-up information.

DTCAGSM Officials carry out a verification exercise on the contents of the checklist, normally in a late summer / early autumn timeframe.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows (Q4 2021 update):

Risk # 8 – Management of Finances and Business Planning  
Risk # 10 – Legislation / Regulation & Compliance

# Findings

## Findings - YE 31/12/2021

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2021. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2021, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DTCAGSM's Code of Practice compliance checklist.

### Results

- ✓ The checks carried out by Internal Audit indicate that RTÉ is broadly compliant with the 2016 Code of Practice for the Governance of State Bodies. We noted one exception in relation to procurement – see below.
- ✓ Variations from the Code are for valid reasons, such as reflecting the nature of RTÉ as a Statutory Corporation entity, or were approved by DTCAGSM (and confirmed in the document *"Guidance on the application of Code of Practice for the Governance of State Bodies"*, issued by the DTCAGSM).
- ✓ Our other audit work during the year did not highlight any other material issues of non-compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Annual Report and Group Financial Statements and in the Chair's Report to the Minister.

### Audit Exception – Procurement

✗ We noted one exception, in relation to compliance with the Public Procurement Guidelines

- The Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details.
- The exceptions relate to 21 suppliers (2020 – 31), or 1.1% (2020 – 1.6%) of the cumulative 2021 payments to suppliers contracted through [REDACTED]. A third of the exceptions are suppliers with a low level of expenditure, <€50k.
- As outlined in the report, some historic factors are relevant to the exceptions, especially the limited functionality of [REDACTED] increases the difficulty of tracking tendering arrangements and the system is at end of useful life.

### Actions

- Actions have been agreed to address the above matters including:
  - Tenders will be carried out as necessary;
  - A significant capital project to implement a new ERP system is in progress. This will replace legacy Finance and HR systems; and
  - Oversight of key supplier relationships is being consolidated, resulting in better centralised managerial responsibility. Procurement activity is now overseen by Procurement Managers, by expenditure category
- In addition, while not covered in this audit, new processes and policy is in place for the engagement of Contractors in RTÉ following the Eversheds review.

# Findings

## Findings (Cont'd)

### **Conclusion**

It is appropriate for the Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media (in accordance with Paragraph 2.6 of the Code of Practice) to confirm that RTÉ is compliant with the Code of Practice for the Governance of State Bodies, subject to a reference to the procurement exception and the actions in progress.

While some procurement exceptions were identified in respect of 2021, the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2022 to monitor the implementation of the actions. The aggregate value of the exceptions (*'non tendered'* and *'tender status unknown'* categories) has decreased since the equivalent 31/12/2020 year-end audit.

The disclosures required under the Code of Practice are being made and the Checklist will be submitted to the DTCAGSM with the Annual Report.



# RTÉ Internal Audit

## Review of Cost Allocation Process

28 March 2018

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**RTÉ:**

[Redacted]



# Background

## Background

### Introduction

The purpose of this memorandum is to set-out the findings of an Internal Audit review of the year-end cost allocation process.

### Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards, the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Climate Action and Environment.

The cost allocation process comprises a set of financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 2). The cost allocation process facilitates the presentation of revenues and costs as follows:

- Segmental analysis of revenues and costs by Integrated Business Division (“IBD”) in line with RTÉ’s organisation structure;
- Segmental analysis of revenue and costs by channel, service and broadcasting genre and between public service and non-public service activities.

The process is carried out within a standalone General Ledger Cost Allocations Database of the [REDACTED] financial system, with Microsoft Excel used as the reporting tool.

### Allocation Methodology

Direct costs are charged in the first instance to the IBD, activity or programme to which they relate, or through which they are controlled.

Indirect costs at an IBD level are allocated to specific activities or programmes using consistently applied principles. For example, payroll related operating costs associated with particular programmes are allocated based on the staff assigned to the programme and / or the number of hours spent by staff members on the programme activity.

Other indirect / shared service costs are allocated to the IBD consuming the service using appropriate full cost absorption costing methods. Centrally provided shared services encompass activities which are carried out centrally on behalf of IBDs. These services include HR Shared Services, Technology, Corporate Communications and Group Finance.

The cost of the corporate HQ is not allocated to IBDs and is reported as an “other” segment.

[REDACTED]  
The allocations process takes place after the year-end financial close, utilising a copy of the live [REDACTED] database. The process is performed by RTÉ Group Finance using the allocations functionality of [REDACTED]

### Restructuring

From 1 January 2018, RTÉ is operating under the *One-RTÉ* structure which involves the transition of all financial records and budgets from IBDs to Divisions.

The Group Finance team is currently reviewing the allocations process (to be applied for the year-ended 31/12/2018) in order to identify opportunities to streamline the process and, secondly, to increase transparency. In addition, the review will consider the extent of restatement of the 2017 comparatives in the 31/12/2018 Annual Report (Note 2).

# Objective, Scope and Risk

## Objective and Scope

The scope of this audit was the cost allocation process, as outlined in the Cost Allocation Process Overview manual. This audit was undertaken in accordance with an Internal Audit work-programme and involved audit work in each of the following areas:

- Process documentation;
- Process review;
- Accuracy and appropriateness of the cost apportionment rationale;
- Accuracy and appropriateness of the rules allocating costs to 'receiving' costpools;
- Operational of model.

The audit sample size is set-out in Appendix 1, selected from the output of "Run 2" of the allocations model. (From an operational point of view, audit testing was carried out in the "Allocations 2017" Database, in period 201807).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the year-ended 31 December 2017;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

## Risks

The key RTÉ corporate risk addressed by the report is Risk # 6 – management of finances and business planning.

The audit is also relevant as it addresses an area which is important to RTÉ's legal and regulatory compliance (Risk # 4 – reputation and compliance).

# Findings, Conclusion and Rating

## Findings

We conclude that the cost allocations model is operating effectively and, having regard for the sample set-out in Appendix 1, is based upon consistently applied and objectively justified principles.

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit. The Microsoft Excel based reports used for financial reporting are consistent with the underlying ██████ records. The ██████ Allocations Database used for the allocations process is consistent with the “live” ██████ General Ledger Database.

## Overall Conclusion

The RTÉ Annual Report presents important segmental information by division and channel in Note 2 d) and Note 2 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of the notes.

Internal Audit has carried out a review of the cost allocation process for the year-ended 31/12/2017. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

The Group Finance team is currently reviewing the allocations process to be applied for the year-ended 31/12/2018 given the new *One-RTÉ* structure.

We would like to thank staff in Group Finance for assistance during the course of this assignment.

## Rating



SATISFACTORY

## Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1		Allocate Corporate Human Resources costpools		
2		Allocate Property and Service costpools		
3		Various broadcasting costs in Television	channels	
4		Allocate Studio 3 News costs to programmes		
5		Allocate Radio broadcast costs to programmes		
6		Audio Services and Archive costs	downloads, discs	
7		Various support / back-office costs		
8		Allocate digital transmission costs *		

\* This is a new trigger in the current financial year.

\*\* Financial Data is redacted in circulation to non Group Finance recipients of the report.

# RTÉ Internal Audit

## Review of Cost Allocation Process

23 March 2017

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**RTÉ:**

[Redacted]

**KPMG:**

[Redacted]



# Background and Scope

## Background

### Introduction

The purpose of this memorandum is to set-out the findings of an Internal Audit review of the year-end cost allocation process.

### Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards, the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Climate Action and Environment.

The cost allocation process comprises a set of financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 2). The cost allocation process facilitates the presentation of revenues and costs as follows:

- Segmental analysis of revenues and costs by Integrated Business Division (“IBD”) in line with RTÉ’s organisation structure;
- Segmental analysis of revenue and costs by channel, service and broadcasting genre and between public service and non-public service activities.

The process is carried out within a standalone General Ledger Cost Allocations Database of the [REDACTED] financial system, with Microsoft Excel used as the reporting tool.

### Allocation Methodology

Direct costs are charged in the first instance to the IBD, activity or programme to which they relate, or through which they are controlled.

Indirect costs at an IBD level are allocated to specific activities or programmes using consistently applied principles. For example, payroll related operating costs associated with particular programmes are allocated based on the staff assigned to the programme and / or the number of hours spent by staff members on the programme activity.

Other indirect / shared service costs are allocated to the IBD consuming the service using appropriate full cost absorption costing methods. Centrally provided shared services encompass activities which are carried out centrally on behalf of IBDs. These services include HR Shared Services, Technology, Corporate Communications and Group Finance.

The cost of the corporate HQ is not allocated to IBDs and is reported as an “other” segment.

[REDACTED]  
The allocations process takes place after the year-end financial close, utilising a copy of the live [REDACTED] database. The process is performed by RTÉ Group Finance using the allocations functionality of [REDACTED]

## Objective and Scope

The scope of this audit was the cost allocation process, as outlined in the Cost Allocation Process Overview manual.

This audit was undertaken in accordance with an Internal Audit work-programme and involved audit work in each of the following areas:

- Process documentation;
- Process review;
- Accuracy and appropriateness of the cost apportionment rationale;
- Accuracy and appropriateness of the rules allocating costs to ‘receiving’ costpools;
- Operational of model.

# Scope and Risk

## Objective and Scope *(Continued)*

### **2016 Allocations**

The audit sample size is set-out in Appendix 1, selected from the output of “Run 2” of the allocations model. (From an operational point of view, audit testing was carried out in the “Allocations 2016” [REDACTED] Database, in period 201706).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the year-ended 31 December 2016;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

### **2015 Allocation Restatement**

With effect from 1 January 2016 RTÉ established a new Commercial IBD to manage all commercial activities other than: those carried out by 2rn; the provision of multiplexing services; and sales of archive and library managed services by the Digital IBD. The new IBD was established further to the publication of RTÉ’s updated Fair Trading Policy and Procedures to more clearly demonstrate the separation of RTÉ’s public service and commercial activities. This resulted in the restatement of 2015 allocations, from originally reported in the 2015 Annual Report, to reflect a new Commercial IBD in note 2 (d). The scope of our audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the reclassification journals posted, with reference to the costpools impacted; and
- ✓ Verifying a sample of the journals to the 2015 Allocations Database and back-up documentation.

(From an operational point of view, audit testing was carried out in the “Allocations 2015” [REDACTED] Database, in period 201605 for original postings and period 201610 for reclassifications).

The scope did not include:

- ✗ IT aspects of the [REDACTED] Allocations database.

KPMG will place reliance on this audit as part of the year-end statutory audit.

## Risks

The key RTÉ corporate risk addressed by the report is Risk # 3 – management and prioritisation of financial resources.

The audit is relevant as it addresses an area which is important to RTÉ’s legal and regulatory compliance.



# Findings, Conclusion and Rating

## Findings

We conclude that the cost allocations model is operating effectively and, having regard for the sample set-out in Appendix 1, is based upon consistently applied and objectively justified principles.

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit. The Microsoft Excel based reports used for financial reporting are consistent with the underlying [REDACTED] records. The [REDACTED] Allocations Database used for the allocations process is consistent with the “live” [REDACTED] General Ledger Database.

The journals to restate the 2015 allocation comparatives to reflect the establishment of a new Commercial IBD are appropriate and consistent with the underlying organisational restructuring.

## Overall Conclusion

The RTÉ Annual Report presents important segmental information by division and channel in Note 2 d) and Note 2 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of the notes.

Internal Audit has carried out a review of the 2016 cost allocation process and the 2015 restatement. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

The establishment of a new Commercial IBD in 2016 increased the complexity of the allocations process in the current year, due to the restatement of 2015 comparatives. This involved the posting of reclassification journals and entailed some manual rework. While not a consideration of this audit, in light of the Director-General’s recent announcement of further significant changes to RTÉ’s organisational structure, detailed pre-planning will be required in advance of next year’s allocation runs given the anticipated significant impact on the 2017 allocations run and the need to restate 2016 comparatives. This is likely to require amendment to the existing processes.

We would like to thank staff in Group Finance for their assistance during the course of this assignment.

## Rating



**SATISFACTORY**

# Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1	[REDACTED]	Empty central Shared Services costs	[REDACTED]	[REDACTED]
2	[REDACTED]	Allocate Property and Service costpools	[REDACTED]	[REDACTED]
3	[REDACTED]	Apportion Rent and Rates	[REDACTED]	[REDACTED]
4	[REDACTED]	Various broadcasting costs in Television	[REDACTED]	[REDACTED]
5	[REDACTED]	Allocate Technology Related costs in Television	[REDACTED]	[REDACTED]
6	[REDACTED]	RTÉ Radio 1 Researchers	[REDACTED]	[REDACTED]
7	[REDACTED]	Various support / back-office costs	[REDACTED]	[REDACTED]
8	[REDACTED]	RTÉ Player Manpower related Costs	[REDACTED]	[REDACTED]
9	[REDACTED]	Allocate Commercial Sales Costs*	[REDACTED]	[REDACTED]

\* This is a new trigger in the current financial year.

\*\* Financial Data is redacted in circulation to non Group Finance recipients of the report.

# Internal Memorandum

**To:** [REDACTED]  
**Cc:** [REDACTED]  
**From:** [REDACTED], Head of Internal Audit  
**Date:** 14 March 2014  
**Re:** Cost Allocation Process

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The purpose of this note is to set-out the findings of an Internal Audit review of the year-end cost allocation process.

## 1. Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards (IFRS 8), the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Energy and Natural Resources.

The cost allocation process comprises a set of financial procedures carried out annually by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 1). The cost allocation process facilitates the presentation of revenues and costs as follows:

- Segmental analysis of revenues and costs by Integrated Business Division in line with RTÉ's organisation structure; and
- Segmental analysis of revenue and costs by channel, service and broadcasting genre and between public service and non-public service activities.

The process is carried out within a standalone General Ledger Cost Allocations Database of the [REDACTED] financial system, with Microsoft Excel used as the reporting tool.

## 2. Scope

The scope of this audit was the cost allocation process, as outlined in the *Cost Allocation Process Overview* manual dated November 2012.

This audit was undertaken in line with an Internal Audit work-programme agreed with KPMG and involved audit work in each of the following areas:

- Process documentation;
- Process review;
- Accuracy and appropriateness of trigger rationale;
- Accuracy and appropriateness of trigger rules;

- Operational of model.

The audit sample size is set-out in *Appendix 1*, selected from the output of “run 2” of the allocations model.

The scope of the audit included the following:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the financial year-ended 31 December 2013;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of a sample of the monitoring controls.

The scope did not include:

- ✗ IT aspects of the ██████████ Allocations database.

KPMG will place reliance on this audit as part of the year-end statutory audit.

Subsequent to the completion of the audit fieldwork and the processing of “run 2” of the allocations model, Finance posted a manual journal, in the amount of €18k. This journal impacted the allocation of the pension related costs and arose due to a late change in the IAS 19 calculation. We reviewed the posting of the reallocation journal, having regard for the original allocation rules.

### 3. Findings

We conclude that the cost allocations model is operating effectively and, having regard for the sample set-out in Appendix 1, is based upon consistently applied and objectively justified principles.

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit.

We reviewed the journal posted to process a late change impacting pension costs. The journal is appropriate and our findings are unaltered.

We recommend the following:

- a) The *Cost Allocation Process Overview* manual (November 2012) is a comprehensive document and considerable time and effort was used to prepare the manual in late 2012. In order to ensure that this investment is not wasted, we recommend that Appendix A of the manual (i.e. listing of cost allocation triggers) is updated to reflect the changes to the trigger rationale and allocation basis which arose as part of the 31 December 2013 year-end allocations process.

This will ensure that the manual remains relevant and provides an up to date written record of the allocations process.

#### **4. Conclusion and Rating**

The RTÉ Annual Report presents important segmental information by division and channel in Note 1 d) and Note 1 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of Note 1.

Internal Audit has carried out a review of the cost allocation process. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

We would like to thank staff in Group Finance for their assistance during the course of this assignment.

*Rating:*



**Satisfactory**

## Appendix 1 – Audit Sample Size

No.	Trigger Ref.	Trigger Rationale
<b>Selected for end-to-end testing</b>		
1	C03	Average 2013 headcount
2	C05	Square foot of the Donnybrook site
3	C16	Management estimate of work allocation
4	C27	Number of PCs in use
5	T12	Broadcast related cost split between channels
6	T16	Advertising revenue per channel
7	T59	Studio hours
8	R96	Programme hours across the schedule
9	R102	Sport programme hours
10	P15	Budgeted cost of the four output areas
11	N100*	Broadcast hours
<b>New Triggers in 2014</b>		
12	C70	Average 2013 headcount
13	C71	Average 2013 headcount
14	C74	Management estimate of work allocation

\* Not automated – calculated via an SQL query and posted as a journal

# RTÉ Internal Audit

## Audit of Merchandising Inventory, Digital

8 October 2013

Circulation:

[REDACTED]



# Background and Scope

## Background

### Introduction

As part of its role in promoting the commercial exploitation of RTÉ content, RTÉ Digital manages the merchandising sales function in RTÉ. The merchandising sales function consists of the sale of RTÉ Television and RTÉ Radio products (CDs, DVDs, programme box-sets, etc.) to customers via retail outlets throughout Ireland and online through the RTÉ Shop on RTÉ.ie.

The existing product catalogue consists of circa 100 titles. A number are specialist and slow moving lines. The *Love/Hate* individual series DVDs and three series box set has been the key produce in the past twelve months, with strong sales across all lines.

### Manufacture and Distribution

RTÉ is responsible for the production, manufacture, design and packaging of the product. RMG Chart Entertainment Limited, trading as Indi Entertainment (“Indi”), a company based in an Industrial Estate on the Naas Road, Dublin 12 is RTÉ’s sole distributor of RTÉ Television and RTÉ Radio merchandising. Indi is also responsible for fulfilling orders placed via the RTÉ Shop.

### Stock

RTÉ does not hold any material stock of merchandising product. The product is shipped directly by RTÉ’s appointed manufacturers to the Indi Entertainment warehouse, where it is retained in stock pending orders (or consignment sales) from retailers throughout the country. Returns from retailers are also managed by Indi Entertainment and held in stock in its warehouse.

Indi uses a bespoke stock management system CRICODS to record the movement of stock and to maintain stock records at any point in time. Weekly stock sales report are submitted to RTÉ, which assists in planning the manufacture of product.

## Financial Performance

Digital is budgeted to generate approximately █████ in merchandising income in 2013. At the end of August 2013, TV Merchandising sales were €555k up on budget, primarily due to strong DVD sales of *Love/Hate*. The sales target for the year had been achieved by the end of Q3 2013. This data relates to gross sales – royalties, distribution costs and production costs arise in the case of merchandising sales. Strong merchandising sales have been offset by slower than expected content / VOD sales, which is managed in the same directorate.

## Scope of Audit

As RTÉ has fully outsourced the merchandising stock management function, the purpose of this audit was to carry out a physical stock-take of the RTÉ stock held on the premises of Indi Entertainment in order to:

- ✓ Compare physical quantities of stock to the records per the system;
- ✓ Review the location and condition of the stock;
- ✓ Review the accuracy and completeness of the stock reporting; and
- ✓ Report any other relevant observations.

The year end for RMG Chart Entertainment Limited is 30 September 2013 and the count took place on Friday 27 September 2013. We also carried out an interim count in mid-August 2013.

This assignment does not represent a full audit of the merchandising function and the scope did not include:

- ✗ The CD / DVD production and manufacture process (our review is focused on the product once it arrives in the Indi Entertainment warehouse);
- ✗ Marketing and sales strategy;
- ✗ Technical aspects of the CRICODS system.

This report is intended to summarise the key findings and to act as a briefing document to and will be used in discussions with management.



# Summary Findings

## Findings

1. The results of Internal Audit's **interim and final stock counts** are set-out in *Appendix 1*. The results of spot checks during the annual stock take are consistent with the count carried out by Indi management and, in total, highlight a shortfall of 0.66% in physical stock as compared to that recorded on the stock system (418 stock units). We noted the following:
  - The stock was held in good condition and we did not identify any evidence of physical obsolescence;
  - Access to the Industrial Estate and to the Indi premises is restricted and CCTV is in use throughout the premises;
  - A door to the warehouse is often open for deliveries and returns and increases the risk of theft. However, in mitigation, stock is not immediately visible from the entry point, staff are in attendance on the warehouse floor and there are now only three other tenants in the Industrial Estate;
  - The reason for the shortfall in stock is not clear at this point, although most of the difference is likely to relate to a processing or distribution error in the busy period immediately prior to Christmas 2012.
2. RTÉ Digital should establish a policy on the **frequency of undertaking stock takes** of product held by third parties. We were unable to establish the exact timing of the last full RTÉ stock count and, therefore, reliance is being placed on the stock data provided by Indi. Secondly, the differences identified at the time of Indi's last annual stock-count (late September 2012) were not formally signed off by RTÉ.
3. Indi entertainment is facing a tough trading environment and is experiencing **financial difficulties**:
  - RMG Chart Entertainment Limited reported a loss of €23k in its abridged accounts for the year-ended 30 September 2012 (an improvement from a loss of €241k in the prior period).
  - It has a deficit in equity shareholders funds of €289k at 30 September 2012.
  - The External Auditors raised some concerns over going concern by including an "emphasis of matter" paragraph in its audit opinion. However, the accounts are not qualified – by including an "emphasis of matter" paragraph the Auditors are drawing the reader's attention to the important matter of going concern, but do not disagree with the directors view that the accounts should continue to be prepared on a going concern basis.

While not a cause for any immediate alarm, the area needs to be monitored, particular Indi's cash flow position in the event of a change in the pipeline of products targeted at the Christmas market. Since we completed our review, we note that RTÉ management met Indi's MD to discuss this, and other, matters and has also reviewed a recent set of Indi management accounts.

4. The MD of Indi indicated that he is considering his options under the **audit exemption rules** of the Companies Acts and may avail of audit exemption in respect of the accounts for 30 September 2013. This means that the accounts will not have to be audited by a Registered Auditor. RTÉ Digital needs to assess whether an annual audit should be a prerequisite to qualify as a supplier of distribution services to RTÉ.

# Summary Findings (Cont'd)

## Findings

5. RTÉ does not have an up to date signed **contract with RMG Chart Entertainment Limited**. During the audit we received copies of an unsigned Heads of Agreement between RMG and RTÉ Television dated 10 July 2008 and an unsigned, marked-up Sale and Distribution Agreement between Indi and RTÉ Radio, dated 4 August 2011. In both cases the agreement is brief and does not address a number of matters which we would expect to see in such a commercial contract – insurance, stock-count, responsibilities of parties, dispute resolution procedures, etc. Secondly, the absence of a signed contract increases the risk of a disagreement arising between the parties and potentially weakens RTÉ’s position in the event that it seeks to enforce an existing contractual clause.

We note that a formal tender for merchandising distribution services is now planned for early 2014, which will afford an opportunity to put a new contract in place.

6. Some of the products are **legacy slow moving lines**, with very low levels of sales. We estimate that only approximately 15% - 20% of the lines are actively traded at a point in time. Indi could potentially raise the issue of charging RTÉ a storage fee for excess stock, which is included in the draft Heads of Agreement, although not currently enforced. A long term plan for the utilisation of legacy stock therefore needs to be considered, including consideration of the use of this stock for on-air promotions, corporate events etc.
7. Indi submits a Weekly Stock Report to RTÉ digital on Thursday evening. The report lists the stock quantity on hand, the stock on consignment to retailers and analyses sales in the past week, month to date, last month and two months ago. During our testing we noted an **error in the reporting of weekly sales** per the report. Upon investigation the data was, in fact, weekly demand as opposed to weekly sales, which could potentially overstate reported sales. The matter has now been resolved. This was a stock reporting issue and did not have any impact on financial matters such as the reported revenue or sales for the month.
8. It is currently not possible to tie the sales units per the Sales Analysis Report submitted to Finance to the cumulative sales units per the Weekly Stock Reports submitted to Digital’s Merchandising team. Such a check would act as an extra monitoring control. At the end of each month Indi submits a Sales Analysis Report to Digital’s Finance team for the purpose of RTÉ raising an invoice to submit to Indi for the merchandising sales in the month. This report includes transactions processed up to the last working day of the month. However, the Weekly Stock Report is prepared in line with a different timetable and, due to timing differences, it is therefore not possible to compare both sets of data.

Consideration should be given to amending the **timing of the production of the Weekly Sales Reports** (or, as a minimum, the production of the last report of the month) to better align with the timing of financial reporting data and, more importantly, to facilitate a cross-check between data sources by the Merchandising team. Secondly, on a periodic basis during the year, the Merchandising team should reconcile the units of product manufactured to the stock and sales records, for a sample of items, to ensure that stock records are complete.

# Conclusion

## Management Comment

The differences in the stock records are in line with expectation and will be followed-up with the distribution company.

The other observations in the report will be actioned. A formal tender is planned in early 2014 which will address the issue of the contract and will provide an opportunity to formalise matters relating to attendance at stock takes, to agree reporting procedures and to consider whether other tender qualifying criteria should be set for the distributor. We will also look at opportunities to improve monitoring controls.

In the short term, the focus of the Merchandising team is on finalising the Christmas catalogue and making arrangements for the distribution of merchandising product during what is the most important time period of the year for retail sales.

*(Caoimhe Buckley)*

## Conclusion

The purpose of this audit was to carry out a physical stock-take of the RTÉ stock of merchandising products. The stock management function is outsourced to a third party – Indi Entertainment – which creates an additional element of risk and therefore merits review.

The audit did not highlight any material differences in the stock quantities physically inspected at the premises of Indi Entertainment as compared to the stock records. Secondly, the stock is maintained in good physical condition and we did not identify and evidence of damage.

We set out a number of other observations identified during the course of the review, which will be actioned by management in the period up to the end of Q1 2014, with a view to agreeing a new contract for the provision of merchandising distribution services.

# Appendix 1

## Results of Interim Stock Count

### Testing from Stock Records to the Floor:

Article	ARTIST	TITLE	Internal Audit Physical Inspection			CRICODS System			Difference	Stock Report	Difference
			W/house	Pick area	Total	W/house	Pick area	Total	IA v System	15.8.13	IA v Stock Report
RTEDVD 160	LOVE/HATE	SERIES 3	5295	4	5299	5429	3	5432	-133	5436	-137
RTE 286CD	TOMMY FLEMING	GOING BACK	3262	108	3370	3312	108	3420	-50	3420	-50
RTEDVD 132	PODGE & RODGE	SERIES 4 (15)	0	259	259	0	259	259	0	259	0
RTEDVD 135	KILLINASKULLY	THE COMPLETE SERIES BOXSET(12)	1236	5	1241	1241	1	1242	-1	1242	-1
RTEDVD 128	IRELAND'S GRAND SLAM GLORY	IRELAND'S GRAND SLAM GLORY (3DVD) (E)	0	287	287	0	285	285	2	287	0
RTE 284CD	JOSEPH O'CONNOR	THE DRIVETIME DIARIES	2748	66	2814	2748	66	2814	0	2816	-2
RTECD 255	JAMES JOYCE	ULYSSES (LIMITED EDITION) x32CD	1270	1	1271	1273	1	1274	-3	1273	-2
RTE 266CD	KIERAN HANRAHAN	CEILI HOUSE	0	32	32	0	32	32	0	32	0

### Testing from Floor to Stock Records:

Stock Location	ARTIST	TITLE	IA	System	Difference
			Pick area	Pick area	IA v System
G33F3	NAKED CAMERA SERIES 1-3 SLIMLINE BOXSET	NAKED CAMERA SERIES 1-3 SLIMLINE BOXSET	18	18	0
J26C	LOVE/HATE	SERIES 2	71	67	4
J36B	ISLAND - IRELAND FROM THE AIR	THE ISLAND - IRELAND FROM THE AIR	38	38	0
Warehouse	DRUID SYNGE	THE PLAYS OF DRUID SYNGE (15)	784	784	0

Date of count: 16 August 2013

# Appendix 1 (Cont'd)

## Results of Final Stock Count

### Testing from Stock Records to the Floor:

Article	ARTIST	TITLE	Internal Audit Physical Inspection			CRICODS System			Difference	Stock Report	Difference
			W/house	Pick area	Total	W/house	Pick area	Total	IA v System	27.9.13	IA v Stock Report
RTEDVD 160	LOVE/HATE	SERIES 3	4800	206	5006	4939	255	5194	-188	5144	-138
RTEDVD 153	LOVE/HATE	SERIES 2	3000	222	3222	3052	222	3274	-52	3224	-2
RTE 286CD	TOMMY FLEMING	GOING BACK	3000	248	3248	3050	248	3298	-50	3298	-50
RTEDVD 112	PODGE & RODGE	SERIES 2	3300	28	3328	3300	28	3328	0	3328	0
RTEDVD 164	THE REPUBLIC OF TELLY	BEST OF	3100	110	3210	3120	110	3230	-20	3230	-20
RTEDVD 90	STRUMPET CITY	STRUMPET CITY	1135	0	1135	1129	0	1129	6	1129	6
RTEDVD 135	KILLINASKULLY	THE COMPLETE SERIES	768	140	908	774	140	914	-6	914	-6
RTE 1 MPC	JAMES JOYCE	ULYSSES (MP3)	1722	0	1722	1725	0	1725	-3	1726	-4
RTE 1 MPC	TOMMY POTTS	TRADITIONAL FIDDLE MUSIC	3600	174	3774	3597	174	3771	3	3771	3
RTEDVD159	LOVE/HATE	BOX SET	0	N/a	0	0	N/a	0	0	0	0

### Testing from Floor to Stock Records:

Stock Location	ARTIST	TITLE	IA	System	Difference
			Pick area	Pick area	IA v System
G38D2	Mattie	Mattie Series 1	12	12	0
G38C1	Jedward	Documentary	9	9	0
G38X0			175	175	0
K38C0	Come West Along The Road	Come West Along The Road (3) RTE 148	175	175	0
K35B0	Come West Along The Road	Come West Along The Road (3) RTE 148	200	200	0
PZZDVD	Podge & Rodge	Series 4	200	200	0
	Gay Byrne	Gaybe Laughs Back TV (DVD 141)	534	532	2

Note 1

Note 1: Not sub-analysed by location on system. A further 979 on pallet in warehouse, giving 1513 versus 1511 as recorded on system

Date of count: 27 September 2013

# RTÉ Internal Audit

## Review of Purchase Receipting Process

28 January 2015

**Circulation:**

Noel Curran, Director-General  
Executive  
Members of the Audit and Risk Committee

**IBD Finance:**



# Background

## Background

### Introduction: Overview of Supplier Payment Processes

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [REDACTED].

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via [REDACTED]. (Both these processes are outside the scope of this audit).

### Purchase Orders

Purchases processed via Accounts Payable must have an approved purchase order (PO) before any purchase commitment is made. POs are raised and approved on [REDACTED] using a web based tool – [REDACTED]. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

#### *Tiered delegated authority approval limits*

Order Value	Approver
€0 - €10,000	Costpool Manager
€10,001 - €100,000	Costpool Manager / Central Purchasing / Senior Manager / FD of IBD
€100,001 - €250,000	Costpool Manager / Central Purchasing / Senior Manager / FD of IBD / MD of IBD
€250,001 - €750,000	Costpool Manager / Central Purchasing / Senior manager / FD of IBD / MD of IBD / CFO
€750,001	Costpool Manager / Central Purchasing / Senior manager / FD of IBD / MD of IBD / CFO / DG

Goods are received on [REDACTED] web, by the requisitioner, when delivered and services are received when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [REDACTED].

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, normally by EFT to the supplier's bank account, in line with credit terms.

### Invoice Manager

A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO.

### Purchase Cards

Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by Ulster Bank. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [REDACTED] web and reduces cost by eliminating the administration associated with low value orders.

### Receipting of Goods / Services

[REDACTED] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for normal variances such as delivery charges etc.

# Objectives and Scope

## Inherent IT Risk

However, d

Staff in Accounts Payable are aware of this inherent systems weakness and manually compare all invoices to the approved PO value. However, by their nature, manual controls are weaker than automatic system controls.

While manual controls are in place, we carry out an annual review of POs, in order to identify any instances of inappropriate receipting in excess of the approved order amount.

## Audit Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2014 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG place reliance on this work as part of their external audit.

The output of the audit will be a report, an electronic file and working papers.

## Scope of Audit

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed during the period 1 January 2014 to 31 December 2014, across all IBDs. The audit involved:

- ✓ Extracting PO data from [REDACTED] and analysis of same
- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system
- ✓ Inspecting any invoices processed in excess of approved orders and investigating further as necessary
- ✓ Detecting any instances of missing PO numbers in the automatic number sequence on [REDACTED]

The scope did not include:

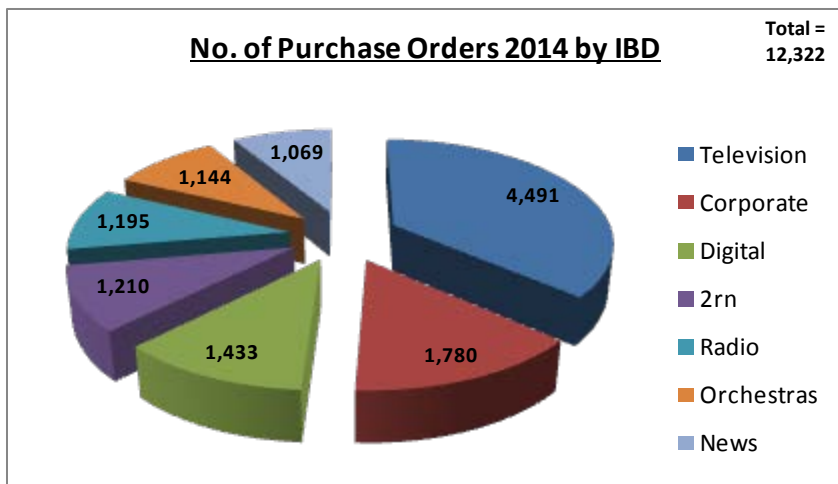
- ✗ Reviewing purchase card payments (a separate report on purchase card payments was completed late in 2014)
- ✗ A full review of all invoices posted on [REDACTED] to detect duplicate payments – indirectly covered as part of our Supplier and Employee Master Data Audit in 2014



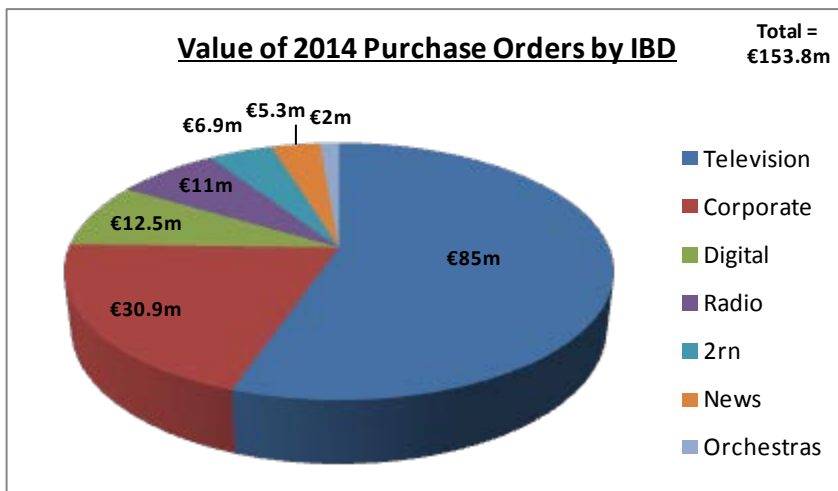
# Data Analysis

## Purchase Order Data

12,322 POs were raised in 2014, in comparison to 12,752 in 2013. (These totalled 19,426 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by IBD:



The graph below details the value, by IBD, of POs raised in 2014. The total value of POs raised in this period was €153.8m (€154.4m in 2013).



## Stratification of Purchase Order Data

A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value	Number of Orders Processed in 2014
€0 - €5,000	9,919
€5,001 - €10,000	979
€10,001 - €100,000	1,213
€100,001 - €250,000	116
€250,001 - €750,000	61
€750,001 - €1,000,000	34
<b>Total</b>	<b>12,322</b>

### Note:

1,097 of the POs raised in 2014 (2013 – 1,283) were less than €100 in value and just over one quarter of those related to ten suppliers, generally recurring consumable supplies. Of the 1,097 POs raised, 953 had invoices posted against them at the time of issuing this report.

(A further 1,114 POs raised in 2014 were for a value between €101 and €200.)

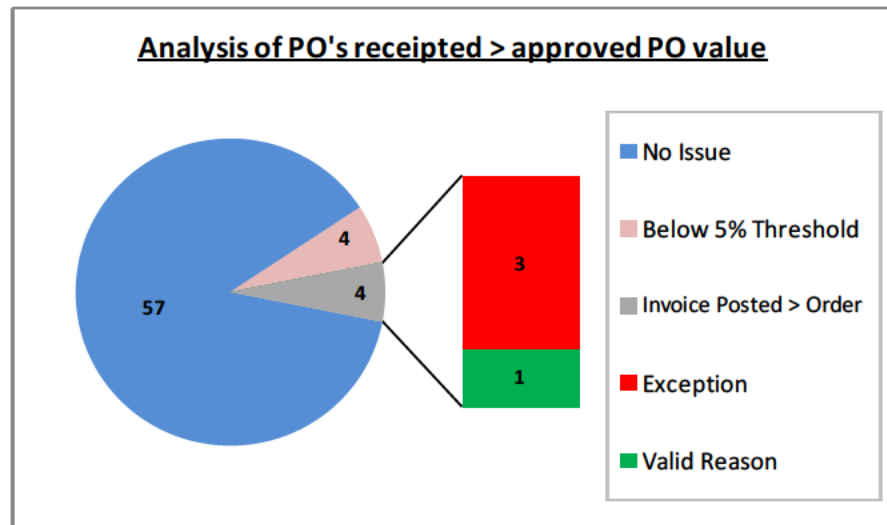
While not a matter within the scope of this audit, there may be an option to use a purchase card (or blanket orders) to further reduce the administration task of processing these low value orders. This matter will be investigated further locally.

# Summary Findings

## Summary Findings

Of the 12,322 POs raised during 2014, 65 POs (0.5%) were highlighted for further testing as the value of the goods received against the order exceeded the original approved order amount.

A summary of the review of the 65 orders is set-out below:



The excess of the receipting above the approved order amount was less than the acceptable 5% threshold in respect of **four** orders and these orders do not require further investigation.

For **57** of the orders, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting the goods (e.g. a mix up between the price and quantity fields).

Finally, in the case of **four** orders, both the goods received and the invoice processed were in excess of the original approved order. These orders were investigated further.

- ✓ In the case of one of the four exceptions, the invoice processed was less than the acceptable 5% threshold and did not require further investigation.
- ✗ In the case of the other three orders an invoice was processed, and paid, for an amount in excess of the original approved order. Details and explanations are set out below:

Service Provided	Approved PO Value	Invoice Paid	Comment
Extras for programmes	€52,000	€57,273	See 1 below
Cloud Computing Services	€18,000	€21,009	See 2 below
Payment to prizewinner	€1,000	€2,000	See 3 below

1) Timing Issue: Extras for programmes are used consistently and a PO is raised to cover each monthly period, but, as the amount is variable, on occasions the PO will be less or more than what is required. The total value of invoices paid and processed is €5,273 greater than the value of the PO originally approved. This excess was offset by a later, under-receipted, PO.

2) The total value of invoices paid and processed is €3,009 greater than the value of the order originally approved. The original PO was raised as a blanket PO to cover varying monthly charges from the supplier. However the actual charges exceeded the blanket PO and an amount was paid before further POs were raised and approved. This is a valid payment.

3) This is a duplicate payment of €1,000 to a competition winner, in error. Options to recoup this amount are currently being explored.

The audit did not identify any issues with the number sequencing of orders created on [REDACTED]. The identified gap in the sequencing of PO numbers was confirmed to be due to a known system-related issue.

The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

# Conclusion

## Conclusion

While an electronic check of the invoice value against the goods receipt value takes place at the point of processing an invoice in Accounts Payable, due to a system weakness within [REDACTED] there is no limit on the value of goods which can be receipted against the corresponding open order i.e. the goods receipted value can be in excess of the approved purchase order value. As a result, purchases could potentially be made in excess of the purchase order value originally approved in line with the Delegated Authority Limits. While manual controls are in place in Accounts Payable to address this risk, we carried out audit work to manually test the three-way match. The work will be relied upon as part of the external audit.

Internal Audit carried out a review of the processing of 12,322 purchase orders (representing a value of €153.8m). We noted three cases of an invoice processed in excess of the approved order amount. Two were valid payments, largely reflecting timing issues. However, one was a duplicate payment in the amount of €1,000. This is an isolated incident and reflects the administrative difficulties associated with processing a large number of POs for competition winners. 543 orders of similar values were processed for competition winners in 2014. (However, the administrative process will be reviewed locally following this audit.)

On the basis of the above, and having regard for the absence of issues with the remaining order processed during the year, we assess the standard of control as being "Satisfactory".

However, the underlying issue remains and a system of electronic three-way matching (invoice matched to open PO and to goods receipt) on [REDACTED] is the most preferred method of addressing this issue. This matter will be addressed as part of the next upgrade of [REDACTED] which was delayed due to resource constraints.

We appreciate the assistance of staff in Accounts Payable.

## Rating



SATISFACTORY

# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2019*

### *Report 2 of 2 (Procurement Register)*

9 April 2020

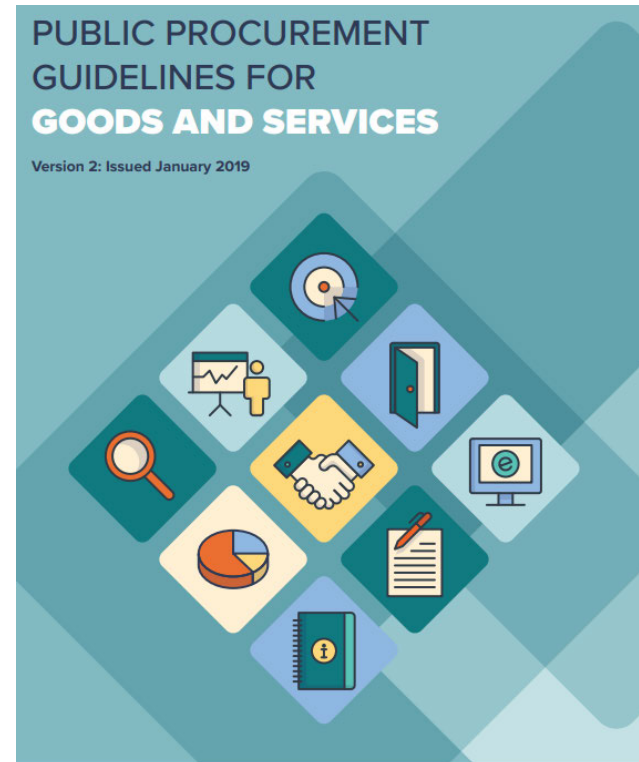
Final

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]



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# Introduction and Background

## Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

## Background

### National and EU Tendering Procedures

The Office of Government Procurement issued an updated version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were updated and applicable from 1 January 2020 (last revised on 18 December 2017).

### Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* (“the Code”) contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

*“The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff.”*

Section 8.16 of the Code also states that the Board:

*“should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson’s comprehensive report to the Minister.”*

RTÉ has three key payment systems to pay individuals and companies supplying goods/services to RTÉ: Accounts Payable (██████████), ██████████ Fees and Payroll (██████████).

➤ **Accounts Payable** (██████████) is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order (“PO”) System on ██████████ to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

➤ ██████████ **Fees** is used to pay non-employees providing “personal services”, including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via ██████████ Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

➤ **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

# Risk, Objective and Scope

## Risk

The key corporate risks addressed by the report are as follows:

- Risk # 8– Brand and Reputation;
- Risk # 11 – Business Planning & Financial Prioritisation; and
- Risk # 12 – Legal & Regulatory Changes/Compliance.

## Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT (“NRV”));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

## Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2019 to 31 December 2019, across the [REDACTED] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as “tendered” in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did not include:

- ✗ Contributors paid via [REDACTED] Fees – separate review process currently underway; see further in report below;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

# Overview and Context of Findings



RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on the previous page, [REDACTED] is out of scope of our testing of the Procurement Register as a separate review process has been underway for the past two years.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also taken place. RTÉ has engaged with each Contractor, issuing contracts of employment as appropriate.

While procedures are in place in respect of payments via [REDACTED], there is no formal monitoring and reporting of tendering in respect of Contractors engaged via [REDACTED]

A significant capital project to implement a new ERP system is also currently in progress. This will replace legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

## Accounts Payable ([REDACTED])

### Data Analysis

Payments were made to 1,875 suppliers on [REDACTED] from 1 January 2019 to 31 December 2019. The total value of payments made was €180.5 million and this is the scope for our audit testing.

### Categories Out of Scope:

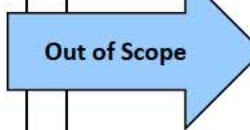
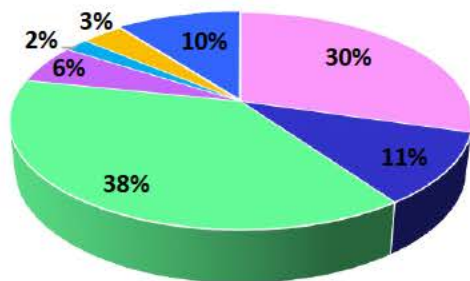
Of the €180.5 million in payments, €77.3 million (42.8%) was excluded from testing as it fell into an out of scope category or another process. The graph overleaf provides a more detailed break-down of these items.



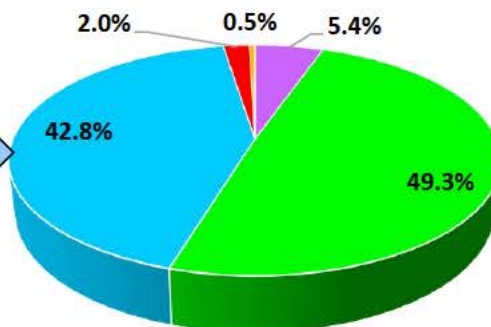
# Overview and Context of Findings Continued

## Accounts Payable (██████████) Continued

1: Categories Out of Scope/Separate Process (42.8%)



2: Review of Procurement - (██████████)



As illustrated in the above charts, 42.8% (€77.3 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and is procured via a bidding process organised by the rights holder. The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable. The categories that are out of scope/have a separate process are detailed in chart 1.

Of the remaining 57.2% (€103.3 million), a tender process occurred for 49.3% (€89.1 million) and 5.4% (€9.7 million) fell below the threshold which required a more formal process under Public Procurement Rules. This leaves 2.0% (€3.7 million) of total spend not tendered and 0.5% (€0.8 million) with the tender status unknown at the point of testing.

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Non compliant purchase spend	Medium

# Findings

## 1: Non compliant purchase spend



The audit identified an absence of a formal procurement process at the point of testing, in the case of **2.0%** (2018: 1.9%) of the expenditure via [REDACTED]. This represents **€3.7** (2018: €3.3) million in expenditure and **54** (2018: 37) suppliers. Please see table below for further details.

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[REDACTED] - 2019	180.5	1,875	3.7	2.0%	54	2.9%
[REDACTED] - 2018	174.2	1,934	3.3	1.9%	37	1.9%
Movement	6.3	-59	0.4	0.1%	17	1.0%

Expenditure Band	Suppliers	€'000
<€50k	25	987
€50k - €100k	22	1,581
€100k - €214k	6	733
>€214k (EU Threshold)	1	377
<b>Total</b>	<b>54</b>	3,678

Although the value and number of suppliers have increased, Internal Audit ("IA") notes that the average level of spend per supplier without a formal procurement process has reduced by 24% from an average of €89k for 2018 to €68k for 2019.

Further to the above, for **0.5%** (2018 – 0.9%) the tender status at the time of testing was unknown. This represents **€0.8** (2018: €1.6) million in value and **18** (2018: 31) suppliers. Please see table below for further details.

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[REDACTED] - 2019	180.5	1,875	0.8	0.5%	18	1.0%
[REDACTED] - 2018	174.2	1,934	1.6	0.9%	31	1.6%
Movement	6.3	-59	-0.79	-0.4%	-13	-0.6%

IA notes that the reduction in both the monetary value and the number of suppliers with an unknown tender status shows the continuous effort by the Procurement Team to reduce the levels of non compliance.

It is useful to also consider the consolidation of both exceptions highlighted above ('non tendered' and 'tender status unknown'). On that basis IA noted that the aggregate value of the exception decreased, in total, by €0.4m, illustrating a higher level of valid competitive tendering in 2019. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported.

# Conclusion and Report Rating

## Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, IA carried out a review of all payments made in excess of €28,000 during the period 1 January 2019 to 31 December 2019, on the [REDACTED] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2019. IA also carried out testing on the database, verifying random samples as necessary.

As per the finding raised it was noted that a formal procurement process did not take place for 2.0% of all [REDACTED] payments to suppliers in 2019. The tender status of a further 0.5% of the total population was deemed to be unknown at the time of testing.

IA is of the opinion that, as the average level of spend per supplier not tendered has reduced by 24%, combined with the reduction of both the values & number of suppliers with a tender status unknown, that this is evidence of the work performed by the Procurement Team in 2019. That work has focused on addressing exceptions in those suppliers with a higher spend, as a priority, and reflects good progress. Further work needs to continue focusing on the suppliers with a lower spend (e.g. 39 suppliers highlighted as an exception across the two categories had a spend which is less than €50k in 2019).

In addition, IA notes that there are a number open audit actions ongoing – please refer to **Appendix 1** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ ERP System;
- ✓ Organisational Restructure; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as “Improvement Needed”.

## Report Rating



**IMPROVEMENT NEEDED**

Auditor: [REDACTED], Internal Audit Manager

## Appendix 1 – Audit Recommendations

Recommendation	Owner	Due Date
<p>1. <b>Tender Process:</b> Where required, a new/updated tender will be carried out.</p>	<p>██████████ (Head of Procurement)</p>	<p>31 December 2020</p>
<p>2. <b>Reporting of non compliant procurement spend:</b> The non compliant tender spend and unknown tender spend as noted in the report should be reported as required and monitored accordingly.</p>	<p>██████████ (Head of Procurement)</p>	<p>31 May 2020</p>
<p>3. <b>Implementation of new ERP System(s):</b> A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems.</p> <p>This project will bring a number of benefits to the Payables modules including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.</p>	<p>██████████ (Head of Procurement) and ██████████ (Group Financial Controller)</p>	<p>Q4 2020</p>

# Appendix 1 - Audit Recommendations Continued

Recommendation	Owner	Due Date
<p><b>4. Organisational Restructure (One RTÉ):</b> The reorganisation of RTÉ, with the implementation of the 'One RTÉ' structure, has created new consolidated divisions and co-located teams.</p> <p>Oversight of key supplier relationships is now being consolidated, resulting in better centralised managerial responsibility. This is in place, but the process is ongoing. As teams continue to come together, especially in output areas, a better organisational view of expenditure should emerge, addressing the traditional fragmented nature of buying.</p>	<p>██████████ Director General)</p>	<p>Ongoing</p>
<p><b>5. Oversight by Procurement department:</b> Managers in the Procurement Department now oversee procurement activity by expenditure category.</p> <p>The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.</p>	<p>██████████ (Head of Procurement)</p>	<p>Ongoing</p>

# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2022*

### Report 1 of 2 (Procurement Register)

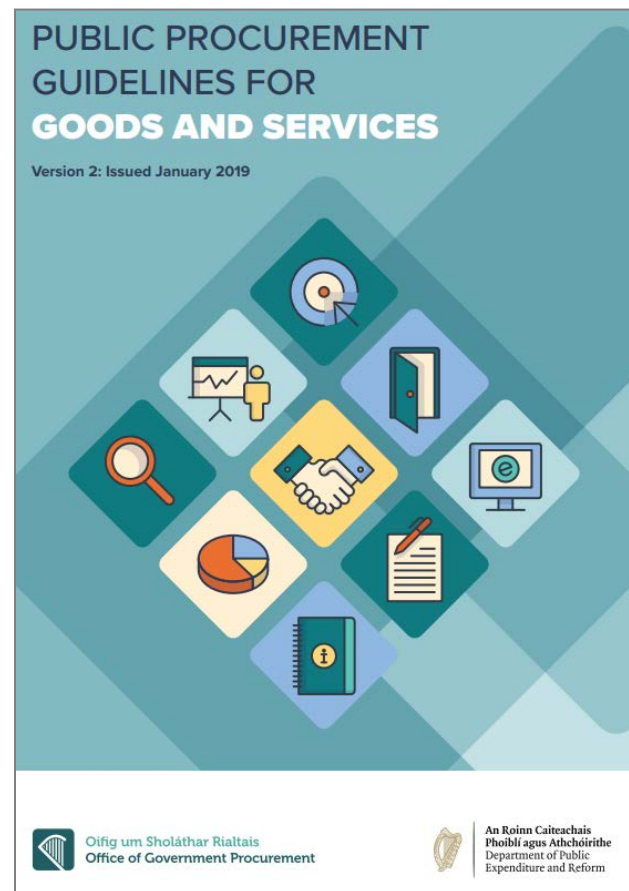
12 April 2023

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**

[Redacted Finance List]



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*

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# Introduction and Background

## Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTE is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

## Background

### National and EU Tendering Procedures

The Office of Government Procurement issued the most recent version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values are updated every two years and the thresholds from 1 January 2022 to 31 December 2023 are applicable for this review.

### Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* (“the Code”) contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

*“The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff.”*

Section 8.16 of the Code also states that the Board:

*“should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson’s comprehensive report to the Minister.”*

RTE currently has three key payment systems to pay individuals and companies supplying goods / services to RTE: Accounts Payable (██████████), Fees and Payroll (██████████).

➤ **Accounts Payable** (██████████) is used to pay suppliers of goods, professional services, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order (“PO”) System on (██████████) to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

The new ERP system, (██████████) (██████████) went live on 23 March 2023.

➤ (██████████) **Fees** is used to pay non-employees providing “personal services”, including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via (██████████) Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

➤ **Payroll** is used to pay for the services of all other RTE employees and is not used to make payments to suppliers or third parties.



# Risk, Objective and Scope

## Risk

The key corporate risks (Q3 '22 update) addressed by the report are as follows:

- Risk # 6 – Brand and Reputation (*FOI requests etc*);
- Risk # 8 – Management of Finances and Business Planning; and
- Risk # 10 – Legislation / Regulation & Compliance.

## Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT (“NRV”));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

## Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2022 to 31 December 2022, across the [REDACTED] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as “tendered” in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did not include:

- X Contributors paid via [REDACTED] Fees – separate processes – see page 5;
- X Payments to employees;
- X Payments made via Purchase Cards; and
- X A review of payments/contract values below €28,000 in value.

# Overview and Context of Findings

## ██████████ Fees

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on page 4, ██████████ Fees is out of scope of our testing of the Procurement Register. In many cases these engagements involve editorial decision making, which is subject to the audio-visual media services exemption in procurement rules.

Secondly, in other cases, the engagement of Contractors was subject to the Eversheds review and the implementation of follow on actions was undertaken. Further follow-on work is still in progress. New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also taken place.

While procedures are in place in respect of payments via ██████████ there is less formal monitoring and reporting of tendering in respect of Contractors engaged via ██████████ fees.

## Accounts Payable

### Data Analysis

Payments were made to 1,839 suppliers on ██████████ from 1 January 2022 to 31 December 2022. The total value of payments made was €182 million and this is the scope for our audit testing.

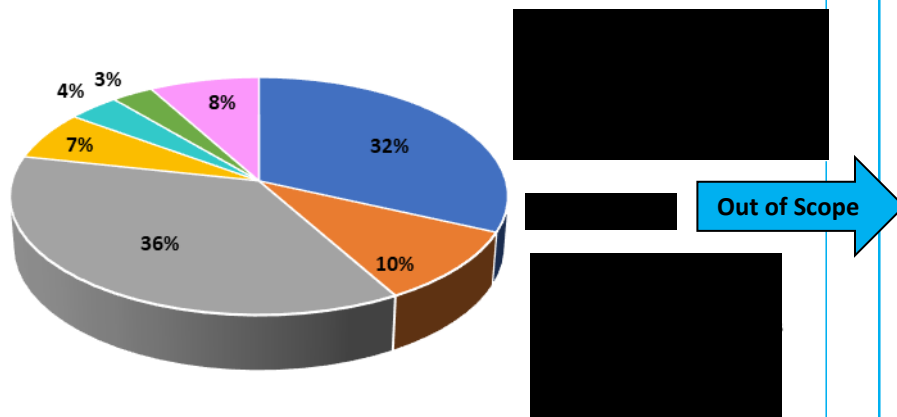
### Categories Out of Scope:

Of the €182 million in payments, €79.3 million (43.5%) was excluded from testing as it fell into an out-of-scope category or another process. The graph overleaf provides a more detailed break-down of these items.

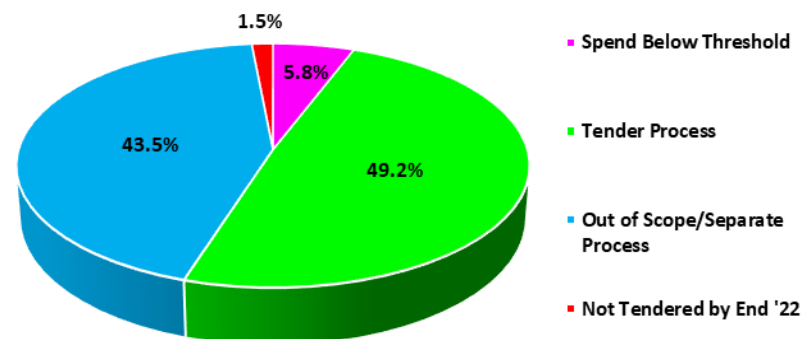
# Findings

## Findings – Overview

1: Categories Out of Scope / Seperate Process (43.5%)



2: Procurement Register 2022 (by category)



As illustrated in the above charts, 43.5% (€79.3 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and are procured via a bidding process organised by the rights holder. Suppliers assigned to these categories have been examined to verify accuracy. The reason for their exemption from a formal tender process was investigated and deemed reasonable.

Of the remaining 56.5% (€102.8 million), a tender process occurred for 49.2% (€89.5 million) and 5.8% (€10.5 million) fell below the threshold which required a more formal process under Public Procurement Rules.

This leaves 1.5% (€2.7 million) of total spend not subject to a tender process by the end of 31 December 2022, analysed further overleaf.

# Findings (Cont'd)

## Review of Compliance

The audit identified an absence of a formal procurement process at the time of testing for **1.5%** (2021: 1.4%) of expenditure via ██████ in 2022. This represents **€2.7** (2021: €2.2) million in expenditure and **11** (2021: 31) suppliers.

The level of exception increased from prior year but there was a reduction of 20 in the number of supplier exceptions. Please see table below for further details on the exceptions.

Absence of Formal Procurement Process Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
██████ - 2022	182.1	1,839	2.7	1.5%	11	0.6%
██████ - 2021	160.2	1,686	2.2	1.4%	31	1.8%
Movement	<b>21.9</b>	<b>153.0</b>	<b>0.5</b>	<b>0.1%</b>	<b>-20</b>	<b>-1.2%</b>

Expenditure Band	Suppliers	€'000
<€50k	0	0
€50k - €100k	3	198
€100k - €214k	7	2,253
>€214k (EU Threshold)	1	292
<b>Total</b>	<b>11</b>	<b>2,743</b>

As shown in the table above, the level of non-compliance has remained broadly consistent with the 2021 results, based on a small rise in **value** of €0.5m or **0.1%** of expenditure, but a decrease in the **number** of suppliers of 20 or **1.2%**.

### Mitigating Factor:

Of the €2.7m where no tender had taken place, 62% (€1.7m) went through a formal tender process in late 2022 but the contract was only awarded in early 2023, and therefore not taken into account in 2022 results. In addition, the number of non-compliant suppliers has fallen, illustrating a higher level of valid competitive tendering in 2022 and the continuous effort by the Procurement Team to reduce the levels of non compliance over recent years. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported at each year-end.

# Conclusion and Rating

## Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, Internal Audit carried out a review of all payments made in excess of €28,000 during the period 1 January 2022 to 31 December 2022, on the ██████ payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2022. IA also carried out testing on the database, verifying random samples as necessary.

Our finding highlights that a formal procurement process did not take place for 1.5% of payments to suppliers in 2022.

While exceptions exist, the position has remained relatively stable from prior year and reflects the continuous action by the Procurement Team to reduce the levels of non compliance over recent years. The action is illustrated by a reduction of 20 in the number of suppliers where a formal procurement process did not take place. In value terms, there was a slight deterioration of €0.5m but, as explained above, this was primarily due to a high-value contract tender not being awarded until early 2023.

In addition, IA notes that a number of open audit actions are ongoing – please refer to **Appendix 1** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ Monitoring and reporting; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as “Improvement Needed”.

## Rating



**IMPROVEMENT NEEDED**

# Appendix 1 – Audit Actions

#	Actions	Owner / Comment	Due Date
1	<p><b>Tender Process:</b> Where required for the exceptions identified in the report, a new / updated tender will be carried out.</p> <p>Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.</p>	<p>[REDACTED]</p>	31 December 2023
2	<p><b>Monitoring / Reporting of non compliant procurement spend:</b> The non compliant tender spend noted in the report should be reported to the relevant division and monitored accordingly.</p>	<p>[REDACTED]</p> <p>Comment: A new "Non-Compliant Spend" form was rolled out in Jan 2023. If spend is &gt;€25k and non compliant it will be flagged at requisition stage. A Non-Compliant form must then be completed and signed off by the CFO and Executive person from the relevant area.</p> <p>On a weekly basis spend &gt;10k goes to the Procurement team meeting for review.</p>	30 April 2023 & ongoing
3	<p><b>Oversight by Procurement Department:</b> Managers in the Procurement Department now oversee procurement activity by expenditure category.</p> <p>The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.</p>	<p>[REDACTED]</p>	Ongoing



**PART 1: AUDIT AND RISK COMMITTEE MEETING 24 MARCH 2021**





**RTÉ INTERNAL AUDIT**  
**REPORT TO THE AUDIT AND RISK COMMITTEE**  
**MEETING: 24 MARCH 2021**

**Circulation:**

*Attending the Committee meeting:*  
**Anne O’Leary (Chair)**  
Ian Kehoe  
Robert Shortt

*CC:*  
Dee Forbes (Director-General)  
Richard Collins

Paula Mullooly (RTÉ Group Secretary)



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  - Internal Financial Control Questionnaire **(1B)**
  
2. TECHNICAL UPDATES / RECENT DEVELOPMENTS
  - Operational Separation of 'Big Four' Audit Practices
  - Reporting against the UK Corporate Governance Code

# Internal Memorandum

**To:** Members of the Audit and Risk Committee

**CC:** Paula Mullooly, RTÉ Group Secretary

**From:** Peadar Faherty, Head of Internal Audit

**Date:** 19 March 2021

**Re:** Review of Effectiveness of Internal Control: Introduction and Agenda

## 1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 24 March 2021 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 14 April 2021. At that point, the members of the Committee will make a recommendation to the Board.

The purpose of this memorandum is to provide background context to the Committee’s review of the effectiveness of internal control and to outline the agenda to be covered at this meeting.

## 2. Internal Control

Internal control is a process, implemented by an organisation’s board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. Internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

The roles and duties of various parties in the internal control system are illustrated in this model:

### The Three Lines of Defense Model



The Board is responsible for ensuring that effective systems of internal control are implemented.

### **3. Why review the effectiveness of Internal Control?**

#### ***Code of Practice for the Governance of State Bodies***

A review of the effectiveness of the system of internal control is a requirement of the 2016 Code of Practice for the Governance of State Bodies (“the Code of Practice”). Published by the Department of Public Expenditure and Reform, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 7.5 of the Code of Practice outlines that:

*“The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control”*

Furthermore, the Code’s ‘Business and Financial Reporting Requirements’, a supporting document to the main code, outlines that:

*“The Chairperson’s report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body.”*

The annual report of each State Body must include a statement on “internal control” (using a prescribed format). The statement will be contained in the Internal Control and Risk Management Section of the Corporate Governance Report in the draft Annual Report for the year-ended 31 December 2020.

The external auditors are required review this statement. RTÉ also reports on compliance with the Code of Practice in its annual report.

In addition to the above, the Chairperson’s annual report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media must also include a statement on the system of internal control.

#### ***Companies Act 2014***

Section 225 of the Companies Act 2014 introduced a requirement for directors of an in-scope Irish company to include an annual Compliance Statement in the directors’ report accompanying the company’s financial statements. Section 225 was applicable to two RTÉ subsidiaries for the financial year ended 31 December 2018, based on size criteria.

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company’s compliance with its “relevant obligations”, as defined in the Act; and (ii) confirm, on a “comply or explain” basis, that certain assurance measures have been undertaken.

The relevant obligations cover Irish Tax law and various other Companies Act requirements such as the maintenance of proper books and records. In the majority of cases, the applicable controls are managed centrally through the RTÉ Group structure. Therefore, for the purpose of providing assurance to the directors of RTÉ Transmission Network DAC and RTÉ Commercial Enterprises DAC, Internal Audit’s assurance activity in the area of Directors’ compliance statements is carried out in the context of its broader work in the area of internal control.

## ***Financial Transactions of Certain Companies and Other Bodies Act, 1992***

The exercise of powers to enter into certain treasury contracts (as specified in the Financial Transactions of Certain Companies and Other Bodies Act, 1992) is subject to requirements specified by the Minister for Finance. These are documented in a formal *Requirements and Conditions* document issued to the organisation.

On 14 December 2020, the Department of Finance issued RTÉ with a new document. The updated requirements include that the Board shall certify annually that treasury procedures are in place and that RTÉ has acted fully in accordance with the Minister for Finance's Requirements and Conditions. The certification process is undertaken in the context of the broader review of internal control.

### **4. What should this review involve?**

Guidance has been published to assist Audit Committees to discharge their duties in this area.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

Section 7.5 of the Code of Practice also references the Financial Reporting Council's guidance in this area.

### **5. Documents to facilitate the Committee's review**

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ.

In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations. These items are highlighted as key steps in the annual review of the effectiveness of internal control as per section 7.5 of the Code of Practice.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle.

Please refer to the table overleaf for further details of the documents and the scheduling of presentations over the two Committee meetings.

At the end of the meeting on 14 April 2021 **the members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ**, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report.

**Documents Presented to the ARC to Facilitate a Review of the Effectiveness of the System of Internal Control**

No.	Topic / Agenda Item	Presented to the ARC:
1	Corporate Governance and Internal Control in the main operating subsidiary 2rn, comprising:  Internal Audit report following a Review of Internal Control in 2rn.	<b>24 March 2021</b>
2	The results of the internal control self-assessment questionnaires, used by the RTÉ divisions to assess the financial control environment, and Internal Audit testing thereon.	<b>24 March 2021</b>
3	The Quarterly Risk Update for Q1 2021, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	<b>24 March 2021</b> (memo) / 14 April 2021
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	14 April 2021
5	A comprehensive Code of Practice Checklist (addressing 134 compliance items, including internal control) will be submitted by RTÉ to Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media by end April 2021. This will be accompanied by supporting documentation and back-up.	14 April 2021
6	Directors' Compliance Statement:  Details of the audit work carried out to enable the directors of the in-scope RTÉ subsidiaries to include a Directors' Compliance Statement in the annual directors' report. This is a requirement under the Companies Act 2014.	14 April 2021
7	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2020, addressing the following areas: <ul style="list-style-type: none"> <li>• Purchase receipting and</li> <li>• Tendering aspects (RTÉ's compliance with Section 8.16 of the <i>Code of Practice for the Governance of State Bodies</i>)</li> </ul>	14 April 2021

No.	Topic / Agenda Item	Presented to the ARC:
8	<p>Financial Transactions of Certain Companies and Other Bodies Act, 1992:</p> <p>Details of the audit work carried out to enable the Board members to certify, for the year-ended 31 December 2020, the matters specified in the Minister for Finance's <i>Requirements and Conditions</i> document.</p>	14 April 2021
9	<p>Review of the Cost Allocations Process<sup>1</sup> for the year-ended 31 December 2020, to the extent required by the External Auditors.</p> <p><i>(<sup>1</sup>Financial procedures carried out by Group Finance, after the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report)</i></p>	14 April 2021
10	<b>Committee's resolution on internal control and recommendation to the Board.</b>	14 April 2021

**(1A) Internal Control in 2rn:**

- **Financial Control procedures**





**1A INTERNAL CONTROL IN 2rn****1.1 BACKGROUND**

As a wholly-owned subsidiary, the financial results of 2rn are consolidated as part of the financial results of the RTÉ Group. Therefore, RTÉ retains a responsibility for ensuring that all subsidiaries are adequately managed and controlled and retains the legal authority to hold a subsidiary to account for their activities. The RTÉ Audit and Risk Committee is responsible for approving the financial statements of the RTÉ Group (including consolidated 2rn) and, in that context, the RTÉ Board is also responsible for reviewing the system of internal control for the entire group.

The directors of the Board of 2rn also have their own legal and fiduciary responsibilities under statute (Acts/EU Regulations) and common law, and need to be satisfied that appropriate governance arrangements are in place to meet their legal responsibilities.

Up to 2013, 2rn had been managed as an Integrated Business Division, in a manner similar to other RTÉ divisions, and it fell within the scope of the wider review of financial control in RTÉ. However, the relocation of 2rn from the Donnybrook campus to premises in Dublin 24, in addition to the migration of responsibility for key 2rn financial processes from the RTÉ Group's Central Shared Services functions to management locally, means that the 2rn financial processes are no longer managed centrally, other than some exceptions.

**1.2 DOCUMENTS FOR REVIEW**

In order to assist the Board to carry out its review of financial control in 2rn, this section of the report contains a number of documents in respect of 2rn:

- Internal Audit Report: Financial Control in 2rn (report overleaf).

# RTÉ Internal Audit

Full Report included separately in list of reports - not repeated here

## Review of 2rn Internal Financial Control

12 March 2021

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

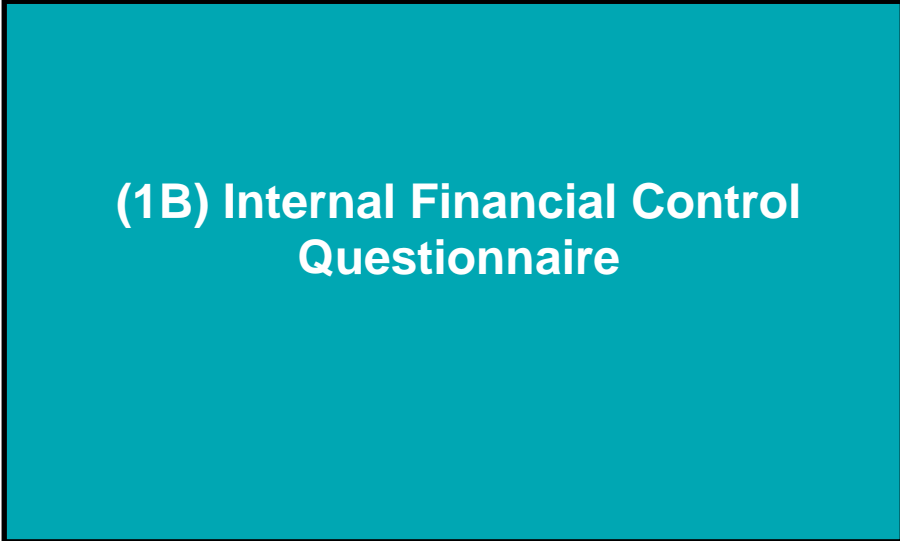
██████████, Chairman RTÉ Transmission Network DAC (trading as 2rn)  
██████████, Executive Director 2rn  
██████████, Financial Controller 2rn

**RTÉ:**

██████████, Group Financial Controller



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*



**(1B) Internal Financial Control  
Questionnaire**

## 1B INTERNAL FINANCIAL CONTROL

## 1.1 BACKGROUND

*Internal Financial Control*

Each Division and, where applicable, central functions/shared services completed a self-assessment of the internal financial controls in the following areas:

	Process	Overview of control questions
A	Purchasing and Accounts Payable	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
B	Sales and Accounts Receivable	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
C	Cash and Treasury	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
D	Inventory	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
E	Fixed Assets	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
F	People Payments	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
G	Management Accounts/Financial Close	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
H	Tax Compliance	Preparation and submission of VAT; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

**1.2 REPORTING REQUIREMENTS**

Section 1.8 of the 2016 Code of Practice for the Governance of State Bodies (“the Code”) states that:

*“The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place.”*

As a result, we carry out specific work in the area of Internal Financial Control.

**1.3 CONTROL EFFECTIVENESS**

Management completed an assessment of the effectiveness of each financial control (47 questions) using a scale of 1-4, where 4 is the highest rating. This follows a similar approach to previous years.

Overleaf we have set-out, by Division, details of the effectiveness ratings assigned to the individual financial control questions in each of the process areas. As summarised overleaf, the output of this exercise highlights that a robust financial control environment exists in RTÉ, with strong control effectiveness ratings across the financial processes. In general, the ratings are broadly consistent with those reported last year with some areas showing marginally lower rating due to process changes.

Please refer to the **Appendix 1** at the back of this report for the financial control questionnaire in full, detailing the scores assigned to each of the 47 questions.

## INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2020

Summary of Effectiveness Ratings									
Section	Process Area	Finance Shared Services	Content	Operations	News & CA	Commercial	ACM	Technology	Average
A	Procurement and Accounts Payable	92%	Divisions implement Group Procurement Procedures						92%
B	Sales and Accounts Receivable	98%	<i>Immaterial</i>	N/a	N/a	70%	N/a	N/a	84%
C	Inventory	N/a	95%	N/a	98%	<i>Immaterial</i>	N/a	N/a	96%
D	Cash and Treasury*	98%	N/a	N/a	N/a	N/a	N/a	N/a	98%
E	Fixed Assets	99%	88%	88%	98%	89%	98%	99%	94%
F	People Payments	90%	81%	81%	81%	98%	96%	91%	88%
G	Management Accounts/Financial Close	96%	92%	92%	95%	90%	95%	98%	94%
H	Taxation Administration & Compliance*	97%	Taxation function in Group Finance						97%

**\* Note:**

Taxation: also covered as part of audit work on the Director's Compliance Statement.

Treasury: additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

**1.4 INTERNAL AUDIT PROCEDURES**

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;
- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.
- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation/supporting evidence.

**1.5 RESULT**

The effectiveness ratings assigned to the financial control processes within scope are reasonable and, for the sample tested to date, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

Testing is at advanced stage at the date of this report, with a small number of areas to finalise. A further update will be provided on completion of testing, although we do not envisage any issues arising.

Please refer to **Appendix 1** for the consolidated internal financial control questionnaire which provides details of process effectiveness ratings.

## 2. TECHNICAL



## **2 TECHNICAL UPDATES / RECENT DEVELOPMENTS**

### **2.1 OPERATIONAL SEPARATION OF 'BIG FOUR' AUDIT PRACTICES**

#### *Overview*

As previously reported, the Financial Reporting Council (FRC) published principles for operational separation of the audit practices of the 'Big 4' firms in July 2020 and asked the firms to submit their implementation plans by 23 October 2020.

The objectives of operational separation are to ensure that audit practices are focused on delivery of high-quality audits in the public interest, and do not rely on persistent cross subsidy from the rest of the firm.

#### *Update*

The Firms' plans have now been reviewed and discussed with the firms individually and the regulator has signalled it is now content for the firms to move to the next stage of implementation. The firms' progress will continue to be closely monitored against the milestones in their plans.

Some of the firms have reorganised their operations, for example Deloitte selling its restructuring business, which saw key partners and staff move to a new owner. The FRC has made some changes to the principles following analysis of the firms' implementation plans:

- to confirm that the audit practice should not receive fees for introducing business to other parts of the firm and that partners in the audit practice should not be incentivised for sales passed to other parts of the firm.
- to increase the minimum proportion of revenue within the ring-fence that must be derived from audit.
- to clarify that services provided to non-audited entities should be commissioned by those charged with governance at the entity or be assurance services for third party recipients.

#### *Key Objectives*

The FRC's key outcomes and objectives from this project are as follows:

- audit practice governance prioritises audit quality and protects auditors from influences from the rest of the firm that could divert their focus away from audit quality;
- the total amount of profits distributed to the partners in the audit practice does not persistently exceed the contribution to profits of the audit practice;
- the culture of the audit practice prioritises high-quality audit by encouraging ethical behaviour, openness, teamwork, challenge and professional scepticism/judgment; and
- auditors act in the public interest and work for the benefit of shareholders of audited entities and wider society.

## 2.2 REPORTING AGAINST THE UK CORPORATE GOVERNANCE CODE

The Financial Reporting Council recently issued advice for companies on how to report transparently and effectively when departing from certain provisions of the UK Corporate Governance Code ('the Code').

The Code applies to Irish-incorporated companies listed on the Main Securities Market of Euronext Dublin, as well as Irish companies with a premium listing on the London Stock Exchange. Other organisations choose to comply on a voluntary basis.

### *Background*

The Code sets high standards for Corporate Governance. It recognises that companies have differing circumstances and so offers flexibility through its 'comply or explain' approach to reporting. The FRC encourages companies to embrace the flexibility offered by the Code so that investors and wider stakeholders benefit from reporting that clearly demonstrates a commitment to good governance, and clearly sets out a company's circumstances.

In November 2020, the FRC published a review of Corporate Governance Reporting. It found that 'tick-box compliance' continues to be preferred over high-quality reporting of good governance practice. A random sample of 100 companies, found that too many companies strive to declare strict compliance with the Code. The report found that such a formulaic approach leads to boilerplate language, and ineffective reporting that lacks substance and information about governance outcomes.

### *Recommendation*

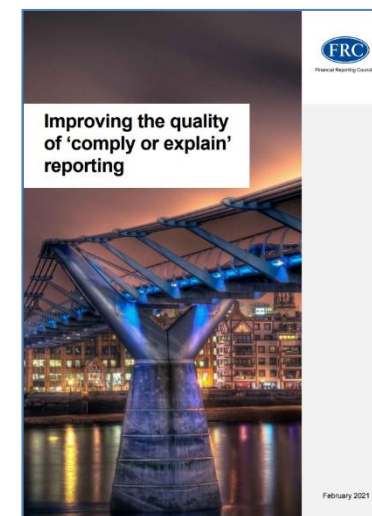
The FRC recommends that companies:

- Embrace the flexibility offered by the Code and develop bespoke governance processes and practices which raise standards.
- Make it easy for readers to find out which Provisions of the Code they have departed from in their annual report.
- Ensure that they provide full, clear and meaningful explanations for any such departures.

### *Focus Areas*

There were some departures from Provisions of the Code for which the FRC's report noted a particular lack of transparency:

- Provision 5 – stakeholders' interests and workforce engagement
- Provision 19 – chair tenure



- Provision 38 – executive pensions aligned with the workforce
- Provision 36 – post-employment shareholding
- Provisions 40 and 41 – engagement with shareholders and workforce

## Appendix 1 – Internal Financial Control Questionnaire

Section A: Purchasing and Accounts Payable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
1	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3.8	Divisions implement Group Procurement Procedures						3.8
2	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3.5							3.5
3	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	4							4.0
4	Score the effectiveness of the procedures and controls over the receipting of goods and services	3							3.0
5	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3							3.0
6	Score the effectiveness of the procedures for confirming balances with suppliers	4							4.0
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3.5							3.5
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	4							4.0
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4							4.0
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4							4.0

*Total Score for Purchasing and Accounts Payable Processes*

36.8							
92%							

Section B: Sales and Accounts Receivable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	4	<i>Immaterial</i>						4.0
12	Score the effectiveness of the procedures and controls over the processing of customer orders					2.75			2.8
13	Score the effectiveness of the procedures and controls over the invoicing of customers	3.8							3.8
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer					2.6			2.6
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.8							3.8
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	4							4.0
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4							4.0
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4							4.0
19	Score the effectiveness of reconciliation procedures and controls					3			3.0

*Total Score for Sales and Accounts Receivable Processes*

23.6				8.35		
98%				70%		

Section C: Inventory

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)		3.9		3.8	<i>Immaterial</i>			3.9
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.		3.7		4				3.9
22	Score the effectiveness of the procedures and controls over stock movements		3.8		3.8				3.8
23	Score the effectiveness of the month end inventory accounting procedures		3.8		4				3.9

*Total Score for Inventory Processes*

	15.2		15.6		
	95%		98%		

Section D: Cash and Treasury

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	4							4.0
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5							3.5
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4							4.0
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	4							4.0
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4							4.0
29	Score the effectiveness over the recording of borrowings	4							4.0

*Total Score for Cash and Treasury Processes*

23.5							
98%							

Note: additional audit work is also undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992* )



Section E: Fixed Assets

	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.8	3.5	3.5	3.75	3.5	3.8	3.8	3.7
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	4	4	3.9	4	3.8
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	4	3.5	3.5	4	4	4	4	3.9
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	4	3.5	3.5	4	2.75	4	4	3.7

*Total Score for Fixed Assets Processes*

15.8	14	14	15.75	14.25	15.7	15.8
99%	88%	88%	98%	89%	98%	99%

Section F: People Payments

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	3.7							3.7
35	Score the effectiveness of the procedures and controls for over the processing of joiners and leavers' payroll (excluding the payment of Fees)	4							4.0
36	Score the effectiveness of the procedures and controls over the payment of Fees	3.7							3.7
37	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	3.7							3.7
38	Score the effectiveness of the procedures and controls over the processing of personal expenses on Transfare	3.5	3.5	3.5	3	4	3.9	3.8	3.6
39	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	3	3	3.5	3.8	3.8	3.5	3.4

*Total Score for People Payments Processes*

21.6	6.5	6.5	6.5	7.8	7.7	7.3
90%	81%	81%	81%	98%	96%	91%

Section G: Management Accounts/Financial Close

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
40	Score the effectiveness of the monthly management accounts preparation process	4	3.8	3.8	4	4	4	4	3.9
41	Score the effectiveness of the monthly management accounts review and clearance process	4	3.8	3.8	3.5	3.5	3.75	4	3.8
42	Score the effectiveness of the financial close procedures and controls	3.85	3.7	3.7	4	3.5	3.95	4	3.8
43	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	3.5	3.5	4	3.5	3.5	3.5	3.6
44	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.8	3.5	3.5	3.5	3.5	3.8	4	3.7

*Total Score for Management Accounts / Financial Close Processes*

19.15	18.3	18.3	19	18	19	19.5
96%	92%	92%	95%	90%	95%	98%

Section H: Taxation Compliance

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
45	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	3.8	Taxation function in Group Finance**						3.8
46	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	4							4.0
47	Score the effectiveness of the procedures and controls over compliance with Professional Services Withholding Tax (PWST), Dividend Withholding Tax (DWT) and Relevant Contracts Tax (RCT).	3.8							3.8

*Total Score for Taxation Processes*

11.6						
97%						

\*\*Note: Taxation is also covered as part of audit work on the Director's Compliance Statement.

**PART 2: AUDIT AND RISK COMMITTEE MEETING 21 APRIL 2021**



**RTÉ INTERNAL AUDIT**  
**REPORT TO THE AUDIT AND RISK COMMITTEE**  
**MEETING: 21 APRIL 2021**

**Circulation:**

*Attending the Committee meeting:*  
**Anne O’Leary (Chair)**  
Ian Kehoe  
Robert Shortt

Paula Mullooly (Director Legal Affairs)

*CC:*  
Dee Forbes (Director-General)  
Richard Collins (Chief Financial Officer)  
Deloitte Audit Team



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**1. OBJECTIVE AND EXECUTIVE SUMMARY****1.1 OBJECTIVE OF MEETING**

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to complete its review of the effectiveness of the internal control system, on behalf of the Board. (The Committee's review process commenced at the 24 March 2021 Audit and Risk Committee meeting); and
- Outline the work performed by Internal Audit to assist the Committee and report the results of the audit testing undertaken.

The members of the Committee will be required to make a recommendation to the Board following the meeting.

**1.2 REVIEW OF INTERNAL CONTROL: BACKGROUND**

Section 7.5 of the 2016 *Code of Practice for the Governance of State Bodies* ("the Code") outlines that:

*"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, Appendix C of the Code's Business and Financial Reporting Requirements outlines that:

*"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

As a result, we carry out specific work in the area of Internal Control.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.



**1.3 METHODOLOGY FOR THE COMMITTEE'S REVIEW OF INTERNAL CONTROL**

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control.

The Committee considered Corporate Governance in subsidiaries and reviewed the internal control self-assessment questionnaires at its meeting on 24 March 2021. Today, the Committee will consider:

- 1) Compliance Statement in the directors' report accompanying the financial statements of certain in-scope RTÉ subsidiaries – see **Section 2**
- 2) Treasury Policies / compliance with the Department of Finance *Requirements and Conditions document* – see **Section 3**
- 3) Compliance with the *Code of Practice for the Governance of State Bodies* – see **Section 5**
- 4) Specific year-end internal audit reports which are relevant to internal control – see 1.4 below

Finally, at the end of this meeting:

- 5) The members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report – see **Section 6**.

**1.4 INTERNAL AUDIT REPORTS**

**Section 4** contains a report issued by Internal Audit since the last meeting, which is relevant to the review of internal control:

- ***Procurement Compliance: Review of Procurement Register***

The 2016 *Code of Practice for the Governance of State Bodies* contains specific requirements regarding the monitoring of compliance with Public Procurement rules in the area of tendering. The purpose of this audit was to assess, verify and report on RTÉ's compliance with the provisions of the Code.

**1.5 CHAIR'S ANNUAL REPORT TO THE MINISTER FOR TOURISM, CULTURE, ARTS, GAELTACHT, SPORT AND MEDIA**

Section 2.6 of the *2016 Code of Practice for the Governance of State Bodies* states the following:

*“The Chairperson of each State body should furnish to the relevant Minister..... in conjunction with the annual report and financial statements of the State body, a comprehensive report to the relevant Minister covering the State body.”*

A first draft of the Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media is included in **Section 7**. A final draft will be issued to the Board in advance of its next meeting.

Note that the Chair's report makes reference to some exceptions in the Procurement area (see page 4). Group Finance provides tables of selected financial data (Appendix 1 of the report) which RTÉ is permitted to report in this manner, as opposed to in the RTÉ Annual Report, on grounds of commercial sensitivity / data protection.

**1.6 TECHNICAL DEVELOPMENTS**

In addition to the topic of internal control, in **Section 8** we include a short update on technical developments.

## 2. DIRECTORS' COMPLIANCE STATEMENT

- *Compliance Policy Statement*
- *Structures & Processes Document*
- *Steps in the Annual Review Process*

**2. DIRECTORS' COMPLIANCE STATEMENT****2.1 Background**

The Companies Act 2014 ("the Act"), section 225, includes a requirement on directors of an in-scope Irish company to provide an annual Compliance Statement in the directors' report accompanying the company's financial statements.

Two RTÉ subsidiaries have fallen within scope (based on the size criteria in sub-section 7 of section 225 of the Act) on different occasions since enactment:

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken. Three assurance measures are identified in the Act:

- Drawing up a Compliance Policy Statement;
- Putting in place appropriate structures and processes to secure material compliance; and
- Carrying out an annual review of compliance processes.

The documents to facilitate those three steps are set-out overleaf.

**2.2 Statutory Disclosure in Subsidiary Accounts**

The following is a draft of the disclosure which will be inserted into the Report of the Directors in the financial statements of the two RTÉ subsidiaries within scope of the Companies Act requirement.

"In accordance with Section 225(2)(a) of the Companies Act 2014 ("the Act"), the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1) of the Act).

In accordance with Section 225 (2)(b) of the Act, the directors confirm that they have:

- i. drawn up a Compliance Policy Statement setting out the Company's policies (that are, in the opinion of the directors, appropriate to the Company) in respect of the compliance by the Company with its relevant obligations;

- ii. put in place appropriate arrangements or structures that, in the opinion of the directors, provide a reasonable assurance of compliance in all material respects with the Company's relevant obligations; and
- iii. during the financial year to which this report relates, conducted a review of the arrangements or structures that the directors have put in place to ensure material compliance with the Company's relevant obligations."

### **2.3 Disclosure in RTÉ Group Accounts**

As a Statutory Corporation, established under broadcasting legislation, the requirement of section 225 of the Companies Act 2014 is not legally applicable to RTÉ. However the Board Members' Report in the RTÉ Annual Report includes a paragraph addressing the matter of Directors' Compliance Statements and also confirms that:

"The Companies Act 2014, which applies to RTÉ subsidiary companies, introduces a requirement for Directors to secure a company's compliance with its relevant obligations (as defined in Section 225(1) of the Act), if the company meets specific size criteria specified in the Act.

RTÉ has implemented actions to ensure that, where applicable, its subsidiaries comply with the Companies Act 2014 requirements for Directors' Compliance Statements"

### **2.4 Testing / Audit Opinion**

Internal audit facilitated the preparation of the Compliance Policy Statement and the document summarising the structures and processes to secure material compliance with the Act.

The policy objectives set-out by Finance in the Compliance Policy Statement are consistent with those we have observed as part of our broader work in reviewing the system of internal control in the group and are appropriate.

Internal Audit has carried out testing on a sample of the processes and controls identified as being in place to secure compliance. The objective of the testing was to confirm that the processes and controls exist; that they are designed effectively and, finally, they are operating effectively in the period under review. We noted no adverse findings as part of our testing and the controls are consistent with those we have observed as part of our broader work during the year.

We conclude that it is appropriate to insert the disclosure (set-out in Section 2.2 above) into the accounts of the subsidiaries in scope.

**RTÉ Compliance Policy Statement, in accordance with Section 225  
of the Companies Act 2014**

**RTÉ Group Finance**

**March 2018**

This document sets out the policies in place to ensure material compliance by RTÉ subsidiary entities with “relevant obligations” as defined in Section 225 of the Companies Act 2014.

## Background

The Companies Act 2014 (“the Act”), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors’ report accompanying the company's financial statements.

Two RTÉ subsidiaries are determined to fall within scope of this section of the Act (based on the size criteria in sub-section 7 of section 225 of the Act):

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company’s compliance with its “relevant obligations”, as defined in the Act; and (ii) confirm, on a “comply or explain” basis, that certain assurance measures have been undertaken.

One of the assurance measures identified in the Act refers to drawing up a Compliance Policy Statement, which is the scope of this document.

## Definition of Relevant Obligations

Relevant obligations include all obligations under Irish tax law and certain obligations under Companies Act 2014, a breach of which could give rise to serious criminal sanctions.

### *Obligations under Irish tax law*

These obligations relate to the:

- Customs Acts;
- Statutes relating to excise duties and the management of those duties;
- Tax Acts;
- Capital Gains Tax Acts;
- VAT Acts;
- Capital Acquisitions Tax Consolidation Act; and
- Stamp Duties Consolidation Act 1999.

### *Other Companies Act 2014 obligations*

The relevant other obligations under the Act are those where a failure to comply would amount to:

- a) A category 1 or category 2 offence under the Act, which mainly relate to:

- i. failure to maintain proper accounts (*requirements in relation to accounting records, audits, and financial statements*);
  - ii. unlawful financial assistance;
  - iii. unlawful acquisition of a company's own shares;
  - iv. a subsidiary holding shares in its parent company;
  - v. provision of information to an expert for their report on a statutory merger or division;
  - vi. certain obligations on a winding up or dissolution; and
  - vii. acting in contravention of a restriction notice from the Director of Corporate Enforcement.
- b) A serious market abuse offence.
- c) A serious prospectus offence under Irish prospectus law.

## RTÉ Compliance Policy Statement

### **Taxation**

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Comply with the tax rules in the territories in which the company operates
2. Submit all taxation returns by the deadline in line with tax law and pay tax liabilities on or before the relevant due date
3. Follow the recommendations of the *Code of Practice for the Governance of State Bodies* (Tax Compliance, section 8.44 to 8.47 inclusive). In particular, the company will:
  - a. Not engage in unacceptable aggressive tax avoidance\* transactions; and
  - b. Carry out any proposed corporate restructuring plans for bona fide commercial reasons and not as part of any tax avoidance scheme. The company will not use artificial structures unrelated to the Company's business

However, this will not preclude the company from availing of all legitimate taxation arrangements in the normal course of business.

*\*In broad terms, tax avoidance is offensive if it involves the use of the tax code for a purpose other than that intended by the Oireachtas (including an unintended use of a tax incentive) with a view to reducing the amount of tax to be paid by the company or some other party to a transaction in which the company participates.*

4. Cooperate with the Tax Authorities and provide tax-related information and documents that may be requested by the Tax Authorities as soon as practicable and with the required scope
5. Engage professional taxation advisors on a timely basis, particularly in the case of the tax treatment of complex areas, or in the case of unique / non-standard contracts
6. Carry out prudent financial provisioning where an item is uncertain



7. Monitor changes in relevant tax law and practice and arrange training and briefing sessions as necessary

### **Internal Financial Control**

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Maintain accounting books and records, in line with legal and regulatory requirements, which disclose the assets, liabilities and financial position of the Group and RTÉ
2. Maintain financial reporting systems, with actual results reported against budget and considered by the Board of the applicable company on a regular basis
3. Document comprehensive policies & procedures and authority limits relating to operational and financial controls and update these regularly
4. Identify, control and report on key risks impacting the business, as part of a dedicated Risk Management function
5. Engage professional advisors on a timely basis, particularly in the case of non routine business transactions or complex areas

The company will not engage in any activities which would give rise to a category 1 or category 2 offence under the Companies Act 2014.

### **Structures and controls**

Structures, processes and controls are in place to implement the above policy objectives. These are documented and maintained under regular review.

Refer to the document titled “structures, processes and controls in place to ensure compliance with “relevant obligations”, as defined in Section 225 of the Companies Act 2014”

**Structures, processes and controls in place to ensure compliance with  
“relevant obligations”, as defined in Section 225 of the Companies  
Act 2014**

**April 2021**

## Background

The Companies Act 2014 (“the Act”), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors’ report accompanying the company's financial statements.

The directors must (i) acknowledge their responsibility for securing the Company’s compliance with its “relevant obligations”, as defined in the Act; and (ii) confirm, on a “comply or explain” basis, that certain assurance measures have been undertaken.

One of the assurance measures involves putting in place appropriate structures and processes to secure material compliance, which are explained in this document.

### **Structures, processes and controls in place to ensure compliance with relevant obligations, as defined in Section 225 of the Companies Act 2014**

1. Clearly defined roles and responsibilities, with authority limits and reporting mechanisms to higher levels of management:
  - Qualified Accountants, with appropriate skills and knowledge, in Group Finance and the Divisional Finance Teams
  - Finance training and briefing sessions arranged as required
  - Review and sign-off procedures, by a more senior official, at various points in the financial and operational controls
  - Succession planning and work shadowing to ensure the process of preparing tax returns, monthly management accounts, etc. continues even in the non-availability of staff
  - Restricted access to network folders and financial systems based on job roles
2. Established procedures to identify, control and report on key risks impacting the business:
  - Key corporate risks identified by members of the Executive
  - Local risk registers
  - An Executive Sponsor and Risk Owner is assigned to all key corporate risks
  - Key Risk Indicators identified and measured to track movements in the likelihood and significance of risks
  - Actions to further mitigate risks, including responsibility and timeline to complete, are agreed with Risk Owners and monitored on a regular basis
  - Quarterly risk reports presented to the Audit and Risk sub-Committee of the Board
3. Comprehensive financial policies and procedures in place to ensure adequate books and account are maintained and regularly reviewed:
  - Annual Budgeting process in place (*see # 4 below*)
  - A statement of decisions reserved to the Board for consideration and decision, including financial authority limits

- Ongoing monitoring of revenues and costs against budget, via the monthly Group Management Accounts; discussed at Executive and Board level (*see # 5 below*)
  - A financial highlights document is submitted to members of the Executive, on at least a monthly basis
  - Capital budgeting process and meetings of the Capital Committee, with the capital budget approved by the Executive:
    - A196 capital forms (above a €100k threshold) submitted to the members of the Executive
    - Board approval for the capital investment strategy using the land sale proceeds
  - Formal business cases are evaluated by the Executive in respect of all new strategic initiatives
  - Periodic financial forecasting, as part of the broader system of internal financial control
  - Forecasts discussed at the Executive and timely action to address forecast variances identified
  - Divisional Finance teams in place to exercise financial control at a local level across the organisation
  - Ongoing cash management, supported by monthly rolling cash forecasts, in order to prudently manage cash reserves
  - Multi-year medium term financial projections prepared, periodically
  - Various value for money and cost reduction initiatives undertaken throughout the organisation
- 4. Comprehensive budgeting systems**
- A final agreed budget submitted to the Board for approval
  - Competing demands on the existing scarce financial resources are managed and prioritised by the members of the Executive in line with RTÉ's stated strategy
- 5. Financial reporting systems, with actual results reported against budget and considered by the Board on a monthly basis**
- Formal month end close procedures
  - Month-end timetable (including due dates, responsibilities and disclosure requirements)
  - The management accounts preparation process is automated directly from the nominal ledger
  - Significant variances between actual and budget (and, where applicable, between actual and forecast) are investigated prior to submission of the accounts to group financial control
  - The divisional financials are reviewed by a senior member of the finance team (independent of the preparer) and any outstanding matters resolved
  - The accounts are submitted to Central Finance in the standard monthly group reporting format

- Intercompany balances (*inter IBD and inter legal entity, both for income statement and balance sheet*) are reconciled prior to closing the books
  - Journal entry input is restricted to authorised personnel
  - Nominal ledger and bank account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary
6. Financial procedures are in place governing the preparation of taxation returns by the deadline:
- Taxation returns are reconciled to the balance on the relevant general ledger account
  - Source information used to compile the returns is gathered from the accounting records, with financial procedures in place within the relevant departments (*e.g. People Payments in respect of payroll taxes and Accounts Payable in respect of VAT, PSWT and RCT*)
  - The Corporation Tax return is submitted via KPMG
  - An appropriate Finance official carries out a review of the Taxation return for completeness and accuracy prior to submission
  - Professional taxation advice (KPMG) is taken on complex taxation matters, including assessing RTÉ's non-recoverable VAT rate
  - Taxation compliance meetings with KPMG
  - Prudent taxation provisioning for uncertain items. Specific tax provisions are signed-off by Tax Advisors to ensure they are still valid
  - Ongoing advice and engagement with professional advisors in relation to specific matters and transactions during 2020, such as:
    - The tax treatment of Independent Contractors
    - Revenue audits
- This is in addition to general advice from professional advisors on non-standard matters which arise during the course of normal business
- Briefings from taxation advisors on the tax implications of developments e.g. post the publication of the Finance Bill
  - A defined pre-planning and review process in place in the event of notification of any Revenue audit
7. Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business
8. A Good Faith Reporting (Whistleblowing) Policy is in place to provide staff with a confidential and, if required, anonymous means to report a matter of concern in a financial or business area

**Outline of the Audit and Risk Committee's Annual Review of the Compliance Processes, in accordance with Section 225 3(c) of the Companies Act 2014**

**14 April 2021**

## Annual Review of the Compliance Processes

The process adopted by the Audit and Risk Committee to undertake an annual review of the compliance processes, in accordance with Section 225 3 (c) of the Companies Act 2014, is as follows:

1. Review of the RTÉ Compliance Policy Statement prepared in accordance with Section 225 (2) of the Companies Act 2014;
2. Consideration of the structures, processes and controls in place to ensure material compliance “relevant obligations”, as defined in Section 225 (1) of the Companies Act 2014;
3. As part of point #2 above, consideration of the authority, resources and co-ordination of those involved in financial control functions and in the preparation of taxation returns;
4. Review of the programme of internal audit and consideration of major findings, in particular the existence of any control weaknesses or findings in areas which impact “relevant obligations” as defined in Section 225 (1) of the Companies Act 2014, whether relating to tax obligations or other financial matters;
5. Considering the papers presented to the Committee by Internal Audit in order to facilitate the Committee’s review, on behalf of the Board, of the effectiveness of the internal control system, as required under the Code of Practice for the Governance of State Bodies. The papers cover:
  - a. Results of the Internal Audit internal control self-assessment questionnaires
  - b. Report on compliance with the *Code of Practice for the Governance of State Bodies*
  - c. Report on Corporate Governance and Internal Control in the main operating subsidiary 2rn
  - d. Conclusion following a review of Effectiveness of Internal Control
6. Consideration of the results of Internal Audit’s spot checks of the controls in place to ensure compliance with “relevant obligations”;
7. Monitoring of quarterly risk reports from management and considering briefings from the Executive Sponsors of corporate risks;
8. Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

**3.**  
**Financial Transactions of  
Certain Companies and  
Other Bodies Act, 1992**  
*(Treasury Policies)*



## Financial Transactions of Certain Companies and Other Bodies Act, 1992: Requirements and Conditions of the Minister for Finance

### 1. Background

The Financial Transactions of Certain Companies and Other Bodies Act, 1992 ("the Act") is applicable to companies and State Bodies whose power to borrow money is subject to the consent of the Minister for Finance. RTÉ is therefore within the scope of the Act.

The exercise of powers to enter into certain contracts\* referred to in subsection 2 (1) of the Act shall be subject to, and in compliance with, requirements specified by the Minister for Finance as to the type(s) of contracts, and any further conditions specified by the Minister. These are documented in a formal *Requirements and Conditions document* issued by the Department of Finance (also referred to as the Minister for Finance Specification).

\* The contracts referred to in the Act are those whose purpose(s) is:

- (i) to eliminate or reduce the risk of loss arising from changes in interest rates, currency exchange rates, commodity prices or from other factors of a similar nature affecting the business;
- (ii) to eliminate or reduce the cost of borrowing or the cost of other transactions carried out in the course of that business; or
- (iii) to increase the return on an investment including a loan.

RTÉ's Specification from the Minister for Finance was due to expire on 31 December 2020. On 14 December 2020, RTÉ received confirmation from the Department of Finance that consent had been granted by the Minister to issue a new Specification document. This document does not have an expiry date (but the Minister for Finance reserves the right to alter or withdraw these Requirements and Conditions at any time).

### 2. Purpose

The purpose of this document is to outline the results of Internal Audit's check on RTÉ's compliance with the conditions set-out in the *Requirements and Conditions document*, dated 14 December 2020.

The RTÉ Treasury Policy (November 2020) and the Treasury Policy Statement: Management & Investment of Land Sale Proceeds (November 2020) are relevant in this regard.

### 3. The Board's Responsibilities

#### 3.1 Establish Written Policies

	<i>Board Responsibility</i>	<i>Audit of Compliance</i>
A)	<p>It shall be the responsibility of the Board to draw up written policies in respect of the use of each type of instrument [<i>FX Forwards, Interest Rate Swaps</i>] specified by the Minister in respect of it.</p> <p><i>These policies should take account of existing Board policies in relation to currency and interest rate exposures including, where appropriate, the target fixed/floating interest rate structure of</i></p>	<p>See <b>Table 1</b> for the specific items to be included in the Policies and a check of compliance.</p> <ul style="list-style-type: none"> <li>• RTÉ Treasury Policy</li> <li>• Management &amp; Investment of Land Sale Proceeds Policy Statement</li> </ul>

	<b>Board Responsibility</b>	<b>Audit of Compliance</b>
	<i>borrowings and the currency distribution of debt and foreign currency transaction exposures.</i>	
<b>B)</b>	A copy of the formal resolution of the Board adopting the policies shall be provided to the Minister.	Yes, letter sent to Brendan Coogan, Dept. of Finance on 10 March 2021

### 3.2 Board Oversight and Annual Certification

	<b>Board Responsibility</b>	<b>Audit Process</b>
<b>A)</b>	It shall also be the responsibility of the Board to ensure that the contracts of RTÉ are: <ul style="list-style-type: none"> <li>– Entered into only for the purposes set out in Section 2(1) of the Act and</li> <li>– subject to, and in compliance with: <ul style="list-style-type: none"> <li>○ the Minister for Finance’s <i>Requirements and Conditions document</i> and</li> <li>○ the policies established by the Board.</li> </ul> </li> </ul> <p><i>The Board shall take whatever steps and put in place whatever procedures are necessary for the purposes of discharging its obligations in this regard.</i></p>	
		See <b>Table 2</b> for a check of compliance.
		See <b>Table 3</b> for a check of compliance with the document. <ul style="list-style-type: none"> <li>– Review of RTÉ Treasury Policy and Land Sale Policy Statement</li> <li>– Review of position at year-end / discussion with relevant personnel</li> </ul>
		As above
<b>B)</b>	The Board shall certify annually that: <ul style="list-style-type: none"> <li>• Such procedures are in place and</li> <li>• RTÉ has acted fully in accordance with the Minister for Finance’s <i>Requirements and Conditions document</i>.</li> </ul>	This review, and the associated checks of compliance by Internal Audit, represent the annual certification process. Policies are approved by the Board. <p>See our conclusion and the audit recommendation in <b>Section 5</b> below.</p>

#### 4. Review of Compliance

The written policies must stipulate the following items:

Table 1 – Items to Include in Policy			
Requirement		Where addressed in RTÉ Policies	
1)	The decision framework;	✓	Per the policy statements & provisions – S.3.1 – 3.9
2)	Criteria with regard to exposure limits;	✓	Maximum exposures per Schedule 4
3)	Where RTÉ plans to use a derivative in order to create a fixed interest rate borrowing instrument from a floating interest rate borrowing instrument in any currency, it should ensure that such final fixed interest rate, taking into account any margins, does not exceed 150 basis points over the relevant Irish Government bond or such other maximum rate as may from time to time be approved by the Minister;	-	N/a at reporting date  S.3.3 for interest rate risk management
4)	The individuals authorised to undertake transactions and terms and conditions attaching to various levels of authorisation;	✓	Schedule 1 Authority Levels
5)	Procedures for assessing counterparty creditworthiness;	✓	S.3.6 - Treasury Counterparty Risk
6)	Specific criteria with regard to counterparty credit-risk including a schedule setting out the details of each authorised counterparty, the authorised overall level of exposure to each such counterparty in both monetary and percentage terms and collateral arrangements where appropriate;	✓	Schedule 4 - Approved Counterparties, Limits & Framework
7)	The procedures (including systems design, separation of duties, staff levels, and frequency) for undertaking, recording, confirming, and monitoring transactions and limits; and	✓	As per the Policy Statements & Provision in S.3.11 Operational Provisions
8)	All other arrangements and procedures necessary to ensure compliance with best treasury practice.	✓	Covered throughout Policy and schedules

The Act and the Minister for Finance's *Requirements and Conditions document* outlines other specific requirements regarding the contracts. These refer to the permitted instruments (Table 2) and other specific rules (Table 3).

Table 2 – Permitted Contracts / Derivative Products			
Permitted Contracts under the Financial Transactions of Certain Companies and Other Bodies Act, 1992		Where addressed in RTÉ Policies	
1)	Contract to eliminate or reduce the risk of loss arising from changes in interest rates, currency exchange rates, commodity prices or from other factors of a similar nature affecting the business;	✓	Treasury Policy - Schedule 3: Permitted Instruments
2)	Contract to eliminate or reduce the cost of borrowing or the cost of other transactions carried out in the course of that business; or	✓	As above and S.3.3 - Interest Rate Risk Management
3)	Contract to increase the return on an investment including a loan.	✓	Investment of Cash reserves permitted under policy, in line with Liquidity Management statement
Permitted Derivative Products under the Requirements and Conditions document		Where addressed in RTÉ Policies	
1)	FX Forwards	✓	Treasury Policy - Schedule 3: Permitted Instruments
2)	Interest Rate Swaps	✓	As above. Disclosed in Annual Report

For the instruments permitted, there are a variety of other specific requirements set-out in the Minister for Finance's *Requirements and Conditions document*, in Table 3.

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		Where addressed in RTÉ Policies	
1)	RTÉ shall not engage in exotic derivatives ( <i>e.g. contracts which have embedded options, which comprise a combination of derivatives or which are leveraged</i> ) without the separate express consent of the Minister.	✓	Limited range of Permitted Instruments in Schedule 3 of the Treasury Policy. None are exotic derivatives.
2)	RTÉ shall not enter into a contract which is speculative in nature. RTÉ may only enter into contracts which are specifically designed to hedge transactions carried out, or exposures incurred or reasonably expected to be incurred, in the normal course of their business.	✓	S. 1.2 Treasury Policy – “All treasury transactions will have an underlying business basis and the

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		Where addressed in RTÉ Policies	
			taking of speculative positions is strictly prohibited”
3)	Contracts specified by the Minister shall be construed in accordance with the definitions set out in Annex 1 of these Requirements and Conditions as these may be further detailed or clarified by the International Swaps and Derivatives Association Inc in its officially published documentation.	✓	S. 3.8 – Derivatives, see Policy Issue ‘Documentation’
4)	A contract entered into by RTÉ for the purposes of hedging an exposure must have an identifiable and related asset, liability, or commitment which may include such assets, liabilities or commitments as RTÉ may reasonably expect to arise in the future.	✓	Yes, all with an underlying business basis and treasury accounting undertaken in line with S. 3.10
5)	A hedging instrument must not exceed the amount or maturity of the underlying asset, liability or commitment, save where such excess is required by virtue of non-standard maturities or amounts and is limited to the absolute minimum required to achieve the requisite hedge.	-	No applicable contracts
6)	If a hedging instrument has been purchased or sold in anticipation of an asset, liability or commitment expected by RTÉ to arise in the future, and RTÉ ceases to expect such asset, liability or commitment to arise, then RTÉ must immediately commence putting in place orderly arrangements for the unwinding of the exposure taking into account the circumstances of each case.		N/a
7)	Authority to engage in such contracts included in RTÉ’s Conditions cannot be delegated to any third party, other than an authorised subsidiary, without the separate express consent of the Minister for Finance.	✓	Yes, for example covered in the ‘Legal Ownership of Investments’ Policy Issue within S. 3.5, Operational Cash Reserve Management
8)	RTÉ shall not act as an intermediary for any other body (with the exception of its own Authorised Subsidiaries) in respect of the contracts to which the Act refers.	-	No applicable contracts
9)	RTÉ shall not enter into a contract with any counterparty unless, in the first instance, it has supplied such counterparty with a copy of this document.	→	The document is an appendix to the Treasury Policy.

**Table 3 – Other Specific Requirements Regarding Transactions**

Requirement		Where addressed in RTÉ Policies	
10)	RTÉ should not rely on the advice of a counterparty or a trader in derivatives unless the counterparty or trader gives an enforceable undertaking that s/he is acting as an advisor rather than as a trader.	✓	All counterparties must be approved by the Board of RTÉ (S. 3.1), selected in line with the risk mgt. approach in 3.6.
11)	Contracts may not be entered into with any person or body which does not at a minimum satisfy one of the following criteria, without the express consent of the Minister:		Seven counterparties are listed in RTÉ policies, of which two are FX execution only.
a)	Banks or corporations with a long-term credit rating of at least AA- (Standard and Poor) or Aa3 (Moody's) or equivalent	n/a	Refer b) below for banking licences: x 4 counterparties.  <div style="background-color: black; width: 100px; height: 15px; margin-bottom: 5px;"></div> Limited are approved counterparties for FX execution only. Both authorised by Central Bank of Ireland: <ul style="list-style-type: none"> <li>• <div style="background-color: black; width: 50px; height: 15px; display: inline-block;"></div>egulation 18 of the European Union (Payment Services) Regulations 2018</li> <li>• <div style="background-color: black; width: 50px; height: 15px; display: inline-block;"></div> Regulation 8 (3) and deemed authorised under Regulation 5 (2) of the Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulations 2017</li> </ul> → <div style="background-color: black; width: 100px; height: 15px; display: inline-block;"></div> is one ranking below Aa3 (long term rating). However, no long-term open positions at year with this party. <div style="background-color: black; width: 50px; height: 15px; display: inline-block;"></div> compliant with short term rating.

**Table 3 – Other Specific Requirements Regarding Transactions**

Requirement		Where addressed in RTÉ Policies	
b)	Any of the following:		
	i. a person or body who is a holder of a banking licence issued under Section 9 of the Central Bank Act, 1971;	✓	Per a Central Bank financial service provider search the following are banks licensed pursuant to Section 9 of the Central Bank Act, 1971: <ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED] ny</li> </ul>
	ii. a person or body included in the Central Bank of Ireland’s list of credit institutions authorised to carry on banking business in Ireland under EU Directive (2013/36/EU), with total balance sheet assets of not less than €2,000 million equivalent;	✓	
	iii. a person or body whose parent bank, where such person or body is a branch or a subsidiary of such parent, has total balance sheet assets of not less than €20,000 million equivalent and a credit rating of at least A- /A3;	✓	
c)	Subsidiaries or branches of international banks, operating in Ireland or included in the Central Bank of Ireland’s list of credit institutions authorised to carry on banking business in Ireland under EU Directive (2013/36/EU), provided that the parent bank meets the criteria at 11(a) or has total balance sheet assets of not less than €20,000 million equivalent and a credit rating of at least A-/A3	✓	
d)	Persons covered by the Act who hold a Requirements and Conditions of the Minister document in respect of the particular contract	✓	
e)	The National Treasury Management Agency	✓	
f)	Solely in respect of short-term contracts (i.e. contracts with a maturity of less than 12 months), Banks or corporations with a short-term credit rating of A-1 (Standard and Poor) or P-1 (Moody's) or equivalent at the date on which the contract was entered into or rolled over, as the case may be	✓	[REDACTED] at A1, achieves the short-term rating. See b) for those under banking licence.

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		Where addressed in RTÉ Policies	
g)	Entities which provide an irrevocable guarantee or other form of collateral to the relevant person that represents credit support for an amount of the relevant person's counterparty credit risk exposure to such entity under that particular contract that is typical in the relevant market and where any guarantor or other third-party provider of the other form of collateral meets at least one of the criteria 11(a) to 11(f) above		
h)	Counterparties identified as Other Authorised Counterparties identified in the Conditions.		N/a
12)	All contracts must be confirmed in writing ( <i>which shall include fax and electronic means and any other accepted means of recording and documenting transactions which is commonly used in the market place for this purpose</i> ) using a standard form of contract employed by financial institutions generally for such contracts.	✓	S. 3.8, documentation "All derivative contracts will be properly documented under an ISDA or other appropriate agreements."
13)	Swap documentation should be based on one of the standard forms published by the International Swaps and Derivatives Association Inc.	✓	S. 3.8, documentation "All derivative contracts will be properly documented under an ISDA or other appropriate agreements." S. 3.1 "Bank Account Opening, Documentation and Mandates"
14)	Futures contracts must be transacted on an internationally recognised futures exchange.	N/a	Not a permitted product for RTÉ
15)	As far as is practicable, no contract or its associated documentation, should involve RTÉ making representations, entering into covenants, agreeing to events of default, or assuming any other conditions or obligations which are more onerous or less favourable than those being agreed by the counterparty.	-	No applicable contract
16)	No contracts may be entered into which would have the effect of altering any term, condition or covenant of an original loan agreement or, where applicable, any Ministerial guarantee thereunder without the consent of the Minister, and of the relevant Minister, where appropriate.	N/a	



Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		Where addressed in RTÉ Policies	
17)	Derivative contracts entered into by RTÉ are to be reported in the annual accounts of the relevant person in accordance with international accounting standards.	✓	Reported in Annual Report Note 23
18)	Default by any counterparty or the enforced unwinding of any particular contract, irrespective of whether it is replaced with another contract, shall be reported to the Department of Finance immediately such an event occurs.	N/a	Not applicable in the period under review
19)	RTÉ shall comply with any other request for information which may be made by the Minister from time to time.	✓	As required. Updated Specification document dated 14 December 2020

## 5. Conclusion

The Financial Transactions of Certain Companies and Other Bodies Act, 1992 is applicable to companies and State Bodies whose power to borrow money is subject to the consent of the Minister for Finance.

An organisation's entry into certain contracts specified in the Act shall be subject to, and in compliance with, requirements specified by the Minister for Finance as to the type(s) of contracts, and any further conditions specified by the Minister. These are documented in a formal *Requirements and Conditions document* issued by the Department of Finance.

Internal Audit carried out a check on RTÉ's compliance with the *Requirements and Conditions document* issued by the Department of Finance on 14 December 2020. The requirements and audit steps are summarised in Section 3 above. We have carried out testing on a sample of the processes and controls identified as being in place to secure compliance. The objective of the testing was to confirm that the processes and controls exist and that they are operating effectively in the period under review.

The financial disclosures in Note 23 (*Financial Instruments and Financial Risk Management*) of the draft Annual Report & Group Financial Statements 2020 are also relevant, in particular sub-section (g) (*Derivative financial instruments*) on page 147.

We conclude that it is in order for the Board to confirm that:

- Procedures are in place as mandated under the Department of Finance *Requirements and Conditions document*; and
- RTÉ has acted in accordance with document.

  
14 April 2021

**4.  
INTERNAL  
AUDIT REPORT**

# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2020*

### *Report 2 of 2 (Procurement Register)*

**16 April 2021**

Full Report included separately in  
list of reports - not repeated here

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**

██████████ Head of Procurement  
██████████, Group Financial Controller  
██████████, Financial Director, Content, Operations & Production Services  
██████████, Financial Controller, News and Current Affairs  
██████████, Financial Controller, Commercial  
██████████, Financial Controller, 2rn



***The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit***

**5.  
CODE OF PRACTICE FOR THE  
GOVERNANCE OF STATE BODIES**

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2020*

**15 April 2021**

Full Report included separately in list of reports - not repeated here

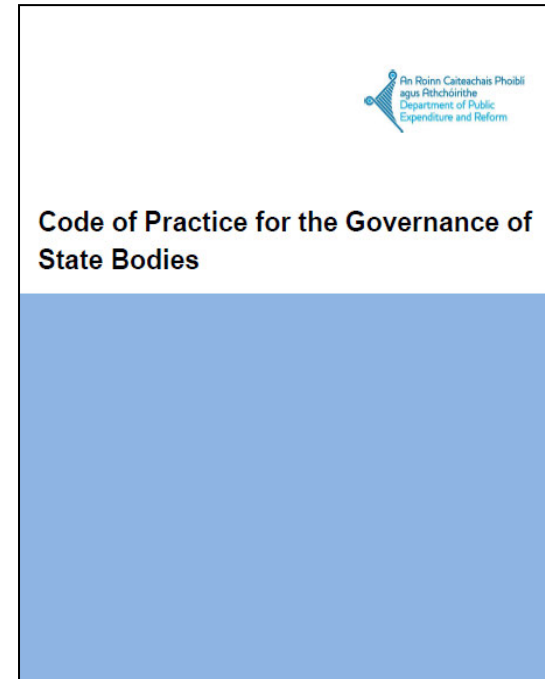
**Circulation:**

Director-General

Members of the Audit and Risk Committee

Executive

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████████████████████  
████████████████████



**6.  
COMMITTEE RESOLUTION ON  
INTERNAL CONTROL**

**6. COMMITTEE'S RESOLUTION ON INTERNAL CONTROL**

The members of the Audit and Risk Committee are required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board and recommend a statement to that effect in the Corporate Governance section of the Annual Report. Our conclusions are set-out below.

After reviewing the documents presented at the committee meetings of 24 March 2021 and 21 April 2021, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

- a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and
- b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2020. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

It is also appropriate to include a paragraph in the Board Members' Report in the RTÉ Group Annual Report confirming that actions have been implemented in subsidiary companies to meet the requirements for Directors' Compliance Statements.

The Chair's report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media, in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies, will refer to the exceptions noted in relation to procurement.

Page 88 of the Annual Report contains a section on Internal Control and Risk Management. Furthermore, on page 90 (mid-page, below risk table), the report includes the following statement, which satisfies the requirements under the Code of Practice for the Governance of State Bodies:

*"The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements".*

The Annual Report then outlines the process to review the effectiveness of internal control.



**7.  
DRAFT CHAIR'S REPORT  
TO THE MINISTER**



**Raidió Teilifís Éireann**

**Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and  
Media in accordance with Paragraph 2.6 of the Code of Practice for the  
Governance of State Bodies**

**Year ended 31 December 2020**

**Draft dated 16 April 2021**

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Statement of compliance	6
Additional Disclosures requirements	7
Appendix 1: Additional Disclosures in Relation to Certain Categories of Expenditure	8

## ATTACHMENTS

- RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2020
- Checklist for the Code of Practice for the Governance of State Bodies

## Foreword

This report fulfils RTÉ's reporting requirements to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media, as prescribed by paragraph 2.6 of the 2016 *Code of Practice for the Governance of State Bodies* ("Code of Practice"). The sub-requirements of paragraph 1.9 (i – xvi) of the Code of Practice's Business and Financial Reporting Requirements are cross-referenced below.

### 1. Commercially significant developments - paragraph 13.1 i)

The Chair's Statement, the Director-General's Review and the Financial Review, as contained in the annual report for the year ended 31<sup>st</sup> December 2020, consider the commercially sensitive developments affecting RTÉ during 2020.

A brief summary of the contents of the key reports is set-out below.

- The Chair's Statement reflects on the media's vital role as a source of information during a difficult year and highlights how RTÉ was at the heart of successive national moments throughout 2020.

The statement explains how the pandemic encouraged RTÉ to examine its operating structures and to design new and crisis-efficient modes of delivery. During the year, RTÉ continued in its plan to stabilise the organisation's finances and to assess its remit, seeking to maintain the best possible portfolio of services and content for audiences in the context of declining funding and revenues.

- The Director-General's report on page 18 of the annual report outlines the growth in audience as individuals of all ages turned to RTÉ in times of crisis. The report summarises RTÉ's services to the audience during 2020, including a selection of the content highlights as it supported the nation during the pandemic.

The report explains the financial impact as a direct result of Covid-19. While RTÉ managed its finances well and remained resolute in its drive to remove €60m from the operating cost-base by the end of 2023, the report also explains that the underlying issues around funding remain acute and unresolved. It is important to ensure that the funding of public media is put on a firm footing into the future.

- The Financial Review on page 20 of the annual report presents the financial results for the year ended 31 December 2020 and sets-out the financial highlights for the key components of performance including commercial revenue, television licence revenue, operating costs, cash flow & borrowings and pensions. The report also explains the capital expenditure projects in 2020 and regulatory matters.

The Financial Review outlines the financial outlook for 2021 and provides an update on the implementation of the savings targets in the Revised Strategy 2020-2024.

In addition, further business developments during the year are contained in the business review sections: What We Made (page 30), What We Did (page 52) and Distribution, Digital and Delivery (page 64).

## 2. Statement on the system of internal control - paragraph 1.9 iv)

### *Scope of Responsibility*

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that an ongoing process for identifying, evaluating and managing RTÉ's significant risks has operated throughout the year and up to the date of approval of the financial statements.

### *Risk and Control Framework*

RTÉ has established a risk-management framework which consists of structures; the assignment of risk responsibilities; procedures and systems for risk identification, assessment and reporting; and monitoring of the effectiveness of mitigation actions.

The key components of the system of internal control currently in place are:

- A clearly defined organisation structure, with formally defined authority limits and reporting mechanisms to higher levels of management and to the Board;
- A statement of decisions reserved to the Board for consideration and decision;
- Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business;
- Established procedures to identify, control and report on key risks impacting the business;
- Comprehensive budgeting systems, with annual financial budgets approved by the Board;
- A planning process for each division, with long-term strategic plans approved by the Board;
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis;
- A Good Faith Reporting Policy to provide staff with a confidential and, if required, anonymous means to report a matter of concern; and
- Comprehensive policies and procedures relating to operational and financial controls, including commitments and capital expenditure. Large capital projects require the approval of the Board.

Throughout the year, RTÉ operated a risk-management process designed to identify the key risks facing the business and to report to the Audit and Risk Committee and the Board on how these risks are being managed. The Board focuses primarily on those risks capable of undermining the RTÉ strategy, or risks which could adversely affect the long-term viability or reputation of RTÉ. The risk-management process comprises two phases – a strategic risk assessment undertaken by the Executive and a local risk assessment exercise carried out by line management in the divisions.

The members of the RTÉ Executive determine the risks impacting the successful delivery of the RTÉ strategy. Risks designated as key risks are assigned an Executive Sponsor and Risk Owner and are subject to ongoing review and monitoring during the year. The Risk Owners track the drivers of each risk and document the controls in place to mitigate the risk. In addition, risk indicators are identified to assist in monitoring changes in the likelihood of the occurrence of a risk. This exercise is summarised in a consolidated strategic risks document. This work is overseen and reviewed by a risk function and is linked to the broader strategic planning process. The Audit and

Risk Committee also receives quarterly updates on the status of risks, changes in risk indicators and updates on mitigating actions.

Aligned with the strategic risk-assessment process explained above, local risk registers are maintained to consider key risks, evaluate the probability of those risks occurring and assess the likely impact should the risks materialise. The actions taken to manage each risk are recorded.

As part of the risk identification process explained above, the principal areas of risk which could materially adversely affect the Group's business, financial condition, or results, have been identified. The risks are set-out in the table on pages 88 – 90 of the 2020 annual report.

#### *Ongoing Monitoring and Review*

Formal procedures are in place for monitoring the control processes and the following monitoring systems are in place:

- As outlined above, key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies. Movement in risk is tracked quarterly;
- The system of internal control is reviewed systematically by Internal Audit, on a risk based approach. (Any control deficiencies identified via the Internal Audit programme of work are communicated to management responsible for taking corrective action and to the Audit and Risk Committee. The status of implementation of improvements is tracked);
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis. Periodic financial forecasting takes place; and
- Other reporting and monitoring arrangements have been established at all levels throughout the business where responsibility for financial management has been assigned.

#### *Procurement*

RTÉ has procedures in place to ensure compliance with EU and national procurement rules and guidelines. A procurement policy, procedures and associated documents are posted prominently on RTÉ's intranet site and communicated to staff. Training takes place at appropriate intervals.

A contracts database and monitoring system is also in place to identify instances of non-competitive procurement for expenditure above €25,000, which is monitored by the Procurement Department.

A recent Internal Audit Report highlighted some instances of non-compliant procurement during the year ended 31 December 2020.

The audit findings highlight non-compliant procurement relating to 1.6% (2019 – 2.0%) of purchases in value terms, which represents 31 out of 1,700 suppliers of goods and services in 2020.

In considering the non-compliance outlined above, the following historic factors are relevant:

- As a result of constrained capital investment, RTÉ's financial systems are old and at the end of useful life. There is limited monitoring functionality in the purchasing system which increases the difficulty of tracking tendering arrangements;
- Different payment systems exist for different categories of purchases. The purchase of goods and services are managed separately to the engagement of individuals under 'contract for services' arrangements;

- There is a high volume of diverse suppliers of products and services necessary to support the breadth and variety of RTÉ's remit and services; and
- Managerial responsibility for supplier relationships and purchasing was traditionally fragmented across six divisions in RTÉ, which increased the difficulty of centralised monitoring of procurement and tracking data on historic tendering arrangements.

The Board considered the impact of the audit findings on RTÉ's overall compliance with the Code of Practice. The Board also took account of the actions agreed to address the findings, noting that these actions (overleaf) are now in progress.

The key actions include:

- A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems.
- Managers in the Procurement Department are overseeing procurement activity by expenditure category.
- Following reorganisation the oversight of many key supplier relationships is now consolidated, resulting in better centralised managerial responsibility.
- New processes and policy implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds.

Over the course of time, competitive processes will be carried out to address the instances of non-compliant procurement.

Finally, a follow-on review of procurement procedures will be carried out by Internal Audit in 2021 in order to monitor the implementation of the actions. The results will be reported to the Audit and Risk Committee.

Taking the above factors and improvements into account, the Board therefore considers the non-compliance to be reflective of historic issues being addressed by actions, as opposed to being reflective of a broader control weakness in the internal control environment.

#### *Review of Effectiveness*

The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements.

The process adopted by the Board to undertake the review of the effectiveness of the system of internal controls included:

- Consideration of the authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by RTÉ;
- Review and consideration of the output of the risk assessment and management process;
- Monitoring of risk reports from management – the strategic risks document is presented to the Audit and Risk Committee and to the Board as part of its review of the effectiveness of the system of internal control;
- Review of the programme of internal audit and consideration of major findings; and
- Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

For further details, please refer to the internal control and risk management section of the corporate governance report contained in the 2020 annual report (page 88).

### 3. Statement of compliance

RTÉ and its subsidiary undertakings have complied with the other requirements of paragraph 1.9 of the Code of Practice (Business and Financial Reporting Requirements) during 2020 and up to the date of this report. More specifically:

- Paragraph 1.9 i): A summary of commercially significant developments during the year is set-out in the annual report and cross-referenced in Section 1, above.
- Paragraph 1.9 ii): There are no off-balance sheet financial transactions to disclose;
- Paragraph 1.9 iii): All appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out;
- Paragraph 1.9 iv): See Section 2 above for the statement on the system of internal control;
- Paragraph 1.9 v): Codes of Business Conduct for Board Members and Employees have been put in place and adhered to;
- Paragraph 1.9 vi): Government policy on the pay of the Director-General and all State body employees is being complied with;
- Paragraph 1.9 vii): Government guidelines on the payment of Directors' fees are being complied with (see emoluments and expenses disclosure – page 91 – in the corporate governance report in the 2020 annual report);
- Paragraph 1.9 viii): not applicable – no matters in the year under review;
- Paragraph 1.9 ix): subsequent events – the following matters, subsequent to the year-end, merit reference:

**There were no other significant post balance sheet events** affecting RTÉ between the year-end date of 31<sup>st</sup> December 2020 and the date of the approval of the group financial statements.

- Paragraph 1.9 x): the requirements of the Department of Public Expenditure and Reform Public Spending Code are complied with via: RTÉ's capital budgeting process; Capital Committee; financial procedures and Capital Approval Form; financial reporting systems and project management processes;
- Paragraph 1.9 xi): procedures are in place for the making of protected disclosures, supported by the RTÉ Good Faith Reporting Policy (2016) and an independent confidential reporting line for staff. See page 163 of the 2020 annual report for the report required under Section 21(1) of the Protected Disclosures Act 2014;
- Paragraph 1.9 xii): Government travel policy requirements are being complied with;



- Paragraph 1.9 xiii): RTÉ complied with its obligation under tax laws. In the case of in-scope subsidiaries, a Compliance Statement is included in the directors' report accompanying the company's financial statements;
- Paragraph 1.9 xiv): there are no applicable, active, legal disputes with other State bodies;
- Paragraph 1.9 xv): The Board of RTÉ has adopted the Code of Practice and it is being complied with; and
- Paragraph 1.9 xvi): RTÉ subsidiary entities continue to operate for the purpose of which they were established.

The Board has also adopted the corporate governance and other obligations imposed by the *Ethics in Public Office Act, 1995* and the *Standards in Public Office Act, 2001*.

#### **4. Additional Disclosures in Relation to Certain Categories of Expenditure**

Section 1.3 (Business and Financial Reporting Requirements) of the Code of Practice outlines additional disclosure requirements in respect of certain expenditure.

The document "Guidance on the application of Code of Practice for the Governance of State Bodies", issued by the Corporate Governance Division of the then Department of Communications, Climate Action and Environment in late 2017, provides guidance regarding the format of disclosure of information which may have commercial sensitivity or data protection implications under the new Code of Practice. As agreed with Departmental Officials, RTÉ is making a number of the additional disclosures via this report, as opposed to the RTÉ Annual Report on grounds of commercial sensitivity / data protection. Please refer to Appendix 1.

This report should be read in conjunction with the annual report and group financial statements for the year ended 31<sup>st</sup> December 2020. The Code of Practice Checklist is included with this document.

  
Chair

**On behalf of the Board**  
**XX April 2021**

**8.**  
**TECHNICAL UPDATES /**  
**RECENT DEVELOPMENTS**

**8 TECHNICAL UPDATES / RECENT DEVELOPMENTS****8.1 UK GOVERNMENT CONSULTATION ON RESTORING TRUST IN AUDIT AND CORPORATE GOVERNANCE****A) Overview**

On 18 March 2021, the UK's Department for Business, Energy and Industrial Strategy (BEIS) launched its much-anticipated White Paper and a consultation process to reform the UK's audit, corporate reporting and corporate governance system.

The Paper addresses over 150 recommendations arising from three independent reviews undertaken to address high profile corporate failures (*e.g. BHS in 2016 and of Carillion in 2018*) and other perceived weaknesses in the audit market:

- Independent Review of the Financial Reporting Council – 18 December 2018 report
- Statutory audit market services study – Final report 18 April 2019 report
- The quality and effectiveness of audit: independent review – 18 December 2019 report

In addition, the proposals include new measures in relation to directors, auditors and audit firms, shareholders and the audit regulator.

**B) Reform**

The paper includes measures to enhance the quality of corporate governance, corporate reporting and audit and proposes the establishment of a new independent regulator. It is proposed that the Audit, Reporting and Governance Authority (ARGA) will replace the Financial Reporting Council (FRC).

The consultation paper is long (over 200 pages) and covers recommendations which impact the following:

- the responsibilities of, and reporting by, directors
- the work of audit committees
- the future of audit
- the future of the FRC
- Proposals for the investor community

The reforms are focused on the largest companies as this is where there is greatest public interest in ensuring that audit and corporate reporting are functioning effectively.

*C) Proposals impacting the work of Audit Committees*

<b>Topic</b>	<b>Regulatory framework for audit committees</b>
<b>Original recommendation</b>	Robust regulatory oversight of the committees that run the selection for audited companies, and oversee the audit, to make them more accountable and ensure that they prioritise audit quality.
<b>Proposal in White Paper (Section 7.1)</b>	The Government proposes to require ARGAs to impose additional requirements on audit committees in relation to the appointment and oversight of auditors.
<b>Topic</b>	<b>The Audit &amp; Assurance Policy</b>
<b>Original recommendation</b>	"I recommend that the audit committee publish a three-year rolling Audit and Assurance Policy which would be put to an annual advisory vote by shareholders for approval at the Annual General Meeting." (Source: Brydon 10.0.3)
<b>Proposal in White Paper (Section 3.2)</b>	<p>The Government proposes to introduce a statutory requirement on public interest entities to publish an annual Audit and Assurance Policy that describes the company's approach to seeking assurance of its reported information over the next three years. In the case of quoted public listed entities, the Policy would be subject to an advisory shareholder vote at the time of its publication.</p> <p>The Government invites views on whether the Policy should include the following at a minimum:</p> <ul style="list-style-type: none"> <li>○ An explanation of what independent assurance, if any, the company intends to obtain in the next three years in relation to the annual report and other company disclosures beyond required by statutory audit.</li> <li>○ A description of the company's internal auditing and assurance processes.</li> <li>○ A description of what policies the company may have in relation to the tendering of external audit services.</li> <li>○ An explanation of whether, and if so how, shareholder and employee views have been taken into account in the formulation of the Audit and Assurance Policy.</li> </ul>

*D) Timetable*

BEIS has allowed a sixteen-week consultation period; responses should be submitted to BEIS by 8 July 2021. The UK FRC is planning an extensive series of engagement activities on the matters covered in the consultation paper.



## RTÉ INTERNAL AUDIT

### REPORTS TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

YEAR-ENDED 31 DECEMBER 2015

*Part 1: Audit and Risk Committee Meeting of 14 March 2016*

*Part 2: Audit and Risk Committee Meeting of 13 April 2016*

**Audit and Risk Committee Meeting of 14<sup>th</sup> March 2016**



## RTÉ INTERNAL AUDIT

### REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 14 MARCH 2016

#### Circulation

***Attending the Committee meeting:***

Anne O'Leary (Chair)  
Frank Hannigan  
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

***CC:***

Noel Curran (Director-General)  
Breda O'Keeffe (Chief Financial Officer)

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1. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM
2. TECHNICAL UPDATES / RECENT DEVELOPMENTS
3. WHISTLEBLOWING POLICY (*circulated as a separate document*)



**1.  
REVIEW OF THE EFFECTIVENESS  
OF THE INTERNAL CONTROL  
SYSTEM**

# Internal Memorandum

To: Members of the Audit and Risk Committee

CC: [REDACTED], RTÉ Group Secretary

From: [REDACTED], Head of Internal Audit

Date: 10 March 2016

Re: Review of Effectiveness of Internal Control: Introduction and Agenda

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## 1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 14 March 2016 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 13 April 2016. At that point, the members of the Committee will make a recommendation to the Board.

The purpose of this memorandum is to provide background information on the Committee's review of the effectiveness of the internal control system and to outline the agenda to be covered at the 14 March Audit and Risk Committee meeting.

## 2. Internal Control

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. Internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

## 3. Why review the effectiveness of Internal Control?

A review of the effectiveness of the system of internal control is a requirement of the Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Finance in June 2009, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 10.1 requires that:

*"The Board is responsible for the body's system of internal control and should review annually the effectiveness of the body's system of internal controls, including financial, operations and compliance controls and risk management".*

The annual report of each State Body must include a statement on "internal financial control" (using a prescribed format) and the external auditors are required review this statement.

Your attention is drawn to the Internal Control and Risk Management Section of the Corporate Governance Report in the draft Annual Report for the year-ended 31 December 2015, which outlines RTÉ's disclosures in this area. In particular, please note the new section summarising the Principal Risks and Uncertainties impacting RTÉ.

In addition to the above, the Chairperson's annual report to the Minister for Communications, Energy and Natural Resources must also include a statement on the system of internal financial control.

#### **4. What should this review involve?**

Guidance has been published to assist Audit Committees to discharge their duties in this area.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (updated "Turnbull Guidance") outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

#### **5. Documents to facilitate the Committee's review**

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Please refer to the table overleaf for further details.

At the end of the meeting on 13 April 2016 the members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report.

## Documents Presented to the ARC to Facilitate a Review of the Effectiveness of the System of Internal Control

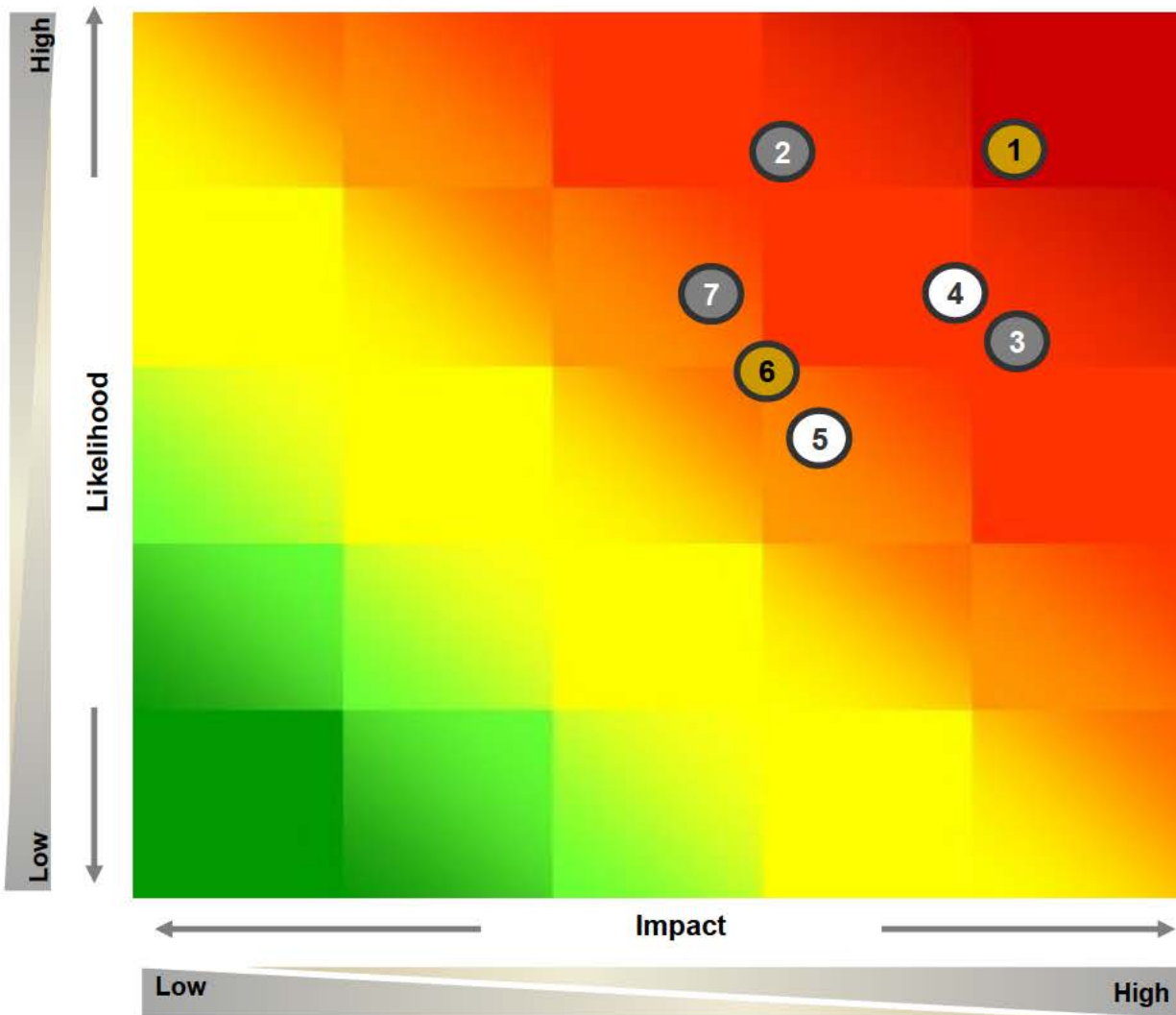
No.	Topic / Agenda Item	Presented to the ARC:
1	Corporate Governance and Internal Control in the main operating subsidiary 2rn, comprising: <ul style="list-style-type: none"> <li>• Risk map;</li> <li>• Listing of top risks;</li> <li>• Internal Audit report following a Review of Internal Control in 2rn.</li> </ul>	<b>14 March 2016</b>
2	The results of the internal control self-assessment questionnaires, used by the divisions to assess the financial control environment, and Internal Audit testing thereon.	<b>14 March 2016</b>
3	The Quarterly Risk Update for Q1 2016, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	13 April 2016
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	13 April 2016
5	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2015.	13 April 2016*
6	Internal Audit report on a review of the Cost Allocations Process <sup>1</sup> for the year-ended 31 December 2015 ( <sup>1</sup> <i>Financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report</i> )	13 April 2016*

\* Present the key findings and the audit rating to the Committee, as a minimum; Agenda pressure may not allow for a full discussion of the report – Agenda TBC.

**Internal Control in 2rn:**

- Riskmap
- Top Risks listing
- Internal Audit Report: Financial Control in 2rn

## 2RN Risks Map



The colour of the risk bubbles reflects the category of risk:

- INTERNAL Risk
- EXTERNAL Risk
- HYBRID Risk (Internal & External)

	Key Business Risk
1	Loss and/or Merger of Major Customers
2	Government Broadband Intervention Strategy
3	Loss of Sufficient Suitable Spectrum
4	Failure to Invest in new Telecommunications Technologies
5	Failure to understand Emerging Technologies
6	Mobile Phone Signal Technology Developments
7	Poor Weather Conditions

### Movements in Risk (since last Board Review)

#### Risks Falling out of the Top Risks

Economic Downturn Risk: The national economic situation has stabilised and is improving.

Reduction in Prices Risk: Pressure on price has eased; the Telcos. have moved to a phase of consolidation and technological improvement

People and Skills Risk: reorganisation of engineering division; other staffing and training initiatives.

#### New / Increasing Risk:

Risk #2 (Govt. Broadband) and #7 (mobile phone signal technology) are new to the top risks

Top Risks 2rn - 2015

	Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Previous Rank
1	Loss of a major customer and/or merger of major customers (2RN is reliant on a small number of large customers)	3.1	Telecoms Industry Manager	High	High	Negligible	16	a) Regular meetings with major customers to review b) Maintain contracts with large customers c) Regular meetings and follow-up with potential targets to explain service offering	a) Register of c) Database of leads & contacts	a) Telecoms Industry Manager b) Telecoms Industry Manager c) Telecoms Industry Manager	↑ (3)
2	Government Broadband Intervention Strategy resulting in a loss of customers for 2RN	2.2	Executive Director	High	Moderate	Low	12	a) Ongoing review of market developments b) Regular attendance industry seminars		a) Telecoms Industry Manager b) Telecoms Industry Manager	↑ (New to Top Risks)
3	Failure to retain sufficient suitable spectrum to economically provide terrestrial television and radio services	2.3	Executive Director	Moderate	High	Moderate	12	a) Ongoing review of market developments b) Actively engage with Department, ComReg and Industry to identify and influence long term developments c) Attendance by staff and management at appropriate industry seminars, conferences and exhibitions d) Participation in spectrum Planning		a) Executive Director b) Head of Frequency Planning c) Head of Frequency Planning d) Head of Frequency Planning	↓ (1)
4	Failure to invest in new telecommunication technologies and infrastructure	2.1/ 3.2	Executive Director	Moderate	High	Low	12	a) Ongoing review of market developments b) Regular attendance by staff and management at appropriate industry seminars and exhibitions		a) Executive Director b) Telecoms Industry Manager	↓ (2)
5	Failure to understand emerging technologies resulting in a loss of customers	2.4	Executive Director	Moderate	Moderate	Low	9	a) Ongoing review of market developments b) Regular attendance by staff and management at appropriate industry seminars and exhibitions c) Ongoing education and training in the division		a) Chief Engineering Officer b) Chief Engineering Officer c) HR Executive	↓ (4)
6	Substantial mobile phone signal technology development resulting in mobile phone operators no longer needing 2RN's structures.	3.3	Telecoms Industry Manager	Moderate	Moderate	Negligible	9	a) 2RN actively pursuing new business in broadband and Broadcast areas.		a) Telecoms Industry Manager	↑ (New to Top Risks)
7	Poor weather conditions resulting in additional cost incurred to fix faults / replace damaged equipment	3.10	Executive Director / Head of Operations	Moderate	Moderate	Negligible	9	a) Insurance cover for all equipment b) Maintenance program ensures equipment is water-proofed insofar as is practical c) Building / Structure / Equipment design caters for bad weather insofar as is practical	a) Group Insurance c) Project plans	a) Financial Controller b) Head of Operations / Infrastructure Manager c) Executive Director / Head of Projects	↑ (8)

Footnote:

Falling out of the Top 2rn Risks in 2015 - 'Ongoing economic turbulence' (last year - #5), 'Significant reduction in prices chargeable to major customers' (last year - #6) and 'People and skills risks arising from organisational change' (last year - #7)

# RTÉ Internal Audit

## Review of Internal Financial Control in 2rn

26 February 2016

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**2rn:**

Eoin McGettigan, Chairman 2rn  
Mick Kehoe, Executive Director 2rn  
Padraig Leahy, Financial Controller 2rn  
John Sutcliffe, Financial Accountant 2rn

**RTÉ:**

Fiona O'Shea, Group Financial Controller





# Background and Scope

## Background

### Introduction

RTÉ Transmission Network Limited is a wholly owned subsidiary of RTÉ and trades as 2rn.

The purpose of this report is to set-out the findings of an Internal Audit review of the financial processes in 2rn and the financial control self-assessment questionnaire. This report should be considered in conjunction with the recently updated 2rn Risk Register.

### Background

Section 2.4 of the Code of Practice for the Governance of State Bodies (“the Code”) outlines that:

*“The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place”.*

Furthermore, in line with Section 10.1 of the Code, the Board is required to conduct an annual review of:

*“The body’s system of internal controls, including financial, operational and compliance controls and risk management”.*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and shared functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

In the Annual Report for the year-ended 31 December 2015, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control. This report forms part of the Audit & Risk Committee’s consideration.

## Objective and Scope

The scope of this review were the financial controls in place in 2rn at 31 December 2015. This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes and control activities set-out in *Appendix A*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the following financial processes in 2rn:
  - Purchasing and Accounts Payable
  - Sales and Accounts Receivable
  - Cash and Treasury
  - Fixed Assets
  - Inventory
  - People Payments
  - Management Accounts
  - Taxation
- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and
- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

- ✗ IT audit of the financial systems.

This review was focused on verification and testing of the operation of controls – via inspection, review of process flows and substantive testing – and did not represent a full financial audit of each process.

# Risk and Summary Findings

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources
- Risk # 4 – Commercial Revenue

Other specific RTÉ corporate risks relevant to this report are as follows:

- Fraud
- Proper books of account not being maintained

The audit has also taken into account the 2rn Risk Register, especially the various risks underpinning the objective of “effectively managing 2rn’s finances into the future through optimising funding sources and controlling costs”.

## Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating in the range 81% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ IBDs.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No exceptions were identified during the course of testing. No issues were identified in this audit which merit classification as “key management issues”.

Please refer to *Appendix A* overleaf for details of the specific controls tested and the audit activities undertaken by Internal Audit.

# Conclusion and Rating

## Overall Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies*, Internal Audit carries out specific work in the area of internal financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2015, focusing on reviewing the key financial controls. In the context of the repositioning of 2rn in 2013, responsibility for certain financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, as summarised in Appendix A, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

## Rating



SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
<b>A</b>	<b>Purchasing and Accounts Payable</b>		
	<i>Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.</i>		
<b>A.1</b>	<b>Purchasing and Tendering</b>		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	<ul style="list-style-type: none"> <li>Examine one 2rn tender in 2015 and examine documentation, evaluation sheet, award letter, etenders notification, etc.</li> </ul>	Observation and inspection
<b>A.2</b>	<b>Payment Procedures</b>		
2)	Segregation of Duties: the staff members responsible for ordering/receipting goods are not also responsible for processing payment of invoices	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures.</li> </ul>	Walkthrough Testing
3)	All invoice payments and payment runs are authorised by appropriate personnel	<ul style="list-style-type: none"> <li>Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.</li> </ul>	Substantive testing
		<ul style="list-style-type: none"> <li>Review a sample of invoices from the payment run for proof of prior approval before payment.</li> </ul>	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	<ul style="list-style-type: none"> <li>Check a sample of the invoices on [REDACTED] to verify that they were paid by due date.</li> </ul>	Observation and inspection
<b>A.3</b>	<b>Creditor Reconciliations</b>		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	<ul style="list-style-type: none"> <li>Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.</li> </ul>	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	<ul style="list-style-type: none"> <li>Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.</li> </ul>	Substantive testing
<b>A.4</b>	<b>Purchase Card</b>		
7)	RTÉ Purchasing Card Guidelines 2015	<ul style="list-style-type: none"> <li>Select a 2rn Purchase Card envelope for one month and confirm that supporting documentation is in place with appropriate approval.</li> </ul>	Observation and inspection
		<ul style="list-style-type: none"> <li>Inspect files generally for existence, approval and retention.</li> </ul>	Observation and inspection
<b>B</b>	<b>Sales and Accounts Receivable</b>		
	<i>Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.</i>		
<b>B.1</b>	<b>Customer Sales</b>		
8)	Credit control procedures are carried out prior to granting credit status to new customers	<ul style="list-style-type: none"> <li>Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).</li> </ul>	Walkthrough Testing
9)	Procedures are in place for processing customer orders and formal	<ul style="list-style-type: none"> <li>Inspect contract / Accommodation Request Form (ARF) with</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	contracts or supporting documentation are filed	supporting documentation for one order.	
10)	All discounts from rate card are approved by an appropriate official in advance	<ul style="list-style-type: none"> <li>Verify sign-off and prior approval in one instance where there was a deviation from the rate card</li> </ul>	Observation and inspection
<b>B.2</b>	<b>Debtor Reconciliations</b>		
11)	Reconciliations of the debtors listing to the Debtor’s control account in the GL are performed and reconciling items are properly investigated.	<ul style="list-style-type: none"> <li>Examine a reconciliation of the debtors’ listing / ledger to the debtors’ control account in the GL for one month and review reconciling items</li> </ul>	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	<ul style="list-style-type: none"> <li>Analyse aged debtor listing for one month</li> </ul>	Substantive testing
<b>B.3</b>	<b>Credit Notes</b>		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	<ul style="list-style-type: none"> <li>Verify approval of, and reason for, a sample of credit notes selected from ██████ Consider the appropriateness of the Approver.</li> </ul>	Observation and inspection
<b>C</b>	<b>Cash and Treasury</b>		
	<b>Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.</b>		
<b>C.1</b>	<b>Banking of Lodgements</b>		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	<ul style="list-style-type: none"> <li>Assess the design of Segregation of Duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.</li> </ul>	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	<ul style="list-style-type: none"> <li>Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books</li> </ul>	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	<ul style="list-style-type: none"> <li>Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.</li> </ul>	Observation and inspection
<b>C.2</b>	<b>Bank Reconciliations</b>		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	<ul style="list-style-type: none"> <li>Audit the bank reconciliation for each bank account for one month and check for review by a senior person.</li> </ul>	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	<ul style="list-style-type: none"> <li>Verify that reconciling items were cleared by the next month end.</li> </ul>	Substantive testing
<b>C.3</b>	<b>Payments to Suppliers</b>		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	<ul style="list-style-type: none"> <li>Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	on authority limits	
<b>C.4</b>	<b>Loan Covenants</b>		
<b>20)</b>	Procedures for the recording of borrowings, interest and loan repayments exist.	<ul style="list-style-type: none"> <li>Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.</li> </ul>	Substantive testing
<b>D</b>	<b>Fixed Assets</b>		
	<b>Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.</b>		
<b>21)</b>	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.</li> </ul>	Observation and inspection
<b>22)</b>	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	<ul style="list-style-type: none"> <li>Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.</li> </ul>	Substantive testing
<b>23)</b>	Additions and disposals are approved in accordance with group procedures and authorisation limits	<ul style="list-style-type: none"> <li>Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person</li> </ul>	Observation and inspection
<b>E</b>	<b>Inventory</b>		
	<b>Risk Summary: Inventory listings are misstated.</b>		
<b>24)</b>	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	<ul style="list-style-type: none"> <li>Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.</li> </ul>	Substantive testing
<b>25)</b>	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	<ul style="list-style-type: none"> <li>Verify that any stock right-off has been approved by an appropriate person.</li> </ul>	Observation and inspection
<b>F</b>	<b>People Payments</b>		
	<b>Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.</b>		
<b>26)</b>	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	<ul style="list-style-type: none"> <li>Assess the design of the Segregation of Duties procedures</li> </ul>	Observation and inspection
<b>27)</b>	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	<ul style="list-style-type: none"> <li>Select a sample of T&amp;S claims and check to see if they are supported by receipts and filed as appropriate</li> </ul>	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [REDACTED] is reconciled to [REDACTED] payroll records	<ul style="list-style-type: none"> <li>Audit the reconciliation between [REDACTED] and [REDACTED] payroll records for one month.</li> </ul>	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [REDACTED] and NortgateArinso payroll records on a monthly basis.	<ul style="list-style-type: none"> <li>Review the reconciliation between PAYE/PRSI return to the revenue to [REDACTED] and [REDACTED] records for one month</li> </ul>	Substantive testing
<b>G</b>	<b>Management Accounts</b>		
	<i>Risk Summary: Proper books of account not being maintained.</i>		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	<ul style="list-style-type: none"> <li>View the management accounts for one month</li> </ul>	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	<ul style="list-style-type: none"> <li>Examine that reconciling items have been closed off</li> </ul>	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	<ul style="list-style-type: none"> <li>Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.</li> </ul>	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	<ul style="list-style-type: none"> <li>Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.</li> </ul>	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	<ul style="list-style-type: none"> <li>Assess and review the monthly accruals process</li> </ul>	Observation and inspection
<b>H</b>	<b>Taxation</b>		
	<i>Risk Summary: Non compliance with tax regulations</i>		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	<ul style="list-style-type: none"> <li>Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL.</li> <li>Verify that the VAT returned has been filed by the due date</li> </ul>	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	<ul style="list-style-type: none"> <li>Check that the PAYE/PRSI return has been filed on time for one month.</li> </ul>	Substantive testing

**INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE - YEAR-ENDED 31 DECEMBER 2015  
SUMMARY OF SCORES**

Section	Process Area	Score	Maximum Score	Percentage
A	Purchasing and Accounts Payable	34	40	85%
B	Sales and Accounts Receivable	32.5	36	90%
C	Inventory	13	16	81%
D	Cash and Treasury	22.5	24	94%
E	Fixed Assets	15.5	16	97%
F	People Payments	14.5	16	91%
G	Management Accounts / Financial Close	19.25	20	96%
H	Tax Compliance	8	8	100%

*Please list any questions to be completed by RTÉ Shared Service functions.*

Q27

Q35 not applicable





**Internal Financial Control  
Questionnaire**

**2 INTERNAL FINANCIAL CONTROL****1.1 BACKGROUND***Internal Financial Control*

Each IBD and, where applicable, central functions / shared services completed a self-assessment of the internal financial controls in the following areas:

	<b>Process</b>	<b>Overview of control questions</b>
<b>A</b>	Purchasing and accounts payable	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines; amendments to masterfiles
<b>B</b>	Sales and accounts receivable	Reviewing credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; reconciliations
<b>C</b>	Cash and treasury	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations
<b>D</b>	Inventory	Recording of inventories, stock movement; provisions against carrying value
<b>E</b>	Fixed assets	Recording assets; valuation; additions and disposals; capital expenditure projects
<b>F</b>	People payments	Payroll and Fee payments; personal expenses; recording of annual leave; reconciliation to General Ledger
<b>G</b>	Management accounts / financial close	Preparation; review and clearance; financial close; intercompany accounts; journals and suspense accounts
<b>H</b>	Tax compliance – VAT / Employment Taxes	VAT; PAYE / PRSI

**1.2 REPORTING REQUIREMENTS**

In line with Section 2.4 of the Code of Practice for the Governance of State Bodies:

*“The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place”.*

Furthermore, as outlined in Section 10.1 of the Code of Practice, the Board’s consideration of internal control should include *“the body’s system of internal controls, including financial control”*

As a result, we carry out specific work in the area of Internal Financial Control.

**1.3 CONTROL EFFECTIVENESS**

Management completed an assessment of the effectiveness of each financial control (45 questions) using a scale of 1-4, where 4 is the highest rating.

Overleaf we have set-out, by IBD, details of the effectiveness ratings assigned to the individual financial control questions in each of the process areas. In summary, the output of this exercise highlights that a strong financial control environment exists in RTÉ, with the average control effectiveness rating in the range 85% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year with some processes showing marginal rating improvements (from an already high base).

*Please refer to the Appendix at the back of this report for the financial control questionnaire in full, detailing the scores assigned to each of the 45 questions.*

## INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2015

Summary of Effectiveness Ratings							
Section	Process Area	TV	Radio	News	Digital	Orchestras	Average
A	Purchasing and Accounts Payable	85%	85%	85%	85%	85%	85%
B	Sales and Accounts Receivable	94%	97%	N/A	92%	96%	95%
C	Inventory	94%	81%	97%	Immaterial	N/A	91%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%
E	Fixed Assets	91%	94%	97%	88%	83%	91%
F	People Payments	92%	93%	98%	98%	90%	94%
G	Management Accounts / Financial Close	94%	98%	93%	99%	98%	96%
H	Tax Compliance - VAT / Employment Taxes	100%	100%	100%	100%	100%	100%

**1.4 INTERNAL AUDIT PROCEDURES**

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;
- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The reasons for differences in the ratings assigned to the same control question by different IBDs;
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.
- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation / supporting evidence

**1.5 RESULT**

The effectiveness ratings assigned to the financial control processes within scope are reasonable and, for the sample tested, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

**2.**  
**TECHNICAL UPDATES /**  
**RECENT DEVELOPMENTS**

2 TECHNICAL UPDATES / RECENT DEVELOPMENTS

2.1 ON THE 2016 AUDIT COMMITTEE AGENDA

The KPMG Audit Committee Institute publication titled: *“On the 2016 Audit Committee Agenda”* is set-out overleaf. The publication highlights ten matters which Audit Committee members should keep in mind as they carry out their 2016 agendas.

This is based on interactions with audit committees and business leaders over the past year and includes matters relating to financial reporting, external audit, management and the Board.



**On the 2016 Audit Committee Agenda**

Prioritising a heavy audit committee agenda is never easy, and 2016 will be particularly challenging given the level of global volatility and uncertainty – e.g. the geopolitical environment, commodity prices, interest rates, currency fluctuations, slowing growth in emerging markets – as well as technology advances disrupting established industries and business models. Drawing on insights from interactions with audit committees and business leaders over the past year, ten items have been flagged for audit committees to keep in mind as they consider and carry out their 2016 agendas:

**Maintain control of the audit committee's agenda.**  
This number-one priority from last year holds true for 2016. Overseeing the major risks on the audit committee's agenda in addition to its core responsibilities (financial reporting and auditor oversight) remains a challenge. Even in the absence of any new agenda items, the risks that every audit committee have had on their plates for some time – cyber and IT, supply chain and other operational risks, legal and regulatory compliance – have become more complex, as have the audit committee's core responsibilities. Keeping the committee's agenda focused and its eye on the ball – will require an agenda that is manageable (what risk oversight responsibilities are realistic?), a sharp focus on what's most important (starting with financial reporting and audit quality), allocating time for robust discussion while taking care of 'must do' compliance activities, reassessing the value of internal audit (in the committee's eyes and ours), and ensuring the committee has the right composition and leadership.

framework, help ensure that management has appropriate controls in place, and ask for the external auditor's views.

**Stay apprised of the audit reform initiatives.**  
The EU Audit Reform – and the implications for auditor rotation, nonaudit services and the role of the audit Committee – will become a reality. Also, new International Standards on Auditing (ISA) requirements will impact the reports your auditors provide. Companies Act 2014 introduces a requirement for the directors of a company over a particular size to either establish an audit committee or to explain in the directors' report why they have not decided to establish an audit committee. Companies Act 2014 also presents choices for directors in terms of registering their company as a Designated Activity Company ("DAC") or a Private Company Limited by Shares ("LTD"). A DAC more closely resembles a Limited company prior to the introduction of Companies Act 2014. Stay apprised of these initiatives and consider how they will impact the audit process and the audit committee's oversight.

2.2 FINANCIAL REPORTING COUNCIL: GUIDANCE ON VOLATILITY AND UNCERTAINTY FOR CORPORATE REPORTING SEASON

In our papers to the 27 January 2016 Audit and Risk Committee meeting we included a letter from the Financial Reporting Council (“FRC”) providing guidance on corporate reporting in advance of the financial reporting season.

On 8 March 2016, in response to queries, the FRC issued a further (one-page) letter offering pointers for the 2016 corporate reporting season against a backdrop of increased uncertainty and/or volatility. The FRC has responded to requests for guidance on how matters such as volatile asset prices and uncertainty over interest rates in certain jurisdictions should be dealt with in annual reports and accounts. A copy of the letter is included for information.

# Audit Committee Institute

## On the 2016 Audit Committee Agenda

Prioritising a heavy audit committee agenda is never easy, and 2016 will be particularly challenging given the level of global volatility and uncertainty – e.g. the geopolitical environment, commodity prices, interest rates, currency fluctuations, slowing growth in emerging markets – as well as technology advances disrupting established industries and business models. Drawing on insights from interactions with audit committees and business leaders over the past year, ten items have been flagged for audit committees to keep in mind as they consider and carry out their 2016 agendas:

### **Maintain control of the audit committee's agenda.**

This number-one priority from last year holds true for 2016:

Overseeing the major risks on the audit committee's agenda in addition to its core responsibilities (financial reporting and auditor oversight) remains a challenge. Even in the absence of any new agenda items, the risks that many audit committees have had on their plates for some time – cyber and IT, supply chain and other operational risks, legal and regulatory compliance – have become more complex, as have the audit committee's core responsibilities. Keeping the committee's agenda focused and its eye on the ball – will require an agenda that is manageable (what risk oversight responsibilities are realistic?); a sharp focus on what's most important (starting with financial reporting and audit quality); allocating time for robust discussion while taking care of 'must do' compliance activities; maximising the value of internal audit (as the committee's 'eyes and ears'); and ensuring the committee has the right composition and leadership.

### **Monitor and scrutinise critical accounting estimates.**

Fair values, impairments, and judgments of key assumptions underlying critical accounting estimates, together with loss contingencies and pension funding shortfalls should continue to be a major area of focus for the audit committee. Recognise that the company's greatest financial reporting risks are often in those areas where there is a range of possible outcomes and management has to make difficult judgments and estimates. Regulators globally continue to express concern about adverse inspection findings pertaining to critical accounting estimates. The message: quality financial reporting requires a disciplined, robust, and unbiased process to develop accounting judgments and estimates. To that end, understand management's

framework, help ensure that management has appropriate controls in place, and ask for the external auditor's views.

### **Stay apprised of the audit reform initiatives.**

The EU Audit Reforms – and the implications for auditor rotation, non-audit services and the role of the audit Committee – will become a reality. Also, new International Standards on Auditing (ISA) requirements will impact the reports your auditors provide. Companies Act 2014 introduces a requirement for the directors of a company over a particular size to either establish an audit committee or to explain in the directors' report why they have not decided to establish an audit committee. Companies Act 2014 also presents choices for directors in terms of re-registering their company as a Designated Activity Company ("DAC") or a Private Company Limited by shares ("LTD"). A DAC more closely resembles a Limited company prior to the introduction of Companies Act 2014. Stay apprised of these initiatives and consider how they will impact the audit process and the audit committee's oversight.

### **Reinforce audit quality and set clear expectations for the external auditor.**

Audit quality is enhanced by a fully engaged audit committee. Set the tone and clear expectations for the external auditor, and monitor auditor performance through frequent, quality communications and a robust performance assessment. Do the audit committee, management, and the external auditor have a clear understanding of audit quality and how it can be improved (or at least maintained)? Remember that audit quality is a team effort, requiring the commitment and engagement of everyone in the process - the auditor, audit committee, and management.



## Consider how the company's disclosures can better tell the company's story – and that of the audit committee.

Think about providing a fuller picture not only of the company's recent performance, but also where it is headed, the key risks it faces and how those risks are both mitigated and factored into the group's viability statement. In addition to traditional financial metrics, can the company provide greater insight into the drivers of long-term growth, such as customer satisfaction, talent, or innovation? Many companies are experimenting with new ways to present clearer and more concise annual reports. Also, consider ways to enhance the audit committee's disclosures to provide greater insight into how the audit committee carries out its oversight responsibilities – focusing on what the committee did, what it concluded and how and why it came to those conclusions.

## Maintain a sharp focus on finance leadership and bench strength.

Quality financial reporting starts with the CFO and finance department. Given the critical role the CFO plays in maintaining financial reporting quality, it is essential that the company has succession plans in place not only for the CFO, but for other key finance executives – the controller, chief accountant and treasurer (and perhaps the chief compliance and chief risk officers). How does the audit committee assess the finance department's talent pipeline? Do they have the training and resources they need to succeed? How are they incentivised to stay focused on the company's long-term performance?

## Spend more time outside the boardroom.

Recognise that effectiveness inside the boardroom hinges on spending quality time outside of the boardroom – visiting company facilities, interacting with employees and customers, and hearing outside perspectives – to understand the tone, culture, and rhythm of the organisation.

## Assess the company's readiness for country-by-country tax reporting.

The obligation to report country-by-country tax information to all jurisdictions is on the immediate horizon – with significant implications for tax compliance and

reporting functions, transfer pricing policies, tax audits and controversies, and reputational risk for multinational companies. Under the OECD's Base Erosion and Profit Shifting (BEPS) project, multinationals with more than €750 million in revenue will be required to provide, in a single country-by-country (CbyC) report, detailed information about every jurisdiction in which they operate. The first CbyC reports will relate to fiscal years beginning on or after 1 January 2016, with the report due one year later. Audit committees of multinationals will want to assess their company's readiness. What systems and process changes will be needed to comply with the requirements? Have they assessed their transfer pricing strategies and identified those that are likely to be challenged? Do they have an effective communications plan to explain and interpret the CbyC data?

## Assess the company's readiness for the new revenue recognition standard.

The IASB has finalised the deferral of the effective date of the new revenue standard by one year – until 1 January 2018 for calendar year-end companies. The new standard, which will change the way many companies recognise revenue from customer contracts, will have a significant impact across the company – from systems, data, and accounting processes, to controls and business contracting processes. Companies should use the additional transition time to finalise implementation plans, identify areas that require close attention, and implement the necessary changes to processes, systems, and controls.

## Be prepared for data and analytical procedures.

Audits are changing significantly. The core goals remain, but audit tools, execution and results are being transformed and expanded by new capabilities in data and analytics (D&A). This is more than a trend. This is the way audits will be conducted by virtually all the major audit firms, and it is critical that audit committees and auditors begin working together now so audit committees understand where the process is heading, what the broad benefits are and how to work effectively with management to enable a smooth and effective shift within their organisations.

Also see KPMG's "On the 2016 Audit Committee Agenda" at [kpmg.ie/aci](http://kpmg.ie/aci).

## Contact the ACI



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Dear Audit Committee Chair,

I wrote in the latter part of 2015 to provide some pointers for the 2016 corporate reporting season which is now in train against a backdrop of increased uncertainty and/or volatility. For example, asset prices have been volatile, oil prices have moved further, in certain jurisdictions interest rates have fallen and the UK's referendum on EU membership has been announced.

Recognising that not all businesses are affected by the same uncertainties nor to the same degree, we have been asked if we could give further guidance on how such matters should be dealt with in the annual report and accounts. We highlight that:

- The Strategic Report in particular provides an opportunity to provide the most current view of prospects. Your business may be very close to reporting and so the Strategic Report may need careful review by the board before it is issued to ensure that statements which may have been drafted some time ago in preparation for the reporting season remain pertinent.;
- Key to an understanding of the company's prospects will be disclosure of the directors' judgements as to the principal risks and their potential impact. It is for directors to determine which are the principal risks and why. In some cases the range of potential outcomes may be wider than previously and accordingly you may need to provide more disclosure as to sensitivities to aid understanding;
- Accounts should be drawn up on the basis of the conditions existing at the balance sheet date. Events or information coming to light at a later date which affect valuations need careful consideration and may need to be disclosed. The range of outcomes you have considered to be reasonably possible may need to be revisited;
- Financial Reporting Standards require companies to disclose material post balance sheet events including the nature of each event and its estimated financial impact or a statement that such an estimate cannot be made; and
- You may also need to consider whether the events have a material effect on the preparation of the accounts on a going concern basis of accounting and/ or whether there are material uncertainties relating to that assessment requiring disclosure.

I would welcome your feedback as to whether my writing to you in this way is helpful in promoting high quality corporate reporting.

Yours sincerely

**Stephen Haddrill**  
**Chief Executive**  
DDI: 020 7492 2300  
Email: s.haddrill@frc.org.uk

3.

## WHISTLEBLOWING POLICY

*(Uploaded as a separate  
doc. onto Google Drive)*

**Appendix to Section 1 –  
Internal Financial Control**

**Section A: Purchasing and Accounts Payable**

**(Completed by: Central Purchasing and Central Accounts Payable. 2rn: completed seperately)**

No.	Question	TV	Radio	News	Digital	Orchestras	Average
1	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3	3	3	3	3	3
2	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3	3	3	3	3	3
3	Score the effectiveness of the procedures and controls over the receipting of goods and services	3	3	3	3	3	3
4	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3	3	3	3	3	3
5	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	4	4	4	4	4	4
6	Score the effectiveness of the procedures for confirming balances with suppliers	4	4	4	4	4	4
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3	3	3	3	3	3
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	3	3	3	3	3	3
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4	4	4	4	4	4
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4	4	4	4	4	4

**Total Score for Purchasing and Accounts Payable Processes**

<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>
<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>

**Section B: Sales and Accounts Receivable**

(Completed by: Central, except for questions 12, 14 and part of 19. 2rn: completed separately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	4	4	n/a	4	4	4
12	Score the effectiveness of the procedures and controls over the processing of customer orders	3.5	4	n/a	3	n/a	4
13	Score the effectiveness of the procedures and controls over the invoicing of customers	4	4	n/a	4	4	4
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer	3.5	4	n/a	3	n/a	4
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.5	3.5	n/a	3.5	3.5	4
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3.5	3.5	n/a	3.5	3.5	4
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4	4	n/a	4	4	4
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4	4	n/a	4	4	4
19	Score the effectiveness of reconciliation procedures and controls	4	4	n/a	4	4	4

*Total Score for Sales and Accounts Receivable Processes*

34	35	N/A	33	27
94%	97%	N/A	92%	96%

**Section C: INVENTORY**  
**(Completed by: Each IBD)**

No.	Question		Radio	News	Digital	Orchestras	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)	3.9	3	4	4	n/a	3.7
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.	3.5	3	3.5	n/a	n/a	3.3
22	Score the effectiveness of the procedures and controls over stock movements	3.8	n/a	4	n/a	n/a	3.9
23	Score the effectiveness of the month end inventory accounting procedures	3.8	3.75	4	n/a	n/a	3.9

*Total Score for Inventory Processes*

15	9.75	15.5	4	N/A
94%	81%	97%	100%	N/A

**Section D: Cash and Treasury**

(Completed by: Central Banking and Treasury. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3.5	3.5	3.5	3.5	3.5	4
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5	3.5	3.5	3.5	3.5	4
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4	4	4	4	4	4
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	4	4	4	4	4	4
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4	4	4	4	4	4
29	Score the effectiveness over the recording of borrowings	4	4	4	4	4	4

*Total Score for Cash and Treasury Processes*

23	23	23	23	23
96%	96%	96%	96%	96%



**Section E: Fixed Assets**  
**(Completed by: Each IBD)**

	Question	TV	Radio	News	Digital	Orchestras	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.5	3.5	3.5	3	3	3.3
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	3.5	3.5	4	4	3.5	3.7
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	3.8	4	4	4	3.5	3.9
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.8	4	4	3	n/a	3.7

*Total Score for Fixed Assets Processes*

14.6	15	15.5	14	10
91%	94%	97%	88%	83%

**Section F: People Payments**

(Completed by: People Payments: questions 33, 34 & 37. Each IBD: questions 35 & 36. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	4	4	4	4	4	4.0
35	Score the effectiveness of the procedures and controls over the payment of Fees	3.5	3.5	3.5	3.5	3.5	3.5
36	Score the effectiveness of the procedures and controls over the processing of personal expenses	3.8	3	4	4	3	3.6
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	4	4	4	3.5	3.7
38	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	4	4	4	4	4	4.0

*Total Score for People Payments Processes*

18.3	18.5	19.5	19.5	18
92%	93%	98%	98%	90%

**Section G: Management Accounts / Financial Close**

**(Completed by: Each IBD)**

No.	Question	TV	Radio	News	Digital	Orchestras	Average
39	Score the effectiveness of the monthly management accounts preparation process	3.9	4	4	4	4	4.0
40	Score the effectiveness of the monthly management accounts review and clearance process	3.9	3.5	3.5	4	4	3.8
41	Score the effectiveness of the financial close procedures and controls	3.8	4	3.5	4	4	3.9
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	4	4	3.8	3.5	3.8
43	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.6	4	3.5	4	4	3.8

*Total Score for Management Accounts / Financial Close Processes*

18.7	19.5	18.5	19.8	19.5
94%	98%	93%	99%	98%

**Section H: Tax Compliance - VAT / Employment Taxes**

**(Completed by: Group Finance)**

No.	Question	TV	Radio	News	Digital	Orchestras	Average
44	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	4	4	4	4	4	4.0
45	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	4	4	4	4	4	4.0

*Total Score for Tax Compliance Processes*

8	8	8	8	8
100%	100%	100%	100%	100%

**Audit and Risk Committee Meeting of 13<sup>th</sup> April 2016**



## RTÉ INTERNAL AUDIT

### REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 13 APRIL 2016

#### Circulation

***Attending the Committee meeting:***

Anne O'Leary (Chair)  
Frank Hannigan  
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

***CC:***

Noel Curran (Director-General)  
Breda O'Keeffe (Chief Financial Officer)

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- 1 EXECUTIVE SUMMARY
- 2 CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES
- 3 COST ALLOCATION PROCESS
- 4 COMMITTEE RESOLUTION ON INTERNAL CONTROL
- 5 TECHNICAL UPDATES / RECENT DEVELOPMENTS

**1. OBJECTIVE AND EXECUTIVE SUMMARY****1.1 OBJECTIVE OF MEETING**

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to complete its review of the effectiveness of the internal control system, on behalf of the Board. (The Committee's review process commenced at the 14 March 2016 Audit and Risk Committee meeting); and
- Outline the work performed by Internal Audit to assist the Committee and report the results of the audit testing undertaken.

The members of the Committee will be required to make a recommendation to the Board following the meeting.

**1.2 REVIEW OF INTERNAL CONTROL: BACKGROUND**

A review of the effectiveness of the system of internal control is a requirement of the Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Finance in June 2009, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 10.1 requires that:

*"The Board is responsible for the body's system of internal control and should review annually the effectiveness of the body's system of internal controls, including financial, operations and compliance controls and risk management".*

The annual report of each State Body must include a statement on "internal financial control" (using a prescribed format) and the external auditors are required review this statement.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (updated "Turnbull Guidance") outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.



**1.3 METHODOLOGY FACILITATING THE COMMITTEE'S REVIEW**

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control.

The Committee considered Corporate Governance in subsidiaries and reviewed the internal control self-assessment questionnaires at its meeting on 14 March 2016. Today, the Committee will consider:

- 1) Compliance with the *Code of Practice for the Governance of State Bodies* – see **Section 2**
- 2) The Quarterly Risk Update for Q1 2016 – see separate papers
- 3) The Cost Allocation Process – see **Section 3**

Finally, at the end of this meeting:

- 4) The members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report – see **Section 4**.

**1.4 TECHNICAL DEVELOPMENTS**

In addition to the topic of internal control, in **Section 5** we include a short update on technical developments.

**2.**  
**CODE OF PRACTICE FOR THE  
GOVERNANCE OF STATE BODIES**

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2015*

**31 March 2016**

**Circulation:**

Director-General

Members of the Audit and Risk Committee

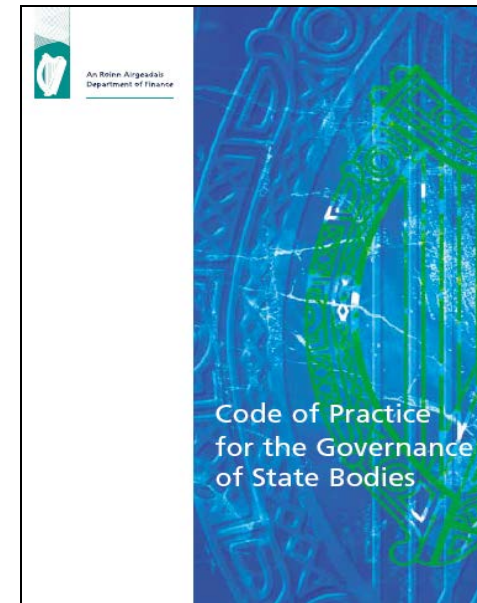
Executive

Cillian De Paor, RTÉ Group Secretary and Director of Compliance

Fiona O'Shea, Group Financial Controller

Paul Doyle, Finance Director Regulatory

Anne O'Connor, Head of Statutory Compliance



# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. Published by the Department of Finance in June 2009, the Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies”.*

Board members and employees of State Bodies are required to follow the principles set out in the Code of Practice in order to ensure that all their activities *“meet the highest standards of corporate governance”* (Section 1).

Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies, although this is not relevant in the case of RTÉ.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation. The most recent update to the Code of Practice was published in June 2009.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Communications, Energy and Natural Resources on RTÉ’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ’s compliance with the Code of Practice.

The External Auditors are required to review RTÉ’s compliance with certain aspects of the Code of Practice and, if applicable, to report any adverse findings in the Independent Auditor’s Report in the Annual Report.

### Contents - Overview

The Code of Practice is organised into five sections, as set out in the table below:

Section	Topic
A. The Board and Directors	<ul style="list-style-type: none"><li>• The Board</li><li>• Directors</li><li>• Codes of Conduct, Disclosure and Ethics</li></ul>
B. Remuneration	<ul style="list-style-type: none"><li>• Remuneration of Senior Management and Director’s Fees</li></ul>
C. Risk management, accountability, internal controls and Internal Audit	<ul style="list-style-type: none"><li>• Risk Management</li><li>• Accountability and Audit</li><li>• Audit Committee</li><li>• Internal Audit Function</li></ul>
D. Relations with the Oireachtas and the Minister	<ul style="list-style-type: none"><li>• Departmental Oversight</li><li>• Reports and Accounts of State Bodies</li><li>• Additional Reporting Arrangements</li></ul>
E. Other specific procedures	<ul style="list-style-type: none"><li>• Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies</li><li>• Procedures for Procurement</li><li>• Capital Investment Appraisal</li><li>• Travel</li><li>• Disposal of State Assets and Access to Assets by Third Parties</li><li>• Tax Compliance</li><li>• Legal Disputes Involving Other State Bodies</li></ul>
Appendices	<ul style="list-style-type: none"><li>• I - VI</li></ul>

# Overview, Scope and Risk

## Update of Code of Practice

A draft updated version of the Code of Practice was circulated, for consultation, by the Department of Public Expenditure and Reform in May 2015. The draft includes a provision for additional disclosures which are required in the Annual Report of a State Body. This updated draft is not yet in force. The publication date, and the extent of further amendments from the original consultation document, is currently unclear.

## Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2015. This assessment was carried out having due regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters.

Each paragraph in the Code of Practice was evaluated by Internal Audit.

## *DCENR Checklist*

In carrying out this review, we have included a check on RTÉ's compliance against each paragraph in a control checklist provided by the Department of Communications, Energy and Natural Resources ("DCENR"). Department Officials have traditionally completed the checklist following receipt of the RTÉ Annual Report and the Chair's Annual Report to the Minister for Communications, Energy and Natural Resources. However, following recent communication from Departmental Officials, responsibility for completing the checklist now falls to RTÉ and the checklist is being completed in the context of this audit.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows:

Risk # 1 – Reputation Risk (non-compliance with regulatory requirements)

Risk # 3 – Management and prioritisation of financial resources

# Findings and Rating

## Findings

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2015. A high-level summary of the key compliance activities and the applicable RTÉ Policies is set-out in Appendix A, overleaf, for reference.

In addition to relying on the results of Internal Audit's programme of work for 2015 and the annual review of the system of internal control, we carried out checks on compliance with the Code of Practice by assessing RTÉ's performance against the DCENR's own Code of Practice compliance checklist. We noted no exceptions as part of this testing.

The checks carried out by Internal Audit indicate that RTÉ remains compliant with the Code of Practice for the Governance of State Bodies. Our other audit work during the year did not highlight any other issues of non compliance with the Code of Practice. Appropriate disclosures have been made in the Corporate Governance section of the Annual Report and Group Financial Statements.

## Rating



SATISFACTORY

The Code of Practice for the Governance of State Bodies sets-out a large number of requirements, too detailed to cover in this appendix. However, the table below sets-out a high-level summary of the key compliance activities and RTÉ Policies applicable to the main sections in the Code of Practice.

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
A	The Board and Directors	<ul style="list-style-type: none"> <li>The Board</li> <li>Directors</li> <li>Codes of Conduct, Disclosure and Ethics</li> </ul>	<ul style="list-style-type: none"> <li>Code of Business Conduct for RTÉ Board Members</li> <li>Code of Business Conduct for RTÉ Employees</li> <li>Directors’ Register of Interests</li> <li>Directors’ Emolument Forms</li> <li>Matters reserved for Board Approval</li> <li>Good Faith Reporting Policy</li> <li>RTÉ Staff Manual</li> <li>RTÉ Child Protection Policy</li> <li>RTÉ Grievance Procedure</li> <li>Board Papers and Board appointment / induction process</li> <li>Delegated Authority Limits</li> <li>Board Approved Budget</li> <li>RTÉ Annual Report disclosures, including Corporate Governance report</li> <li>Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies</li> <li>Board Committees and terms of reference</li> <li>RTÉ Statement of Strategy 2015 - 2019</li> </ul>
B	Remuneration	<ul style="list-style-type: none"> <li>Remuneration of Senior Management and Director’s Fees</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and Management Development Sub-Committee</li> <li>RTÉ Annual Report disclosures</li> <li>Confirmation in Chair’s annual report to the Minister</li> </ul>
C	Risk management, accountability, internal control and Internal Audit	<ul style="list-style-type: none"> <li>Risk Management</li> <li>Accountability and Audit</li> <li>Audit Committee</li> <li>Internal Audit Function</li> </ul>	<ul style="list-style-type: none"> <li>RTÉ Journalism Guidelines</li> <li>RTÉ Content Standard Guidelines</li> <li>RTÉ Social Media Guidelines</li> <li>Risk Management Policy and structures</li> <li>RTÉ Top Strategic Risks and Key Risk Indicators</li> <li>Quarterly Risk meeting with Risk Sponsors and Risk Owners</li> </ul>

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
			<ul style="list-style-type: none"> <li>• Divisional Risk Registers</li> <li>• The Board’s annual review of internal control and risk management</li> <li>• Audit and Risk Committee’s oversight of risk and Internal Control</li> <li>• Independent Auditor’s Report</li> <li>• RTÉ Annual Report and disclosures</li> <li>• Internal Audit Charter</li> <li>• RTÉ Fair Trading Policy and Procedures</li> </ul>
D	Relations with the Oireachtas and The Minister	<ul style="list-style-type: none"> <li>• Departmental Oversight</li> <li>• Reports and Accounts of State Bodies</li> <li>• Additional Reporting Arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Statement of Performance Commitments</li> <li>• RTÉ Statement of Strategy 2015 – 2019</li> <li>• RTÉ Public Service Statement 2015</li> <li>• RTÉ Annual Report and Group Financial Statements</li> <li>• Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies</li> <li>• Monthly Management Accounts</li> <li>• Interim unaudited accounts (six months)</li> <li>• Chairman’s mid-year report to the Minister</li> </ul>
E	Other specific procedures	<ul style="list-style-type: none"> <li>• Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies</li> <li>• Procedures for Procurement</li> <li>• Capital Investment Appraisal</li> <li>• Travel</li> <li>• Disposal of State Assets and Access to Assets by Third Parties</li> <li>• Tax Compliance</li> <li>• Legal Disputes Involving Other State Bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing Procedures and Guidelines</li> <li>• Delegated Authority Limits</li> <li>• Matters reserved to the Board for consideration and decision</li> <li>• Capital Project Approval Process and Capital Committee</li> <li>• Asset disposal process</li> <li>• RTÉ Travel Policy</li> <li>• Annual Budget</li> <li>• Monthly Management Accounts</li> <li>• RTÉ Statement of Strategy 2015-2019</li> <li>• Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies</li> </ul>



### 3. COST ALLOCATION PROCESS

# RTÉ Internal Audit

## Review of Cost Allocation Process

14 March 2016

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**RTÉ:**

Paul Doyle, Finance Director Regulatory  
Fiona O'Shea, Group Financial Controller  
Pauline Annett, Group Financial Accountant  
Clíodhna Norton, Financial Accountant

**KPMG:**

Niamh Donnelly, KPMG Audit Manager



# Background and Scope

## Background

### Introduction

The purpose of this memorandum is to set-out the findings of an Internal Audit review of the year-end cost allocation process.

### Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards, the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Energy and Natural Resources.

The cost allocation process comprises a set of financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 2). The cost allocation process facilitates the presentation of revenues and costs as follows:

- Segmental analysis of revenues and costs by Integrated Business Division (“IBD”) in line with RTÉ’s organisation structure;
- Segmental analysis of revenue and costs by channel, service and broadcasting genre and between public service and non-public service activities.

The process is carried out within a standalone General Ledger Cost Allocations Database of the [REDACTED] financial system, with Microsoft Excel used as the reporting tool.

### Allocation Methodology

Direct costs are charged in the first instance to the IBD, activity or programme to which they relate, or through which they are controlled.

Indirect costs at an IBD level are allocated to specific activities or programmes using consistently applied principles. For example, payroll related operating costs associated with particular programmes are allocated based on the staff assigned to the programme and / or the number of hours spent by staff members on the programme activity.

Other indirect / shared service costs are allocated to the IBD consuming the service using appropriate full cost absorption costing methods. Centrally provided shared services encompass activities which are carried out centrally on behalf of IBDs. These services include HR Shared Services, Technology, Corporate Communications and Group Finance.

The cost of the corporate HQ is not allocated to IBDs and is reported as an “other” segment.

[REDACTED]  
The allocations process takes place after the year-end financial close, utilising a copy of the live [REDACTED] database. The process is performed by RTÉ Group Finance using the allocations functionality of [REDACTED]

## Objective and Scope

The scope of this audit was the cost allocation process, as outlined in the Cost Allocation Process Overview manual.

This audit was undertaken in accordance with an Internal Audit work-programme and involved audit work in each of the following areas:

- Process documentation;
- Process review;
- Accuracy and appropriateness of the cost apportionment rationale;
- Accuracy and appropriateness of the rules allocating costs to ‘receiving’ costpools;
- Operational of model.

# Scope and Risk

## Objective and Scope *(Continued)*

The audit sample size is set-out in Appendix 1, selected from the output of “Run 2” of the allocations model. (From an operational point of view, audit testing was carried out in the “Allocations 2015” [REDACTED] Database, in period 201605).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the financial year-ended 31 December 2015;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

The scope did not include:

- ✗ IT aspects of the [REDACTED] Allocations database.

KPMG will place reliance on this audit as part of the year-end statutory audit.

## Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources

The audit is relevant as it addresses an area which is important to RTÉ’s legal and regulatory compliance.

# Findings, Conclusion and Rating

## Findings & Recommendation

We conclude that the cost allocations model is operating effectively and, having regard for the sample set-out in Appendix 1, is based upon consistently applied and objectively justified principles.

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit. The Microsoft Excel based reports used for financial reporting are consistent with the underlying ██████ records. The ██████ Allocations Database used for the allocations process is consistent with the “live” ██████ General Ledger Database.

We recommend that the Cost Allocation Process Overview Manual is updated to reflect the changes to the trigger rationale and allocation basis which arose as part of the 31 December 2015 year-end allocations process. This will ensure that the manual continues to remain relevant and provides an up to date written record of the allocations process.

## Overall Conclusion

The RTÉ Annual Report presents important segmental information by division and channel in Note 2 d) and Note 2 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of the notes.

Internal Audit has carried out a review of the cost allocation process. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

We would like to thank staff in Group Finance for their assistance during the course of this assignment.

## Rating



**SATISFACTORY**

## Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1	C03	Empty Corporate Human Resources costpools	Average headcount	██████
2	C05	Allocate Property and Service costpools	Square foot of campus	██████
3	C27	Empty Technology costpools	Number of computers	██████
4	C54	Audience research contracts	Split based on usage of the service	██████
5	T12	Various broadcasting costs in Television	Split between Television channels	██████
6	T16	Commercial Sales costs allocated to Channels	Based on advertising revenue per channel	██████
7	T59	Allocate Studio 3 News costs to programmes	Hours of programmes	██████
8	R96	Allocate Radio broadcast costs to programmes	Programme hours	██████
9	R31	Outside Broadcast costs	Management judgment based on usage	██████
10	N02	Various support / back-office costs	Actual headcount	██████
11	D07	Capital Expenditure allocation	Based on actual capital approval forms (A196 forms) across functional areas	██████
12	C92	Central Training costs*	Based on usage by personnel	██████

\* This is a new trigger in the current financial year.

\*\* Financial Data is redacted in circulation to non Group Finance recipients of the report.

**4.**  
**COMMITTEE RESOLUTION ON  
INTERNAL CONTROL**

**4. COMMITTEE'S RESOLUTION ON INTERNAL CONTROL**

The members of the Audit and Risk Committee are required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board and recommend a statement to that effect in the Corporate Governance section of the Annual Report. Our conclusions are set-out below.

After reviewing the documents presented at the committee meetings of 14 March 2016 and the 13 April 2016, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

- a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and
- b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2015. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

Page 89 of the Annual Report contains a paragraph on Internal Control and Risk Management. Furthermore, on page 91, the report includes the following statement, which satisfies the requirements under the Code of Practice for the Governance of State Bodies:

*"The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements".*

DCENR officials recently submitted a comprehensive Code of Practice Checklist to RTÉ which is required to be submitted to DCENR with the Annual Report and the Chair's Annual Report to the Minister in accordance with Paragraph 13.1 of the Code of Practice. Internal Audit will complete the checklist based on its programme of work in this area. In turn, DCENR officials will verify a sample of the responses and seek further evidence of compliance activities.



**5.**  
**TECHNICAL UPDATES / RECENT  
DEVELOPMENTS**

**5. TECHNICAL UPDATES / RECENT DEVELOPMENTS****5.1 INTRODUCTION**

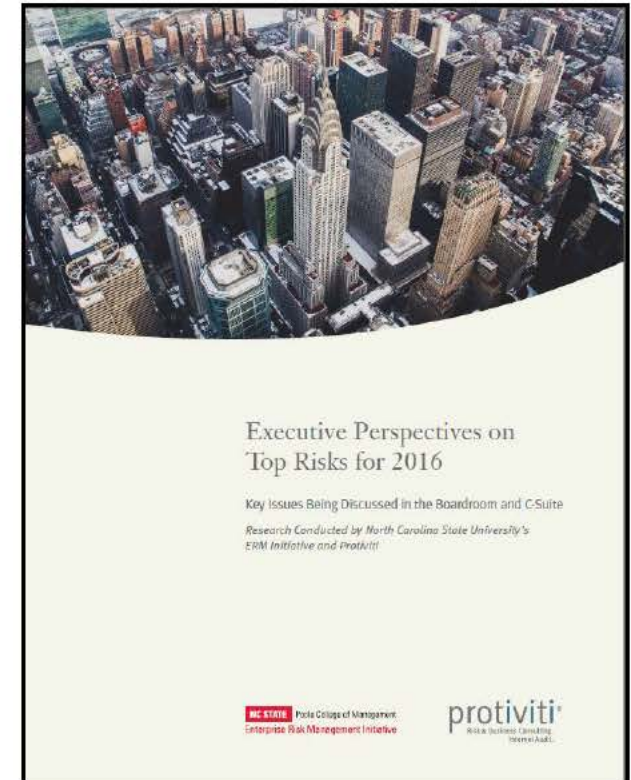
Protiviti and North Carolina State University's Enterprise Risk Management Initiative recently issued a report focusing on the top risks currently on the minds of global boards of directors and executives.

This report contains the results from the fourth annual risk survey of directors and executives to obtain their views on the extent to which a broad collection of risks are likely to affect their organisations over the next year.

The respondents answered questions on 27 specific risks across three dimensions:

- Macroeconomic risks likely to affect their organisation's growth opportunities;
- Strategic risks the organisation faces that may affect the validity of its strategy for the pursuit of growth opportunities; and
- Operational risks that might affect key operations of the organisation in executing its strategy

535 board members and executives across a number of industries participated in the survey.



**5.2 TOP RISKS**

The top 10 risks vary in nature. There continues to be concerns about operational risk issues, with five of the top 10 risks representing operational concerns. Three of the top 10 risks relate to strategic risk concerns, with two related to concerns about macroeconomic issues. The emphasis on operational risks is consistent with the 2015 results.

A summary of the top five risks is set-out below and the list of the top 10 risks is set-out in the table overleaf.

- For the majority of organisations, regulatory change risk continues to represent the top risk for the fourth consecutive year. Sixty percent of respondents rated this as a “Significant Impact” risk.
- Economic conditions in domestic and international markets are slightly elevated when compared to the two prior years. Similar to concerns about regulatory scrutiny, 60 percent of respondents rated this as a “Significant Impact”.
- Concerns about cyberthreats disrupting core operations is again a top five concern for 2016, as well as the top operational risk overall and for the largest organisations.
- Succession challenges and the ability to attract and retain talent was raised. It is likely triggered by a tightening labour market (though the decline in unemployment rates has been relatively modest) and the respondents’ perception that significant operational challenges may arise if organisations are unable to sustain a workforce with the skills and expertise needed for growth.
- Privacy and identity protection – respondents ranked this risk as a top five risk concern for the first time in 2016. The inclusion of this risk into the top five is consistent with the increasing number of reports of hacking scandals and growing concerns over protecting personally identifiable information.

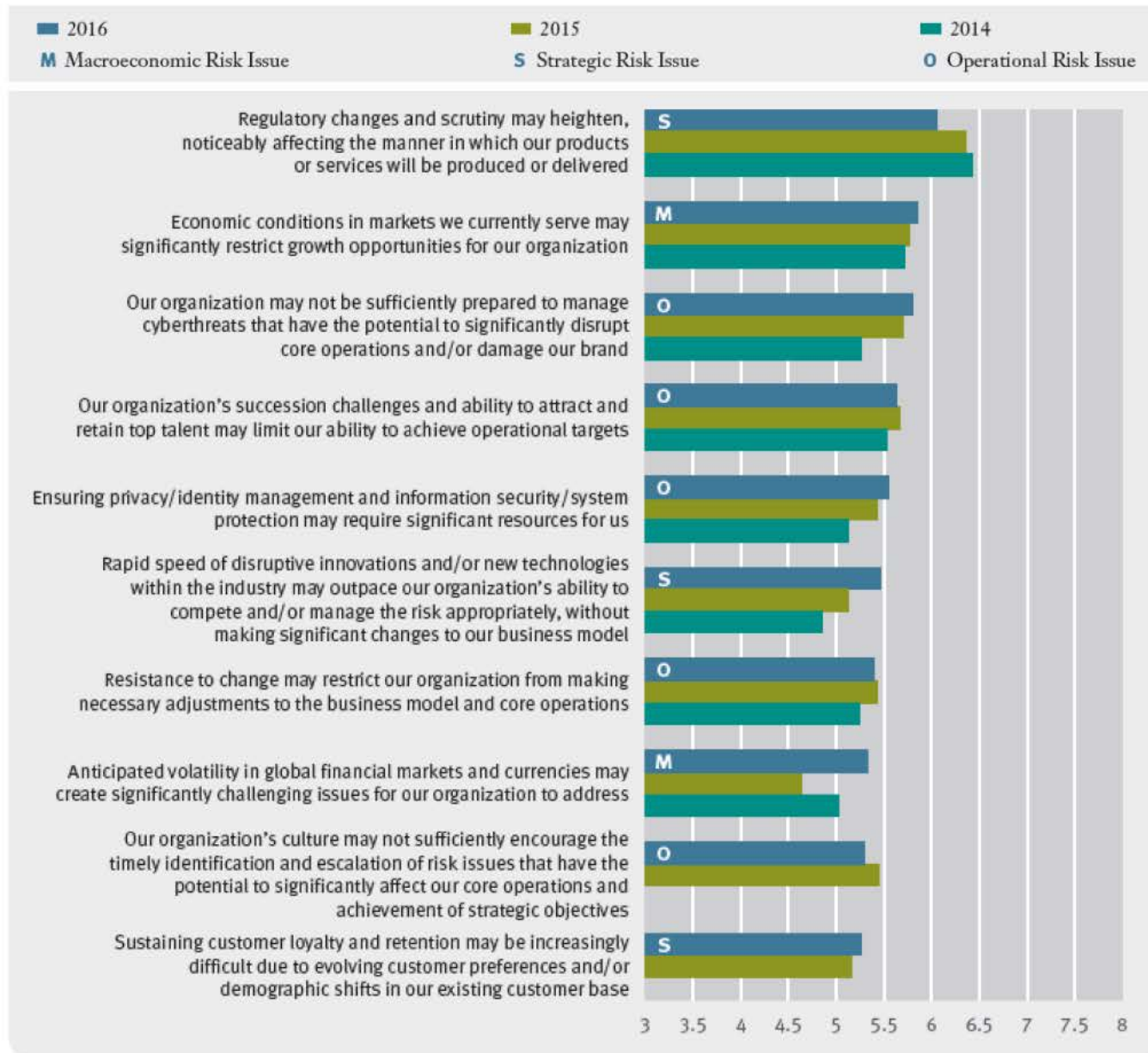
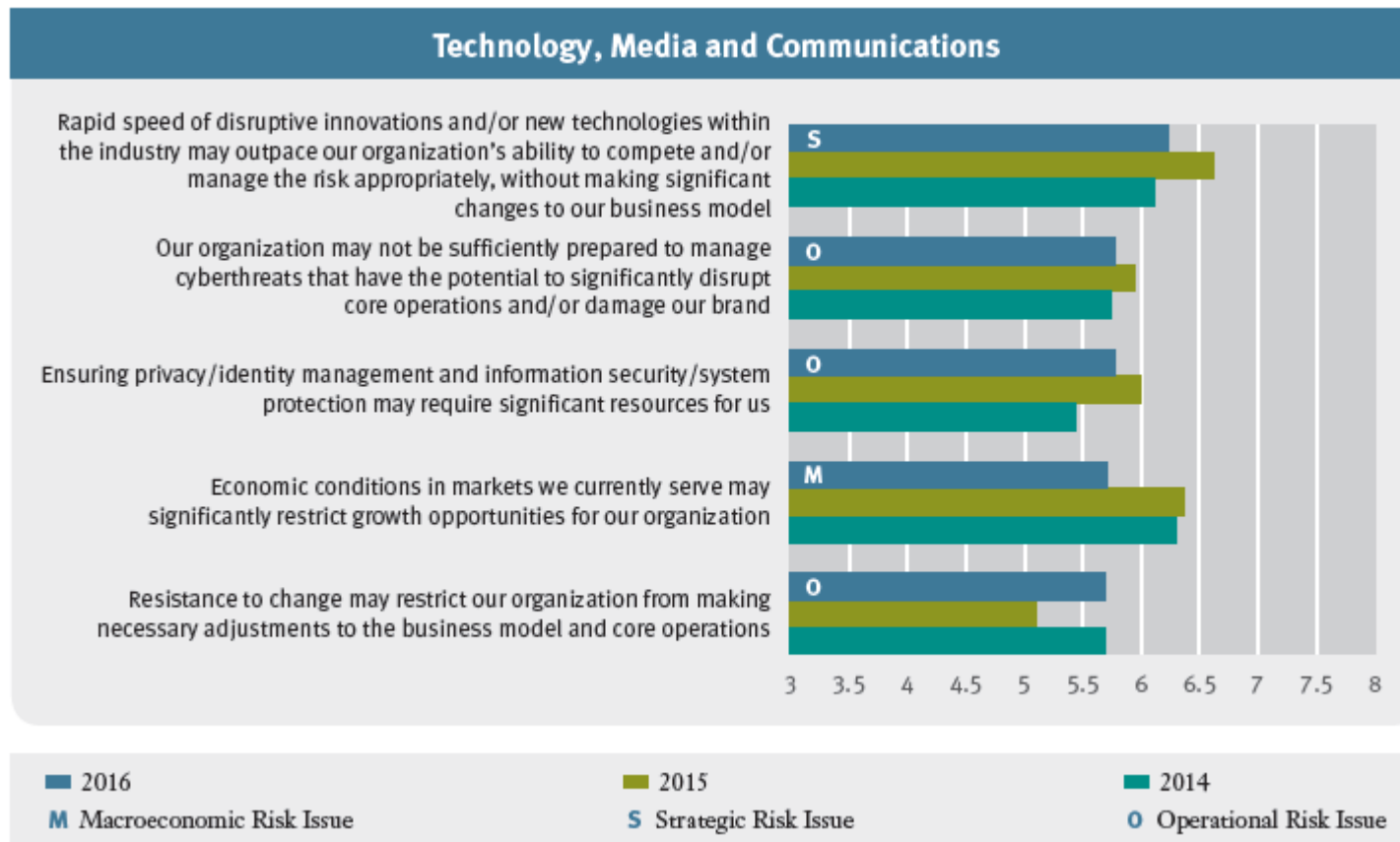


Figure 1: Top 10 Risks for 2016

5.3 TECHNOLOGY, MEDIA AND COMMUNICATIONS RISKS

The chart below sets-out the top five risks identified by respondents working in the Technology Media and Communications sector.



For four of the top five risks, the current year risk ratings are somewhat lower relative to last year and more consistent with 2014. Regarding the top three risk issues – rapid speed of disruptive innovations, cyberthreats and a privacy / identity management – the lower results this year is a likely result from an intense focus by companies in this industry on proactively addressing these areas.

It is surprising that respondents indicated that resistance to change is among the top risks for the technology, communications and media industry group, given that change is a consistent factor. Perceptions of this risk may result from concerns that current business models are becoming outdated. The authors highlight that core operations must be able to make changes and adjust rapidly to the market, particularly if the business model is becoming outdated.

#### **5.4 Report**

The full report can be accessed at the following link:

<http://www.protiviti.com/en-US/Documents/Surveys/NC-State-Protiviti-Survey-Top-Risks-2016.pdf>

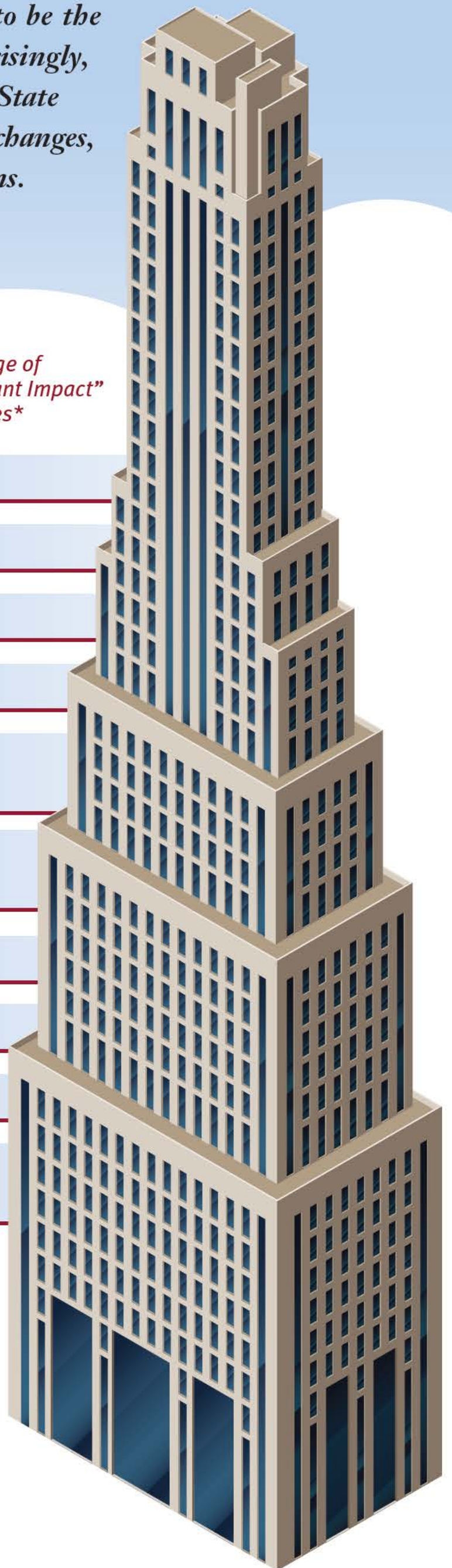
# Executive Perspectives on Top Risks for 2016

*What do board members and C-suite executives view to be the top risks for their organizations this year? Not surprisingly, according to an annual survey from North Carolina State University's ERM Initiative and Protiviti, regulatory changes, the economy and cyberthreats top their lists of concerns.*

<i>Risk Issue</i>	<i>Percentage of "Significant Impact" Responses*</i>
Regulatory changes and scrutiny	60%
Economic conditions	60%
Cyberthreats	57%
Privacy/identity management and information security	53%
Succession challenges and ability to attract and retain top talent	52%
Rapid speed of disruptive innovations and new technologies	51%
Volatility in global financial markets and currencies	50%
Resistance to change operations	49%
Sustaining customer loyalty and retention	46%
Organization's culture may not encourage timely identification and escalation of risk issues	45%

\* Each respondent was asked to rate 27 individual risk issues using a 10-point scale, where a score of 1 reflects "No Impact at All" and a score of 10 reflects "Extensive Impact" to their organization over the next year. A score of 6.0 or higher is perceived to be a risk issue that will have a "Significant Impact" on the organization.

The full survey report, *Executive Perspectives on Top Risks for 2016*, may be accessed at [erm.ncsu.edu](http://erm.ncsu.edu) or [protiviti.com/toprisks](http://protiviti.com/toprisks). It includes detailed breakdowns of the results by respondent role, organization size, industry and other categories.



# Internal Memorandum

**To:** [REDACTED]  
**Cc:** [REDACTED]  
**From:** [REDACTED]  
**Date:** 24 February 2015  
**Re:** Review of Internal Financial Control in 2rn

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The purpose of this memorandum is to set-out the findings of an Internal Audit review of the financial processes in 2rn and the controls self-assessment questionnaire. This memorandum should be read in conjunction with the recently updated 2rn Risk Register.

## 1. Background

Section 2.4 of the Code of Practice for the Governance of State Bodies (“the Code”) outlines that:

*“The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place”.*

Furthermore, in line with Section 10.1 of the Code, the Board is required to conduct an annual review of:

*“The body’s system of internal controls, including financial, operational and compliance controls and risk management”*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and shared functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

For many years, the internal financial control environment of 2rn was assessed in a manner similar to the other RTÉ IBDs, having regard for the shared functions completed by Group Finance on behalf of the IBDs. However, this approach has changed in the context of the repositioning and rebranding of 2rn, and the migration of responsibility for key 2rn financial processes from the RTÉ Group’s Central Shared Services functions to management locally.

As a result, since the 31 December 2013 year-end, we have modified the audit approach and carried out a specific review of financial control in 2rn.

In the Annual Report for the year-ended 31 December 2014, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control. This memorandum forms part of the Audit & Risk Committee’s consideration.



## 2. Scope

The scope of this review was the financial controls in place in 2rn at 31 December 2014.

This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes set-out in *Appendix 1*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the financial processes in 2rn. (In many cases, these controls were formerly the responsibility of RTÉ's Central Shared Services);
- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place and having regard for the ratings evident in other RTÉ IBDs; and
- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating by reviewing documentation / supporting evidence and a walkthrough of the operation of controls.

The scope did not include:

- ✗ IT audit of the financial systems.

This review was focused on verification and testing of the operation of controls – via inspecting documentation and the review of process flows – and did not represent a full financial audit.

## 3. Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating in the range 81% - 98% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ IBDs.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No exceptions were identified during the course of testing.

*Appendix 2* sets-out a summary of the financial control ratings.

#### **4. Conclusion and Rating**

Each year, as part of a broader review of compliance with the Code of Practice for the Governance of State Bodies, Internal Audit carries out specific work in the area of internal financial control in each of the IBDs.

In the context of the repositioning of 2rn, responsibility for certain financial processes resides with local Finance in 2rn. Therefore, for the year-ended 31 December 2014, specific audit work has been undertaken in relation to financial control in 2rn.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

*Rating:*



**Satisfactory**

## **Appendix 1 – Financial Processes within Scope**

The audit programme involved a review of the following processes. The review focused on verifying the operation of the control through the inspection of paperwork and did not represent a full audit of each process. Further detailed testing of specific processes will be addressed, in the usual way, via the Internal Audit Plan.

- 1. Purchasing and Accounts Payable**
  - 1.1. Purchasing and Tendering
  - 1.2. Payment Procedures
  - 1.3. Creditor Reconciliations
  - 1.4. Purchase Cards
  
- 2. Sales and Accounts Receivable**
  - 2.1. Customer Sales
  - 2.2. Debtor reconciliations
  - 2.3. Credit notes
  
- 3. Cash and Treasury**
  - 3.1. Banking of lodgements
  - 3.2. Bank reconciliations
  - 3.3. Payment to suppliers
  - 3.4. Covenants
  
- 4. Fixed Assets**
  
- 5. Inventory**
  
- 6. People Payments**
  
- 7. Management Accounts**
  
- 8. Tax Administration\***

*[\* Focusing on VAT and payroll taxes; Group Finance is also involved in aspects of the process]*

**Appendix 2 - Summary of Financial Control Ratings**

<b>Section</b>	<b>Finance Process Area</b>	<b>Score</b>
<b>A</b>	<b>Purchasing and Accounts Payable</b>	<b>85%</b>
<b>B</b>	<b>Sales and Accounts Receivable</b>	<b>90%</b>
<b>C</b>	<b>Inventory</b>	<b>81%</b>
<b>D</b>	<b>Cash and Treasury</b>	<b>93%</b>
<b>E</b>	<b>Fixed Assets</b>	<b>97%</b>
<b>F</b>	<b>People Payments</b>	<b>97%</b>
<b>G</b>	<b>Management Accounts / Financial Close</b>	<b>96%</b>
<b>H</b>	<b>Tax Compliance</b>	<b>98%</b>

A more detailed breakdown of the ratings, for each process area, is presented overleaf. Financial controls are assessed on a scale of 1 - 4, where 4 is the maximum control effectiveness score.

The control ratings represent a useful way of identifying movements from year to year and of highlighting priority areas. However, these control ratings are a guide and should not, therefore, be considered in isolation.

### Section A: Purchasing and Accounts Payable

No.	Financial Controls	Score*
1	Raising and processing of purchase orders	3
2	Compliance with RTÉ's purchasing procedures	3
3	Receipting of goods and services	3.5
4	Processing and payment of supplier invoices	3.5
5	Approval procedures and authorisation limits in respect of invoices where a PO is not required.	4
6	Confirming balances with suppliers	4
7	Compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002	3
8	Processing of amendments to the purchase ledger masterfile	3
9	Segregation of duties between the order of, receipt of, and payment for goods and services	3
10	Reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4

*Total Score for Purchasing and Accounts Payable Processes*

<b>34</b>
85%

### Section B: Sales and Accounts Receivable

No.	Financial Controls	Score
11	Granting credit status to new customers	3.5
12	Processing of customer orders	3
13	Invoicing of customers	3.5
14	Issuing credit notes to customer	4
15	Handling and recording of cheque/CAPS/BAC receipts	4
16	Collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3.5
17	Establishment of provisions against, and write-off of, debtor balances	4
18	Segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	3
19	Reconciliation procedures and controls	4

*Total Score for Sales and Accounts Receivable Processes*

<b>32.5</b>
90%

\* All financial controls are ranked on a scale of 1-4, where 4 is the maximum score.

### Section C: Inventory

No.	Financial Controls	Score
20	Recording of inventories (quantity, value etc.)	3
21	Calculating the provisions required against the carrying values of stocks	4
22	Controls over stock movements	3
23	Effectiveness of the month end inventory accounting procedures	3

*Total Score for Inventory Processes*

**13**

81%

### Section D: Cash and Treasury

No.	Financial Controls	Score
24	Maintenance of bank accounts and the recording of cash transactions	3.5
25	Reconciliation of cash book and bank account records	4
26	Payments to suppliers and other parties	4
27	Transactions denominated in foreign currencies *	3.5
28	Segregation of duties in the cashiers department	3
29	Recording of borrowings	4

*Total Score for Cash and Treasury Processes*

**18**

90%

\* Question 27 completed by Central Finance

### Section E: Fixed Assets

No.	Financial Controls	Score
30	Recording of fixed assets	3.5
31	Valuation of fixed assets	4
32	Fixed asset additions and disposals	4
33	Major capital expenditure projects	4

*Total Score for Fixed Assets Processes*

**15.5**

97%

### Section F: People Payments

No.	Financial Controls	Score
34	Payroll system procedures and controls	4
35	Payment of Fees	N/A
36	Processing of personal expenses	3.75
37	Recording of annual leave/TOIL	3.75
38	Reconciliations to the general ledger	4

*Total Score for People Payments Processes*

**15.5**

97%

**Section G: Management Accounts / Financial Close**

No.	Financial Controls	Score
39	Monthly management accounts preparation process	4
40	Monthly management accounts review and clearance process	4
41	Financial close procedures and controls	3.5
42	Procedures and controls over intercompany accounts	3.75
43	Journals and the use of suspense accounts	4

<i>Total Score for Management Accounts / Financial Close Processes</i>	<b>19.25</b>
	96%

**Section H: Tax Compliance \***

No.	Financial Controls	Score
44	Compliance with Value Added Tax regulations	3.8
45	Compliance with PAYE/PRSI regulations	4

<i>Total Score for Tax Compliance Processes</i>	<b>7.8</b>
	98%

\* Central Finance is also involved in this process. The 2rn Finance team calculates the tax return amount for submission to Central Finance, which is responsible for filing by the due dates.

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2016*

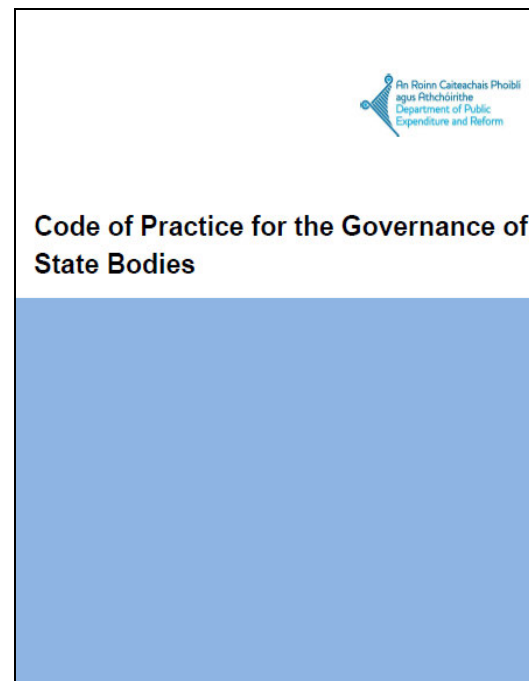
**5 April 2017**

**Circulation:**

Director-General

Members of the Audit and Risk Committee

Executive





# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. The Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies”.*

Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies, although this is not relevant in the case of RTÉ.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Communications, Climate Action and Environment (“DCCA”) on RTÉ’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ’s compliance with the Code of Practice.

The External Auditors are required to review RTÉ’s compliance with certain aspects of the Code of Practice and, if applicable, to report any adverse findings in the Independent Auditor’s Report in the Annual Report.

### Update of Code of Practice

The Department of Public Expenditure and Reform published an updated version of the Code of Practice in August 2016. That version is not in scope for the year ended 31 December 2016.

The updated Code replaces the 2009 version, published by the Department of Finance, and is applicable to financial reporting periods commencing on or after 1 September 2016 (with voluntary early adoption permitted). The update version is a longer, more detailed document and is accompanied by four new “associated Code requirement and guidance documents”.

### Contents – Overview of the 2009 Code

The Code of Practice is organised into five sections, as set out in the table below:

Section	Topic
A. The Board and Directors	<ul style="list-style-type: none"><li>• The Board</li><li>• Directors</li><li>• Codes of Conduct, Disclosure and Ethics</li></ul>
B. Remuneration	<ul style="list-style-type: none"><li>• Remuneration of Senior Management and Director’s Fees</li></ul>
C. Risk management, accountability, internal controls and Internal Audit	<ul style="list-style-type: none"><li>• Risk Management</li><li>• Accountability and Audit</li><li>• Audit Committee</li><li>• Internal Audit Function</li></ul>
D. Relations with the Oireachtas and the Minister	<ul style="list-style-type: none"><li>• Departmental Oversight</li><li>• Reports and Accounts of State Bodies</li><li>• Additional Reporting Arrangements</li></ul>
E. Other specific procedures	<ul style="list-style-type: none"><li>• Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies</li><li>• Procedures for Procurement</li><li>• Capital Investment Appraisal</li><li>• Travel</li><li>• Disposal of State Assets and Access to Assets by Third Parties</li><li>• Tax Compliance</li><li>• Legal Disputes Involving Other State Bodies</li></ul>
Appendices	<ul style="list-style-type: none"><li>• I - VI</li></ul>

# Overview, Scope and Risk

## Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2016. This assessment was carried out having due regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2009 Code of Practice is within scope of this review. We will report on compliance with the August 2016 updated version at the next year-end.

### ***DCCAE Checklist***

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAE in the prior year, along with the Annual Report and the Chair's Annual Report to the Minister, in accordance with Paragraph 13.1 of the Code of Practice. RTÉ is awaiting communication from the department on this matter for this year. If received, Internal Audit will complete the checklist based on its programme of work in this area.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows:

Risk # 1 – Reputation Risk (non-compliance with regulatory requirements)

Risk # 3 – Management and prioritisation of financial resources

# Findings and Rating

## Findings

### **General – YE 31/12/2016**

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2016. A high-level summary of the key compliance activities and the applicable RTÉ Policies is set-out in Appendix A, overleaf, for reference.

In addition to relying on the results of Internal Audit's programme of work for 2016 and the annual review of the system of internal control, we carried out checks on compliance with the Code of Practice by assessing RTÉ's performance against the DCCAE's own Code of Practice compliance checklist. We noted no exceptions as part of this testing.

- ✓ The checks carried out by Internal Audit indicate that RTÉ remains compliant with the 2009 Code of Practice for the Governance of State Bodies.
- ✓ Our other audit work during the year did not highlight any other issues of non compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Corporate Governance section of the Annual Report and Group Financial Statements.

## Rating



**SATISFACTORY**

### **Updated Code of Practice (August 2016)**

RTÉ Group Finance is currently reviewing the implication of the new financial disclosure requirements contained in the August 2016 update, in particular any modifications needed to existing financial processes, data capture procedures or the chart of accounts on [REDACTED]. Work is ongoing in this regard; however there are no immediate issues of concern which would highlight issues of non-compliance at 31/12/2017.

Section 8.16 of the Code of Practice (*Procedures for Procurement*) introduces expanded requirements in the area of procurement. This includes the requirement that entities have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. This requirement poses particular challenges given the manner in which RTÉ contracts suppliers.

While most procurement is handled via the purchase order system and processed via [REDACTED], a significant level of purchasing is transacted under 'contracts for services'. These are handled by the HR systems as "non-employee" contracts. The reporting and tracking function may vary across systems and a centralised reporting function will be needed to track compliance. In addition, the level of compliance activity will also have to be coordinated and monitored. This has been prioritised as a key action area in Finance. Internal Audit has completed a separate Internal Audit report on Purchasing Compliance and this area will receive further attention in 2017 in advance of the full implementation of the updated Code of Practice.

The Code of Practice for the Governance of State Bodies sets-out a large number of requirements, too detailed to cover in this appendix. However, the table below sets-out a high-level summary of the key compliance activities and RTÉ Policies applicable to the main sections in the Code of Practice.

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
A	The Board and Directors	<ul style="list-style-type: none"> <li>The Board</li> <li>Directors</li> <li>Codes of Conduct, Disclosure and Ethics</li> </ul>	<ul style="list-style-type: none"> <li>Code of Business Conduct for RTÉ Board Members</li> <li>Code of Business Conduct for RTÉ Employees</li> <li>Directors' Register of Interests</li> <li>Directors' Emolument Forms</li> <li>Matters reserved for Board Approval</li> <li>Good Faith Reporting Policy</li> <li>RTÉ Staff Manual</li> <li>RTÉ Child Protection Policy</li> <li>RTÉ Grievance Procedure</li> <li>Board Papers and Board appointment / induction process</li> <li>Delegated Authority Limits</li> <li>Board Approved Budget</li> <li>RTÉ Annual Report disclosures, including Corporate Governance report</li> <li>Chair's annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies</li> <li>Board Committees and terms of reference</li> <li>RTÉ Statement of Strategy 2015 - 2019</li> </ul>
B	Remuneration	<ul style="list-style-type: none"> <li>Remuneration of Senior Management and Director's Fees</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and Management Development Sub-Committee</li> <li>RTÉ Annual Report disclosures</li> <li>Confirmation in Chair's annual report to the Minister</li> </ul>
C	Risk management, accountability, internal control and Internal Audit	<ul style="list-style-type: none"> <li>Risk Management</li> <li>Accountability and Audit</li> <li>Audit Committee</li> <li>Internal Audit Function</li> </ul>	<ul style="list-style-type: none"> <li>RTÉ Journalism Guidelines</li> <li>RTÉ Content Standard Guidelines</li> <li>RTÉ Social Media Guidelines</li> <li>Risk Management policy and structures</li> <li>RTÉ Top Strategic Risks and Key Risk Indicators</li> <li>Quarterly Risk meeting with Risk Sponsors and Risk Owners</li> </ul>

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
			<ul style="list-style-type: none"> <li>• Divisional Risk Registers</li> <li>• The Board’s annual review of internal control and risk management</li> <li>• Audit and Risk Committee’s oversight of risk and Internal Control</li> <li>• Independent Auditor’s Report</li> <li>• RTÉ Annual Report and disclosures</li> <li>• Internal Audit Charter</li> <li>• RTÉ Fair Trading Policy and Procedures</li> <li>• RTÉ Fair Trading Complaints Procedures</li> </ul>
D	Relations with the Oireachtas and The Minister	<ul style="list-style-type: none"> <li>• Departmental Oversight</li> <li>• Reports and Accounts of State Bodies</li> <li>• Additional Reporting Arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Statement of Performance Commitments</li> <li>• RTÉ Statement of Strategy 2015 – 2019</li> <li>• RTÉ Public Service Statement 2015</li> <li>• RTÉ Annual Report and Group Financial Statements</li> <li>• RTÉ Subsidiary Company Annual Reports</li> <li>• Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies</li> <li>• Monthly Management Accounts</li> <li>• Interim unaudited accounts (six months)</li> </ul>
E	Other specific procedures	<ul style="list-style-type: none"> <li>• Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies</li> <li>• Procedures for Procurement</li> <li>• Capital Investment Appraisal</li> <li>• Travel</li> <li>• Disposal of State Assets and Access to Assets by Third Parties</li> <li>• Tax Compliance</li> <li>• Legal Disputes Involving Other State Bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing Procedures and Guidelines</li> <li>• Delegated Authority Limits</li> <li>• Matters reserved to the Board for consideration and decision</li> <li>• Capital Project Approval Process and Capital Committee</li> <li>• Asset disposal process</li> <li>• RTÉ Travel Policy</li> <li>• Annual Budget</li> <li>• Monthly Management Accounts</li> <li>• RTÉ Statement of Strategy 2015-2019</li> <li>• Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies</li> </ul>

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2022*

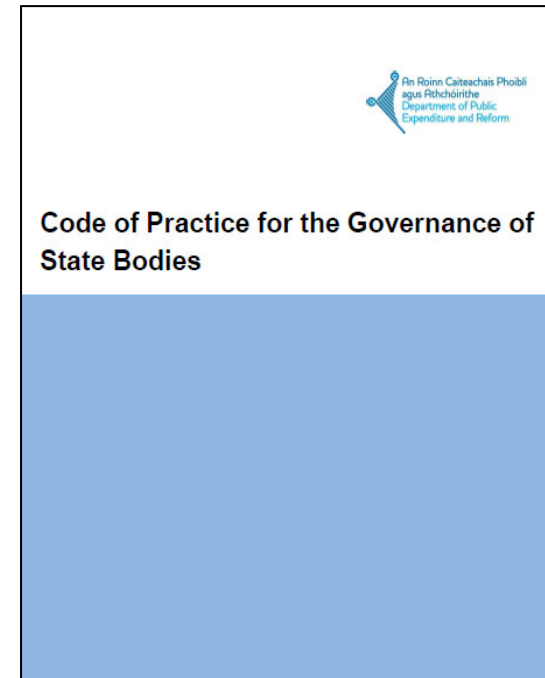
**14 April 2023**

**Circulation:**

Director-General

Members of the Audit and Risk Committee

Executive



# Background

## Background

### Introduction

Corporate governance comprises the systems and procedures by which enterprises are directed and managed. The Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

*“a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies.”*

The governance relationship between the Government and a State Body is outlined overleaf. Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

### Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media on RTÉ’s compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ’s compliance with the Code of Practice.

The External Auditors are required to review RTÉ’s disclosures and note any inconsistencies identified in the Independent Auditor’s Report in the Annual Report.

### Code of Practice (2016)

The most recent version of the Code of Practice was issued by the Department of Public Expenditure and Reform in 2016, and came into effect for the first time for the year ending 31 December 2017.

The 2016 Code of Practice is accompanied by four “associated Code requirement and guidance documents”. The four additional documents are listed below:

- Business and Financial Reporting Requirements
- Audit and Risk Committee Guidance
- Remuneration and Superannuation
- Board-Self Assessment Evaluation Questionnaire

The Code comprises ten sections, as below. (See *Appendix 1* for full details).

## Contents of Code of Practice

1.	Role of the Board
2.	Role of the Chairperson
3.	Role of Board Members
4.	Board Effectiveness
5.	Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures
6.	Business and Financial Reporting
7.	Risk Management, Internal Control, Internal Audit and Audit and Risk Committees
8.	Relations with the Oireachtas, Minister and Parent Department
9.	Remuneration and Superannuation
10.	Quality Customer Service

# Background and Governance Framework

The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

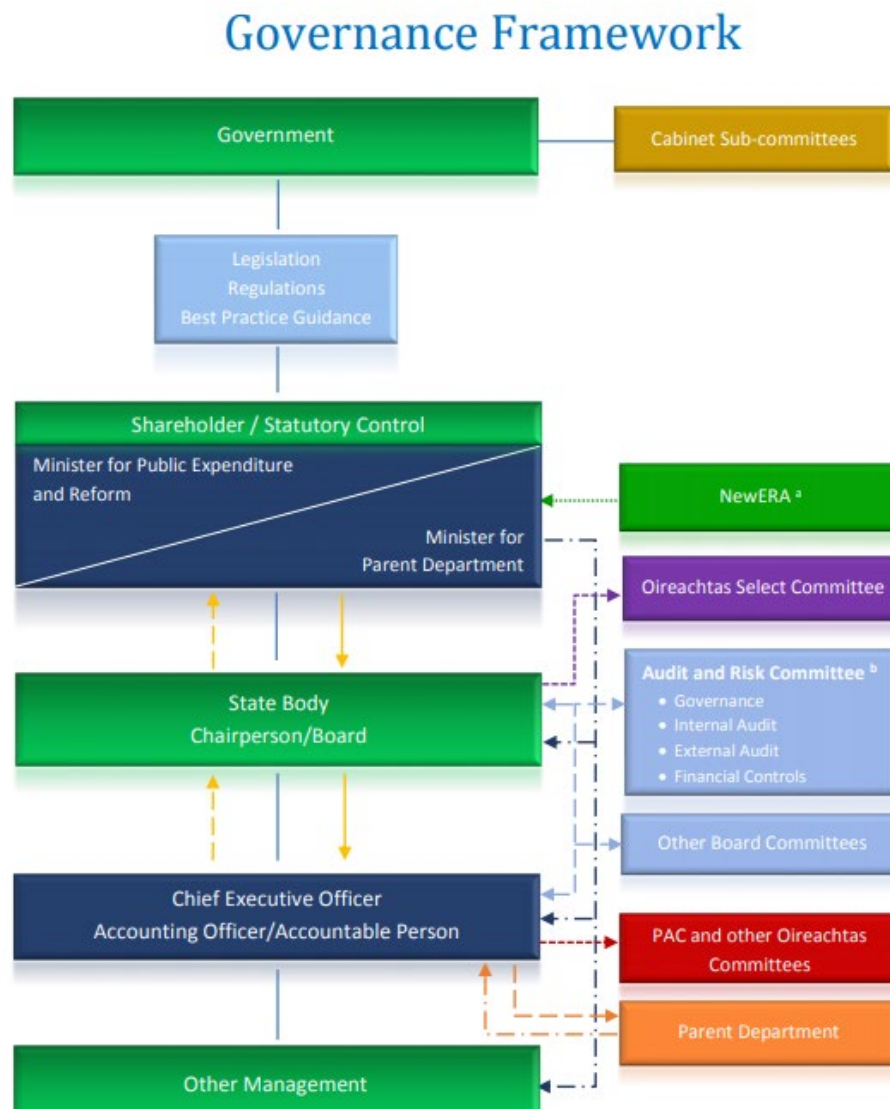
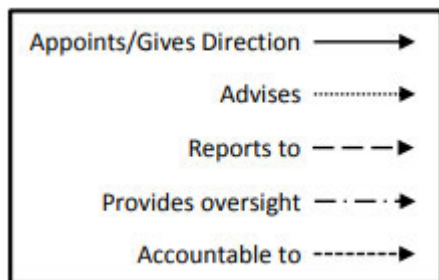
An additional Annex on Gender Balance, Diversity, and Inclusion to supplement the existing Code of Practice was published in September 2020.

## Governance Framework

The Governance Framework diagram (across) outlines the main features of the governance framework relationship between Government and State bodies.

The diagram does not purport to cover all aspects of this relationship which will vary depending on the differing nature, scale and responsibilities of the State body and the governing legislation establishing the State body.

For example, the Broadcasting Authority of Ireland (BAI) is a regulatory / monitoring body, specific to RTÉ.





# Objective and Scope

## Objective and Scope

The purpose of this report is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2022.

This assessment was carried out having regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2016 Code of Practice is within scope of this review.

### **Checklist**

A comprehensive Code of Practice Checklist was submitted by RTÉ to the Department for Tourism, Culture, Arts, Gaeltacht, Sport and Media ('DTCAGSM') in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2022. The Checklist addresses 156 items and requires the attachment of relevant back-up information.

A new 'Business and Financial Reporting Requirements' checklist has been introduced for 2023, covering an additional 25 items which are required to be disclosed in the Annual Report.

DTCAGSM Officials carry out a verification exercise on the contents of the checklist, normally in a late summer / early autumn timeframe.

## Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows (*Q3 2023 update*):

Risk # 8 – Management of Finances and Business Planning

Risk # 10 – Legislation / Regulation & Compliance

# Findings

## Findings - YE 31/12/2022

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2022. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2022, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DTCAGSM's Code of Practice compliance checklist.

### Results

- ✓ The checks carried out by Internal Audit indicate that RTÉ is broadly compliant with the 2016 Code of Practice for the Governance of State Bodies. We noted one exception in relation to procurement – see below.
- ✓ Variations from the Code are for valid reasons, such as reflecting the nature of RTÉ as a Statutory Corporation entity, or were approved by DTCAGSM (and confirmed in the document "*Guidance on the application of Code of Practice for the Governance of State Bodies*", issued by the DTCAGSM).
- ✓ Our other audit work during the year did not highlight any other material issues of non-compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Annual Report and Group Financial Statements and in the Chair's Report to the Minister.

### Audit Exception – Procurement

- ✗ We noted one exception, in relation to compliance with the Public Procurement Guidelines
  - The Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details.
  - The exceptions relate to 1.5% (2021 – 1.4%) of the cumulative 2022 payments to suppliers contracted through [REDACTED] and represent 11 suppliers (2021 – 31).
  - Some historic factors are relevant to the exceptions, including the limited functionality of financial systems which increases the difficulty of tracking tendering arrangements.

### Actions

- Actions have been agreed to address the above matters including:
  - Tenders will be carried out for exceptions highlighted in the review
  - Improved monitoring / reporting of non-compliant procurement spend
  - Procurement activity is now overseen by Procurement Managers, by expenditure category

# Findings

## Findings (Cont'd)

### **Conclusion**

It is appropriate for the Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media (in accordance with Paragraph 2.6 of the Code of Practice) to confirm that RTÉ is compliant with the Code of Practice for the Governance of State Bodies, subject to a reference to the procurement exception and the actions in progress.

While some procurement exceptions were identified in respect of 2022, the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2023 to monitor the implementation of the actions.

The disclosures required under the Code of Practice are being made and the Checklist will be submitted to the DTCAGSM with the Annual Report.

# RTÉ Internal Audit

## Review of Purchase Cards

### 13 May 2021

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**

[Redacted] and Operations Division  
[Redacted]



# Background, Objectives and Scope

## Background

### Overview

This report outlines the results following a review of purchase transactions using RTE's procurement cards ("purchase cards").

Purchase cards were introduced in RTE to make it easier and more cost effective for RTE personnel to make low value purchases of goods and services. This, in turn, reduces the number of low-value orders processed via Agresso web. For some purchases, a credit card payment is the only payment method accepted.

Purchase cards operate in a manner similar to a personal credit card. RTE's purchase cards are [REDACTED] provided by [REDACTED]. The administration of issuing cards and the management of card master data is the responsibility of Procurement, who also perform additional daily controls by monitoring movements in spend and the number of transactions (using [REDACTED]).

All new purchase card applications must be approved by the Chief Financial Officer and the Group Financial Controller.

### Process for the use of RTE Purchase Cards

Guidelines for the use of purchase cards are documented in the Purchasing Card Guidelines 2019, which form part of the overall RTE Procurement Policy, Procedures and Guidelines. The process is summarised in the points below:

- Each month cardholders record the transactions made using their purchase card on a pre-printed purchase card envelope and the receipts / invoices for the transactions are placed in the envelope.
- Each cardholder's transactions are recorded on an online system ([REDACTED]).
- At the end of each monthly billing period, the cardholder must log into the system and allocate each transaction an account code, costpool and allocate the VAT in line with the invoice/receipt.
- Once the cardholder has reviewed the transactions and cross-checked the purchase card envelope against the online system the envelope is then forwarded to the relevant Line Manger for approval.

- The use of each purchase card is restricted by an individual transaction limit and a monthly cumulative transaction limit.
- Purchase card transactions are recorded in Agresso via a monthly batch upload of data from the [REDACTED] on line system to Agresso.
- Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

## Objectives

The objective of this audit was to carry out a review of purchase card transactions during the period 1 January 2020 to 31 December 2020, and to report on whether cardholders / responsible individuals are adhering to the RTE Purchasing Card Guidelines, published in 2019.

## Scope of Audit

### Sample Selection Process

The full data set was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample (see c) overleaf).

Using the results of the tests above, a sample of 25 purchase card holders was selected from across the organisation. In addition, a number of other purchase card holders were selected randomly from the full population of purchase card transactions.

In total, approximately 2/3 of our sample was based on the "focused audit tests" and a further 1/3 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

We also carried out some high level data and financial analysis of the full population of transactions, covered in more detail in the pages overleaf.

# Scope (continued) & Risks

## Audit Testing Completed

### 1) Survey / Questionnaire

Prior to performing any detailed testing, a survey was circulated to the 25 cardholders, representing 51% of the total purchase card spend in 2020.

The objective of the survey was to gather information from cardholders on whether there had been any changes to the monthly filing procedures (purchase card receipts) and to their approval by Line Managers, in cases where the staff member is predominantly working from home.

### 2) Detailed Testing

For 15 cardholders (60% of sample), the following work was completed:

#### a) Authorisation & Approval Testing

For the 15 envelopes selected the following work was performed on each:

- ✓ Verified a Purchase card envelope was used;
- ✓ Checked Purchase card envelope for approver sign-off;
- ✓ Checked total transactions for the month were within individual's limit;
- ✓ Verified that receipts were retained and filed in the envelope.

#### b) Completeness & Accuracy Testing

- ✓ Verify that a till / VAT receipt was retained for each transaction and review same. Any instances of missing receipts are categorised as follows:

Category	Description of missing receipts per category
A	<b>Major:</b> > €500, or numerous higher value receipts.
B	<b>Intermediate:</b> > €100 but < €500, or a number of missing low value receipts.
C	<b>Moderate:</b> < €100, or where the number / value of missing receipts was low in the context of the number of transactions.

#### c) Testing on Full Population

The full population of purchase card data was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. The range of tests performed on the sample included:

- ✓ Analysis of Entertainment and Subsistence related transactions
- ✓ Analysis of transactions by employee/costpool/division/account
- ✓ Transactions exceeding the individual's normal block limit
- ✓ Analysis of payments to people which should be processed through PeopleSoft fees or excessive
- ✓ Review for large round sums
- ✓ Review for any disallowed expenses e.g. petrol
- ✓ Review for duplicate amounts by Name & Supplier
- ✓ Review for use of PayPal as method of payment

The scope of our audit did not include:

- ✗ Transfare claims

## Risks

The key corporate risks addressed by the report are as follows:

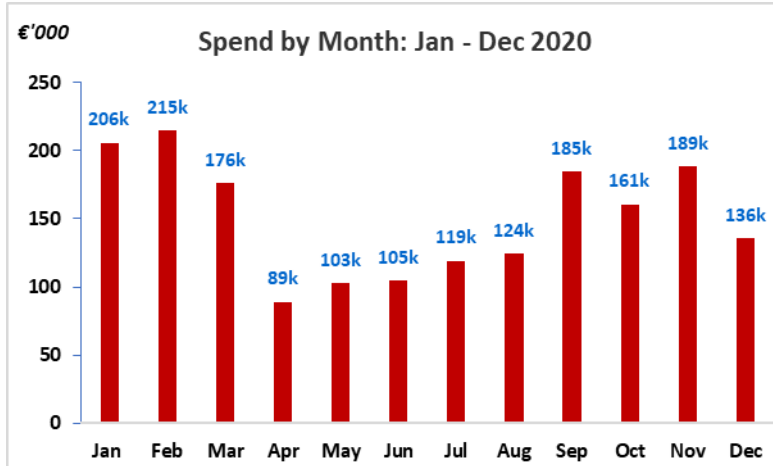
- Risk # 10 – Brand and Reputation (*a common subject of FOI requests*)
- Risk # 11 – Business Planning & Financial Prioritisation

By their nature, purchase cards are a higher risk profile than Purchase Orders and the risk of fraud is higher. In mitigation, the procedures for being granted a purchase cards are stringent. In the absence of purchase cards, it is difficult to know how certain high frequency buying activities would operate efficiently, for example, wardrobe, make-up, etc.

# Data Analysis - 2020

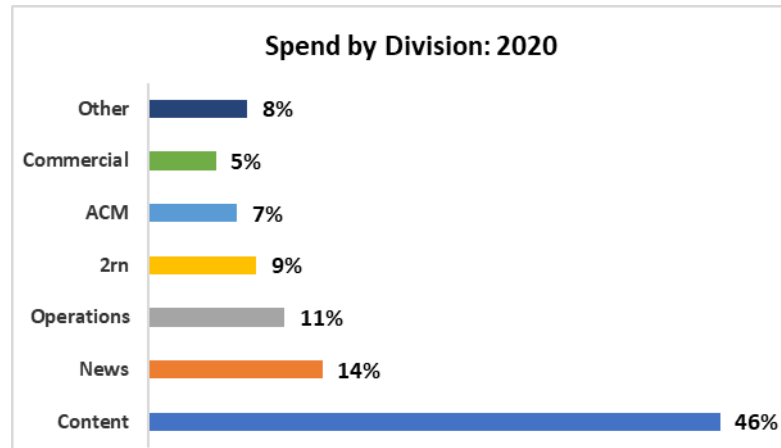
## A Purchase Card Expenditure by Month

€1.8m of transactions were processed through RTÉ's purchase cards in the period from 1 January 2020 to 31 December 2020, down 38% from the previous year (2019: €2.9m).



## B Purchase Card Spend by Division

As shown below, the largest spend is in Content (46%), followed by News & CA (14%) and Operations (10%). The total number of transactions for the period was 14,350.



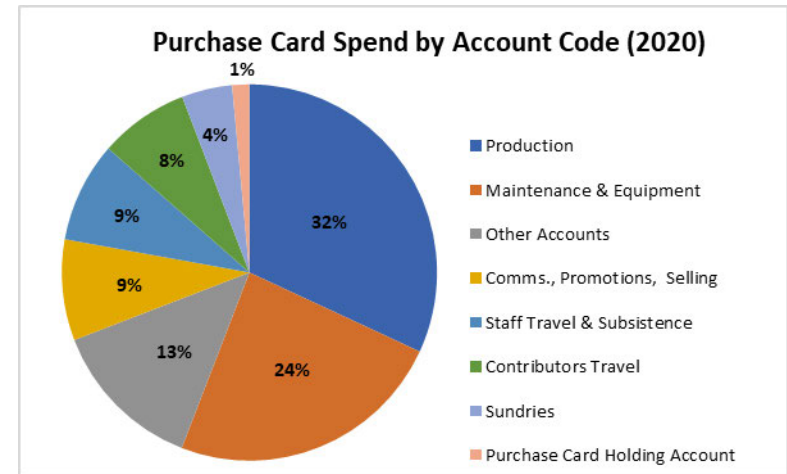
The analysis in B is based on where the expenditure is charged. The cardholder may be in a different division, e.g., Operations charging programme teams in Content.

## C Purchase Card Spend by Account Code

An analysis of spend by account code is illustrated below. Production costs represent the highest expenditure for the period at 32%. This consists of various programme cost categories such as set construction, graphics, props, animation, make-up, flowers, venue hire and other direct programme costs.

'Other Accounts' of 13% related to costs such as: catering, transport, copyright, professional fees, subscriptions and insurance, IT costs and premises.

Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

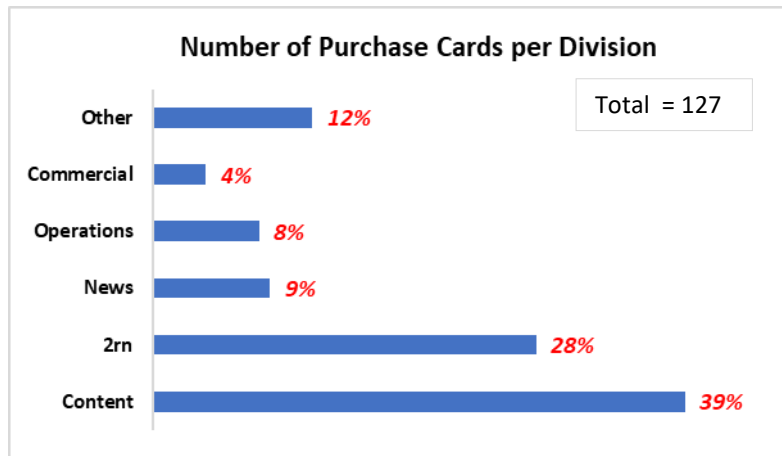


# Data Analysis (*continued*)

## **D** Number of Purchase Cards by Division

There were 127 purchase cards in use by RTÉ staff at the time the data was compiled, with the largest number of cards assigned to individuals in Content (39%), followed by 2rn\* (28%). 'Other' comprises Technology, central, ACM, Finance and HR.

The 127 cards in issue represents a reduction of 21% on the number of cards in issue at the time of the previous audit (2018).



\*Given its size, 2rn has a disproportionately high number of cards which reflects the fact that Engineers and Riggers based at various remote regional locations throughout Ireland are assigned a card for local purchasing of supplies for engineering and maintenance works etc.



# Key Findings

Area / Theme	Summary <i>(Full details on pages 6 to 10)</i>
<b>A: Process Observations</b>	
<b>1. Manual Process &amp; Absence of Electronic Approval</b>	The monthly compilation of purchase card envelopes and the administration of receipts is a very manual process and there is an absence of electronic approval by Line Managers.
<b>2. Addressing the impact of greater WFH on card processes</b>	<p>The process implications of working from home have not yet been fully addressed, and there has been no consistent direction given to cardholders regarding the preferred approach to filing and approval.</p> <p>Results from our survey show that there is currently a mixed approach to both the monthly purchase card receipts filing procedures and to their approval by Line Managers.</p>
<b>B: Structural Observations</b>	
<b>3. Appropriateness of Card Approvers</b>	The Line Manager responsible for signing off and approving expenditure on the card is sometimes not close enough to the day to day requirements of the programme being made and, therefore, is not best positioned to approve that the item being bought is a legitimate RTÉ purchase.
<b>4. Wide Managerial Span of Control</b>	In certain areas, the number of individual cards to be manually reviewed by a Line Manager each month is too high, resulting in either: approval at a high level without thoroughly checking transactions; delayed approval; or an absence of approval occurring.
<b>C: Compliance with Policy</b>	
<b>5. Authorisation / approval of envelopes</b>	Of the envelopes tested, 67% were not appropriately approved. The reasons were: an absence of approval evident on seven envelopes (70%), while self-authorisation ( <i>where the envelope is approved by the cardholder</i> ) took place on the remaining three. These represent a breach of policy.
<b>6. Evidence of Receipts</b>	We noted issues with receipting in the case of six of the 15 (40%) purchase card envelopes where more detailed testing was undertaken. These were split across the three categories of missing receipt.
<b>7. PayPal as a form of payment</b>	32k (2%) of purchase card payments in 2020 were made via PayPal, accounting for 195 transactions by 48 different cardholders. The existing Policy has strict conditions regarding the use of PayPal accounts.

# Detailed Findings

## A: Process Observations

### 1) Manual Process & Absence of Electronic Approval

The monthly compilation of purchase card envelopes and the administration of receipts is a very manual process and there is an absence of electronic approval by Line Managers. While this has become particularly relevant in the past year where staff are now working from home, this has been an underlying weakness in the process and highlighted in previous Internal Audit reports.

The monthly process sets-out that cardholders manually record the purchase card transactions on the face of a pre-printed purchase card envelope. The receipts / invoices for the transactions are placed in the envelope. The cardholder reviews the transactions, and each transaction is assigned an account code and costpool in the online system [REDACTED]. The physical envelope is then forwarded to the relevant Line Manger for approval.

The Line Manager must then review each line item on the face of the purchase card envelope and manually inspect the contents of the envelope to verify whether a valid receipt is available before signing the envelope indicating their approval.

Secondly, there is no link between the Manager's physical review and sign-off process and the online [REDACTED] process, meaning that each transaction and receipt must be inspected manually. Due to the time-consuming and manual nature of this exercise, and the fact that certain Line Managers have numerous cards to approve each month, approval and sign-off sometimes gets neglected, as evidenced by the other findings in this report.

Therefore, by issuing a purchase card, the cardholder effectively has authority to spend up to their limit irrespective of whether the envelope is reviewed by the Line Manager. The cards are paid every month regardless of whether receipts are on file or approved, thereby increasing risk. This reflects the nature of any credit card.

### 2) Impact of greater WFH

The process implications of working from home have not yet been fully addressed, and there has been no consistent direction given to cardholders regarding the preferred approach to filing and approval. A survey was circulated to 25 large cardholders to gather information on whether there had been any changes to the monthly filing procedures (purchase card receipts) and to their approval by Line Managers.

Results from our survey show that there is currently a mixed approach to both the monthly purchase card receipts filing procedures and to approval by Line Managers, in cases where the staff member is predominantly working from home.

This is explained in more detail in the charts overleaf.

# Findings (continued)

## 2) Impact of greater WFH (Continued)

### Survey Q1: Changes in monthly filing procedures

As shown, 80% of cardholders (20) responded stating that there was no change in their monthly filing procedures, and that purchase card envelopes were being prepared and filed as normal.

16% (4) had moved to electronic filing (*using email, folders on One Drive/Teams, or filing on to the [redacted] system*), while the remaining 4% (1) was a combination of the two approaches, depending on whether based in the office or working from home ('WFH').

However, the Purchasing Card Guidelines 2019 only provide for monthly filing procedures using the pre-printed purchase card envelopes.

### Survey Q2: Method of Line Manager Approval

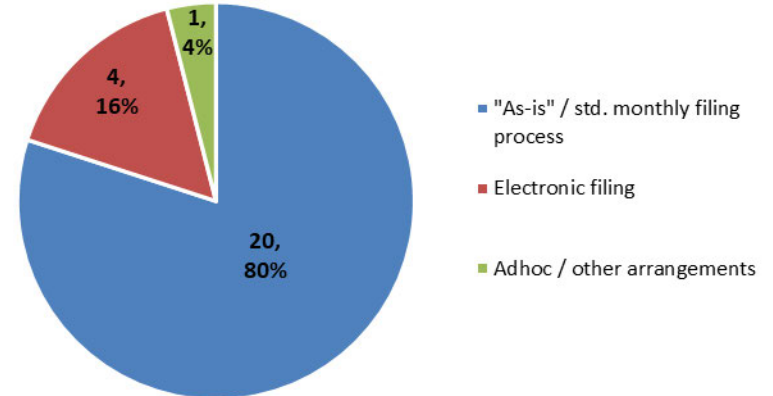
Cardholders were asked to best describe, from a list of options, how their Line Managers have approved expenditure since WFH commenced. The chart on the right illustrates the results.

50% (12) of cardholders stated that there was no change in their Line Manager approval process, and that the written sign-off of physical envelopes was still occurring, as normal. This is the only method provided for in the Purchasing Card Guidelines 2019. (*Audit checks on the occurrence of approval is considered in Section C, page 9*).

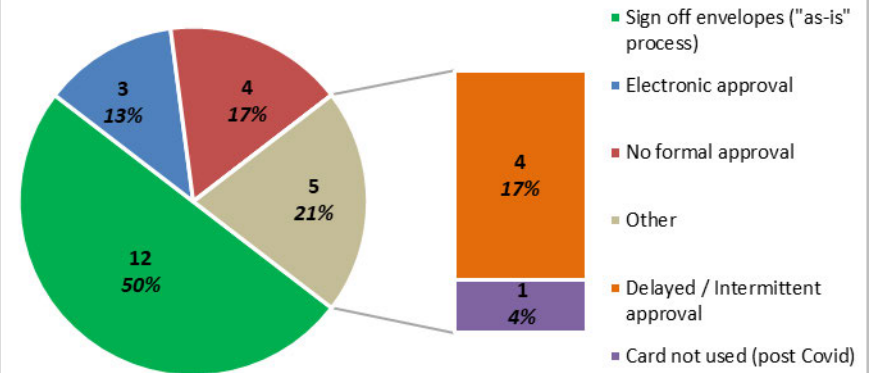
13% (3) of cardholders surveyed received electronic approval from Line Managers, usually over email. No formal Line Manager approval was occurring for 17% (4).

The remaining 21% (5), fell into an "Other" category, primarily representing those receiving delayed or intermittent approval.

### Purchase Card Receipt Filing Processes (since Covid-19)



### Line Manager Approval Process (since Covid-19)



## Findings (*continued*)

### B: Structural Observations

#### 3) Appropriateness of Approvers:

The Line Manager responsible for signing off and approving expenditure on the card is sometimes not close enough to the day to day requirements of the programme being made and, therefore, is not best positioned to approve that the item being bought is a legitimate RTÉ purchase.

Expenditure for programmes which sit functionally in the Content division often fall under a card with managerial responsibility in the Operations division. The relevant Operations Line Manager is therefore responsible for approval of receipts, but would have little oversight over the programme being made and what was requested to be purchased.

A specific example of this are the Buyers who are responsible for purchasing various props / equipment based on the requirements of in-house programme Producers. The Buyers' Line Manager in Operations (*Head of Production Services*) reviews and signs off their purchase card expenditure. However, the Line Manager would often not have knowledge of whether, for example, a lawnmower was a legitimate purchase based on the production needs of a specific programme / scene. Checking of the receipt alone does not satisfy whether the purchase was actually required for RTÉ.

This is a risk and leaves RTÉ more exposed in terms of inappropriate transactions. In mitigation, both the Finance and Procurement teams perform a secondary review of transactions. This is often sporadic and at a high level, however, so there is a residual risk that irregularities may still be missed. In addition, a comparison of expenditure to budget takes place as part of month end procedures.

#### 4) Wide Managerial Span of Control

In certain areas, the number of individual cards to be manually reviewed by a Line Manager each month is too high, resulting in either: approval at a high level without thoroughly checking transactions; delayed approval; or an absence of approval occurring.

Due to the nature of the organisation, certain areas require heavy usage of purchase cards, and consequently more purchase cards are in operation within these areas (e.g. Content and Operations) in order to process low value purchases. Examples of such areas include Make-up and Wardrobe.

The span of managerial control in these areas is a lot wider. This means that it may be difficult for Line Managers to be close enough to the detail when approving, due to the volume of envelopes and receipts to review on a monthly basis. One such Line Manager has greater than 10 cardholders to review each month, all of which are high volume cards with numerous transactions (>50) each month.

In some instances where there are numerous cardholders falling under the responsibility of one Line Manager, envelopes are only being reviewed quarterly, and there is therefore a time lag or delayed approval. This is not in line with the Purchasing Card Guidelines 2019 and increases the risk.

# Summary of Key Findings – See Action Plan for more details

## C: Compliance with Policy

For 15 of the 25 cardholders selected (27% of total purchase card spend in 2020), detailed testing was completed in the following areas:

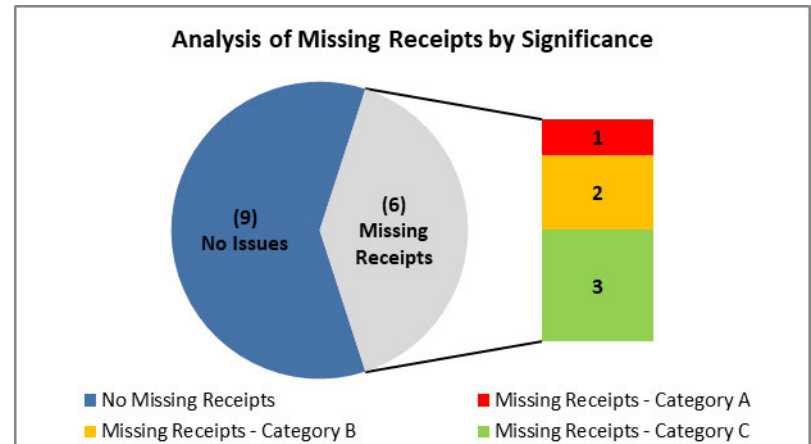
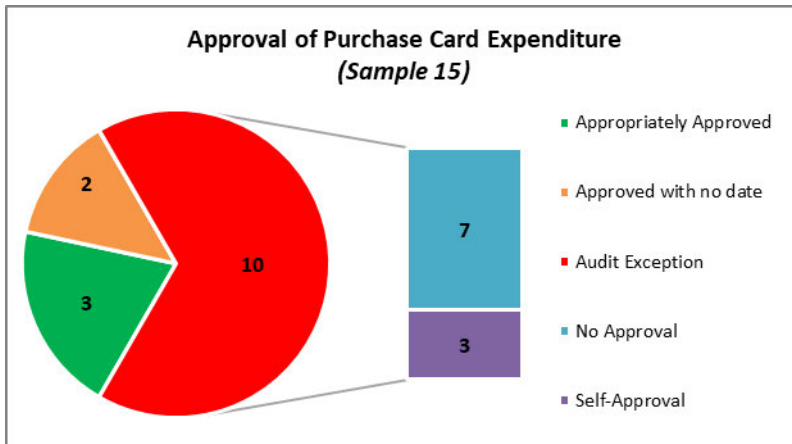
### 5) Authorisation / Approval of envelopes

- ✓ 3 (20%) envelopes were approved appropriately as evidenced by an authorising signature from appropriate Line Manger and relevant date. Given the nature of the test, it is possible that some of those reported as validly approved may have been done so in arrears prior to inspection during the audit.
- ✗ 10 (67%) envelopes were inappropriately approved. The reasons were: an absence of approval evident on seven envelopes, while self-authorisation took place on the remaining three. These represent a breach of policy as per the Purchasing Card Guidelines 2019.
- Two envelopes were approved with no date evident.

### 6) Evidence of Receipts

We noted issues with receipting in the case of six of the 15 (40%) envelopes. These were equally split across the three categories.

- A: No receipts were provided for all 12 transactions during the month (approximately €3k).
- B: Seven missing receipts across two cards (Both cards in high use and used to make purchases by a number of individuals in the wider department).
- C: Five missing receipts across three cards, all low in value (under €85).



## Summary of Key Findings (*Continued*)

### 7) PayPal as a Form of Payment

32k (2%) of purchase card payments in 2020 were made via PayPal, representing a reduction of 33% on the use of this method of payment since prior year (2019: 48k). In 2020, 195 PayPal transactions were made by 48 different cardholders from across the organisation. 10 cardholders represent two thirds of the transactions. By its nature, this form of payment has a higher risk profile.

Per the Purchasing Card Guidelines 2019 it is “not permitted to create PayPal accounts linked to the RTÉ purchase card” without the support of the relevant Line and Cost Pool Manager, and “written authorisation from the appropriate Financial Controller or Finance Director”.

On review of the 195 transactions, many relate to purchases which could have been made directly without the use of a PayPal account. As a result, it is timely to review the use in these cases, focusing initially on the top 10 cards making purchases via PayPal.

# Conclusion

## Conclusion

The objective of this audit was to carry out a review of purchase card transactions during 2020.

Expenditure incurred using a purchase card was €1.8m for the year, a reduction of 38% on the prior year (2019: €2.9m). The number of cards in issue has also fallen from 160 at the time of the previous audit in 2018 to 127 for 2020 (a reduction of 21%). In addition, we noted that the Procurement team has implemented additional monitoring control procedures via use of the Power Bi system, involving daily monitoring of both the spend and the number of transactions. These controls are in addition to those in place locally. Consolidated data is also circulated to the local Finance teams for review.

The audit highlighted weaknesses, including:

- The monthly preparation of purchase card envelopes and the collection of receipts is a very manual process and there is an absence of electronic approval.
- Line Managers are sometimes not close enough to the day to day requirements of the programme being made and are, therefore, not best positioned to approve that the item being bought is a legitimate RTÉ purchase.
- The number of individual cards to be manually reviewed by a single Line Manager each month is too high in certain areas.
- The process implications of working from home have not yet been fully addressed, and there has been no consistent direction given to cardholders regarding the preferred approach to filing and approval.

10 of 25 envelopes reviewed were not approved appropriately. (Given the nature of the test, it is possible that some of those reported as validly approved may have been done so in arrears prior to inspection during the audit). In addition, we identified some instances of missing receipts.

Audit Recommendations and actions have been agreed to address these points, as outlined in the Appendix overleaf. The audit rating of “**improvement needed**” represents an improvement on the rating (“unsatisfactory”) at the time of the last audit. The rating recognises the stronger monitoring controls implemented by Procurement and the fall in the number of cards issued, following a review.




We appreciate the co-operation received from Procurement and the relevant staff members during the course of this audit.

Rating



**IMPROVEMENT NEEDED**

# Appendix 1 – Action Plan

Recommendation	Owner	Due Date
<p><b>1 – Manual Process &amp; Absence of Electronic Approval:</b></p> <p>The Chief Financial Officer and the Head of Procurement will examine improvements that can be made to the current process for the use of purchase cards, exploring in particular the use of electronic approval of expenditure and automating the filing of receipts. The implementation of a new ERP system may provide new opportunities in this regard.</p>		<p><b>Q1 2022</b></p>
<p><b>2 – Impact of greater WFH</b></p> <p>Consistent communication and direction regarding the preferred approach to the filing of receipts and approval of expenditure will be provide to cardholders to address the issue of those working at home. This is an interim step pending the broader consideration of the process as per # 1.</p>		<p><b>Q4 2021</b></p>
<p><b>3 – Appropriateness of Approvers</b></p> <p>A review will be carried out of the cardholders and their approvers in the Production Resource areas in Operations to identify opportunities for better alignment of approver between the cardholder and the person primarily responsible for requesting the purchase to be made (Producers).</p> <p>Modifications to the existing process will be considered (in the short term, pending the review at #1), such as two approvers for certain large volume cards.</p>		<p><b>Q4 2021</b></p>
<p><b>4 – Wide Managerial Span of Control</b></p> <p>In areas where there are a large numbers of Purchase Card holders reporting into one Line Manger, consideration will be given to appointing one individual within the team (e.g. an existing Post of Special Responsibility) to assist in the approval process or other options to reduce the span of control.</p> <p>This could be explored in conjunction with finding #1 above via a wider working group.</p>	<p><b>As per #3.</b></p>	<p><b>Q4 2021</b></p>



## Appendix 1 – Audit Recommendations (*Continued*)

Recommendation	Owner	Due Date
<p><b>5 – Authorisation / Approval of Envelopes</b></p> <p>Purchase card approvers will be reminded of the importance of ensuring that purchase card envelopes are all signed off on a timely basis and dated as evidence of review.</p>	<p>[REDACTED]</p>	<p><b>Q3 2021</b></p>
<p><b>6 – Evidence of Receipts</b></p> <p><b>6.1</b> The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, to ensure that they are addressed with the relevant cardholder.</p> <p><b>6.2</b> The FDs / FCs will remind all approving Line Managers of their responsibility to ensure that receipts are retained on file and checked prior to signing-off on the expenditure.</p>	<p>[REDACTED]</p> <p>[REDACTED]</p>	<p><b>6.1 Q3 2021</b></p> <p><b>6.2 Q3 2021</b></p>
<p><b>7 – PayPal as a form of payment</b></p> <p>An up to date (<i>May 2021</i>) list of purchase card transactions processed via PayPal will be compiled for review, in order to identify the extent of further Policy change needed. The imposition of additional restrictions on the use of this payment method will be considered.</p>	<p>[REDACTED]</p>	<p><b>Q3 2021</b></p>

# RTÉ Internal Audit

## Review of Visa Procurement Cards

14 March 2014

**Circulation:**

Tom Savage, Chairman (Summary)

Noel Curran, Director-General

Executive

Members of the Audit & Risk Committee



This report outlines the results following a review of purchase transactions using RTÉ's Visa procurement cards ("purchase cards").

## 1. Background

Purchase cards were introduced in RTÉ to make it simpler and more cost effective for RTÉ personnel to make low value purchases of goods and services. This, in turn, reduces the number of low-value orders processed via [REDACTED] web.

RTÉ's purchase cards are Visa cards provided by [REDACTED]. The administration of issuing cards and the management of card master data is the responsibility of Central Purchasing. All new purchase card applications must be approved by the Chief Financial Officer and the Group Financial Controller. There are currently 133 purchase cards issued to RTÉ staff and more details of the Purchase Card process can be found in the *Appendix 1* to this document.

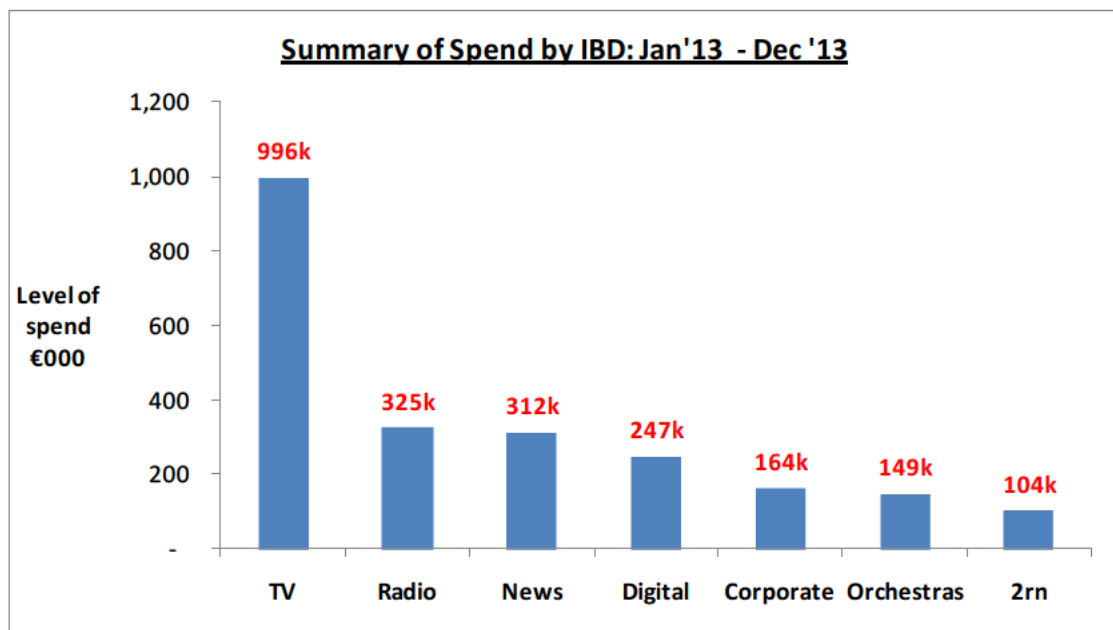
## 2. Purchase Card Spend Statistics

### Spend by IBD

€2.3m of transactions were processed through RTÉ's purchase cards in the twelve month period from 1 January 2013 to 31 December 2013, down from €2.5m for the same period in the previous year. This represents a decrease of 8% as compared to prior-year.

The total number of transactions for the twelve month period was 16,540, a broadly in line with prior year.

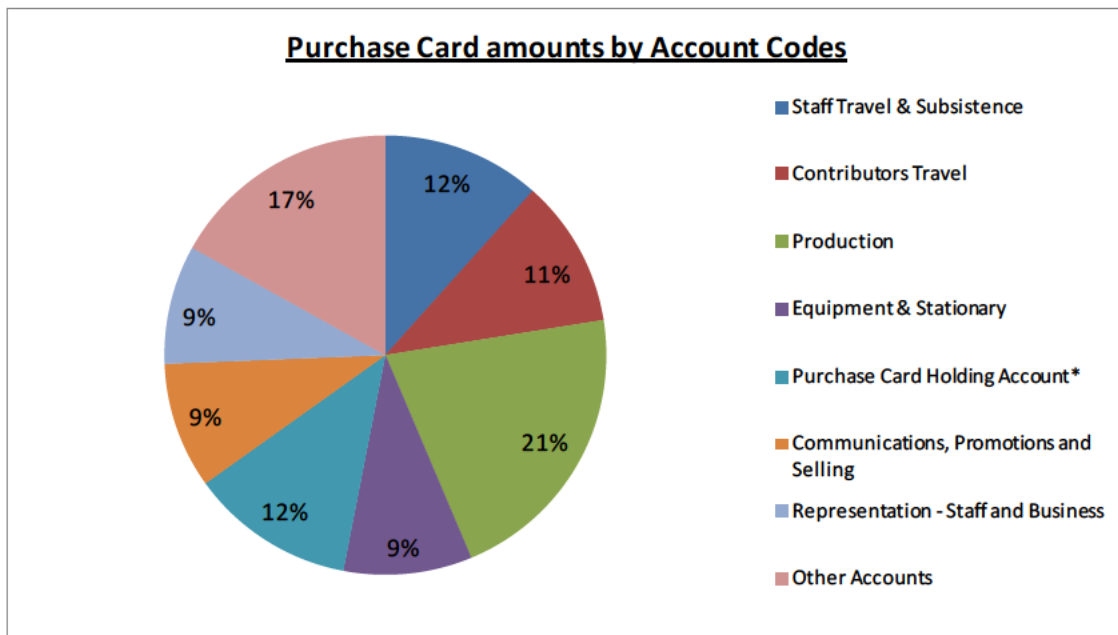
The chart below presents an IBD analysis of purchases made using a purchase card during 2013:



- Circa 43% of the purchase card spend (€996k in the period covered by this review) was for the Television IBD. This is consistent with the fact that 40% of the cards are assigned to individuals in Television.

- Between them, News and Current Affairs and Radio make up approximately 28% of the total spend in the period.
- These three divisions require a large number of frequent ad hoc purchases (particularly for production costs, travel related costs, etc.)
- The average number of monthly purchase card transactions was 10 transactions per card, with an average monthly spend of €1,439 per card.

**Spend by Account Code**



\* Reallocated by Journal entry post month-end, broadly in line with the allocations above.

- Production costs represents the highest expenditure for the period, approximately 21% of the total spend. This consists of various cost categories such as set construction, graphics, props, animation, make-up, flowers, venue hire and other direct programme costs.
- ‘Other Accounts’ of 17% related to costs such as: catering, transport, copyright, professional fees, subscriptions and insurance, IT costs and premises.
- Equipment and stationary costs were 9% and contributors’ travel costs (e.g. hotel accommodation for guests and programme panellists) were 11% of the total purchase card spend for the period. Staff travel and subsistence accounting for a further 12%.

### **3. Methodology and Scope**

- The scope of our audit was purchase card transactions across five divisions and the Corporate Centre during the period 1 January 2013 to 31 December 2013.
- 2m purchase cards have been excluded from our sample as this is covered as part of a separate audit undertaken in the context of the 2m Internal Financial Control Questionnaire.
- We selected a sample of 20 purchase card holders and requested the relevant monthly purchase card envelopes.
- Due to the manner in which the sample is selected, caution should be exercised when extrapolating results to the full population and each issue should therefore be considered on its own merits
- Transactions via personal credit cards, subsequently reclaimed through the Transfare travel and subsistence system, are out of scope of this audit.

#### ***3.1 Sample Selection***

##### 3.1.1 “Focused audit tests”

The full population of purchase card transactions for the period within scope was downloaded from [REDACTED]. This data was interrogated based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our “focused” random sample. The range of tests performed on the sample included, but was not limited to, a review of:

- Analysis of Entertainment and Subsistence related transactions
- Transactions by employee / costpool / division / account etc.
- Transactions exceeding the individual’s normal block limit
- Sum of daily transactions exceeding block limit (i.e. to identify splitting of purchases)

Each of these tests produced a filtered listing of employees / transactions. Each listing was reviewed and items were investigated in conjunction with the transaction information on [REDACTED] (the online system provided by [REDACTED]). A sample of unusual items not within the norm, or which appeared unusual, were chosen for further investigation as part of our audit sample.

##### 3.1.2 Random Sample

In addition to the sample outlined in 3.1.1 above, a number of other purchase card holders were selected randomly from the full population of purchase card transactions.

In total, 2/3 of our sample was based on the “focused audit tests” and a further 1/3 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

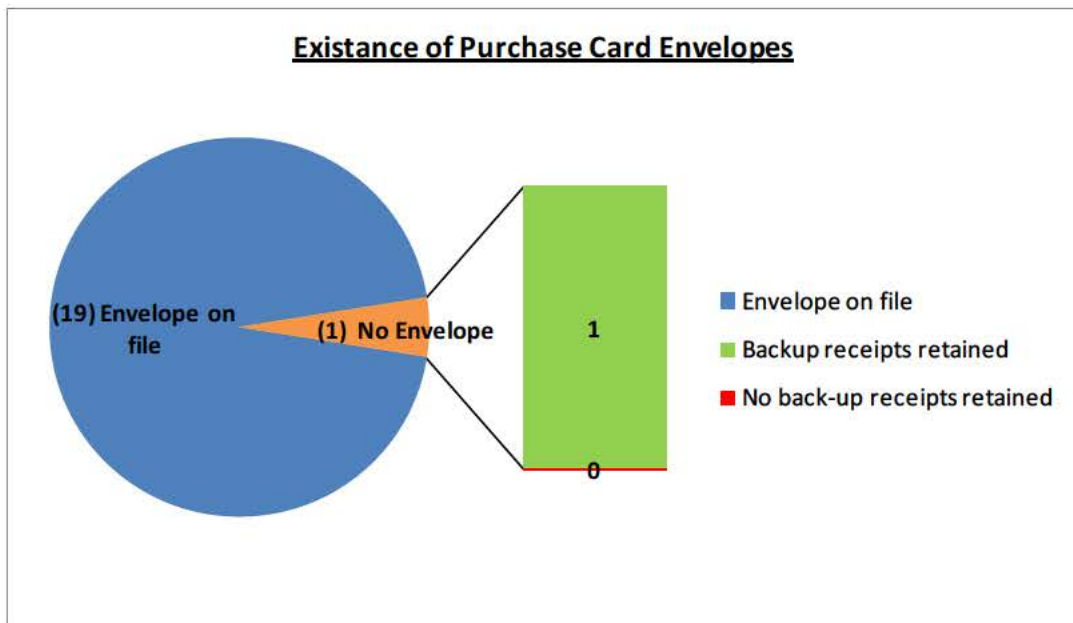
### 3.2 Testing methodology

The purchase cards in our sample were checked against the Visa procurement card guidelines, with a particular focus on the retention of receipts.

## 4. Observations

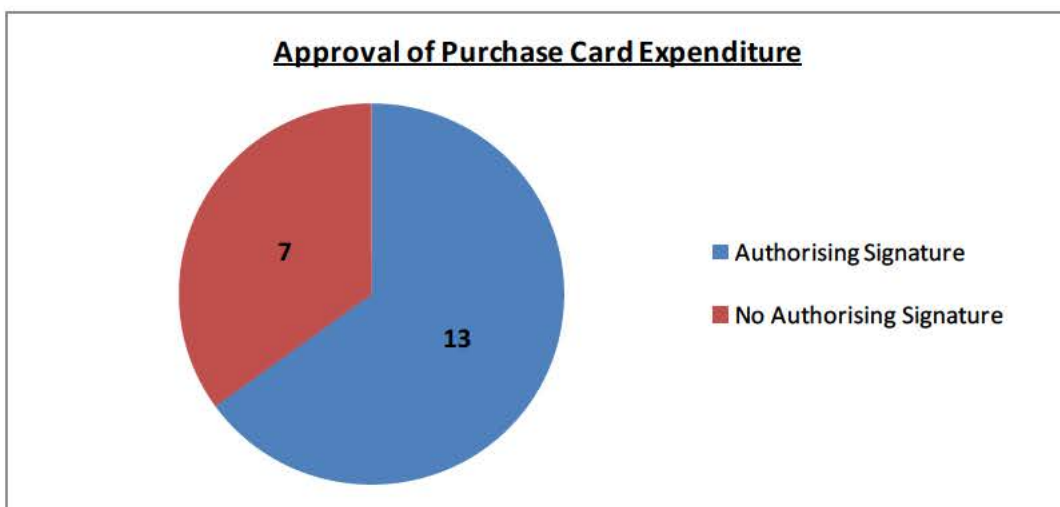
### 4.1 Existence of envelopes

A Purchase Card envelope was on file for all 19 (95%) of the 20 card-holders selected for testing. An envelope was not located in one instance. In mitigation, a [REDACTED] statement with all accompanying receipts was on file.



### 4.2 Manager sign-off

We identified some issues with the approval of the purchase card envelopes tested:



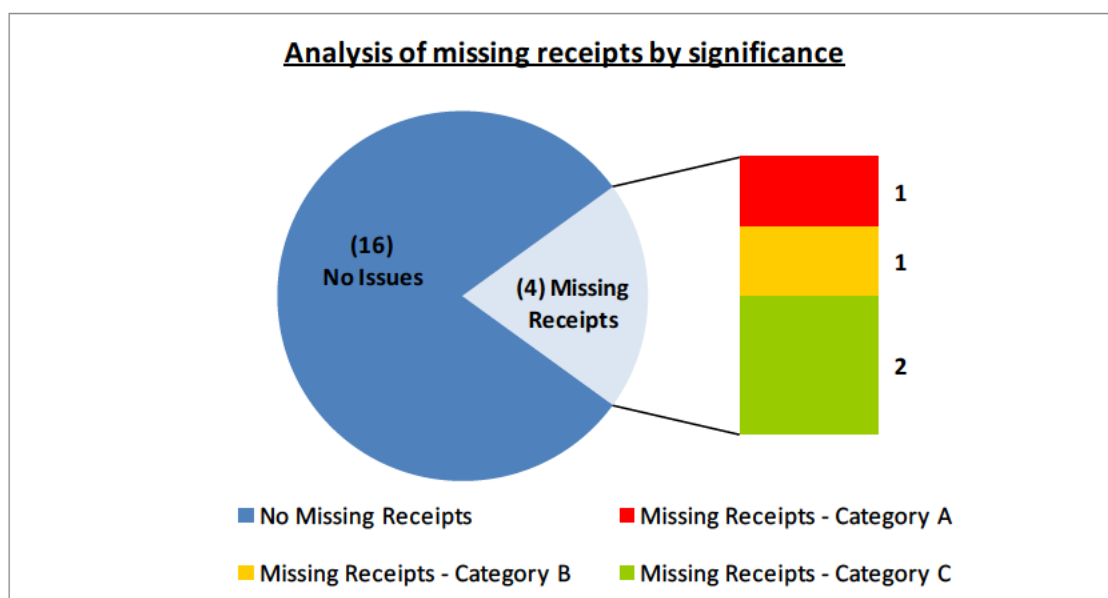
- Of the envelopes tested, seven (35%) were not evidenced as approved by an approver / costpool manager. The seven cards were assigned to individuals in the following divisions – Television (3), News & Current Affairs (2), Radio (1), and Corporate (1).
- A further three of the envelopes tested were approved an excessive period of time after the month of the transactions. It is desirable that the envelope is signed off close to the month end period.
- In four cases, the date of approval was not evidenced on the envelope.

#### 4.3 Missing receipts

We noted issues with receipting in the case of 4 of the 20 purchase card envelopes tested.

In order to put instances of missing receipts in context, taking into account the total number and value of transactions, we have chosen to categorise the instances of missing receipts as follows:

Category	Description
A	<u>Major cases</u> involve a missing receipt for a purchase in excess of €500, or numerous higher value receipts.
B	<u>Intermediate cases</u> where the missing receipts related to amounts greater than €100 but less than €500, or related to a number of missing low value receipts.
C	<u>Moderate cases</u> where the missing receipts related to individual amounts of less than €100, or where the number of missing receipts was low in the context of the total number of transactions for the month.



We noted no issues with receipting for 16 of the purchase cards selected for testing, analysed as follows – Television: 7 cards, Radio: 3 cards, News & Current Affairs: 2 cards, Corporate: 2 cards, Digital: 1 card and Orchestras: 1 card.

Four envelopes had instances of missing receipts:

**4.3.1** ■ Card assigned to *Radio*: 20 missing receipts, ranging in values up to €411, out of 62 transactions in the month of testing. The missing receipts totalled €2.3k, 11% of the cardholder's expenditure in the month of review.

In mitigation, half of the transactions with missing receipts had an e-mail on file from the purchaser informing the cardholder of the purchase. However, the original receipt(s) was not subsequently forwarded to the cardholder by the purchaser. The large transactions were verified as valid purchases and assigned to the correct costpool.

The reason for the missing receipts is that this card operates as a "departmental card" and is used to make purchases on behalf of an individual other than the named cardholder:

- This type of dispersed ordering increases the risk of missing receipts as a number of individuals, other than the named cardholder, make purchases. The receipts then have to be retained and consolidated in one envelope at the end of each month.
- These cards are also more difficult to manage as purchasers with knowledge of the card number from a previous purchase sometimes make purchases without informing the cardholder in advance that they plan to make a purchase. When the unexpected transaction appears on their ■ statement, the cardholder has to firstly identify the likely purchaser and then follow-up with them to request an original receipt for the purchase. This is a time consuming process and receipts can easily be misplaced.

**4.3.2** ■ Card assigned to the *Orchestras*: Three minor missing receipts out of 19 transactions in the month, in total under €50 in value. However, in the case of one other transaction, representing €1.3k (30%) of the spend in the month for the cardholder, only a VISA receipt was filed as opposed to an invoice or till receipt. This appears to be an isolated incident.

**4.3.3** ■ Two further cards contained relatively minor instances of missing receipts, classified as category C.

#### **4.4 Purchase card Transaction and Credit limits**

A single transaction limit and a monthly cumulative transaction limit (credit limit) are set for each cardholder when originally set up. These limits may be temporarily adjusted until the end of the month with authorisation from the Costpool Manager and the relevant Finance Manager. Central Purchasing must be notified in order to activate temporary increases in credit limits. All permanent changes to limits must be approved by the Group Financial Controller. There are three designated RTÉ personnel that the bank will accept requests from before amending limits.

We noted during testing that one cardholder did not follow this standard procedure and circumvented their card transaction limit by splitting the transaction over two purchases:

In settling a €2,138 purchase transaction for clothes, two separate transactions on the same day (€1,138 & €1,000) were processed by the cardholder to circumvent an individual transaction limit.

While it must be noted that these transactions were valid purchases, this approach is not appropriate and may indicate a need to increase the transaction limit for the card further or to



clarify (to the cardholder) the procedures for granting a temporary increase in the card limit to enable 'non-standard' transactions to be processed.

## 5. Actions

We outline below the actions to address the issues identified during the course of this review:

### 1) *Breaches of Policy*

The FDs / FCs will be informed of the specific breaches of policy in their respective divisions.

#### 1.A) Approval of purchase card

Within each division, purchase card approvers will be contacted by the FDs / FCs to remind them of the importance of ensuring that purchase card envelopes are all signed off on a timely basis and dated as evidence of review. This is especially relevant for the seven cases of unapproved envelopes highlighted in Section 4.3.

*Responsibility: FDs / FCs: 15 April 2014*

#### 1.B) Receipting

The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, to ensure that they are addressed with the relevant cardholder. Secondly, the FDs / FCs will remind all approving Line Managers of their responsibility to ensure that they are comfortable with the purchase card spend on a monthly basis and sign-off the purchase card envelope, in a timely manner, to evidence their review of receipts.

*Responsibility: Relevant FDs / FCs: 15 April 2014*

### 2) *Policy Updates*

The "Purchasing Procurement Card Guidelines" have not been updated since September 2004. An update of the guidelines is therefore now overdue. This matter was also raised in the previous year's Internal Audit report on Visa Procurement Cards, but has yet to be addressed.

*Responsibility: [REDACTED]: 30 September 2014*

### 3) *Filing of envelopes – all RTÉ*

After the 2011 Revenue audit of RTÉ it was agreed that, where practicable, all purchase card envelopes would be sent to Central Purchasing for filing for ease of access in the event of a future audit. However, this occurs on an ad-hoc basis, in some cases only once a year. In some cases we noted a lack of clarity as regards the location of the envelope.

A policy for sending envelopes to Central Purchasing needs to be documented by Central Purchasing and communicated to the cardholders / Finance teams. This document will outline the frequency of returning envelopes to Central Purchasing and the responsibility for same.

*Responsibility: [REDACTED]: 30 April 2014*

#### 4) *Filing of Envelopes - Central Purchasing*

When envelopes are sent to Central Purchasing for filing, they will be filed in order by cardholder. This will facilitate their retrieval at a later date of necessary. At present the filing system is ad-hoc.

*Responsibility:* [REDACTED] : 30 April 2014

## 6. Conclusion

Visa purchase cards were originally introduced to make it simpler and more cost effective for RTÉ personnel to make low value purchases of goods and services.

This objective is being met by the use of purchase cards in RTÉ with the vast majority of transactions being low value, ad-hoc purchases. In addition, purchase cards are being used to purchase the types of goods and services as originally intended when the purchase cards were introduced.


We identified no deliberate fraudulent purchases as part of our review.

The audit tests highlighted instances of non-compliance with the procurement card guidelines, particularly in the area of approval of purchase card envelopes at the retention of receipts. Seven out of twenty envelopes tested were not signed off to evidence approval. Secondly, we noted some issues with receipting in the case of four out of twenty envelopes tested, of which one was categorised as a “*major case*”.

Two of the four instances of missing receipt related to high volume purchase cards. These cards are difficult to manage from an administrative point of view, containing many receipts. In addition we noted instances of missing receipts where the card is shared among a number of staff in the department and these cards are more difficult to manage as a result. Furthermore, two cards were categorised as “*moderate cases*”.

The results of the audit are broadly consistent with prior year. However, deterioration in the approval of purchase card envelopes since the previous audit is worth noting. Further communication and action is needed at a local level in order to ensure that approval is evidenced by the relevant manager.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

**Rating:**  **Improvement Needed**

## **Appendix 1:**

### **Purchase Card Process**

Guidelines for the use of purchase cards are documented in the Visa Procurement Card Guidelines, dated August 2004, which form part of the overall Purchasing Procedures and Guidelines. A high-level summary of the process, which is a part paper and part electronic process, is presented below:

- Cardholders, or individuals nominated by them, use their card to make small business related purchases, whether online or in retail outlets.
- Each month cardholders manually record the transactions made using their purchase card on a pre-printed purchase card envelope. The receipts for the transactions are placed in the envelope
- Each cardholder's transactions are also recorded by Visa on an online system (██████) which is accessible by the cardholder via the internet. On a monthly basis, the cardholders review the transactions listed on ██████ and assign the correct account code and costpool to the transaction. VAT details are also checked at this time and the transactions should be cross-checked against the receipts in the envelope
- Once all transactions have been matched and assigned an account code on ██████ the cardholder signs off his or her monthly envelope. The envelope is then forwarded to the relevant costpool manager for approval and signoff. A photocopy of the completed envelope is also forwarded to Central Purchasing and the original envelope is filed locally by the cardholder or manager. Some envelopes are filed centrally
- Purchase Card transactions are recorded in ██████ via a monthly batch upload of data from the ██████ on line system to ██████ Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code

### **Card Usage**

Although every purchase card has a unique named cardholder, there are a number of ways in which purchase cards are currently used by RTÉ staff:

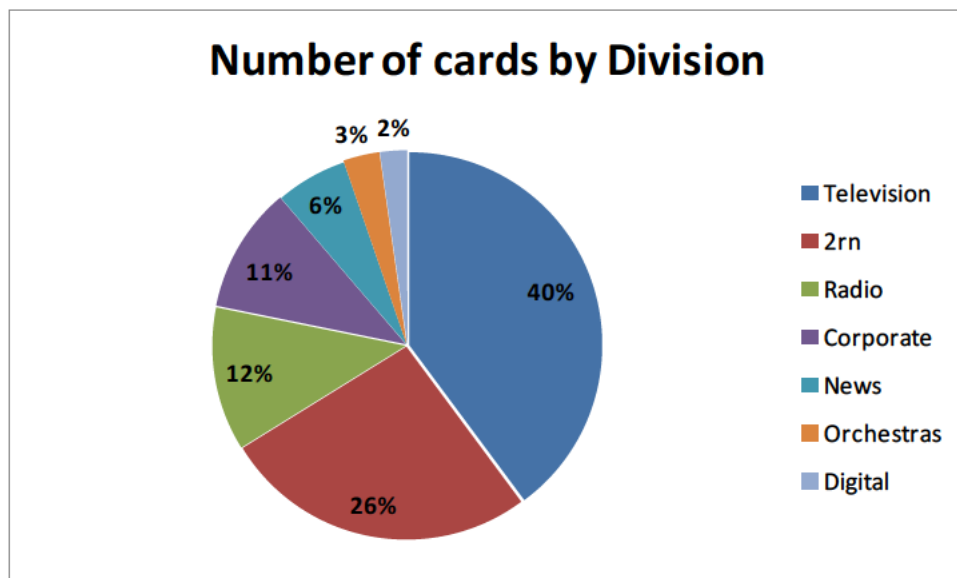
- In many cases the cards are used solely by the individual named on the card.
- While assigned to a named individual, some cards are used by a number of individuals in the department. Generally the administration of the card is the responsibility of the named cardholder, who shares the card number with selected individuals on a case by case basis.
- A number of cards are held by members of Central Purchasing / Accounts Payable Shared Services are used to carry out purchase transactions for individuals across the organisation that would not otherwise have access to a purchase card and to pay for corporate goods/services.

The use of each purchase card is restricted by an individual transaction limit and a monthly cumulative transaction limit, which is set for each cardholder at the initial card application stage. These limits are automatically enforced at the time of each transaction. Both limits may be increased, through a temporary monthly increase or a permanent increase, if necessary.

In addition, restrictions may be made on the type of purchases by disallowing certain categories of retailer e.g. petrol and travel related purchases (hotels, flights, car hire etc.).

### **Cards issued to RTÉ staff**

There are 133 purchase cards issued to RTÉ staff. As illustrated below, the largest numbers of cards are assigned to individuals in Television (40%), 2rn (26%) and Radio (12%). Given its size, 2rn has a disproportionately high number of cards which reflects the fact that engineers and riggers based at various remote regional locations throughout Ireland are assigned a card for local purchasing purchases.



# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2017*

### *Report 2 of 2 (Procurement Register)*

11 April 2018

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**



# Background

## Background – Public Procurement

### Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

### National and EU Tendering Procedures

In July 2017 the National Public Procurement Policy Unit of the Department of Finance issued an updated version of *Public Procurement Guidelines for Goods and Services*. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were last revised on 18 December 2017 and are applicable from 1 January 2018.

### Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* (“the Code”) contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. This procurement provision is in force for the first time for the year-ended 31 December 2017.

Section 8.16 of the Code states the following, under Procedures for Procurement:

*“The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff.”*

Section 8.16 of the Code also states that the Board:

*“should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson’s comprehensive report to the Minister.”*

## Background – RTÉ Process

RTÉ has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable (██████████) Payroll (NorthgateArinso) and ██████████ Fees.

➤ **Accounts Payable** (██████████) is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order (“PO”) System on ██████████ to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

➤ ██████████ **Fees** is used to pay non-employees providing “personal services”, including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via ██████████ fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

➤ **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

# Objectives, Scope and Risks

## Audit Objectives

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments / contracts in excess of €25,000 (Ex-VAT);
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

## Audit Scope

The scope of our review covered all payments made in excess of €25,000 during the period 1 January 2017 to 31 December 2017, across the [REDACTED] and [REDACTED] payment systems.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions / out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Reviewing the database for completeness via two-way testing; and
- ✓ Testing a sample of items listed as “tendered” in the database to confirm that a tender process occurred for each.

The scope of our audit did not include:

- ✗ Payments to employees via [REDACTED] Fees, or the Payroll system
- ✗ Payments made via Purchase Cards
- ✗ A review of payments / contract values below €25,000 in value
- ✗ A full review of the exempt categories

For the purpose of reporting, we split our findings initially by payment system, with a separate section for [REDACTED] (A) and [REDACTED] (B), overleaf. The results are combined in Section C.

## Risks

The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Reputation and Compliance

# Data Analysis & Summary Findings ( [REDACTED] )

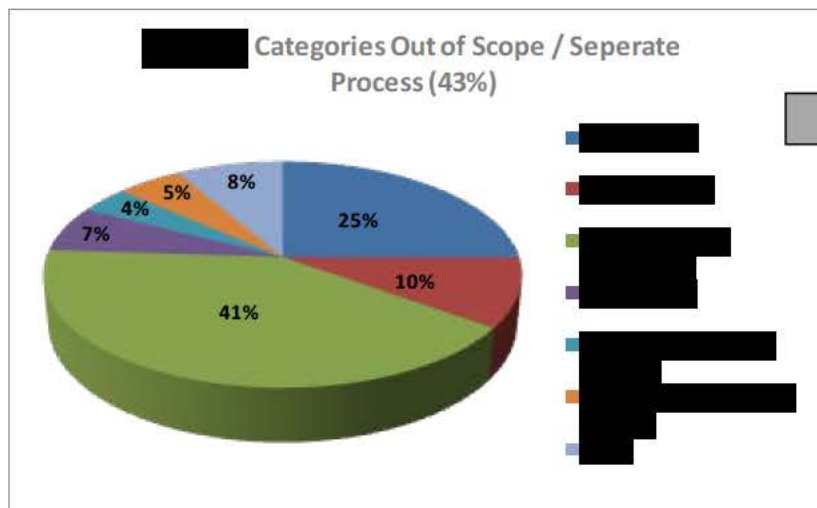
## A) [REDACTED] Payments

### Data Analysis

Payments were made to 2,006 suppliers on [REDACTED] from 1 January 2017 to 31 December 2017. The total value of payments made was €179.8 million and this is the scope for our audit testing.

### Categories Out of Scope:

Of the €179.8 million in payments, € [REDACTED] million [REDACTED] was excluded from testing as it fell into an out of scope category, or another process. The graph below provides a more detailed break-down of the items:

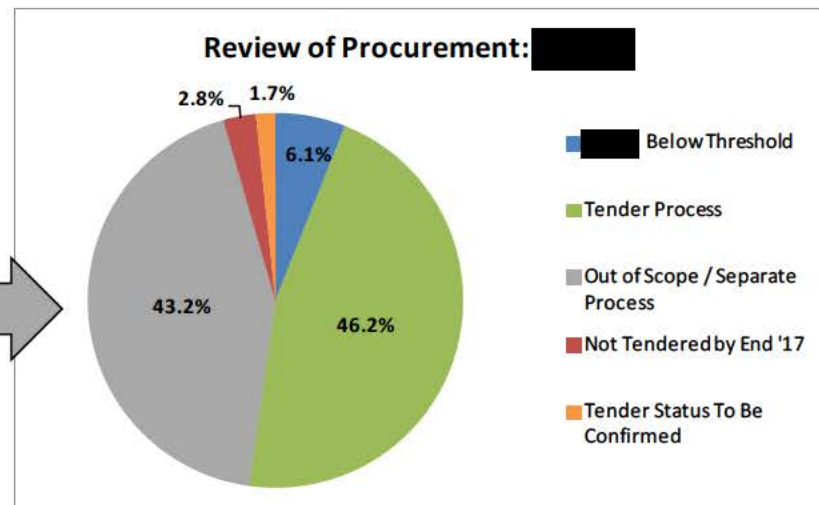


As illustrated in the chart above, some expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and is procured via a bidding process organised by the rights holder.

The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable.

### Audit Results

As illustrated in the chart below, 6% (€10.8 million) of the €179.8m spend fell below the threshold which required a more formal process under Public Procurement Rules. Of the remaining expenditure above the tender threshold, a tender process occurred for 46% (€83 million). The categories that are out of scope / have a separate process [REDACTED] are explained across.



The audit identified an absence of a formal procurement process, by the end of 2017, in the case of 2.8% of the expenditure via [REDACTED]. This represents €5 million expenditure and 52 suppliers.

In approximately 30% of these cases, a tender process is already in progress in 2018 to address the issue, although not complete by the date of issuing this report.

For a further 1.7%, the tender status at the time of testing is to be confirmed. This represents €3 million in value. These suppliers are currently being reviewed.



# Data Analysis & Summary Findings ( [REDACTED] Fees)

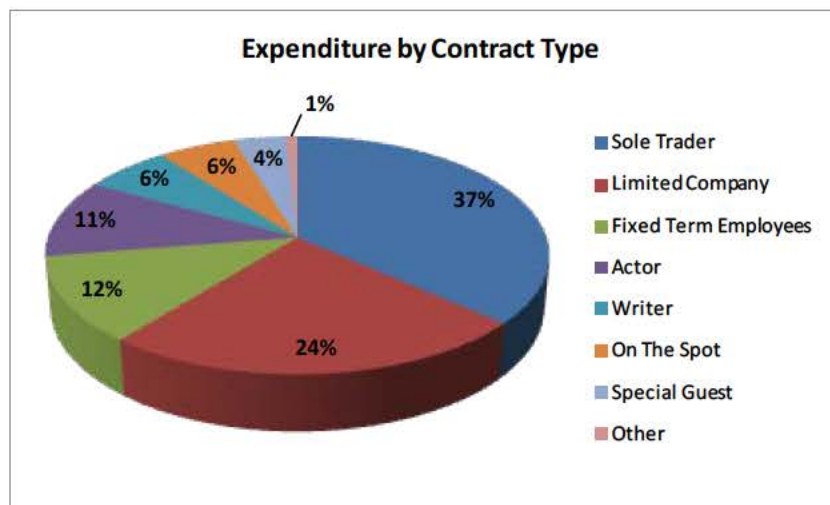
## B) [REDACTED] Fee Payments

### Data Analysis

In excess of 48k payments were made to 5,612 individuals and companies via [REDACTED] Fees in the period 1 January 2017 to 31 December 2017. The total value of payments made was €27.1 million. See chart below for breakdown by division.

Per Division	Total Spend €m	# of Payments	# of Individuals
Television	[REDACTED]	[REDACTED]	[REDACTED]
Radio	[REDACTED]	[REDACTED]	[REDACTED]
News	[REDACTED]	[REDACTED]	[REDACTED]
Orchestras	[REDACTED]	[REDACTED]	[REDACTED]
Corporate	[REDACTED]	[REDACTED]	[REDACTED]
Commercial	[REDACTED]	[REDACTED]	[REDACTED]
Digital	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<b>27.1</b>	<b>48,225</b>	<b>6,280</b>

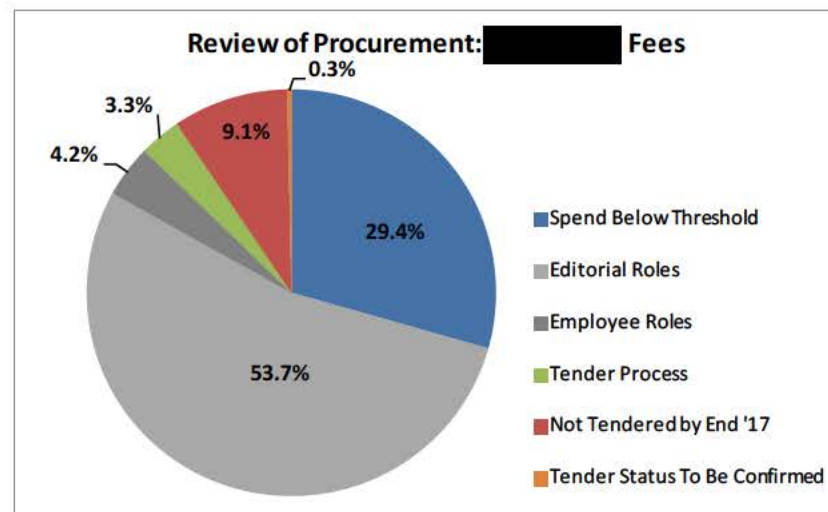
The payments are sub-analysed by contract type in the chart below:



### Audit Results

As illustrated in the chart below, some expenditure is out of scope for further testing for the following reasons:

- The expenditure is below the threshold which requires a more formal process under Public Procurement Rules (29.4%)
- The engagement of certain individuals involves editorial decision making, subject to the audio-visual media services exemption (53.7%), or relates to employees (4.2%)



The audit identified an absence of a formal procurement process in the case of 9.1% of expenditure via [REDACTED] Fees. This represents €2.47 million expenditure and comprises 49 individuals / companies.

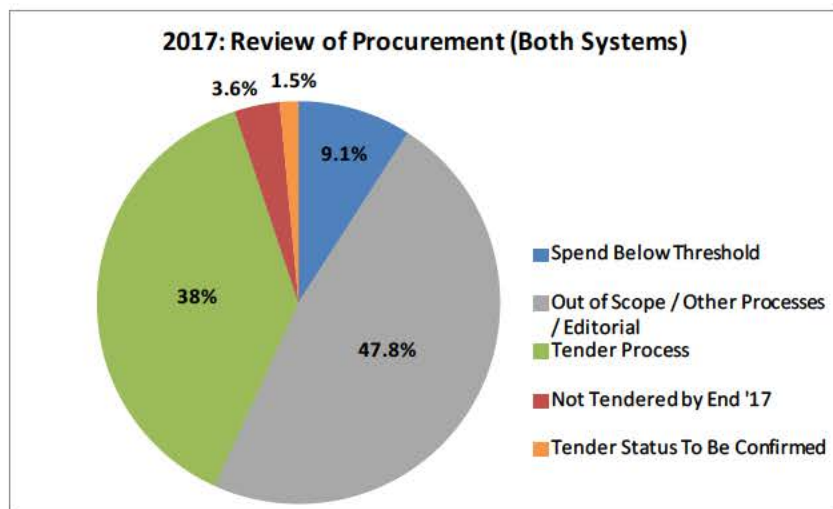
By their nature, 'Contracts for Services' refer to the engagement of individuals and are different to the procurement of goods and business services. In some cases there is a limited pool of suppliers and the services can be specialised. Contracts for services have traditionally been managed separately to purchases of goods and services.

# Overall Summary & Key Finding

## C) All Payments (Both Systems)

The chart below combines the results from the two payment systems covered earlier and reports RTE's overall procurement compliance.

Total payments across both systems amounted to €206.9 million in 2017.



As illustrated above, 9% of total payments and a value of €18.8 million fell below the procurement threshold. A further 47.8% (€98.7 million in value) were omitted due to the editorial nature of the spend and the fact that they fell into exempt categories for procurement purposes.

- ✓ A formal procurement process occurred for 38% of all payments (€78.6 million).
- ✗ The audit identified an absence of a formal procurement process by the end of 2017 in the case of 3.6% of total expenditure (€7.5 million). However, a tender is currently in progress in some cases.
- ? The current tender status is yet to be confirmed for a further 1.5% of payments across both systems (€3 million).

The table below gives an overall summary of the total population on each payment system and the audit exceptions identified.

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
					52	2.6%
					49	0.9%
<b>Total</b>	<b>206.9</b>	<b>7,618</b>	<b>7.5</b>	<b>3.6%</b>	<b>101</b>	<b>1.3%</b>

## Key Management Issue

We identified instances of non-compliant procurement across both payment systems during our review, as follows:

- By the end of 2017, a tender process was not completed for 3.6% of payments on the contracts database (1.3% of over 7,600 suppliers)
- The tender status is yet to be confirmed for a further 1.5%, at the date of this audit report

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported. While procedures are in place in respect of payments via [REDACTED] there is no formal monitoring and reporting of tendering in respect of Contractors engaged via [REDACTED] fees.

# Conclusion

## Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. This is effective for the first time for the year-ended 31 December 2017.

In monitoring compliance with these new rules, Internal Audit carried out a review of all payments made in excess of €25,000 during the period 1 January 2017 to 31 December 2017, across the [REDACTED] and [REDACTED] payment systems. We verified whether a valid contracts database was in place for each payment system, listing all payments / contracts in 2017. Internal Audit also carried out testing on the database, verifying random samples as necessary.

It was noted that a formal procurement process did not take place for 3.6% of all payments made in 2017, when analysed in total across both payments systems ([REDACTED] and [REDACTED]). This represents 1.3% of suppliers.

When looked at individually, a valid tender process did not occur for 9.1% of payments on [REDACTED] Fees and for 2.8% of payments made on [REDACTED]. A further 1.5% of the total population across both systems was deemed to be inconclusive as the tender status was yet to be confirmed at the time of testing.

Work is necessary to reduce these instances of non-competitive procurement and to ensure compliance with the Code. A number of actions are set-out in the action plan. It is also necessary to investigate and conclude upon the instances where the tender status is unknown.

The findings reflect the limitations of the financial system and the traditional dispersed buying structure across the six divisions. On the basis of the actions in progress, the report merits a rating at the mid-point on the audit scale. In addition, the services engaged via [REDACTED] Fees are not standard suppliers of goods and business services and, by their nature, are managed in a different way to other supplies. Finally, the rating takes into account that this is the first full year of implementing the Contracts Database requirement contained in the new Code of Practice for the Governance of State Bodies.

On the basis of the above findings, we assess the overall standard of control as “Improvement Needed”.

Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><b>Tender Process for Payments via</b> [REDACTED]</p> <p><b>Background</b> Payments were made to 2,006 suppliers on [REDACTED] and the total value of payments made was €179.8 million.</p> <p>[REDACTED] was excluded from testing as it fell into one of the out of scope categories, or followed another process. The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable. These out of scope items are explained in more detail via the chart in the executive summary.</p> <p><b>Findings – General</b></p> <ul style="list-style-type: none"> <li>Over recent years, the managerial responsibility for supplier relationships was fragmented across six IBDs, which increased the difficulty of centralised monitoring of procurement. As a result, it is sometimes difficult to get a consolidated view of the historic tendering arrangements with the supplier.</li> <li>Due to the limited functionality of [REDACTED] and the system being at end of useful life, the Contracts Database is largely Excel based. The limited functionality of [REDACTED] also increases the difficulty of tracking tendering arrangements. Excel is manual, increasing the risk of errors. Version control and difficulty in tracking data input to the Contracts Database may arise.</li> </ul> <p><b>Findings – Financial Matters</b></p> <ul style="list-style-type: none"> <li>6% (€10.8 million) fell below the threshold which required a more formal process under Public Procurement Rules and</li> </ul>	Agreed	<p><b>1) Tender Process</b></p> <p>Where necessary, a new / updated tender will be carried out. In the case of approximately 30% of the exceptions, the tender is already in progress in 2018.</p> <p><b>2) Organisational Restructure (One RTÉ)</b></p> <p>The reorganisation of RTÉ and the creation of new divisions is expected to drive the creation of more agile and co-located teams. This will result in additional benefits for Procurement as oversight of key supplier relationships will be consolidated into better centralised managerial responsibility. As teams come together, especially in output areas, a better organisational view of expenditure should emerge, addressing the traditional IBD / view of buying.</p> <p><b>3) Procurement Department: Resources / Structure</b></p> <p>The Procurement department is restructuring to oversee procurement activity by expenditure category. The Head of Procurement is currently in the process of recruiting two Procurement Category Managers. The role will manage procurement across a number of procurement categories and develop / implement procurement strategies for each category. This</p>	H	<p>[REDACTED] Q1 2019</p> <p>[REDACTED] Ongoing</p> <p>[REDACTED] Q4 2018</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>43% was out of scope.</p> <ul style="list-style-type: none"> <li>Of the remaining 94% falling above the tender threshold, a tender process occurred for <b>46%</b> (€83 million).</li> <li>The audit identified an absence of a formal procurement process in the case of <b>2.8%</b> of the expenditure via [REDACTED]. This represents €5 million expenditure and 52 suppliers. A tender is currently in progress for 30% of the exceptions, in value terms. However, it is not complete at the date of issuing this report.</li> <li>For a further <b>1.7%</b>, the tender status at the time of testing was unknown and is yet to be confirmed. This represents €3 million in value.</li> </ul> <p><b>Implication</b> This review highlighted instances of non-competitive procurement within 2017 payments via [REDACTED]. In other cases there is limited information available on the tender status.</p>		<p>will also involve the development of supplier performance improvement plans for key suppliers.</p> <p><b>4) Purchase Order ('PO') – Finance Oversight</b></p> <p>All POs over €2,500 now have oversight and approval by a member of Finance to improve budgetary oversight. This review will be extended to include monitoring of tendering.</p> <p><b>5) Monitoring &amp; Oversight by Procurement department: Top 10 Suppliers</b></p> <p>Procurement has identified the Top 10 suppliers of products / services to each Division and to the RTÉ group. A named individual will be responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. This project is at an advanced stage of being rolled out and will continue. Procurement will engage with the nominated individuals, with quarterly meetings taking place. This is linked to organisational restructuring.</p> <p><b>6) Implementation of new ERP System(s)</b></p> <p>A strategic project to implement a new ERP system(s) for Finance and HR is currently in procurement with final business case to be</p>		<p>[REDACTED]</p> <p>Done</p> <p>[REDACTED]</p> <p>Q4 2018</p> <p>[REDACTED]</p> <p>Ongoing to Q4 2019</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
			<p>prepared by mid-year. This project will bring a number of benefits including better visibility of data, better functionality and more efficient workflows.</p> <p>The new ERP system(s) will assist in improving the monitoring controls and oversight of the procurement and tendering functions.</p>		
2.	<p><b>Tender Process for Payments via [REDACTED] Fees</b></p> <p><i>Background</i>                      In excess of 48k payments were made to 5,612 individuals and companies via [REDACTED] Fees in the period 1 January 2017 to 31 December 2017. The total value of payments made was €27.1 million.</p> <p>These are “contracts for services” processed through [REDACTED] Fees, although in some cases similar services are engaged and processed through the Purchase Order System on [REDACTED]</p> <p>Some expenditure is out of scope for further testing for the following reasons:</p> <ul style="list-style-type: none"> <li>▪ The expenditure is below the threshold which requires a more formal process under Public Procurement Rules (29.4%)</li> <li>▪ The engagement of certain individuals involves editorial decision making, subject to the audio-visual media services exemption (53.7%), or relates to employee roles (4.2%).</li> </ul>		<p><b>1) Review of Engagement Process</b></p> <p>A review of the process for the engagement of Contractors in RTÉ is currently underway.</p> <p>This review will consider how best to integrate tendering / procurement procedures into any new Contractor engagement process.</p> <p><b>2) Implementation of new ERP System</b></p> <p>See action #6 above</p>	H	<p>[REDACTED] Q3 2018</p> <p>[REDACTED] 2019</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><i>Findings - Financial</i> The main audit findings are summarised below:</p> <ul style="list-style-type: none"> <li>A valid tender process occurred for <b>3.3%</b> of the expenditure.</li> <li>The audit identified an absence of a formal procurement process in the case of <b>9.1%</b> of the expenditure via [REDACTED] Fees. This represents €2.47 million expenditure and comprises 49 individuals / companies.</li> </ul> <p>In a small number of the cases we noted during sample testing, individuals listed as exceptions are no longer engaged by RTÉ in 2018. The scope of the audit did not involve a case by case review of each contract to identify the status of engagement at the date of this audit report.</p> <ul style="list-style-type: none"> <li>For a further <b>0.3%</b>, the tender status at the time of testing is yet to be confirmed.</li> </ul> <p><i>Implication</i> This review highlighted instances of non-competitive procurement within 2017 payments via [REDACTED] Fees.</p>				
3.	<p><b><u>Implementation of Monitoring Process for engagements via [REDACTED] Fees</u></b></p> <p>As outlined in #2 above, we carried out a review of the engagement of contractors via [REDACTED] fees. In addition to the finding above, we noted the following:</p> <ul style="list-style-type: none"> <li>No formal process exists to monitor if a competitive tender has taken place for engagements via [REDACTED] fees. While</li> </ul>		<p><b>1) Review of Engagement Process</b></p> <p>See action #1 above (finding 2).</p> <p><b>2) Implementation of new ERP System</b></p> <p>See action #6 for finding 1.</p>	M to H	<p>[REDACTED] Q3 2018</p> <p>[REDACTED] Ongoing to Q4 2019</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>taxation and employment classification matters are considered throughout the process, tendering is delegated to the contracting Line Manager with limited central monitoring. This increases the risk that tendering is not carried out when required.</p> <ul style="list-style-type: none"> <li>There is a difference in the tendering monitoring controls in place for Contractors engaged via [REDACTED] fees and Contractors engaged via Accounts Payable.</li> </ul> <p>A formal process exists via the Purchase Order (“PO”) System on [REDACTED] to check if a competitive tender process has taken place. Procurement carry out follow-up monitoring checks for orders &gt;€10,000 to assess compliance. In addition, all orders over €2,500 have oversight by Finance.</p> <p>This is accompanied by Delegated Authority Limits for the approval of POs.</p>				



# RTÉ Internal Audit

## Review of Purchasing Compliance *Year-ended 31 December 2018*

### *Report 1 of 2 (Purchase Receipting)*

12 February 2019

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Division Finance:**



**Extracts:**



# Background

## Background

### Introduction: Overview of Supplier Payment Processes

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [REDACTED]

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via [REDACTED] (Both these processes are outside the scope of this audit).

### Purchase Orders

Purchases processed via Accounts Payable must have an approved purchase order ("PO") before any purchase commitment is made. POs are raised and approved on [REDACTED] using a web based tool – [REDACTED] Web. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

### Tiered delegated authority approval limits

Order Value	Approver
€0 - €2,500	Costpool Manager
€2,501 - €10,000	Costpool Manager / Finance
€10,001 – €100,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division / MD of Division
€250,001 - €750,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO / DG

Goods are received on [REDACTED] web, by the requisitioner, when delivered and services are received when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [REDACTED]

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, generally by EFT to the supplier's bank account.

### Invoice Manager

A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO.

### Purchase Cards

Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by Ulster Bank. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [REDACTED] web and reduces administration costs.

### Receipting of Goods / Services

The system controls within [REDACTED] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for variances such as delivery costs etc.

### Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*. Procedures have been implemented to identify the dates upon which invoices fall due for payment to ensure that payments are made by such dates.

# Objective and Scope

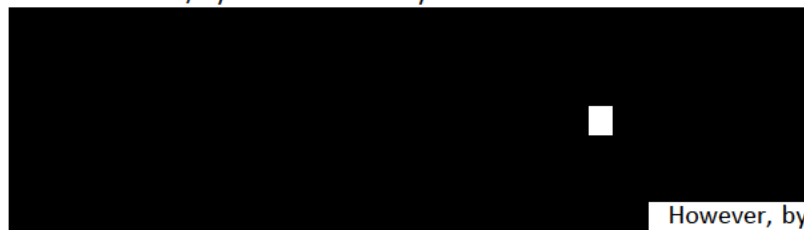
## Risk

The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Reputation and Compliance

Other specific risks relevant to this report are as follows:

- Fraud
- Duplicate Payments
- Compliance with Regulation
- Purchase commitments being made prior to managerial approval
- Inherent IT Risk / System Functionality:



However, by their nature, manual controls are weaker than automatic system controls.

## Scope

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs input) approved and processed during the period 1 January 2018 to 31 December 2018, across all Divisions. The audit involved three main areas of work:

- ✓ Comparing the value of goods received to the value of the approved PO to identify any deliberate by-passing of the purchase approval system and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Identifying the number of POs that were raised after the invoice date.

The scope did not include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate 2019 audit report to follow).
- ✗ Reviewing purchase card payments
- ✗ A full review of all invoices posted on [redacted] to detect duplicate payments – indirectly covered as part of a separate audit.

## Objective

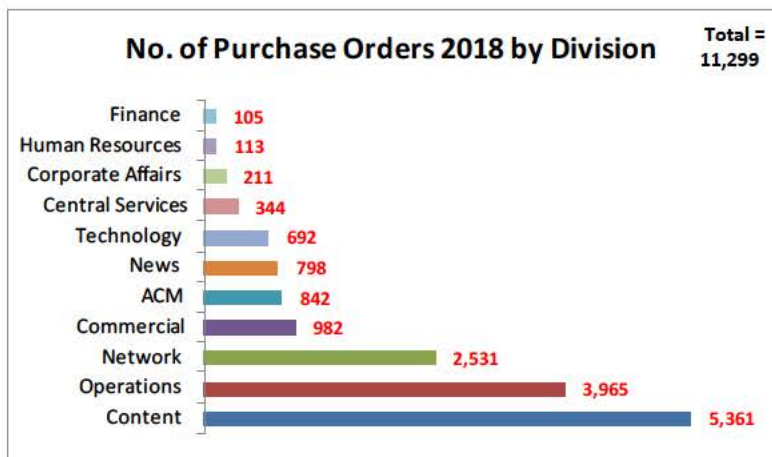
The objective of this audit was to review the POs raised in the year ended 31 December 2018 and to investigate any cases of goods/services receipted in excess of the approved order amount. We also review the timeliness of invoice payments and the extent to which orders are raised, and approved, in advance of invoices.

The output of the audit is a report, an electronic file and working papers.

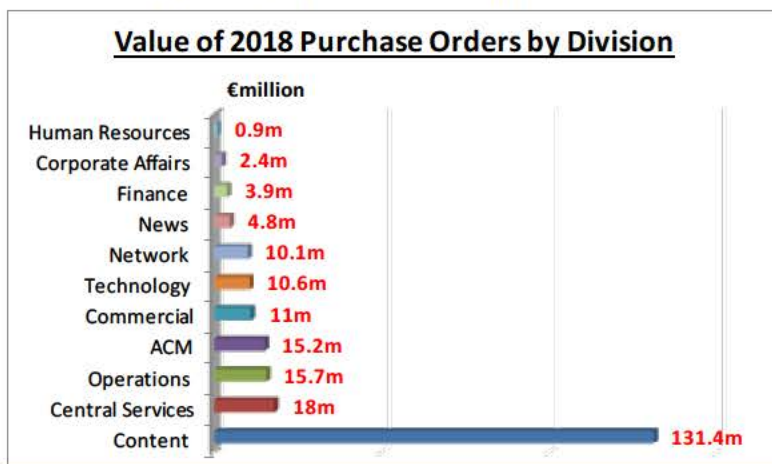
# Data Analysis

## A Purchase Order Data

11,299 POs were raised in 2018, in comparison to 11,695 in 2017. (These totalled 15,944 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by Division:



The graph below details the value, by Division, of POs raised in 2018. The total value of POs raised in this period was €224m (€196m in 2017).



A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

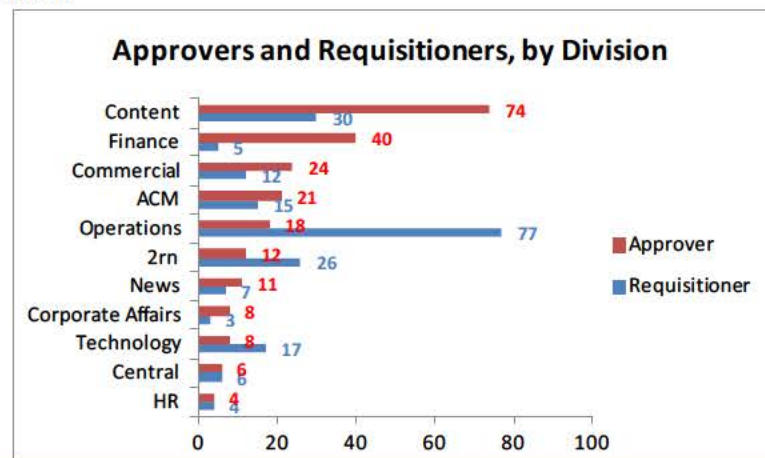
Value of PO	Number of Orders Processed in 2018
€0 - €5,000	8,653
€5,001 - €10,000	1,085
€10,001 - €100,000	1,269
€100,001 - €250,000	153
€250,001 - €750,000	89
€750,001 upwards	50
<b>Total</b>	<b>11,299</b>

Note:

794 of the POs raised in 2018 were less than €100 in value and 49% of those related to ten suppliers, generally recurring consumable supplies. 161 of the 794 POs under €100 in value have no invoice posted against them.

## B Requisitioners and Approvers

At the end of 2018, there were a total of 226 Approvers and 202 Requisitioners on [REDACTED]. The graph below shows the breakdown by Division.



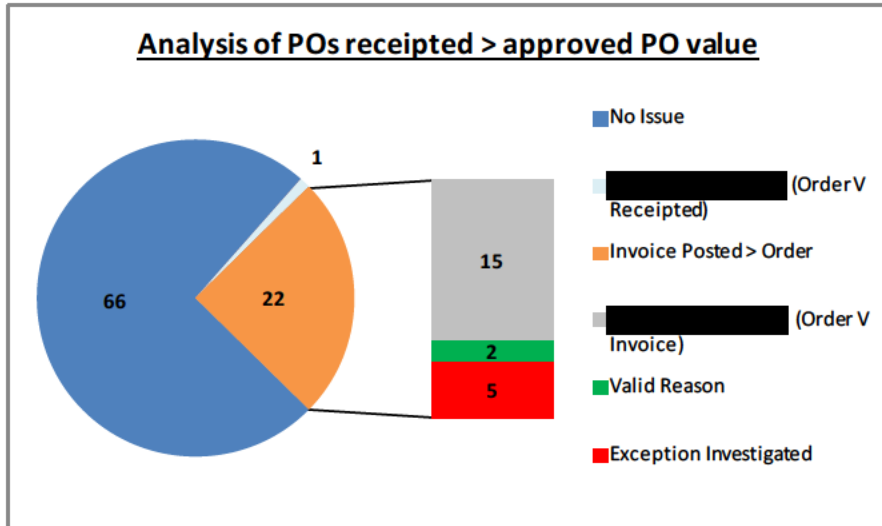
# Summary Findings

## 1) Purchase Receipting Process



Of the 11,299 POs raised during 2018, 89 POs (0.8%) were highlighted for further testing as the value of the goods received against the order exceeded the original approved order amount.

A summary of the review of the 89 orders is set-out below:



For **66** of the orders, the amount invoiced was equal to, or less than, the approved PO and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting (e.g. a mix up between the price and quantity fields). A further **one** was [redacted].

In the case of **22** further orders, both the goods received and the invoice processed were in excess of the original approved order. These orders were investigated further. Of the 22, 15 were [redacted]. In the remaining seven cases, there were simple explanations in two instances. Audit exceptions warranting investigation arose in five cases. See the Action Plan (#1) for full details. All were valid payments.

## 2) Requisitioners and Approvers



We reviewed the list of PO Requisitioners and Approvers, concluding that the number and job roles of the individuals is appropriate. We identified some minor house-keeping issues which are explained in more detail in action # 4.

## 3) Raising POs before Invoice



In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

POs are sometimes raised after the invoice is received, contrary to Policy. This also has an impact on the year-end accruals process for Finance teams, and increases the level of manual investigation needed.

As highlighted in the prior year audit report (year ending 31 December 2017), there is an ongoing project / working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams.

Internal Audit has carried out regular reviews of the timeliness of raising POs. The most recent result from the last quarter of 2018 are outlined in the table below:

Month	Order date prior to invoice date	Order date after Invoice date	[redacted]
Oct-18	65%	31%	4%
Nov-18	60%	34%	6%
Dec-18	63%	32%	5%

It should be noted that the introduction of the new organisational structure in early 2018 created challenges and distorted the results, having an impact on the full year results for 2018.

# Conclusion

## Conclusion

Internal Audit carried out a review of the processing of all POs in 2018. The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

We reviewed the list of PO Requisitioners and Approvers by Division, concluding that the number and job roles of the individuals is appropriate. Actions to address some matters are set-out in the action plan, in particular the existence of departed Approvers still having active accounts on [REDACTED]

We noted that approximately one third of purchase commitments are being made prior to managerial approval of the order, contrary to RTÉ Policy. As highlighted in the prior year audit report (year ending 31 December 2017), an ongoing Finance Working Group has been working to address this. The work of the group will continue and we expect that the positive impact of the action will be continued into 2019.

The standard of control is satisfactory in terms of the purchase receipting process. However, on the basis of the above findings, we assess the overall standard of control as "Improvement Needed". We appreciate the assistance of staff in Accounts Payable and Central Purchasing.

## Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<b>Purchase Receipting Process</b>				
1.	<p><b><u>Invoices processed in excess of Approved Order Value</u></b></p> <p><i>Background</i> 89 of the POs (0.8%) raised in 2018 were highlighted for review as the value of the goods received exceeded the original approved order amount. For <b>66</b>, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. A further <b>one</b> was within the [REDACTED].</p> <p><i>Finding</i> In the case of the remaining <b>22</b> orders, the invoice processed was in excess of the original approved order. These orders were investigated further, as follows:</p> <ul style="list-style-type: none"> <li>✓ In <b>15</b> of the 22 exceptions, the invoice processed was less [REDACTED] and did not require further investigation.</li> <li>➤ For <b>two</b> of the exceptions, there was a valid reason for the invoice being processed, and paid, for an amount in excess of the original approved order. See explanations below:             <ol style="list-style-type: none"> <li>1) This is a once off payment for cancellation fees and the final bill in respect of a phone line. This was a once off exception and not anticipated in the original order.</li> <li>2) An additional invoice to the amount of €200 (amount by which the Invoice &gt; PO) was entered onto the system under the incorrect supplier in error and subsequently</li> </ol> </li> </ul>	N/A	<p>Production teams need to be reminded by local Finance teams to try to be as accurate as possible at the costing stage to minimise instances of invoices being greater than PO amounts.</p> <p>This point will also be communicated during the communication to Line Managers regarding the Late POs in Finding #2 below.</p>	H	[REDACTED]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date																																										
	<p>removed prior to any payment. Therefore the Order amount was equal to the invoice amount and no issue was noted.</p> <p>X For the other <b>five</b> orders an invoice was processed, and paid, for an amount in excess of the original approved order, warranting further investigation. Details are set out in the table below:</p> <table border="1" data-bbox="130 618 835 862"> <thead> <tr> <th>Service Provided</th> <th>Approved PO Value</th> <th>Invoice Paid</th> <th>Invoice &gt; Order</th> <th>AP Verification</th> <th>Valid Payment</th> <th>Analysis Below</th> </tr> </thead> <tbody> <tr> <td>Marketing</td> <td>€1,396</td> <td>€1,949</td> <td>-€553</td> <td>✓</td> <td>✓</td> <td>1</td> </tr> <tr> <td>Furniture Manufacturers</td> <td>€2,000</td> <td>€2,500</td> <td>-€500</td> <td>✓</td> <td>✓</td> <td>2</td> </tr> <tr> <td>Specialised Lighting</td> <td>€3,105</td> <td>€3,865</td> <td>-€760</td> <td>✓</td> <td>✓</td> <td>3</td> </tr> <tr> <td>Professional Camera equipment</td> <td>€1,800</td> <td>€2,646</td> <td>-€846</td> <td>✓</td> <td>✓</td> <td>4</td> </tr> <tr> <td>Set Design</td> <td>€9,669</td> <td>€10,829</td> <td>-€1,160</td> <td>✓</td> <td>✓</td> <td>5</td> </tr> </tbody> </table> <p>A valid purchase / payment was made in each of these instances and no instances of fraud was detected. See below for a more detailed explanation of each exception.</p> <p><b>1) Marketing Services required during National Ploughing Championships:</b> This payment was in relation to the National Ploughing Championships event. Additional charges occurred due to weather delays over the course of the event. This additional payment was checked for approval with relevant Line Manager by Accounts Payable prior to payment.</p> <p><b>2) Furniture Manufacturers for launch of new RTÉ Player:</b> This payment was in relation to additional promotional costs in excess of the original order for the launch of the new</p>	Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	AP Verification	Valid Payment	Analysis Below	Marketing	€1,396	€1,949	-€553	✓	✓	1	Furniture Manufacturers	€2,000	€2,500	-€500	✓	✓	2	Specialised Lighting	€3,105	€3,865	-€760	✓	✓	3	Professional Camera equipment	€1,800	€2,646	-€846	✓	✓	4	Set Design	€9,669	€10,829	-€1,160	✓	✓	5				
Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	AP Verification	Valid Payment	Analysis Below																																									
Marketing	€1,396	€1,949	-€553	✓	✓	1																																									
Furniture Manufacturers	€2,000	€2,500	-€500	✓	✓	2																																									
Specialised Lighting	€3,105	€3,865	-€760	✓	✓	3																																									
Professional Camera equipment	€1,800	€2,646	-€846	✓	✓	4																																									
Set Design	€9,669	€10,829	-€1,160	✓	✓	5																																									



	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Player. Additional fees were checked for local Line Manager approval prior to making payment.</p> <p><b>3) Dancing With The Stars Promo - Specialised Lighting</b> This payment was in relation to the production of the Dancing With The Stars (DWTS) promo - specialised light boxes were required resulting in additional charges on the original ordered amount.</p> <p><b>4) DWTS Promo - Professional Camera Equipment</b> This payment was in relation to the production of the DWTS promo - on the day of the shoot, an additional camera was required.</p> <p><b>5) DWTS Promo - Set Design</b> This payment was in relation to the production of the DWTS promo – late changes to the original set design were requested resulting in additional charges.</p> <p>The surplus amounts for all invoices were checked with the relevant Producers and team prior to making any payment.</p> <p>In mitigation, the [REDACTED] promo was a very large production with shoot costings being done while already in production. Due to changes in both timelines and the original production idea at a very late stage, variances between costings that were agreed and what was actually paid, are reasonable. There is a requirement that the promo is to a certain editorial standard.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date																
	<b>PO Management</b>																				
2.	<p><b><u>Purchase Orders raised after the Invoice</u></b></p> <p><i>Background</i> A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data-set used to examine receipting. In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.</p> <p><i>Findings</i> The findings highlighted that approximately one third of purchase commitments are continually being made prior to managerial approval of the order, contrary to Policy.</p> <p>As highlighted in the prior year audit report (year ending 31 December 2017), there is an ongoing project or working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams.</p> <p>Internal Audit carry out regular reviews of the timeliness of raising POs while circulating the results to the wider Finance teams. The most recent results from the last quarter of 2018 are outlined in the table below:</p> <table border="1" data-bbox="130 1200 833 1359"> <thead> <tr> <th>Month</th> <th>Order date prior to invoice date</th> <th>Order date after Invoice date</th> <th></th> </tr> </thead> <tbody> <tr> <td>Oct-18</td> <td>65%</td> <td>31%</td> <td>4%</td> </tr> <tr> <td>Nov-18</td> <td>60%</td> <td>34%</td> <td>6%</td> </tr> <tr> <td>Dec-18</td> <td>63%</td> <td>32%</td> <td>5%</td> </tr> </tbody> </table>	Month	Order date prior to invoice date	Order date after Invoice date		Oct-18	65%	31%	4%	Nov-18	60%	34%	6%	Dec-18	63%	32%	5%		<p><b>Local Finance teams</b> The level of compliance (of POs raised before the invoice date) will be monitored locally by Finance teams and actioned accordingly based on the report. This will involve liaising with Requisitioners and Approvers, as required, e.g. where issues of persistent After-the-Fact POs are identified.</p> <p><b>Data and Reporting</b> Reports detailing the number of After-the-Fact POs will be prepared monthly for review at the monthly Finance Meeting.</p>	M	<p>[REDACTED]</p> <p>Ongoing</p> <p>Internal Audit Ongoing</p>
Month	Order date prior to invoice date	Order date after Invoice date																			
Oct-18	65%	31%	4%																		
Nov-18	60%	34%	6%																		
Dec-18	63%	32%	5%																		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p><i>Impact</i></p> <p>It should be noted that the introduction of the new organisational structure in the initial part of 2018 created challenges in reporting these results, distorting the data.</p> <p>This finding also has an impact on the year-end accruals process for Finance teams, and increases the level of manual investigation needed.</p> <p>In mitigation, some of the expenditure would have already been approved as part of another process, prior to the PO stage e.g. capital approval form, business case, or purchase of a programme / rights.</p> <p>Direct Communication to Line Managers, communicating instances of PO raised after invoice date, has begun in early 2019. This will have a desired knock-on effect over the coming months and will be monitored monthly.</p>				
	<p><b>Requisitioners &amp; Approvers of POs</b></p>				
<p>3.</p>	<p><b><u>Departed Employees</u></b></p> <p><i>Background</i></p> <p>The number and appropriateness of Approvers and Requisitioners on [REDACTED] at 31 December 2018 was reviewed. These listings were compared with recent staff lists from HR to ensure that all Approvers / Requisitioners were employees of RTÉ and reviewed for other unusual features.</p> <p><i>Findings</i></p>		<p><i>Departed Approvers / Requisitioners</i></p> <p>IT Finance will review the listing of Approvers and ensure that work-lists have been transferred and their accounts deactivated.</p> <p><i>Employee set up under incorrect ID Number</i></p> <p>This employee will be set up on [REDACTED] under their correct staff ID number. The</p>	<p>M</p>	<p>[REDACTED] 31 March 2019</p> <p>[REDACTED] 31 March 2019</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> <li>• At the end of 2018, there were a total of 226 Approvers (220 in 2017) and 202 Requisitioners (184 in 2017) on [REDACTED]</li> <li>• <i>Departed Approvers / Requisitioners:</i> <ul style="list-style-type: none"> <li>a) Three Approvers on the listing (as at 31 December 2018) are former employees who departed from the organisation in 2018, and should not still be listed as active Approvers. These departed either under the Voluntary Exit Programme or retirement.  In mitigation, in order for the ‘work lists’ of these departed approvers to be transferred temporarily to other current employees, their accounts still need to remain active. Once the work lists have a finalised designated approver, the accounts of the departed employees will be made inactive.</li> <li>b) We did not identify any Requisitioners on the listing that are former employees. This is an improvement on prior year results.</li> </ul> </li> <li>• <i>Employee set up under incorrect ID Number:</i> <ul style="list-style-type: none"> <li>a) We identified one Approver that was set up on [REDACTED] under an incorrect Employee ID number due to an administrative error.  In order to avoid confusion, this will need to be amended in some way as there is a risk that a future staff member will be assigned this staff number.  This is a recurring finding from this audit in 2018.</li> </ul> </li> </ul>		<p>incorrect Approver number will be made inactive on [REDACTED] and all previous transactions will be given a note so that the trail of transactions will not be lost.</p>		



**PART 1: AUDIT AND RISK COMMITTEE MEETING 18 MARCH 2020**



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1. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM
  - Memorandum explaining approach and scope of review
  - Internal Control in RTÉ subsidiaries **(1A)**
  - Internal Financial Control Questionnaire **(1B)**
  
2. TECHNICAL UPDATES / RECENT DEVELOPMENTS
  - Protiviti Enterprise Risk Management Survey 2020
  - Presentation of Financial Statements/*IAS 1* Changes



# 1. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

# Internal Memorandum

**To:** Members of the Audit and Risk Committee

**CC:** Paula Mullooly, RTÉ Group Secretary

**From:** [REDACTED], Head of Internal Audit

**Date:** 13 March 2020

**Re:** Review of Effectiveness of Internal Control: Introduction and Agenda

## 1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 18 March 2020 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 15 April 2020. At that point, the members of the Committee will make a recommendation to the Board.

The purpose of this memorandum is to provide background context to the Committee’s review of the effectiveness of internal control and to outline the agenda to be covered at this meeting.

## 2. Internal Control

Internal control is a process, implemented by an organisation’s board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. Internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

The roles and duties of various parties in the internal control system are illustrated in this model:

### The Three Lines of Defense Model



### **3. Why review the effectiveness of Internal Control?**

#### ***Code of Practice for the Governance of State Bodies***

A review of the effectiveness of the system of internal control is a requirement of the 2016 Code of Practice for the Governance of State Bodies (“the Code of Practice”). Published by the Department of Public Expenditure and Reform, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 7.5 of the Code of Practice outlines that:

*“The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control”*

Furthermore, the Code’s ‘Business and Financial Reporting Requirements’, a supporting document to the main code, outlines that:

*“The Chairperson’s report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body.”*

The annual report of each State Body must include a statement on “internal control” (using a prescribed format) and the external auditors are required review this statement.

The statement will be contained in the Internal Control and Risk Management Section of the Corporate Governance Report in the draft Annual Report for the year-ended 31 December 2019.

In addition to the above, the Chairperson’s annual report to the Minister for Communications, Climate Action and Environment must also include a statement on the system of internal control.

RTÉ will report on compliance with the updated Code of Practice for the Governance of State Bodies in the 31 December 2019 Annual Report.

#### ***Companies Act 2014***

Section 225 of the Companies Act 2014 introduced a requirement for directors of an in-scope Irish company to include an annual Compliance Statement in the directors’ report accompanying the company’s financial statements. Section 225 was applicable to two RTÉ subsidiaries for the financial year ended 31 December 2018, based on size criteria.

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company’s compliance with its “relevant obligations”, as defined in the Act; and (ii) confirm, on a “comply or explain” basis, that certain assurance measures have been undertaken.

The relevant obligations cover Irish Tax law and various other Companies Act requirements such as the maintenance of proper books and records. In the majority of cases, the applicable controls are managed centrally through the RTÉ Group structure. Therefore, for the purpose of providing assurance to the directors of RTÉ Transmission Network DAC and RTÉ Commercial Enterprises DAC, Internal Audit’s assurance activity in the area of Directors’ compliance statements is carried out in the context of its broader work in the area of internal control.

#### 4. What should this review involve?

Guidance has been published to assist Audit Committees to discharge their duties in this area.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

Section 7.5 of the Code of Practice also references the Financial Reporting Council's guidance in this area.

#### 5. Documents to facilitate the Committee's review

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ.

In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations. These items are highlighted as key steps in the annual review of the effectiveness of internal control as per section 7.5 of the Code of Practice.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle.

Please refer to the table overleaf for further details of the documents and the scheduling of presentations over the two Committee meetings.

At the end of the meeting on 15 April 2020 **the members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ**, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report.

## Documents Presented to the ARC to Facilitate a Review of the Effectiveness of the System of Internal Control

No.	Topic / Agenda Item	Presented to the ARC:
1	Corporate Governance and Internal Control in the main operating subsidiary 2rn, comprising:  Listing of top risks and Internal Audit report following a Review of Internal Control in 2rn.	<b>18 March 2020</b>
2	The results of the internal control self-assessment questionnaires, used by the divisions to assess the financial control environment, and Internal Audit testing thereon.	<b>18 March 2020</b>
3	The Quarterly Risk Update for Q1 2020, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	<b>18 March 2020</b>
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	15 April 2020
5	Directors' Compliance Statement: Details of the audit work carried out to enable the directors of the in-scope RTÉ subsidiaries to include a Directors' Compliance Statement in the annual directors' report. This is a requirement under the Companies Act 2014.	15 April 2020
6	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2019, addressing both purchase receipting and tendering aspects.	15 April 2020
7	Review of the Cost Allocations Process <sup>1</sup> for the year-ended 31 December 2019 <i>(<sup>1</sup>Financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report)</i>	15 April 2020*
8	Committee's resolution on internal control and recommendation to the Board.	15 April 2020

\* The scope of the work is determined by the requirements of the External Auditors and the extent of audit work in this area.

**(1A) Internal Control in 2rn:**

- Financial Control in 2rn
- Summary of Risks



**1A INTERNAL CONTROL IN 2rn****1.1 BACKGROUND**

As a wholly-owned subsidiary, the financial results of 2rn are consolidated as part of the financial results of the RTÉ Group. Therefore, RTÉ retains a responsibility for ensuring that all subsidiaries are adequately managed and controlled and retains the legal authority to hold a subsidiary to account for their activities. The RTÉ Audit and Risk Committee is responsible for approving the financial statements of the RTÉ Group (including consolidated 2rn) and, in that context, the RTÉ Board is also responsible for reviewing the system of internal control for the entire group.

The directors of the Board of 2rn also have their own legal and fiduciary responsibilities under statute (Acts/EU Regulations) and common law, and need to be satisfied that appropriate governance arrangements are in place to meet their legal responsibilities.

Up to 2013, 2rn had been managed as an Integrated Business Division, in a manner similar to other RTÉ divisions, and it fell within the scope of the wider review of financial control in RTÉ. However, the relocation of 2rn from the Donnybrook campus to premises in Dublin 24, in addition to the migration of responsibility for key 2rn financial processes from the RTÉ Group's Central Shared Services functions to management locally, means that the 2rn financial processes are no longer managed centrally.

**1.2 DOCUMENTS FOR REVIEW**

In order to assist the Board to carry out its review of financial control in 2rn, this section of the report contains a number of documents in respect of 2rn:

- Internal Audit Report: Financial Control in 2rn (report overleaf); and
- Summary of Risks (Section 1.3).

# RTÉ Internal Audit

## Review of 2rn Internal Financial Control

12 March 2020

### Final

Full Report included separately in list of reports - not repeated here

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

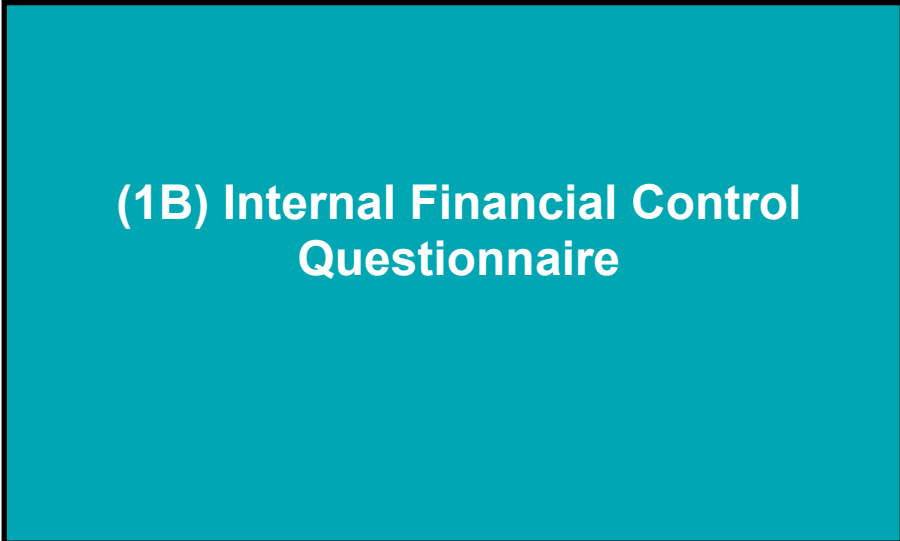
**2rn:**

[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]



*The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit*





**(1B) Internal Financial Control  
Questionnaire**

**1B INTERNAL FINANCIAL CONTROL****1.1 BACKGROUND***Internal Financial Control*

Each Division and, where applicable, central functions/shared services completed a self-assessment of the internal financial controls in the following areas:

	<b>Process</b>	<b>Overview of control questions</b>
<b>A</b>	Purchasing and Accounts Payable	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
<b>B</b>	Sales and Accounts Receivable	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
<b>C</b>	Cash and Treasury	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
<b>D</b>	Inventory	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
<b>E</b>	Fixed Assets	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
<b>F</b>	People Payments	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
<b>G</b>	Management Accounts/Financial Close	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
<b>H</b>	Tax Compliance	Preparation and submission of VAT; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

**1.2 REPORTING REQUIREMENTS**

Section 1.8 of the 2016 Code of Practice for the Governance of State Bodies (“the Code”) states that:

*“The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place.”*

As a result, we carry out specific work in the area of Internal Financial Control.

**1.3 CONTROL EFFECTIVENESS**

Management completed an assessment of the effectiveness of each financial control (47 questions) using a scale of 1-4, where 4 is the highest rating. This follows a similar approach to previous years.

Overleaf we have set-out, by Division, details of the effectiveness ratings assigned to the individual financial control questions in each of the process areas. As summarised overleaf, the output of this exercise highlights that a robust financial control environment exists in RTÉ, with strong control effectiveness ratings across the financial processes. In general, the ratings are broadly consistent with those reported last year with some areas showing marginally lower rating due to process changes.

Please refer to the **Appendix 1** at the back of this report for the financial control questionnaire in full, detailing the scores assigned to each of the 47 questions.

## INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2019

Summary of Effectiveness Ratings									
Section	Process Area	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
A	Procurement and Accounts Payable	89%	Divisions implement Group Procurement Procedures. AP managed centrally.						89%
B	Sales and Accounts Receivable	98%	Immaterial	N/a	N/a	71%	N/a	N/a	84%
C	Inventory	N/a	94%	N/a	98%	N/a	N/a	N/a	96%
D	Cash and Treasury	96%	N/a	N/a	N/a	N/a	N/a	N/a	96%
E	Fixed Assets	97%	88%	88%	95%	88%	95%	97%	92%
F	People Payments	78%	79%	79%	85%	91%	83%	83%	82%
G	Management Accounts/Financial Close	91%	90%	90%	90%	90%	93%	93%	91%
H	Taxation	88%	Taxation function in Group Finance.						88%

**Note:** Taxation is also covered as part of audit work on the Director's Compliance Statement.

**1.4 INTERNAL AUDIT PROCEDURES**

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;
- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.
- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation/supporting evidence.

**1.5 RESULT**

The effectiveness ratings assigned to the financial control processes within scope are reasonable and, for the sample tested to date, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

Testing is at advanced stage at the date of this report, with a small number of areas to finalise. A further update will be provided on completion of testing, although we do not envisage any issues arising.

Please refer to **Appendix 1** for the consolidated internal financial control questionnaire which provides details of process effectiveness ratings.

**2.**  
**TECHNICAL UPDATES /**  
**RECENT DEVELOPMENTS**

## 2 TECHNICAL UPDATES / RECENT DEVELOPMENTS

### 2.1 PROTIVITI ENTERPRISE RISK MANAGEMENT SURVEY

#### 2.1.1 Background and Introduction

Protiviti and North Carolina State University's Enterprise Risk Management Initiative recently issued a report focusing on the top risks currently on the minds of global boards of directors and executives.

This report contains the results from the eighth annual risk survey on the extent to which a broad collection of risks are likely to affect their organisations over the next year.

The respondents answered questions on 30 specific risks across three dimensions:

- Macroeconomic risks likely to affect their organisation's growth opportunities;
- Strategic risks the organisation faces that may affect the validity of its strategy for the pursuit of growth opportunities; and
- Operational risks that might affect key operations of the organisation in executing its strategy.



### 2.1.2 TOP RISKS

A summary of the top five risks is set-out below and the list of the top 10 risks is in the tables overleaf.

- **Regulatory challenges** continue to represent a major source of uncertainty among the majority of organisations. The overarching issue relates to perceived concerns about how regulatory oversight seems to be expanding in multiple areas that may lead to even greater disruptions in business models and constrict companies' ability to innovate in certain areas. The regulatory climate adds uncertainty to an already disruptive business environment.
- Concerns relating to **economic issues** in domestic and international markets have significantly escalated for 2020, relative to the past two years. Concerns about the overall strength of the global economy, particularly in light of the ongoing Brexit debate, perceived volatility in global trade discussions, declines in certain manufacturing sectors, and a general reduction in growth rates in major economies, have heightened this risk.
- The risk of **succession** challenges and the ability to attract and retain talent is the third risk. This reflects the continued record low unemployment in many regions of the world and an increasing need for specialised digital knowledge and subject-matter expertise.
- The ability of organisations – relative to their competitors – to adjust existing operations to meet challenges and competition, especially **“born digital” competitors**. The concern may be a composite of several significant uncertainties:
  - the company's digital readiness;
  - its lack of resilience and agility in keeping pace with changing market realities;
  - the lack of “out-of-the-box” thinking about the business model and fundamental assumptions underlying the strategy; and
  - the existence or threat of more nimble competitors.
- **Enabling change** continues to be a significant priority for every organisation. As major business model disruptors emerge, respondents are growing even more focused on the organisation's potential unwillingness, or inability, to make necessary timely adjustments to the business model and core operations. Executives continue to be concerned about their ability to enable change, despite the reality that change has become a way of life for most companies.

The list of the top ten risks is set out overleaf, initially in summary format followed by a more detailed description of the risks and the movement over three years.



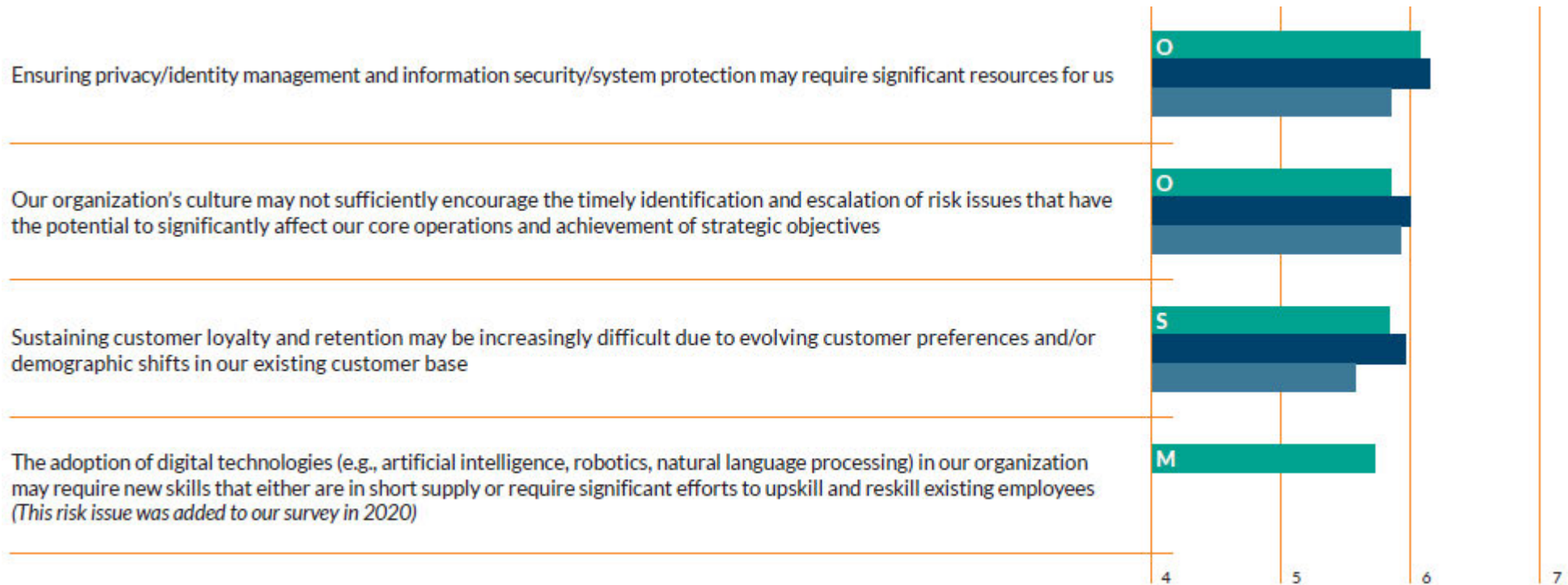
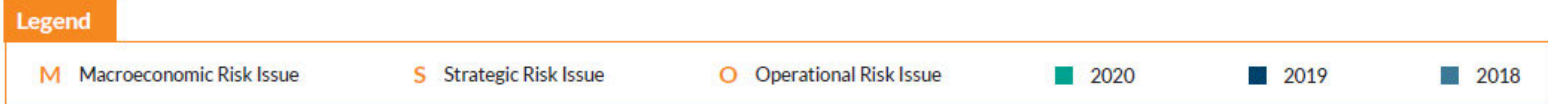
TOP 10 RISKS FOR 2020		
RISK ISSUE	2020*	2019 (rank)*
 1. Impact of regulatory change and scrutiny on operational resilience, products and services	6.38	6.24 (3)
 2. Economic conditions impacting growth	6.34	5.93 (11)
 3. Succession challenges; ability to attract and retain top talent	6.27	6.34 (2)
 4. Ability to compete with “born digital” and other competitors	6.23	6.35 (1)
 5. Resistance to change operations	6.15	6.17 (5)
 6. Cyber threats	6.09	6.18 (4)
 7. Privacy/identity management and information security	6.06	6.13 (7)
 8. Organization’s culture may not sufficiently encourage timely identification and escalation of risk issues	5.83	5.99 (9)
 9. Sustaining customer loyalty and retention	5.82	5.95 (10)
 10. Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees (new in 2020)	5.71	N/A (new)

Legend

- M Macroeconomic Risk Issue
- S Strategic Risk Issue
- O Operational Risk Issue
- 2020
- 2019
- 2018

• • • Top 10 Risks for 2020





### 2.1.3 TECHNOLOGY, MEDIA AND COMMUNICATIONS RISKS

There are a number of notable changes in top risks for organisations in the Technology, Media and Telecommunications (TMT) industry group for 2020. Perhaps most noteworthy, **economic conditions** are the top global risk for the sector, after not ranking among the top five issues in 2019. There is substantial uncertainty regarding the trajectory of market conditions in 2020, with the potential for economic downturn and changing trade policies among numerous contributing factors.

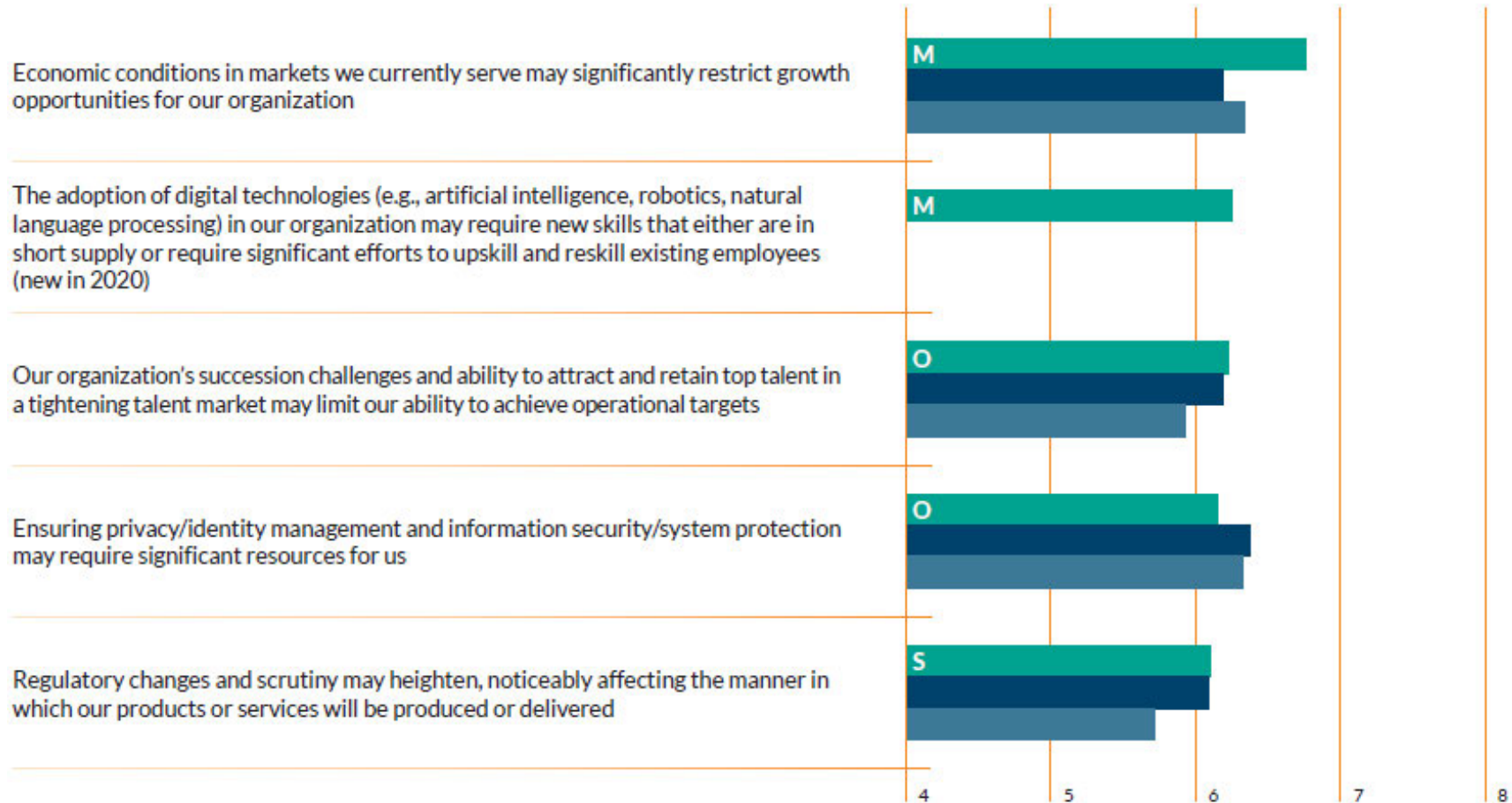
The adoption of **digital technologies** and the resulting requirement for new skills is a new risk issue in the survey and underscores the rapid pace at which emerging technologies are being introduced in organisations.

There is also a risk in relation to access to new and changing **skills**, as well as up-skilling and re-skilling existing employees. Similar to the risk of changing economic conditions, there is a great deal of uncertainty in what is required for skills development to ensure successful adoption of digital technologies.

Consistent with prior years, ensuring privacy and the **protection of data** remains a critical issue for organisations in this industry group. Privacy dropped slightly for 2020 to the fourth position in the top five risks, perhaps reflecting the extensive investment of resources following GDPR.

The impact of **regulatory changes** and increasing legislative scrutiny is another new addition to the top five risk issues for the industry group. There has been extensive media coverage globally of the potential impact of increased regulation on large technology companies, and even some speculation of breaking up some of the largest organisations. There also have been a number of well-publicised regulatory actions and significant fines — largely in the European Union and the United States — levied against these same organisations

• • • Technology, Media and Telecommunications



**Legend**

M	Macroeconomic Risk Issue	S	Strategic Risk Issue	O	Operational Risk Issue	■	2020	■	2019	■	2018
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**2.1.4 REPORT**

A full printed report is available on request, or may be accessed at the following link:

<https://www.protiviti.com/US-en/2020-top-risks>

**2.2 PROPOSED CHANGES TO PRESENTATION OF FINANCIAL STATEMENTS**

In December 2019 the International Accounting Standards Board (IASB) published an Exposure Draft 'General Presentation and Disclosures'. The Exposure Draft proposes to replace *IAS 1 'Presentation of Financial Statements'* with a new IFRS and amend several other IFRS Standards.

The impact of the proposals would include:

- Changes to the structure of the Statement of Profit and Loss;
- More minimum subtotals, including a subtotal for Operating Profit;
- New requirements on disaggregating information in the financial statements;
- New disclosures about unusual items, management performance measures and the analysis of expenses; and
- Limited changes to the Statement of Cash Flows and Statement of Financial Position.

See a briefing note from Grant Thornton overleaf. This has the potential to significantly alter the presentation of financial statements, although it will be some time before fully operational.



# IFRS Alert

## IASB proposes major changes to the primary statements and notes

### Executive summary

In December 2019 the International Accounting Standards Board (IASB) published an Exposure Draft 'General Presentation and Disclosures' (General Presentation ED). The General Presentation ED proposes to replace IAS 1 'Presentation of Financial Statements' with a new IFRS and amend several other IFRS Standards. The impact of the proposals would include:

- Changes to the structure of the Statement of Profit and Loss
- More minimum subtotals, including a subtotal for Operating Profit
- New requirements on disaggregating information in the financial statements
- New disclosures about unusual items, management performance measures and the analysis of expenses
- Limited changes to the Statement of Cash Flows and Statement of Financial Position

The ED is open for comment until 30 June 2020.

### Background

The General Presentation ED is an important milestone in the IASB's 'Better Communication' initiative. The IASB undertook this project in response to concerns from investors about the current comparability and transparency of companies' performance reporting.

### The proposals

The proposals aim to address the identified concerns by introducing new requirements in three main areas:

- The structure of the statement of profit or loss
- Disaggregation of information in the financial statements
- Disclosures concerning financial performance.

While the main focus is on reporting financial performance, the General Presentation ED also proposes limited changes to the Statement of Cash Flows and Statement of Financial Position.

The proposals would replace IAS 1 and amend some other IFRS Standards. While the proposals are extensive, many aspects of IAS 1 would be retained. For example, IAS 1's requirements on the components of a complete set of financial statements and the option to present single statement of comprehensive income or separate sections for profit or loss and other comprehensive income would be carried forward unchanged. The structure below the profit before tax subtotal, including the presentation of results of discontinued operations, would also be unaffected.

The main changes proposed are summarised below.



## Statement of profit or loss

The main proposals affecting the Statement of Profit or Loss are:

Area	Summary
Basic structure	<p>The Statement of Profit or Loss, above the existing profit before tax subtotal, would be organised into four sections:</p> <ul style="list-style-type: none"> <li>• Operating</li> <li>• Integral associates and joint ventures (see below)</li> <li>• Investing</li> <li>• Financing</li> </ul> <p>The types of income and expense included in each section are prescribed, with adaptations for particular entities (see below).</p>
New subtotals	<p>The following new, minimum subtotals would be required:</p> <ul style="list-style-type: none"> <li>• Operating profit</li> <li>• Operating profit and income and expenses from integral associates and joint ventures</li> <li>• Profit before financing and income tax</li> </ul>
Operating profit or loss	<p>Income and expenses would be included in arriving at operating profit or loss unless they are specifically classified in another category (i.e. operating, investing, financing, integral associates and joint ventures, income tax or discontinued operations). In other words, operating profit or loss is the ‘default category’.</p> <p>As a result, it would not be permissible to present an operating profit or loss subtotal that excludes ‘unusual’ items such as restructuring costs and impairments of non-financial assets. The proposals would also restrict the use of columns to present management performance measures in the statement(s) of financial performance.</p>
Associates and joint ventures	<p>The ED defines ‘integral associates and joint ventures’ and ‘non-integral associates and joint ventures’, and proposes to require an entity to provide information about integral associates and joint ventures separately from that for non-integral associates and joint ventures.</p>
Expenses by nature or by function	<p>In presenting its expenses within the operating section an entity would select whichever of the ‘by nature’ or ‘by function’ that provides the most useful information to users. A mixed approach would not be permitted. Entities applying the ‘by function’ method would (i) present cost of sales separately from other expenses; and (ii) disclose an analysis of total operating expenses by function in the notes.</p>
Adaptations for particular entities	<p>The requirements on what is included/excluded in the categories and subtotals would be adapted for certain entities. Adaptations would apply to insurers and to entities that provide financing to customers (e.g. banks) and/or make investments as a main business activity.</p>





## Disaggregation

The General Presentation ED contains several proposals aimed at improving how entities disaggregate information both in the primary financial statements and in the notes. These include the proposals of the presentation of expenses ‘by nature’ or by ‘function’ (see above) and on disclosing unusual items (see below). In addition, the ED proposes more general guidance on when to combine or separate items of income or expense. This includes a description of the purpose of the primary statements and the notes and a three-step approach to aggregation and disaggregation. The three steps are:

- identify assets, liabilities, equity, income and expenses that arise from individual transactions or other events
- classify those items into groups based on shared characteristics, so that line items in the primary financial statements comprise items that share at least one characteristic; and
- separate those line items based on further characteristics, resulting in the separate disclosure of material items in the notes.

New guidance is also proposed on the aggregation of individually immaterial items.

## Disclosures

### Management performance measures

The IASB has observed that many companies provide performance measures defined by management (sometimes referred to as ‘non-GAAP’ or ‘alternative performance’ measures) in communications with investors outside the financial statements. The IASB believes that such measures can be useful but have heard concerns about the quality of disclosures provided about them.

In response the ED includes proposals to define ‘management performance measures’ (MPMs) and require entities to disclose information about them. The proposals are summarised below:

Area	Summary
Definition	MPMs would be defined as measure that are: <ul style="list-style-type: none"> <li>• are used in public communications outside financial statements</li> <li>• complement totals or subtotals specified by IFRS Standards</li> <li>• communicate management’s view of an aspect of a company’s financial performance</li> </ul>
Scope	The proposals focus on MPMs that are subtotals of income and expenses (e.g. adjusted operating profit). Other measures such as free cash flow, adjusted revenue and growth rates are not affected.
Requirements	The following information about MPMs would be provided in a single note: <ul style="list-style-type: none"> <li>• a reconciliation between each measure and the most directly comparable subtotal or total specified by IFRS Standards</li> <li>• the effect on tax and non-controlling interests for each reconciling item</li> <li>• a description of why each measure communicates management’s view of performance and how it is calculated</li> <li>• an explanation of any changes in how a company calculates its management performance measures or which measures it provides</li> </ul>



### Unusual items

The IASB believes that information about income and expenses that are not expected to recur in the near future is useful to investors. However, IFRS Standards do not explicitly require entities to provide such information and the IASB has observed inconsistency in current disclosure practices.

In response the ED includes proposals to define ‘unusual’ income and expenses and require entities to disclose them. The proposals are summarised below:

Area	Summary
Definition	‘Unusual’ income and expenses would be defined as those with a with limited predictive value. Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.
Requirements	For each unusual item, entities would be required to disclose, in a single note: <ul style="list-style-type: none"><li>• a narrative description of how it arose and why it meets the definition of an unusual item</li><li>• in which line item(s) in the statement of profit or loss it is included</li><li>• an analysis by nature, if the company presents operating expenses by function in the statement of profit or loss.</li></ul>

### Other primary statements

Although the main focus is on the statement of profit and loss, the General Presentation ED also include proposals for more limited improvements to cash flow reporting, which would amend IAS 7 ‘Statement of Cash Flows’. The key proposals:

- require operating profit as the single starting point for the indirect method for reporting cash flows from operating activities
- require a split between cash flows from investments in integral and non-integral associates and joint ventures, consistent with its proposed approach for the statement of profit or loss
- remove the classification choice for interest and dividend cash flows for most entities.

The proposals would also expand the list of minimum line items in the Statement of Financial Position to include goodwill and to present ‘integral’ and ‘non-integral’ associates and joint ventures separately.



## What will it look like?

### Structure of the statement of profit and loss

Under the proposals in the General Presentation ED, the basic structure of a statement of profit or loss (for entities other than banks, insurers and those that make investments in the course of their main activities), down to the profit before tax subtotal, would be organised as follows:

Revenue	x	Operating
Operating expenses	(x)	
<b>Operating profit or loss</b>	<b>x</b>	Integral associates and joint ventures
Share of profit of integral associates and joint ventures	x	
<b>Operating profit or loss and income and expenses from integral associates and joint ventures</b>	<b>x</b>	Investing
Share of profit or loss of non-integral associates and joint ventures	x	
Income from investments	x	Financing
<b>Profit or loss before financing and income tax</b>	<b>x</b>	
Interest revenue from cash and cash equivalents	x	
Expenses from financing activities	(x)	
Unwinding of discount on pension liabilities and provisions	(x)	
<b>Profit or loss before tax</b>	<b>x</b>	

It should be noted that:

- Additional line items, headings and subtotals would be required when relevant (consistent with IAS 1 today)
- The above illustration does not include various line items that are required in accordance with other IFRS Standards such as IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'
- Different presentations apply to the particular types of entities referred to in the table on page 2.

## Next steps

The ED is open for comment until 30 June 2020.



### Grant Thornton International Ltd comment

The IASB's proposals in the General Presentation and Disclosure ED are not a complete reinvention of the primary financial statements but would still bring about substantial changes to current practices. The more notable impacts include changes to the reporting of operating profit, a prohibition on the use of columns to report adjusted profit measures, new disclosures about unusual income and expense and a distinction between integral and non-integral associates and joint ventures. The proposals on management performance measures (MPMs) are similar to existing regulatory requirements in some jurisdictions but represent a first attempt by the IASB to anchor MPMs in the financial statements.

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## Appendix 1 – Internal Financial Control Questionnaire

Section A: Purchasing and Accounts Payable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
1	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3.3	Divisions implement Group Procurement Procedures						3.3
2	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3							3.0
3	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	3.7							3.7
4	Score the effectiveness of the procedures and controls over the receipting of goods and services	3							3.0
5	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3.4							3.4
6	Score the effectiveness of the procedures for confirming balances with suppliers	3.7							3.7
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3.5							3.5
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	3.8							3.8
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4							4.0
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4							4.0

*Total Score for Purchasing and Accounts Payable Processes*

35.4							
89%							

Section B: Sales and Accounts Receivable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	3.8	Immaterial						3.8
12	Score the effectiveness of the procedures and controls over the processing of customer orders					2			2.0
13	Score the effectiveness of the procedures and controls over the invoicing of customers	4							4.0
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer					3.5			3.5
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.8							3.8
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3.9							3.9
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4							4.0
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4							4.0
19	Score the effectiveness of reconciliation procedures and controls					3			3.0

*Total Score for Sales and Accounts Receivable Processes*

23.5				8.5		
98%				71%		

Section C: Inventory

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)		3.8		3.8				3.8
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.		3.7		4				3.9
22	Score the effectiveness of the procedures and controls over stock movements		3.8		3.8				3.8
23	Score the effectiveness of the month end inventory accounting procedures		3.8		4				3.9

*Total Score for Inventory Processes*

	15.1		15.6		
	94%		98%		

Section D: Cash and Treasury

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3.7							3.7
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5							3.5
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	3.9							3.9
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	4							4.0
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4							4.0
29	Score the effectiveness over the recording of borrowings	4							4.0

*Total Score for Cash and Treasury Processes*

23.1							
96%							



Section E: Fixed Assets

	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.7	3.5	3.5	3.5	3.5	3.8	3.7	3.6
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	3.7	3.5	3.8	4	3.7
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	4	3.5	3.5	4	4	3.8	4	3.8
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.8	3.5	3.5	4	3	3.8	3.8	3.6

*Total Score for Fixed Assets Processes*

15.5	14	14	15.2	14	15.2	15.5
97%	88%	88%	95%	88%	95%	97%

Section F: People Payments

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	2.5							2.5
35	Score the effectiveness of the procedures and controls for over the processing of joiners and leavers' payroll (excluding the payment of Fees)	4							4.0
36	Score the effectiveness of the procedures and controls over the payment of Fees	3							3.0
37	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	2.5							2.5
38	Score the effectiveness of the procedures and controls over the processing of personal expenses on Transfare	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
39	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3.3	3	3	3.5	4	3.3	3.3	3.3

*Total Score for People Payments Processes*

18.6	6.3	6.3	6.8	7.3	6.6	6.6
78%	79%	79%	85%	91%	83%	83%

Section G: Management Accounts/Financial Close

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
40	Score the effectiveness of the monthly management accounts preparation process	4	3.8	3.8	4	4	4	4	3.9
41	Score the effectiveness of the monthly management accounts review and clearance process	3.6	3.6	3.6	3.5	3.5	3.75	3.5	3.6
42	Score the effectiveness of the financial close procedures and controls	3.5	3.5	3.5	3.5	3.5	3.5	3.75	3.5
43	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
44	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.6	3.5	3.5	3.5	3.5	3.75	3.75	3.6

*Total Score for Management Accounts / Financial Close Processes*

18.2	17.9	17.9	18	18	18.5	18.5
91%	90%	90%	90%	90%	93%	93%

Section H: Taxation

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
45	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	3.5	Taxation function in Group Finance						3.5
46	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	3							3.0
47	Score the effectiveness of the procedures and controls over compliance with Professional Services Withholding Tax (PWST), Dividend Withholding Tax (DWT) and Relevant Contracts Tax (RCT).	4							4.0

*Total Score for Taxation Processes*

10.5						
88%						

**PART 2: AUDIT AND RISK COMMITTEE MEETING 15 APRIL 2020**



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**1. OBJECTIVE AND EXECUTIVE SUMMARY****1.1 OBJECTIVE OF MEETING**

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to complete its review of the effectiveness of the internal control system, on behalf of the Board. (The Committee's review process commenced at the 18 March 2020 Audit and Risk Committee meeting); and
- Outline the work performed by Internal Audit to assist the Committee and report the results of the audit testing undertaken.

The members of the Committee will be required to make a recommendation to the Board following the meeting.

**1.2 REVIEW OF INTERNAL CONTROL: BACKGROUND**

Section 7.5 of the 2016 *Code of Practice for the Governance of State Bodies* ("the Code") outlines that:

*"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, Appendix C of the Code's Business and Financial Reporting Requirements outlines that:

*"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

As a result, we carry out specific work in the area of Internal Control.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.



**1.3 METHODOLOGY FOR THE COMMITTEE'S REVIEW OF INTERNAL CONTROL**

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control.

The Committee considered Corporate Governance in subsidiaries and reviewed the internal control self-assessment questionnaires at its meeting on 18 March 2020. Today, the Committee will consider:

- 1) Compliance Statement in the directors' report accompanying the financial statements of certain in-scope RTÉ subsidiaries – see **Section 2**
- 2) Compliance with the *Code of Practice for the Governance of State Bodies* – see **Section 4**
- 3) Specific year-end internal audit reports which are relevant to internal control – see 1.4 below

Finally, at the end of this meeting:

- 4) The members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report – see **Section 5**.

**1.4 INTERNAL AUDIT REPORTS**

**Section 3** contains a report issued by Internal Audit since the last meeting, which is relevant to the review of internal control:

- ***Procurement Compliance: Review of Procurement Register***

The 2016 *Code of Practice for the Governance of State Bodies* contains specific requirements regarding the monitoring of compliance with Public Procurement rules in the area of tendering. The purpose of this audit was to assess, verify and report on RTÉ's compliance with the provisions of the Code.

**1.5 CHAIR'S ANNUAL REPORT TO THE MINISTER**

Section 2.6 of the *2016 Code of Practice for the Governance of State Bodies* states the following:

*“The Chairperson of each State body should furnish to the relevant Minister..... in conjunction with the annual report and financial statements of the State body, a comprehensive report to the relevant Minister covering the State body.”*

A first draft of the Chair's Report to the Minister is included in **Section 6**. A final draft will be issued to the Board in advance of its next meeting.

Note that the Chair's report makes reference to some exceptions in the Procurement area (see page 4). Tables of selected financial data (Appendix 1 of the report) will follow separately, in a similar format to prior-year.

**1.6 TECHNICAL DEVELOPMENTS**

In addition to the topic of internal control, in **Section 7** we include a short update on technical developments.

## 2. DIRECTORS' COMPLIANCE STATEMENT

- *Compliance Policy Statement*
- *Structures & Processes Document*
- *Steps in the Annual Review Process*

**2. DIRECTORS' COMPLIANCE STATEMENT****2.1 *Background***

The Companies Act 2014 ("the Act"), section 225, includes a requirement on directors of an in-scope Irish company to provide an annual Compliance Statement in the directors' report accompanying the company's financial statements.

Two RTÉ subsidiaries are determined to fall within scope (based on the size criteria in sub-section 7 of section 225 of the Act):

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken. Three assurance measures are identified in the Act:

- Drawing up a Compliance Policy Statement;
- Putting in place appropriate structures and processes to secure material compliance; and
- Carrying out an annual review of compliance processes.

The documents to facilitate those three steps are set-out overleaf.

**2.2 *Statutory Disclosure in Subsidiary Accounts***

The following is a draft of the disclosure which will be inserted into the Report of the Directors in the financial statements of the two RTÉ subsidiaries within scope of the Companies Act requirement.

"In accordance with Section 225(2)(a) of the Companies Act 2014 ("the Act"), the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1) of the Act).

In accordance with Section 225 (2)(b) of the Act, the directors confirm that they have:

- i. drawn up a Compliance Policy Statement setting out the Company's policies (that are, in the opinion of the directors, appropriate to the Company) in respect of the compliance by the Company with its relevant obligations;

- ii. put in place appropriate arrangements or structures that, in the opinion of the directors, provide a reasonable assurance of compliance in all material respects with the Company's relevant obligations; and
- iii. during the financial year to which this report relates, conducted a review of the arrangements or structures that the directors have put in place to ensure material compliance with the Company's relevant obligations."

### **2.3 Disclosure in RTÉ Group Accounts**

As a Statutory Corporation, established under broadcasting legislation, the requirement of section 225 of the Companies Act 2014 is not legally applicable to RTÉ. However the Board Members' Report in the RTÉ Annual Report includes a paragraph addressing the matter of Directors' Compliance Statements and also confirms that:

"The Companies Act 2014, which applies to RTÉ subsidiary companies, introduces a requirement for Directors to secure a company's compliance with its relevant obligations (as defined in Section 225(1) of the Act), if the company meets specific size criteria specified in the Act.

RTÉ has implemented actions to ensure that, where applicable, its subsidiaries comply with the Companies Act 2014 requirements for Directors' Compliance Statements"

### **2.4 Testing / Audit Opinion**

Internal audit facilitated the preparation of the Compliance Policy Statement and the document summarising the structures and processes to secure material compliance with the Act.

The policy objectives set-out by Finance in the Compliance Policy Statement are consistent with those we have observed as part of our broader work in reviewing the system of internal control in the group and are appropriate.

Internal Audit has carried out testing on a sample of the processes and controls identified as being in place to secure compliance. The objective of the testing was to confirm that the processes and controls exist; that they are designed effectively and, finally, they are operating effectively in the period under review. We noted no adverse findings as part of our testing and the controls are consistent with those we have observed as part of our broader work during the year.

We conclude that it is appropriate to insert the disclosure (set-out in Section 2.2 above) into the accounts of the subsidiaries in scope.

**RTÉ Compliance Policy Statement, in accordance with Section 225  
of the Companies Act 2014**

**RTÉ Group Finance**

**March 2018**

This document sets out the policies in place to ensure material compliance by RTÉ subsidiary entities with “relevant obligations” as defined in Section 225 of the Companies Act 2014.

## Background

The Companies Act 2014 (“the Act”), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors’ report accompanying the company's financial statements.

Two RTÉ subsidiaries are determined to fall within scope of this section of the Act (based on the size criteria in sub-section 7 of section 225 of the Act):

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company’s compliance with its “relevant obligations”, as defined in the Act; and (ii) confirm, on a “comply or explain” basis, that certain assurance measures have been undertaken.

One of the assurance measures identified in the Act refers to drawing up a Compliance Policy Statement, which is the scope of this document.

## Definition of Relevant Obligations

Relevant obligations include all obligations under Irish tax law and certain obligations under Companies Act 2014, a breach of which could give rise to serious criminal sanctions.

### *Obligations under Irish tax law*

These obligations relate to the:

- Customs Acts;
- Statutes relating to excise duties and the management of those duties;
- Tax Acts;
- Capital Gains Tax Acts;
- VAT Acts;
- Capital Acquisitions Tax Consolidation Act; and
- Stamp Duties Consolidation Act 1999.

### *Other Companies Act 2014 obligations*

The relevant other obligations under the Act are those where a failure to comply would amount to:

- a) A category 1 or category 2 offence under the Act, which mainly relate to:

- i. failure to maintain proper accounts (*requirements in relation to accounting records, audits, and financial statements*);
  - ii. unlawful financial assistance;
  - iii. unlawful acquisition of a company's own shares;
  - iv. a subsidiary holding shares in its parent company;
  - v. provision of information to an expert for their report on a statutory merger or division;
  - vi. certain obligations on a winding up or dissolution; and
  - vii. acting in contravention of a restriction notice from the Director of Corporate Enforcement.
- b) A serious market abuse offence.
- c) A serious prospectus offence under Irish prospectus law.

## RTÉ Compliance Policy Statement

### **Taxation**

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Comply with the tax rules in the territories in which the company operates
2. Submit all taxation returns by the deadline in line with tax law and pay tax liabilities on or before the relevant due date
3. Follow the recommendations of the *Code of Practice for the Governance of State Bodies* (Tax Compliance, section 8.44 to 8.47 inclusive). In particular, the company will:
  - a. Not engage in unacceptable aggressive tax avoidance\* transactions; and
  - b. Carry out any proposed corporate restructuring plans for bona fide commercial reasons and not as part of any tax avoidance scheme. The company will not use artificial structures unrelated to the Company's business

However, this will not preclude the company from availing of all legitimate taxation arrangements in the normal course of business.

*\*In broad terms, tax avoidance is offensive if it involves the use of the tax code for a purpose other than that intended by the Oireachtas (including an unintended use of a tax incentive) with a view to reducing the amount of tax to be paid by the company or some other party to a transaction in which the company participates.*

4. Cooperate with the Tax Authorities and provide tax-related information and documents that may be requested by the Tax Authorities as soon as practicable and with the required scope
5. Engage professional taxation advisors on a timely basis, particularly in the case of the tax treatment of complex areas, or in the case of unique / non-standard contracts
6. Carry out prudent financial provisioning where an item is uncertain



7. Monitor changes in relevant tax law and practice and arrange training and briefing sessions as necessary

### **Internal Financial Control**

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Maintain accounting books and records, in line with legal and regulatory requirements, which disclose the assets, liabilities and financial position of the Group and RTÉ
2. Maintain financial reporting systems, with actual results reported against budget and considered by the Board of the applicable company on a regular basis
3. Document comprehensive policies & procedures and authority limits relating to operational and financial controls and update these regularly
4. Identify, control and report on key risks impacting the business, as part of a dedicated Risk Management function
5. Engage professional advisors on a timely basis, particularly in the case of non routine business transactions or complex areas

The company will not engage in any activities which would give rise to a category 1 or category 2 offence under the Companies Act 2014.

### **Structures and controls**

Structures, processes and controls are in place to implement the above policy objectives. These are documented and maintained under regular review.

Refer to the document titled “structures, processes and controls in place to ensure compliance with “relevant obligations”, as defined in Section 225 of the Companies Act 2014”

**Structures, processes and controls in place to ensure compliance with  
“relevant obligations”, as defined in Section 225 of the Companies  
Act 2014**

**April 2020**

## Background

The Companies Act 2014 (“the Act”), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors’ report accompanying the company's financial statements.

The directors must (i) acknowledge their responsibility for securing the Company’s compliance with its “relevant obligations”, as defined in the Act; and (ii) confirm, on a “comply or explain” basis, that certain assurance measures have been undertaken.

One of the assurance measures involves putting in place appropriate structures and processes to secure material compliance, which are explained in this document.

### **Structures, processes and controls in place to ensure compliance with relevant obligations, as defined in Section 225 of the Companies Act 2014**

1. Clearly defined roles and responsibilities, with authority limits and reporting mechanisms to higher levels of management:
  - Qualified Accountants, with appropriate skills and knowledge, in Group Finance and the IBD Finance Teams
  - Finance training and briefing sessions arranged as required
  - Review and sign-off procedures, by a more senior official, at various points in the financial and operational controls
  - Succession planning and work shadowing to ensure the process of preparing tax returns, monthly management accounts, etc. continues even in the non-availability of staff
  - Restricted access to network folders (G:) and financial systems based on job roles
2. Established procedures to identify, control and report on key risks impacting the business:
  - Key corporate risks identified by members of the Executive
  - Risk registers maintained locally
  - An Executive Sponsor and Risk Owner is assigned to all key corporate risks
  - Key Risk Indicators identified and measured to track movements in the likelihood and significance of risks
  - Actions to further mitigate risks, including responsibility and timeline to complete, are agreed with Risk Owners and monitored on a regular basis
  - Quarterly risk reports presented to the Audit and Risk sub-Committee of the Board
3. Comprehensive financial policies and procedures in place to ensure adequate books and account are maintained and regularly reviewed:
  - Annual Budgeting process in place (*see # 4 below*)
  - A statement of decisions reserved to the Board for consideration and decision, including financial authority limits

- Ongoing monitoring of revenues and costs against budget, via the monthly Group Management Accounts; discussed at Executive and Board level (*see # 5 below*)
  - A financial highlights document is submitted to members of the Executive, on at least a monthly basis
  - Capital budgeting process and meetings of the Capital Committee, with the capital budget approved by the Executive:
    - A196 capital forms (above a €100k threshold) submitted to the members of the Executive
    - Board approval for the capital investment strategy using the land sale proceeds
  - Formal business cases are evaluated by the Executive in respect of all new strategic initiatives
  - Periodic financial forecasting, as part of the broader system of internal financial control
  - Forecasts discussed at the Executive and timely action to address forecast variances identified
  - Divisional Finance teams in place to exercise financial control at a local level across the organisation
  - Ongoing cash management, supported by monthly rolling cash forecasts, in order to prudently manage cash reserves
  - Multi-year medium term financial projections prepared, periodically
  - Various value for money and cost reduction initiatives undertaken throughout the organisation
- 4. Comprehensive budgeting systems**
- A final agreed budget submitted to the Board for approval
  - Competing demands on the existing scarce financial resources are managed and prioritised by the members of the Executive in line with RTÉ's stated strategy
- 5. Financial reporting systems, with actual results reported against budget and considered by the Board on a monthly basis**
- Formal month end close procedures
  - Month-end timetable (including due dates, responsibilities and disclosure requirements)
  - The management accounts preparation process is automated directly from the nominal ledger
  - Significant variances between actual and budget (and, where applicable, between actual and forecast) are investigated prior to submission of the accounts to group financial control
  - The divisional financials are reviewed by a senior member of the finance team (independent of the preparer) and any outstanding matters resolved
  - The accounts are submitted to Central Finance in the standard monthly group reporting format

- Intercompany balances (*inter IBD and inter legal entity, both for income statement and balance sheet*) are reconciled prior to closing the books
  - Journal entry input is restricted to authorised personnel
  - Nominal ledger and bank account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary
6. Financial procedures are in place governing the preparation of taxation returns by the deadline:
- Taxation returns are reconciled to the balance on the relevant general ledger account
  - Source information used to compile the returns is gathered from the accounting records, with financial procedures in place within the relevant departments (*e.g. People Payments in respect of payroll taxes and Accounts Payable in respect of VAT, PSWT and RCT*)
  - The Corporation Tax return is submitted via KPMG
  - An appropriate Finance official carries out a review of the Taxation return for completeness and accuracy prior to submission
  - Professional taxation advice (KPMG) is taken on complex taxation matters, including assessing RTÉ's non-recoverable VAT rate
  - Taxation compliance meetings with KPMG
  - Prudent taxation provisioning for uncertain items. Specific tax provisions are signed-off by KPMG to ensure they are still valid
  - Ongoing advice and engagement with professional advisors in relation to specific matters and transactions during 2019, such as:
    - The Eversheds Review / the tax treatment of Independent Contractors
    - Revenue's 'aspect query' regarding the taxation of the land sale proceeds
    - The tax treatment of the art sale proceeds
- This is in addition to general advice from professional advisors on non-standard matters such as the overseas secondment of employees, etc.
- Briefings from taxation advisors on the tax implications of developments e.g. post the publication of the Finance Bill
  - A defined pre-planning and review process in place in the event of notification of any Revenue audit
7. Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business
8. A Good Faith Reporting (Whistleblowing) Policy is in place to provide staff with a confidential and, if required, anonymous means to report a matter of concern in a financial or business area

**Outline of the Audit and Risk Committee's Annual Review of the Compliance Processes, in accordance with Section 225 3(c) of the Companies Act 2014**

**15 April 2020**

## Annual Review of the Compliance Processes

The process adopted by the Audit and Risk Committee to undertake an annual review of the compliance processes, in accordance with Section 225 3 (c) of the Companies Act 2014, is as follows:

1. Review of the RTÉ Compliance Policy Statement prepared in accordance with Section 225 (2) of the Companies Act 2014;
2. Consideration of the structures, processes and controls in place to ensure material compliance “relevant obligations”, as defined in Section 225 (1) of the Companies Act 2014;
3. As part of point #2 above, consideration of the authority, resources and co-ordination of those involved in financial control functions and in the preparation of taxation returns;
4. Review of the programme of internal audit and consideration of major findings, in particular the existence of any control weaknesses or findings in areas which impact “relevant obligations” as defined in Section 225 (1) of the Companies Act 2014, whether relating to tax obligations or other financial matters;
5. Considering the papers presented to the Committee by Internal Audit in order to facilitate the Committee’s review, on behalf of the Board, of the effectiveness of the internal control system, as required under the Code of Practice for the Governance of State Bodies. The papers cover:
  - a. Results of the Internal Audit internal control self-assessment questionnaires
  - b. Report on compliance with the *Code of Practice for the Governance of State Bodies*
  - c. Report on Corporate Governance and Internal Control in the main operating subsidiary 2rn
  - d. Conclusion following a review of Effectiveness of Internal Control
6. Consideration of the results of Internal Audit’s spot checks of the controls in place to ensure compliance with “relevant obligations”;
7. Monitoring of quarterly risk reports from management and considering briefings from the Executive Sponsors of corporate risks;
8. Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

**3.  
INTERNAL  
AUDIT REPORT**



# RTÉ Internal Audit

## Review of Procurement Compliance *Year-ended 31 December 2019*

### Report 2 of 2 (Procurement Register)

9 April 2020

Final

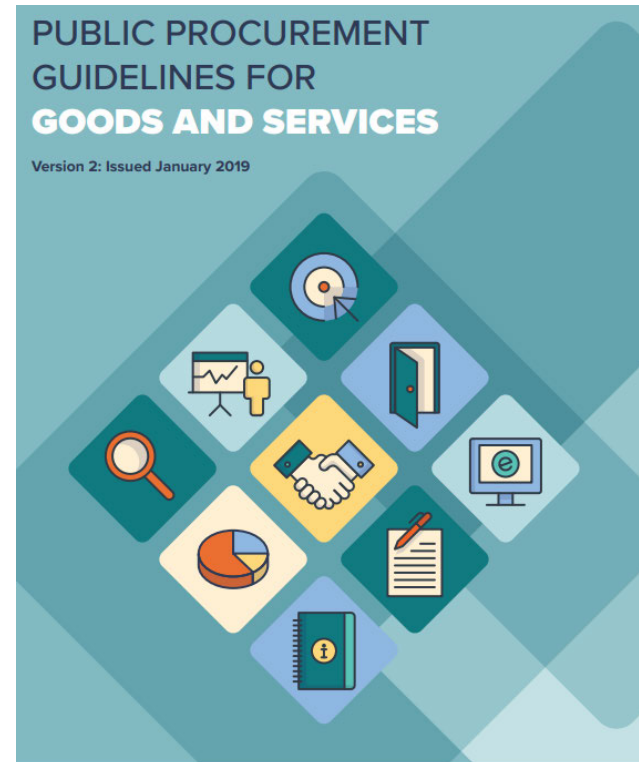
Full Report included separately in list of reports - not repeated here

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

**Finance:**

[Redacted Finance List]



**4.  
CODE OF PRACTICE FOR THE  
GOVERNANCE OF STATE BODIES**

# RTÉ Internal Audit

## Review of Compliance with the Code of Practice for the Governance of State Bodies

*Year-ended 31 December 2019*

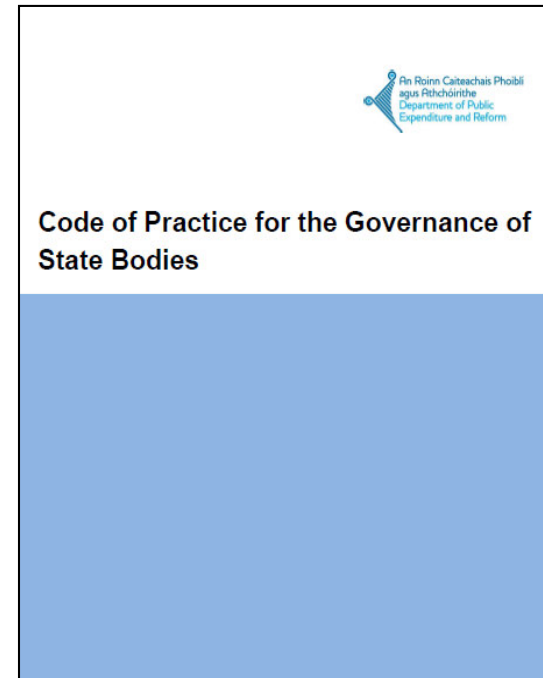
**9 April 2020**

**Circulation:**

Director-General  
Members of the Audit and Risk Committee  
Executive

Paula Mullooly, Director of Legal Affairs  
[Redacted]

Full Report included separately in list of reports - not repeated here



**5.  
COMMITTEE RESOLUTION ON  
INTERNAL CONTROL**

**5. COMMITTEE'S RESOLUTION ON INTERNAL CONTROL**

The members of the Audit and Risk Committee are required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board and recommend a statement to that effect in the Corporate Governance section of the Annual Report. Our conclusions are set-out below.

After reviewing the documents presented at the committee meetings of 18 March 2020 and 15 April 2020, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

- a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and
- b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2019. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

It is also appropriate to include a paragraph in the Board Members' Report in the RTÉ Group Annual Report confirming that actions have been implemented in subsidiary companies to meet the requirements for Directors' Compliance Statements.

The Chair's report to the Minister, in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies, will refer to the exceptions noted in relation to procurement.

Page 85 of the Annual Report contains a section on Internal Control and Risk Management. Furthermore, on page 86 (mid-page, below risk table), the report includes the following statement, which satisfies the requirements under the Code of Practice for the Governance of State Bodies:

*"The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements".*

The Annual Report then outlines the process to review the effectiveness of internal control.

**6.  
DRAFT CHAIR'S REPORT  
TO THE MINISTER**



**Raidió Teilifís Éireann**

**Chair's Report to the Minister for Communications, Climate Action and Environment in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies**

**Year ended 31 December 2019**

**Draft: Audit and Risk Committee 15.4.2020**

DRAFT

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## ATTACHMENTS

- RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2019
- Checklist for the Code of Practice for the Governance of State Bodies (2016)



## Foreword

This report fulfils RTÉ's reporting requirements to the Minister for Communications, Climate Action and Environment, as prescribed by paragraph 2.6 of the 2016 *Code of Practice for the Governance of State Bodies* ("Code of Practice"). The sub-requirements of paragraph 1.9 (i – xvi) of the Code of Practice's Business and Financial Reporting Requirements are cross-referenced below.

### 1. Commercially significant developments - paragraph 13.1 i)

The Chair's Statement, the Director-General's Review and the Financial Review, as contained in the annual report for the year ended 31<sup>st</sup> December 2019, consider the commercially sensitive developments affecting RTÉ during 2019.

A brief summary of the contents of the key reports is set-out below.

- The Chair's Statement considers the role of public media in a changing media landscape and outlines the work of the Board in promoting public awareness of the challenges faced by RTÉ. The Statement explains the development of a revised strategy aimed at sustaining RTÉ's role at the centre of Irish life and culture, while stabilising the organisation's finances.
- The Director-General's report on page 20 of the annual report summarises RTÉ's services to the audience during 2019, including a selection of the content highlights. The report also outlines the financial challenges experienced during the year and the comprehensive change programme underway, aligned with the updated strategy.
- The Financial Review on page 22 of the annual report presents the financial results for the year ended 31 December 2019 and sets-out the financial highlights for the key components of performance including commercial revenue, television licence revenue, operating costs, cash flow & borrowings and pensions. The report also explains the capital expenditure projects in 2019 and pension matters.

The Financial Review outlines the financial outlook for 2019, including the impact of inadequate levels of operational funding from both licence fee and commercial revenue needed to fund the organisation's obligations.

In addition, further business developments during the year are contained in the business review sections: What We Made (page 34), What We Did (page 52) and What We Do (page 64).

### 2. Statement on the system of internal control - paragraph 1.9 iv)

#### *Scope of Responsibility*

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that an ongoing process for identifying, evaluating and managing RTÉ's significant risks has operated throughout the year and up to the date of approval of the financial statements.

### *Risk and Control Framework*

RTÉ has established a risk-management framework which consists of structures; the assignment of risk responsibilities; procedures and systems for risk identification, assessment and reporting; and monitoring of the effectiveness of mitigation actions.

The key components of the system of internal control currently in place are:

- A clearly defined organisation structure, with formally defined authority limits and reporting mechanisms to higher levels of management and to the Board;
- A statement of decisions reserved to the Board for consideration and decision;
- Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business;
- Established procedures to identify, control and report on key risks impacting the business;
- Comprehensive budgeting systems, with annual financial budgets approved by the Board;
- A planning process for each division, with long-term strategic plans approved by the Board;
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis;
- A Good Faith Reporting Policy to provide staff with a confidential and, if required, anonymous means to report a matter of concern;
- Comprehensive policies and procedures relating to operational and financial controls, including commitments and capital expenditure. Large capital projects require the approval of the Board.

Throughout the year, RTÉ operated a risk-management process designed to identify the key risks facing the business and to report to the Audit and Risk Committee and the Board on how these risks are being managed. The Board focuses primarily on those risks capable of undermining the RTÉ strategy, or risks which could adversely affect the long-term viability or reputation of RTÉ. The risk-management process comprises two phases – a strategic risk assessment undertaken by the Executive and a local risk assessment exercise carried out by line management in the divisions.

The members of the RTÉ Executive determine the risks impacting the successful delivery of the RTÉ strategy. Risks designated as key risks are assigned an Executive Sponsor and Risk Owner and are subject to ongoing review and monitoring during the year. The Risk Owners track the drivers of each risk and document the controls in place to mitigate the risk. In addition, risk indicators are identified to assist in monitoring changes in the likelihood of the occurrence of a risk. This exercise is summarised in a consolidated strategic risks document. This work is overseen and reviewed by a risk function and is linked to the broader strategic planning process. The Audit and Risk Committee also receives quarterly updates on the status of risks, changes in risk indicators and updates on mitigating actions.

Aligned with the strategic risk-assessment process explained above, local risk registers are maintained to consider key risks, evaluate the probability of those risks occurring and assess the likely impact should the risks materialise. The actions taken to manage each risk are recorded.

As part of the risk identification process explained above, the principal areas of risk which could materially adversely affect the Group's business, financial condition, or results, have been identified. The risks are set-out in the table on pages 84 – 86 of the 2019 annual report.

### *Ongoing Monitoring and Review*

Formal procedures are in place for monitoring the control processes and the following monitoring systems are in place:

- As outlined above, key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies. Movement in risk is tracked quarterly;
- The system of internal control is reviewed systematically by Internal Audit, on a risk based approach. (Any control deficiencies identified via the Internal Audit programme of work are communicated to management responsible for taking corrective action and to the Audit and Risk Committee. The status of implementation of improvements is tracked);
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis. Periodic financial forecasting takes place; and
- Other reporting and monitoring arrangements have been established at all levels throughout the business where responsibility for financial management has been assigned.

### *Procurement*

RTÉ has procedures in place to ensure compliance with EU and national procurement rules and guidelines. A procurement policy, procedures and associated documents are posted prominently on RTÉ's intranet site and communicated to staff. Training takes place at appropriate intervals.

A contracts database and monitoring system is also in place to identify instances of non-competitive procurement for expenditure above €25,000, which is monitored by the Procurement Department.

A recent Internal Audit Report highlighted some instances of non-compliant procurement during the year ended 31 December 2019.

The audit findings highlight non-compliant procurement relating to 2.0% (2018 – 1.9%) of purchases in value terms, which represents 54 out of 1,875 suppliers of goods and services in 2019.

In considering the non-compliance outlined above, the following historic factors are relevant:

- As a result of constrained capital investment, RTÉ's financial systems are old and at the end of useful life. There is limited monitoring functionality in the purchasing system which increases the difficulty of tracking tendering arrangements;
- Different payment systems exist for different categories of purchases. The purchase of goods and services are managed separately to the engagement of individuals under 'contract for services' arrangements;
- There is a high volume of diverse suppliers of products and services necessary to support the breadth and variety of RTÉ's remit and services; and
- Managerial responsibility for supplier relationships and purchasing was traditionally fragmented across six divisions in RTÉ, which increased the difficulty of centralised monitoring of procurement and tracking data on historic tendering arrangements.

The Board considered the impact of the audit findings on RTÉ's overall compliance with the Code of Practice. The Board also took account of the actions agreed to address the findings, noting that these actions (overleaf) are now in progress.

The key actions include:

- A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems;
- New processes and policy implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds;
- The reorganisation of RTÉ has created new consolidated divisions and co-located teams. Oversight of many key supplier relationships is now consolidated, resulting in better centralised managerial responsibility; and
- Managers in the Procurement Department are overseeing procurement activity by expenditure category.

Over the course of time, competitive processes will be carried out to address the instances of non-compliant procurement.

Finally, a follow-on review of procurement procedures will be carried out by Internal Audit in 2020 in order to monitor the implementation of the actions. The results will be reported to the Audit and Risk Committee.

Taking the above factors and improvements into account, the Board therefore considers the non-compliance to be reflective of historic issues being addressed by actions, as opposed to being reflective of a broader control weakness in the internal control environment.

#### *Review of Effectiveness*

The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements.

The process adopted by the Board to undertake the review of the effectiveness of the system of internal controls included:

- Consideration of the authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by RTÉ;
- Review and consideration of the output of the risk assessment and management process;
- Monitoring of risk reports from management – the strategic risks document is presented to the Audit and Risk Committee and to the Board as part of its review of the effectiveness of the system of internal control;
- Review of the programme of internal audit and consideration of major findings; and
- Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

For further details, please refer to the internal control and risk management section of the corporate governance report contained in the 2019 annual report (page 86).

### 3. Statement of compliance

RTÉ and its subsidiary undertakings have complied with the other requirements of paragraph 1.9 of the Code of Practice (Business and Financial Reporting Requirements) during 2019 and up to the date of this report. More specifically:

- Paragraph 1.9 i): A summary of commercially significant developments during the year is set-out in the annual report and cross-referenced in Section 1, above.
- Paragraph 1.9 ii): There are no off-balance sheet financial transactions to disclose;
- Paragraph 1.9 iii): All appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out;
- Paragraph 1.9 iv): See Section 2 above for the statement on the system of internal control;
- Paragraph 1.9 v): Codes of Business Conduct for Board Members and Employees have been put in place and adhered to;
- Paragraph 1.9 vi): Government policy on the pay of the Director-General and all State body employees is being complied with;
- Paragraph 1.9 vii): Government guidelines on the payment of Directors' fees are being complied with (see emoluments and expenses disclosure – page 87 – in the corporate governance report in the 2019 annual report);
- Paragraph 1.9 viii): not applicable – no matters in the year under review;
- Paragraph 1.9 ix): subsequent events – the following matters, subsequent to the year-end, merit reference:
  - Four Board members completed their term of office on 16 February 2020: Eoin McVey, Shane Naughton, Fionnuala Sheehan and Margaret E. Ward
  - Connor Murphy was appointed to the Board in March 2020, replacing Frank Hannigan who stepped down in June 2019
  - In common with other organisations, RTÉ has implemented various measures to deal with the impact of the Covid-19 pandemic. These include changes to operations, programme schedules and work arrangements. Work is ongoing at the date of this report, which includes updated plans to mitigate the significant financial consequences of the pandemic.

There were no other significant post balance sheet events affecting RTÉ between the year-end date of 31<sup>st</sup> December 2019 and the date of the approval of the group financial statements.

- Paragraph 1.9 x): the requirements of the Department of Public Expenditure and Reform Public Spending Code are complied with via: RTÉ's capital budgeting process; Capital Committee; financial procedures and Capital Approval Form; financial reporting systems and project management processes;

- Paragraph 1.9 xi): procedures are in place for the making of protected disclosures, supported by the RTÉ Good Faith Reporting Policy (2016) and an independent confidential reporting line for staff. See page 158 of the 2019 annual report for the report required under Section 21(1) of the Protected Disclosures Act 2014;
- Paragraph 1.9 xii): Government travel policy requirements are being complied with;
- Paragraph 1.9 xiii): RTÉ complied with its obligation under tax laws. In the case of in-scope subsidiaries, a Compliance Statement is included in the directors' report accompanying the company's financial statements;
- Paragraph 1.9 xiv): there are no applicable, active, legal disputes with other State bodies;
- Paragraph 1.9 xv): The Board of RTÉ has adopted the Code of Practice and it is being complied with; and
- Paragraph 1.9 xvi): RTÉ subsidiary entities continue to operate for the purpose of which they were established.

The Board has also adopted the corporate governance and other obligations imposed by the *Ethics in Public Office Act, 1995* and the *Standards in Public Office Act, 2001*.

#### **4. Additional Disclosures in Relation to Certain Categories of Expenditure**

Section 1.3 (Business and Financial Reporting Requirements) of the Code of Practice outlines additional disclosure requirements in respect of certain expenditure.

The document "Guidance on the application of Code of Practice for the Governance of State Bodies", issued by the Corporate Governance Division of the Department of Communications, Climate Action and Environment in late 2017, provides guidance regarding the format of disclosure of information which may have commercial sensitivity or data protection implications under the new Code of Practice. As agreed with Departmental Officials, RTÉ is making a number of the additional disclosures via this report, as opposed to the RTÉ Annual Report on grounds of commercial sensitivity / data protection. Please refer to Appendix 1.

This report should be read in conjunction with the annual report and group financial statements for the year ended 31<sup>st</sup> December 2019, which is attached. The Code of Practice Checklist is included with this document.

  
Chair

**On behalf of the Board**

**XX April 2020**

## **Appendix 1 – Additional Disclosures in Relation to Certain Categories of Expenditure**

Selected financial disclosures, required by Section 1.3 of the Code of Practice (Business and Financial Reporting Requirements), are set-out below. As explained in Section 4 above, some disclosures are contained in the RTÉ Annual Report and Group Financial Statements.

**Travel and Subsistence - €2,874k**

**XX**

**Hospitality Expenditure**

**XX**

**Legal costs / settlements**

**XX**

**Consultancy Costs**

**XX**

**Employee Benefits / Pay bands**

**XX**

**Termination/Severance Pay Agreements**

**XX**

DRAFT

**7.**  
**TECHNICAL UPDATES /**  
**RECENT DEVELOPMENTS**



**7 TECHNICAL UPDATES / RECENT DEVELOPMENTS****7.1 FRC GUIDANCE FOR COMPANIES AND AUDITORS DURING COVID-19 CRISIS**

On 26 March 2020 the Financial Conduct Authority (FCA), the Financial Reporting Council (FRC) and the Prudential Regulation Authority (PRA) announced a series of actions to ensure that information continues to flow to investors and to support the continued functioning of capital markets. These actions are not directly relevant to RTÉ, as a State Body, but are indicative of the views of comparable regulators.

The actions include:

- A statement allowing listed companies an extra two months to **publish** their audited annual financial reports.

Timetables will likely have been set before the full implications of Covid-19 and that may need to be revised in some cases. The FRC recommends that listed companies review all elements of their timetables for publication of financial information in order to make appropriate use of the time available within regulatory deadlines to ensure accurate and carefully prepared disclosures.

- **Guidance** from the FRC **for companies** preparing financial statements in the current uncertain environment.

Many companies preparing financial statements are facing unprecedented uncertainty about their immediate prospects in an environment that may challenge, or disrupt, their usual management and governance processes. The FRC encourages Boards to:

- Pay attention to capital maintenance (including considerations regarding dividends, reserves etc) and cash flow management.
- Consider how they will secure reliable and relevant information, on a continuing basis, in order to manage their future operations and those of their workforce and suppliers, including the flow of financial information from significant subsidiary, joint venture and associate group entities.
- Develop and implement mitigating actions and processes to ensure that they continue to operate an effective control environment: in particular, addressing any key reporting and other controls on which they have placed reliance historically, but which may not prove effective in the current environment.

Making forward-looking assessments and estimates is particularly difficult. The FRC has prepared guidance for companies to help them make key forward-looking judgements as consistently as possible.

- Guidance from the FRC for **audit firms** seeking to overcome challenges in obtaining audit evidence.

In order to be able to give an audit opinion, the auditor must obtain sufficient, appropriate audit evidence. However, the current circumstances create obstacles to carrying out audit procedures arising from restrictions over accessing information, as one example. The FRC provides a list of factors auditors should be considering when carrying out audit engagements, including guidance on auditing management's assessment of going concern.



**PART 1: AUDIT AND RISK COMMITTEE MEETING 16 MARCH 2022**



## RTÉ INTERNAL AUDIT

### REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 16 MARCH 2022

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**1. Overview of Internal Control**