

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: Paula Mullooly, RTÉ Group Secretary

From: Peadar Faherty, Head of Internal Audit

Date: 11 March 2022

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 16 March 2022 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 21 April 2022. 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

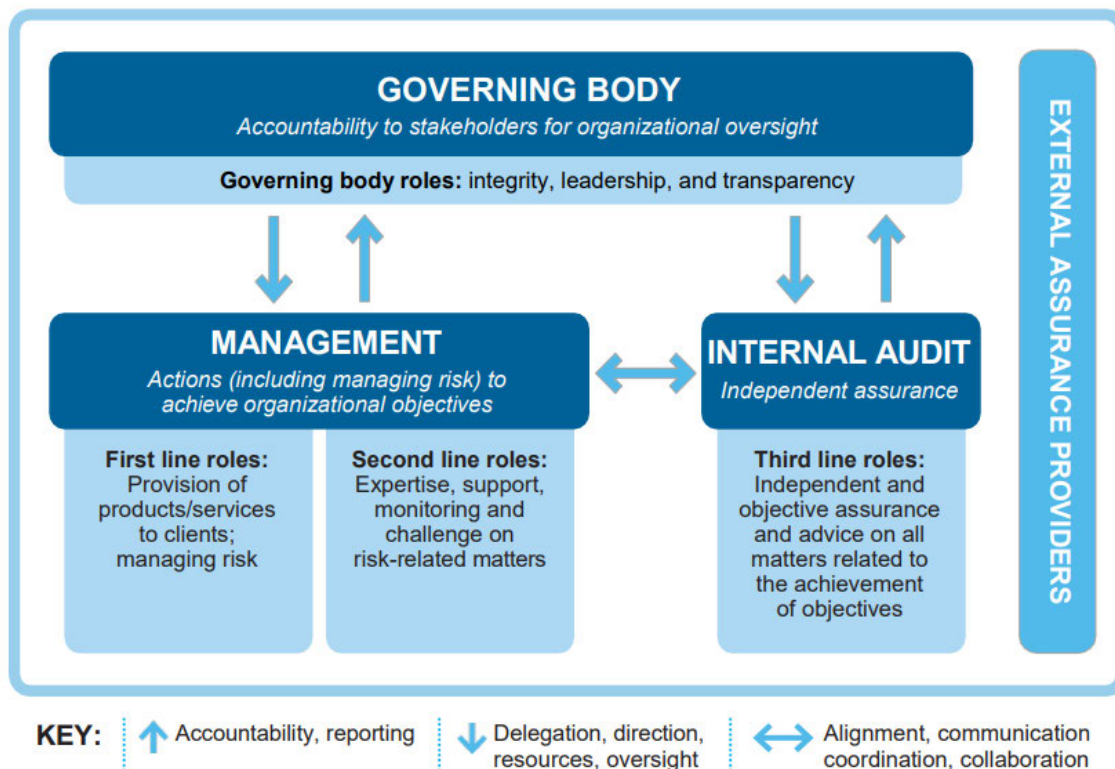
Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. The roles and duties of various parties in the internal control system are illustrated in the "Three Lines Model" overleaf, published by the Institute of Internal Auditors.

Internal control encompasses a broad range of processes and activities throughout the organisation such as the following:

- policies and procedures
- approvals
- authorisation limits and delegated authorities
- reconciliations
- financial management information systems

The Board is responsible for ensuring that effective systems of internal control are implemented.

The Three Lines Model



3. Why review the effectiveness of Internal Control?

3.1 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 for the year under review and up to the date of approval of the annual report and financial statements”

There are a number of reporting requirements as a result of the Code of Practice, as follows:

3.1.1 Annual Report

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 2021.

The external auditors are required review this statement. RTÉ also reports on compliance with the Code of Practice in the Corporate Governance report in the annual report.

3.1.2 Chair’s report

The Chair’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.

3.1.3 Checklist

A comprehensive Code of Practice Checklist (addressing 134 compliance items, including internal control) must be submitted by RTÉ to Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media.

3.2 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 prior financial year ended 31 December 2020, 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.

3.3 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 21 April 2022 **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 Audit and Risk Committee 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.	16 March 2022
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.	16 March 2022
3	The Quarterly Risk Update for Q1 2022, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	Risk papers
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	21 April 2022
5	A comprehensive Code of Practice Checklist will be submitted by RTÉ to Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media by end April 2022. This will be accompanied by supporting documentation and back-up.	21 April 2022
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.	21 April 2022
7	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2021, addressing the following areas: <ul style="list-style-type: none"> • Purchase receipting and • Tendering aspects (RTÉ's compliance with Section 8.16 of the <i>Code of Practice for the Governance of State Bodies</i>) 	21 April 2022

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>	21 April 2022
9	Committee's resolution on internal control and recommendation to the Board.	21 April 2022 / 28 April 2022
10	Committee's resolution on certification that treasury procedures are in place, as mandated under the Department of Finance <i>Requirements and Conditions</i> document, and recommendation to the Board.	21 April 2022 / 28 April 2022

(2A) Internal Control in 2rn:

- **Financial Control procedures**



2A INTERNAL CONTROL IN 2rn**2.1 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.

2.2 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

Review of 2rn Internal Financial Control

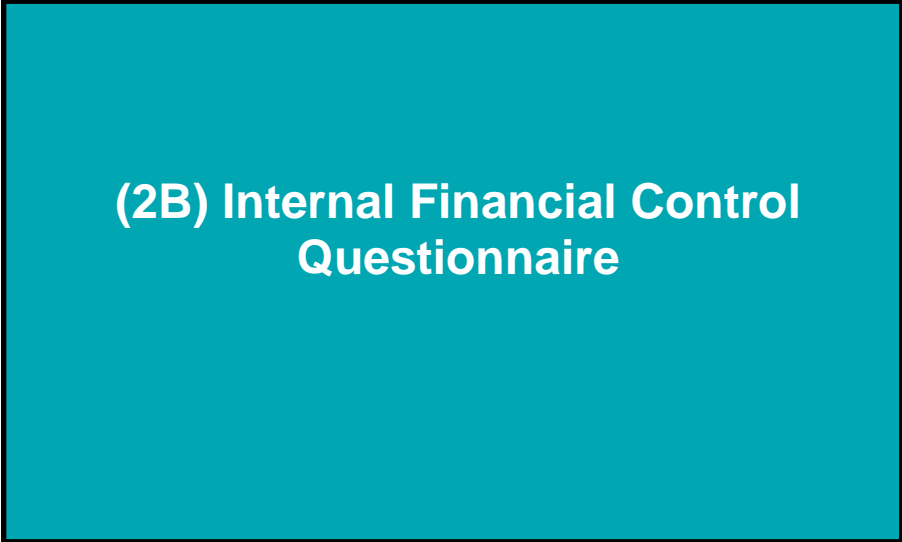


24 February 2022

Full Report included separately in list of reports - not repeated here



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**(2B) Internal Financial Control
Questionnaire**

2B INTERNAL FINANCIAL CONTROL

2.1 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.

2.2 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.

2.3 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.

We have set-out overleaf, 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.

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 2021

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	96%	<i>Immaterial</i>	N/a	N/a	71%	N/a	N/a	83%
C	Inventory	N/a	95%	N/a	100%	<i>Immaterial</i>	N/a	N/a	98%
D	Cash and Treasury*	99%	N/a	N/a	N/a	N/a	N/a	N/a	99%
E	Fixed Assets	99%	84%	84%	98%	97%	99%	99%	94%
F	People Payments	92%	81%	81%	81%	97%	96%	81%	87%
G	Management Accounts/Financial Close	96%	92%	92%	95%	90%	95%	98%	94%
H	Taxation Administration & Compliance*	88%	Taxation function in Group Finance						88%

* 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*)

2.4 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.

2.5 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.



**(3) Audit work to facilitate
Board certification**

3 FINANCIAL TRANSACTIONS OF CERTAIN COMPANIES AND OTHER BODIES ACT, 1992 / TREASURY POLICIES**3.1 BACKGROUND**

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.

3.2 AUDIT WORK AND CONCLUSION

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. See overleaf for a memorandum and further details.

We conclude that it is in order for the Board to confirm / certify that:

- Procedures are in place as mandated under the Department of Finance *Requirements and Conditions document*; and
- RTÉ has acted in accordance with document.

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 Table 1 for the specific items to be included in the Policies and a check of compliance.</p> <ul style="list-style-type: none">• RTÉ Treasury Policy• Management & Investment of Land Sale Proceeds Policy Statement

	Board Responsibility	Audit of Compliance
	<i>borrowings and the currency distribution of debt and foreign currency transaction exposures.</i>	
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

	Board Responsibility	Audit Process
A)	It shall also be the responsibility of the Board to ensure that the contracts of RTÉ are: <ul style="list-style-type: none"> – Entered into only for the purposes set out in Section 2(1) of the Act and – subject to, and in compliance with: <ul style="list-style-type: none"> ○ the Minister for Finance’s <i>Requirements and Conditions document</i> and ○ the policies established by the Board. <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 Table 2 for a check of compliance.
		See Table 3 for a check of compliance with the document. <ul style="list-style-type: none"> – Review of RTÉ Treasury Policy and Land Sale Policy Statement – Review of position at year-end / discussion with relevant personnel
		As above
B)	The Board shall certify annually that: <ul style="list-style-type: none"> • Such procedures are in place and • RTÉ has acted fully in accordance with the Minister for Finance’s <i>Requirements and Conditions document</i>. 	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 Section 5 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	<p>Refer b) below for banking licences: x 4 counterparties.</p> <p>██████████</p> <p>Limited are approved counterparties for FX <u>execution only</u>. Both authorised by Central Bank of Ireland:</p> <ul style="list-style-type: none"> • ██████████ Regulation 18 of the European Union (Payment Services) Regulations 2018 • ██████████ 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 <p>██████████ A1 is one ranking below Aa3 (long term rating). There is a small balance in ██████████ for the ██████████</p>

Table 3 – Other Specific Requirements Regarding Transactions

Requirement		Where addressed in RTÉ Policies	
			and misc. outgoings. [REDACTED] compliant with short term rating.
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"> • [REDACTED] • [REDACTED] • [REDACTED] • [REDACTED]
	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	✓	

Table 3 – Other Specific Requirements Regarding Transactions

Requirement		Where addressed in RTÉ Policies	
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	✓	██████████ at A1, achieves the short-term rating. See b) for those under banking licence.
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

Table 3 – Other Specific Requirements Regarding Transactions

Requirement		Where addressed in RTÉ Policies	
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	
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 2021 are also relevant, in particular sub-section (g) (*Derivative financial instruments*).

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.

Peadar Faherty
8 March 2022



Appendix 1 – Questionnaire

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2021

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	96%	<i>Immaterial</i>	N/a	N/a	71%	N/a	N/a	83%
C	Inventory	N/a	95%	N/a	100%	<i>Immaterial</i>	N/a	N/a	98%
D	Cash and Treasury*	99%	N/a	N/a	N/a	N/a	N/a	N/a	99%
E	Fixed Assets	99%	84%	84%	98%	97%	99%	99%	94%
F	People Payments	92%	81%	81%	81%	97%	96%	81%	87%
G	Management Accounts/Financial Close	96%	92%	92%	95%	90%	95%	98%	94%
H	Taxation Administration & Compliance*	88%	Taxation function in Group Finance						88%

*** 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*)

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	3.5							3.5
6	Score the effectiveness of the procedures for confirming balances with suppliers	3.5							3.5
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					3			3.0
13	Score the effectiveness of the procedures and controls over the invoicing of customers	3.5							3.5
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer					2.5			2.5
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.5							3.5
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

23.0				8.5		
96%				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.)		3.9		4	<i>Immaterial</i>			4.0
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		4				3.9
23	Score the effectiveness of the month end inventory accounting procedures		3.8		4				3.9

Total Score for Inventory Processes

	15.2		16			
	95%		100%			

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	3.8							3.8
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	3.9							3.9
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

23.7							
99%							

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	3	3.75	3.5	3.9	3.8	3.5
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	4	4	4	4	3.9
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	4	4	4	3.9

Total Score for Fixed Assets Processes

15.8	13.5	13.5	15.75	15.5	15.9	15.8
99%	84%	84%	98%	97%	99%	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	4	3.5	3.5	3	4	3.7	3.5	3.6
39	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	3	3	3.5	3.75	4	3	3.3

Total Score for People Payments Processes

22.1	6.5	6.5	6.5	7.75	7.7	6.5
92%	81%	81%	81%	97%	96%	81%

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	4	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	19.05	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	3.5	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%						

**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 2022



RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 21 APRIL 2022

Circulation:

Anne O'Leary (Chair)
Susan Ahern
Moya Doherty
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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 16 March 2022 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 for the year under review and up to the date of approval of the annual report and financial statements”

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 three areas at its meeting on 16 March 2022:

- ✓ Corporate governance and financial control in subsidiaries
- ✓ Treasury policies / compliance with the Department of Finance requirements
- ✓ The internal financial control self-assessment questionnaires

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 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 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). 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 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 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 2022

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 2021, such as:
 - The tax treatment of Independent Contractors
 - Revenue / Department of Social Protection 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 2022

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 2021*

Report 2 of 2 (Procurement Register)

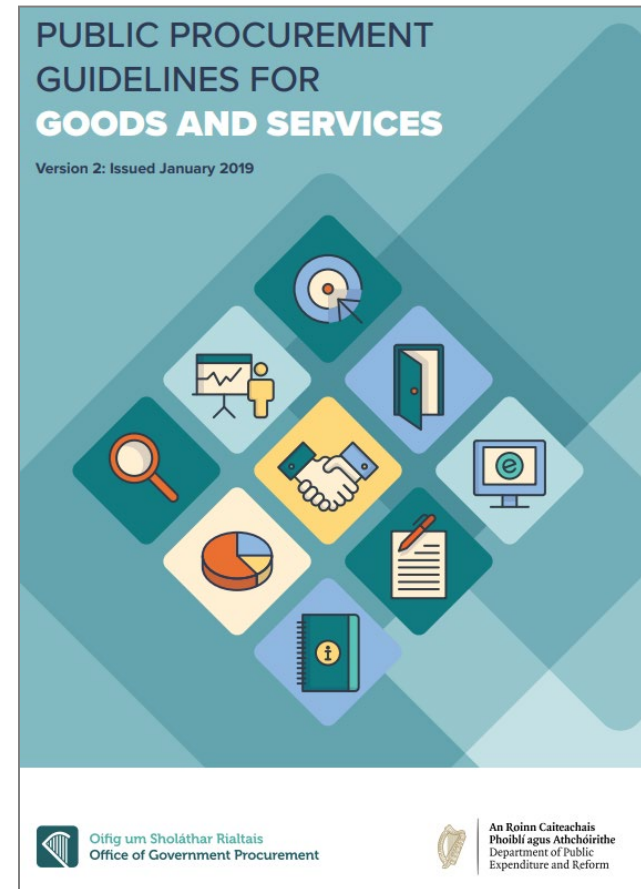
31 March 2021

Full Report included separately in list of reports - not repeated here

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

**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 2021

14 April 2022

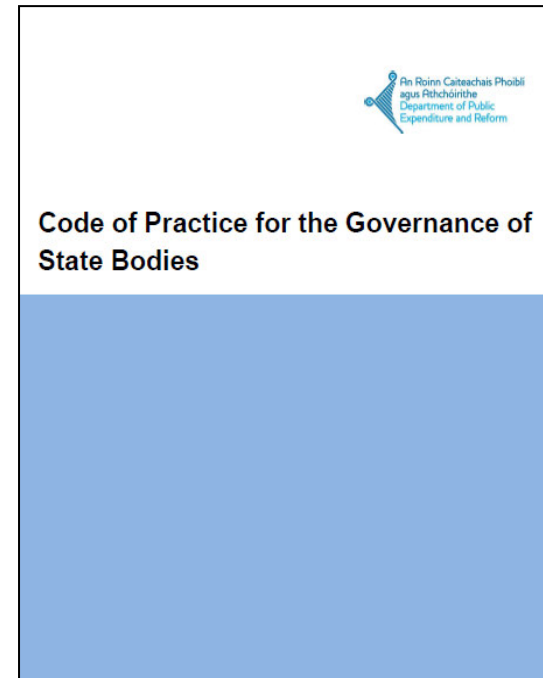
Full Report included separately in list of reports - not repeated here

Circulation:

Director-General

Members of the Audit and Risk Committee

Executive



**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 16 March 2022 and 21 April 2022, 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 2021. *(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 91 of the draft Annual Report 2021 contains a section on Internal Control and Risk Management. Furthermore, on page 94 (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 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 2021

Draft 14 April 2022

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ATTACHMENTS

- RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2021
- 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 31st December 2021, consider the commercially sensitive developments affecting RTÉ during 2021.

A brief summary of the contents of the key reports is set out below.

- The Chair's Statement reflects on how the critical role played by public media as a source of reliable and trusted information was crucial during the pandemic over the last two years.

The statement explains how support for public service media in Ireland remains under threat. There is a consensus that the traditional licence fee model for funding public service media in Ireland is fundamentally broken, resulting in a loss to both public service media and the independent production sector of approximately €65m per year. RTÉ is an important catalyst for the growth of the independent production sector, but its capacity to invest in the sector has halved since 2008 due to financial constraints.

- The Director-General's report on page 20 outlines how, throughout 2021, RTÉ created work of high public value in news, investigative reporting, arts and cultural experiences, sporting participation, original drama, entertainment and children's programming. The report summarises RTÉ's services to the audience during 2021, including a selection of the content highlights as RTÉ supported the nation during the pandemic.

The report explains how RTÉ has become a more sustainable organisation, achieving the globally recognised international energy management standard, ISO 50001, becoming the first broadcaster in the UK or Ireland to do so. The report also highlights RTÉ's involvement in various fundraising initiatives to connect the Irish public with those who are in need.

- The Financial Review on page 22 of the annual report presents the financial results for the year ended 31 December 2021 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 2021 and regulatory matters.

The Financial Review outlines the financial outlook for 2022 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 Did (page 32), What We Won (page 46), What We Made (page 48), and What We Do (page 70).

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 (updated in 2021) 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 92 – 94 of the 2021 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 2021.

The audit findings highlight non-compliant procurement relating to 1.1% (2020 – 1.6%) of purchases in value terms, which represents 21 out of 1,686 suppliers of goods and services in 2021.

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 late 2022 / early 2023 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 2021 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 2021 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 88 – in the corporate governance report in the 2021 annual report);
- Paragraph 1.9 viii): not applicable – no matters in the year under review;
- Paragraph 1.9 ix): subsequent events:
 - Jonathan Ruane was appointed to the Board of RTÉ to fill the one remaining vacancy.

There were no significant post balance sheet events affecting RTÉ between the year-end date of 31st December 2021 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 and an independent confidential reporting line for staff. See page 166 of the 2021 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. Annex on Gender Balance, Diversity, and Inclusion

Circular 14/2020 (17 September 2020) refers to the publication of the Code Annex (2020) which sets out requirements regarding gender balance, diversity and inclusion on State boards and in State bodies.

Section 81 (3) of the Broadcasting Act 2009 already provides for gender balance in the composition of the Board of RTÉ by requiring that its members include no fewer than five men and five women.

Report in accordance with additions to Code provision 2.6:

- At 31 December 2021, there are five women and six men on the Board of RTÉ. The Board therefore meets the Government target of a minimum of 40% representation of each gender in the membership of State Boards

Report in accordance with new Code provision 4.10:

The approach being adopted regarding the promotion of diversity and inclusion, including gender, is reported as follows:

- Page 32 to 44 of the annual report (What We Did section)
- Page 91 of the Corporate Governance statement in the annual report

5. 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 31st December 2021. The Code of Practice Checklist is submitted electronically with this document.



Chair

On behalf of the Board

XX April 2022

7.
TECHNICAL UPDATES /
RECENT DEVELOPMENTS

7 TECHNICAL UPDATES / RECENT DEVELOPMENTS**7.1 PROPOSED SUSTAINABILITY STANDARDS*****Overview***

On 30 March 2022, the International Sustainability Standards Board ('ISSB') launched a consultation on its first two proposed standards:

- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information; and
- IFRS S2: Climate-related Disclosures.

These consultations are in the form of exposure drafts which stakeholders can respond to. The ISSB is inviting comments to the consultations by 29 July 2022.

Background

The creation of the ISSB was announced on 3 November 2021 at COP26 following the increased desire from stakeholders for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance matters. The goal of the ISSB is to develop a set of global sustainability disclosure standards. The group intends to build on the work already done on sustainability reporting by the existing standard setters.

Earlier in March 2022, the IFRS Foundation (who set IFRS financial standards) and Global Reporting Initiative ('GRI') announced a collaboration agreement under which their respective standard-setting boards – the ISSB and the Global Sustainability Standards Board ('GSSB') – will seek to coordinate their work programmes and standard-setting activities. GRI currently provides the world's most widely used standards for sustainability reporting: the GRI Standards.

The agreement reflects the importance of ensuring compatibility and interconnectedness of baseline sustainability information that meets the needs of the capital markets, while also serving the needs of a broader range of stakeholders. Both bodies recognise the considerable public interest in aligning where possible their respective work programmes, terminology and guidance, helping to reduce the reporting burden for companies and to further harmonise the sustainability reporting landscape at an international level.

Standards

The proposed standards set out requirements for the disclosure of material information about a company's significant sustainability-related risks and opportunities that is necessary for investors to assess a company's enterprise value. IFRS Sustainability Disclosure Standards are intended to provide a global baseline and to be compatible with jurisdiction-specific requirements, including those intended to meet broader stakeholder information needs.

RTÉ Internal Audit

Report on Commercial Revenue – Television

4 November 2013

Circulation:

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



Executive Summary: Background

Background

Budgeted Revenue

Television is budgeted to generate [REDACTED] in commercial revenue for the year ended 31 December 2013, of which [REDACTED] relates to advertising and sponsorship income. Approximately 57% of RTE's net commercial revenue relates to advertising and sponsorship income in Television.

Financial Update

Television IBD has generated commercial income of €60.9m year-to-date September 2013. This may be analysed against budget as follows:

Television Commercial Revenue 30 September 2013	Actual YTD €m	Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	60.9	[REDACTED]	-4	-6%
<i>Broken Down by Revenue Type:</i>				
Advertising	53	[REDACTED]	-4.7	-8%
Sponsorship	4.5	[REDACTED]	0.00	0%
Other	3.4	[REDACTED]	0.7	26%

People / Departments

There are circa 38 staff (FTE) in the Television sales function, reporting to the Commercial Director [REDACTED]. Staff are assigned into one of three teams: Negotiation; Implementation; and Client Sales.

How TV Advertising is sold

TV Ratings across eighteen different audience demographics are sold to advertisers throughout the year based on an annual deal sheet. While most deals are with advertising agencies acting on behalf of advertisers, a small number of advertising clients deal directly with RTE.

The deal sheet specifies the discount that RTE will offer to the client against the published cost per thousand ratings figure.

Under/over deliveries of TV ratings will arise where actual TV ratings delivered by RTE differ to those sold, and will result in deal credit/debt. This is tracked monthly, reviewed with the client and addressed each quarter.

Trading System

In October 2011, the Competition Authority entered into an Agreement and Undertakings with RTE following an investigation conducted by the Authority on the scheme operated by RTE for the sale of television advertising airtime to advertisers.

The Authority's investigation focused on the scheme under which the discounts granted to individual advertisers depended, among other factors, on the percentage (or share) of the advertisers' total television advertising budget committed with RTE.

From 1 July 2012, RTE introduced a new trading system which abolished the revenue share deal component of the advertising system.

The new trading/discount structure has five elements including: a graduated expenditure discount, an early agreement discount, a run of year discount, an advanced booking discount and a new advertiser discount. The first of these is a volumetric incentive designed to encourage customers to increase spend. The remaining four are behavioural discounts that help RTE to achieve its planning and administrative efficiencies.

IT Systems

The following are the key systems impacting the sales process:

- [REDACTED] Airtime sales processing system
- [REDACTED] Monthly reporting of under / over delivery of campaigns and deals
- [REDACTED]: Online campaign ordering/confirming system
- [REDACTED] Main financial system

Executive Summary: Objectives, Scope & Key Issues

Scope of audit

- ✓ The scope of the audit was restricted to advertising and sponsorship income of Television IBD, focusing on revenue generated in the period January to June 2013.
- ✗ The audit did not include:
 - ✗ Non advertising / sponsorship revenue sources (c. 4% of income)
 - ✗ Detailed review of the IT systems in use; and
 - ✗ Editorial decisions on copy clearance

Objectives of audit

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

- Customer Account Management;
- Accuracy of pricing of sales (including reviewing discounting practices);
- 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];
- Compliance with relevant laws and regulations (minutage, advertising standards, etc.);
- Forecasting of ratings and optimisation procedures;
- Copy clearance procedures; and
- Operations of Station Management and Traffic teams.

Key Management Issues

Advertising Minutage

We identified instances of the advertising minutage broadcast by RTÉ Television exceeding the maximum limits set by the Minister for Communication Energy and Natural Resources. In a sample of 14 daily transmission logs tested during the audit, the breaches of advertising minutage represented 4% of the clock hours tested on RTÉ One and 3% of the clock hours tested on RTÉ Two.

[REDACTED] IT Controls

We identified opportunities to strengthen IT control in a number of areas including monitoring the appropriateness of access levels to [REDACTED] and matters relating to back-ups. It is timely to address these matters in light of the planned upgrade of [REDACTED] in Q2 2014.

Note: We also identified a small number of other control observations in relation to the sales process. However, none of these matters are considered key management issues. See the action plan, attached, for further details of these issues.

Executive Summary: Conclusion & Rating

Overall Conclusion

Commercial revenue in Television IBD was €60.9m for the nine month period to 30 September 2013, as compared to a budget of €64.9m. Representing a decline of 11% in income compared to the equivalent period in prior year, Television continues to operate in a very competitive trading environment.

The shortfall in revenue may be largely attributed to the impact on advertising and sponsorship arising from the current economic climate, increased competition from channels offering “opt-out” advertising in Ireland (allied to a greater fragmentation in audiences) and the centralisation of multinational client marketing decision makers being based outside Ireland. Deal debt continues to be managed in an effective manner, with strong monitoring controls in place.

The standard of control in the “day to day” processing of sales transaction is satisfactory. We carried out end-to-end testing on a sample of sales transactions from the negotiation of the initial deal and discount terms, through to recording the transaction on the sales system, delivering the campaign on-air, invoicing the customer and, finally, reconciling the audience delivered vis-à-vis the ratings committed to as part of the deal. No matters of note arose during the testing. We identified opportunities to tighten control in the areas of IT controls in the sales system and a small number of other less significant issues. These actions are currently in progress.

We did identify a key audit issue in relation to compliance with advertising minutage rules, which appears to be driven by changes to the planned break schedule after it has been prepared by the TV Sales team. During testing of a sample of transmission logs we observed breaches of the advertising minutage rules on both RTÉ One and RTÉ Two. This is an important area as legal and regulatory compliance risk has been identified as one of RTÉ’s key Group Risks. On that basis, and taking into account the potential financial (fines) and reputation impact in the event of an adverse BAI audit, we have rated the report as “unsatisfactory”.

For the avoidance of doubt, the report is assigned a rating of “unsatisfactory” due to the advertising minutage issue only, which is driven by factors extending beyond the control of TV Sales. A Working Group will be established to examine this matter in further detail and to review the existing processes.

We appreciate the co-operation and assistance received from TV Sales personnel and Central Accounts Receivable during the course of this audit.

Rating



UNSATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Regulation and Compliance				
1.	<p><u>Commercial Advertising Minutage</u></p> <p>Rules Irish broadcasting legislation grants the Minister for Communications, Energy and Natural Resources the authority to set the amount of minutage which public broadcasters may devote to advertising. Presently, RTÉ Television may dedicate up to [REDACTED] of its broadcast hours to advertising (<i>i.e. an average of 6 minutes</i>) and must also adhere to maximum hourly limitations on minutage.</p> <p>Risks There is a risk that RTÉ may be subject to a fine or other sanction from the BAI if it exceeds its allowable minutage for commercial advertising. Any breaches also create additional reputation risk.</p> <p>Audit Testing Firstly, as an initial high level check, TV monthly advertising minutage reports were reviewed for the period January to June 2013. These reports compare the total advertising minutage broadcast each day to the allowable daily minutage limit.</p> <p><i>Result:</i> RTÉ’s advertising minutage broadcast was not in excess of [REDACTED] of its’ broadcast hours in any day.</p> <p>Secondly, 14 daily transmission logs were reviewed for more detailed, hour-by-hour, commercial minutage testing – eight days from RTÉ One and six days from RTÉ Two.</p> <p>Results of Testing</p>	<p>This analysis was both thorough and illuminating. Renewed effort by Sales will ensure the break schedule delivered to transmission does not contain any breaches. The set up of a group comprising Scheduling, Transmission and Sales will work to identify and illuminate the reasons for the majority of broadcast breaches identified after the planned break schedule leaves Sales. [REDACTED]</p>	<p>To address the matter of the one breach which was included in the planned break schedule: a reminder of the rules will be issued to relevant Station Management staff and retraining on the preparation of advertising break schedules will take place.</p> <p>To address the breaches arising from late transmission changes and other events occurring after the preparation of the break schedule in TV Sales: a Working Group will be established with representatives from the Sales, Scheduling and the Transmission functions in Television to examine the processes and to identify the reason for the late changes and to agree a number of mitigating actions to address the matters.</p> <p>Monitoring controls will also be strengthened. Bi-monthly spot check of a sample of transmission logs will take place to check the compliance with the minutage rules.</p>	H	<p>[REDACTED] 31 December 2013</p> <p>[REDACTED] 31 January 2014 <i>(Input from individuals outside TV Sales will also be required. The names will be determined upon establishment of the group)</i></p> <p>[REDACTED] 28 February 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>The following results were noted:</p> <ol style="list-style-type: none"> 1) RTÉ’s advertising minutage was not in excess of 10% of its broadcast hours in any full day. 2) For the sample selected, we noted advertising minutage broadcast in excess of the permitted maximum limit on: <ul style="list-style-type: none"> ◇ Seven occasions (4% of total clock hours tested) on RTÉ One; and ◇ Four instances (3% of total clock hours tested) on RTÉ Two. <p>The breaches in 2) above occurred across five of the eight days selected on RTÉ One and four of the six days selected for RTÉ Two.</p> <p>We compared the planned break schedule prepared by TV Sales to the actual advertisements broadcast for a sample of the days tested above to ascertain if the breaches arose due to unplanned transmission changes. The breach occurred in the planned break schedule in the case of:</p> <ul style="list-style-type: none"> ◇ RTÉ One: One of the breaches* ◇ RTÉ Two: None of the breaches <p>Therefore, the breaches appear to be largely driven by late transmission changes or other unplanned events after the preparation of the planned break schedule. This could have arisen for a variety of reasons.</p> <p>[* This appears to be an isolated incident driven by a weakness in the scheduling functionality in ██████ New procedures are now in place]</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
2.	<p><u>Access to ██████████ System / Review of User profiles</u></p> <p>The “Authority Maintain” (AUTHMNT) user profile on ██████████ is a powerful administration user profile that allows the user to amend, increase and decrease the user access levels of any user on ██████████, including themselves. It enables the user to give specific rights to certain functions, by role. During testing we noted the following:</p> <ul style="list-style-type: none"> - Twelve users are currently assigned the “Authority Maintain” user profile. Seven of the twelve do not require this functionality. This issue is partly due to the recent amalgamation of TV and Radio Sales staff and the definition of roles is still in progress. - One “Authority Maintain” user was identified as having two different sign-on names under two different roles. <p>We noted there is no periodic review performed by management of the appropriateness of users’ access on ██████████. The lack of formal review increases the risk that amendments made inappropriately could go unnoticed, increasing the risk of inappropriate use of data.</p> <p>A lack of review also increases the risk that users may have incorrect access within ██████████ and may have permissions in excess of their job role. This also increases the risk of gaining unauthorised access to process transactions and manipulate data inappropriately.</p> <p>This is a re-occurring issue from the last audit. The delay in implementing may be partly attributed to organisational</p>	<p>A number of issues have resulted in the increase in the number of people with permissions and the ability to carry out regular reviews. These include:</p> <ul style="list-style-type: none"> • the general decrease in overall man power • The move of RTÉ Radio on to ██████████ resulted in different authorities being required to perform multi functions across two media. • The loss of dedicated Sales Support Manager to the IT Division. <p>██████████</p>	<p>In the case of the seven users that do not require administrator rights, the rights will be disabled. In the case of the duplicate sign-on, one sign-on will be disabled.</p> <p>A formal quarterly review of user profiles will be undertaken by the ██████████ System Administrators for appropriateness.</p>	<p>H</p> <p>M</p>	<p>██████████ 15 November 2013</p> <p>██████████ 31 December 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	change and the transition of roles to the newly established Technology division.				
3.	<p>Functionality of ██████ System</p> <p>RTÉ is currently using an old version of the ██████ system. The system in use by RTÉ is nine releases behind the most recent version and the last major upgrade took place in 2010. Financial constraints are a factor in delaying upgrades.</p> <p>The implications are as follows:</p> <ol style="list-style-type: none"> 1) RTÉ currently has access to reduced levels of customer support from ██████ (3rd party supplier of ██████), due to the version of the system in use. The older the version in use the less comprehensive the support function. 2) RTÉ has a perpetual licence with ██████ since 2009 which provides that, by July 2014, RTE must be within two releases of the latest version. Non-compliance with this will result in ██████ providing support in critical instances only and full system support may be lost. <p>During the audit fieldwork it was confirmed that an upgrade has been approved for 2014 and the project has been assigned a project manager.</p>	<p>The Project to upgrade the ██████ k system is underway.</p> <p>██████</p>	<p>A new version of ██████ will be implemented prior to expiration of support licence with ██████ (July 2014).</p>	M	<p>██████</p> <p>30 June 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	<p>Formal Backup Restore Testing on ██████████</p> <p>An agreed action from the previous update audit report was that backup restoration testing from tape to the test environment would be performed on a six monthly basis.</p> <p>During audit testing it was confirmed that a formal restore from tape has not been completed in the previous twelve month period. However, database copies from the production (warm) backup onto the test database was performed during various project work.</p> <p>The absence of a regular, more frequent, backup restoration test increases the risk of a faulty tape going undetected and preventing data recovery in an instance where a data loss has occurred and backup tapes are required to restore data.</p>	<p>The required testing is considered an important safety check. It does necessitate the live database being brought down. This cannot be carried out in work time or indeed overnight and would require scheduling weekend resources with associated costs.</p> <p>An alternative approach to have Harris house and manage the databases and carry out routine checks was investigated but ruled out as costs were considered prohibitive. ██████████)</p>	<p>Backup restoration testing from tape to the UAT test environment will be performed on a six monthly basis.</p> <p>A formal sheet detailing the steps taken as part of the restoration and the results of the restoration will be formally reviewed and signed off by both the tester and the ██████████ system administrator. These sheets will be maintained on file for review.</p>	M	<p>██████████ 31 December 2013</p>
5.	<p>Disaster Recovery Plan for ██████████</p> <p>A Disaster Recovery Plan for the ██████████ Sales system was last documented in February 2011. The execution of this plan has not been formally tested end-to-end in over two years.</p> <p>The cost and time required currently prohibits formal testing of Disaster Recovery from taking place. It is planned that it will be tested fully as part of the ██████████ upgrade in early 2014. It is planned to carry out future testing on a parallel hardware which will prevent it from interrupting day to day tasks.</p>	<p>The planned upgrade on to new hardware will provide mirrored systems and will be maintained on site at separate locations on individual servers. This will provide a more robust environment and allow regular testing to take place. ██████████)</p>	<p>The Disaster Recovery Plan will be formally tested upon introduction of the new ██████████ system in early 2014.</p>	M	<p>██████████ 30 June 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales Bookings and Discounting Process - Sponsorship				
6.	<p><u>Lack of sign-off of Sponsorship campaigns</u></p> <p>Two out of seven Sponsorship contracts reviewed as part of our audit testing were not formally signed off by either an RTÉ representative or the client. These were:</p> <p>1) <u>Contract with [REDACTED] on behalf of [REDACTED] for the sponsorship of the <i>The Voice</i>:</u> In mitigation, this contract was not formally signed off because it was a new product placement contract and had to go through a number of parties in RTÉ prior to approval. The series completed its broadcast by April and there was no signed contract in place at the time of audit testing. It was on file two months later.</p> <p>2) <u>Contract with [REDACTED] on behalf of K [REDACTED] for the sponsorship of <i>Masterchef Ireland</i>:</u> At the time of testing, the contract had yet to be formally signed off. (However, the invoice had been paid in full). The signed contract has since been filed.</p> <p>RTÉ has credit insurance with [REDACTED] Insurance and in the case of a dispute between RTE and a client [REDACTED] will look for evidence of an agreement. The expected source of evidence is a signed contract of the sponsorship by both parties.</p>	<p>Both contracts refer to product placement initiatives undertaken in programmes which were already sponsored.</p> <p>There can be delays in obtaining signed contracts from clients and agencies, and from a practical point of view it is not always possible to get a signed version before the programme goes to air.</p> <p>There was some degree of confusion within the sponsorship team as to how best to reflect this contractual arrangement, for the supply of a kitchen to the programme. The team are now aware that sponsorship contracts must be put in place in all cases where sponsors' products appear on air for value. We are still seeking to get the signed contract from the agency.</p> <p>[REDACTED]</p>	<p>The sponsorship team will endeavour to ensure that all future sponsorship contracts are formally signed off on a timely basis by a representative of RTÉ and the clients' agency.</p>	M	<p>[REDACTED]</p> <p>31 October 2013 and ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales bookings and Discounting Process - Advertising				
7.	<p><u>Lack of sign-off of discount forms in the UK and Northern Ireland</u></p> <p>In selecting our sample of advertising campaigns we included two clients from the UK / Northern Ireland.</p> <p>In both campaigns it was noted that neither the “Run of Year” nor “Early Agreement” discount forms were signed by the agencies or RTE. We were informed that the UK based agencies refuse to sign any such agreement forms.</p> <p>As a mitigating factor terms are often confirmed over email. However, in the case of one campaign tested, there was no email evidence from the client / agency of agreement to a “Run of Year” discount, even though it was awarded by RTE.</p> <p>The lack of confirmation of the terms increases the potential for dispute and lack of clarity regarding the criteria to achieve a discount.</p> <p>We noted that the paper trail was less extensive for Northern Ireland / UK clients than in the Republic of Ireland.</p>	<p>RTE introduced new trading terms in 2012, offering a range of discounts for booking and spend criteria. In practice it has proven impossible to obtain sign off from UK agencies for the commitments required for certain discounts, as these terms are not sought by UK or NI media owners.</p> <p>██████████</p>	<p>Confirmation of the discounts awarded and agreement of same by the agency / client will, as a minimum, be recorded over email prior to the discount being awarded.</p>	M	<p>██████████ 30 November 2013</p>
8.	<p><u>Award of “Advance Booking” (AB) discount in error</u></p> <p>We reviewed ten advertising campaigns from initial discounting stage to actual transmission:</p> <ul style="list-style-type: none"> - We noted no issues for nine campaigns. - In the remaining one campaign the AB discount of 5% was awarded in error as the client did not meet the 	<p>Pre AB discount is availed of by booking on ██████████ by 5.30pm on AB day (PD1). All other bookings are charged their Post AB price which is a higher price (PD2). Deal numbers are used to set up campaigns within ██████████, in this case the</p>	<p>The Media Sales Coordinators will be reminded to exercise caution and to check that the correct discount is applied for each campaign when being recorded in ██████████</p>	M	<p>██████████ 15 November 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>published AB deadline.</p> <p>The total discount awarded to the client should have been 13.62% instead of 17.38%. The effect was immaterial in value terms - €465. This has now been adjusted in [REDACTED] and the reconciliation database as value owed to RTE.</p> <p>This appears to have arisen due to human error by the Media Sales Coordinators upon inputting data into [REDACTED] based on reviewing [REDACTED]. [REDACTED] is an online system used by the client to electronically confirm campaigns in line with the existing deal agreement terms and conditions.</p>	<p>difference between the deal number for PD1 and PD2 was 1 digit which resulted in the error noted. Every effort is made to ensure accuracy in setting up campaigns. ([REDACTED])</p>			
9.	<p><u>“Top-up” discount reconciliation process</u></p> <p>There is currently no policy in place for post reconciliation of “top-up” campaigns. This matter is still under discussion among the Sales team.</p> <p>In one such campaign tested during the audit, a change in the committed spend by the client in late March 2013 resulted in a discount of 27.71% being awarded instead of 25.61%, the latter based on the reduction in committed spend.</p> <p>Changes to committed spend and the related discounts are not uncommon. Campaigns not involving a “Top-up” % are normally reconciled towards the end of the year. Due to the fluid nature of the business and current markets, the committed spend is constantly changing and discounts can fluctuate accordingly. At the end of every year when the committed spend is finalised, a reconciliation is performed on all campaigns in that year to record the correct discount amount.</p>	<p>As client spends change, their price changes under the GED scheme. All deals are reconciled during the year (when spend changes are flagged) and at the end of the year. Therefore no mid year review can accurately predict what the final recorded price of the airtime will be. ([REDACTED])</p>	<p>The TV Sales team will decide on and implement a policy for the post-reconciliation of “Top-up” campaigns.</p>	L	Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>However, it has yet to be confirmed whether reconciliation will occur for “Top-up” campaigns in the same way as described above.</p>				
<p>10.</p>	<p><u>Signing of Annual Advertising Deal Sheets</u></p> <p>There is a deal sheet in place with all agencies which lists the discount off station price offered by RTÉ if certain criteria are met. This document is commonly referred to as the annual deal sheet and has replaced the contracts which were issued to agencies in previous years, but rarely signed.</p> <p>Due to the nature of the industry, these annual deals are not 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>We selected ten advertising campaigns in total for testing. One out of the ten advertising campaigns did not have an annual deal sheet as this was not required (small campaign, once-off customer etc.). A deal sheet was in place for the remaining nine campaigns.</p> <p>In the case of the remaining nine campaigns we observed the following:</p> <ol style="list-style-type: none"> 1) The most recent, or final, deal sheet is sent by RTÉ via email to the agency. 2) These emails are not filed with the other client documentation – Sales staff had to search through their emails to locate the correspondence with the client. 3) No confirmation of agreement with the terms is obtained by RTÉ from the client. 	<p>Deal sheets are maintained by agency, with latest calculated deal sheet included for all clients of the agency (one per page). Each time a client increases spend, or communicates that spend will increase, the deal sheet needs to be recalculated.</p> <p>[REDACTED]</p>	<p>Consideration will be given to including the following clause in the email sent to agencies or as a footnote in the deal sheets:</p> <p><i>“The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ’s Standard Terms and Conditions of Business”.</i></p>	<p>L</p>	<p>[REDACTED] 30 November 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>In the event of a dispute between the parties regarding the agreed deal terms, the following act as mitigating factors:</p> <ol style="list-style-type: none"> 1) The implementation of the electronic campaign approval system, [REDACTED], does provide an audit trail and evidence of the ongoing trading. 2) As part of the quarterly reconciliation process between RTÉ sales and the client, campaign deals and RTÉ’s delivery in line with the deal agreement are verified and reconciled. <p>The standard contracts which used to be issued to customers included the following clause as a means of mitigating the risk associated with unsigned agreements:</p> <p><i>“The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ’s Standard Terms and Conditions of Business”.</i></p> <p>Consideration should be given to including this in deal sheets.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Accounting				
11.	<p><u>No formal recording of credit note approval</u></p> <p>Five credit notes were selected for audit testing. It was noted that none of the five credit notes were formally signed off as approved by someone outside the sales function.</p> <p>There is segregation of duties in that the Media Sales Coordinators must request the Media Sales Executive to generate credit notes. The Media Sales Executive is the only person who can raise credit notes on [REDACTED]. The Media Sales Executive validates the credit note, processes it and notifies the Commercial Finance Manager, the Line Manager and the agency involved via email.</p> <p>However, there was no formal pre-approval of the credit notes tested, or evidence of same. While performing audits in other divisions we noted that it was policy for credit notes to be signed off and dated.</p> <p>As a mitigating factor, all credits are discussed at the weekly Sales team meetings where the Commercial Director and Commercial Finance Manager present and there is email evidence via the circulation process.</p>	<p>Credit notes for airtime predominantly relate to a difference between the final booking on [REDACTED] and the final campaign value (invoiced amount) in [REDACTED]. Whenever there is a discrepancy, the difference in value must be credited. Credit requests are raised by the ad agency. When agreed the Media Sales Coordinator brings it to the Media Sales Executive, who verifies to [REDACTED] and proceeds to raise the required credit note, copying the MSC, the Line Manager and Commercial Finance. Because of the high degree of certainty available in [REDACTED], it hasn't been deemed necessary to raise credit notes requests in writing for approval. [REDACTED].</p>	<p>For credit notes:</p> <ul style="list-style-type: none"> • above a monetary threshold of €5k (in net value), and • relating to a matter other than the routine [REDACTED] – [REDACTED] differences, <p>the Commercial Finance Manager will review and approve (by email) the credit note prior to the credit note being processed, and the details of it circulated.</p> <p>For all other routine [REDACTED]-related credit notes the Commercial Finance Manager will respond via email to all notifications of credit notes from the Media Sales Executive, acknowledging receipt of the notification.</p>	L	[REDACTED] 30 November 2013
12.	<p><u>Credit Limits exceeded</u></p> <p>On review of the TV customers currently trading above their approved credit limits, it was noted that revenue to the value of €4 million (approximately) was being trading above the combined insured [REDACTED] credit limits. This was determined by comparing aged debtors plus future bookings</p>	<p>[REDACTED] reduced the limit for [REDACTED] earlier this year as a response to the nature of financial information being provided. Since then several meetings were held with [REDACTED], who have now provided audited</p>	<p>The Accounts Receivable team will continue to monitor the report closely and gain approvals to take further bookings where necessary in the event of clients exceeding their credit limits.</p>	L	[REDACTED] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>plus sales not invoiced to the credit limit per [REDACTED]. It relates to approximately 112 debtors in TV.</p> <p>€2.3m. of this balance is related to the [REDACTED] p agency. Their current credit limit is €5m. which is too low for their levels of trading due to substantial company growth in recent times. RTÉ and [REDACTED] are working with [REDACTED] to get the credit limit increased to a suitable level. The remaining €1.7 million continues to be monitored but approval has been granted to trade on these accounts.</p> <p>Approval to continue trading is sought from the Group Financial Controller. In some cases approval is sought from the Chief Financial Officer. If a customer does not pay on time the account is immediately placed “on hold” and no further bookings are allowed against it.</p> <p>This point is applicable to RTÉ as a whole, and is not a specific issue relevant to Television.</p>	<p>accounts to [REDACTED] r and are working on providing full quarterly financial information. In addition the [REDACTED] MD and FD have been meeting [REDACTED] to explain the business.</p> <p>As our largest agency group, we have no option but to continue to trade with [REDACTED] outside of insured limits, but we will lobby [REDACTED] further whenever full information is provided by [REDACTED] as promised.</p> <p>In the meantime the exposure is monitored on a weekly basis (including current balances and future bookings) and outstanding balances are collected on a timely basis, to minimise exposure.</p> <p>[REDACTED]</p>			

Internal Memorandum

To: [REDACTED]
Cc: [REDACTED]
From: [REDACTED], Head of Internal Audit
Date: 8 April 2014
Re: Review of Internal Financial Control in 2rn

The purpose of this memorandum is to set-out the findings of an Internal Audit review of the financial processes in RTÉ Transmission Network Limited / 2rn.

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, in the context of the repositioning and rebranding of 2rn, the following factors call for a revision to this approach:

- The relocation of 2rn from the Donnybrook campus to premises in Dublin 24 and the migration of responsibility for key 2rn financial processes from the RTÉ Group’s Central Shared Services functions to management locally; and
- Other recent regulatory developments including the requirement to produce regulated accounts in respect of 2rn for the year ended 31 December 2013, for submission to ComReg.

As a result, we have modified the audit approach in respect of the year-ended 31 December 2013 and carried out a specific review of financial control in 2rn.

2. Scope

The scope of this review was the financial controls in place in 2rn at 31 December 2013.

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. In due course, as part of the 2014 Internal Audit plan, more in depth auditing of specific financial processes may be carried out.

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 75% - 97% 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.

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 has migrated from Central Shared Services to local Finance in 2rn. Therefore, for the year-ended 31 December 2013, 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

Section	Finance Process Area	Score
A	Purchasing and Accounts Payable	85%
B	Sales and Accounts Receivable	89%
C	Inventory	75%
D	Cash and Treasury	85%
E	Fixed Assets	97%
F	People Payments	97%
G	Management Accounts / Financial Close	96%
H	Tax Compliance	100%

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

34
85%

* All financial controls are ranked on a scale of 1-4, where 4 is the maximum score.

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
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

32
89%

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	3
22	Controls over stock movements	3
23	Effectiveness of the month end inventory accounting procedures	3

Total Score for Inventory Processes

12

75%

Section D: Cash and Treasury

No.	Financial Controls	Score
24	Maintenance of bank accounts and the recording of cash transactions	3
25	Reconciliation of cash book and bank account records	3.5
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

17

85%

* 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>	19.25
	96%

Section H: Tax Compliance *

No.	Financial Controls	Score
44	Compliance with Value Added Tax regulations	4
45	Compliance with PAYE/PRSI regulations	4

<i>Total Score for Tax Compliance Processes</i>	8
	100%

* Central Finance is also involved in this process. The 2nd 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 2017

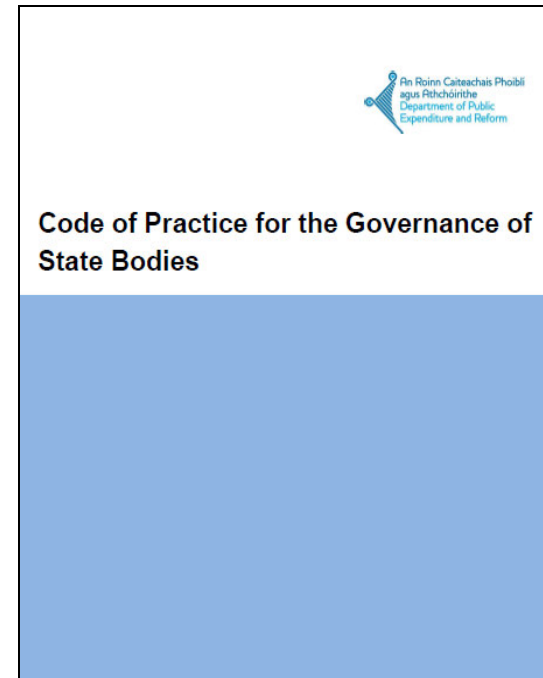
12 April 2018

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.

Updated of Code of Practice

The Department of Public Expenditure and Reform published an updated version of the Code of Practice in August 2016. This version is applicable to RTÉ for the first time for the year-ended 31 December 2017.

The updated Code replaces the 2009 version, published by the Department of Finance. The updated version is a longer, more detailed document and is accompanied by four new “associated Code requirement and guidance documents”. The four new documents are listed below:

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

Key Changes in Updated Code of Practice

The key changes in the updated Code are set-out below. Overall, the 2016 Code increases the reporting requirements and is more onerous.

- The new Code requires additional business and financial disclosures, as detailed in the table below. (See Appendix B for full details)

Additional Business and Financial Disclosures

1.	Details of termination / severance payments
2.	Travel and Subsistence
3.	Hospitality expenditure
4.	Legal costs/settlements
5.	Key management personnel compensation
6.	Employee Benefits / Pay bands
7.	Consultancy costs (Legal, Tax & Financial, Pension & Human Resources)

Background, Objective and Scope

Board

- The document has been updated with new sections defining the roles of the Chairperson and Members of the Board. Duties of the Secretary of the Board are also defined.
- It provides enhanced clarity on the key roles of the Board, such as leadership, setting the tone (incl. ethics), and oversight of the Executive.
- The Board and its Committees are required to report on their effectiveness by way of a self-assessment annual evaluation.

Governance

- The new Code introduces Performance Delivery Agreements – agreements which act as a performance contract between an organisation and its parent Department in which an agreed level of performance is formalised.
- It provides a Governance Framework to illustrate the reporting and accountability channels for various roles including the Minister, Board, CEO, and Public Accounts Committee.

Financial Matters

- The new Code requires that an organisation maintains a database/listing for all contracts/payments in excess of €25,000 to flag non-competitive procurement.
- The section on remuneration and superannuation has been updated to reflect changes in Government policy in this area such as: the November 2011 changes to the 'One Person One Salary rules'; and referencing the 2015 Department of Public Expenditure and Reform circular on travel subsistence allowances.
- Risk is granted more priority in the document.
- The Code is updated in line with changes to legislation and other relevant regulations: Companies Act 2014, Protected Disclosures Act 2014, Public Spending Code, Office of Government Procurement and NewERA are all referenced in updates.

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 2017.

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.

DCCAIE Checklist

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAIE 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 2017.

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 # 4 – Reputation & Compliance
- Risk # 3 – Managing of Finances and Business Planning

Findings and Rating

Findings - YE 31/12/2017

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 2017. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2017, 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.

A number of specific actions, below, have been undertaken to ensure full compliance with the updated Code. These were in addition to the day-to-day governance and control activities, as summarised in the key compliance activities and the applicable RTÉ Policies in Appendix A.

- ✓ A briefing session for members of the Audit and Risk Committee and the Board at the time of publication of the Code. An updated session is planned;
- ✓ Update of the matters reserved to the Board for consideration and decision, to include new Financial Authority Limits Reserved for RTÉ Board Authorisation;
- ✓ Self-Assessment Questionnaires completed by the members of the Board and the members of the Audit and Risk Committee;
- ✓ A Finance Group examined the implications of the new Business and Financial Reporting requirements;
- ✓ Update of the Remuneration and Management Development Committee terms of reference in June 2017, referencing specific Company Secretarial matters;
- ✓ Updated Audit and Risk Committee Terms of Reference in January 2017 and another review to follow.

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

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

- The April 2018 Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details
- The exceptions relates to 52 suppliers, or 2.8% of the cumulative 2017 payments to suppliers contracted through [REDACTED] Approximately 30% are currently being tendered
- Some historic factors are relevant to the exceptions:
 - The fact that managerial responsibility for supplier relationships and purchasing was traditionally fragmented across six IBDs in RTÉ, which increased the difficulty of centralised monitoring of procurement and understanding historic tendering arrangements
 - The limited functionality of [REDACTED] also increases the difficulty of tracking tendering arrangements and the system is at end of useful life
- An exception also arises in the case of 49 individuals engaged through PeopleSoft fees. By their nature, 'Contracts for Services' engagements and are different to the procurement of goods and business services and have been managed separately in RTÉ.

Findings

Findings (Cont'd)

Actions

- Actions have been agreed to address the above matters including:
 - Tenders will be carried out as necessary – tenders are underway for approximately 30% of the items highlighted as an exception;
 - The reorganisation of RTÉ and the creation of new divisions. Oversight of key supplier relationships will be consolidated, resulting in better centralised managerial responsibility;
 - Additional resources for the Procurement Department and restructuring to oversee procurement activity by expenditure category;
 - Greater Finance oversight of all POs greater than €2,500;
 - New monitoring and oversight procedures by Purchasing; and
 - The longer term implementation of new ERP System(s) for Finance and HR.
- In addition, a review of the process for the engagement of Contractors in RTÉ is currently underway which is an action to address the exceptions with the individuals engaged through PeopleSoft fees.

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 RTÉ is compliant with the 2016 Code of Practice for the Governance of State Bodies, subject to a reference to the procurement exception and the actions in progress.

While exceptions were identified in 2017, they 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. The exceptions identified in the contracts database should be considered in the context of legacy issues (RTÉ org. structures and legacy systems), and the remediation actions currently in progress. Our conclusion also takes into account that the year-ended 31 December 2017 is the first full year of implementing the new Code of Practice.

A follow-on review by Internal Audit will take place in 2018 to monitor the implementation of the actions.

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"> • Role of the Board • Role of the Chairperson • Role of Board Members • Board Effectiveness • Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures 	<p><i>Board</i></p> <ul style="list-style-type: none"> • Matters reserved to the Board for consideration and decision • Delegated Authority Limits – <i>both updated in 2018</i> • Code of Business Conduct for RTÉ Board Members • Directors’ Register of Interests • Directors’ Emolument Forms • Board Papers and Board appointment / induction process • Board Approved Budget • 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) • Board Committees and terms of reference • Board Self-Assessment Evaluation Questionnaire • RTÉ Statement of Strategy 2018 - 2022 <p><i>Other compliance documents</i></p> <ul style="list-style-type: none"> • Code of Business Conduct for RTÉ Employees • Good Faith Reporting Policy • RTÉ Staff Manual • RTÉ Annual Report disclosures, including Corporate Governance report
6	Business and Financial Reporting	<ul style="list-style-type: none"> • Annual Report and Financial Statements • Additional Reporting Requirements 	<ul style="list-style-type: none"> • RTÉ Annual Report and Group Financial Statements • Chair’s Report • RTÉ Subsidiary Company Annual Reports • Independent Auditor’s Report
7	Risk management, Internal Control, Internal Audit and Risk Committees	<ul style="list-style-type: none"> • Internal Control • Review of Effectiveness of Internal Control • Internal Audit Function 	<ul style="list-style-type: none"> • RTÉ Journalism Guidelines • RTÉ Content Standard Guidelines • RTÉ Social Media Guidelines

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
		<ul style="list-style-type: none"> • Risk Management • Audit and Risk Committee 	<ul style="list-style-type: none"> • RTÉ Child Protection Policy • RTÉ Grievance Procedure • Risk Management policy and structures • RTÉ Top Strategic Risks and Key Risk Indicators • Quarterly Risk meeting with Risk Sponsors and Risk Owners • Divisional Risk Registers • The Board’s annual review of internal control and risk management • Audit and Risk Committee’s oversight of risk and Internal Control • Independent Auditor’s Report • Internal Audit Charter • RTÉ Fair Trading Policy and Procedures • RTÉ Fair Trading Complaints Procedures
8	Relations with the Oireachtas, Minister and Parent Department	<ul style="list-style-type: none"> • Parent Departmental Oversight Role • Performance Delivery Agreements • Periodic Critical Review • Procedures for Procurement • Property Acquisition and Disposal of Surplus Property • Capital Investment Appraisal • Tax Compliance • Reports and Accounts of State Bodies • Additional Reporting Arrangements • Legal Disputes Involving Other State Bodies 	<ul style="list-style-type: none"> • Oversight Agreement between RTÉ and DCCA • Annual Statement of Performance Commitments (“ASPC”) • RTÉ Public Service Statement 2015 • RTÉ Statement of Strategy 2018 – 2022 • Purchasing Procedures and Guidelines • Capital Project Approval Process and Capital Committee • Asset disposal process • RTÉ Tax Compliance Statement (Section 225 Companies Act 2014)
9	Remuneration	<ul style="list-style-type: none"> • Remuneration and Superannuation • Travel and Official Entertainment 	<ul style="list-style-type: none"> • Remuneration and Management Development Sub-Committee • RTÉ Annual Report disclosures • Confirmation in Chair’s annual report to the Minister • RTÉ Travel Policy
10	Quality Customer Service	<ul style="list-style-type: none"> • Customer Charter • Customer Action Plan • Display and Content of Charter and Action Plan 	<ul style="list-style-type: none"> • Complaints Process • ASPC • Competition Voting Terms & Conditions

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
-	Guidance Documents	<ul style="list-style-type: none"> Business and Financial Reporting Requirements 	<ul style="list-style-type: none"> 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 RTÉ Annual Report and Group Financial Statements RTÉ Subsidiary Company Annual Reports Monthly Management Accounts Interim unaudited accounts (six months) Delegated Authority Limits Annual Budget
		<ul style="list-style-type: none"> Audit and Risk Committee Guidance 	<ul style="list-style-type: none"> Audit & Risk Committee Terms of Reference Audit & Risk Committee Self-Assessment Questionnaire
		<ul style="list-style-type: none"> Remuneration and Superannuation 	<ul style="list-style-type: none"> Remuneration & Management Development Sub-Committee Remuneration Disclosures in Annual Report
		<ul style="list-style-type: none"> Board-Self Assessment Evaluation Questionnaire 	N/A

Section 1.3 of the Code of Practice (*Business and Financial Reporting Requirements*) introduces additional disclosures in respect of certain expenditure:

#	Summary Disclosure	Details (Extract from the Code of Practice)	Location of RTÉ Disclosure
1.	Details of termination / Severance payments	"The financial statements should disclose details of payments and agreements with an aggregate value in excess of €10,000 made in the reporting period. This includes severance/ termination payments."	Annual Report – Note 6 & Note 18
2.	Travel and Subsistence	"The financial statements should disclose the total costs incurred in relation to travel and subsistence for the entity analysed between national and international travel"	- Consolidated data reported in the Annual Report – Note 3 - Further Details in Chair's Report
3.	Hospitality expenditure	"The financial statements should disclose the aggregate total expenditure incurred in relation to hospitality in the period. (This includes Christmas parties, retirement parties, expenditure on staff wellbeing, contribution to sports and social clubs, One4all vouchers, retirement/leaving gifts, flowers, etc.)"	Chair's Report to the Minister
4.	Legal costs / settlements	"In cases where cumulative legal costs incurred in the year of account exceed €50,000, a note should be included in the financial statements with a breakdown of the total costs as between legal fees and compensation paid"	Chair's Report to the Minister
5.	Key management personnel compensation	"State bodies should disclose in their annual report and/or financial statements aggregate details of the compensation of their key management."	Annual Report – Note 26
6.	Employee Benefits / Pay bands	"The aggregate total compensation paid to employees should be split between salary, overtime and allowances." "In addition to disclosing the aggregate pay bill.....non-commercial State bodies should publish details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each pay band of €10,000 from €60,000 upwards...."	Chair's Report to the Minister
7.	Consultancy costs (Legal, Tax & Financial, Pension & Human Resources)	"State bodies should disclose details of expenditure on external consultancy/adviser fees in their annual report and/or financial statements for each accounting year for each entity."	Chair's Report to the Minister

Note on disclosures:

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 clarification regarding the format of disclosure and the implementation of the Code.

Given commercial sensitivity and the data protection implications, and as agreed with Departmental Officials, RTÉ is making a number of the additional disclosures via the 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, as opposed to the RTÉ Annual Report and Group Financial Statements.

RTÉ Internal Audit

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

Year-ended 31 December 2015

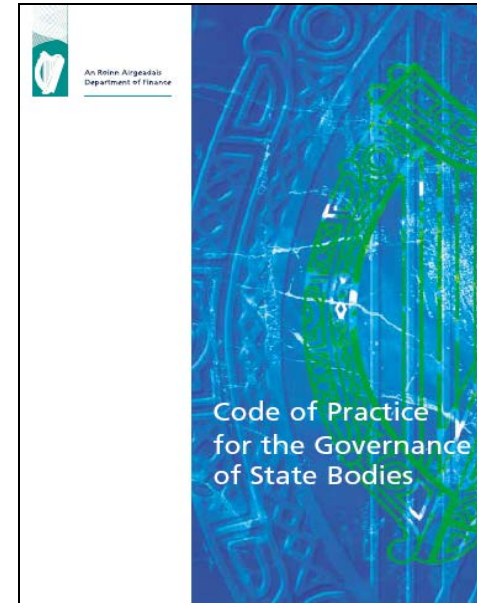
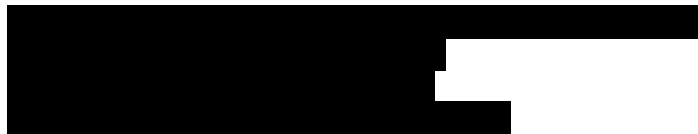
31 March 2016

Circulation:

Director-General

Members of the Audit and Risk Committee

Executive



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">• The Board• Directors• Codes of Conduct, Disclosure and Ethics
B. Remuneration	<ul style="list-style-type: none">• Remuneration of Senior Management and Director’s Fees
C. Risk management, accountability, internal controls and Internal Audit	<ul style="list-style-type: none">• Risk Management• Accountability and Audit• Audit Committee• Internal Audit Function
D. Relations with the Oireachtas and the Minister	<ul style="list-style-type: none">• Departmental Oversight• Reports and Accounts of State Bodies• Additional Reporting Arrangements
E. Other specific procedures	<ul style="list-style-type: none">• Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies• Procedures for Procurement• Capital Investment Appraisal• Travel• Disposal of State Assets and Access to Assets by Third Parties• Tax Compliance• Legal Disputes Involving Other State Bodies
Appendices	<ul style="list-style-type: none">• I - VI

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"> The Board Directors Codes of Conduct, Disclosure and Ethics 	<ul style="list-style-type: none"> Code of Business Conduct for RTÉ Board Members Code of Business Conduct for RTÉ Employees Directors’ Register of Interests Directors’ Emolument Forms Matters reserved for Board Approval Good Faith Reporting Policy RTÉ Staff Manual RTÉ Child Protection Policy RTÉ Grievance Procedure Board Papers and Board appointment / induction process Delegated Authority Limits Board Approved Budget RTÉ Annual Report disclosures, including Corporate Governance report Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies Board Committees and terms of reference RTÉ Statement of Strategy 2015 - 2019
B	Remuneration	<ul style="list-style-type: none"> Remuneration of Senior Management and Director’s Fees 	<ul style="list-style-type: none"> Remuneration and Management Development Sub-Committee RTÉ Annual Report disclosures Confirmation in Chair’s annual report to the Minister
C	Risk management, accountability, internal control and Internal Audit	<ul style="list-style-type: none"> Risk Management Accountability and Audit Audit Committee Internal Audit Function 	<ul style="list-style-type: none"> RTÉ Journalism Guidelines RTÉ Content Standard Guidelines RTÉ Social Media Guidelines Risk Management Policy and structures RTÉ Top Strategic Risks and Key Risk Indicators Quarterly Risk meeting with Risk Sponsors and Risk Owners

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
			<ul style="list-style-type: none"> • Divisional Risk Registers • The Board’s annual review of internal control and risk management • Audit and Risk Committee’s oversight of risk and Internal Control • Independent Auditor’s Report • RTÉ Annual Report and disclosures • Internal Audit Charter • RTÉ Fair Trading Policy and Procedures
D	Relations with the Oireachtas and The Minister	<ul style="list-style-type: none"> • Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements 	<ul style="list-style-type: none"> • Annual Statement of Performance Commitments • RTÉ Statement of Strategy 2015 – 2019 • RTÉ Public Service Statement 2015 • RTÉ Annual Report and Group Financial Statements • Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies • Monthly Management Accounts • Interim unaudited accounts (six months) • Chairman’s mid-year report to the Minister
E	Other specific procedures	<ul style="list-style-type: none"> • Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies • Procedures for Procurement • Capital Investment Appraisal • Travel • Disposal of State Assets and Access to Assets by Third Parties • Tax Compliance • Legal Disputes Involving Other State Bodies 	<ul style="list-style-type: none"> • Purchasing Procedures and Guidelines • Delegated Authority Limits • Matters reserved to the Board for consideration and decision • Capital Project Approval Process and Capital Committee • Asset disposal process • RTÉ Travel Policy • Annual Budget • Monthly Management Accounts • RTÉ Statement of Strategy 2015-2019 • Chair’s annual report to the Minister in accordance with Paragraph 13.1 of the Code of Practice for the Governance of State Bodies

Internal Memorandum

To: [REDACTED]
Cc: [REDACTED]
From: [REDACTED], Head of Internal Audit
Date: 23 March 2015
Re: Review of Cost Allocation Process

The purpose of this memorandum 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, 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 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 May 2014.

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 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. (From an operational point of view, audit testing was carried out in the “Allocations 2014” [REDACTED] Database, in period 201509).

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 2014;
- ✓ 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 also included a review of manual journals posted independent to the automated “run 2” of the allocations model. We reviewed the basis of the allocation and the methodology underpinning changes to the allocation rules. (Scope: allocation rules for trigger C86, in respect of a specific year-end provision posted to costpool ACZ9011).

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.

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.

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.

We reviewed the manual journals posted to refine the allocation rule C86: the journals are appropriate and our findings are unaltered.

4. Recommendation

We recommend the following:

The *Cost Allocation Process Overview* manual (May 2014) is a comprehensive document and time and effort was used to prepare the manual in late 2012 and to update it in mid-2014. 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 2014 year-end allocations process.

This will ensure that the manual remains relevant and provides an up to date written record of the allocations process.

5. 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.	Page Ref. in Manual	Trigger Rationale
Selected for end-to-end testing			
1	C02	6	Average headcount
2	C05	8	Square foot of the Donnybrook site
3	C37	19	Rent split by users of property
4	C102	10	Number of solicitors and the areas they work
5	T04	67	Square foot
6	T16	70	Advertising revenue per channel
7	T20	70	Hours transmitted of indigenous programmes
8	R31	46	Judgment based on the number of OBs
9	R45	56	Number of Researchers per show
10	N06*	76	Weighted hours of broadcast
11	D13	86	Management estimate of time spent
New Triggers in 2015			
12	C85	N/A	Subscriber numbers (online training courses)
13	D37	N/A	Partly based on underlying revenue, partly management judgment of time spent

* Not automated – processed via a „postback“ journal to [REDACTED].

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2020*

Report 2 of 2 (Purchasing Compliance)

3 June 2021

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

Technology:

[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 and Background

Introduction

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Policy 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).

Background

Purchase Orders

Purchases processed through [REDACTED] 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:

Order Value	Approver
€0 - €2,500	Costpool Manager
€2,501 - €10,000	Costpool Manager / Finance
€10,001 – €100,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division
€250,001 - €750,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO / DG

Amounts above €2m. require Board approval (*with some exceptions in line with Board approved policy*).

Goods are receipted on [REDACTED] 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 [REDACTED].

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 (automated control). There is a [REDACTED] 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.

Invoice Manager

A number of purchases, considered exceptions, are processed each month via Invoice Manager due to the nature of the service provided. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO. Any processing of invoices where the value is over 5% of goods receipted will also be approved via Invoice Manager.

Purchase Cards

Goods and services may also be paid by purchase cards. Purchase cards are Mastercard and 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 helps reduce the number of low value orders processed via [REDACTED] web and reduces administration costs.

Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*.

Risk, Objective and Scope

Risk

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

- Risk #10 – Brand and Reputation; and
- Risk #11 – Management of Finances and Business Planning.

Other specific risks relevant to this report are as follows:

- Fraud;
- Duplicate Payments;
- Purchase commitments being made prior to managerial approval; and
- Inherent IT Risk/System Functionality: [redacted] to [redacted] [redacted] [redacted] is no [redacted] on [redacted] of [redacted] be [redacted] an [redacted] on [redacted] is [redacted] [redacted] PO [redacted] As [redacted] it is [redacted] to [redacted] an [redacted] in [redacted] of [redacted] PO [redacted] in [redacted] [redacted] aware of [redacted] all [redacted] to [redacted] PO [redacted] by [redacted] [redacted] [redacted]

Objective

The objectives of this audit are as follows:

- Determine if POs are raised in line with the RTÉ Purchasing Policy;
- Investigate if purchase invoices paid were in excess of the approved PO value;
- Review the appropriateness of Requisitioners and Approvers; and
- Determine if Invoice Manager is being appropriately used.

Scope

The scope of our review is from 1 January 2020 to 31 December 2020 and covers:

- All POs (including Capital WIP and Commissioned programmes) approved and processed, across all Divisions;
- All PO invoices paid, across all Divisions;
- All PO Requisitioners & Approvers and Invoice Manager Approvers; and
- All Invoice Manager invoices paid, across all Divisions.

The audit involved four main areas of work:

- ✓ Identifying the number of POs that were raised after the invoice date;
- ✓ Comparing the value of invoices to the value of the approved PO and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Reviewing the number and appropriateness of invoices and suppliers processed through Invoice Manager.

The scope of our audit did not include:

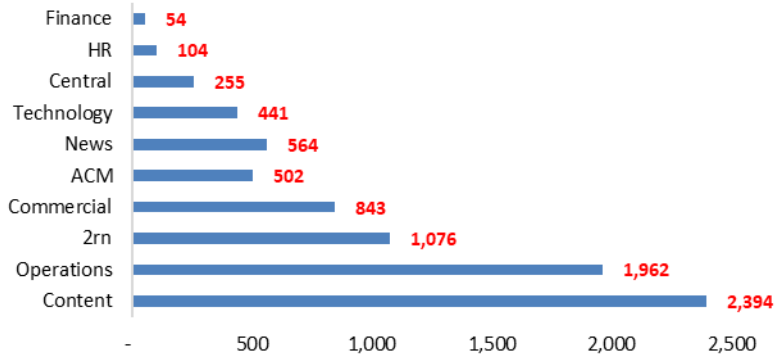
- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate audit report);
- ✗ Reviewing purchase card payments (covered in a separate audit report); and
- ✗ Compliance with payments in accordance with European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012.

Data Analysis – Purchase Order

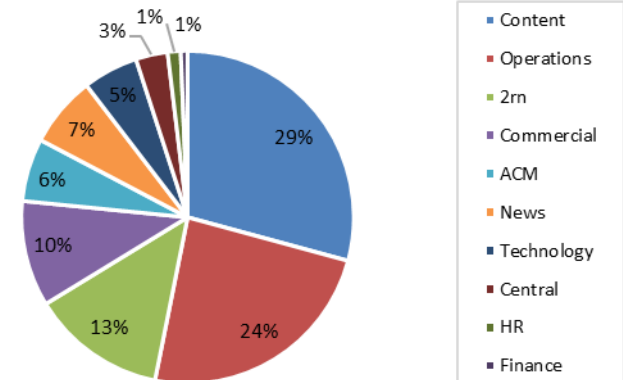
Purchase Order Data Analysis

8,195 POs were raised in 2020 (2019: 10,267) which totalled 10,763 (2019: 13,312) lines of orders as some POs contained multiple order lines. The graphs below provides an analysis of the total number of POs raised by each Division and their percentage split.

No. of POs raised in 2020 per Division

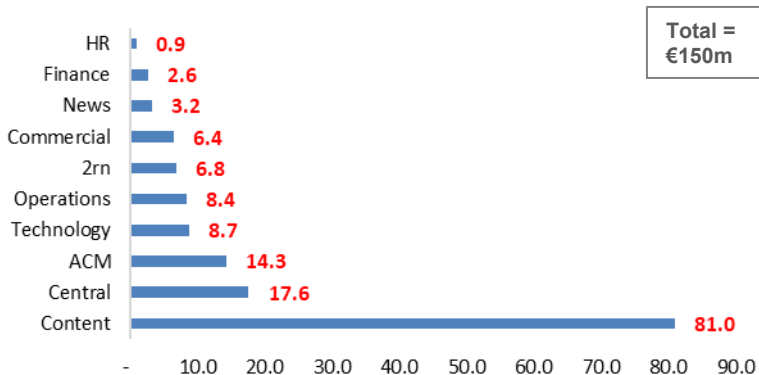


Number of POs per Division - 2020

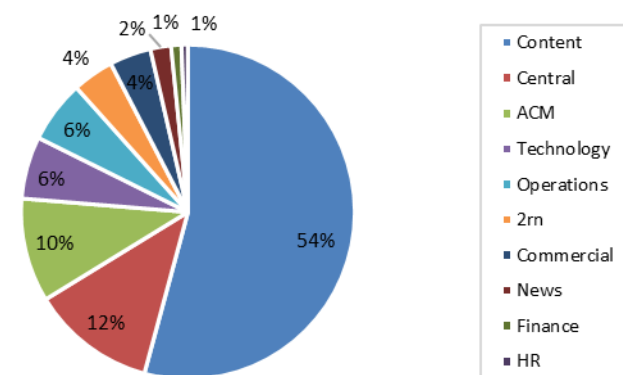


The graphs below details the value by Division of the POs raised in 2020 and their percentage split. The total value of POs raised in 2020 was **€150m** (2019: €183m; 2018: €224m).

Value of POs raised in 2020 per Division (Millions)



Value of POs raised per Division - 2020



Data Analysis – Purchase Order and Users

Purchase Order Data continued

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

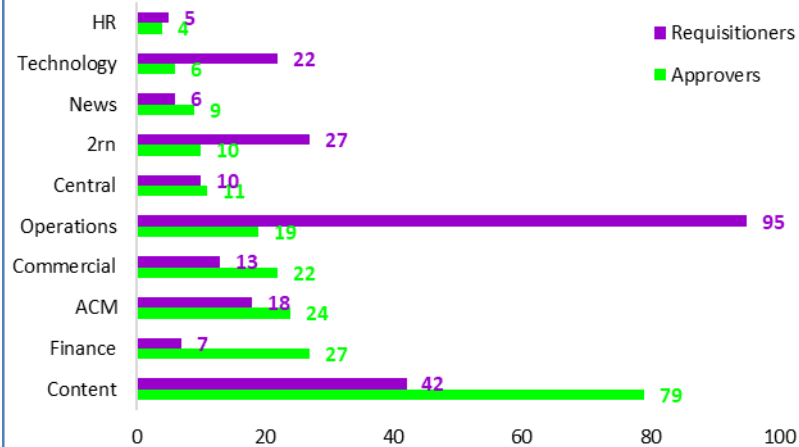
Value of PO	Number of POs Processed in 2020
€0 - €5,000	6,127
€5,001 - €10,000	893
€10,001 - €100,000	953
€100,001 - €250,000	115
€250,001 - €750,000	73
€750,001 upwards	34
Total	8,195

Note: 940 of the 8,195 POs raised in 2020 were less than €100 in value, representing 11% (2019: 13%). 48% related to ten suppliers, generally for recurring consumable supplies. 295 of the 940 POs under €100 in value had no invoice posted against them.

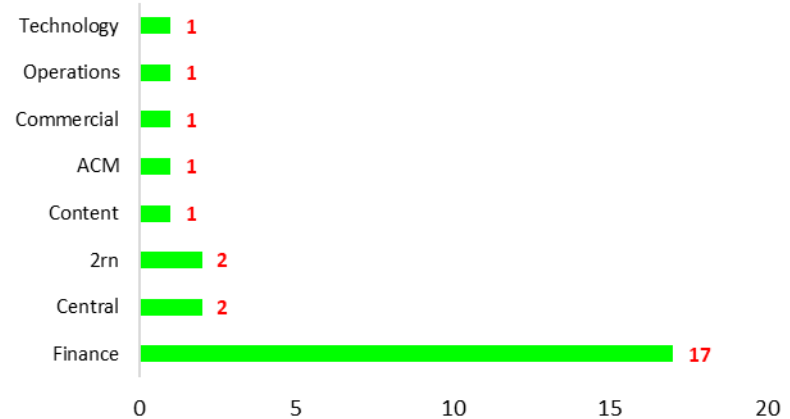
Requisitioners and Approvers

At the end of 2020, there were a total of 211 PO Approvers and 245 PO Requisitioners on [REDACTED]. Of 211 approvers, 23 were also approvers on Invoice Manager. The graphs below shows the breakdowns by Division.

Approvers & Requisitioners (by Division)



Invoice Manager Approvers (by Division)

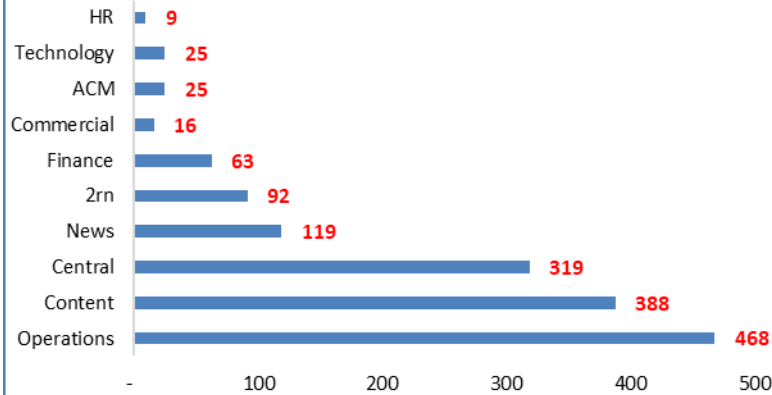


Data Analysis – Invoice Manager

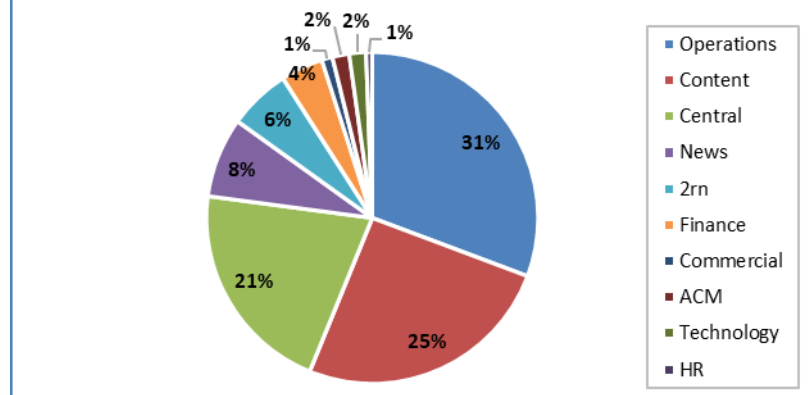
Invoice Manager

1,524 invoices were processed through invoice manager ('IM') during 2020 (2019: 1,827). The graphs below provides an analysis of the total number of invoices processed under Invoice Manager by each Division, along with their percentage split.

No. of IM payments in 2020 by Division

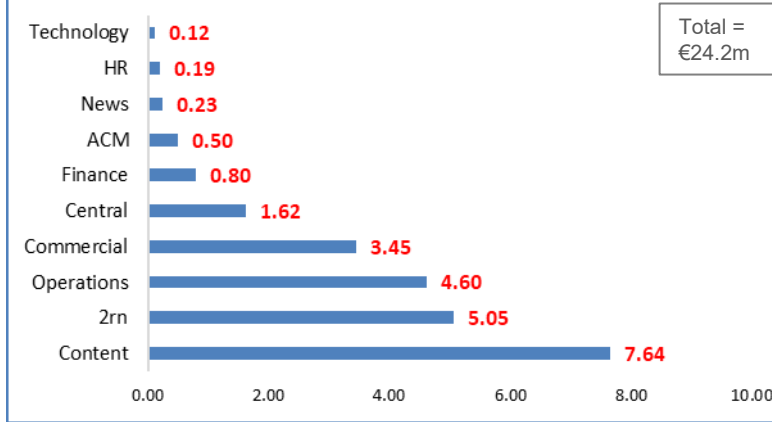


No. of IM payments in 2020 by Division (%)

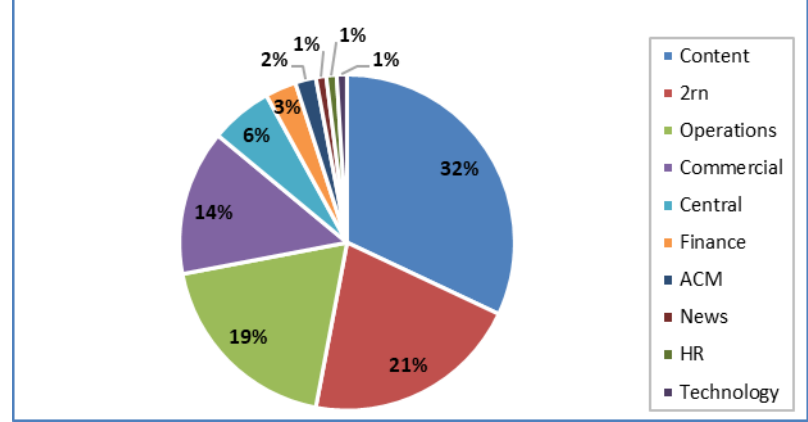


The graphs below details the value by Division of the invoices processed under Invoice Manager in 2020, as well as the percentage split. The total value of invoices paid in 2020 was **€24.2m** (2019: €26.6m).

Value of IM payments in 2020 (Millions)



Value of IM Payments per Division (%)



Data Analysis – Invoice Manager

Invoice Manager continued

Sub-analysis by Invoice

A breakdown of the number of invoices processed through Invoice Manager by value thresholds is displayed in the table below.

Value of Invoice	Number of Invoices Processed in 2020
€0 - €1,000	541
€1,001 - €5,000	465
€5,001 - €25,000	318
€25,001 - €75,000	135
€75,001 upwards	65
Total	1,524

Sub-analysis by Supplier

The Top 100 suppliers (out of 270 suppliers in total) account for **€23.1m** or **95%** of the total population of €24.2m. The breakdown below shows that the top 20 suppliers make up 65%.

Top 100 Suppliers	Value of Invoices	%
Suppliers 1 - 20	15.7m	65%
Suppliers 21 - 40	3.8m	16%
Suppliers 41 - 100	3.6m	15%
Sub-total	23.1m	95%
Suppliers 101 - 270	1.1m	5%
Total	24.2m	100%

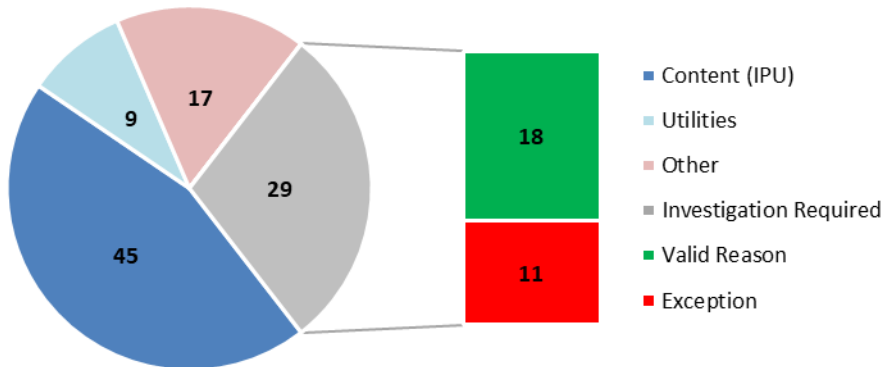
Findings

1: Invoice Manager

The number and value of invoices processed through Invoice Manager ('IM') appears high given other financial processes available to process supplier invoices.

In most cases, the other process (PO system) has a greater number of approval steps. **1,524** invoices were processed via IM across **270** suppliers, to a value of **€24.2m** during 2020 (2019: €26.6). IA acknowledges the restrictions of the current systems and the necessity of the IM process. However, the volume of transactions highlights potential excessive use. A review of the invoices paid to the Top 100 suppliers (95% of population) is therefore further analysed below.

Top 100 Supplier use of Invoice Manager



Exceptions

Supplier	Total Spend	% of Total
Supplier A	-660,975	36%
Supplier B	-278,017	15%
Supplier C	-190,333	10%
Supplier D	-187,469	10%
Supplier E	-171,830	9%
6 Other Suppliers	-343,678	19%
	-1,832,302	100%

81%

45 suppliers in the Top 100 (representing €6.1m.) were Production Companies, relating to Content supplies. **Nine** (9%) were classified as suppliers of utilities – electricity, telephone, water, waste management, etc. – €8m and a further **17** (17%) were classified as “other” (rent, rates, travel), representing €2.4m.

Further investigation was required for the remaining 29 suppliers. IA noted that 18 of the Top 100 suppliers were in line with our expectations for the use of Invoice Manager and include one-off corrections of invoices, credit notes and volume discount rebates. However, the remaining 11 should have been processed through the normal PO process (categorised as “exceptions”).

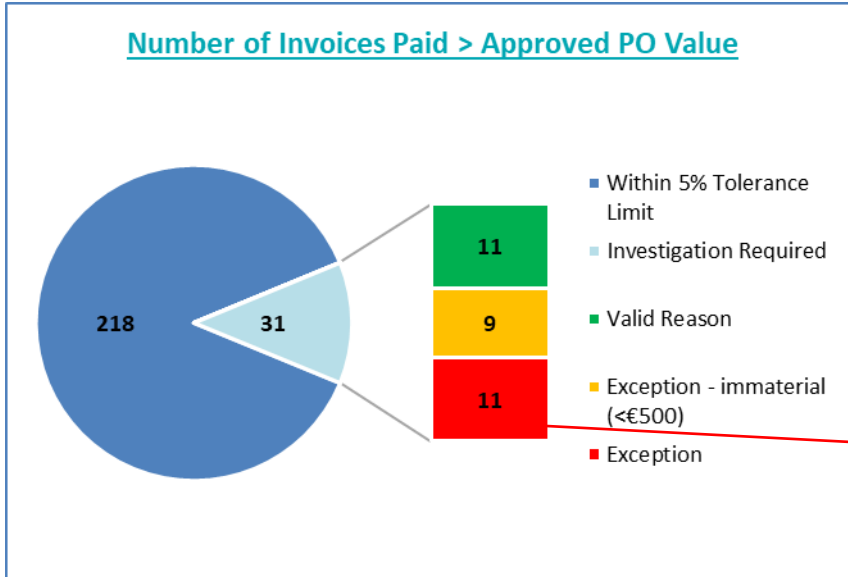
These **11** suppliers represent **€1.8m** or 7.5% of total value processed via IM. IA notes that five suppliers accounted for the **81%** of the of the exceptions as illustrated within the table above. An example includes professional service billings that are generally processed under the PO process being processed through Invoice Manager. Please refer to Appendix 1 for audit actions.

Findings

2: Purchase Invoice v Approved PO

Of the 8,195 POs raised during 2020, **249 POs (3%)** were highlighted for further testing as the value of the invoice paid exceeded the approved order amount.

A summary of the results of the **249** orders is set-out below:



Material Exceptions

Supplier	No. of invoices	Excess Invoice > PO - €	% of Total
Supplier A	1	-39,048	47%
Supplier B	1	-14,041	17%
Supplier C	1	-7,928	9%
Supplier D	1	-7,904	9%
Supplier E	1	-6,240	7%
Other Suppliers	6	-8,621	10%
	11	-83,782	100%

90%

For **218 (88%)** of the orders, the excess between the invoice amount paid and the approved PO was within the tolerance level (*note this is a manual control completed by AP – please refer to the Risk section for further details*). **31 (12%)** of POs required further investigation as the excess between the invoice amount paid and the approved PO amount was outside the tolerance level. IA notes that any difference between the invoice amount and the goods receipt of these exceptions (in excess of the tolerance) were processed and approved through invoice manager. In these circumstances the approver is required to be manually selected by AP.

11 (35%) of the invoices had valid reasons for the price differences (e.g. delivery costs, NRV etc.). However the remaining **20 (65%)** should not have been processed and paid under the PO (“exceptions”). On further inspection of these exceptions, **9 (29%)** were immaterial - the differential between invoice paid and the approved PO was under €500. Of the remaining 11 exceptions, IA notes that **5** invoices accounted for the **90%** of the total as illustrated within the table above. Please refer to **Appendix 1** for audit actions.

Findings

3: Raising POs before invoices

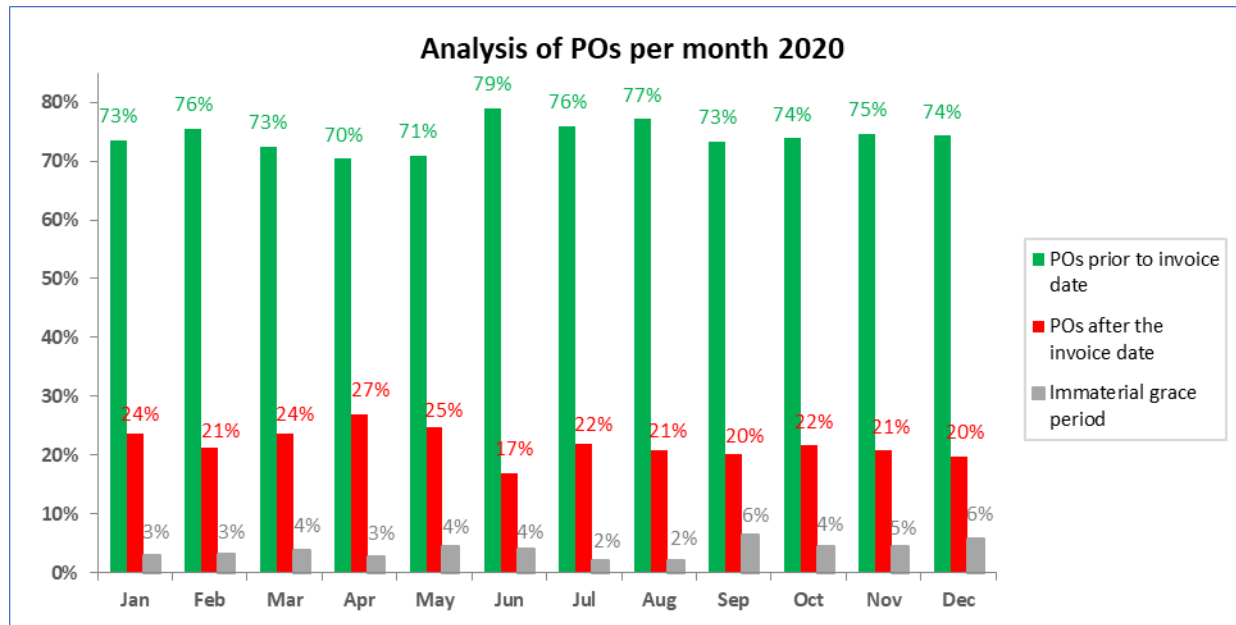
In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

Previous IA reports highlighted that POs are sometimes raised after the invoice has been received, which is 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 and the possibility of misstatements.

Internal Audit has carried out regular reviews of the timeliness of raising POs. The most recent results, by month, for the year 2020 are outlined in the chart below:

The average per number of POs raised after the invoice date was **22%** for 2020, an improvement on 26% recorded in 2019.

There is an ongoing project/working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams. Given this fact and that the results at the end of 31 December 2020 have improved slightly 2019 results, we are not issuing any additional audit recommendations at this time. The works and action of the working group will continue throughout 2021, as well as intermittent review by Internal Audit.

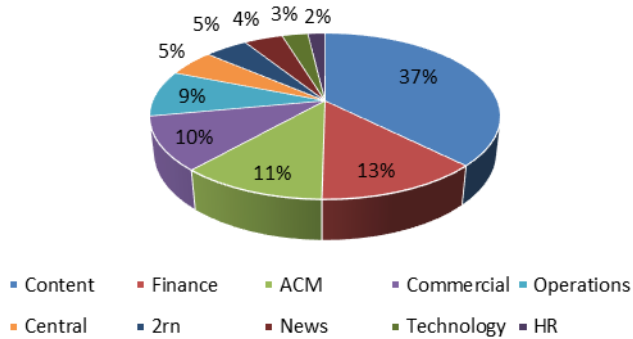


Findings

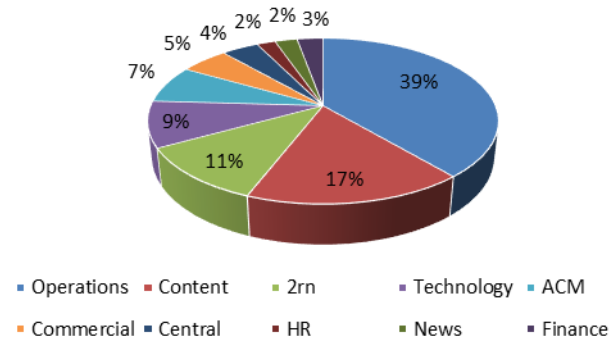
4: Requisitioners and Approvers

IA reviewed the list of PO Requisitioners and Approvers and concluded that both the number of individuals and the suitability of the individuals are appropriate. IA identified that **six approvers (3%)** need to be removed from the system. Of the six, one approver was a finding highlighted in the prior year audit, but had not been removed. Please refer to **Appendix 1** for audit recommendations.

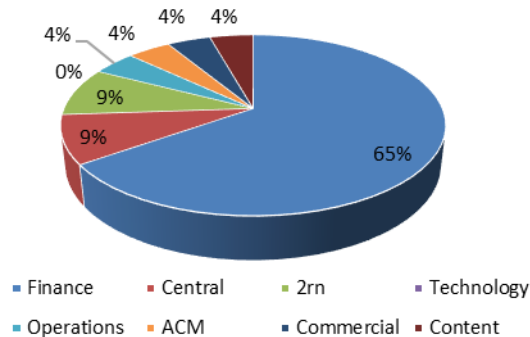
Approvers by Division (%)



Requisitioners by Division (%)



Invoice Manager Approvers (%)



IA reviewed the list of Approvers for Invoice Manager and concluded that both the number of individuals and the suitability of the individuals are appropriate. However, **three approvers (13%)** are required to be removed from the system.

Please refer to **Appendix 1** for audit recommendations.

Conclusion and Report Rating

Conclusion

The audit highlighted that 1,524 invoices to the value of €24.2m were processed via Invoice Manager. 20 suppliers represented two thirds of all payments processed through Invoice Manager. The volume is high given the other financial processes available. Some supplier invoices are being processed through Invoice Manager when they should be processed through the normal PO process. The audit draws attention to specific exceptions for 11 larger suppliers. Invoice Manager should primarily be used for exceptions, corrections and utilities.

A review of the value of invoices compared to the value of the approved PO was carried out. 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. A small number of invoices were processed incorrectly and should have required a new POs.

IA noted that an average of 22% of purchase commitments are being made prior to managerial approval of the order, which is contrary to RTÉ Purchasing Policy. This has improved on the prior year figure following action by Finance. There is an ongoing project/working group responsible for monitoring compliance levels in this area and liaising with Finance teams.

A review of the number of PO Requisitioners and Approvers by Division was performed, and it was concluded that both the number and suitability of the individuals was appropriate. A small number of departed approvers are required to be removed.

On the basis of the above findings, we assess the overall process as “Improvement Needed”. This reflects the known restrictions within the current system and that ERP will be addressing a number of key risk areas.

Report Rating



IMPROVEMENT NEEDED

Appendix 1 – Audit Actions

Actions	Owner	Due Date
<p>1 - Invoice Manager:</p> <p>1.1 The Finance Directors/Controllers will be informed of the exceptions noted during the audit and will bring those to the attention of the relevant teams in their division, with a focus on addressing areas where changes can be implemented within the existing processes (pre ERP implementation).</p> <p>1.2 The Finance teams will be reminded of the importance of enforcing the restricted use of Invoice Manger for isolated use only to deal with exceptions, utilities, corrections etc. (The audit highlighted use of Invoice Manager in circumstances when the PO process should have been used.)</p>	<p>Finance Directors/ Controllers</p> <p>CFO</p>	<p>31 July 2021</p> <p>30 June 2021</p>
<p>2 - Purchase Invoice v Approved PO:</p> <p>2.1 The Finance Directors/Controllers will be informed of the exceptions noted during the audit and will bring those to the attention of the relevant teams in their division, with a focus on addressing any material areas where changes can be implemented within the existing processes (pre ERP implementation).</p>	<p>Finance Directors/ Controllers</p>	<p>31 July 2021</p>
<p>3 - Requisitioners and Approvers:</p> <p>3.1 Management should remove the PO (6) and Invoice Manager (3) approvers identified.</p>	<p>████████████████████ ██████████)</p>	<p>30 June 2021</p>

RTÉ Internal Audit

Report on Programme Acquisitions

8 November 2013

Circulation:

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



Executive Summary: Background

Background

Financial

RTÉ transmitted in excess of █████ hours (10,292 commercial hours) of internationally and nationally acquired programmes on RTÉ One and RTÉ Two during 2012, representing █████ of total programming output (41% of all Peak Time transmission). The cost of transmitting acquired programmes was █████ million (excluding centrally allocated overheads) during 2012. This was charged to the Income Statement in line with RTÉ's accounting policy. Acquisitions in license, but not yet broadcast, are held in programme inventory.

Acquisition costs of █████ were recorded in the year to September 2013, which is █████ higher than budget. The full year budget for 2013 is █████ million (excluding overheads), a reduction of █████ on budget 2012. This saving is to be delivered in conjunction with the launch of RTÉjr, which significantly increases output volume requirements in 2013.

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.

The market for acquired content is becoming increasingly competitive with other channels (such as Sky) 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 RTÉ 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.

Factors such as the market size (of the buyer) and the competition from other broadcasters impact the pricing of acquisitions. The pricing of a television series also depends on its ratings in other markets and whether it is a first run series, a rerun, etc. The pricing of a film is also impacted by its performance at the box office.

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

Television programme acquisitions is one of a number of functional responsibilities which reside within the remit of the directorate managed by the Director of Broadcast, Acquisitions and RTÉ Global. The Director of Broadcast, Acquisitions and RTÉ Global buys for the needs of the RTÉ schedule and is not simply being guided by the production plans of the various studios. With the appointment of the new Channel Controllers, each channel will have its own distinctive channel strategy and specific acquisitions profile, which will be reflected in the acquisition plan and strategy.

Staffing

The Director of Broadcast, Acquisitions and RTÉ Global is assisted by five other staff members who manage the end-to-end life cycle of acquisition content, from purchase through to play-out. The team's responsibilities include communications, preparing for sales markets, finalising deals, issuing contracts, contract administration, scheduling, coordinating with press and promos and media management, organising of voice-overs for content, financial reporting and internal / external reporting.

The team also includes his deputy who buys content, attends selected markets and also sources and executive produces all of RTÉ's Irish Acquired content.

Executive Summary: Objectives, Scope & Key Issues

Background (Cont'd)

IT Systems

The following are the key systems used as part of the acquisitions process:

- [REDACTED]: Source of financial reporting data, record and track programme acquisitions
- [REDACTED]: Stock / expiry reports etc. for operational management
- [REDACTED] Schedule Reconciliation System
- [REDACTED] Main financial system

Objectives of audit

To confirm the existence and operation of effective controls over the primary financial and operational risks in the programme acquisitions function. The audit involved consideration of the following areas:

- a) Process for negotiating acquisition contracts;
- b) Pricing and approval of acquisitions;
- c) Accuracy of the recording of contract details on [REDACTED];
- d) Compliance with the terms of the contract;
- e) Procedures for screening / acceptance viewing of acquired programmes;
- f) Scheduling of acquisitions;
- g) Stock utilisation / wastage;
- h) Payment processing;
- i) Acquired programme inventory; and
- j) Information Technology – user access rights and system back-up.

Scope of audit

- ✓ The scope of the audit was acquired programme acquisitions of the Television IBD
- ✗ The audit did not include:
 - ✗ A detailed review of the IT systems in use;
 - ✗ Sports rights acquisitions;
 - ✗ Programme material acquired by RTÉ on behalf of TG4;
 - ✗ Programmes commissioned from the Independent sector or produced in-house

Key Management Issue

No issues were identified in this audit which merit classification as “key management issues”.

A small number of other observations are included in the action plan.

Executive Summary: Conclusion & Rating

Overall Conclusion

The cost of acquired programmes transmitted on RTÉ Television was €16.2m (before overheads) for the nine month period to 30 September 2013. The cost of transmission has fallen 4% compared to the equivalent period in the prior year.

In a competitive environment, the programme acquisitions team has been successful in retaining RTÉ's key acquisitions, while also securing rights for several high profile new series. In a number of cases, RTÉ has been successful in scheduling new acquisition series in advance of UK based competitors, and within a tight time-window after original transmission in the US. Output deals continue to be successfully negotiated with the large international studios and the newly appointed Channel Controllers now also having an input into the process.

A large number of new acquisitions, across a range of genres, are offered in the marketplace by studios, to broadcasters, every year. A significant level of judgement is required in allocating the scarce financial resources to the acquisitions best suited to meet RTÉ's target audience. The team has been successful in managing this process, with few examples of high profile RTÉ target acquisitions being lost to indigenous competitor broadcasters. However, the growing dominance of other international players acquiring joint UK and Ireland rights places RTÉ under continuous strain to remain competitive.

The acquisitions team has also been successful in achieving cost reductions year on year in line with commitments. As per the 5 year acquisition strategy, a reduction of €1.75m in cost of transmission is to be achieved for 2013 and further cuts are also being examined for the coming years.

The standards of control for the major risk areas in programme acquisitions are satisfactory, with some minor issues noted during the audit. We appreciate the co-operation and assistance received from the programme acquisitions team during the course of this audit.

Rating



SATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Information Technology				
1.	<p>█████ - Support Contract</p> <p>The █████ system has not been fully upgraded since 2008 and we understand that RTE is one of only two organisations left operating this version of the system. Financial constraints are a factor in delaying upgrades, in addition to the implementation of the █████ system.</p> <p>█████ the █████ software supplier, is still providing support. However, RTE's contract with █████ states that RTE must be within a pre-defined number of versions of the most recent version of the █████ system to receive consistent support. In addition, the compatibility of the current █████ version with Windows 7 was not signed off by █████</p> <p>During the audit fieldwork it was confirmed that an upgrade is planned to be implemented in 2014 and RTE is awaiting a formal quote from █████ for the necessary works prior to submitting an A196 for approval.</p>	<p>RTE is still in the progress of finalising the project plan and associated costs with █████. Currently we are awaiting a quotation from █████ to perform due diligence work such that a detailed plan and associated costings can be created.</p> <p>The tentative forecast for such an upgrade will be either in the 2nd or 3rd quarter of 2014. (█████)</p>	The █████ system will be upgraded in 2014.	M	█████ 31 August 2014
2.	<p>█████ Functionality</p> <p>During audit testing we noted some issues with the functionality of the current version of the █████ system, as follows:</p> <ul style="list-style-type: none"> Minor bugs in the system adversely impact the reporting functionality with respect to local currency equivalent values of deals. Occasionally some necessary deal amendments are not processed correctly by █████ This is rare and in a limited number of instances and relevant only to local currency revaluation. In mitigation, 	<p>This is being monitored and will be addressed through the upgrade. The impact of these bugs is immaterial and does not impact the validity of the reporting data. (█████)</p> <p>As per the response in point one above, these issues will be considered in the light of the planned upgrade</p>	These issues will be considered in the context of the next upgrade of █████ (We understand that the system functionality will allow these matters to be addressed in a straightforward manner).	L	█████ 30 June 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>discrepancies are minor, monitored closely by the Acquisitions Contracts & Finance Manager and are tracked as reconciling items.</p> <ul style="list-style-type: none"> • Passwords are not required to be changed automatically by users and the system does not impose restrictions on the strength of passwords chosen. • On a broader level, considering aspects of the [REDACTED] system beyond the Acquisitions functionality, we note that requests are being received by users to access the planning schedule for various business reasons. However, as the system does not provide functionality for 'read-only' access, these requests cannot be granted due to the risk of editing errors. Upgrading to a newer version will allow 'read-only' access to be granted to the system. 	[REDACTED]			
	<p>Acquisition Processes and Reporting</p>				
<p>3.</p>	<p><u>Format of Financial Reporting</u></p> <p>Various financial reports on acquisition costs are currently prepared for both the Group and Television monthly management accounts. To align with the budget, acquisition costs are reported on a consolidated basis for all channels, with limited sub-analysis by channel. Where analysis by channel is required, manual rework and time consuming analysis is required.</p> <p>Following the recent changes in the organisational structure in Television, and with the appointment of Channel Controllers for RTÉ One, RTÉ Two and RTÉjr, it is now timely to review the budget preparation and financial</p>	<p>This has become a focus for Acquisitions and will be improved upon for 2014. This will require some system amendments and a potential change in work practices which we are presently scoping.</p> <p>[REDACTED]</p>	<p>Financial reports will be prepared in a manner which allows for budgeted and actual acquisition costs to be split across the underlying channels.</p>	<p>L</p>	<p>[REDACTED] 31 December 2013</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>reporting formats for acquisition costs.</p> <p>An analysis of the budgeted and actual costs of acquired programmes across each of the channels (as opposed to on a consolidated basis) would facilitate a more meaningful analysis and better reporting of KPIs.</p>				
	Acceptance Viewing				
4.	<p>Acceptance Viewing</p> <p><i>Background</i> All acquired programmes are acceptance viewed before going to air for the editorial appropriateness of content, having regard for the audience. This involves a check that:</p> <ul style="list-style-type: none"> • First broadcast material is viewed / checked in full prior to being broadcast; • Repeat programmes being aired in different time slots to a different audience are acceptance viewed for content in a similar manner; and • All repeat broadcasts to a similar audience are reviewed for the technical quality of the media. <p><i>Audit Testing – First Run</i> Two features and one series were selected for testing for first-run acceptance viewing. There were no issues noted and all were appropriately viewed prior to transmission.</p> <p><i>Audit Testing - Repeats</i> We confirmed that the process was followed for a sample of repeats. However, due to a back-log of tapes and staff shortages, a 3-point check is performed on repeats targeted</p>	<p>Programme Acceptance Viewers are also responsible for editing Acquired material to fit presentation needs or for content issues. In tape environment, paper edits were produced for technical staff to apply but the file era has made self editing possible except where craft edits are required.</p> <p>The removal of all tape facility from transmission is still in train but not there yet. However, from the Acquisitions point, the target of broadcasting all programmes off file has been achieved by the Oct 2013 date.</p> <p>(██████████)</p>	<p>The risk is considered low and no further action is proposed. This issue will be resolved as the backlog of injected material is cleared.</p>	L	N/a

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>at a similar audience, rather than full viewing.</p> <p>This means that, during conversion from tape to file, the feature will be checked at 3 points for picture and sound rather than viewing it in full.</p> <p>There is a small risk that a technical glitch at an alternative point in the file will be missed, causing problems when the file goes to transmission. As a mitigating factor, the staff performing 3-point checks try to ensure sure that all peak-time repeat material is checked in full before being broadcast.</p> <p>[Historically, acquired features / series were received on physical tapes. By the end of October 2013, there will be no tape facility for transmission and all tapes must be injected into electronic files.]</p>				

RTÉ Internal Audit

Review of Programme Acquisitions

17 May 2022

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

██████████, Director of Acquisitions and Co-Productions
██████████, Acquisitions Contracts & Finance Manager
██████████, Finance Director of Content & Operations
██████████ Deputy Head of Acquisitions



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Introduction and Background

Introduction & Background

General

Internationally acquired programmes comprise series and films purchased by RTÉ from third-party studios, independent production houses and broadcasters. Deals to secure acquisitions are normally negotiated at 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 normally attend the important markets annually and maintains contact with key suppliers throughout the year. Markets were virtual events during the pandemic. The majority of acquired programmes are sourced from the US and the UK.

Irish acquired Irish programmes are a growing area, representing nearly 6% of acquired programme hours transmitted in 2021.

Financial

Acquired programme costs fell on 2020. This was due to the impact of COVID-19 and the disruption caused in production in 2020, having an impact on the supply of new films and series in 2021.

Costs for acquired programme inventories are defined as the third-party licence contract price which RTÉ pays the studio or broadcaster. Acquired programme inventories are charged based on the expected value of each transmission:

- Features: 75% on first transmission; 25% on second transmission
- Series: 99% on first transmission; 1% on second transmission

RTÉ transmitted in excess of 9,320 hours of internationally and nationally acquired programmes on RTÉ One and RTÉ2 during 2021, representing █████ of total broadcast hours. The cost of transmitting acquired programmes was █████ million (excluding centrally allocated overheads) during 2021. This was charged to the Income Statement in line with RTÉ's accounting policy.

The full year budget for 2022 is €████ million (excluding overheads).

Pricing of Acquisitions & Market Changes

Factors such as the market size (of the buyer) and the competition from other broadcasters impact the pricing and availability of acquisitions. The pricing of a television series also depends on its ratings in other markets, whether it is a first run series or a rerun, and its box office performance.

The market for acquired programmes has been undergoing significant change for a number of years, posing various challenges for broadcasters. Some changes have been underway for 11+ years (*launch of Sky Atlantic*), while others are more recent (*advert of subscription channels*). These challenges were further exacerbated by Covid 19, and are explained below:

- Other Television channels (such as Sky, BBC, Channel Four and Virgin) began pursuing joint Ireland / UK rights in respect of certain prime acquisitions. This causes potential delays in transmission due to contract clauses and threatens RTÉ's capability of securing a "first-run" of a series. Securing a "second-run" right means a broadcast after transmission on another channel, which impacts the potential audience.
- The continued use and ever-increasing popularity of subscription online channels such as Netflix, NOWTV, HBO and Disney also pose a huge competitive threat, limiting the availability of content even further. Many acquisitions and entire studio portfolios are being bought up wholesale. The potential for other production studios, such as Warner Brother or CBS, progressing the route of subscription channel content poses even more of a threat to available content.
- New platforms such as Google, Amazon and Facebook are increasingly influencing content discovery, news and entertainment, particularly among younger adults. Media consumption patterns have changed.
- Production delays due to Covid 19 have also affected the availability of content, delaying the release of planned productions.
- Movies that have not had an official theatrical release at box office are increasingly difficult to price due to less publicly verifiable market performance data.

Risk, Objective and Scope

Acquisitions Team & Approvals

The Director of Acquisitions and Co-Productions is assisted by a team who manage the end-to-end life cycle of acquisition content, from purchase through to play-out. The team's responsibilities include communications, preparing for sales markets, finalising deals, issuing contracts, contract administration, scheduling, coordinating with press and promos and media management, organising of voice-overs for content, financial reporting and internal / external reporting. The RTÉ Player has grown since the last review and acquired content now feeds directly into the Player.

Each deal is initially authorised by the Director of Acquisitions and Co-Productions, the Finance Director of Content, and the Directors of both Content and ACM. The approval of the CFO and the Director General may also be required, depending on the deal value.

Risk

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

- Risk #1 – Distribution & Migration to IP
- Risk #8 – Business Planning & Financial Prioritisation
- Risk #9 – Content Relevance.

Scope

✓ The scope of the audit was acquired programme acquisitions.

✗ The audit did not include:

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

Objective

The objective of this audit is to confirm the existence and operation of effective controls over the primary financial and operational risks in the area of programme acquisitions function. The audit involved consideration of the following areas:

- a) Process for negotiating acquisition contracts;
- b) Pricing and approval of acquisitions;
- c) Accuracy of the recording of contract details on [REDACTED];
- d) Compliance with the terms of the contract;
- e) Stock utilisation / wastage;
- f) Payment processing;
- g) Accounting process used for acquisitions
- h) Acquired programme inventory; and
- i) Information Technology – [REDACTED] system back-up.

Key Management Issues

Outdated Scheduling System

- The [REDACTED] system has been initially rolled out in RTÉ in 2008. There have not been any significant upgrades since then. The rollout of a new scheduling software system is currently in progress, but the legacy system is in use in the interim. This potentially leaves RTÉ exposed in terms of system support.
- The current [REDACTED] scheduling system is not set up for non-linear content and only allows for the scheduling of linear content, making it of limited use for RTÉ Player team.

Conclusion

Conclusion

The cost of acquired programmes transmitted on RTÉ Television was ██████ (before overheads) for the twelve month period to 31 December 2021 (a reduction on the expenditure in 2020).

A large number of new acquisitions, across a range of genres, are offered in the marketplace by studios and independent broadcasters, to broadcasters every year. A significant level of judgement is required in allocating the scarce financial resources to the acquisitions best suited to meet RTÉ's target audience. The team has been successful in managing this process to date. Output deals continue to be successfully negotiated with the large international distributors and in a competitive environment, the programme acquisitions team has been successful in retaining RTÉ's key acquisitions.

However, Television is no longer an autonomous industry. It has become a battleground for technology, telecommunications and platform companies, with more global ownership of Irish media and distribution than ever before. As stated earlier, the growing dominance of other international players acquiring joint UK and Ireland rights as well as increasing numbers of online subscription channels, places RTÉ under continuous strain to remain competitive.

The standards of control for the major risk areas in programme acquisitions are satisfactory, with one system-related finding explained in more detail in the action plan overleaf. We appreciate the co-operation and assistance received from the programme acquisitions team during the course of this audit.

Rating



SATISFACTORY

Appendix 1 – Action Plan

Finding	Agreed Action	Owner	Due Date
<p>1 █████ – <i>Support Contract:</i></p> <p><i>Background</i> █████ is the scheduling system and is used as a source of financial reporting data, and to record and track programme acquisitions.</p> <p><i>Finding</i></p> <p>1) The █████ system has not been fully upgraded since 2008. The rollout of a new scheduling system is currently in train. However, it has not gone live, potentially exposing RTÉ in terms of system support. The Software Licence and Maintenance Agreements were extended with █████, the █████ software supplier, to ensure ongoing use and support. It was agreed that these extensions will expire in November of this year.</p> <p>2) The current █████ scheduling system is not set up for non-linear content tights and only allows for the scheduling of linear content, making it of limited use for RTÉ Player team.</p>	<p>No new action is necessary here as a new system replacing █████, is currently being rolled out and it is expected to go live on August 23rd this year.</p>	<p>N/A</p>	<p>N/A</p>

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2019*

Report 2 of 2 (Purchasing Compliance)

05 June 2020

FINAL

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:



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Introduction and Background

Introduction

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Policy 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).

Background

Purchase Orders

Purchases processed through [REDACTED] 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:

Order Value	Approver
€0 - €2,500	Costpool Manager
€2,501 - €10,000	Costpool Manager / Finance
€10,001 – €100,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division
€250,001 - €750,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO
€750,001 +	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO / DG

Goods are received on [REDACTED] by the requisitioner when delivered and services are received 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 Agresso.

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 (automated control). There is a [REDACTED] limit to allow for variances such as delivery costs etc.(please also see the Risk Section). Payment takes place, generally by EFT to the supplier's bank account.

Invoice Manager

A number of purchases are processed each month via Invoice Manager due to the nature of the service provided. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO. Any processing of invoices where the value over [REDACTED] of goods received will also be approved via Invoice Manager.

Purchase Cards

Goods and services may also be paid by purchase cards. Purchase cards are Mastercard and 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 helps reduce the number of low value orders processed via [REDACTED] web and reduces administration costs.

Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*.


Risk, Objective and Scope

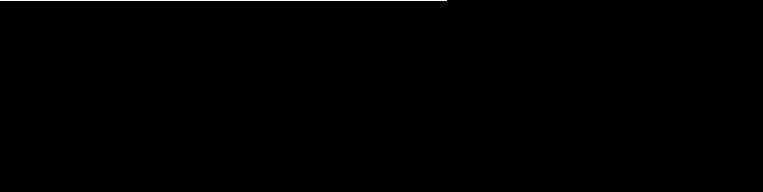
Risk

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

- Risk #8 – Brand and Reputation; and
- Risk #11 – Management of Finances and Business Planning.

Other specific risks relevant to this report are as follows:

- Fraud;
- Duplicate Payments;
- Purchase commitments being made prior to managerial approval; and
- Inherent IT Risk/System Functionality: 

 However, by their nature, manual controls are weaker than automatic system controls (e.g. automated receipting control noted under Purchase Order Background section).

Objective

The objectives of this audit are as follows:

- Determine if POs are raised in line with the RTÉ Purchasing Policy;
- Investigate if purchase invoices paid were in excess of the approved PO value;
- Review the appropriateness of Requisitioners and Approvers; and
- Determine if Invoice Manager is being as expected.

Scope

The scope of our review is from 1 January 2019 to 31 December 2019 and covers:

- All POs (including Capital WIP and Commissioned programmes) approved and processed, across all Divisions;
- All PO invoices paid, across all Divisions;
- All PO Requisitioners & Approvers and Invoice Manager Approvers; and
- All Invoice Manager invoices paid, across all Divisions.

The audit involved four main areas of work:

- ✓ Identifying the number of POs that were raised after the invoice date;
- ✓ Comparing the value of invoices to the value of the approved PO and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Reviewing the number and appropriateness of invoices and suppliers processed through Invoice Manager.

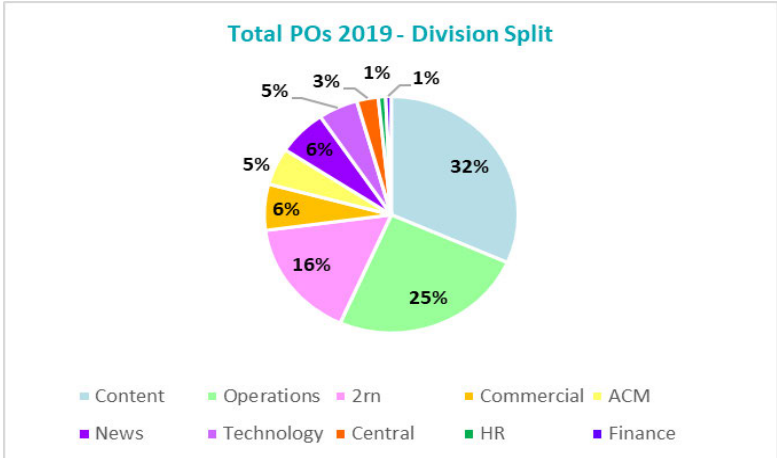
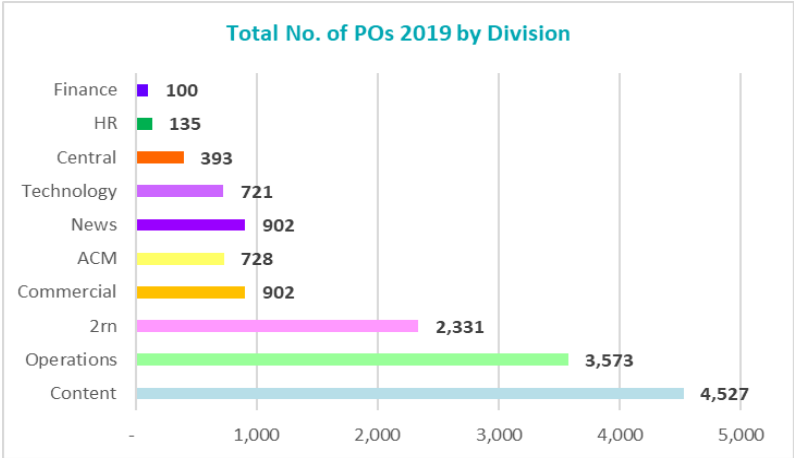
The scope of our audit did not include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate audit report);
- ✗ Reviewing purchase card payments; and
- ✗ Compliance with payments in accordance with European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012.

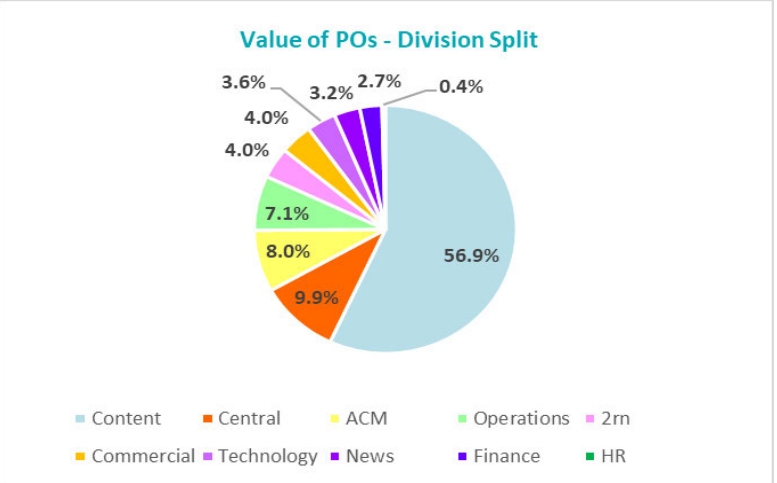
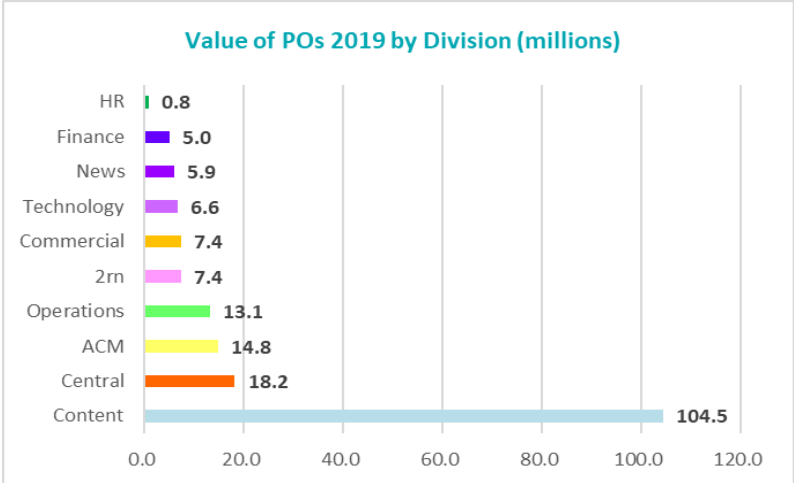
Overview and Context of Findings

Purchase Order Data

10,267 POs were raised in 2019 (2018: 11,299; 2017: 11,695) which totalled 14,312 (2018: 15,944; 2017: 16,843) lines of orders as some POs contained multiple order lines. The graphs below provides an analysis of the total number of POs raised by each Division and their percentage split.



The graphs below details the value by Division of the POs raised in 2019 and their percentage split. The total value of POs raised in 2019 was €183m (2018: €224m; 2017: €196m).



Overview and Context of Findings

Purchase Order Data continued

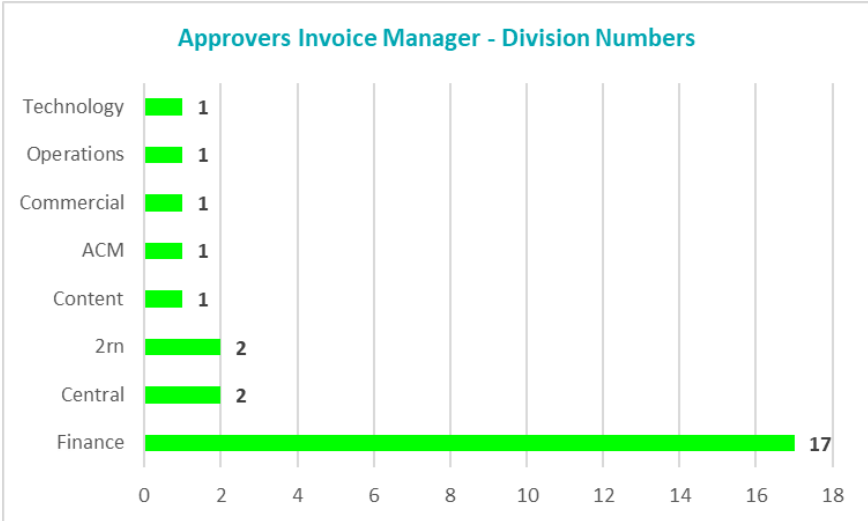
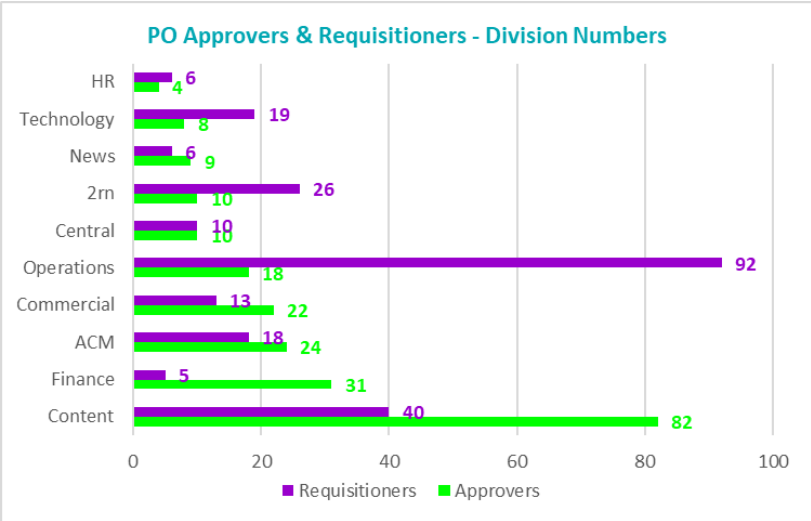
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value of PO	Number of POs Processed in 2019
€0 - €5,000	7,845
€5,001 - €10,000	1,040
€10,001 - €100,000	1,114
€100,001 - €250,000	140
€250,001 - €750,000	93
€750,001 upwards	35
Total	10,267

Note: 1,375 (2018: 794) of the 10,267 (2018: 11,299) POs were raised in 2019 were less than €100 in value and 48% (2018: 49%) of those related to ten suppliers, generally for recurring consumable supplies. 191 (2018: 161) of the 1,375 (2018: 794) POs under €100 in value have no invoice posted against them.

Requisitioners and Approvers

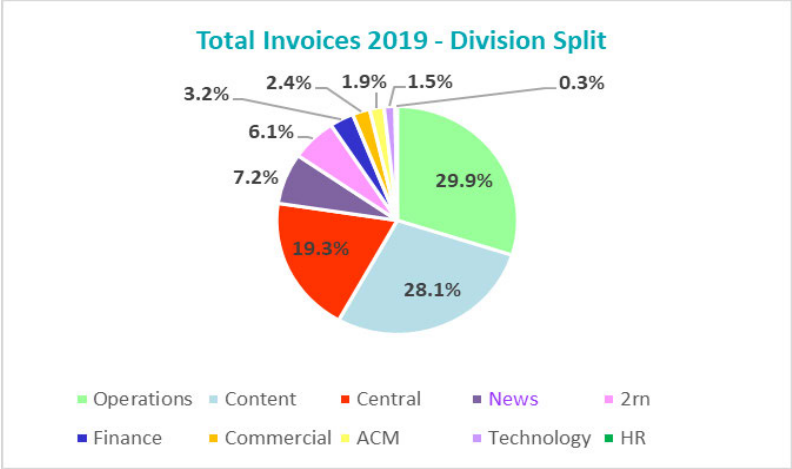
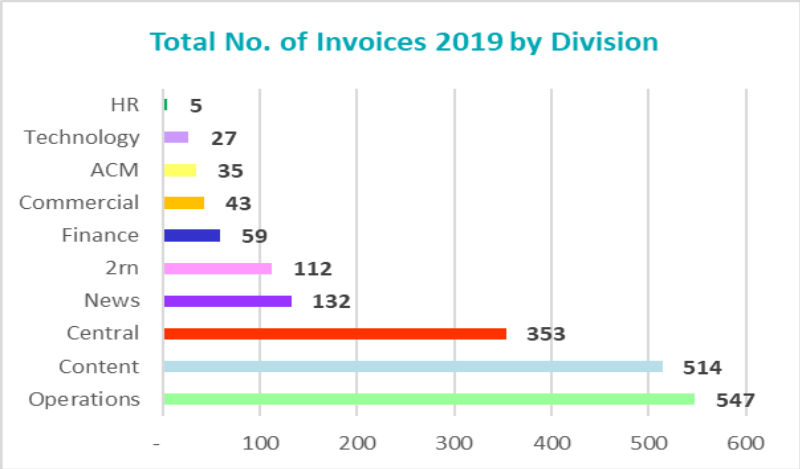
At the end of 2019, there were a total of 218 PO Approvers and 235 Requisitioners on [REDACTED]. At the end of 2019, there were a total of 26 Invoice Manager Approvers. The graphs below shows the breakdowns by Division.



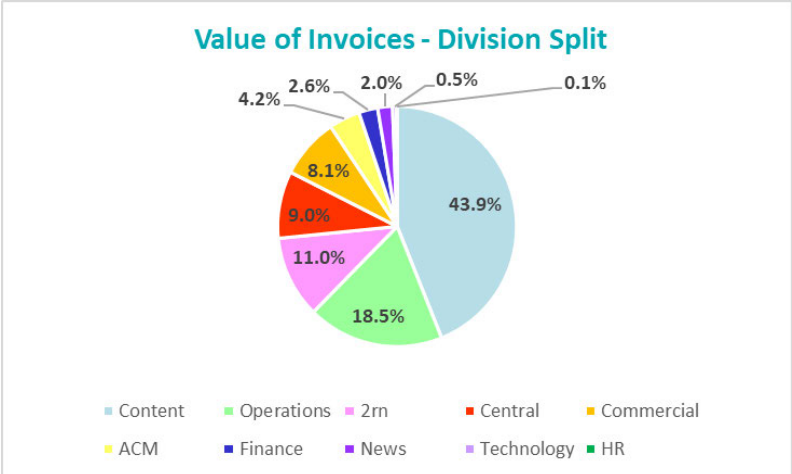
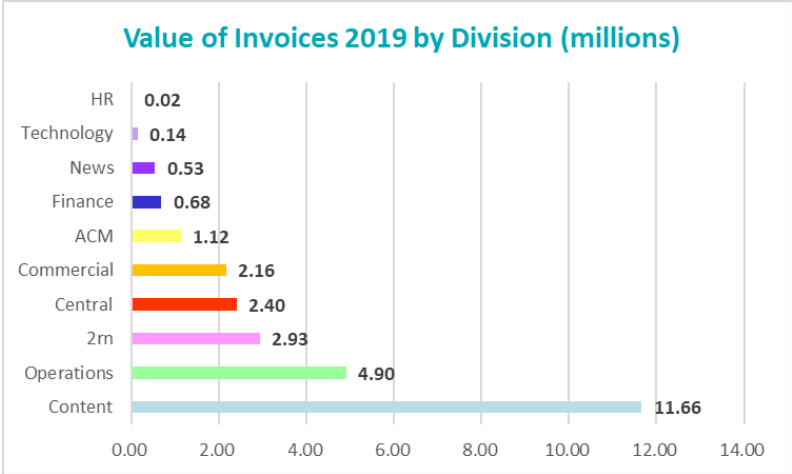
Overview and Context of Findings Continued

Invoice Manager

1,827 invoices were processed through invoice manager during 2019. The graphs below provides an analysis of the total number of invoices processed under Invoice Manager by each Division along with their percentage split.



The graphs below details the value by Division of the invoices processed under Invoice Manager in 2019 and their percentage split. The total value of invoices paid in 2019 was €26.6m.



Overview and Context of Findings Continued

Invoice Manager continued

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

Value of Invoice	Number of Invoices Processed in 2019
€0 - €1,000	684
€1,001 - €5,000	554
€5,001 - €25,000	366
€25,001 - €75,000	142
€75,001 upwards	81
Total	1,827

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Invoice Manager	Medium
2	Raising POs before invoices	Medium
3	Purchase Invoice v Approved PO	Medium
4	Requisitioners and Approvers	Low

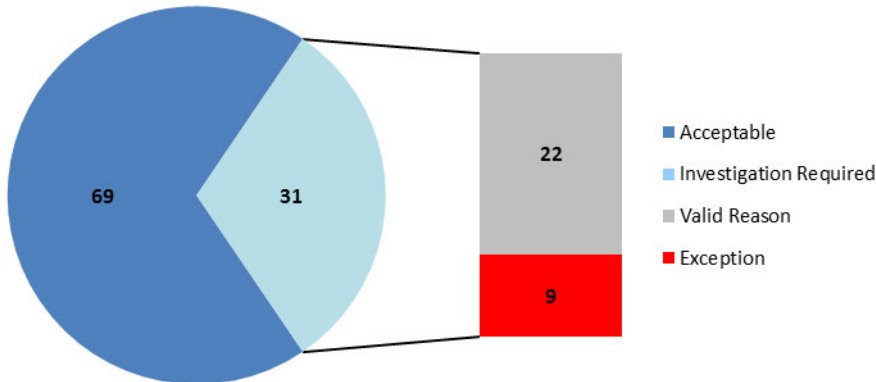
Findings

1: Invoice Manager



Internal Audit (“IA”) notes from reviewing the 2019 Invoice Manager data that the number and value of invoices processed through Invoice Manager appears high given the other financial processes available to process supplier invoices. **1,827** invoices were processed in relation to **318** suppliers to a total cost of **€26.6m** during 2019. IA acknowledges the restrictions of the current system and the required use of Invoice Manager, however the volume of transactions highlights excessive use of same. IA has also reviewed the Top 100 Suppliers and the graphs below provides an analysis of same. The Top 100 Suppliers accounted for **€24.6m** or **92%** of the population.

Top 100 Supplier use of Invoice Manager



Exceptions

Supplier	Total Spend	% of Total
Supplier A	-485,000	26%
Supplier B	-473,162	25%
Supplier C	-288,396	15%
Supplier D	-175,147	9%
Supplier E	-138,068	7%
4 Other Suppliers	-326,202	17%
	-1,885,974	100%

83%

For **69 (69%)** of the Top 100 suppliers they were in line with our expectations for the use of Invoice Manager and include suppliers for IPU, electricity, rent, rates etc. In the case of the remaining **31 (31%)** of Top 100 Suppliers further investigation was required. IA noted that **22 (71%)** of the suppliers had valid reasons for being processed through Invoice Manager (e.g. corrections of invoices), however the remaining **9 (29%)** should not have been processed through Invoice Manager and should have been processed through the normal PO process (“exceptions”).

These **9** suppliers represent **€1.9m (8%)** of the Top 100 Supplier total. IA notes that **5** suppliers accounted for the **83%** of the of the **€1.9m** as illustrated within the table above. An example includes professional service billings that are generally processed under the PO process being processed through Invoice Manager. Please refer to **Appendix 1** for audit recommendations.

Findings

2: Raising POs before invoices



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 IA reports highlighted that POs are sometimes raised after the invoice is received, which is 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 and the possibility of misstatements.

As highlighted in the most recent audit report (6 month period ending 30 September 2019), 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 2019 are outlined in the tables below:

Late PO Summary - By No. of POs and Value (as % of all POs)				
	Previously Reported	Current Period Under Review		
	Sep-19	Oct-19	Nov-19	Dec-19
Analysis of invoices				
# POs after the invoice date	22%	25%	29%	22%
€ POs after the invoice date	12%	16%	15%	13%

PO Summary - Analysis of number of invoices > €1,000				
	Previously Reported	Current Period Under Review		
	Sep-19	Oct-19	Nov-19	Dec-19
Analysis of number of invoices				
POs prior to invoice date	74%	71%	67%	74%
POs after the invoice date	22%	25%	29%	22%
	4%	4%	4%	4%
Total	100%	100%	100%	100%

PO Summary - Analysis of value of invoices > €1,000				
	Previously Reported	Current Period Under Review		
	Sep-19	Oct-19	Nov-19	Dec-19
Analysis of value of invoices				
POs prior to invoice date	87%	79%	83%	85%
POs after the invoice date	12%	16%	15%	13%
	1%	5%	2%	1%
Total	100%	100%	100%	100%

As noted above, an ongoing Finance Working Group have been working to address the late PO issue. On a monthly basis, and in conjunction with IA, reviews are completed. Given this fact and that the results at the end of 30 December 2019 have not deteriorated, we are not issuing any additional audit recommendations at this time. The works and action of the working group will continue throughout 2020.

Findings

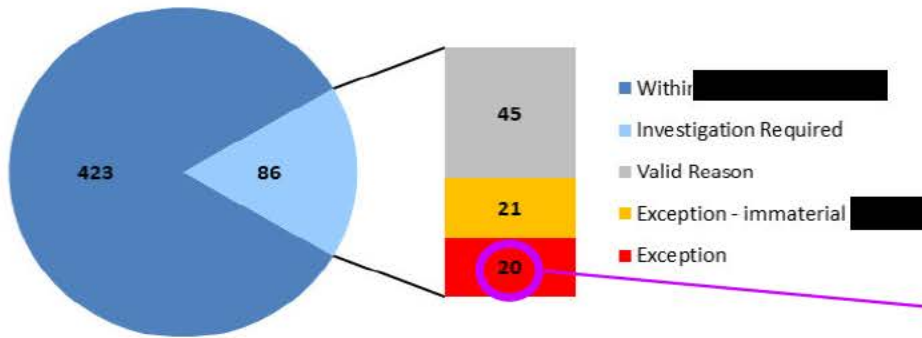
3: Purchase Invoice v Approved PO



Of the **10,267** POs raised during 2019, **509** POs (**4%**) were highlighted for further testing as the value of the invoice paid exceeded the approved order amount.

A summary of the results of the **509** orders is set-out below:

Number of Invoices Paid > Approved PO Value



Material Exceptions			
Supplier	No. of invoices	Excess Invoice > PO - €	% of Total
Supplier A	1	-25,145	21%
Supplier B	1	-23,850	20%
Supplier C	1	-18,533	15%
Supplier D	1	-12,348	10%
Supplier E	1	-10,472	9%
12 Other Suppliers	15	-29,512	25%
	20	-119,860	100%

Note: A bracket on the right side of the table groups Supplier A through Supplier E, indicating they account for 75% of the total excess.

For **423** (**83%**) of the orders, the excess between the invoice amount paid and approved PO amount was within the [redacted] level (please note this is a manual control completed by AP – please refer to the Risk section for further details). In the case of the remaining **86** (**17%**) of POs further investigation was required as the excess between the invoice amount paid and approved PO amount were outside the [redacted] tolerance level. IA notes that any difference between the invoice amount and the goods receipt of these exceptions (in excess of the [redacted] tolerance) were processed and approved through invoice manager. Please note that in these circumstances the approver is required to be manually selected by AP.

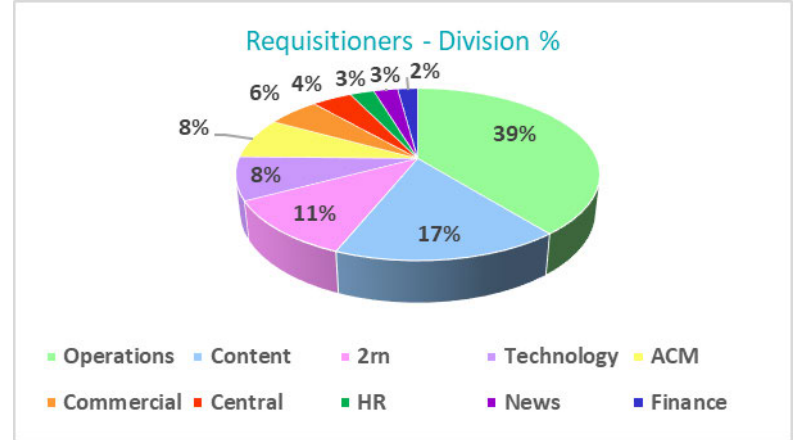
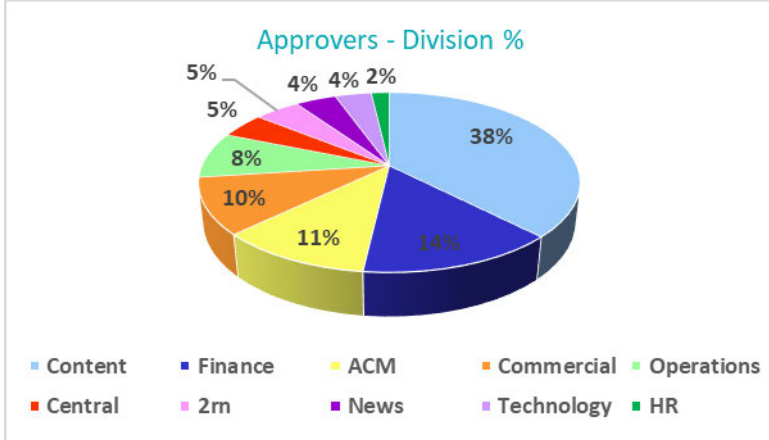
On review of the investigation items, IA noted that **45** (**52%**) of the invoices had valid reasons for the price differences (e.g. delivery costs, NRV etc.), however, the remaining **41** (**48%**) should not have been paid under the PO it was processed (“exceptions”). On further inspection of these **41** exceptions, IA split them into a material (**20** or **23%**) and immaterial (**21** or **24%**) categories. The immaterial category contains **21** invoices (**24%**) where the differential between invoice paid and approved PO was under [redacted]. The material exception category contains **20** invoices (**23%**) where the differential between invoice paid and approved PO was over [redacted]. IA notes that **5** invoices accounted for the **75%** of the differential total as illustrated within the table above. Please refer to **Appendix 1** for audit recommendations.

Findings

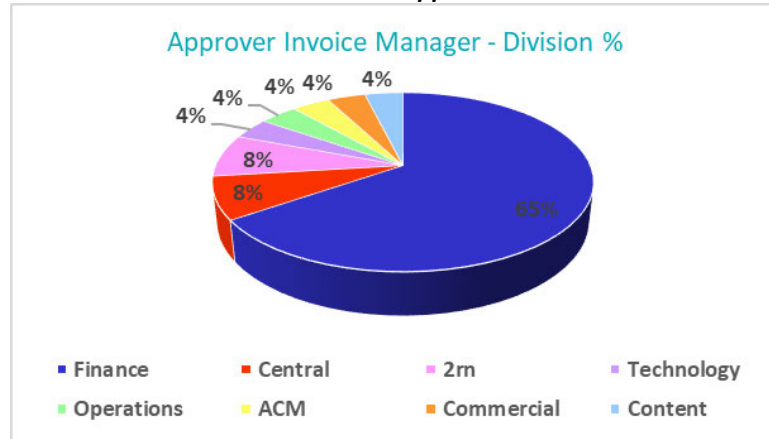
4: Requisitioners and Approvers



IA reviewed the list of PO Requisitioners and Approvers and the divisional splits (please see charts below) and concluded that both the number of individuals and the suitability of the individuals are appropriate. IA however did identified that **six approvers (3%)** across divisions are required to be removed from the system. IA notes a low risk in relation to this. Please refer to **Appendix 1** for audit recommendations.



IA reviewed the list of Approvers for Invoice Manager and the divisional splits (please see charts below) and concluded that both the number of individuals and the suitability of the individuals are appropriate. IA however did identified that **one approver (4%)** is required to be removed from the system. IA notes a low risk in relation to this. Please refer to **Appendix 1** for audit recommendations.



Conclusion and Report Rating

Conclusion

IA carried out a review of the invoices processed through Invoice Manager for all of 2019. The audit highlighted 1,827 invoices processed via Invoice Manager and that the volume appears high given the other financial processes available to process supplier invoices. In addition, IA noted that a number of suppliers are being processed through invoice manager when they should be processed through the normal PO process.

IA noted that approximately one quarter of purchase commitments are being made prior to managerial approval of the order, which is contrary to RTÉ Purchasing Policy. As highlighted in the prior audit report (6 month period ending 30 September 2019), there is an ongoing project/working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams. The work of the group will continue and we expect that the positive impact of the action will be continued into 2020.

IA carried out a review of the value of invoices compared to the value of the approved PO and noted that less than 1% were processed incorrectly and should have required additional POs, however 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.

IA reviewed the list of PO Requisitioners and Approvers by Division and the Invoice manager Approvers by Division and concluded that both the number of individuals and the suitability of the individuals are appropriate. IA noted that a couple of PO and Invoice Manager Approvers that are required to be removed however the risk of same is low.

IA also notes restrictions within the current system and that ERP will be addressing a number of key risk areas.

On the basis of the above findings that 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 - Invoice Manager:</p> <p>1.1 The Finance Directors/Controllers will be informed of the exceptions noted during the audit and will bring those to the attention of the relevant teams in their division, with a focus on addressing any material areas where changes can be implemented within the existing processes (pre ERP implementation).</p> <p>1.2 In addition, management should clearly detail within the final ERP design and ERP training documents, the role, if any, of Invoice Manager in the new ERP system.</p>	<p>1.1 Finance Directors/Controllers (RTÉ)</p> <p>1.2 Nominees from the ERP Project Team - TBC</p>	<p>1.1 31 July 2020</p> <p>1.2 30 November 2020</p>
<p>2 - Purchase Invoice v Approved PO:</p> <p>2.1 The Finance Directors/Controllers will be informed of the exceptions noted during the audit and will bring those to the attention of the relevant teams in their division, with a focus on addressing any material areas where changes can be implemented within the existing processes (pre ERP implementation).</p> <p>2.2 In addition, management should clearly detail within the final ERP design and ERP training documents, the extent of the automation of the three way matching of PO, receipt and invoice (<i>including % tolerance permitted</i>) and the operation of this functionality in the new ERP system.</p>	<p>2.1 Finance Directors/Controllers (RTÉ)</p> <p>2.2 Nominees from the ERP Project Team - TBC</p>	<p>2.1 31 July 2020</p> <p>2.2 30 November 2020</p>
<p>3 - Requisitioners and Approvers:</p> <p>3.1 Management should remove the PO (6) and Invoice Manager (1) approvers identified.</p>	<p>3.1 [Redacted] Head of Applications)</p>	<p>3.1 Completed</p>



RTÉ INTERNAL AUDIT

REPORTS TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL

YEAR-ENDED 31 DECEMBER 2022

PART 1: AUDIT AND RISK COMMITTEE MEETING 21 MARCH 2023

PART 2: AUDIT AND RISK COMMITTEE MEETING 20 APRIL 2023



PART 1: AUDIT AND RISK COMMITTEE MEETING 21 MARCH 2023



RTÉ INTERNAL AUDIT
REPORT TO THE AUDIT AND RISK COMMITTEE
MEETING: 21 MARCH 2023

Circulation:

Anne O'Leary (Chair)
Susan Ahern
Ian Kehoe
Siún Ní Raghallaigh
Robert Shortt

Paula Mullooly (Director Legal Affairs)

CC:

Dee Forbes (Director-General)
Richard Collins



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1. Overview of Internal Control

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: Paula Mullooly, RTÉ Group Secretary

From: Peadar Faherty, Head of Internal Audit

Date: 16 March 2023

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 21 March 2023 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 20 April 2023. 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

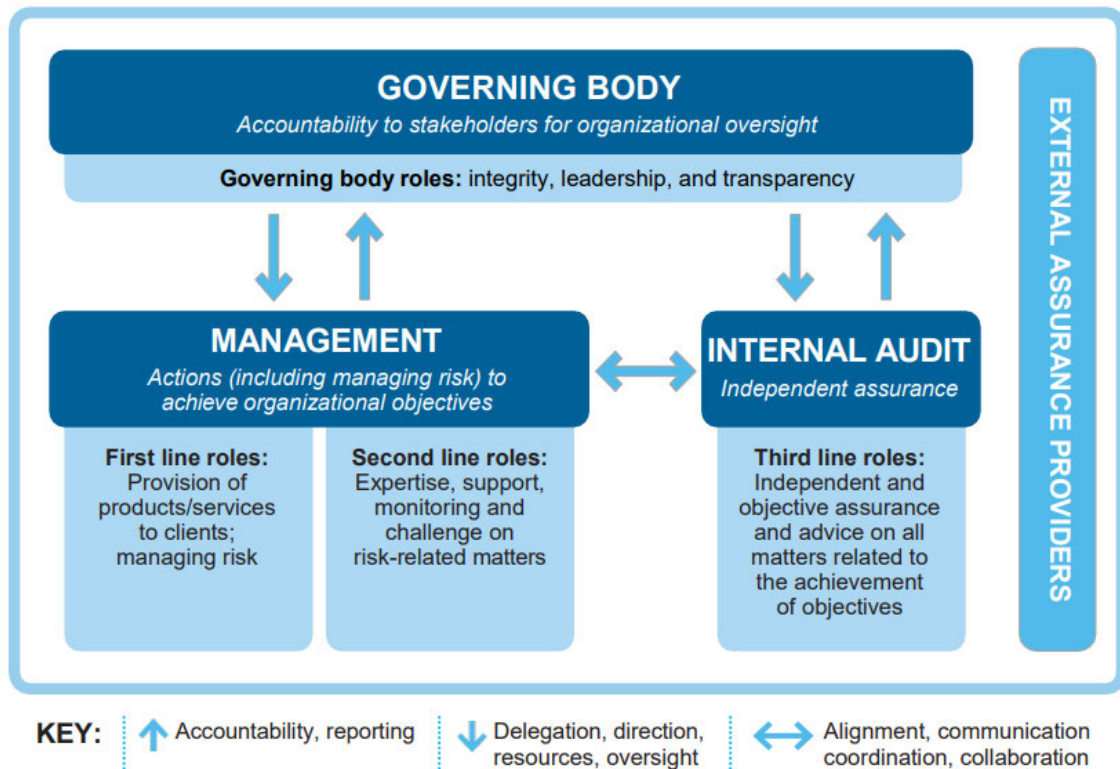
Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. The roles and duties of various parties in the internal control system are illustrated in the "Three Lines Model" overleaf, published by the Institute of Internal Auditors.

Internal control encompasses a broad range of processes and activities throughout the organisation such as the following:

- policies and procedures
- approvals
- authorisation limits and delegated authorities
- reconciliations
- financial management information systems

The Board is responsible for ensuring that effective systems of internal control are implemented.

The Three Lines Model



3. Why review the effectiveness of Internal Control?

3.1 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 for the year under review and up to the date of approval of the annual report and financial statements"

There are a number of reporting requirements as a result of the Code of Practice, as follows:

3.1.1 Annual Report

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 Annual Report for the year-ended 31 December 2022.

The external auditors are required review this statement. RTÉ also reports on compliance with the Code of Practice in the Corporate Governance report in the annual report.

3.1.2 Chair's report

The Chair'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.

3.1.3 Checklist

A comprehensive Code of Practice Checklist (addressing 134 compliance items, including internal control) must be submitted by RTÉ to Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media.

3.2 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 prior financial year ended 31 December 2020, 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.

3.3 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 20 April 2023 **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 Audit and Risk Committee 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.	21 March 2023
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.	21 March 2023
3	The Quarterly Risk Update for Q1 2023, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	Risk papers
4	Financial Transactions of Certain Companies and Other Bodies Act, 1992: Details of the audit work carried out to enable the Board members to certify, for the year-ended 31 December 2022, the matters specified in the Minister for Finance's <i>Requirements and Conditions</i> document.	21 March 2023
5	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	20 April 2023
6	A comprehensive Code of Practice Checklist will be submitted by RTÉ to Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media by end April 2023. This will be accompanied by supporting documentation and back-up.	20 April 2023
7	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.	20 April 2023
8	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2022, addressing the following areas:	20 April 2023

No.	Topic / Agenda Item	Presented to the ARC:
	<ul style="list-style-type: none"> • Purchase receipting and • Tendering aspects (RTÉ's compliance with Section 8.16 of the <i>Code of Practice for the Governance of State Bodies</i>) 	
9	Committee's resolution on internal control and recommendation to the Board.	20 April 2023 / 27 April 2023
10	Committee's resolution on certification that treasury procedures are in place, as mandated under the Department of Finance <i>Requirements and Conditions document</i>, and recommendation to the Board.	20 April 2023 / 27 April 2023

(2A) Internal Control in 2rn:

- **Financial Control procedures**



2A INTERNAL CONTROL IN 2rn**2.1 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.

2.2 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

Review of 2rn Internal Financial Control



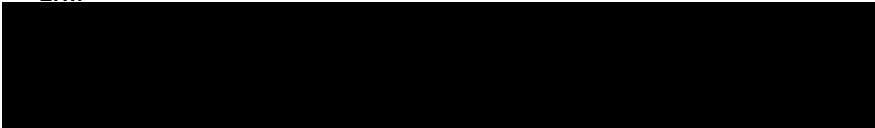
8 March 2023

Full Report included separately in list of reports - not repeated here

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

2rn:

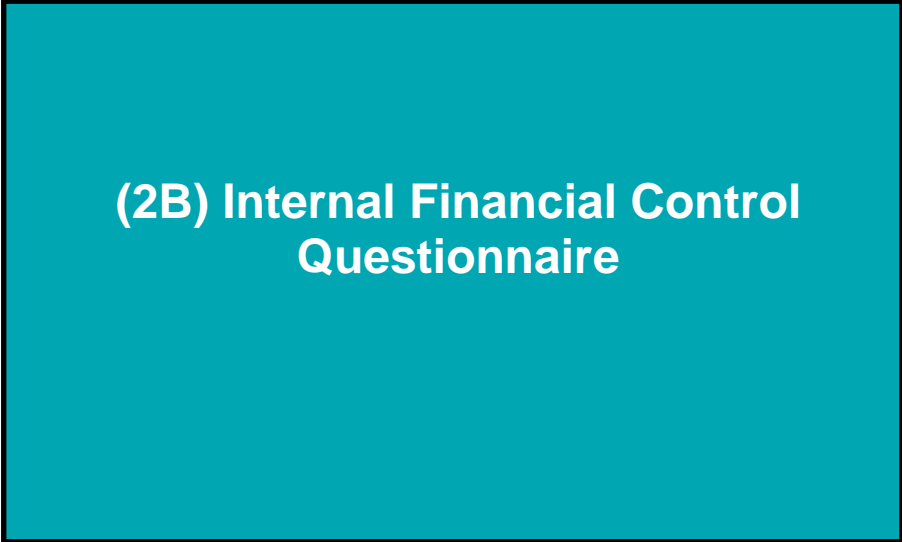


RTÉ:

Mike Fives, 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



**(2B) Internal Financial Control
Questionnaire**

2B INTERNAL FINANCIAL CONTROL

2.1 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.

2.2 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.

2.3 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.

We have set-out overleaf, 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.

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 2022

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	96%	<i>Immaterial</i>	N/a	N/a	75%	N/a	N/a	85%
C	Inventory	N/a	95%	N/a	100%	<i>Immaterial</i>	N/a	N/a	98%
D	Cash and Treasury*	98%	N/a	N/a	N/a	N/a	N/a	N/a	98%
E	Fixed Assets	99%	84%	84%	98%	97%	99%	99%	94%
F	People Payments	92%	81%	81%	81%	100%	96%	81%	88%
G	Management Accounts/Financial Close	96%	92%	92%	95%	90%	95%	98%	94%
H	Taxation Administration & Compliance*	92%	Taxation function in Group Finance						92%

*** 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*)

2.4 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.

2.5 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.



**(3) Audit work to facilitate
Board certification**

3 FINANCIAL TRANSACTIONS OF CERTAIN COMPANIES AND OTHER BODIES ACT, 1992 / TREASURY POLICIES**3.1 BACKGROUND**

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.

3.2 AUDIT WORK AND CONCLUSION

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. See *overleaf* for a memorandum and further details.

We conclude that it is in order for the Board to confirm / certify that:

- Procedures are in place as mandated under the Department of Finance *Requirements and Conditions document*; and
- RTÉ has acted in accordance with document.

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 Table 1 for the specific items to be included in the Policies and a check of compliance.</p> <ul style="list-style-type: none"> • RTÉ Treasury Policy • Management & Investment of Land Sale Proceeds Policy Statement

	Board Responsibility	Audit of Compliance
	<i>borrowings and the currency distribution of debt and foreign currency transaction exposures.</i>	
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 20 February 2023

3.2 Board Oversight and Annual Certification

	Board Responsibility	Audit Process
A)	<p>It shall also be the responsibility of the Board to ensure that the contracts of RTÉ are:</p> <ul style="list-style-type: none"> – Entered into only for the purposes set out in Section 2(1) of the Act and – subject to, and in compliance with: <ul style="list-style-type: none"> ○ the Minister for Finance’s <i>Requirements and Conditions document</i> and ○ the policies established by the Board. <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>	<p>See Table 2 for a check of compliance.</p> <p>See Table 3 for a check of compliance with the document.</p> <ul style="list-style-type: none"> – Review of RTÉ Treasury Policy and Land Sale Policy Statement – Review of position at year-end / discussion with relevant personnel <p>As above</p>
B)	<p>The Board shall certify annually that:</p> <ul style="list-style-type: none"> • Such procedures are in place and • RTÉ has acted fully in accordance with the Minister for Finance’s <i>Requirements and Conditions document</i>. 	<p>This review, and the associated checks of compliance by Internal Audit, represent the annual certification process. Policies are approved by the Board.</p> <p>See our conclusion and the audit recommendation in Section 5 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 (Approved Counterparties, Limits & Framework)
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	
			<i>taking of speculative positions is strictly prohibited</i>
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.	✓	Foreign currency forward contracts to economically hedge its currency risk
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, 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:		Six 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 3 counterparties. <div style="background-color: black; width: 100px; height: 15px; margin: 5px 0;"></div> Limited are approved counterparties for FX <u>execution only</u> . Both authorised by Central Bank of Ireland: <ul style="list-style-type: none"> • <div style="background-color: black; width: 50px; height: 15px; display: inline-block;"></div> Regulation 18 of the European Union (Payment Services) Regulations 2018 • <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 <div style="background-color: black; width: 100px; height: 15px; margin: 5px 0;"></div> ✓ <div style="background-color: black; width: 100px; height: 15px; display: inline-block;"></div> m ance role

Table 3 – Other Specific Requirements Regarding Transactions

Requirement		Where addressed in RTÉ Policies	
			and misc. outgoings. [REDACTED] compliant with short [REDACTED]
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"> • [REDACTED] • [REDACTED] • [REDACTED]
	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 21
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 21 (*Financial Instruments and Financial Risk Management*) of the draft Annual Report & Group Financial Statements 2022 are also relevant, in particular sub-section (g) (*Derivative financial instruments*).

We conclude that it is in order for the Board to certify that:

- Procedures are in place as mandated under the Department of Finance *Requirements and Conditions document*; and
- RTÉ has acted in accordance with that document.

Peadar Faherty
16 March 2023



Appendix 1 – Questionnaire

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2022

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	96%	<i>Immaterial</i>	N/a	N/a	75%	N/a	N/a	85%
C	Inventory	N/a	95%	N/a	100%	<i>Immaterial</i>	N/a	N/a	98%
D	Cash and Treasury*	98%	N/a	N/a	N/a	N/a	N/a	N/a	98%
E	Fixed Assets	99%	84%	84%	98%	97%	99%	99%	94%
F	People Payments	92%	81%	81%	81%	100%	96%	81%	88%
G	Management Accounts/Financial Close	96%	92%	92%	95%	90%	95%	98%	94%
H	Taxation Administration & Compliance*	92%	Taxation function in Group Finance						92%

*** 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*)

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	3.5							3.5
6	Score the effectiveness of the procedures for confirming balances with suppliers	3.5							3.5
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					3			3.0
13	Score the effectiveness of the procedures and controls over the invoicing of customers	3.5							3.5
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer					3			3.0
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.5							3.5
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

23.0				9		
96%				75%		

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		4	<i>Immaterial</i>			4.0
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		4				3.9
23	Score the effectiveness of the month end inventory accounting procedures		3.8		4				3.9

Total Score for Inventory Processes

	15.2		16			
	95%		100%			

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	3.8							3.8
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	3.9							3.9
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	3.8							3.8
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	3	3.75	3.5	3.9	3.8	3.5
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	4	4	4	4	3.9
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	4	4	4	3.9

Total Score for Fixed Assets Processes

15.8	13.5	13.5	15.75	15.5	15.9	15.8
99%	84%	84%	98%	97%	99%	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	4	3.5	3.5	3	4	3.7	3.5	3.6
39	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	3	3	3.5	4	4	3	3.4

Total Score for People Payments Processes

22.1	6.5	6.5	6.5	8	7.7	6.5
92%	81%	81%	81%	100%	96%	81%

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	4	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	19.05	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	3.5	<i>Taxation function in Group Finance**</i>						3.5
46	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	3.5							3.5
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

11						
92%						

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

PART 2: AUDIT AND RISK COMMITTEE MEETING 20 APRIL 2023



RTÉ INTERNAL AUDIT
REPORT TO THE AUDIT AND RISK COMMITTEE
MEETING: 20 APRIL 2023

Circulation:

Anne O’Leary (Chair)
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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 21 March 2023 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 for the year under review and up to the date of approval of the annual report and financial statements”

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 three areas at its meeting on 21 March 2023:

- ✓ Corporate governance and financial control in subsidiaries
- ✓ Treasury policies / compliance with the Department of Finance requirements
- ✓ The internal financial control self-assessment questionnaires

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 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 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).

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.

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 2023

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 / SharePoint sites 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 predefined 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 2022, such as:
 - Department of Social Protection audits
 - People Payments: the tax treatment of Independent Contractors
- 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. Benefit-In-Kind rules
 - 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 Protected Disclosures Policy (2022) 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

20 April 2023

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 2022*

Report 1 of 2 (Procurement Register)

12 April 2023

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:

Mike Fives, Group Financial Controller
Michael O'Sullivan, Head of Procurement
Paul Naughton, Financial Director, Content, Operations & Production Services
Linda Power, Financial Controller, News and Current Affairs
Paudie O'Sullivan, Financial Controller, Commercial
Lorraine McFadden, Financial Controller, ACM
Joe Lavelle, Procurement Manager
Colette O'Rourke, Procurement Manager
Marc Carron, Procurement Manager

*Full Report included separately
in list of reports - not repeated
here*



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

**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 2022*

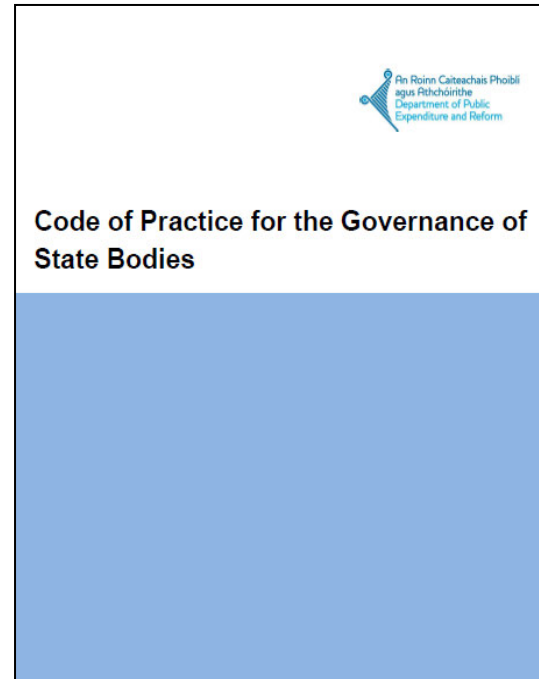
14 April 2023

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Paula Mullooly, Director of Legal Affairs
Group Financial Controller
Head of Procurement

*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 21 March 2023 and 20 April 2023, 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 2022. *(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 106 of the draft Annual Report 2022 contains a section on Internal Control and Risk Management within the Corporate Governance report. Furthermore, on page 109 (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 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 2022

Draft 14 April 2023 for Audit and Risk Committee

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ATTACHMENTS

- RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2022
- Checklist for the Business and Financial Reporting Requirements of the Code of Practice for 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 31st December 2022, consider the commercially sensitive developments affecting RTÉ during 2022.

A brief summary of the contents of the key reports is set out below.

- The Chair's Statement reflects [add a summary of text from the Annual Report]

XXXXX.

- The Director-General's report on page XX outlines how, throughout 2022, RTÉ created work of high public value in news, investigative reporting, arts and cultural experiences, sporting participation, original drama, entertainment and children's programming. The report summarises RTÉ's services to the audience during 2022, including a selection of the content highlights.

[add a summary of text from the Annual Report]

- The Financial Review on page 28 of the annual report presents the financial results for the year ended 31 December 2022 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 2022 and regulatory matters.

The Financial Review outlines the financial outlook for 2023 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 Did (page 38), What We Won (page 52), What We Made (page 54), and What We Do (page 70).

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 protected Disclosures Policy (updated in 2022) 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 107 – 109 of the 2022 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 2022.

The audit findings highlight non-compliant procurement relating to 1.5% (2021 – 1.4%) of cumulative purchases in value terms, which represents 11 (2021 – 31) out of 1,839 suppliers of goods and services in 2022. At the time of writing, in excess of 70% of these exceptions have been tendered and are now at an advanced stage of the procurement process, awaiting the finalisation of contract.

In considering the non-compliance outlined above, the following historic factors are relevant:

- As a result of constrained capital investment over the years, there is limited monitoring functionality in the purchasing IT systems which increases the difficulty of tracking tendering arrangements
- Different payment systems exist for different categories of purchases
- 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. Improved centralisation is now in place.

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 are now in progress.

The key actions include:

- A new / updated tender will be carried out for the exceptions identified in the report
- Improved monitoring / reporting processes
- 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 late 2023 / early 2024 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 2022 annual report (page 106).

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 2022 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 110 – in the corporate governance report in the 2022 annual report);
- Paragraph 1.9 viii): not applicable – no matters in the year under review;
- Paragraph 1.9 ix): subsequent events:
 - [Confirm at date of report if any recent matters merit reference].

There were no significant post balance sheet events affecting RTÉ between the year-end date of 31st December 2022 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 Protected Disclosures Policy and an independent confidential reporting line for staff. See page 181 of the 2022 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. Annex on Gender Balance, Diversity, and Inclusion

Circular 14/2020 (17 September 2020) refers to the publication of the Code Annex (2020) which sets out requirements regarding gender balance, diversity and inclusion on State boards and in State bodies.

Section 81 (3) of the Broadcasting Act 2009 already provides for gender balance in the composition of the Board of RTÉ by requiring that its members include no fewer than five men and five women.

Report in accordance with additions to Code provision 2.6:

- At 31 December 2022, there are five women and seven men on the Board of RTÉ. The Board therefore meets the Government target of a minimum of 40% representation of each gender in the membership of State Boards

Report in accordance with new Code provision 4.10:

The approach being adopted regarding the promotion of diversity and inclusion, including gender, is reported as follows:

- Page 38 to 50 of the annual report (What We Did section)
- Page 105 of the Corporate Governance statement in the annual report

5. 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 31st December 2022. The Code of Practice Checklist is submitted electronically with this document.

Siún Ní Raghallaigh
Chair

On behalf of the Board
XX April 2023

Appendix 1 – Additional Disclosures in Relation to Certain Categories of Expenditure



RTÉ INTERNAL AUDIT

REPORTS TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

YEAR-ENDED 31 DECEMBER 2016

Part 1: Audit and Risk Committee Meeting of 15 March 2017

Part 2: Audit and Risk Committee Meeting of 12 April 2017

Audit and Risk Committee Meeting of 15th March 2017



RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 15 MARCH 2017

Circulation

Attending the Committee meeting:

Anne O'Leary (Chair)
Moya Doherty
Frank Hannigan
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:

Dee Forbes (Director-General)
Breda O'Keeffe (Chief Financial Officer)

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Section

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
 - Review of the UK Corporate Governance Code
 - Protiviti Enterprise Risk Management Survey

**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 2017

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 15 March 2017 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 12 April 2017. 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 15 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?

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.

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 2016, which outlines RTÉ’s disclosures in this area. In particular, please note the 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.

This requirement is also retained in the updated (August 2016) Code of Practice for the Governance of State Bodies, although broader in scope. (RTÉ will report on compliance with the updated Code of Practice for the Governance of State Bodies in the 31 December 2017 Annual Report.)

Companies Act 2014

Section 225 of the Companies Act 2014 introduces a new 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 is applicable to two RTÉ subsidiaries, for the first time, for the financial year ended 31 December 2016.

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” (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 of the documents and the scheduling of presentations over the two Committee meetings.

At the end of the meeting on 12 April 2017 **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: Risk map; listing of top risks; and Internal Audit report following a Review of Internal Control in 2rn.	15 March 2017
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.	15 March 2017
3	The Quarterly Risk Update for Q1 2017, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	12 April 2017
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	12 April 2017
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 new requirement under the Companies Act 2014 and applies for the first time for the financial year ended 31 December 2016.	12 April 2017
6	Internal Audit report on a review of the Cost Allocations Process ¹ for the year-ended 31 December 2016 <i>(¹Financial 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>	12 April 2017*
7	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2016.	12 April 2017*

* 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 until the next meeting on the Committee – Agenda TBC.

Internal Control in RTÉNL / 2rn:

- Top Risks
- Financial Control in 2rn

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.

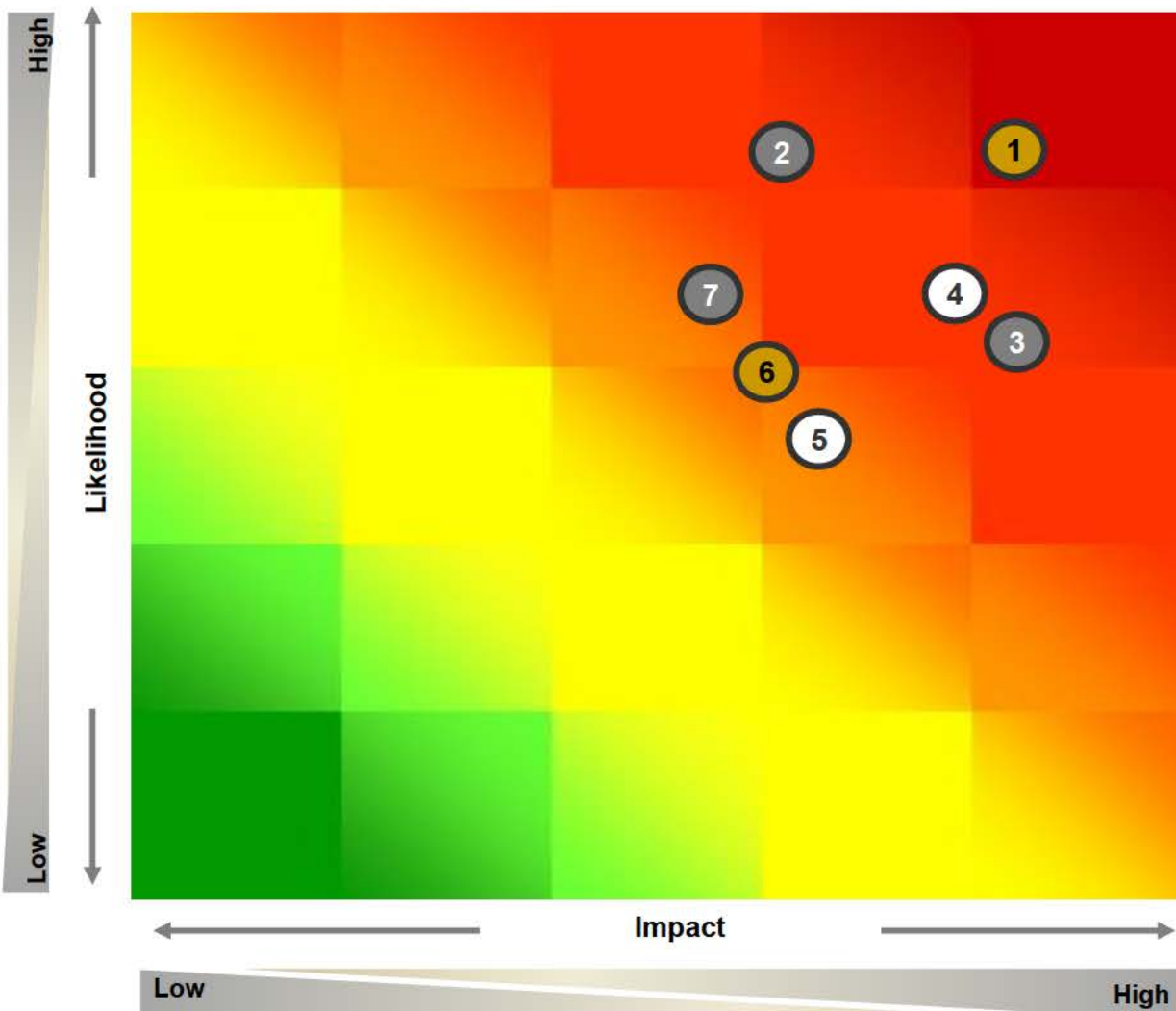
Up to 2013 2rn had been managed as an Integrated Business Division, in a manner similar to other RTÉ divisions, and it fell within the scope of the wider review of financial control in RTÉ. However, the relocation of 2rn from the Donnybrook campus to premises in Dublin 24, in addition to the migration 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:

- Top Risks listing
- 2rn Riskmap
- Internal Audit Report: Financial Control in 2rn

2RN Risks Map



	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)

New / Increasing Risk:

N/a – no changes to risks since the last review

The colour of the risk bubbles reflects the category of risk:

- INTERNAL Risk
- EXTERNAL Risk
- HYBRID Risk (Internal & External)

Top Risks 2rn - 2016

	Business Risk	Ref.*	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Category of Risk
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	Strategic
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		Regulation
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 DCCA, 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		Regulation
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		Strategic
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		Operational
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.		Strategic
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 weather-proofed insofar as is practical c) Building / Structure / Equipment design caters for bad weather insofar as is practical	a) Group Insurance c) Project plans	Operational

* This is a cross-reference to the detailed Risk Register, maintained locally, which aligns each risk to the strategic objectives of the business.

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

21 February 2017

Full Report included separately in list of reports - not repeated here

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

2rn:



RTÉ:





**Internal Financial Control
Questionnaire**

1B 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:

	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

The issue of taxation compliance is being dealt with as part of separate work in relation to Directors' Compliance Statements.

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. 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 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 2016

Summary of Effectiveness Ratings							
Section	Process Area	TV	Radio	News	Digital	Orchestras	Average
A	Purchasing and Accounts Payable	90%	90%	90%	90%	90%	90%
B	Sales and Accounts Receivable	94%	97%	N/A	92%	96%	95%
C	Inventory	94%	75%	98%	Immaterial	N/A	89%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%
E	Fixed Assets	91%	94%	97%	88%	83%	91%
F	People Payments	92%	92%	97%	97%	90%	93%
G	Management Accounts / Financial Close	94%	98%	95%	99%	98%	96%

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.

Appendix 1

Details of control effectiveness ratings.

2. TECHNICAL UPDATES / RECENT DEVELOPMENTS

2 TECHNICAL UPDATES / RECENT DEVELOPMENTS**2.1 REVIEW OF THE UK CORPORATE GOVERNANCE CODE****2.1.1 Background**

In mid-February 2017, the Financial Reporting Council (“FRC”) announced plans for a fundamental review of the UK Corporate Governance Code. The review will take account the following:

- The work done by the FRC on corporate culture and succession planning;
- The issues raised in the UK Government’s (November 2016) Green Paper on Corporate Governance Reform; and
- The House of Commons Business, Innovation and Skills (“BIS”) Select Committee’s inquiry on corporate governance.
 - This is an inquiry focussing on executive pay, directors’ duties and the composition of boardrooms, including worker representation and gender balance in executive position. The BIS Committee inquiry follows on from the corporate governance failings highlighted by the Committee’s inquiries into BHS and Sports Direct, and in the wake of Government commitments to overhaul corporate governance.

The FRC’s review will consider the appropriate balance between its principles and provisions and the growing demands on the corporate governance framework.

To guide this review, the FRC will seek input from a wide range of stakeholders including its recently established Stakeholder Advisory Panel of high profile representatives from a wide variety of sectors.

2.1.2 Reforms

In its response to the Government’s Green Paper on Corporate Governance Reform the FRC highlighted the importance of helping boards take better account of stakeholder views, linking executive remuneration with performance, and extending the FRC’s enforcement powers to ensure that disciplinary action can be taken against all directors where there have been financial reporting breaches. The FRC supports the introduction of corporate governance principles for large PLCs and promotes an extension in the remit of the remuneration committee to cover pay policies throughout the organisation.

The Chairman of the FRC has already stated that, in pursuing any changes, the ‘comply or explain’ approach, must be preserved.

2.1.3 Next Steps

The FRC will commence a consultation on its proposals later in 2017, based on the outcome of the review and the Government’s response to its Green Paper.

2.2 PROTIVITI ENTERPRISE RISK MANAGEMENT SURVEY

2.2.1 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 fifth 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 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



2.2.2 TOP RISKS

There is consistency in the risks between last year and this year, with some differences in risk rankings. However, the overall risk score for all of the top 10 risks are higher than prior years, suggesting that respondents sense that the level of risk is increasing across a number of dimensions.

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 previous two years.

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.

- The risk of economic conditions in domestic and international markets represents the top rank risk and the level of concern is noticeably higher than two years previously. 72% percent of respondents rated this as a “Significant Impact” risk (*defined as a risk with an average score of 6.0 or higher*).

Factors such as uncertainties surrounding Brexit, political dynamics arising from the U.S. November 2016 elections, falling commodity prices, and the direction of central bank monetary policies around the world are increasing volatility in global financial markets and currencies and negatively impacting this risk.

- Regulatory change risk continues to represent a major source of uncertainty. This risk was the overall top ranked risk for the past four years. Sixty-six percent of respondents rated this as a “Significant Impact” risk on this occasion.
- Concerns about cyberthreats disrupting core operations is again a top five concern for 2016, as well as the top operational risk overall.
- Rapid speed of disruptive innovation is new to the list of top five risks in 2017 (ranked sixth in 2016). With advancements in digital technologies and rapidly changing business models, respondents are focused on whether their organisations are agile enough to respond to sudden developments that alter customer expectations and change their core business model.
- Privacy and identity protection – respondents ranked this risk as a top five risk concern, in line with 2016. The inclusion of this risk into the top five is consistent with the increasing number of reports of hacking scandals and this risk is closely linked to risk # 3 above.

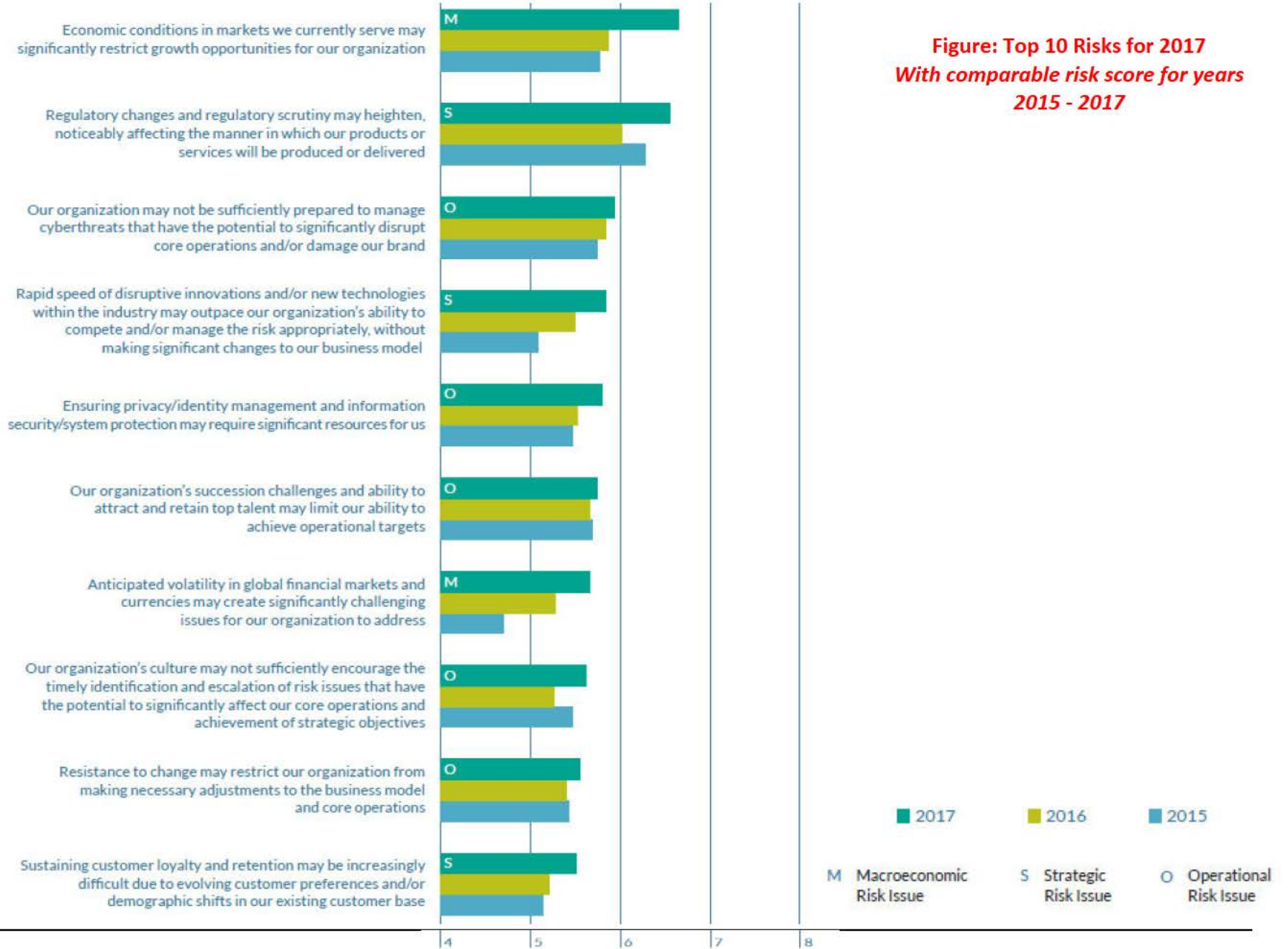
The list of the top ten risks is set out overleaf, initially in summary format followed by a more detailed description of the risks and the movement over three years.



Figure: Top 10 Risks for 2017
High Level Summary

RISK ISSUE	2017*	2016*	YOY Trend
Economic conditions	6.61	5.83	↑
Regulatory changes and regulatory scrutiny	6.51	6.06	↑
Cyberthreats	5.91	5.80	↑
Rapid speed of disruptive innovations and new technologies	5.88	5.48	↑
Privacy/identity management and information security	5.87	5.55	↑
Succession challenges and ability to attract and retain top talent	5.76	5.63	↑
Volatility in global financial markets and currencies	5.67	5.33	↑
Organization's culture may not encourage timely identification and escalation of risk issues	5.66	5.30	↑
Resistance to change operations	5.63	5.40	↑
Sustaining customer loyalty and retention	5.62	5.28	↑

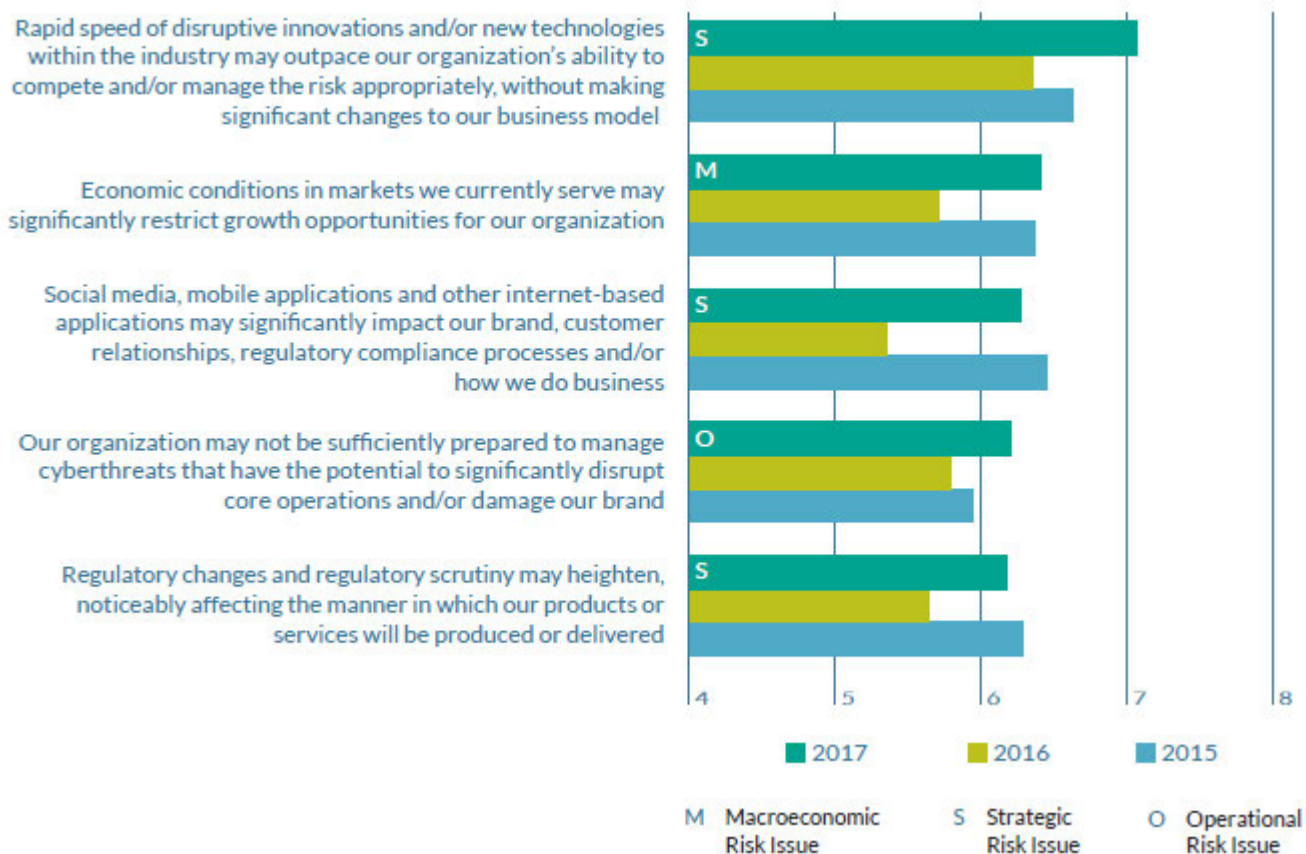
* Scores are based on a 10-point scale, with "10" representing that the risk issue will have an extensive impact on the organization.



2.2.3 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.**

• • • *Technology, Media and Communications*



Respondents in this industry group see a more severe risk environment, based on a greater sense of uncertainty regarding developments and trends in the various sub-sectors across the industry. The key risk is the rapid speed of disruptive innovations and the potential that they may outpace the organisation's ability to cope. Other market developments are also causing concern, including the speed of disruption and the ability of organisations to change rapidly.

The impact of social media, mobile applications and other internet applications rose to the top five risks reflecting the challenges of managing and protecting intellectual property, while preserving reputation and brand image. The potential for outsiders to acquire and misrepresent personal and proprietary information increases with greater use of mobile applications and other internet based applications.

Public disclosures of data leaks and breaches are focusing companies to re-evaluate how they interact with other organisations and businesses online. Similarly, organisations are concerned that they may be a target for hackers, which increases the risk of cyber security.

The risks of economic conditions and regulatory change continue to be risks in the top five risks.

2.2.4 REPORT

A full printed report is available on request, or may be accessed at the following link:

<https://erm.ncsu.edu/library/article/2017-top-risks-report-executive-perspectives-on-top-risks-for-2017>

**Appendix to Section 1 –
Internal Financial Control**

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2016

Summary of Effectiveness Ratings							
Section	Process Area	TV	Radio	News	Digital	Orchestras	Average
A	Purchasing and Accounts Payable	90%	90%	90%	90%	90%	90%
B	Sales and Accounts Receivable	94%	97%	N/A	92%	96%	95%
C	Inventory	94%	75%	98%	Immaterial	N/A	89%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%
E	Fixed Assets	91%	94%	97%	88%	83%	91%
F	People Payments	92%	92%	97%	97%	90%	93%
G	Management Accounts / Financial Close	94%	98%	95%	99%	98%	96%

Section A: Purchasing and Accounts Payable

(Completed by: Central Purchasing and Central Accounts Payable. 2rn: completed separately)

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 RTE'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	4	4	4	4	4	4
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	4	4	4	4	4	4
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

36	36	36	36	36
90%	90%	90%	90%	90%

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	TV	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.	3.6	3	4	n/a	n/a	3.5
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	3.7	3	3.7	n/a	n/a	3.5

Total Score for Inventory Processes

15	9	15.7	4	N/A
94%	75%	98%	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	3.8	3.8	3.8	3.5	3.6
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	18.3	19.3	19.3	18
92%	92%	97%	97%	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	3.7	4	3.7
41	Score the effectiveness of the financial close procedures and controls	3.8	4	4	4	4	4.0
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	4	4	4	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	19	19.7	19.5
94%	98%	95%	99%	98%

Audit and Risk Committee Meeting of 12th April 2017



RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 12 APRIL 2017

Circulation

Attending the Committee meeting:

Anne O'Leary (Chair)

Moya Doherty

Frank Hannigan

Eoin McVey

Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:

Dee Forbes (Director-General)

Breda O'Keeffe (Chief Financial Officer)

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6. TECHNICAL UPDATES / RECENT DEVELOPMENTS
 - o 2017 Global Audit Committee Survey

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 15 March 2017 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.

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.

These requirements are retained in the updated (August 2016) Code of Practice for the Governance of State Bodies, although broader in scope. (RTÉ will report on compliance with the updated Code of Practice for the Governance of State Bodies in the 31 December 2017 Annual Report.)

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 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 15 March 2017. 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 3**
- 3)** The Quarterly Risk Update for Q1 2017 – circulated to the ARC in separate papers
- 4)** The Cost Allocation Process – see **Section 4**

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 5**.

1.4 TECHNICAL DEVELOPMENTS

In addition to the topic of internal control, in **Section 6** we include a short update on technical developments.

**2.
DIRECTOR'S COMPLIANCE
STATEMENT**

2. DIRECTORS' COMPLIANCE STATEMENT**2.1 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 (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 new Companies Act requirement. (This text will be reviewed, in consultation with KPMG, as the subsidiary accounts are finalised.)

"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 applicable to RTÉ. However the Board Members' Report in the RTÉ Annual Report includes a new paragraph addressing the matter of Directors' Compliance Statements and also confirms that:

"The Companies Act 2014, which applies to RTÉ subsidiary companies, introduces a new 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

3 April 2017

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

3 April 2017

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

- 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
 - 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*)
 - Specific procedures in place in Digital for the preparation of quarterly VAT MOSS returns in respect of supplies of telecommunications, broadcasting and e-services:
 - Sales of GAAGO subscriptions are analysed monthly by country based on the IP address of the purchaser. VAT calculated manually based on a table of VAT rates by country and uploaded to [REDACTED]
 - Reconciliation to payment data provided by the payment facilitator, Stripe
 - Control checks and review
 - 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
 - Quarterly taxation compliance meetings with KPMG and, periodically, a full review of all elements of taxation (*last completed in 2014, with action points monitored at subsequent quarterly taxation compliance meetings*)
 - Prudent taxation provisioning for uncertain items. Specific tax provisions are signed-off by KPMG to ensure they are still valid
 - Review of non-standard contracts or business transactions (*e.g. 1916 Government events, property related transactions*) by RTÉ's professional advisors to ensure the tax treatment is appropriate
 - Briefings from taxation advisors on the tax implications of developments e.g. post the publication of the Finance Bill
 - Pre-planning and review process in place in the event of notification of a 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

12 April 2017

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. Cost Allocations Process
 - e. 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.
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 2016

5 April 2017

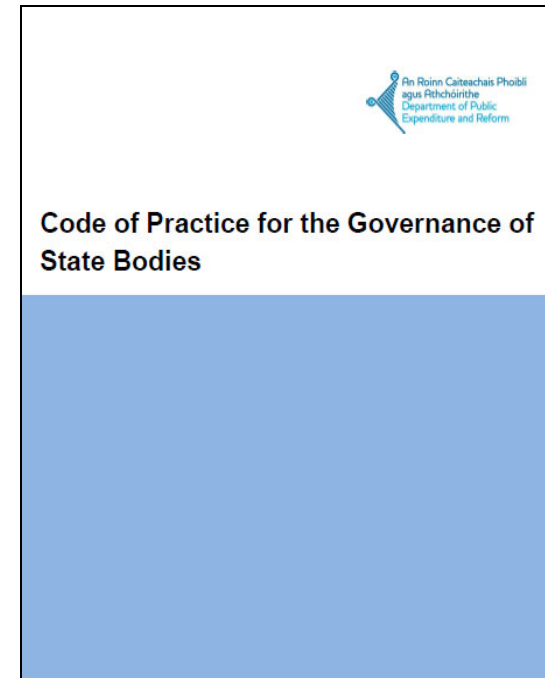
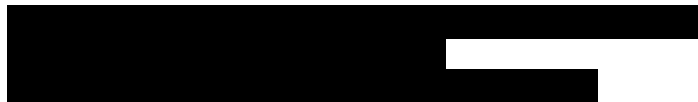
Full Report included separately in list of reports - not repeated here

Circulation:

Director-General

Members of the Audit and Risk Committee

Executive



4. COST ALLOCATION PROCESS

RTÉ Internal Audit

Full Report included separately in list of reports - not repeated here

Review of Cost Allocation Process

23 March 2017

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

RTÉ:

[Redacted]

KPMG:

[Redacted]



**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 15 March 2017 and the 12 April 2017, 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 2016. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

It is also appropriate to include a new 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.

Page 111 of the Annual Report contains a paragraph on Internal Control and Risk Management. Furthermore, also on page 111 (centre column), 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".

**6.
TECHNICAL UPDATES /
RECENT DEVELOPMENTS**

6. TECHNICAL UPDATES / RECENT DEVELOPMENTS**6.1 2017 GLOBAL AUDIT COMMITTEE SURVEY (KPMG)*****Introduction***

To better understand the key challenges and concerns facing audit committees, boards, and their companies, KPMG's Audit Committee Institute surveyed more than 800 audit committee members in 42 countries.

The survey findings offer insights that audit committees around the world can use to sharpen their focus, benchmark responsibilities and practices, and strengthen oversight.

While audit committees continue to express confidence in financial reporting and audit quality, the results highlight ongoing concerns about risk management, legal and regulatory compliance, cyber security risk, and managing the control environment in the company's extended organisation.

Findings

The report offers six key points:

- Risk management is a top concern for audit committees.
- Internal audit can maximise value by focusing on key areas of risk and the adequacy of the company's risk management processes generally.
- Tone at the top, culture, and short-termism are major challenges, and may need more attention.
- Two key financial reporting issues may need a more prominent place on audit committee agendas: implementation of new accounting standards and non-GAAP financial measures.
- Audit committee effectiveness hinges on understanding the business.
- CFO succession planning and bench strength in the finance organisation continue to be weak spots.

Related to the above, at the January 2017 Audit and Risk Committee meeting we reported on a publication of the Irish branch of KPMG's Audit Committee Institute, which sets-out the key agenda items for audit committees in 2017. Refer to the 25 January 2017 ARC papers for further details.

Six takeaways



Risk management is a top concern for audit committees. The effectiveness of risk management programs generally, as well as legal/regulatory compliance, cyber security risk, and the company's controls around risks, topped the list of issues that survey participants view as posing the greatest challenges to their companies. It's hardly surprising that risk is top of mind for audit committees—and very likely, the full board—given the volatility, uncertainty, and rapid pace of change in the business and risk environment. More than 40 percent of audit committee members think their risk management program and processes "require substantial work," and a similar percentage say that it is increasingly difficult to oversee those major risks.



Internal audit can maximize its value to the organization by focusing on key areas of risk and the adequacy of the company's risk management processes generally. The survey results show that audit committees are looking to internal audit to focus on the critical risks to the business, including key operational risks (e.g., cyber security and technology risks) and related controls—and not just compliance and financial reporting risks. They also want the audit plan to be flexible and adjust to changing business and risk conditions.



Tone at the top, culture, and short-termism are major challenges—and may need more attention. A significant number of audit committee members—roughly one in four—ranked tone at the top and culture as a top challenge, and nearly one in five cited short-term pressures and aligning the company's short- and long-term priorities as a top challenge. Meanwhile, nearly the same percentage of audit committee members said they are not satisfied that their committee agenda is properly focused on those issues.



CFO succession planning and bench strength in the finance organization continue to be weak spots. Forty-four percent of audit committees are not satisfied that their agenda is properly focused on CFO succession planning, and another 46 percent are only somewhat satisfied. In addition, few are satisfied with the level of focus on talent and skills in the finance organization. Given the increasing demands on the finance organization and its leadership—financial reporting and controls, risk management, analyzing mergers and acquisitions (M&A) and other growth initiatives, shareholder engagement, and more—audit committees want to devote more time to the finance organization, including the talent pipeline, training, and resources, as well as succession planning for the CFO and other key finance executives.



Two key financial reporting issues may need a more prominent place on audit committee agendas: Implementation of new accounting standards and non-GAAP financial measures. Few audit committees say their companies have clear implementation plans for two major accounting changes on the horizon—the new revenue recognition and lease accounting standards. Given the scope and complexity of those implementation efforts and their impact on the business, systems, controls, and resource requirements, those efforts should be a key area of focus. In addition, audit committees ought to consider whether to increase attention to any non-GAAP financial measures, which are an area of significant attention and comment by regulators worldwide. Nearly a quarter of those surveyed say their role with respect to the presentation of those metrics is very limited.



Audit committee effectiveness hinges on understanding the business. Audit committee members say a better understanding of the business and the company's key risks would most improve their oversight effectiveness. They also view additional expertise in technology/cyber security as being key to greater effectiveness, since it would strengthen their ability to oversee those risks.

Audit and Risk Committee Meeting of 13th March 2019

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Section

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 - 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

**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: 8 March 2019
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 13 March 2019 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 17 April 2019. 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 2018.

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 2018 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 is applicable to two RTÉ subsidiaries for the financial year ended 31 December 2018.

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 17 April 2019 **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.	13 March 2019
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.	13 March 2019
3	The Quarterly Risk Update for Q1 2019, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	13 March 2019
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	17 April 2019
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.	17 April 2019
6	Internal Audit report on a review of the Cost Allocations Process ¹ for the year-ended 31 December 2018 (¹ <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>)	17 April 2019*
7	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2018, addressing both purchase receipting and tendering aspects.	17 April 2019*
8	Committee's resolution on internal control and recommendation to the Board.	17 April 2019

* 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 until the next meeting on the Committee – Agenda TBC.

(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)
- Summary of Risks (Section 1.3)

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

7 February 2019

Full Report
included separately
in list of reports -
not repeated here

Circulation:

Director-General

Members of the Audit and Risk Committee

Executive





**(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; 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

The issue of taxation compliance is being dealt with as part of separate work in relation to Directors' Compliance Statements.

1.2 REPORTING REQUIREMENTS

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 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. This follows a similar approach to previous years.

Organisational Restructure has taken place since the prior year end and, as a result, the divisions have been realigned. However, it has not had any material impact on the results and the control ratings are in line with previous years and our expectations. The financial systems and key financial policies have remained unchanged.

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 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 2018

Summary of Effectiveness Ratings									
Section	Process Area	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
A	Procurement and Accounts Payable	93%	93%	93%	93%	93%	93%	93%	93%
B	Sales and Accounts Receivable	96%	96%	N/A	N/A	98%	98%	98%	97%
C	Inventory	N/A	94%	98%	100%	100%	N/A	N/A	98%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%	96%	96%
E	Fixed Assets	97%	91%	91%	98%	100%	97%	97%	96%
F	People Payments	95%	88%	88%	95%	95%	95%	95%	93%
G	Management Accounts / Financial Close	94%	94%	94%	95%	99%	94%	94%	95%

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 seventh 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 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

Introduction

Respondents indicate that the global business environment is somewhat riskier in 2019 compared to previous years. There are noticeable shifts in what constitutes the top 10 risks for 2019 compared to last year.

The survey results also suggest that corporations are likely to increase investment in strengthening risk identification and management efforts over the next twelve months relative to the prior year.

Respondents indicate a significant increase in concerns related to their organisation's digital readiness, jumping from the number ten position in 2018 to number one in 2019. Regulatory changes and heightened scrutiny continue to represent a major source of uncertainty, while concerns about economic conditions fell out of the top ten list of risks for the first time in the survey.

Top Five Risks

A summary of the top five risks is set-out below and the list of the top 10 risks is in the table overleaf.

- The top concern among respondents relates to the ability of their organisations – relative to their competitors – to adjust existing operations to meet challenges and competition. The concern may be a composite of several significant uncertainties:
 - the company's digital readiness;
 - its lack of resiliency 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.
- The risk of succession challenges and the ability to attract and retain talent moved to number two, triggered by a tightening labour market and an increasing need for specialised digital knowledge and subject-matter expertise.
- Regulatory challenges continue to represent a major source of uncertainty among the majority of organisations. Concerns about regulatory change and increased regulatory scrutiny moved up one position for 2019, suggesting that respondents remain concerned about potential regulatory influences disrupting how they do business.

- Threats related to cybersecurity are of major concern as respondents focus on how such events might interrupt core operations. Digital transformation initiatives, cloud computing adoption, mobile device usage, machine learning and other applications continue to outpace the security protections companies have in place. Increasingly sophisticated cyber attacks add to the uncertainty.
- 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.

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.

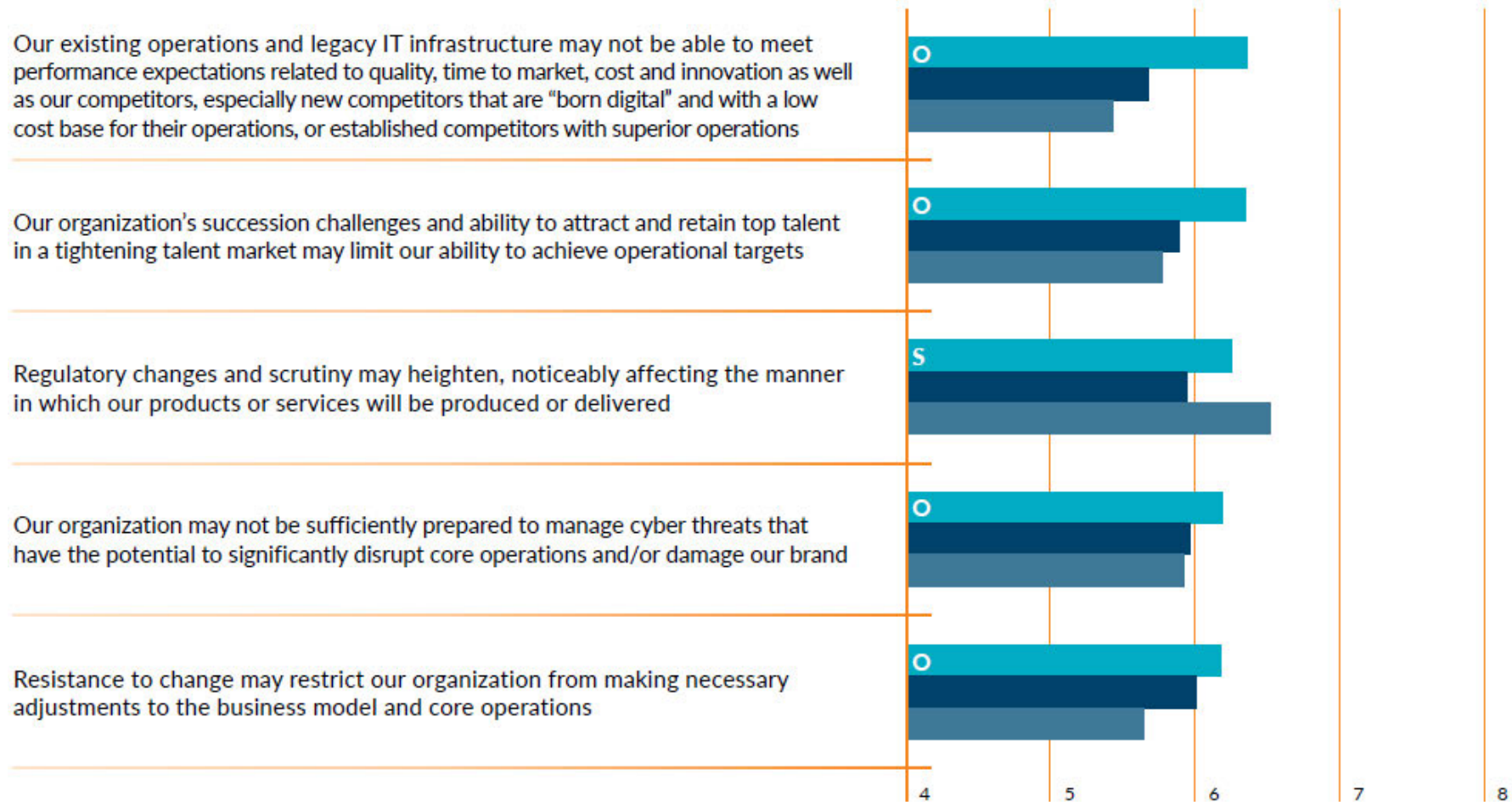
TOP 10 RISKS FOR 2019		
RISK ISSUE	2019*	2018 (rank)*
 1. Existing operations meeting performance expectations, competing against "born digital" firms	6.35	5.67 (10)
 2. Succession challenges and ability to attract and retain top talent	6.34	5.88 (6)
 3. Regulatory changes and regulatory scrutiny	6.24	5.93 (4)
 4. Cyber threats	6.18	5.96 (3)
 5. Resistance to change operations	6.17	6.00 (2)
 6. Rapid speed of disruptive innovations and new technologies	6.13	6.10 (1)
 7. Privacy/identity management and information security	6.13	5.83 (7)
 8. Inability to utilize analytics and big data	6.07	5.71 (9)
 9. Organization's culture may not sufficiently encourage timely identification and escalation of risk issues	5.99	5.91 (5)
 10. Sustaining customer loyalty and retention	5.95	5.57 (12)

* Scores are based on a 10-point scale, with "10" representing that the risk issue will have an extensive impact on the organization.

Legend

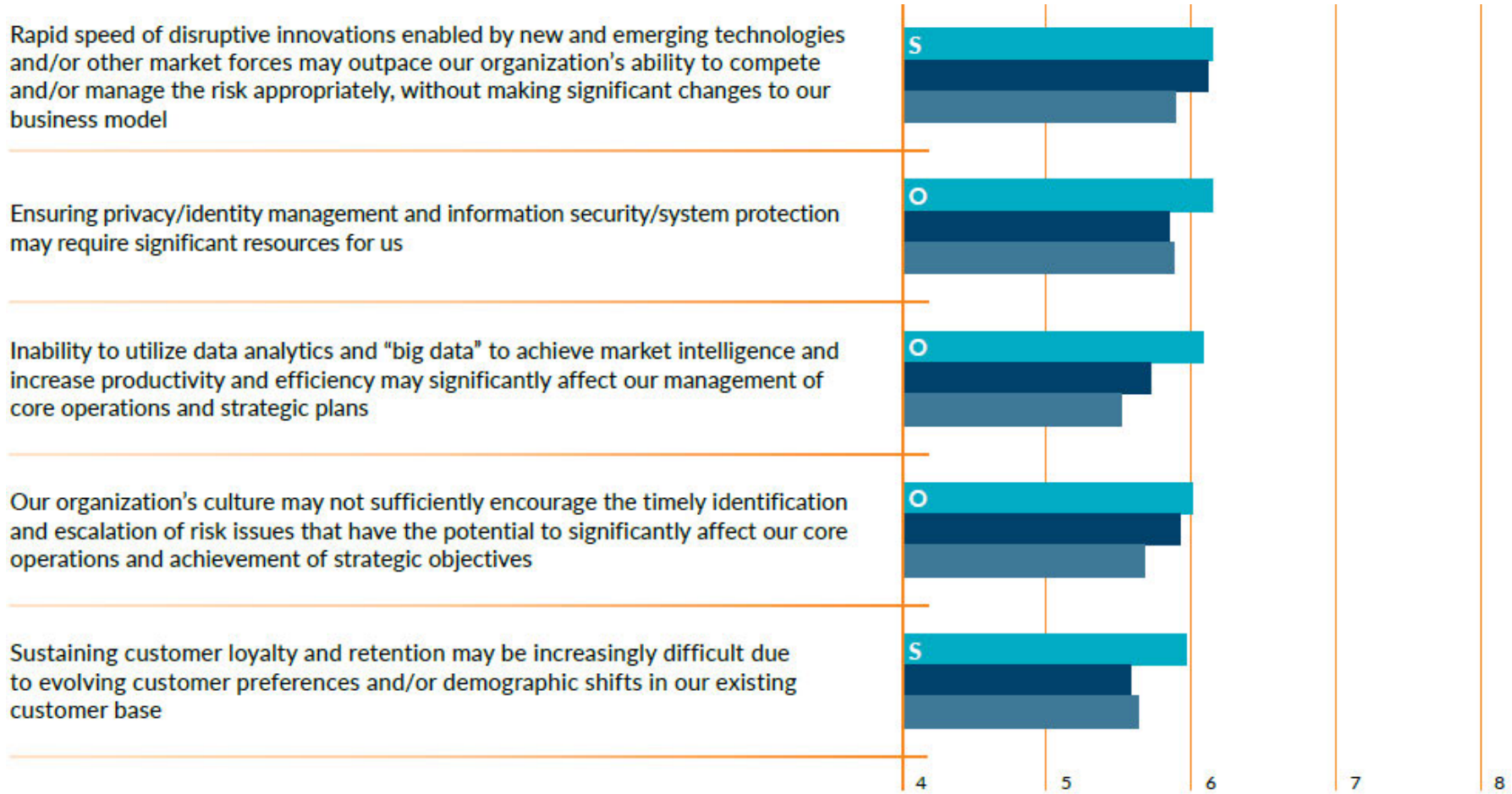
M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2019 2018 2017

■ ■ ■ Top 10 Risks for 2019



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2019 ■ 2018 ■ 2017



2.1.3 TECHNOLOGY, MEDIA AND COMMUNICATIONS RISKS

Technology, Media and Telecommunications

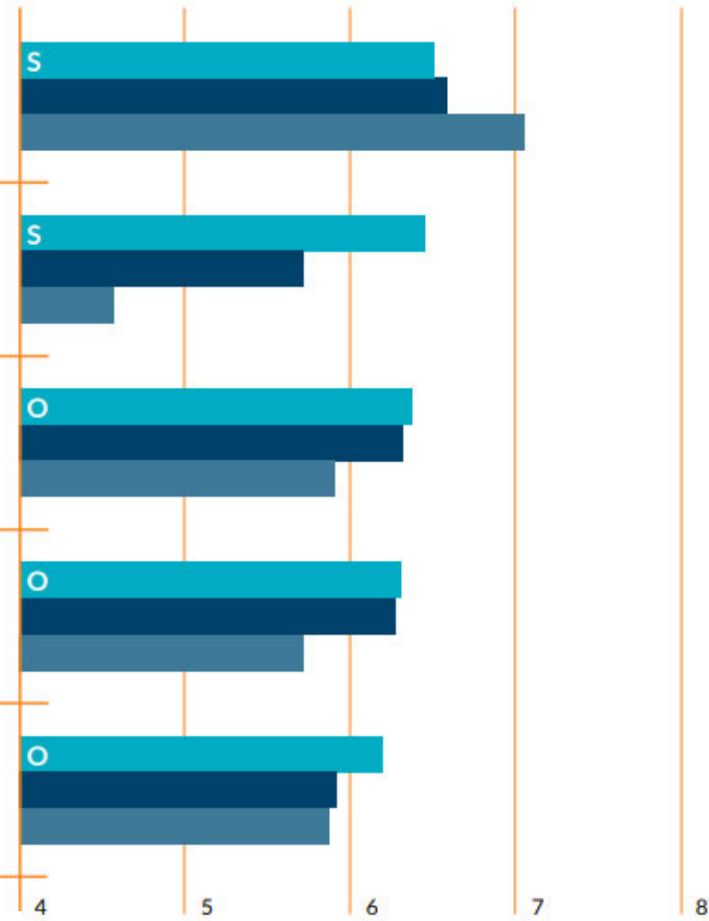
Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model

Ease of entrance of new competitors into the industry and marketplace or other significant changes in the competitive environment (such as major market concentrations due to M&A activity) may threaten our market share

Ensuring privacy/identity management and information security/system protection may require significant resources for us

Our existing operations and legacy IT infrastructure may not be able to meet performance expectations related to quality, time to market, cost and innovation as well as our competitors, especially new competitors that are "born digital" and with a low cost base for their operations, or established competitors with superior operations

Our organization's succession challenges and ability to attract and retain top talent in a tightening talent market may limit our ability to achieve operational targets



Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue ■ 2019 ■ 2018 ■ 2017

The rapid speed of disruptive innovation remains the top risk for the Technology, Media and Telecommunications (TMT) industry group for the third consecutive year. This is understandable given the rapid pace of change and innovation in the industry.

With regard to the ease of entrance of new competitors into the industry (a new top five risk for the industry group 2019), this has always been a relatively significant risk to TMT organisations. The industry embodies the example of start-up companies, with potentially disruptive business models.

Ensuring privacy and identity management and information security / system protection remains a critical risk issue for the industry. Considering how the brands and reputations of several well-known companies in the industry group continue to be affected by data breaches, it is evident why reputational risk is a top concern

2.1.4 REPORT

A full printed report is available on request, or may be accessed at the following link:

<https://erm.ncsu.edu/library/research-report/top-risks-report-2019-executive-perspectives>

**Appendix to Section 1 –
Internal Financial Control**

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2018

Summary of Effectiveness Ratings									
Section	Process Area	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
A	Procurement and Accounts Payable	93%	93%	93%	93%	93%	93%	93%	93%
B	Sales and Accounts Receivable	96%	96%	N/A	N/A	98%	98%	98%	97%
C	Inventory	N/A	94%	98%	100%	100%	N/A	N/A	98%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%	96%	96%
E	Fixed Assets	97%	91%	91%	98%	100%	97%	97%	96%
F	People Payments	95%	88%	88%	95%	95%	95%	95%	93%
G	Management Accounts / Financial Close	94%	94%	94%	95%	99%	94%	94%	95%

Section A: Purchasing and Accounts Payable

(Completed by: Procurement and Central Accounts Payable. 2rn: completed seperately)

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	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	3
2	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	4	4	4	4	4	4	4	4
3	Score the effectiveness of the procedures and controls over the receipting of goods and services	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
4	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
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	4
6	Score the effectiveness of the procedures for confirming balances with suppliers	4	4	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	3	3
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	4	4	4	4	4	4	4	4
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	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	4	4

Total Score for Purchasing and Accounts Payable Processes

37	37	37	37	37	37	37	37
93%	93%	93%	93%	93%	93%	93%	93%

Section B: Sales and Accounts Receivable

(Completed by: Central, except for questions 12, 14 and part of 19. 2rn: completed seperately)

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	4	4	4	4	4	4	4
12	Score the effectiveness of the procedures and controls over the processing of customer orders	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
13	Score the effectiveness of the procedures and controls over the invoicing of customers	4	4	4	4	4	4	4	4
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
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	4	4	4	4	4	4
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4	4	4	4	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	4	4	4	4	4	4
19	Score the effectiveness of reconciliation procedures and controls	4	4	4	4	4	4	4	4

Total Score for Sales and Accounts Receivable Processes

34.5	34.5	N/A	34.5	27.5	27.5	27.5
96%	96%	N/A	96%	98%	98%	98%

Section C: INVENTORY
(Completed by: Each Division)

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.)	N/A	3.9	3.9	4	4	N/A	N/A	4.0
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.	N/A	3.6	N/A	4	N/A	N/A	N/A	3.8
22	Score the effectiveness of the procedures and controls over stock movements	N/A	3.8	N/A	4	N/A	N/A	N/A	3.9
23	Score the effectiveness of the month end inventory accounting procedures	N/A	3.7	N/A	4	N/A	N/A	N/A	3.9

Total Score for Inventory Processes

0	15	3.9	16	4	0	0
0%	94%	98%	100%	100%	0%	0%

Section D: Cash and Treasury

(Completed by: Central Banking and Treasury. 2rn: completed separately)

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	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
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	3.5	3.5
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4	4	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	4	4
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4	4	4	4	4	4	4	4
29	Score the effectiveness over the recording of borrowings	4	4	4	4	4	4	4	4

Total Score for Cash and Treasury Processes

23	23	23	23	23	23	23	23
96%	96%	96%	96%	96%	96%	96%	96%

Section E: Fixed Assets
(Completed by: Each Division)

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	3.5	3.5	3.5	3.75	4	3.5	3.5	3.6
31 Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	4	4	4	4	3.9
32 Score the effectiveness of the procedures and controls over fixed asset additions and disposals	4	3.8	3.8	4	4	4	4	3.9
33 Score the effectiveness of the procedures and controls over major capital expenditure projects	4	3.8	3.8	4	3	4	4	3.8

Total Score for Fixed Assets Processes

15.5	14.6	14.6	15.75	12	15.5	15.5
97%	91%	91%	98%	100%	97%	97%

Section F: People Payments

(Completed by: People Payments: questions 33, 34 & 37. Each Division: questions 35 & 36. 2rn: completed separately)

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)	4	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	3.5	3.5	3.5
36	Score the effectiveness of the procedures and controls over the processing of personal expenses	4	3.5	3.5	4	4	4	4	3.9
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3.5	2.5	2.5	3.5	3.5	3.5	3.5	3.2
38	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	4	4	4	4	4	4	4	4.0

Total Score for People Payments Processes

19	17.5	17.5	19	19	19	19
95%	88%	88%	95%	95%	95%	95%

Section G: Management Accounts / Financial Close
(Completed by: Each Division)

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
39	Score the effectiveness of the monthly management accounts preparation process	4	4	4	4	4	4	4	4.0
40	Score the effectiveness of the monthly management accounts review and clearance process	4	3.9	3.9	3.5	4	4	4	3.9
41	Score the effectiveness of the financial close procedures and controls	3.75	3.8	3.8	4	4	3.75	3.75	3.8
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	3.5	3.5	4	3.8	3.5	3.5	3.6
43	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.5	3.6	3.6	3.5	4	3.5	3.5	3.6

Total Score for Management Accounts / Financial Close Processes

18.75	18.8	18.8	19	19.8	18.75	18.75
94%	94%	94%	95%	99%	94%	94%

Audit and Risk Committee Meeting of 17th April 2019



RTÉ INTERNAL AUDIT
REPORT TO THE AUDIT AND RISK COMMITTEE
MEETING: 17 APRIL 2019

Circulation:

Attending the Committee meeting:

Anne O'Leary (Chair)
Robert Shortt
Eoin McVey
Shane Naughton

CC:

Dee Forbes (Director-General)
Breda O'Keeffe (Chief Financial Officer)

Paula Mullooly (Director Legal Affairs)



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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 13 March 2019 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 13 March 2019. 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) Update on risk – circulated to the ARC in separate papers
- 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 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 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

28 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**

10 April 2019

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
 - Review of non-standard contracts or business transactions by RTÉ's professional advisors to ensure the tax treatment is appropriate, for example during 2018:
 - Property / other asset transactions
 - Import VAT query
 - Support from tax experts in relation to the tax treatment of Independent Contractors
 - 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

17 April 2019

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 2018*

Report 2 of 2 (Procurement Register)

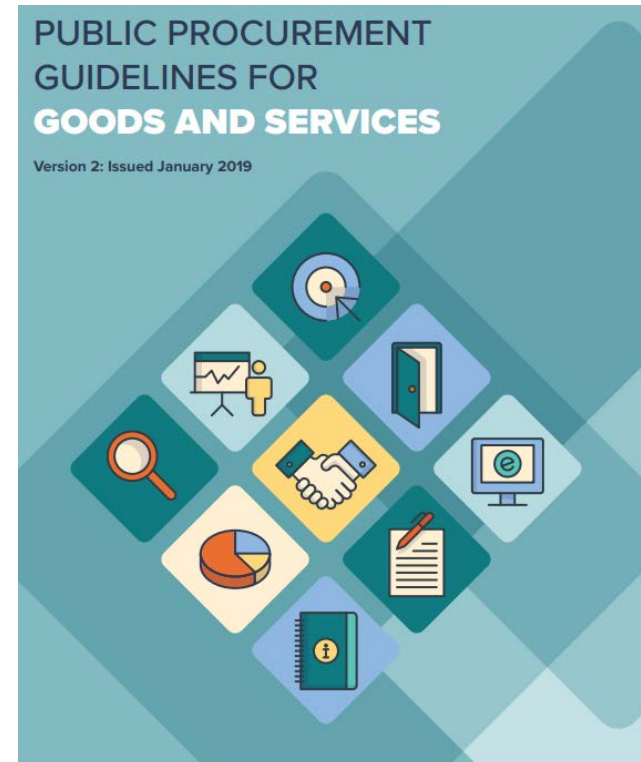
12 April 2018

Full Report included separately in list of reports - not repeated here

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:



**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 2018

11 April 2019

Circulation:

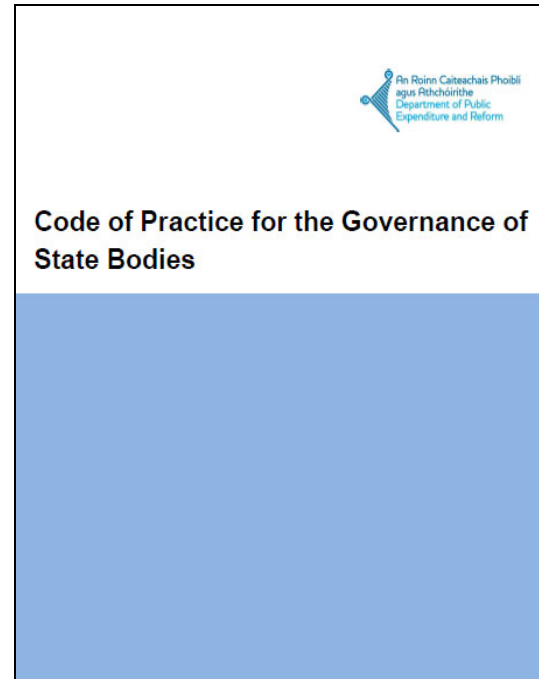
Director-General

Members of the Audit and Risk Committee

Executive



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 13 March 2019 and the 17 April 2019, 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 2018. *(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 paragraph on Internal Control and Risk Management. Furthermore, on page 88 (below bullets), 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 2018

Draft for Audit and Risk Committee, dated 11.4.2019

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ATTACHMENTS

RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2018

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 31st December 2018, consider the commercially sensitive developments affecting RTÉ during 2018.

A brief summary of the contents of the key reports is set-out below.

- The Chair's Statement outlines the main themes of the Board's work during the year and explains the work of the Board Committees.
- The Director-General's report on page 20 of the annual report summarises content highlights and RTÉ's services to the audience during 2018. The report also outlines the transformation of the organisation during 2018, the first full year working within a new organisational structure.

The report explains the difficulties facing public-service media organisations and the challenges posed by insufficient funding.

- The Financial Review on page 23 of the annual report presents the financial results for the year ended 31 December 2018 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 restructuring and other charges, the disposal of land and the related sales-enabling project costs.

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.

In addition, further 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, the business divisions also consider risk and have registers that identify their key risks, evaluate the probability of those risks occurring and assess the likely impact should the risks materialise.

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 86 – 88 of the 2018 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 2018.

The audit findings relate to 1.9% (2017 – 2.6%) of all the suppliers of goods and services in 2018, representing 1.9% (2017 – 2.8%) of purchases in value terms. The audit report highlights the improvements in the level of compliance over the past year, reflecting the work carried out by the Procurement department during the year.

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.

In 2018, RTÉ made payments to in excess of 1,934 suppliers of goods and services, including suppliers of people services.

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 are now in progress. The key actions include:

- 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;
- 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;
- 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.

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 2019 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 2018 annual report (page 85).

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 2018 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. Both Codes were updated in 2016;
- 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 89 – in the corporate governance report in the 2018 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:
 - RTÉ received approval to provide a new RTE2+1 television service as well as an extended 24-hour RTE One+1 service. The services commenced in mid-February 2019

There were no other significant post balance sheet events affecting RTÉ between the year-end date of 31st December 2018 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 2018 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 and Group Financial Statements on grounds of commercial sensitivity / data protection. Please refer to Appendix 1 for details of the disclosures.

This report should be read in conjunction with the annual report and group financial statements for the year ended 31st December 2018, which is attached for reference. The Code of Practice Checklist is included with this document.

Moya Doherty
Chair

On behalf of the Board
XX April 2019

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

The total cost of staff travel and subsistence has been disclosed in note 3 of the Group Financial Statements. The following is a breakdown of the costs incurred in Ireland (Republic and Northern Ireland) and internationally.

	€000s
National	X
International	X
Total	<u>XXXX</u>

The costs relating to staff travel and subsistence have been analysed to our best estimate but certain assumptions have been made in relation to some costs which were not readily identifiable as national or international. These costs have been attributed to either national or international based on the proportion of 80%/20% respectively, which was derived from the analysis of daily subsistence allowances.

The costs in this category will vary in nature and country of origin each year, due to news coverage and special events.

Hospitality Expenditure

RTÉ incurred € Xk in relation to hospitality for 2018 across the broad range of categories set-out in Section 1.3 of the Code of Practice.

Legal costs / settlements

In cases where cumulative legal costs incurred in the year of account exceed €50,000, the total costs for 2018 are € Xk. This figure is inclusive of both legal fees and compensation paid and a provision for amounts not yet paid but expected to be payable. The cost recorded in the Income Statement includes provision for all open and unsettled litigation cases, net of amounts to be recovered from insurers. The costs include non recoverable vat.

Consultancy Costs

The applicable expenditure on external consultancy/adviser fees are outlined overleaf.

For the purpose of this disclosure, consultancy is where an individual or organisation is engaged to provide intellectual or knowledge-based advisory services (e.g. expert analysis and advice).

The engagements are for a limited time period to carry out a specific finite tasks that involve expert skills or capabilities that would not normally be expected to reside within the buying organisation. Execution services are not included within the definition of consultancy. This disclosure excludes costs paid for audit and non audit services to our auditors as disclosed in note 5 of the Group Financial Statements.

	€000s
Buildings and Property	X
Legal	X
Media Strategy	X
Organisation and Restructuring	X
Pensions	X
Miscellaneous incl. Marketing/PR	X
	<u>X</u>
	<u>X</u>

Employee Benefits / Pay bands

The following table discloses the number of employees whose total employee benefits (excluding employer pension costs) for the year 2018 fell within each pay band.

Total Employee Benefits (excl Pension)			No. of EEs
€0	to	€60,000	X
€60,001	to	€70,000	X
€70,001	to	€80,000	X
€80,001	to	€90,000	X
€90,001	to	€100,000	X
€100,001	to	€110,000	X
€110,001	to	€120,000	X
€120,001	to	€130,000	X
€130,001	to	€140,000	X
€140,001	to	€150,000	X
€150,001	to	€160,000	X
€160,001	to	€170,000	X
€170,001	to	€180,000	X
€180,001	to	€190,000	X
€190,001	to	€200,000	X
€200,001	to	€210,000	X
€210,001	to	€220,000	X
€220,001	to	€230,000	X
€230,001	to	€240,000	X
€240,001	to	€250,000	X
€250,001	to	€260,000	X
€260,001	to	€270,000	X
€270,001	to	€280,000	X
Total			X

Total Employer Pension Costs for 2018 are € Xk. See note 7 in the Group Financial Statements for further details on staff costs.

Termination/Severance Pay Agreements

During 2017 RTÉ announced organisational restructuring with a target to reduce overall staffing levels by between 200 and 300 people and deliver ongoing annual sustainable savings. A key element of the restructuring programme was the launch of the voluntary exit programme (VEP) in September 2017, which included both early retirement and redundancy options.

Details of the restructuring and other charges are included in note 6 and 18 in the Group Financial Statements.

An amount of €X million was charged in the year in relation to the provision for exits under the VEP scheme. This included the release of a net €X million in relation to reimbursements to the RTÉ Superannuation pension scheme for early retirements, agreed in previous years, which ceased in 2017. As described in note 18, an amount of €X million of the provision was utilised during the year, of which €X million was paid in the year relating to the 2017 VEP scheme and previous years' schemes.

**7.
TECHNICAL UPDATES /
RECENT DEVELOPMENTS**

7 TECHNICAL UPDATES / RECENT DEVELOPMENTS**7.1 AUDIT REGULATION AND SEPARATION – RECENT DEVELOPMENTS**

On 26 March 2019 the UK House of Commons Business, Energy and Industrial Strategy Committee issued its report on *The Future of Audit*. The report contains a number of recommendations, including that the ‘Big-Four’ accounting firms should make a “full legal separation” of their auditing and consultancy businesses.

The implementation of the report will require legislation. As a result, the next steps and timing are uncertain given the other political matters in the UK.

Background and Context

Concerns about the audit industry arose during inquiries into failures in Carillion and BHS and have deepened through a series of further high-profile audit failures. Questions around competition, conflicts of interest, regulatory weakness and the nature of audit itself have contributed to potential concerns regarding a crisis of trust in the industry.

In December 2018, as part of the lunch of a public consultation, the UK Competition and Markets Authority (‘CMA’) published a paper outlining serious competition concerns and proposing changes to legislation to improve the audit sector for the benefit of savers and investors.

The CMA identified a number of reasons why it believes audit quality is falling short. In order to address these concerns, the CMA proposed legislation to: separate audit from consulting services; introduce measures to substantially increase the accountability of those chairing audit committees in firms, and impose a ‘joint audit’ regime giving firms outside the Big Four a role in auditing the UK’s biggest companies.

‘The Future of Audit’ Report – recommendations

The Business, Energy and Industrial Strategy Committee identified a number of recommendations which are set-out across a variety of areas: the audit product; capital maintenance; separating audit from non-audit, fees; competition, choice and resilience; and regulation of audit. The key recommendations include:

- Auditors should make a presentation at the AGM to show how they have challenged management and exercised professional scepticism to underpin their audit opinion, and to raise any major issues;
- Consideration of how widening the role and scope of audit might give the auditor more opportunities to express forward looking audit opinions;
- Companies should be required to disclose the balance of distributable reserves in the annual accounts and break down profits between realised and unrealised (capital maintenance);

- Greater reporting on audit fees, potentially including the disclosure of audit hours, staff mix, and rate per hour;
- An economic separation of audit and non-audit businesses. The report recommends that the CMA implements the proposed operational split to achieve the separation of economic interests;
- The CMA should revisit increasing the frequency of audit rotation, which should be reduced to seven-year non-renewable terms that can only be terminated in exceptional circumstances;
- Tighten the current rules on hospitality and apply them also to prospective audit clients and require audit companies to publish details of all hospitality in full;
- The CMA should draw up detailed proposals for the introduction of a segmented market cap offering challenger firms the chance to take up a proportion of audits across the FTSE 350; and
- The report agrees with the separate recommendation to replace the FRC with a more powerful regulator, the Audit, Reporting and Governance Authority (ARGA).

7.2 CONSULTATION ON STRONGER GOING CONCERN STANDARD FOR AUDITORS

On 4 March 2019 the Financial Reporting Council (FRC) issued an International Standard on Auditing (ISA) Exposure Draft following a proposal to increase the work required of auditors when assessing whether an entity is a going concern.

The consultation on ISA 570 *Going Concern* follows concerns about the quality and rigour of audit and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The FRC proposes:

- Auditors make greater effort to more robustly challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence, evaluate the risk of management bias, and make greater use of the viability statement;
- Improved transparency with a new reporting requirement for the auditor to provide a conclusion on whether management's assessment is appropriate, and to set out the work they have done in this respect; and
- A 'stand back' requirement to consider all of the evidence obtained, whether corroborative or contradictory, when the auditor draws their conclusions on going concern.

Internal Memorandum

To: [REDACTED]

[REDACTED]

From: Peadar Faherty, Head of Internal Audit

Date: 6 June 2019

Re: [REDACTED] partnership with RTÉ

1. Purpose

This memorandum outlines a review by Internal Audit of RTÉ's arrangements with the [REDACTED] (" [REDACTED] following the identification of potential control issues with the management of [REDACTED] registrations.

2. Background to Partnership

The [REDACTED] is the UK's largest academic institution and a leader in distance learning. It specialises in flexible distance learning, targeting part-time students in particular, allowing students to work and study. It is active in 157 [REDACTED] worldwide.

RTÉ commenced an academic partnership with [REDACTED] in early 2014. This partnership operates via a contra arrangement whereby RTÉ provides advertising airtime to [REDACTED] in return for RTÉ staff members attending official [REDACTED] / modules.

32 undergraduate and 10 post graduate RTÉ supported students are studying with the [REDACTED] at present, with a number waiting to register or re-register for the autumn 2019 programme. RTÉ Human Resources promotes the partnership via the intranet and [REDACTED] officials hold open days in RTÉ from time to time to advertise the programme and deal with queries. There is also an [REDACTED] Teams [REDACTED] on Outlook 365 email.

RTÉ employees liaise with [REDACTED] directly regarding queries [REDACTED] a course content, registration, etc. and are referred to nominated [REDACTED] contacts by Human [REDACTED] as necessary. RTÉ Learn signs off on each registration. Any approved application for a module / [REDACTED] is an approval for that specific module / [REDACTED] only. It does not automatically entitle an employee to complete a follow-on diploma or degree [REDACTED]

The responsibility for overseeing the partnership has changed over recent years due to organisation restructuring and now resided with RTÉ Learn.

3. The Issue

An internal control weakness emerged during checking of an invoice (4 [REDACTED] submitted by [REDACTED] to RTÉ in late 2018. It appeared that RTÉ was being invoiced for the course fees of a former RTÉ staff member who had resigned his position.

A former RTÉ staff member completed a number of [REDACTED] while an employee of RTÉ. He later resigned from RTÉ with effect from 15 August 2018.

When an [REDACTED] invoice was being verified by RTÉ, in late 2018, the former staff member was identified as an exception as the review highlighted that he no longer worked for RTÉ. RTÉ Learn then queried his registration with the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Internal Control Weaknesses

The issues which gave rise to the matter highlighted in Section 3 may be analysed in three categories below.

[REDACTED] Processes

- The [REDACTED] did not follow [REDACTED]

Internal control

- The governance and authorisation procedures for RTÉ signing-off on [REDACTED] participants were not implemented on a consistent basis. There was no regular reconciliation of RTÉ records of attendance against the [REDACTED] billings. The historic records of course attendees were incomplete in some cases.

Contractual

- The contact between [REDACTED] and RTÉ was [REDACTED] of date (since April 2018) and under negotiation. However, trading under the contract continued [REDACTED] any extension letter or formal agreement
- Billing / invoicing by the [REDACTED] was [REDACTED]
- Reconciliations of [REDACTED] billings to RTÉ airtime delivered was not taking place regularly, with no formal processes in place regarding the development of Media Plans

The root cause for the weaknesses may be traced to changes in organisation structures, reporting lines and responsibility for the management of the [REDACTED] contract since it was agreed. Robust procedures were not in place [REDACTED] the term of the contract.


These issues largely pre-date the responsibility of RTÉ Learn.

5. Actions

The following controls are recommended in order to strengthen the internal control environment. The implementation status of each action is illustrated by the traffic light graphics.

5.1 Applications


- Prior to formal registration by the [REDACTED] all potential RTÉ students will be pre-approved for registration, by RTÉ Learn, in respect of any [REDACTED] / module applied for
- RTÉ Learn will review the student's application in line with the criteria in the RTÉ [REDACTED] Terms and Conditions, especially to check the validity of the contract of employment

Implementation status: 

5.2 Log


RTÉ Learn will maintain a log of the names and details of the RTÉ students it approves for registration for an [REDACTED] / module. This log will be used as a control to check against:

- the invoices received from the [REDACTED] and
- the master Excel listing provided by [REDACTED] to RTÉ on a quarterly basis.

Implementation status: 


5.3 Reconciliation

Promptly reconcile the details of any students listed on an invoice / recorded on the master [REDACTED] Excel listing to the log maintained by RTÉ Learn

Implementation status: 

5.4 Invoicing


Ensure regular invoicing from [REDACTED] to RTÉ, in line with registration deadlines, to ensure an up to date position as regards RTÉ expenditure commitment on [REDACTED]

Implementation status: 


5.5 Media Plan


A media plan will be agreed with [REDACTED] with RTÉ Learn and Finance staff involved in the calculation of the budget (contra) based on the number of registered RTÉ students and associated billings. Media plans will predominantly be for:

- 6 weeks in January/February. Deadline: December
- 8 to 10 weeks July/August/September. Deadline: May / June

Implementation status: 


5.6 Finance

Liaise with Finance regarding the most efficient method of raising Purchase Orders (PO). Receipt  invoices against a pre-approved PO on a timely basis, liaising with Finance if any issues arise.


Implementation status: 


5.7 Contract


The contract between RTÉ and  will be finalised and signed.

Implementation status: 

6. Conclusion

RTÉ commenced an academic partnership with  in early 2014, which is ongoing. A contract to extend the arrangement to December 2020 is being finalised.

The partnership has provided RTÉ employees with an opportunity to engage in further study – both directly related to their job role and for personal development – in a flexible manner. In turn,  has benefited by a higher profile and marketing presence in Ireland via the RTÉ airtime offering.

Control issues were highlighted after a former RTÉ employee was registered on an  module after he had resigned his position in RTÉ. Following changes in responsibilities RTÉ Learn has assumed oversight of the contract and actions are in progress to address the issues identified and to strengthen control. In most cases these actions are implemented, or at an advanced stage of completion.

We appreciate the assistance of RTÉ Learn during the course of this review.

RTE Draft notes for verbal update at
meeting on 20 April 2023

**Enterprise Resource Planning
(ERP) Business Systems
Project**

**Lessons Learnt Review
Jan - Mar 2023**



EY

Building a better
working world

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Executive Summary

RTE requested that EY conduct a lessons learnt review for the Initiation and Design stages of the ERP Business Systems project. This review was based on the methodology outlined in the EY Programme Confidence Wheel (see Appendix A).

The Lessons Learnt review focused on an assessment of the Initiation and Design stages and was performed through enquiry and a high-level review of documentation. The following areas were included in the scope:

- Business case and project plan: were these grounded in reality and tightly managed?
- Project governance: were appropriate project governance structures in place and operating effectively at the design stage (including assessing design stage gate decision making criteria and process for proceeding to build)? Was there strong, visible, senior business sponsorship and leadership in place?
- Resourcing: were key roles resourced with the right people with the right level of experience and authority?
- Vendor performance management: were third-party contractors managed effectively and were performance measures in place?
- Project management practices: were communications, quality management, budget management, change control, and reporting operating as expected?
- Risk management: were known risks and issues (at the design stage) understood and communicated to stakeholders and was business impact assessed and mitigated prior to moving to the build stage of the project?

In addition to our review of relevant documentation, EY conducted interviews with key stakeholders to address any queries or information gaps arising from the documentation review.

Our review commenced on 9th January 2023 and RTE was invited to respond to the contents of a draft report which was distributed to RTE on 24th February 2023. Following discussions with RTE on the lessons identified and recommendations made by EY, this document represents the final report which was circulated on 22nd March 2023.

Output: a Lessons Learnt report identifying areas for improvement within the scope areas outlined above.

RTE ERP Business Systems Project: Lessons Identified

Detail and outcomes

Ref.	Scope Area	Question	Lesson Identified	Recommendation
LL1	Project Governance	<p>Were appropriate project governance structures in place and operating effectively at the design stage?</p> <p>Was there strong, visible, senior business sponsorship and leadership?</p>	<ul style="list-style-type: none"> ▶ LL1.1: There were three project sponsors appointed but no single, primary owner at executive level ▶ LL1.2: The steering committee did not appear to consistently exercise its authority over initiation and design decisions e.g. when continuous delays were being reported to the committee ▶ LL1.3: Several PM responsibilities detailed in the draft PID do not appear to have been fulfilled by either [REDACTED]. [REDACTED] 	<ul style="list-style-type: none"> ▶ LL1.1: A single accountable owner should be appointed as primary sponsor so that it is clear who has ultimate responsibility for decision making and for driving the achievement of the project's objectives ▶ LL1.2.1: Establishing a design authority sub-committee for a major change programme can assist the steering committee in gaining better direction in design and solution selection decisions ▶ LL1.2.2: The steering committee should regularly seek a route to green plan when delays occur. They should also exert their authority to pause or reset the project baseline when they feel the project team does not have full control ▶ LL1.3: A Terms of Reference (ToR) should be formally approved (and in the case of third-party providers, ToRs should be included in binding contracts) to ensure that key roles and responsibilities are clearly defined and understood by the role-holders
LL2	Project Approach	<p>Did the overall approach to the project work for a project of this size, complexity, scope and cost?</p>	<ul style="list-style-type: none"> ▶ LL2.1: RTE adopted a "Big Bang" approach for both HR and Finance systems rollout. In hindsight this may have been the wrong approach as the organisation had limited experience of an ERP implementation of this scale and complexity 	<ul style="list-style-type: none"> ▶ LL2.1: Greater consideration should be given to the risk profile and complexity of the programme. Various deployment options should be explored and discussed in depth with the steering group before a final decision is made
LL3	Business Case & Project Plan	<p>Were the business case and project plan grounded in reality and tightly managed?</p>	<ul style="list-style-type: none"> ▶ LL3.1: The business case document did not provide the rationale for a "[strong preference] for an integrated solution that will satisfy both Finance and HR" (Business Case, page 16) as opposed to other options such as standalone systems ▶ [REDACTED] ▶ LL3.3: No evidence was located to indicate that expected benefits identified in the business case (e.g. reduction in manual data entry and duplication) were tracked throughout the project 	<ul style="list-style-type: none"> ▶ LL3.1: Comprehensive options analysis should be captured in the business case so that there is documentary evidence that several viable options have been thoroughly investigated and communicated to project approvers. Furthermore, the reasons why any given option is preferred should be clearly stated in the business case ▶ LL3.2: Comprehensive due diligence should be performed for complex projects. This should include extensive market research which could extend to other geographies if necessary ▶ LL3.3: A benefits management approach should be documented during the initiation phase to ensure that achievement of targeted benefits can be monitored for the duration of the project. Any shortfalls or deviations from expected benefits must be reported to steering committee so that appropriate action can be agreed and approved
LL4	Business Requirements - Scoping	<p>Were the project scope and business requirements clearly defined, understood and tightly managed?</p>	<ul style="list-style-type: none"> ▶ LL4.1: RTE could have achieved more efficiencies (a benefit that was targeted in the business case) by comprehensively assessing and streamlining processes as a first step, before requirements design commenced 	<ul style="list-style-type: none"> ▶ LL4.1: An experienced solution architect, independent of the vendor and supported by business analysts, should be appointed to lead the design of business requirements for a large system implementation

RTE ERP Business Systems Project: Lessons Identified

Detail and outcomes

Ref.	Scope Area	Question	Lesson Identified	Recommendation
LL5	Resourcing	Were the key roles resourced with the right level of people with the right level of experience and authority?	<ul style="list-style-type: none"> ▶ LL5.1: Key roles with the appropriate skills and/ or capacity were not made available in sufficient numbers and capability for a project of this size and complexity. Key roles would include project manager, solution architect, business analyst, change manager, data manager, test manager, business process owners ▶ LL5.2: Based on feedback from interviewees and the artefacts reviewed, it appears that some elements of the external supplier's capability and capacity were insufficient to meet the demands of the project, most notably for training of testing resources 	<ul style="list-style-type: none"> ▶ LL5.1: A master resource list (MRL) is essential for a large, complex project. The MRL is created after a full skills gap analysis has been performed and all resourcing needs have been identified for the duration of the project. This would include external as well as internal resource needs and should be agreed by all parties ▶ LL5.2: Due diligence for large contracts should include a full analysis of assigned vendor skills and resources and an interview process completed
LL6	Vendor Performance Management	Were third-party contractors managed and were performance measures in place?	<ul style="list-style-type: none"> ▶ [REDACTED] 	<ul style="list-style-type: none"> ▶ [REDACTED]
LL7	Project management practices	Were project management practices such as communications, quality management, budget management, change control, and reporting operating as expected?	<ul style="list-style-type: none"> ▶ LL7.1: [REDACTED] ▶ LL7.2: Quality management - the product was [REDACTED] ▶ LL7.3: Budget management - steering committee content made very little reference to budgetary matters, including forecast or actual variances and impact of delays ▶ LL7.4: Change control - a decision log does not appear to have been created and therefore no clear record was provided of decisions made during the lifecycle of the project ▶ LL7.5: Reporting - a pattern of missed milestones emerged early in the project and continued for 2 years, indicating that the baseline project plan had been significantly under-scoped 	<ul style="list-style-type: none"> ▶ [REDACTED] ▶ LL7.3: Actual versus budgeted spend should be reported to steering committee periodically, including additional expenditure outside of a fixed-price contract such as internal labour costs ▶ LL7.4: A decision log should be maintained for recording of key decisions and accountability ▶ LL7.5: More decisive and timely action to be taken when significant delays are reported on a continuous basis e.g. route to green, pause project, pause vendor payments, [REDACTED]

RTE ERP Business Systems Project: Lessons Identified

Detail and outcomes

Ref.	Scope Area	Question	Lesson Identified	Recommendation
LL8	Risk Management	Were known risks and issues (at the design stage) understood and communicated to stakeholders, business impact assessed and mitigated prior to moving to the build stage of the project?	<ul style="list-style-type: none"> ▶ LL8.1: Some key risks were closed in the RAID log when in fact they remained material risks. For example, a risk was raised in 2019 regarding RTE's ability to complete high quality test scripts. The risk was closed in 2020, whereas feedback indicates this risk had not been satisfactorily mitigated in 2020 and subsequently materialized as an issue during testing 	<ul style="list-style-type: none"> ▶ LL8.1.1: Risk/ RAID reviews must be performed at pre-agreed stages, typically monthly, as per a risk governance schedule whereby all risk scoring, and risk responses/ mitigation plans for the coming period are thoroughly reviewed and agreed ▶ LL8.1.2: Risk responses should be recorded as part of best practice risk management
LL9	Business Requirements - Capability	Was the business requirements gathering process properly resourced by empowered business owners, with training in the technical solution so they could challenge the design?	<ul style="list-style-type: none"> ▶ LL9.1: Complex requirements such as headcount reporting were flagged by HR as critical but the vendor continued to postpone delivery and it does not appear that a fit for purpose solution was ever defined. Testing went ahead in spite of this non-delivery ▶ LL9.2: RTE did not receive the required training and support from the vendor to test the system. Training provided was not timely as it took place several months prior to System Integration Testing (SIT). The vendor expected that test scripts would be created by RTE without RTE's visibility of the system and with limited vendor input 	<ul style="list-style-type: none"> ▶ LL9.1: Testing should not progress if critical components have not been delivered by the vendor. Approval should be sought from the project board to pause the project when serious issues such as these are identified, until such time as the vendor delivers on critical pre-agreed criteria ▶ LL9.2: The PM and change manager should be responsible for overseeing the successful delivery of training and testing. This should include (i) training material (ii) training delivery (iii) timely vendor support (iv) test script creation/ acceptance (v) UAT (vi) pre-go live user training
LL10	Business Process/ IT controls	Were the Business process and IT controls identified and understood?	<ul style="list-style-type: none"> ▶ LL10.1: There was significant concern regarding data controls and the use of live data in the test systems (which we understand was not the preferred approach of RTE). Feedback from stakeholders indicated that the vendor had to be [REDACTED] 	<ul style="list-style-type: none"> ▶ LL10.1: It is leading practice to define data controls in the PID, and the entire project team, including third parties, must remain vigilant and compliant for the duration of the project (GDPR, relevant regulations, internal processes etc.)

Appendices

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Appendix A: EY Programme Confidence Wheel

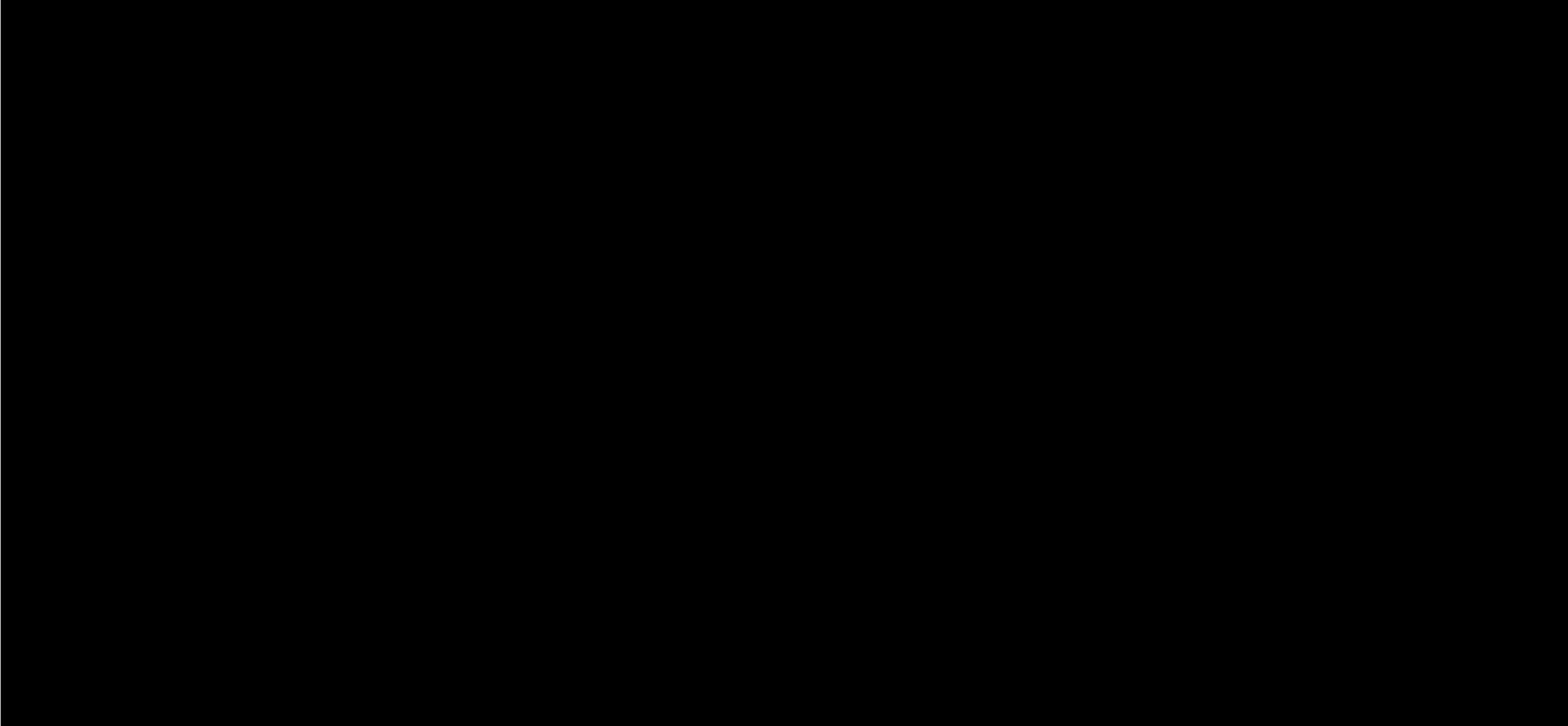


Fig. 1

Appendix B: Stakeholder Interviews

Name:	Job Title / Project Position:	Date:
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Appendix C: Key Documents Reviewed

[Redacted]

[Redacted]

[Redacted]

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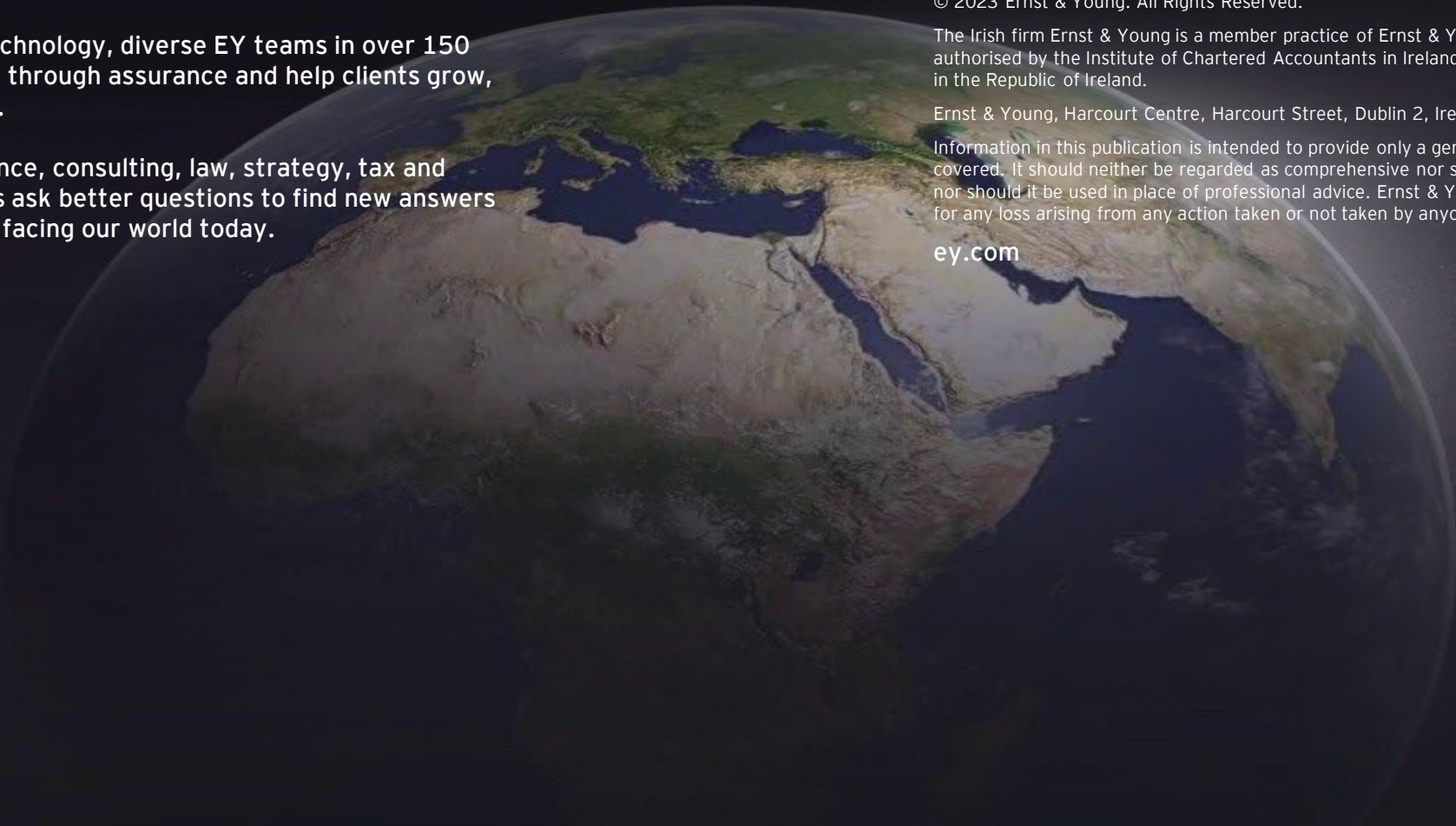
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3 INTERNAL AUDIT ASSIGNMENTSR2148 PAC33
Item 21**3.1 FRAUD RISK WORKSHOPS – OUTPUT*****Background***

During 2020 we carried out a series of fraud risk workshops. The objectives of the workshops were twofold. Firstly, to provide an update / briefing for members of the finance teams in an important area. Secondly, to consider any impact on fraud risk arising from the global pandemic, specifically arising from any changes in manual controls, international experience of a growth in cyber-attacks and changing work arrangements.

The agenda covered the following:

- Recent fraud trends – EY survey.
- Training – reminder of key fraud concepts and identifying ‘red flags’ which indicate fraud risks.
- COVID-19 fraud risk considerations.
- Open discussion regarding specific fraud risks and risk identification using anonymous voting software.

Definition

Fraud is an intentional act of deceit to obtain, or attempt to obtain, an unjust / illicit advantage. The difference between an error and careless accounting and fraud is the **intent**. However, this is not always clear and ‘grey areas’ do arise.

Fraud covers a variety of areas including:

- Asset misappropriation – false purchases, theft, misuse of assets.
- Corruption – conflicts of interest, bid rigging, invoice kickbacks.
- Fraudulent statements:
 - Non-financial – external or internal reports, employee credentials, regulatory reports.
 - Financial – concealed liabilities, fictitious revenue, inappropriate accruals, timing difference.

Why do people commit fraud?

Opportunity to commit fraud:

"I can approve my own expenses up to €5,000"

"My operation is so small any adjustment I make will not be material"

Opportunity

Fraud Triangle

Pressure

Internal or external pressure:

"I need it to support my family lifestyle"

"I know this business unit is not performing financially and is under review"

Rationalisation

Actions justified:

"It is what is due to me"

"I am keeping people in this town employed"

Fraud Risk

During the workshop participants identified potential fraud risk areas using anonymous voting software. The risks were grouped into similar categories and reported as a fraud risk register. See register overleaf. We added an extra column to include the recent audit work undertaken to mitigate the fraud risk highlighted.

FRAUD RISK WORKSHOPS 2020 - WORKSHOP OUTPUT				Audit Response to Date
RISK REGISTER				
No.	Description of risk	Vulnerabilities / weaknesses that increase exposure to risk	Consequences of risk occurring	
1	Misuse of purchase cards	- Financial pressures due to decreased overtime during COVID-19 - Lack of controls and usage monitoring	Financial loss	Internal Audit assignment currently in progress (December 2020) Last audited in October 2018
2	Fictitious / overstated expenses	- Expense approval procedures not tightly adhered to - Financial pressures due to decreased overtime during COVID-19 - Less vigorous approval process due to remote working	Financial loss	Spot checks during the Review of Internal Financial Control. Some coverage via Supplier and Employee Master Data review
3	Inadequate / improper approval of expense claims	- Lack of training for expense approvers around the correct approval process - Less vigorous approval process due to remote working	Financial loss	As per comments for #2 above
4	Misuse of taxi vouchers	- Financial pressures due to decreased overtime during COVID-19 - Lack of controls and usage monitoring	Financial loss	Internal Audit in October 2018 Less voucher activity due to the pandemic
5	Misappropriation of assets	-Remote working of production teams/casts while on set	Financial loss	To be prioritised for the Audit Plan given changing risk profile (applicable to small moveable assets and equipment)
6	Inaccurate or improper claiming of overtime / presenteeism	- Remote working leading to more difficulties in tracking accuracy of overtime recorded - Increased responsibilities in roles due to absenteeism during COVID-19 (if applicable)	Financial loss Loss of morale	Review of Lumpsum Payments: September 2019 PeopleSoft Fees Report: December 2018
7	Favouritism re: contractor selection / engagement	- Lack of training on contractor engagement - Lack of controls and usage monitoring	Reputational damage	Ongoing audits of Procurement functions
8	Overpayment of independent contractors/ lack of consistency of rates	- Lack of training on contractor engagement - Lack of controls and usage monitoring	Financial loss	Review of Supplier and Employee Master Data: November 2020 Audits of Procurement functions
9	Inadequate policies and procedures/ lack of training	-Complacency in roles/lack of role rotation meaning policies processes are not questioned	Operational inefficiencies	A step in all audit work programmes. The risk highlighted here is very broad
10	Circumvention of internal controls due to time pressure	- Less vigilance in exercising controls due to remote working and/or increased responsibilities	Operational impacts due to inferior decision making	Annual Review of Internal Control. Consideration on all recent audits

FRAUD RISK WORKSHOPS 2020 - WORKSHOP OUTPUT				
11	Cyber attacks / phishing	Inherent vulnerability of email and the increased use of email while working from home	Financial loss Reputational damage	Various Technology Audits - audit of Remote Access Controls: in progress Review of Card Terminal Processing: January 2020 Cyber Phishing controls: December 2018
12	Loss of internal control through decentralisation of functions	- Less vigilance in exercising controls due to remote working or increased responsibilities	Operational inefficiencies	Annual Review of Internal Control

RTÉ Internal Audit

Update Review: Report on Insurance Arrangements

12 May 2014

Circulation:

Noel Curran Director-General

Executive

Members of the Audit and Risk Committee

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Executive Summary: Background and Scope

Background

Internal Audit carried out a scheduled audit of RTÉ's Insurance Arrangements. A report was issued in late 2013 outlining the audit issues identified and the actions management agreed to undertake to address these issues. The audit was rated "**Improvement Needed**".

Key Issues

The report highlighted key management issues in the following areas:

- Accident reporting and recordkeeping;
- Claims handling process; and
- Insurance arrangements for Contractors.

Scope of review




The scope of this update review 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.

Scope of review

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.

Conclusion






We have carried out a review of the status of the audit actions in the Internal Audit report on Insurance Arrangements. Good progress has been made in addressing the actions in the original internal audit report. The majority of actions are complete. Some actions have been delayed for valid reasons and work is ongoing in those areas.

Work is ongoing in relation to the Accident Management Policy and this is expected to be completed shortly. A number of training actions are also planned.





Executive Summary: Status of Issues

	Issues raised in the previous audit report / action	Priority	Actions Undertaken
1.	<u>Incomplete records: accident log</u> Accidents will be logged by the Health and Safety function in Central Human Resources.	H	
2.	<u>Incomplete records: insurance claim files</u> 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> .	M	
3.	<u>Records maintained in different departments</u> Covered as part of the action for #2.	L	N/A
4.	<u>Reporting of statistics / KPIs</u> A new policy on the reporting of accidents will be put in place. Using the accident log, 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 necessary.	M	
5.	<u>Accident on Duty form</u> The Accident on Duty forms will be revised and updated on the intranet.	M	
6.	<u>Briefing to Line Managers</u> 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. 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.	M	
<i>Comment: The update of the intranet page has not progressed as planned due to other priorities and resource constraints. The update is expected to take place later in 2014.</i>			

Executive Summary: Status of Issues

	Issues raised in the previous audit report / action	Priority	Actions Undertaken
7.	<p><u>Accident management</u> 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. 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 reports.</p>	H	
	<i>Comment: a draft Accident Management Policy is in place. However it has not yet been published. The Insurers are involved in a project to review the Policy at present and the Policy is expected to be finalised in June 2014.</i>		
8.	<p><u>Correspondent from the Personal Injuries Assessment Board</u> 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.</p> <p>In conjunction with the actions set-out in finding #10, an “owner” will be assigned to each active claim.</p>	M	
9.	<p><u>Engineering reports</u> Addressed as part of the action for finding #7.</p>	M to L	N/A
10.	<p><u>Record-keeping</u> 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	
11.	<p><u>Responsibility for the management of insurance claims</u> 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.</p> <p>This log will be circulated monthly to relevant parties and each case manager will update the log to record any developments in his/her case. Secondly, the log will be discussed as part of quarterly insurance meetings.</p>	M	
12.	<p><u>Liability Claims Review meeting</u> 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>	L	

Executive Summary: Status of Issues

	Issues raised in the previous audit report / action	Priority	Actions Undertaken
13.	<p><u>Updating Liability Claims summary report</u> 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>	L	
14.	Historic issue for noting – not specific action in the report.	L	N/A
15.	<p><u>Checking insurance arrangements</u> 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> <p><i>Comment: while training has commenced, the roll-out of the training programme is progressing slower than expected. Training has taken place with some groups and this will continue over the coming months.</i></p>	L	
16.	<p><u>RTÉ Indemnity</u> 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>	L	
17.	<p><u>Use of vehicles for business purposes</u> 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> <p><i>Comment: the updated Travel Policy is currently in draft format. A meeting is being arranged with employee representative groups to present the revised policy. The Policy clarifies matters relating to the use of private vehicles on RTÉ business.</i></p>	M	

RTÉ Internal Audit

Review of “On The Spot” Contracts

3 May 2017

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Human Resources:

[Redacted names]

Finance:

[Redacted names]



Background

Background

Introduction

Individuals making ad-hoc contributions to programmes (“programme contributors”) may, depending on the nature of the contribution, be entitled to receive a payment in respect of their contribution. Where a payment arises, the payment is processed as an on the spot (“OTS”) / contributor contract via ██████████ Fees. Programme contributors are categorised as non-employees.

The guidelines for appropriate use of OTS contracts have been set out in the Goodbody Report. Part 1, Section 7 of the Goodbody Report states the following:

“On the spot/contributor contracts should only be used in very limited situations. In particular, they should only be used where there is an unexpected or unanticipated contribution required.” and “On the spot/contributor contracts should not be used if the intention is that such contribution will be repeated.”

The Goodbody Report outlines the circumstances whereby OTS contracts are an appropriate form of payment, as follows:

- *“Specific and once off contribution required with no immediate intention that contribution will be repeated with any regularity or frequency*
- *Person is not an employee and no intention of continuing relationship*
- *Contribution is generally “on air”*
- *Contribution is a response to an ad-hoc requirement*
- *Intention of parties is that contribution is for a specific purpose only*
- *Person’s contribution is not strictly controlled by RTE*
- *The person is not subject to review by RTE*
- *Once contribution is made, there are no obligations on either side (subject to any copyright issues)*
- *The person receives a once off set payment*
- *Person would never receive paid annual leave (or payment in lieu), sick leave, maternity or parental leave”*

Process

The creation, rehire and generation of a new OTS contract will trigger an approval notification to HR Shared Services. The HR teams will need to approve the system set-up of the contract before subsequent payments for that contract can be cleared for processing. A new payment batch is created when the individual is rehired or when the existing payment batch limits have been exceeded.

All OTS non-employees are assigned a ‘payment batch’ on ██████████ when they are created. The payment batch acts as a control check and is created in the background by the system, with the following fixed criteria:

- *Up to 10 payments in any one batch.*
- *A maximum fee amount of €2,000 in any one batch.*
- *A single payment of €500 per fee line.*

The above rules are monitored during the fee payment process.

Payment Input and Processing

- a) All requests to process a contributor fee payment are received by the fee originator (generally the ██████████)
- b) The fee originator inputs the payment into ██████████ by manually entering fee details against the appropriate contract / payment batch number.
- c) The payment is electronically validated against the terms of the contract / batch as set out above
- d) Upon clicking the ‘save’ option, ██████████ generates an approval notification (e-mail and worklist entry) to the primary approver
- e) Upon approval, a notification is forwarded to the secondary approver
- f) Upon secondary approval the payment request is processed and routed for electronic payment
- g) In most, but not all, cases one of the two designated approvers is a member of Finance
- h) If either the primary or secondary approver denies the payment, an e-mail notification is sent to the fee originator with the details of the issue for amendment.

Objective and Scope

Risk

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

- Risk # 3 – Management and Prioritisation of Financial Resources
- Risk # 1 – Reputation Risk
- Risk # 8 – Organisation & People

Other specific risks relevant to this report are as follows:

- Taxation compliance
- Rights clearance for programme contributions
- The risk of individuals deliberately attempting to circumvent the engagement procedures given the increased cost pressures and the establishment of the Contracts Review Group in the period since the last audit.

Objective and Scope

The purpose of this memorandum is to set-out our findings following a review of OTS contributor contracts.

The scope of our review covered the following:

- ✓ Payments to individuals under OTS contracts (from 1 January 2016 to 31 October 2016)
- ✓ Data analysis and investigation of the data extracted from [REDACTED]
- ✓ Agree a selection of payments under contracts to original documentation / paperwork and check the accuracy of payment to the contributor release form, appropriateness of deductions (where applicable) and accuracy of rate.

The scope did not include:

- ✗ The scope is limited to OTS / contributor contracts and did not include other employee and non-employee contract types.

Sample Selection

In order to determine whether documentation and filing of OTS contracts was in order, we selected a sample of OTS payments in order to physically inspect the documentation in place. Approximately one quarter of the sample was selected randomly and the remainder selected based on a “focused” sample.

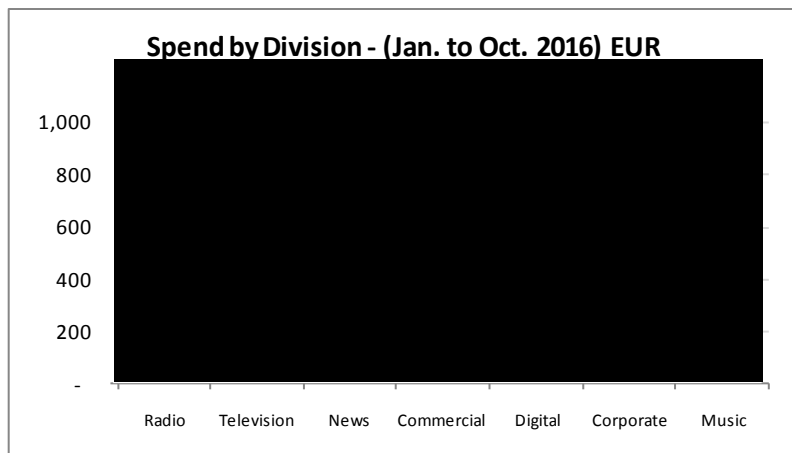
The full population for the period was analysed based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our “focused” random sample. The range of tests performed for sample selection included, but was not limited to, a review of:

- Level of spend by recipient / division / costpool
- Identification of high OTS contract numbers and comparison between OTS contracts and total contracts issued to the individual
- Reengagement of personnel
- Examination of fees paid to unexpected / non-programme related costpools
- Investigation of unusual comments in the text fields

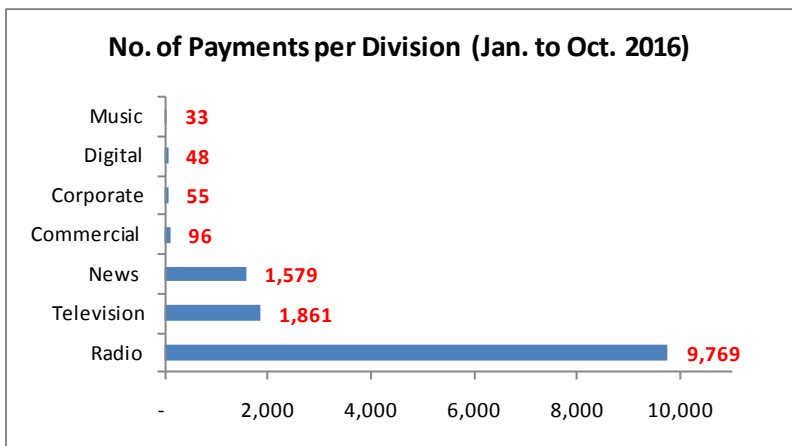
Data Analysis

A OTS Spend / # Payments by IBD

€ [REDACTED] of payments in respect of OTS contracts in the ten month period to 31 October 2016, of which 61% related to Radio ([REDACTED]). The full year spend is approximately [REDACTED]



13,441 OTS payments were processed in 2016, with Radio payments accounting for 73%. 4,764 individuals received a fee payment during the period, ranging in value from €1 to €500 (the maximum under the [REDACTED] rules). The average payment was for €117.



A summary of statistics per IBD (10 months to 31 October 2016) is shown in the table below.

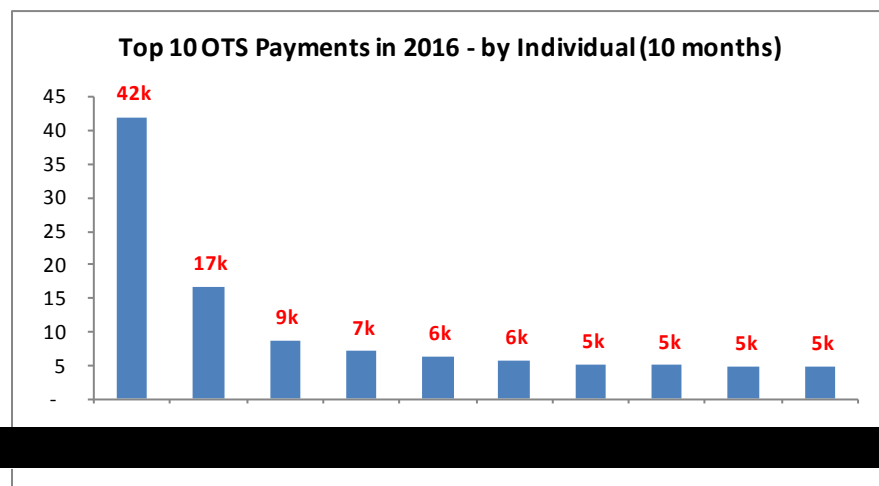
Per IBD	Total Spend €k	# of Payments	# of Individuals
Radio	[REDACTED]	9,769	3,255
Television	[REDACTED]	1,861	872
News	[REDACTED]	1,579	537
Commercial	[REDACTED]	96	37
Corporate	[REDACTED]	55	20
Digital	[REDACTED]	48	20
Music	[REDACTED]	33	23
Total	1,578	13,441	4,764

B Spend per Costpool

28% of total spend related to ten (programme related) costpools. Of the top ten programmes, spend in Radio costpools accounted for 72%. The costpool with the highest spend on OTS contracts accounted for €57k.

C Spend per Recipient

The Top 10 earners of OTS contributor fees accounted for 7% of total contributions in the first 10 months of 2016.

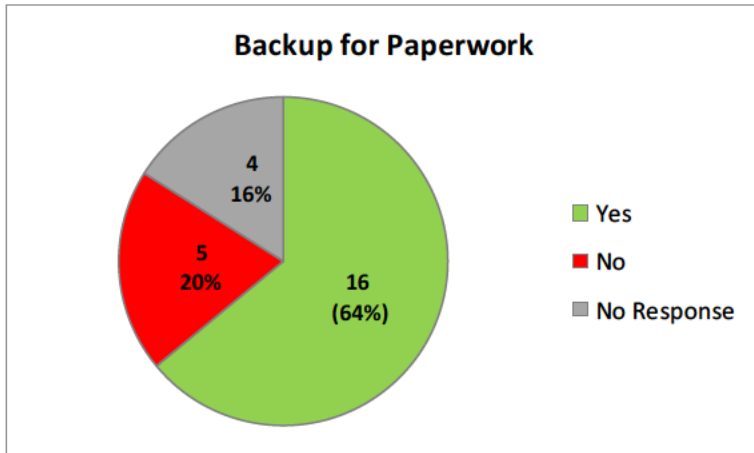


Summary of Key Findings – See Action Plan for more details

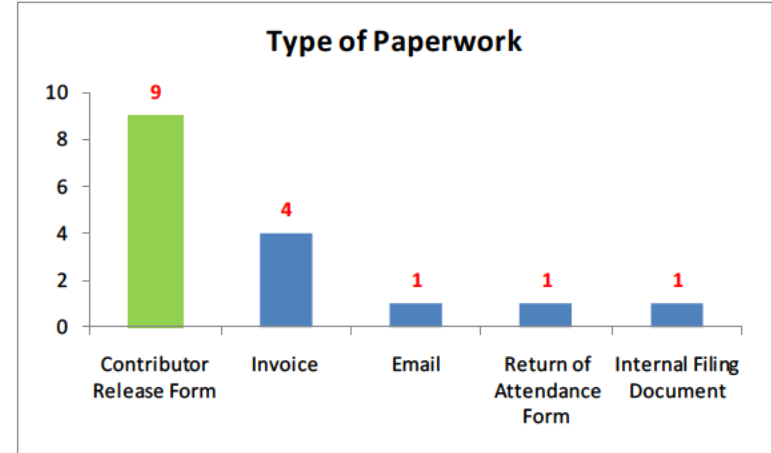
1) Documentation and Filing

There was no paperwork on file for five OTS payments from our sample of 25 (20%) as the engagement was arranged verbally. In a further 16% of cases, no paperwork has yet been provided following our requests. Also, in seven cases, alternative forms of paperwork were used rather than the standard RTÉ Contributor Release form, such as invoices, emails, etc. See charts A and B below and [Action Plan #1](#).

A



B



2) High Level of OTS Earnings

A number of individuals are in receipt of OTS payments in excess of the level intended at the time of the publication of the Goodbody report (2001). In some cases the individuals work what appears to be a normal, rostered pattern of work. For example, we identified one individual who received 106 OTS payments (total value of €42k) in the 10 month period, with each payment covering multiple contributions. This individual was engaged on a very regular basis (sometimes seven days per week) and his position needs to be reviewed. See [Appendix B](#) and [Action Plan #2](#) for further details of other cases.

3) Use of OTS Contracts

We identified examples of individuals engaged via an OTS contract in circumstances when another contract may have been more appropriate, given the nature and extent of the work. Examples include [REDACTED]. We also identified 71 individuals paid via another valid contract type in 2016 (casual employee contract, Actor contract, special guest contract, Sole Trader etc.) who were also in receipt of OTS payments in 2016, in some cases for similar work. In some cases this is valid based on the circumstances of the engagement and, in other cases, is not a valid approach. See [Action Plan #3](#).

Key Findings and Conclusion

4) Other Findings

- **Split Payments:** We identified six cases where payments to panellists were split across a number of separate payments to enable payment in excess of the €500 threshold limit for OTS contracts. This is indicative of a contract expenditure which is not in line with that normally associated with an OTS contract.

Conclusion

Individuals making ad-hoc contributions to programmes may, depending on the nature of the contribution, be entitled to receive a payment in respect of their contribution. Where a payment arises, it is processed as an on-the-spot contributor contract via ██████████ Fees.

There is a large volume of low value OTS transaction throughout the business: over 13k payments to in excess of 4,500 individuals in the period under review. This poses challenges from an administrative and processing point of view, with fee inputters also dispersed throughout the business.

We identified that some engagements were arranged verbally, without paperwork, and in a further 16% of cases, no paperwork was provided following our requests. This finding reflects the dispersed nature of the engagement of OTS contributors and we are pleased to note that a new process of training groups is already underway.

The audit report also highlights that certain individuals' level of work is in excess of that intended for engagements via OTS contracts. In some cases the individuals work what appears to be a normal, rostered pattern of work and this issue is especially relevant to one business area. In a related finding, we identified examples of individuals engaged under an OTS contract in circumstances when another contract may have been more appropriate based on the nature of the relationship and the extent of work.

Actions to address these findings are set-out in the action plan. These actions will ensure that processes are in place to highlight issues at an early stage, before an individual reaches a high number of OTS batches (i.e. recurring OTS engagements). As illustrated in the various tables in the report, the majority of individuals within scope are non-taxable, earning a low level of fees. Therefore, the new processes should address the issues in an efficient manner.

Finally, we would like to thank staff in People Payments and Human Resources for their assistance during the course of this assignment.

Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Specific Findings				
1.	<p><u>Documentation and Filing</u></p> <p><i>Background</i> A sample of 25 payments was selected and the originator of the payment contacted to request a copy of the OTS contribution form or other supporting documentation.</p> <p><i>Findings</i> The findings identified are summarised below:</p> <ul style="list-style-type: none"> • Paperwork was available in 64% of cases. • There was no paperwork available for five (20%) OTS payments from our sample. In each of the five cases the engagement was arranged, and payment initiated, verbally. There was no paperwork involved and the contributor was not requested to complete the standard Contributor Release form. • At the time of writing, no response had been received in the case of four payments (16%) in our sample. Given the passage of time since first requested, it is reasonable to assume that it is unlikely that any paperwork is available in these cases. • In seven cases (28%), alternative forms of paperwork were used rather than the standard RTÉ OTS Contributor Release form, such as invoices, emails, Attendance Forms, etc. • With regards to the storage of paperwork, we noted that there is no centralised storage in place for Contributor Release Forms with forms being filed in different locations across the organisation. This increases the risk of paperwork being misplaced or difficult to locate in the event of the 	<p>This is already being covered in localised training groups.</p> <p>██████████)</p> <p>See Management Comment in finding #2.</p>	<p>An email explaining the importance of retaining paperwork evidencing the OTS payment will be circulated to Requisitioners / Approvers.</p> <p>This will include guidance on the types of documentation which is acceptable for a valid OTS contract, and procedures for filing.</p>	M	<p>██████████</p> <p>██████████ IBD</p> <p>Finance Teams</p> <p>31 May 2017,</p> <p>as part of wider training initiatives</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>departures of staff.</p> <p><i>Implication</i></p> <ul style="list-style-type: none"> - Using an alternative paperwork other than the standard RTÉ release form has adverse implications for the tracking of media rights. Some of the alternative forms of paperwork being used do not provide for the assignment of rights of use to RTÉ. - There is also an exposure in the event of a dispute over rights clearance. 				
2.	<p><u>Level of OTS Earnings</u></p> <p><i>Summary Finding</i></p> <p>A number of individuals are in receipt of OTS payments which is at a level in excess of that intended at the time of the publication of the Goodbody Report in 2001. A review is merited to ascertain if they should be contracted differently. In some cases the individuals work what is a normal, rostered pattern of work.</p> <p>Specific sub-findings are detailed below:</p> <p>2a) Regular Patterns of Engagement</p> <ul style="list-style-type: none"> • While 4,764 individuals received contributor fee payment(s), the Top 10 individuals (by value of contributor fees received) account for 7% of the total contributions in 2016. • One Reporter (██████████) received 106 OTS payments (██████████) in a ten month period in 2016, with each payment covering multiple contributions. This individual, on his 98th OTS 	<p>Agreed.</p> <p>██████████</p> <p>Localised training groups, explaining the policy for the use of OTS contracts and re-emphasising the criteria to consider when instigating payments, has recently commenced in certain areas of the organisation.</p> <p>These training sessions are interactive working groups rather than a formal presentation, and focus on explaining the approach and understanding the reasoning behind OTS payments, rather than on the actual mechanics around inputting them into</p>	<p>A review of the process for the engagement and rehire of OTS contracts in RTÉ Raidió na Gaeltachta is warranted given the issues in Appendix B (<i>i.e. regarding regular patterns of work and levels of reengagement</i>).</p> <p>This review will take account of the nature of the business of Radio and specific local factors such as the smaller pool of specialist contributors which are available for use.</p> <p>An email reminder providing guidance on the policy for the use of OTS contracts and re-emphasising the criteria to consider when instigating payment via OTS contract circulated by the HR IBD teams to Requisitioners / Approvers. (The note will have regard for the guidance in the Goodbody report).</p>	H	<p>██████████</p> <p>30 June 2017</p> <p>██████████</p> <p>31 May 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date								
	<p>contract, was engaged on a very regular basis (sometimes seven days per week).</p> <ul style="list-style-type: none"> ██████████ received 64 OTS payments (██████████), with weekly payments occurring throughout the period under review until, and up to 13 payments in one month. We noted other examples of regular work patterns in the period under review, particularly in the case of RTÉ RnaG, as set-out in the table below: <table border="1" data-bbox="134 688 840 1312"> <thead> <tr> <th data-bbox="134 688 289 745">No. of Payments</th> <th data-bbox="289 688 426 745">Value of Payments €</th> <th data-bbox="426 688 554 745">Tax Status</th> <th data-bbox="554 688 840 745">Comment</th> </tr> </thead> <tbody> <tr> <td colspan="4" data-bbox="134 745 840 1312" style="background-color: black;">[Redacted Table Content]</td> </tr> </tbody> </table>	No. of Payments	Value of Payments €	Tax Status	Comment	[Redacted Table Content]				<p>██████████</p> <p>██████████</p>	<p>HRIS and People Payments will continue to carry out their reviews and circulate reports on the level of OTS earnings to divisional HR teams.</p> <p>Given the issues highlighted in this report, the HR teams in the divisions will be reminded of the importance of carrying out a review – upon receipt of biannual reports from HRIS – of individuals with instances of high OTS contract numbers to ascertain if they should be contracted differently. This is particularly relevant for those on regular patterns of work or listed on staff rosters.</p>		<p>██████████</p> <p>██████████</p> <p>Done</p> <p>██████████</p> <p>██████████</p> <p>15 June 2017</p>
No. of Payments	Value of Payments €	Tax Status	Comment										
[Redacted Table Content]													

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>2b) High number of OTS batches / level of work</p> <ul style="list-style-type: none"> Some individuals are engaged for a high number of batches, in some cases up to 98. 10 individuals have received > 50 OTS Contracts in total since they were originally set-up on [REDACTED] A further breakdown of the number of the individuals’ most recent OTS contract is displayed in the table in Appendix B. <p><i>Impact</i> Notwithstanding the potentially unnecessary administration arising from the input and processing of multiple OTS contracts and batches, these individuals merit a review to ascertain if another contract (such as a casual employee or Sole Trader contract) is appropriate. While each case must be evaluated on its own merit, having regard for the type of engagement and the likelihood of re-engagement, regular patterns of work and high batch numbers in a short period of time indicate an alternative contract may be appropriate.</p> <p><i>Mitigation</i> HRIS circulate reports of OTS earnings to the divisional HR teams and request a line by line review to identify actions (new contract type, cease to engage, etc) where issues arise. There is some evidence that this control is helping to reduce the issues, but there remains an issue with one service which contributes to a large number of the findings.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	<p><u>Use of OTS Contracts</u></p> <p><i>Finding</i> We identified examples of individuals engaged under an OTS contract in circumstances when another contract would have been more appropriate. Given the nature of the relationship and extent of the role, an alternative contract (such as a Sole Trader contract) may have been more appropriate.</p> <p>Specific findings are detailed below, as follows:</p> <p>3a) OTS not the most appropriate contract based on work</p> <ul style="list-style-type: none"> We identified examples of OTS contracts being used for work which is generally engaged via another type of contract. These include [REDACTED] [REDACTED] <p>3b) On-air engagements</p> <ul style="list-style-type: none"> Some of the OTS payments relate to engagements which are not on-air engagements. The Goodbody report is clear in highlighting that OTS contracts generally relate to: <p><i>“on air contributions of an unexpected or unplanned</i></p>		See action in point #2 above.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date																				
	<p>nature”.</p> <ul style="list-style-type: none"> We noted the following examples of individuals paid via OTS contracts for roles which were not on-air roles: <ul style="list-style-type: none"> - [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] <p>3c) Individuals previously engaged under another contract type:</p> <ul style="list-style-type: none"> We identified 71 individuals already engaged via another valid contract type in 2016 who were also in receipt of OTS payments 2016. <p>See table below for breakdown of the total:</p> <table border="1" data-bbox="210 946 720 1369"> <thead> <tr> <th data-bbox="241 946 558 1016">Active Contract Type in 2016</th> <th data-bbox="558 946 720 1016"># of Individuals</th> </tr> </thead> <tbody> <tr> <td data-bbox="210 1016 558 1057">[REDACTED]</td> <td data-bbox="558 1016 720 1057">28</td> </tr> <tr> <td data-bbox="210 1057 558 1097">[REDACTED]</td> <td data-bbox="558 1057 720 1097">10</td> </tr> <tr> <td data-bbox="210 1097 558 1138">[REDACTED]</td> <td data-bbox="558 1097 720 1138">10</td> </tr> <tr> <td data-bbox="210 1138 558 1179">[REDACTED]</td> <td data-bbox="558 1138 720 1179">8</td> </tr> <tr> <td data-bbox="210 1179 558 1219">[REDACTED]</td> <td data-bbox="558 1179 720 1219">7</td> </tr> <tr> <td data-bbox="210 1219 558 1260">[REDACTED]</td> <td data-bbox="558 1219 720 1260">5</td> </tr> <tr> <td data-bbox="210 1260 558 1300">[REDACTED]</td> <td data-bbox="558 1260 720 1300">2</td> </tr> <tr> <td data-bbox="210 1300 558 1341">[REDACTED]</td> <td data-bbox="558 1300 720 1341">1</td> </tr> <tr> <td data-bbox="210 1341 558 1369">Total</td> <td data-bbox="558 1341 720 1369">71</td> </tr> </tbody> </table>	Active Contract Type in 2016	# of Individuals	[REDACTED]	28	[REDACTED]	10	[REDACTED]	10	[REDACTED]	8	[REDACTED]	7	[REDACTED]	5	[REDACTED]	2	[REDACTED]	1	Total	71				
Active Contract Type in 2016	# of Individuals																								
[REDACTED]	28																								
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[REDACTED]	5																								
[REDACTED]	2																								
[REDACTED]	1																								
Total	71																								

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> • While the existence of another contract is not necessarily an indication of an inappropriate OTS payment, it increases the risk that an OTS may not be the most appropriate contract (<i>e.g. an OTS may have been used temporarily while the other contract is under negotiation or has expired</i>) <p>On further investigation, we have concluded that in the case of approximately 60% of the 28 Sole Trader contacts above, a separate OTS payment was not required as the work was of a similar nature to that covered by Sole Trader work in 2016. It is also somewhat unusual / non-standard for an individual with a Ltd. Company to receive an OTS payment.</p> <ul style="list-style-type: none"> • The following are some more detailed examples where the individuals were given an OTS contract for similar work to their previous contract: <ul style="list-style-type: none"> - ██████████ engaged under a Sole Trader contract was paid via an OTS for the same type of work for a Radio programme - ██████████ Company contract was engaged by ██████████ for the same type of work. - ██████████ engaged under a Sole Trader contract was paid via an OTS for the same type of work for a ██████████. This individual has been a regular panellist on the programme for a number of years and received a new Sole Trader contract in 2016. 				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>- A ██████████ received an OTS payment for the same work as covered in her Sole Trader contract for the same period.</p>				
4.	<p><u>Other Observations</u></p> <p>Other findings are summarised in the points below:</p> <p>a) <u>Split Payments</u>: We identified six cases where payments to panellists were split across a number of separate payments to enable payment in excess of the €500 threshold limit mentioned, which is indicative of a contract expenditure which is not in line with that normally associated with an OTS contract.</p> <p>Other instances of split payments may have occurred across the 13,441 population, but are not readily identifiable from the data without time consuming forensic analysis. The manner in which the amount was split and the date of the payment impacts the ease of locating these items in the data as part of audit tests.</p> <p>b) <u>Holiday Pay</u>: We identified one instance of an individual being paid a holiday pay entitlement via OTS, indicating that it may have been more appropriate for the individual to be assigned a casual contract of employment in the first instance.</p> <p>c) <u>Re-engagement of Staff</u>: We identified examples of former RTÉ employees being reengaged and paid using an OTS contract(s) in the period under review. In total we noted 216 OTS payments to 48</p>		<p>See action in point #1 above.</p> <p>A reminder will be sent to all Finance Fee approvers highlighting the issues raised in this finding and requesting ongoing vigilance to be exercised in the rejection of unsuitable payments made via OTS contract, such as payment requests containing holiday pay, or evidence of payments split into separate batches.</p>	L	<p>██████████ BD ██████████ Finance Teams 31 May 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>former RTÉ employees, with a total value of €29k. In certain instances the individuals are engaged to carry out similar work to that being undertaken by them prior to their departure. The engagements are for relatively small value and the majority of the staff have departed for a number of years. As a result we do not classify this as a key issue.</p>				
	<p>General Process Observations</p>				
<p>5.</p>	<p><u>OTS Set-Up Process</u></p> <p><i>Current Process</i> The creation, rehire and generation of a new OTS contract by the Fee Inputter will trigger an approval notification to HR Shared Services. The HR teams need to approve the system set up of new contract before subsequent payments for that contract / batches can be cleared for processing. A new payment batch is created when the individual is hired / rehired, or when the existing payment batch limits have been exceeded.</p> <p><i>Findings</i></p> <p>a) Local Fee Inputters set-up all new OTS contracts and a new payment batch under an existing contract, based on business requests to engage a contributor in the relevant IBDs.</p> <p>b) HRSS approval of the set-up of the contract is effectively an administrative process to initiate a new contract and does not involve a full check of the appropriateness of contract or a review of the taxation / contract status of each individual.</p> <p>c) This approach reflects the large volume of OTS contracts and</p>		<p>No action needed on the set-up process: HRIS and People Payments will continue to carry out their mitigating control activities.</p> <p>HRIS will check if a report can be produced to highlight rehire of OTS to review taxation status to prevent an old taxation status defaulting.</p>	<p>L</p>	<p>N/A</p> <p>██████████ ██████████ 30 June 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>also reflects the fact that HRSS are removed from the day-to-day business. As a result HRSS, are not in a position to review each contract and carry out a review of each OTS request.</p> <p>d) Therefore, no formal business review is carried out in HRSS or local HR at the point of engaging / re-engaging an individual for a new / repeat OTS contract.</p> <p><i>Mitigation</i> While the absence of a business review at the point of generating a new OTS creates some risk, the following are mitigating controls that are in place:</p> <ol style="list-style-type: none"> 1) HRIS circulate OTS data twice yearly to the IBDs for action. 2) People Payments monitor levels of earnings of all individuals receiving OTS contracts for taxation purposes on an ongoing basis at each fortnightly payment run and to highlight to local HR team any person whose year to date earnings are about to exceed €2k 3) People Payments also carry out a yearly review on the taxation status of all OTS contributors to ensure that it is accurate and up-to-date based on the current level of earnings and contract type. 4) Each OTS payment has a first and second approver, in most cases including a finance reviewer. <p><i>Residual Risk</i> When the Fee Inputter re-engages an individual (under an OTS contract) who was terminated in a previous tax year there is a small risk that the taxation status defaults to the old and possibly out of date taxation status. Therefore an additional report is</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	required to monitor this.				
6.	<p><u>Nature & Scope of Review of Relationship and Taxation Status</u></p> <p><i>Context: Taxation and OTS</i> RTÉ paid circa. 4.5k individuals via an OTS contract to November 2016, 7% of whom were classified as taxable in November:</p> <ul style="list-style-type: none"> • 91% of those classified as taxable earned less than 2k • 98% of all OTS earned less than 2k <p><i>Background</i> People Payment is in the process of updating the taxation review process since the previous audit was undertaken in 2012.</p> <p><i>Old Process</i> The taxation status of people engaged via OTS was reviewed annually by People Payments. This review included any individual in receipt of regular fee payments paid under an OTS contract in excess of €3,000 in the year. A closer check was carried out on individuals in receipt of payments in excess of €5,000 in the year.</p> <p><i>Proposed Process</i> The process proposed is as follows:</p> <ul style="list-style-type: none"> - A review is performed on a fortnightly basis based on the cumulative year-to-date earnings of the individual. - Once an individual’s cumulative year-to-date earnings exceed €2,000, People Payments will highlight this to the relevant local HR team. - People Payments will seek Revenue evidence of self-assessment from the Contributor once €2k is reached in the year. (There will be no tax charged on earnings below €2k) - Where a payment would bring the contributor earnings 	<p>A revised process is currently being finalised.</p> <p>██████ ██████████ ██████████ ██████████ ██████████</p>	<p>Central Human Resources and People Payments will send a note to Finance and HR teams outlining the agreed process.</p>	<p>M</p>	<p>██████████ ██████████ ██████████ 30 June 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>over €2k year to date, People Payments will check with local HR if it is ok to allow further OTS payment.</p> <p><i>Potential Issue</i></p> <p>The new process represents a strengthening of control and mitigates many of the risks highlighted in the earlier findings.</p> <p>However, we noted that the specific details of the new process have not been fully agreed between Finance and HR, including the practical implementation of the new measure and the manner in which it is enforced.</p> <p>The buy-in of HR and Finance teams is important to the efficient operation and effectiveness of the process and an agreed 1-page document setting out the process is recommended.</p>				

Appendix B – Analysis of OTS Fees by Number of Contracts



RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2021*

Report 2 of 2 (Purchasing Compliance)

22 June 2022

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:

██████████, Group Financial Controller
██████████, Head of Procurement
██████████, Content, Operations & Production Services
██████████, Financial Controller, News and Current Affairs
██████████, Financial Controller, Commercial
██████████, Financial Controller, 2rn
██████████, Business & Finance Manager, Content
██████████, Business Executive, Finance Divisional Support
██████████, Group Finance & Shared Service Accountant

Technology:

██████████, Head of Applications and Systems, Technology



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Introduction and Background

Introduction

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Policy 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).

Background

Purchase Orders

Purchases processed through [REDACTED] 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:

Order Value	Approver
€0 - €2,500	Costpool Manager
€2,501 - €10,000	Costpool Manager / Finance
€10,001 – €100,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division
€250,001 - €750,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO / DG

Amounts above €2m. require Board approval (*with some exceptions in line with Board approved policy*).

Goods are receipted on [REDACTED] 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 [REDACTED].

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 (automated control). There is a [REDACTED] 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.

Invoice Manager

A number of purchases, considered exceptions, are processed each month via Invoice Manager due to the nature of the service provided or in exceptional circumstances. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO. Any processing of invoices where the value is over [REDACTED] of goods receipted will also be approved via Invoice Manager.

Purchase Cards

Goods and services may also be paid by purchase cards. Purchase cards are Mastercard and 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 helps reduce the number of low value orders processed via [REDACTED] web and reduces administration costs.

Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*.

Risk, Objective and Scope

Risk

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

- Risk #4 – Brand and Reputation; and
- Risk #8 – Management of Finances and Business Planning.

Other specific risks relevant to this report are as follows:

- Fraud;
- Duplicate Payments;
- Purchase commitments being made prior to managerial approval; and
- Inherent IT Risk/System Functionality: Due to limited functionality within [REDACTED]

Objective

The objectives of this audit are as follows:

- Determine if POs are raised in line with the RTÉ Purchasing Policy;
- Investigate if purchase invoices paid were in excess of the approved PO value;
- Review the appropriateness of Requisitioners and Approvers; and
- Determine if Invoice Manager is being appropriately used.

Scope

The scope of our review is from 1 January 2021 to 31 December 2021 and covers:

- All POs (including Capital WIP and Commissioned programmes) approved and processed, across all Divisions;
- All PO invoices paid, across all Divisions;
- All PO Requisitioners & Approvers and Invoice Manager Approvers; and
- All Invoice Manager invoices paid, across all Divisions.

The audit involved four main areas of work:

- ✓ Identifying the number of POs that were raised after the invoice date;
- ✓ Comparing the value of invoices to the value of the approved PO and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Reviewing the number and appropriateness of invoices and suppliers processed through Invoice Manager.

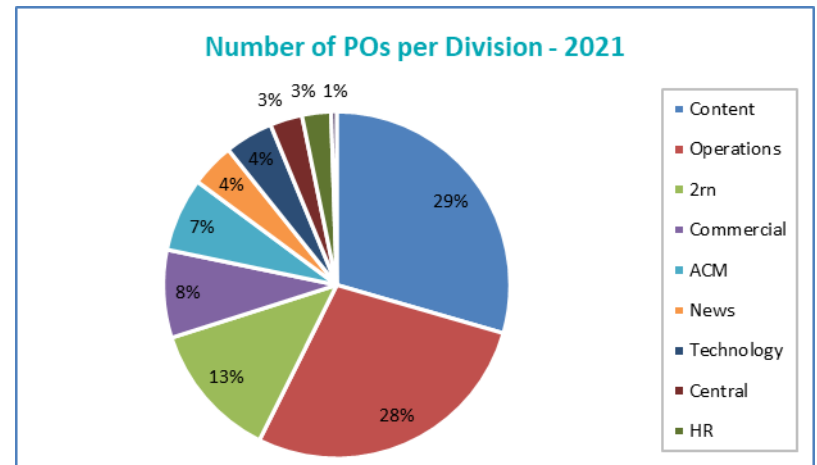
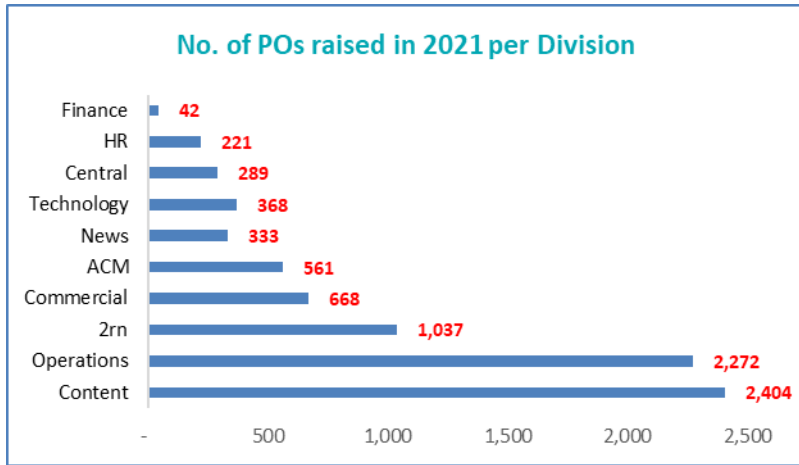
The scope of our audit did not include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate audit report);
- ✗ Reviewing purchase card payments (covered in a separate audit report); and
- ✗ Compliance with payments in accordance with European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012.

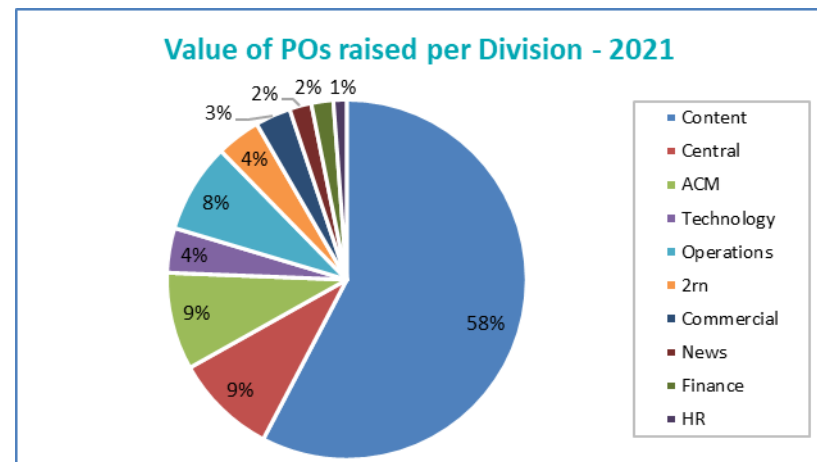
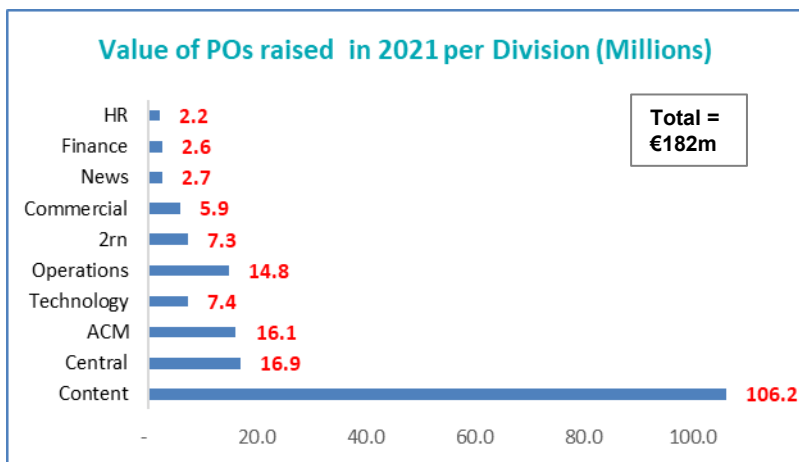
Data Analysis – Purchase Orders

Purchase Order Data Analysis

8,195 POs were raised in 2021 (2020: 8,195) which totalled 10,904 (2020: 10,763) lines of orders as some POs contained multiple order lines. The graphs below provides an analysis of the total number of POs raised by each Division and their percentage split.



The graphs below details the value by Division of the POs raised in 2021 and their percentage split. The total value of POs raised in 2021 was **€182m** (2020: €150m; 2019: €183m).



Data Analysis – Purchase Orders and Users

Purchase Order Data continued

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

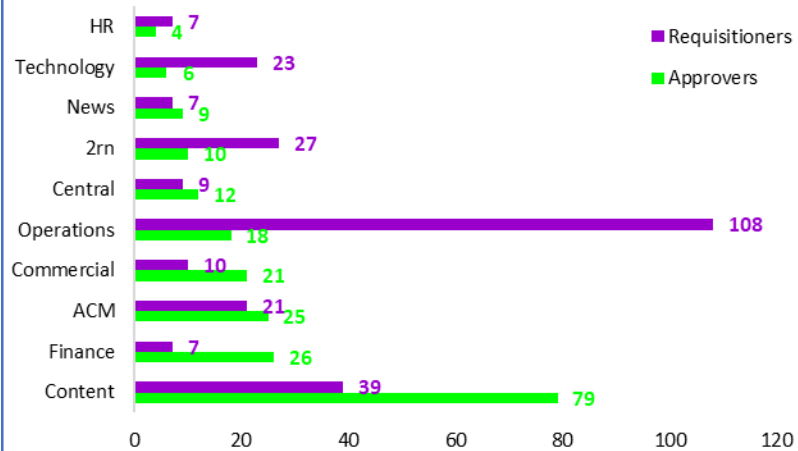
Value of PO	Number of POs Processed in 2021
€0 - €5,000	5,958
€5,001 - €10,000	914
€10,001 - €100,000	1,071
€100,001 - €250,000	132
€250,001 - €750,000	77
€750,001 upwards	43
Total	8,195

Note: 835 of the 8,195 POs raised in 2021 were less than €100 in value, representing 10% (2020: 11%). 44% related to ten suppliers, generally for recurring consumable supplies. 161 of the 835 POs under €100 in value had no invoice posted against them.

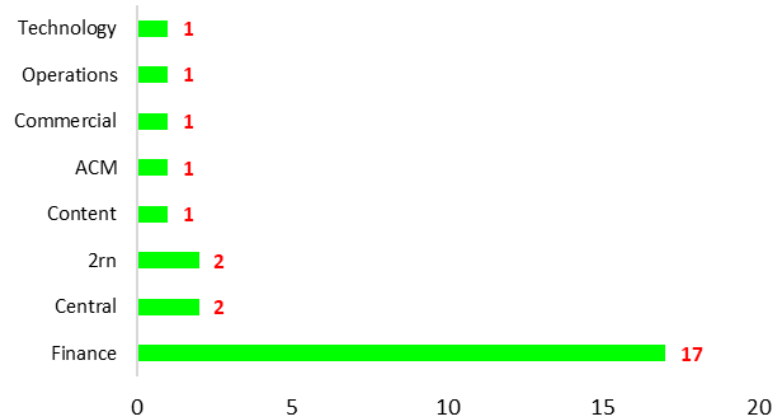
Requisitioners and Approvers

At the end of 2021, there were a total of 210 PO Approvers and 258 PO Requisitioners on [REDACTED]. Of 210 approvers, 22 were also approvers on Invoice Manager. The graphs below shows the breakdowns by Division.

Approvers & Requisitioners (by Division)



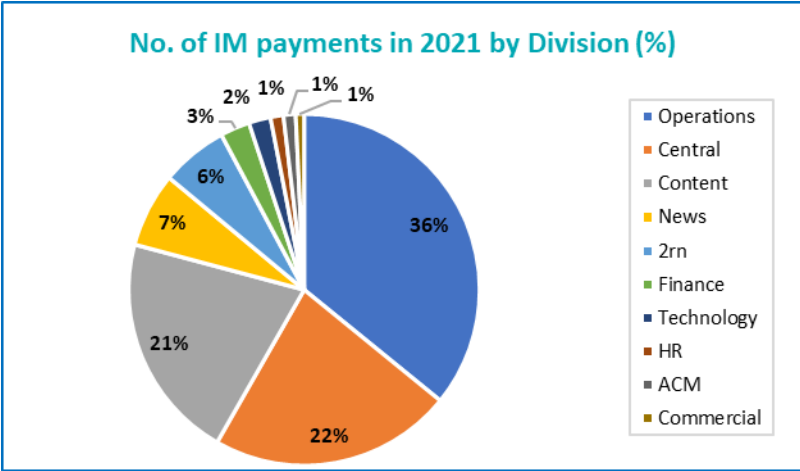
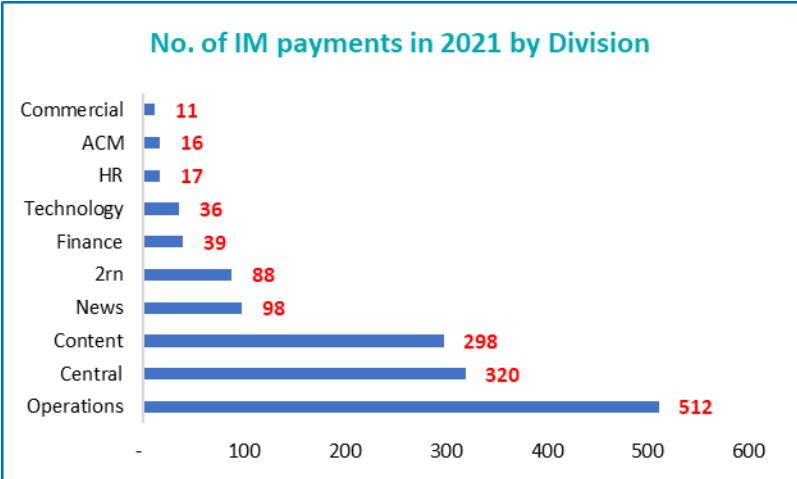
Invoice Manager Approvers (by Division)



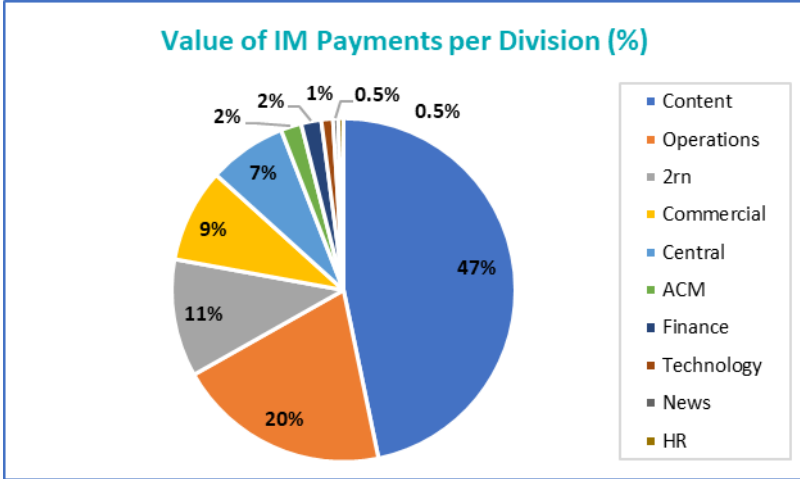
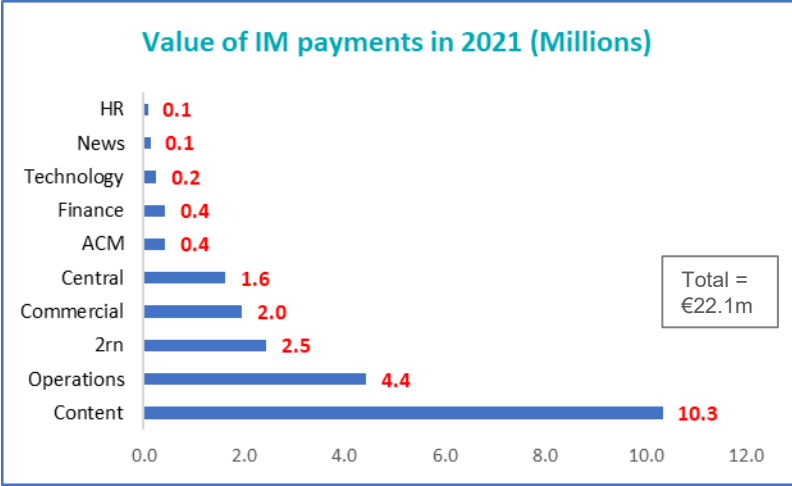
Data Analysis – Invoice Manager

Invoice Manager

1,435 invoices were processed through invoice manager ('IM') during 2021 (2020: 1,524). The graphs below provides an analysis of the total number of invoices processed under Invoice Manager by each Division, along with their percentage split.



The graphs below details the value by Division of the invoices processed under Invoice Manager in 2021, as well as the percentage split. The total value of invoices paid in 2021 was **€22.1m** (2020: €24.2m).



Data Analysis – Invoice Manager

Invoice Manager (continued)

Sub-analysis by Invoice

A breakdown of the number of invoices processed through Invoice Manager by value thresholds is displayed in the table below.

Value of Invoice	Number of Invoices Processed in 2021
€0 - €1,000	542
€1,001 - €5,000	422
€5,001 - €25,000	305
€25,001 - €75,000	99
€75,001 upwards	67
Total	1,435

Sub-analysis by Supplier

The Top 100 suppliers (out of 249 suppliers in total) account for **€21.2m** or **96%** of the total population of €22.1m. The breakdown below shows that the top 20 suppliers make up 65%.

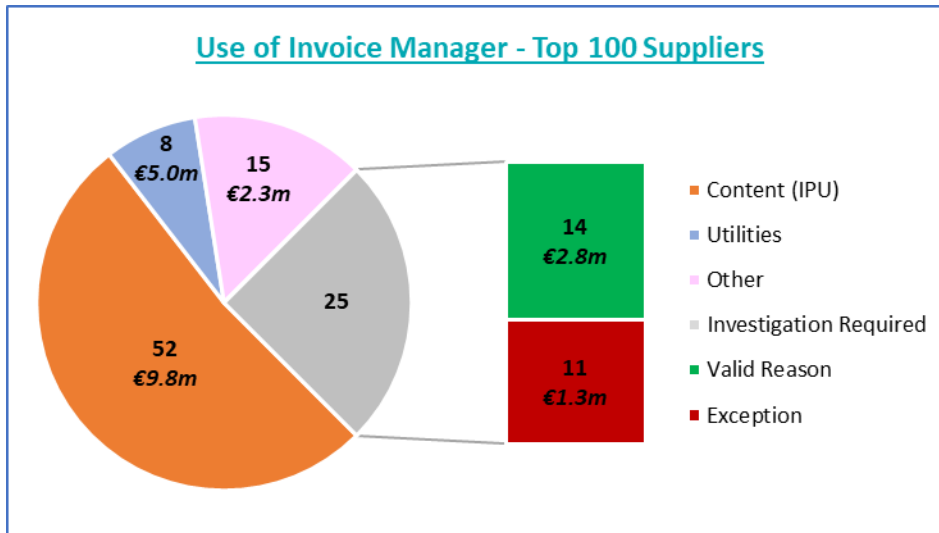
Top 100 Suppliers	Value of Invoices	%
Suppliers 1 - 20	14.3m	65%
Suppliers 21 - 40	3.4m	15%
Suppliers 41 - 100	3.5m	16%
Sub-total	21.2m	96%
Suppliers 101 - 249	0.9	4%
Total	22.1m	100%

Finding – 1

1: Invoice Manager

1,435 invoices were processed via Invoice Manager ('IM') across 249 suppliers, to a value of €22.1m during 2021 (2020: €24.2m). The number and value of invoices processed through IM appears high given other financial processes available to process supplier invoices. In most cases, the alternative process (PO system) has a greater number of approval steps.

IA acknowledges the restrictions of the current systems and the necessity of the IM process. However, the volume of transactions highlights potential excessive use. A review of the invoices paid to the 'Top 100' suppliers (€21.2 in value and 96% of IM population) is therefore further analysed below.



Analysis of 11 Exceptions

Supplier	Total Spend	% of Total
Supplier A	-248,582	19%
Supplier B	-234,013	18%
Supplier C	-223,196	17%
Supplier D	-165,760	13%
Supplier E	-89,204	7%
6 Other Suppliers	-318,490	25%
	<u>-1,279,245</u>	<u>100%</u>

75%

As shown in the chart above, **eight** suppliers in the Top 100 (representing €5.0m) were classified as suppliers of utilities – electricity, telephone, water, waste management, etc. – and a further **15** were classified as “other” (rent, rates, travel), representing €2.3m. Invoice Manager is deemed as an acceptable payment method for these suppliers due to the nature of the services and ad-hoc usage.

Content (IPU)

52 of the 100 suppliers (representing €9.8m) were Production Companies, relating to content supplies. This is shown in the orange slice of the pie chart above.

This is not in line with our expectations for the use of Invoice Manager and the majority of these payments should have been processed through the normal PO process. 44% of all payments made via Invoice Manager in 2021 related to IPU and this level is considered excessive given the alternative PO payment system is in place. This point is covered in more detail in *Appendix 1*.

Finding – 1 (cont'd)

1: Invoice Manager (continued)

Further investigation was required for the remaining **25** suppliers as they comprise a variety of supplies. IA noted that **14** (representing **€2.8m**) were in line with our expectations for the use of Invoice Manager and include one-off corrections of invoices, credit notes and volume discount rebates. However, the remaining **11** should have been processed through the normal PO process (categorised as “exceptions”).

These **11** suppliers represent **€1.3m** or 6% of total value processed via IM. IA notes that five suppliers accounted for the **75%** of the of the exceptions as illustrated within the table above. An example includes professional service billings that are generally processed under the PO process, being processed through Invoice Manager.

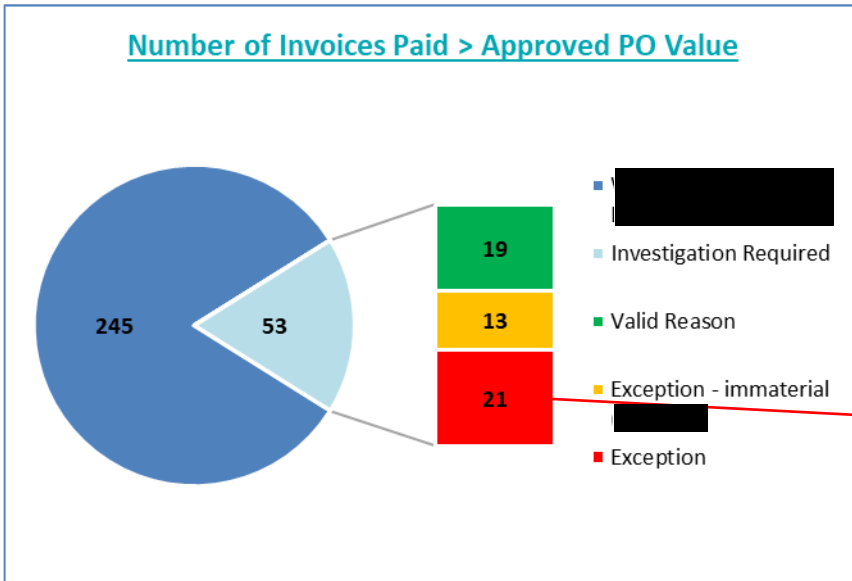
Please refer to Appendix 1 for audit actions.

Finding – 2

2: Purchase Invoice v Approved PO

Of the 8,195 POs raised during 2021, 298 POs (3.6%) were highlighted for further testing as the value of the invoice paid exceeded the approved order amount.

A summary of the results of the 298 orders is set-out below:



Material Exceptions

Supplier	No. of invoices	Excess Invoice > PO - €	% of Total
Supplier A	1	-23,082	23%
Supplier B	1	-22,442	22%
Supplier C	1	-16,634	16%
Supplier D	1	-10,940	11%
Supplier E	1	-4,500	4%
Other Suppliers	16	-24,048	24%
	21	-101,645	100%

76%

For 245 (82%) of the orders, the excess between the invoice amount paid and the approved PO was within the [redacted] tolerance level (note this is a manual control completed by AP – please refer to the Risk section for further details). 53 (18%) of POs required further investigation as the excess between the invoice amount paid and the approved PO amount was outside the [redacted] tolerance level. IA notes that any difference between the invoice amount and the goods receipt of these exceptions (in excess of the 5% tolerance) were processed and approved through invoice manager. In these circumstances the approver is required to be manually selected by AP.

19 (36%) of the invoices had valid reasons for the price differences (e.g. delivery costs, NRV etc.). However the remaining 34 (64%) should not have been processed and paid under the PO (“exceptions”). On further inspection of these exceptions, 13 (25%) were immaterial - the differential between invoice paid and the approved PO was under [redacted]. Of the remaining 21 exceptions, IA notes that 5 invoices accounted for the 76% of the total as illustrated within the table above. Please refer to **Appendix 1** for audit actions.

Finding – 3

3: Raising POs before invoices

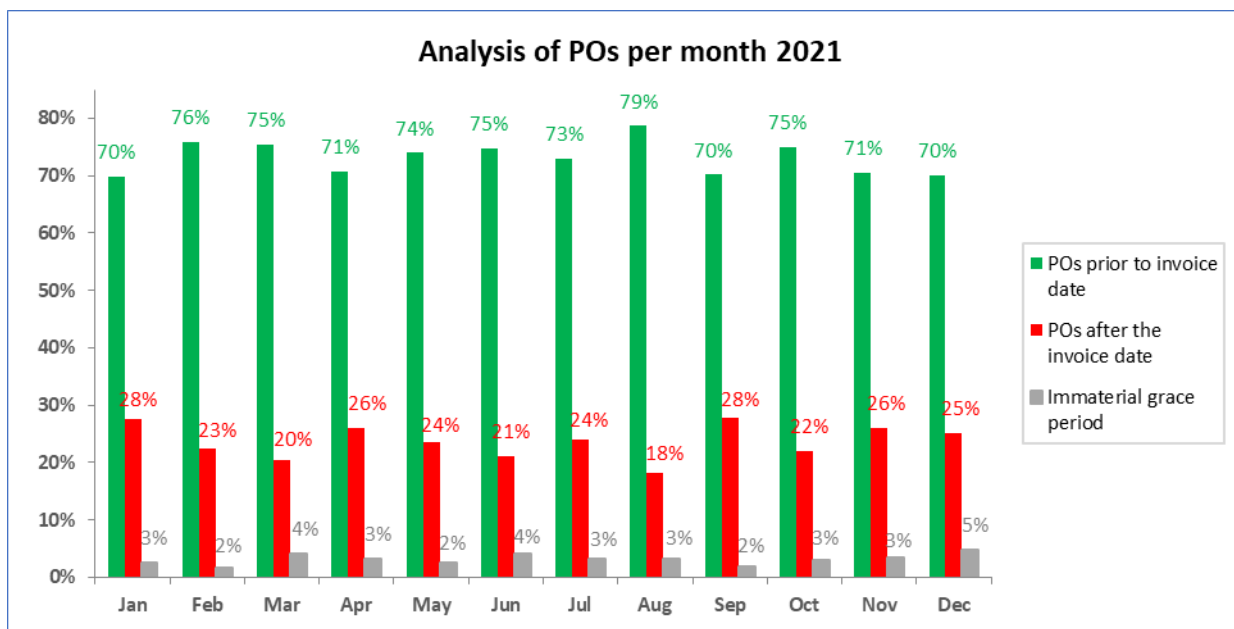
In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

Previous IA reports highlighted that POs are sometimes raised after the invoice has been received, which is 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 and the possibility of misstatements.

Internal Audit has carried out regular reviews of the timeliness of raising POs. The most recent results, by month, for the year 2021 are outlined in the chart below:

The average per number of POs raised after the invoice date was **24%** for 2021, broadly in line with 22% recorded in 2020.

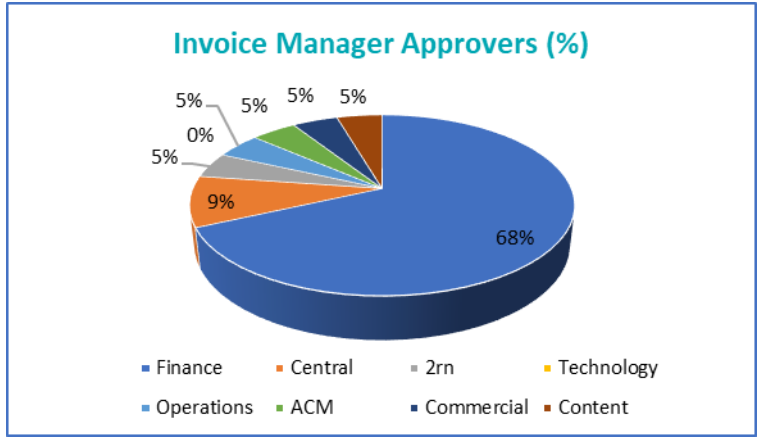
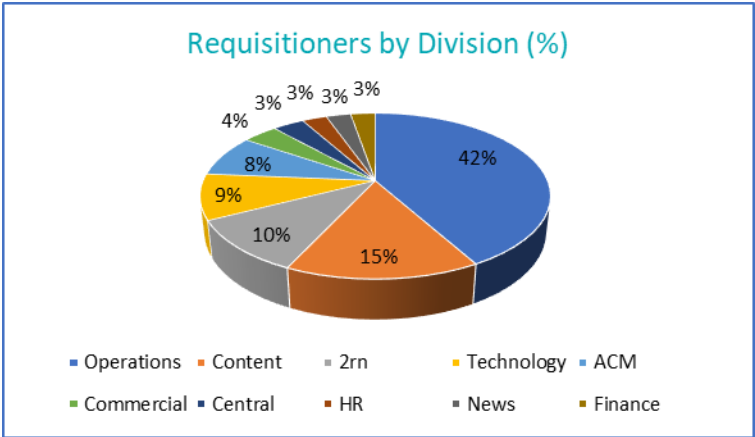
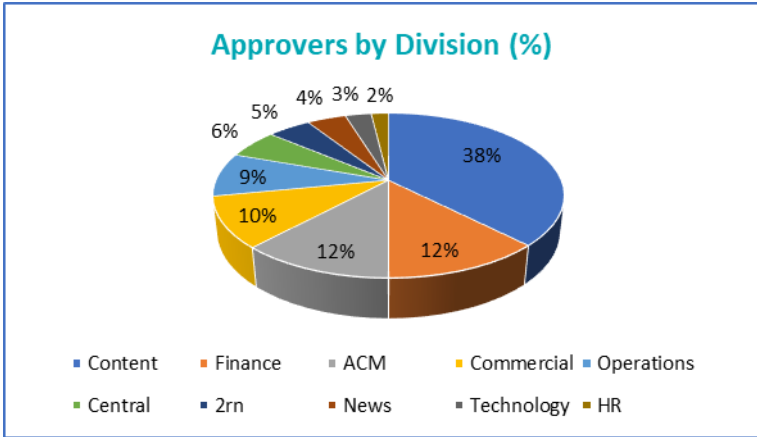
There is an ongoing project/working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams. Given this fact and that the results at the end of 31 December 2021 are broadly similar to 2020 results, we are not issuing any additional audit recommendations at this time. The works and action of the working group will continue throughout 2022, as well as intermittent review by Internal Audit.



Finding – 4

4: Requisitioners and Approvers

IA reviewed the list of PO Requisitioners and Approvers and concluded that both the number of individuals and the suitability of the individuals are appropriate. IA identified that three approvers (**1%**) need to be removed from the system as a result of staff departures. At the time of testing all three accounts need to remain open in order for temporary approvers to be put in place. Please refer to **Appendix 1** for audit recommendations.



IA also reviewed the list of Approvers for Invoice Manager and concluded that both the number of individuals and the suitability of the individuals are appropriate. However, **two** approvers (**9%**) are required to be removed from the system. As noted above, this will remain in place until replacement approvals are set up.

Please refer to **Appendix 1** for audit recommendations.

Conclusion and Report Rating

Conclusion

The audit highlighted that 1,435 invoices to the value of €22.1m were processed via Invoice Manager. 20 suppliers represented nearly two thirds of all payments processed through Invoice Manager. The use of Invoice Manager is high given the other payables financial processes available. Some supplier invoices are being processed through Invoice Manager when they should be processed through the normal PO process.

The audit specifically draws attention to the fact that 52 of the Top 100 suppliers (representing €9.8m or 44%) were payments made to Production Companies. A further 11 suppliers, representing €1.3m or 6% of total value, were also identified as exceptions.

This is excessive and not in line with our expectations for the use of Invoice Manager. Invoice Manager should primarily be used for exceptions, corrections and utilities. The issues highlighted in the audit did not fall under these categories and should therefore have been processed through the normal PO process.

A review of the value of invoices compared to the value of the approved PO was carried out. 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. A small number of invoices were processed incorrectly and should have required a new POs.

IA noted that an average of 24% of purchase commitments are being made prior to managerial approval of the order, which is contrary to RTÉ Purchasing Policy. This is broadly in line with the prior year figure following actions by Finance.

A review of the number of PO Requisitioners and Approvers by Division was performed, and it was concluded that both the number and suitability of the individuals was appropriate. A small number of departed approvers are required to be removed.

On the basis of the above findings, we assess the overall process as “Improvement Needed”. This reflects the known restrictions within the current system and that the implementation of ERP will be addressing a number of key risk areas.

Report Rating



IMPROVEMENT NEEDED

Appendix 1 – Audit Actions

Actions	Action & Owner(s)	Due Date
<p>1 – Use of Invoice Manager as the payment process for Commissioned Programmes:</p> <p>Background Commissioned programme invoices were processed to a value of approximately €41 million for the year 2021.</p> <p>Invoice Manager was used as the payment method for approximately 20% of the invoices. The remaining 80% of invoices were processed and paid via Purchase Order.</p> <p>52 of the Top 100 suppliers paid via Invoice Manager (representing 44% in value terms) were Production companies. <i>(The Top 100 represented 96% of the total population).</i></p> <p>Finding The use of Invoice Manger to process payments to Production companies is not in line with our expectations for the use of Invoice Manager. While some isolated use will arise, the majority of these payments should have been processed through the normal PO process. 44% of all payments made via Invoice Manager in 2021 related to IPU and this level is considered excessive given the alternative PO payment system is in place.</p> <p>On further discussion with management, it was noted that payments are being made via Invoice Manager in instances where approvals via the PO system are not completed on time by the various levels of approval, delaying payments and running the risk of a production ceasing if payment deadlines are not met. Production companies are small businesses and cash flow is tight.</p> <p>Mitigation While the number of IPU payments made via Invoice Manager is high, the risk of unauthorised approval is low. All IPU payments via Invoice Manager are approved by the appropriate managers by email in advance. Only a small number of nominated senior Finance managers are authorised to make such approval.</p>	<p>The number of IPU payments made via Invoice Manager will be tracked and monitored for the remainder of 2022.</p> <p>Communication will be made with the relevant Approvers reminding them that approvals need to be done in a timely manner in order to reduce the need to use Invoice Manager for payment.</p> <p>Any further actions will be identified locally.</p> <p>Internal Audit will review this matter when reporting on FY 2022 data.</p> <p>████████████████████</p>	<p>31 December 2022</p>

Appendix 1 – Audit Actions

Actions	Owner	Due Date
<p>2 - Invoice Manager:</p> <p>1.1 The Finance Directors/Controllers will be informed of the exceptions noted during the audit and will bring those to the attention of the relevant teams in their division, with a focus on addressing areas where changes can be implemented within the existing processes (pre ERP implementation).</p> <p>1.2 The Finance teams will be reminded of the importance of enforcing the restricted use of Invoice Manger for isolated use only to deal with exceptions, utilities, corrections etc. (The audit highlighted use of Invoice Manager in circumstances when the PO process should have been used.)</p>	<p>Finance Directors/ Controllers</p> <p>CFO</p>	<p>31 July 2022</p> <p>31 July 2022</p>
<p>3 - Purchase Invoice v Approved PO:</p> <p>2.1 The Finance Directors/Controllers will be informed of the exceptions noted during the audit and will bring those to the attention of the relevant teams in their division, with a focus on addressing any material areas where changes can be implemented within the existing processes (pre ERP implementation).</p>	<p>Finance Directors/ Controllers</p>	<p>31 July 2022</p>
<p>4 - Requisitioners and Approvers:</p> <p>3.1 Management should remove the PO (3) and Invoice Manager (2) approvers identified, when deemed appropriate to do so.</p>	<p>██████████ (Head of Applications)</p>	<p>30 June 2022</p>

RTÉ Internal Audit

Review of Purchasing Compliance

Year-ended 31 December 2015

12 April 2016

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 [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 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, normally 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 2002*. 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

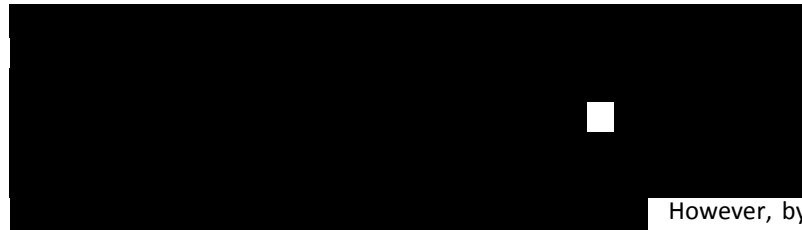
Risk

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 2015 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 2015 to 31 December 2015, across all IBDs. The audit involved four 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;
- ✓ Identifying the number of POs that were raised after the invoice date; and
- ✓ Reviewing RTÉ's level of compliance with the *European Communities (Late Payments in Commercial Transactions) Regulations*.

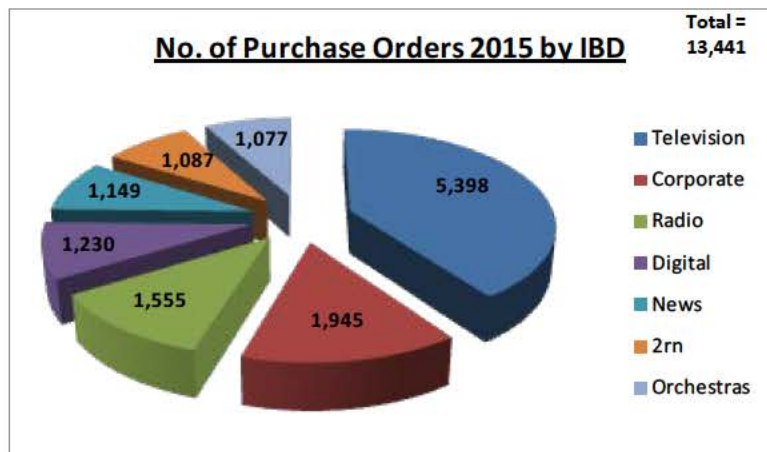
The scope did not include:

- ✗ 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.

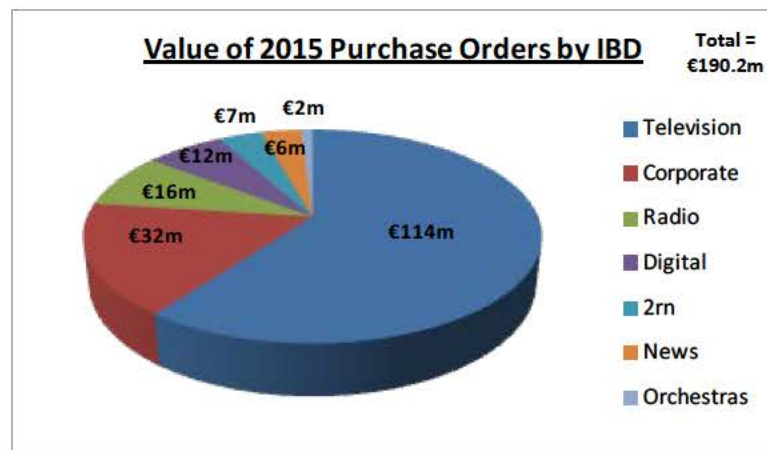
Data Analysis

A Purchase Order Data

13,441 POs were raised in 2015, in comparison to 12,322 in 2014. (These totalled 20,105 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 2015. The total value of POs raised in this period was €190.2m.



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

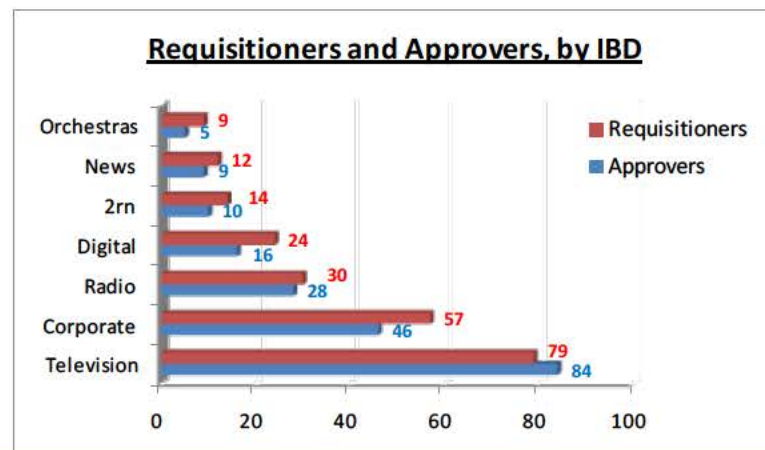
Value of PO	Number of Orders Processed in 2015
€0 - €5,000	10,802
€5,001 - €10,000	1,155
€10,001 - €100,000	1,242
€100,001 - €250,000	134
€250,001 - €750,000	55
€750,001 - €	53
Total	13,441

Note:

1,142 of the POs raised in 2015 were less than €100 in value and just over 30% of those related to ten suppliers, generally recurring consumable supplies.

B Requisitioner and Approver Data

At the end of 2015, there were a total of 198 Approvers and 225 Requisitioners on [REDACTED]. The graph below shows the breakdown by IBD.

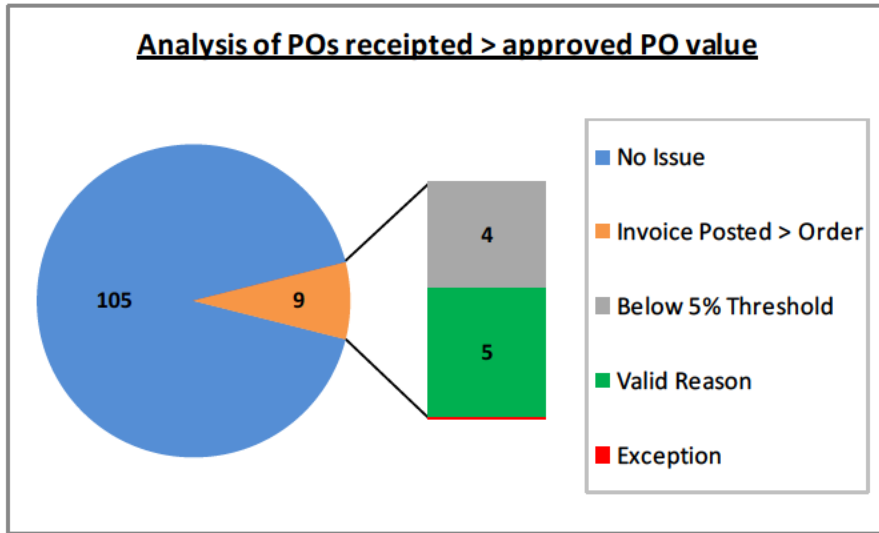


Summary Findings

1) Purchase Receiving Process

Of the 13,441 POs raised during 2015, 114 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 114 orders is set-out below:



For **105** 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 **nine** orders, both the goods receipted and the invoice processed were in excess of the original approved order. These orders were investigated further. In all cases they were valid payments and no audit exceptions arose. See the Action Plan (#1) for full details of our review.

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 and that all are current, valid, RTÉ employees. No issues were noted.

3) Raising POs before Invoice

A comparison of the date the PO was approved compared to the Invoice date was undertaken. In 2015, 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.

4) Timeliness of Payments

There is no mechanism / KPIs in place to track adherence to Late Payment Regulations. Therefore, no statistics are available on the extent to which RTÉ pays suppliers on time. Internal Audit recalculated compliance with the Regulations based on the data within scope.

Payments were made within 30 days in 60% of cases. Payments were not made within the 30 days for the remaining 40%. However, further investigation is required in order to determine and conclude on which portion of the 40% represents a breach of the Late Payment Regulations and which portion is a "late" payment for valid reasons.

A more detailed analysis will be undertaken by Group Finance on a sample of 2016 data. (It is not feasible to undertake this exercise retrospectively for the full data sample.) It is likely that some further action is needed; however the result of the exercise will determine the scale of further action. Suppliers have not sought to charge any interest to-date in 2015, irrespective of late payments.

Conclusion

Conclusion

Internal Audit carried out a review of the processing of all POs in 2015. 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 and that all are current, valid, RTÉ employees.

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.

Compliance with the *European Communities (Late Payment in Commercial Transactions) Regulations 2002* was also within the scope of the audit. We noted that there is currently no mechanism / KPIs in place to track adherence to the Regulations and, as a result, no statistics are available on the percentage of invoices paid by the due date. Therefore, it is not possible to conclude accurately on the level of compliance with the Regulations.

There are a number of valid reasons why an invoice might not be paid within 30-days, such as tax clearance issues or items in dispute. As a result, an action has been agreed to carry out an exercise on a sample of future invoices in 2016 to identify the total proportion of invoices paid on time, or delayed for valid reasons. The result of that exercise will determine the scale of further action. Our recalculation using 2015 data highlighted a potential issue with 40% of invoices.

The standard of control is satisfactory in terms of the purchase receipting process and the assignment of Requisitioner and Approver roles on [REDACTED]. 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																														
	Purchase Receipting Process																																		
1.	<p><u>Invoices processed in excess of Approved Order Value</u></p> <p><i>Background</i> 114 of the POs (0.8%) raised in 2015 were highlighted for review as the value of the goods receipted exceeded the original approved order amount. For 105, the amount actually invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary.</p> <p><i>Finding</i> In the case of the remaining nine 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"> In four of the nine exceptions, the invoice processed was less than the acceptable 5% threshold and did not require further investigation. For the other five 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: <table border="1"> <thead> <tr> <th>Service Provided</th> <th>Approved PO Value</th> <th>Invoice Paid</th> <th>Invoice > Order</th> <th>Analysis Below</th> </tr> </thead> <tbody> <tr> <td>██████████</td> <td>€7,640</td> <td>€11,460</td> <td>-€3,820</td> <td>1</td> </tr> <tr> <td>█</td> <td>€38,782</td> <td>€41,782</td> <td>-€3,000</td> <td>2</td> </tr> <tr> <td>██████████</td> <td>€10,800</td> <td>€13,500</td> <td>-€2,700</td> <td>3</td> </tr> <tr> <td>N██████████</td> <td>€1,500</td> <td>€1,727</td> <td>-€227</td> <td>3</td> </tr> <tr> <td>██████████</td> <td>€18,200</td> <td>€19,376</td> <td>-€1,176</td> <td>4</td> </tr> </tbody> </table>	Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below	██████████	€7,640	€11,460	-€3,820	1	█	€38,782	€41,782	-€3,000	2	██████████	€10,800	€13,500	-€2,700	3	N██████████	€1,500	€1,727	-€227	3	██████████	€18,200	€19,376	-€1,176	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																															
██████████	€7,640	€11,460	-€3,820	1																															
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N██████████	€1,500	€1,727	-€227	3																															
██████████	€18,200	€19,376	-€1,176	4																															

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>A valid purchase / payment was made in each of the five instances. See below for a more detailed explanation of each exception.</p> <p>1) [REDACTED]: An invoice for 50% of the order value was booked under the relevant PO. When the balance was due to be paid, the full invoice value was posted in error, rather than the remaining 50%. A credit note was posted via invoice manager to correct the error. Credit notes are not visible or handled through the Purchase Order system.</p> <p>2) [REDACTED]: The final contract value for the production in question was agreed at €41,782. The actual Purchase Order was raised for a slightly lower amount, in error.</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 invoice was paid before further POs were raised and approved.</p> <p>4) [REDACTED]: Timing Issue: The IT Recruitment Agency is used monthly 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. This was offset by an underspend in another PO.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	PO Management				
2.	<p><u>Purchase Orders raised after the Invoice</u></p> <p>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>We identified that 46% of the POs approved during 2015 were dated after the Invoice date (“After-the-Fact”). (This is after allowing for minor administrative delays and after excluding low value orders).</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>A reminder will be issued to Requisitioners and Approvers of POs 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>Reports detailing the number of After-the-Fact POs will be prepared by the Financial Directors / Controllers and the Group Finance team. 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>Bi-monthly reports detailing the number of After-the-Fact POs, by IBD, will be circulated by the local Finance Teams to Central Purchasing for consolidation and reporting to the CFO to identify overall trends. (This will be reduced to quarterly over time).</p> <p>Central Purchasing will provide any guidance required to the local Finance</p>	M	<p>[Redacted] 15 May 2016</p> <p>[Redacted] 15 May 2016 and Ongoing</p> <p>[Redacted] 30 June 2016 and Ongoing</p> <p>[Redacted] Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
			teams with running the relevant data reports on [REDACTED]		
3.	<p><u>Administration of POs less than €100</u></p> <p>1,142 (8.5%) of the POs raised in 2015 (2014 – 1,097) were less than €100 in value and just over 30% of those related to ten suppliers, generally recurring consumable supplies.</p> <p>A further 1,231 (9%) POs raised in 2015 were for a value between €101 and €200.</p> <p>There is an administrative cost associated with the processing of orders on [REDACTED] and it may be feasible to move some of these to an alternative payment system.</p>		An investigation will be undertaken of whether it is feasible to use a purchase card (or blanket orders) to further reduce the administration task of processing these low value orders. Where appropriate, these will be migrated to a blanket order or alternative payment system.	L	<p>[REDACTED]</p> <p>31 May 2016</p>
4.	<p><u>Legacy Open POs</u></p> <p>The total value of open POs (i.e. POs received, but not yet invoiced) at 31 December 2015 was €9.5 million: comprising €5.7 million for POs raised in 2013 and €3.8 million for POs raised in 2014. This comprises various low value amounts across the number of POs.</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 IBDs.</p> <p>Any POs that are no longer required will be closed as necessary.</p>	L	<p>[REDACTED]</p> <p>30 June 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Timeliness of Payments				
5.	<p><u>Compliance with Regulations</u></p> <p><i>Background</i> The <i>European Communities (Late Payment in Commercial Transactions) Regulations 2012</i> became operative on 16 March 2013. The Regulations provide that the standard deadline for public authorities to make business payments is 30 days. A payment is regarded as late when 30 days have elapsed unless an alternative payment period is specified in an agreed contract. Payment can be extended up to 60 days only if it is “expressly agreed” and justified in light of the nature or feature of the contract. Interest shall be payable in respect of a late payment if claimed by the Supplier.</p> <p><i>Findings</i></p> <p>1) There is no mechanism / KPIs in place to monitor and track adherence to the Late Payment Regulations. This increases the risk of breaches not being identified in a timely manner, resulting in potential interest payments being claimed by the supplier, and reputation damage to RTÉ. While procedures are in place to mitigate the risk, no statistics on the level of compliance are available.</p> <p>2) Internal Audit retrospectively recalculated compliance with the Regulations based on the total number of invoices paid and processed for the year ending 31 December 2015. This data consisted of 17,500 rows of Euro denominated payments. The results of this testing we as follows:</p>	<p>Agreed.</p> <p>The Accounts Payable team will endeavour to perform a more refined analysis on the payments that are non-compliant for one month.</p> <p>The fact that current payment processing time is three days rather than a next-day payment system might have an impact on the results.</p> <p>Invoices submitted by suppliers without reference to a PO number is another common delay.</p> <p>[REDACTED]</p>	<p>An analysis of Euro payments in one month in 2016 will be undertaken to refine the statistics calculated by Internal Audit. Reasons will be assigned to each invoice not processed within the 30 days. (This analysis will be used to determine the invoices which are not paid within 30 days for reasons within RTÉ’s control).</p> <p>This exercise will be repeated later in 2016.</p> <p>The results will be circulated to the IBDs for action locally where instances of non-compliance are identified. This will focus on recurring delays in forwarding invoices or other unnecessary order processing delays identified.</p> <p>KPIs / bi-monthly reporting mechanisms will be designed to monitor compliance with the Late Payment Regulation’s payment deadline.</p>	<p>H</p> <p>M</p> <p>M</p> <p>M</p>	<p>[REDACTED] 30 April 2016</p> <p>[REDACTED] 31 October 2016</p> <p>[REDACTED] 31 May 2016</p> <p>[REDACTED] 30 June 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> • Payments were made within 30 days in 60% of cases (allowing for minor administrative delays). • Payments were not made within the 30 days for the remaining 40% (Approximately 20% of these were paid within a further week). • However, as explained below, further investigation is required in order to determine and conclude on which portion of the 40% represents a genuine breach of the Regulations and which portion is allowed for valid reasons. The factors below need to be considered in interpreting this data. <p><i>Further Considerations</i> In mitigation, the following factors are valid reasons why a payment might not need to be made by RTÉ in 30 days:</p> <ul style="list-style-type: none"> - Ongoing disputes with Suppliers - Out-of-date Tax Clearance certificates from the Supplier - The contract specifies a longer payment term than 30 days - Invoices being pre-dated by supplier / delays in submitting invoices to RTÉ - Split-payment by RTÉ, agreed with the Supplier, but only one invoice submitted by Suppliers. - Postage delays in invoice being received in RTÉ; addressing errors by the Supplier - Banking / processing delays <p>The potential reasons, within RTÉ’s control, which could contribute to non-compliance with the Late Payment Regulations:</p> <ul style="list-style-type: none"> - Delays in the Line Managers forwarding invoices to Group 				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Finance for processing</p> <ul style="list-style-type: none"> - Administration delays in the processing of POs locally - Delays in Requisitioners receipting invoices locally, delaying the processing of the invoices centrally. <p>In the absence of further analysis, it is currently not possible to conclude on the compliance level within the 40% referred to above. (It is not feasible to undertake the exercise retrospectively for 17,500 lines of data from 2015).</p>				

RTÉ Internal Audit

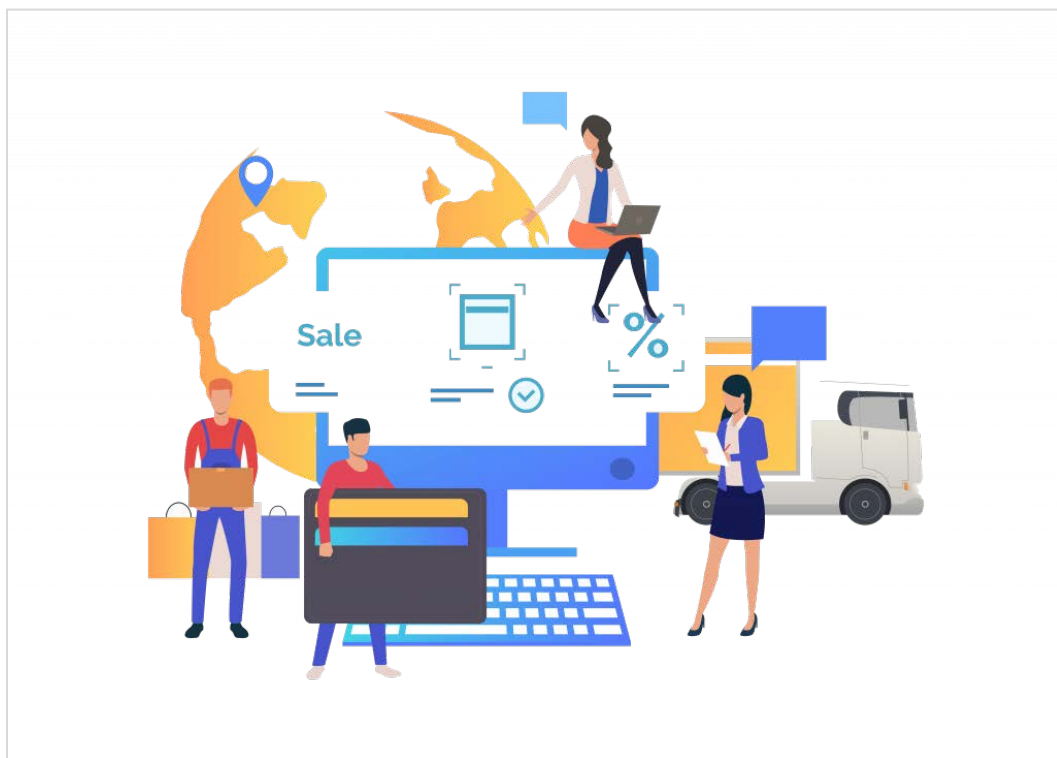
Review of Purchase Order Compliance

24 June 2021

Circulation:

Richard Collins, Chief Financial Officer

Division 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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Background, Risk, Objective and Scope

Background

In line with the RTÉ Purchasing Policy, Purchase Orders (“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.

There is an ongoing project / working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams.

Risk

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

- Risk #11 – Business Planning and Financial Prioritisation; and
- Risk #12 – Legal & Regulatory Changes and Compliance.

Other specific risks relevant to this report are as follows:

- Fraud.

Objective

The objective of this audit was to review the POs raised in the five month period ended 31 May 2021 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 five month period ended 31 May 2021, with the following considerations:

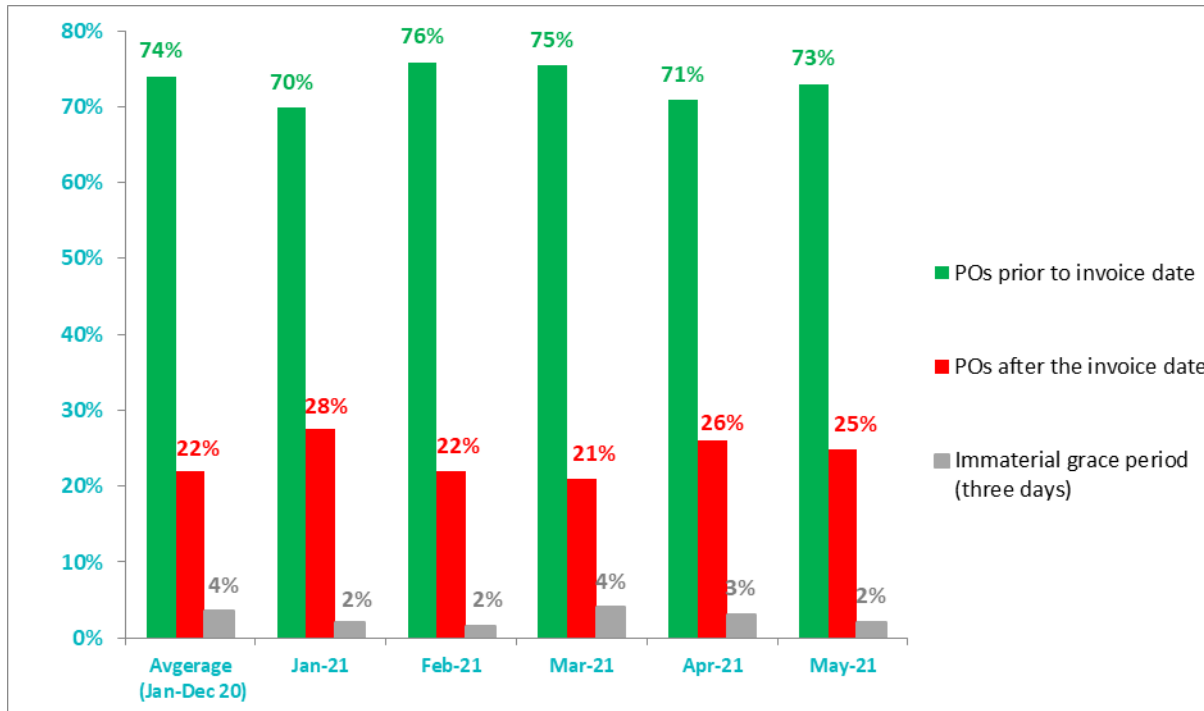
- A three days “grace” period was allowed;
- Orders to the value of <€1,000 were excluded from the results;
- All currencies were included;
- The following categories of expenditure were omitted from the analysis:
 - ✘ Competition Winners;
 - ✘ Donations;
 - ✘ Rates; and
 - ✘ Department of Foreign Affairs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

Findings

1a) PO Summary – NUMBER of Invoices

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

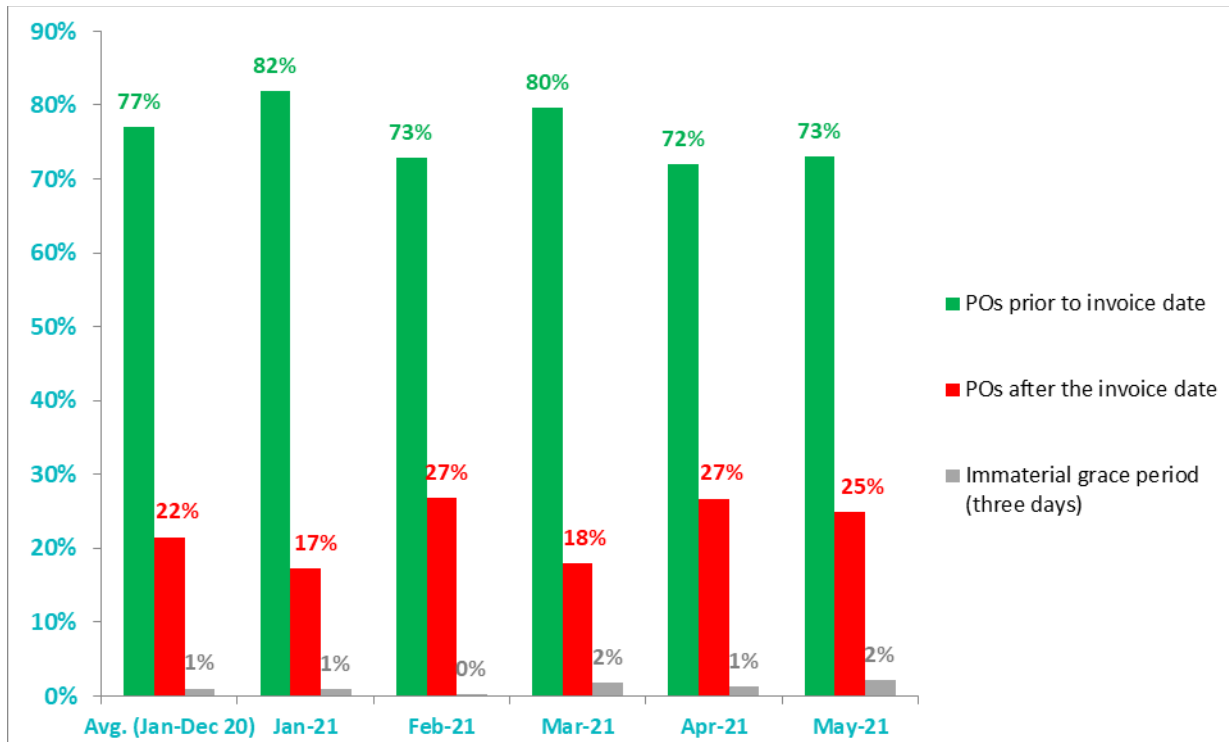
Analysis of number of invoices	Previously Reported	Current Period Under Review					
	Average (Jan-Dec 20)	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Average
POs prior to invoice date	74%	70%	76%	75%	71%	73%	73%
POs after the invoice date	22%	28%	22%	21%	26%	25%	24%
Immaterial grace period (three days)	4%	2%	2%	4%	3%	2%	3%
Total	100%	100%	100%	100%	100%	100%	100%



Findings (Cont'd)

1b) PO Summary – VALUE of Invoices

PO Summary - Analysis of value of invoices > €1,000							
	Previously Reported	Current Period Under Review					
Analysis of value of invoices	Avg. (Jan-Dec 20)	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Average
POs prior to invoice date	77%	82%	73%	80%	72%	73%	76%
POs after the invoice date	22%	17%	27%	18%	27%	25%	23%
Immaterial grace period (three days)	1%	1%	0%	2%	1%	2%	1%
Total	100%	100%	100%	99%	100%	100%	100%



Findings (Cont'd)

2) No. of Late POs by Responsible Manager Summary – Top 10

No. of Late POs by Responsible Manager - Summary - Top 10						
Responsible Manager (Top 10)	Current Period Under Review					Total for period
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	
	11	5	4	17	5	42
	1	5	8	8	17	39
	8	4	4	13	5	34
	3	6	9	4	4	26
	3	7	4	7	5	26
	2	9	1	4	8	24
	4	7	4	2	5	22
	5	3	3	3	1	15
	7	2	2	1	2	14
	0	2	10	0	2	14
Top 10 Manager Total	44	50	49	59	54	256
Top 10 Manager % of Total Late POs	41%	45%	45%	40%	47%	43%
Sum of POs from other managers	63	61	61	89	61	335
Total Late POs	107	111	110	148	115	591

***Footnote:**

The number of late POs in March denotes a batch of actuarial billings for consultancy and appears to be a once-off.

Findings (Cont'd)

3) 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. (Jun - Oct 20)	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Content - RTÉ	44%	44%	34%	41%	39%	44%
Operations - RTÉ	23%	19%	22%	14%	25%	23%
Audience, Channel & Marketing - RTÉ	8%	6%	9%	6%	7%	11%
News - RTE	3%	2%	2%	3%	4%	2%
Network - RNL	7%	6%	7%	5%	3%	6%
Central Services - RTE	5%	11%	2%	6%	2%	3%
Technology - RTÉ	3%	3%	3%	4%	7%	2%
Finance - RTÉ	2%	0%	11%	12%	1%	3%
Commercial - CEL	3%	6%	3%	6%	3%	4%
Human Resources - RTÉ	1%	1%	5%	4%	5%	4%
Content - IPU	1%	1%	0%	3%	1%	0%
Commercial - RTÉ	1%	1%	5%	0%	2%	1%
Total		100%	100%	100%	100%	100%

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.

Findings (Cont'd)

4) Number of Late POs by Supplier – Top 15

295 RTÉ suppliers had a total of 591 late POs in the five month period under review. This is broken down by month and further analysed in the tables below.

No. of Late POs by Supplier - Summary - Top 15						
Supplier (Top 15)	Current Period Under Review					Total
	Jan	Feb	Mar	Apr	May	
		6	1	1	5	13
				1	12	13
	3			9		13
		10				10
	3	1	2	2	1	9
				9		9
	5	1	2			8
		3	4		1	8
	7			1		8
	2			5		7
	7					7
	1	1		4		6
		2			3	6
			1	4	1	6
	1	5				6
	29	30	10	37	23	129
Top 15 Supplier % of Total Late POs	27%	27%	9%	25%	20%	22%
Total Late POs per month	107	111	110	148	115	591

Total Number of Suppliers with late POs January to May (Cumulative)		
Number of Late POs	# of Suppliers	% of total Late POs (591)
≥ 10	3	7%
5 - 9	22	24%
2 - 4	83	37%
1	187	32%
Total	295	100%

Audit Key

- Red** Greater than 6 Late POs in the month
- Amber** Between 3-6 Late POs in the month
- Green** Less than 3 Late POs in the month

Conclusion

Conclusion

The results of our audit of the Purchase Order compliance process have remained relatively stable since the last review (June-October 2020), with a slight increase in the number of late POs since then. The level of late POs still requires attention, in particular given the exclusions we have applied to our scope. An average of **24%** of the total invoices received, (**23% in monetary value**) are being received prior to managerial approval of the order, which is contrary to RTÉ Purchasing Policy. The average for the previous period reviewed was 22%, showing the slight increase.

As noted in the background section, an ongoing Finance Working Group has been working to address the late PO issue. On a monthly basis, and in conjunction with IA, reviews are completed. We are not issuing any additional audit actions at this time. The works and action of the working group will continue for the remainder of 2021.

However, 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

REPORTS TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

YEAR-ENDED 31 DECEMBER 2014

Part 1: Audit and Risk Committee Meeting of 11 March 2015

Part 2: Audit and Risk Committee Meeting of 15 April 2015

Audit and Risk Committee Meeting of 11 March 2015



RTÉ INTERNAL AUDIT / RISK

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 11TH MARCH 2015

Circulation

Attending the Committee meeting:

Anne O'Leary (Chair)

Frank Hannigan

Pádraig Ó'Céidigh

Cillian DePaor (RTÉ Group Secretary)

CC:

Moya Doherty (Chair of Board)

Noel Curran (Director-General)

Breda O'Keeffe (Chief Financial Officer)

Ruaidhri Gibbons (KPMG Audit Partner)

INTRODUCTION

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: [REDACTED], RTÉ Group Secretary

From: [REDACTED], Head of Internal Audit

Date: 6 March 2015

Re: 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 11 March 2015 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 15 April 2015. 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 11 March Audit and Risk Committee meeting.

The members of the Committee will also receive an update on developments in risk management and progress in implementing a new Risk Management Framework.

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. 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 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.

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

Set-out in the remainder of this pack are a number of document to assist the Committee as it reviews the effectiveness of the system of internal control.

- 1) The output of the **strategic risk management** exercise, comprising the Group Risk Map and the supporting risk management templates. A brief memorandum outlining developments in the area of risk management is also attached. See **Section A** overleaf.
- 2) In **Section B** attached, the results of the **internal control self-assessment questionnaires**, used by the divisions to assess the:
 - Financial control environment
 - IT control environment

Given the full agenda, the following will be presented at the Audit and Risk Committee meeting on **15 April 2015**:

- a) The results of Internal Audit checks on compliance with the **Code of Practice for the Governance of State Bodies**
- b) The updated **divisional risk registers** – the registers are maintained by each division as a standalone Microsoft Excel document. Internal Audit facilitates the annual update, which is an input to the strategic risk management exercise and is a second check on the strategic risk management process.

In addition to the documents above, the result of the Internal Audit programme of work during the year is also an important consideration of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ.

SECTION A – STRATEGIC RISK MANAGEMENT

Contents:

- **Memorandum**
- **Risk Map**
- **Top 8 Strategic Risks**
- **Risk Management Templates**

Memorandum



To: Members of the Audit and Risk Committee
Cc: [REDACTED], RTÉ Group Secretary
From: [REDACTED], Managing Director of Corporate Development
[REDACTED], Head of Internal Audit
Date: 6 March 2015
Re: **Update on Risk Management**

The purpose of this note is to provide a brief update to the Committee on developments in the area of risk management and to outline plans for 2015.

Background

On 8 May 2014 the Board held a joint meeting with the RTÉ Executive to review the Ernst & Young report on the development of a risk management framework and to discuss risk management generally.

The Ernst & Young report highlighted that RTÉ had risk management processes in place for a number of years and set-out a number of positive findings. However, in line with emerging best practice, the report identified the need for stronger ownership of risk at Executive level and identified opportunities to better formalise the process and to improve the reporting to the Board.

As a result, RTÉ implemented a number of enhancements to the risk management process, from mid-2014.

Risk Management Activity

In June 2014, the members of the Executive took part in a half-day workshop on strategic risk management. The output of the workshop was a list of risks impacting each of the five strategic objectives per the RTÉ Statement of Strategy. A consultation and validation process with various senior managers throughout the organisation followed to agree the final list of priority risks, the related risk rankings and to gather information on other initiatives impacting the risks.

On 30 September 2014, the Executive approved a final list of the top (eight) group strategic risks. These risks represent the top risks impacting the strategic objectives per the RTÉ Statement of Strategy and merits ongoing review and management. The Director-General assigned an Executive Sponsor to each risk. The Executive Sponsor is tasked with coordinating all risk management and control activity associated with that risk, reporting to the Director-General.

Subsequently, the Executive Sponsors assigned dedicated Risk Owner(s) to each risk. Since early 2015, under the direction of the Risk and Internal Audit functions, the Risk Owners have been engaged in an exercise to complete a template for each top strategic risk setting-out: the risk drivers, the key controls and the risk indicators. The template will form an important part of the future tracking and reporting of risk and will link with the Annual Statement of Performance Commitments process.

The Executive recently approved a Group Risk Map which maps the significance of the risk and, for the first time under the new risk management process, the effectiveness of the controls in place to manage the risk. The latter assessment is based on consideration of the risk management templates and the effectiveness of the control measures in place. The Group Risk Map will be updated at regular intervals throughout the year to track movements in the significance of risks, or changes in the effectiveness of controls.

A description of RTÉ's risk management activity is included in the relevant section of the Corporate Governance Review in the Annual Report.

Next Steps

Work is progressing in line with target. Work will continue in the following areas:

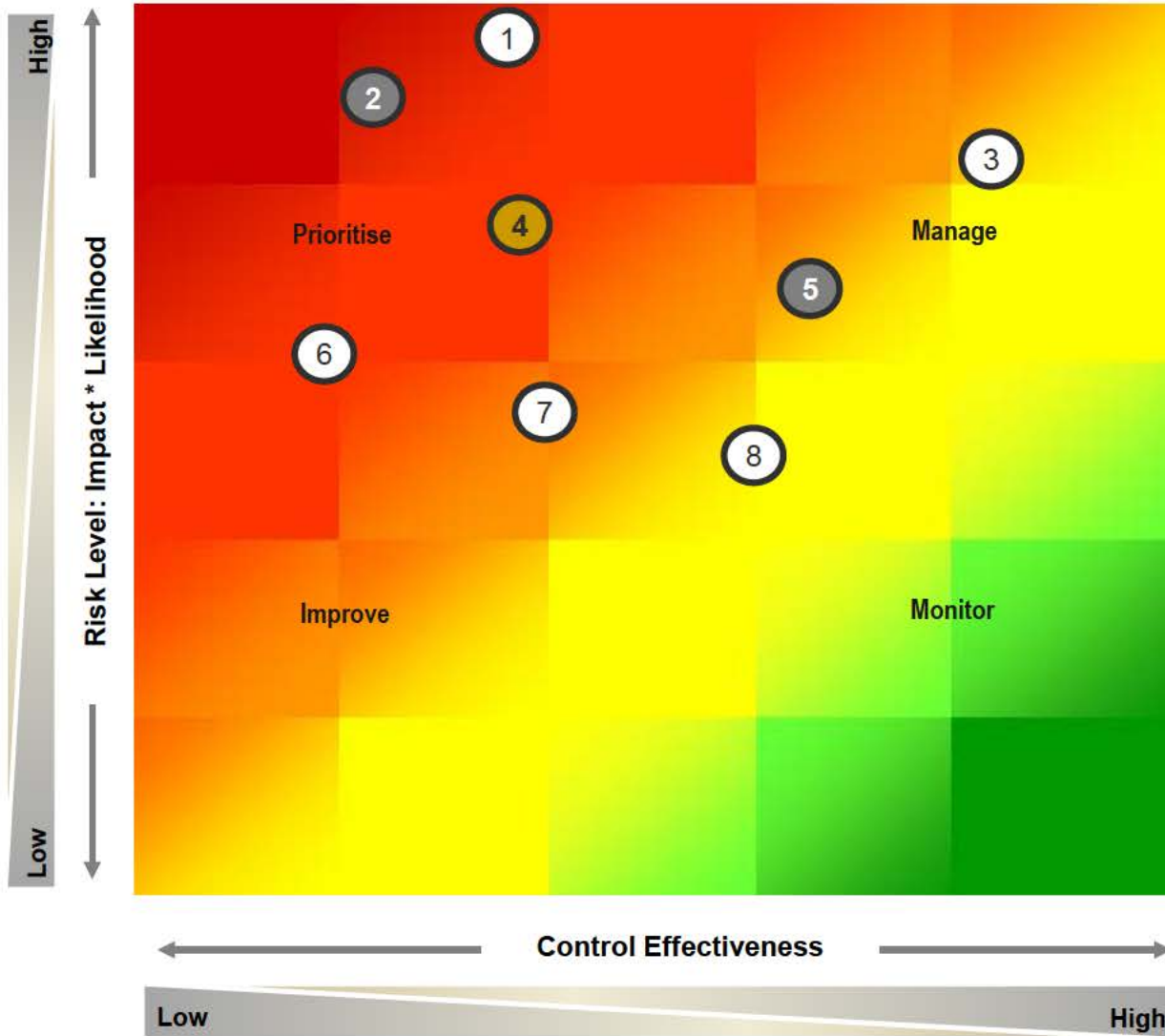
- Reviewing and validating the risk management plans and controls in place for each risk and monitoring changes in the significance of each risk;
- Updating divisional Risk Registers: this process is nearing completion;
- Considering the reporting format to deliver enhanced risk reporting to the Audit and Risk Committee and to the Board; and
- Finalising structural and organisational matters, to be documented in a new risk strategy document.

Attachments

The following documents are attached for review by the Committee:

- The Group Risk Map
- The Top Strategic Group Risks (and owners)
- The Risk Management Template for each risk

RTÉ Top Risks Map



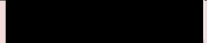
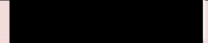

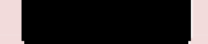
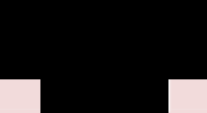
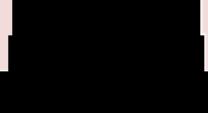
	Key Business Risk
1	Reputation Damage
2	Adequacy of Public Funding
3	Management and Prioritisation of Financial Resources, including Capital
4	Failure to Grow Commercial Revenue <i>(due to market and competitive forces)</i>
5	Changes to Commercial Regulation
6	Business Continuity and Disaster Recovery
7	Content Relevance <i>(Risks associated with content decision making, impacting RTÉ's relevance to the audience and, ultimately, share, revenue and PSB value)</i>
8	Organisation Structures and People

The colour of the risk bubbles reflects the category of risk:

- INTERNAL Risk
- EXTERNAL Risk
- HYBRID Risk (Internal & External)

RTÉ's TOP RISKS AND EXECUTIVE SPONSORS AND NOMINATED OWNERS

	TOP RISKS IMPACTING RTÉ'S STRATEGIC OBJECTIVES	EXECUTIVE SPONSOR	RISK OWNER
1	<p>Reputation risk: damage to RTÉ's reputation arising from a serious failure to comply with editorial standards and obligations to fairness, impartiality and privacy, or non-compliance with other legal / regulatory requirements.</p>	[REDACTED]	[REDACTED]
2	<p>Adequacy of public funding, or continuing decline in the level of public funding advanced to RTÉ (having regard for the effects of inflation).</p> <p>[The risk drivers include a further cap on the licence fee received by way of free licences from the DSP; increased 'top-slicing', such as new charges levied on the Licence Fee; delays in the introduction of the Public Service Broadcasting Charge; the level of BAI Sound and Vision Fund; etc.]</p>	[REDACTED]	[REDACTED]
3	<p>The management and prioritisation of financial resources in order to:</p> <ul style="list-style-type: none"> – Optimally invest in indigenous content and new / improved services for the audience; – Provide financing for capital investment (technology, infrastructure, Donnybrook campus modifications, etc.) for the medium to long term; and – Control operating costs and contain the impact of inflation. <p>This risk includes prudently managing cash reserves in order to provide sufficient financing for operational cash needs, while also investing in the business.</p>	[REDACTED]	[REDACTED]
4	<p>Failure to grow commercial income due to market and competitive forces. The risk drivers include increased competition, increased opt-out advertising and further audience fragmentation.</p>	[REDACTED]	[REDACTED]

	TOP RISKS IMPACTING RTÉ'S STRATEGIC OBJECTIVES	EXECUTIVE SPONSOR	RISK OWNER
5	<p>Changes to regulation impacting advertising / sponsorship / other commercial revenue.</p> <p>[The risk drivers are the imposition of further trading restrictions; changes to alcohol, HFSS (<i>high fat, salt, sugary food</i>) and children's advertising; imposition of cap on RTÉ's commercial revenue; third party challenges to RTÉ's commercial revenue funding sources etc.]</p>		
6	<p>Business continuity and disaster recovery risk:</p> <ul style="list-style-type: none"> - Single points of failure in critical technology & other infrastructure, impacting business continuity and output (e.g. single play-out facility in the TV Building, Sky uplink disk in the 'satellite farm') - Poor planning impacting the organisation's recovery from a disaster event (fire, flood, environmental event, etc.) within an acceptable timeframe 		
7	<p>Risks associated with decision making in relation to content, impacting RTÉ's relevance to the audience:</p> <ul style="list-style-type: none"> - Poor prioritisation of indigenous programme budgets – investment is not targeted at the content most relevant to the needs of the audience. - An excessive 'risk adverse' approach to developing content and programmes. - Lack of relevant digital content to meet the needs of digital audiences. - Low volume of indigenous content in the schedule, impacting share, commercial revenue and ultimately a dilution of RTÉ's PSB value and relevance. 		

	TOP RISKS IMPACTING RTÉ'S STRATEGIC OBJECTIVES	EXECUTIVE SPONSOR	RISK OWNER
8	<p>Organisation and people:</p> <ul style="list-style-type: none"> • People and skills risks: deficits in experience and skills following staff departures over recent years (<i>having enough staff in position with the right skills</i>); talent retention and development; Industrial Relations difficulties; insufficient investment in training, staff development and apprenticeship schemes. • Slow pace of delivering further changes to the organisational structures which are needed to: <ul style="list-style-type: none"> – create a more collaborative, innovative working culture, and – fill the gaps created by the departure of staff over recent years. <p>This impacts progress in developing capabilities in the areas of creativity, quality, collaboration, team working etc., which were set as targets in the RTÉ Strategy.</p>	<div style="background-color: black; width: 100px; height: 20px; margin-bottom: 5px;"></div>	<div style="background-color: black; width: 100px; height: 20px; margin-bottom: 5px;"></div>



Risk Management Templates

Version Dated 6.3.2015

Risk 1: Damage to RTÉ's Reputation

Damage to RTÉ's reputation arising from a serious failure to comply with editorial standards, or non-compliance with other legal / regulatory requirements.

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
		<ul style="list-style-type: none"> Content 	Risk 7: Content Relevance Risk 6: Business Continuity and Disaster Recovery

Risk Drivers:

- Serious failure to comply with editorial standards and obligations to fairness, impartiality and privacy. This includes (i) inaccuracies, errors or failures on air and also (ii) failure to properly account for or deal with errors.
- Defamation claims leading to negative publicity.
- Non-compliance with other legal / regulatory requirements. Failures in, or adoption of unsustainable positions on, major regulatory or statutory matters can result in loss of organisational reputation and trust, impacting in turn on Editorial trust.
- Off-air activity (commercial engagements, social media, etc.) of an RTÉ Presenter where this is at odds with RTÉ's role and purpose.
- Unethical acts in the course of operations.
- Other significant public reputational failures e.g. talent pay, staff-related spending, expenses, pay levels etc.
- Other less significant risk drivers:
 - No formal mechanism for common cross - divisional learning from incidents or challenges;
 - Lack of effective checks at present on staff awareness and familiarity with Guidelines;
 - Some residual defensive attitude to quality control checks within organisational culture.

Controls:

1. Unified set of three Guidelines documents: RTÉ Journalism Guidelines; RTÉ Programme Content Standards Guidelines; and RTÉ's Social Media Guidelines.
2. Defined editorial management chain and editorial structures / processes in place
3. Editorial meetings at IBD and corporate level. Editorial Standards Boards (fortnightly) in place. Current strengthening of Corporate Editorial as a hub for quality control and discussion.
4. A consistent process for selection and hiring of staff.

5. Appropriate training for all editorial staff; online tool being rolled-out to oversee compliance with editorial standards.
6. Previewing of programmes for libellous content with access to legal advice as necessary. Pre-transmission viewing by Editorial Standards Board, as required, in respect also of Fairness and other issues outside libel.
7. Policy on timely corrections, clarifications and apologies, including escalation procedures, in circumstances where mistakes happen.

Risk Indicators:

- Analysis of programme complaints upheld, including overall number but also including patterns identified – e.g. clusters in some programme areas, or recurring issues in complaints
- Inadequate number of training days completed, in context of whole view of training requirements
- Non-establishment of journalist induction process and number of journalist induction days completed
- Low Level of legal seminars / training days
- Check on range of experience of editorial programme teams
- Others – TBC

Actions to Further Mitigate Risk:

- Full implementation of the Online Training Tool to check staff awareness and familiarity with Guidelines & Standards.

Risk 2: Adequacy of RTÉ’s public funding

Adequacy of public funding, or continuing decline in the level of public funding advanced to RTÉ (having regard for the effects of inflation).

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
		<ul style="list-style-type: none"> Funding Open, Accountable & Transparent 	Risk 5: Regulatory changes impacting commercial revenue Risk 7: Content

Risk Drivers:

- Delays in the introduction of the Public Service Broadcasting Charge
- A related risk is a fall in the number of households eligible for a TV Licence Fee, as audiences migrate to non-TV devices.
- Increased TV Licence Fee evasion and periodic “shocks” to licence fee i.e. Digital Switchover (Sept 2012) and reaction to water charges (Nov 2014).
- Further cap on the licence fee received by way of “free” licences from the DSP
- Increased top slicing, such as new charges on the Licence Fee, or increase in the level of BAI Sound and Vision Funding / TG4 support
- An ageing population impacting the level of collections from the DSP, or an adverse change in the terms and conditions of the Household Benefits Package
- Operational inefficiencies in the current TV Licence collection process, including slow pace of progress in database improvements
- Licence Fee database not fit-for-purpose
- Inaccurate TV Licence sales figures and licence data provided by An Post / Department of Social Protection
- Recommended adjustment to level of licence fee not applied e.g. CPI/other
- Further economic turbulence in Ireland and Eurozone

Controls:

1. Public Affairs Strategy
2. Meet and present to key decision makers, including the BAI, DCENR and Government officials
3. Secure economic and legal advice, or commission reports / benchmarking analysis, as required
4. Submissions made to BAI, DCENR and the Minister, presenting RTÉ's case on licence fee, Public Service Broadcasting charge, etc.
5. Weekly and monthly monitoring of the licence fee collection targets, household statistics, and evasion rates
6. Three-way Licence Fee Strategy Forum meetings (monthly) and operational meetings between An Post, DCENR and RTÉ (also monthly).
7. RTÉ input into Licence Fee database project
8. Track the ASPC and monitor fulfilment of commitments to demonstrate value of licence fee

Risk Indicators:

- Change in public policy (or indications of same)
- Licence Fee collection statistics (relevant ones TBC)
- % Penetration of TV Homes
- Fulfilment of RTÉ's Annual Performance Commitments

Actions to Further Mitigate Risk:

Risk 3: Management and Prioritisation of Financial Resources

The management and prioritisation of financial resources in order to:

- Achieve financial break-even i.e. manage operating costs within available funding levels over the short and medium term;
- Optimally invest in indigenous content and new / improved services for the audience;
- Provide financing for the required levels of capital investment for the medium to long term;
- Control operating costs and contain the impact of inflation; and
- Manage cash reserves in order to provide sufficient financing for operational cash needs, while also investing in the business.

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
[REDACTED]	[REDACTED]	All	Risk 6: Business Continuity Risk 7: Content Relevance Risk 8: Organisation and People

Risk Drivers:

- Operating costs exceed available / potential funding levels
- Sub-optimal investment in indigenous content and new / improved services with relevance for the audience
- Insufficient financing for capital investment (technology, infrastructure, Donnybrook campus modifications)

Controls:

1. Annual Budgeting process in place. 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, with a final agreed budget submitted to the Board for approval
2. Ongoing monitoring of revenues and costs against budget, via the monthly Group Management Accounts
3. Capital budgeting process and meetings of the Capital Committee, with the capital budget approved by the Executive.
4. Formal business cases are evaluated by the Executive in respect of all new strategic initiatives (Saorview connected, International Player, etc.)
5. Periodic (most likely quarterly) annual financial forecasting, as part of the broader system of internal financial control
6. Divisional Finance teams in place to exercise financial control at a local level across the organisation
7. Ongoing cash management, supported by monthly rolling cash forecasts, in order to prudently manage cash reserves
8. Multi-year medium term financial projections prepared
9. Various value for money and cost reduction initiatives undertaken throughout the organisation

10. Review estimated effect of programme cuts on audience share before a cut is made, to assess damage to the indigenous programming schedule
11. Opportunities for greater efficiency in indigenous content are examined. Examples include co-funding opportunities; Advertiser Funded models and other sources of funding which leverage RTÉ's programming investment; review production models both for in-house and commissioned programmes in order to achieve better value.

Risk Indicators:

- Annual Budgets which are an indication of the financial plan for the short term i.e. the coming year.
- Monthly management accounts monitoring financial performance against budget including instances of budget variances (expenditure over budget, revenue under budget) are highlighted in the Management Accounts
- Long range financial projections (cash position, financial performance, etc.)
- Falling audience share

Actions to Further Mitigate Risk:

-

Risk 4: Failure to Grow Commercial Income

Failure to grow commercial income due to market and competitive forces.

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
[REDACTED]	[REDACTED]	All	<ul style="list-style-type: none"> • Risk 2: Decline in Public Funding • Risk 5: Regulatory changes impacting commercial income • Risk 7: Content Relevance

Risk Drivers:

- Increased competition in the market
- Further audience fragmentation
- Changing audience behaviours, increasing challenges in understanding, measuring and monetising new viewing and listening habits (on-demand, other devices, etc.)
- Increased level of opt-out advertising
- High reliance on a small number of advertising agencies, concentration of buying groups and further UK-based decision making
- Further economic turbulence in Ireland and Eurozone
- Distribution of RTÉ's content and services
- Utilisation of SAORVIEW platform
- Loss of Key Sales Staff
- Bad Debts – inability to pay by either agency or client.
- Automation of ad sales
- Growing use of ad blockers
- Higher competitive LTA's

Controls

1. Monitoring of revenue performance & forecasting: RTÉ Executive monitors fortnightly revenue reports, including market and economic commentary / Commercial Forum; three-month rolling revenue forecasts as part of the Executive revenue report; ongoing monitoring and control via Finance
2. Responsive sales and Cross Media initiatives and actions aimed at addressing any Revenue decline.
3. Ongoing audience measurement and tracking:
 - a. Daily tracking of audience performance via TAM Ireland ratings and weekly monitoring of commercial impacts across all audiences (TV)
 - b. Review of audience performance via quarterly JNLR reports (Radio)
 - c. Reviewing on-going commissioned research data: Brand Tracker and Audience Reaction Panel
 - d. Commissioning of ad-hoc reports produced by market research companies / RTÉ audience research
 - e. Ongoing viewing and monitoring of opposition

4. Review schedule plans and developments to identify most attractive opportunities for clients
5. Succession planning and training. Review of employment terms for key staff
6. Close liaison with Accounts Receivable on outstanding debts.
7. Developing scalable audience database

Risk Indicators:

- Negative variance in commercial income against budget
- Deviations against the baseline assumptions underpinning the commercial income budget for 2015
- Revenue forecasts to highlight potential issues
- Tracking of audience (Television and Radio) and page impressions / online streams (Digital)
- Quality scores
- Reach and share
- Significant change in demand for at risk audiences “15-34’s”
- Pattern of issues around payment.
- Reduction in yield

Actions to Further Mitigate Risk:

-

Risk 5: Regulatory Changes Impacting Commercial Revenue

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
		<ul style="list-style-type: none"> Funding 	Risk 2: Decline in Public Funding Risk 4: Failure to grow Commercial Income

Risk Drivers:

- Further trading restrictions, or changes to advertising and sponsorship regulations, including any alteration in permissible advertising minutes.
- Changes to alcohol, HFSS (*high fat, salt, sugary food*) or children's advertising codes
- Restrictions on advertising or sponsorship for alcohol products
- Imposition of cap on RTÉ's commercial revenue
- Third party challenges to RTÉ's commercial revenue funding sources etc.
- Complaints or allegations made to Competition Authority, BAI, DCENR or European Commission
- Slow response to Public Value Tests (PVTs) submissions, delaying or hindering new commercial opportunities for new strategic initiatives

Controls:

1. Meet and present to key decision makers including the BAI, DCENR, Government officials, Competition Authority, etc. to explain RTÉ's position
2. Submissions made to relevant bodies (BAI, DCENR, European Commission etc.), making RTÉ's case on advertising pricing, sponsorship, minutage etc.
3. Secure economic and legal advice, or commission reports / benchmarking analysis, as required
4. Where appropriate, jointly work with industry and advertising bodies to develop a coherent approach to advertising, sponsorship and product placement. Engage with / benchmark against other broadcasters, where appropriate
5. Submissions to consultation processes
6. Liaise with economic and other consultants appointed by BAI or Department.
7. Timely internal communication - keep all relevant parties updated

Risk Indicators / measures:

- Compliance with Codes
- Changes to policy / regulation / legislation
- Issue of new consultation documents or publications

Actions to Further Mitigate Risk:

-

Risk 6: Business Continuity and Disaster Recovery Problems

Failure in critical technology & other infrastructure, impacting business continuity and output

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
[REDACTED]	[REDACTED]	<ul style="list-style-type: none"> • Technology • Content • Funding 	Risk 3: Prioritisation of Financial Resources Risk 8: Organisation and People

Risk Drivers:

- Poor or outdated Plans, impacting the organisation's recovery from a disaster event (fire, flood, environmental event, etc.) within an acceptable timeframe
- Single points of failure (e.g. single play-out facility in the TV Building, Sky uplink disk in the 'satellite farm')
- Under-investment in technology infrastructure, leading to single points of failure /obsolescence
- Human error
- Loss or immediate non-availability of key production or operations staff during business disruption
- Targeted external attack of the systems

Controls:

1. Business Continuity Plans
2. In drawing up Capital Budgets priority is given to essential works to ensure no unplanned obsolescence in the lifetime of the plan; periodic review of assets carried out to determine assets most at risk.
3. Constant review of broadcast technology in studios and on site
4. Resilience and redundancy built into business processes e.g. IT back-up procedures; mirrored servers; redundancy in national broadcast transmission system; etc.
5. Development of IBD procedures and method statements
6. Training carried out as necessary

Risk Indicators / measures:

- Number of unplanned outages
- Monthly network availability statistics published by 2rn
- Others - TBC

Actions to Further Mitigate Risk:

- Update the scope and assumptions underpinning the Plans to ensure consistency in the development of plans
- Update the Business Continuity Plans

Risk 7: Risks Associated with Decision Making in Relation to Content, Impacting RTÉ's Relevance to the Audience

- Risks impacting the decision making processes to allocate the indigenous content budget, impacting share, commercial revenue and ultimately a dilution of RTÉ's PSB value and relevance.
- The risk that investment is not targeted at the content most relevant to the needs of the audience.

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
[REDACTED]	[REDACTED]	<ul style="list-style-type: none"> • Content 	Risk 3: Prioritisation of Financial Resources Risk 8: Organisation and People

Risk Drivers:

- Insufficient and / or inadequate audience insights, analysis and business plans underpinning the content decision making process.
- An excessive 'risk adverse' approach to developing content and programmes.
- Poor decision making – investment is therefore not targeted at the content most relevant to the needs of the audience.
- Absence of creative succession planning for key content.
- Loss of key talent / skills shortage, and succession planning.
- Lack of relevant digital content and services to meet the needs of digital audiences.
- Lack of creative development / supply chain following the recession.

Controls:

1. Output Reviews carried out which looks at output, share performance, audience demographics, CPH, overall investment
2. Review estimated effect of programme cuts on audience share before a cut is made, to assess damage to schedule
3. Strong relationships forged and contracts already in place with most key suppliers (acquisition deals, output deals) and Talent
4. Sports rights strategy and negotiation plans
5. Acquisitions: Acquisition Plan in place, updated each year tracking key rights and when they are due to expire. Acquisition contracts are closely monitored to give RTÉ the optimum licences and transmission rights / times.
6. Examine co-funding opportunities, Advertiser Funded models and other sources of funding which leverage RTÉ's investment and achieve a greater impact for a lower investment
7. Content rights and distribution strategy in place
8. Pro active review of JNLR reports, commissioning of ARP research and use of RTÉ/Amarach Brand Tracker

Risk Indicators / measures:

- RTÉ's overall reach
- Quality scores
- Reach and share
- Changes in cost per hour
- Content and distribution rights secured

Actions to Further Mitigate Risk:

- Creative Development Project in Television
- Commissioning of more audience insights reviews (Television)
- Greater use of News analytics (comScore)

Risk 8: Organisation and People

- Deficits in staff experience and skills;
- Risks impacting the roll-out of new organisation structures to develop the collaborative, innovative working culture needed to fill the gaps created by the departure of staff.

The risk impacts the development of capabilities in the areas of creativity, quality, collaboration, team working etc., which were set as targets in the RTÉ Strategy.

Executive Sponsor(s)	Risk Owner(s)	Strategic Objectives Impacted	Interrelated Risks
██████████	██████████	<ul style="list-style-type: none"> • Staff Development • Technology • Content 	Risk 3 – Prioritisation of Financial Resources

Risk Drivers:

- Staff departures over recent years (primarily via VSF and ER&RF)
- Insufficient investment in training, staff development and apprenticeship schemes
- Staff / talent retention and development
- Industrial Relations difficulties
- Slow pace of delivering further changes to the organisational structures; structures not properly aligned across the business
- Pressure for increases in benefits and compensation e.g. restoration of pay reductions.
- Out of date and unsupported ██████████ HR system

Controls:

1. Changes made to work practices in order to promote improved teamwork, flexibility & mobility and efficiency. Examples include the updated "Guiding Principles" document; revisions to rosters; re-allocation of work duties, increased cross-IBD collaboration and working arrangements; etc.
2. Organisational and IBD Learning and Development Plans in place
3. Succession planning processes
4. Changes made to the organisational structures in order to manage staff departures over recent years. This includes responsive changes to management structures and spans of control. Review international practices and look for best practise examples in other broadcasters
5. Staff communications processes: internal communications processes to keep staff informed; regular meetings with employee representatives; existence of dispute resolution process.
6. External specialist IT/HR systems expertise hired to fix problems as they occur.

Risk Indicators / measures:

<p>Failure to achieve the flexibilities agreed and hence the associated savings.</p> <p>Flexibilities delivered in accordance with agreements and expectations and savings delivered.</p>	<p>Staff insufficiently trained to do required work.</p> <p>Training delivered on time to ensure work is undertaken to best standards without hinderance and/or delay.</p>	<p>Insufficient internal talent to fill key roles.</p> <p>Implement succession planning process for key roles and regularly reviews .</p>
<p>Stagnation in reviewing organisational structures and make required changes to deliver efficiencies.</p> <p>Continue to review structures and where it make sense to re-design proceed to implementation.</p>	<p>Staff not aligned and engaged with organisation strategies and objectives. IR challenges not managed appropriately.</p> <p>Maintain and improve internal communications both ways and consider staff surveys when considered appropriate.</p> <p>Meet reasonable objectives and manage IR processes effectively to avoid breakdowns.</p>	<p>HR system operates with hitches.</p> <p>HR system operates without overloads/breakdown and delivers accuratedata to support payroll and fees data and other MIS data as required.</p>

Actions to Further Mitigate Risk:

- Replacement of HR system under consideration.

**SECTION B – SELF-ASSESSMENT
QUESTIONNAIRES**

1 INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT

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:

	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 / Employment Taxes	VAT; PAYE / PRSI

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 ██████ (Digital).

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, Internal Audit carries out specific work in the area of Internal Financial Control.

1.3 CONTROL EFFECTIVENESS

Management completed a self-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 financial 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 75%, reflecting the age of some systems (e.g. ██████), testing of back-up plans and related matters.

These ratings represent a useful way of identifying movement from year to year and of highlighting the priority areas. However, quantitative control ratings are judgmental, a guide, and should not therefore be considered in isolation from other key inputs to the internal control assessment process, such as Internal Audit work carried out during the year. Internal Audit carried out audit work in relation to a number of financial processes during 2014, as presented to the Audit and Risk Committee during the year.

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 our understanding of the area.
- Testing and verifying 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; and
- Comparing the self-assessment results to the results of Internal Audit assignments during the year.

1.5 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
A	Purchasing and Accounts Payable	83%	83%	83%	83%	83%	85%	83%
B	Sales and Accounts Receivable	96%	99%	N/A	93%	98%	90%	95%
C	Inventory	94%	75%	100%	Immaterial	N/A	81%	88%
D	Cash and Treasury	96%	96%	96%	96%	96%	93%	95%
E	Fixed Assets	91%	94%	97%	88%	83%	97%	92%
F	People Payments	92%	93%	93%	98%	90%	97%	93%
G	Management Accounts / Financial Close	94%	98%	95%	100%	98%	96%	97%
H	Tax Compliance - VAT / Employment Taxes	100%	100%	100%	100%	100%	98%	100%
I	Information Technology							76%
	Central IT Systems (████████████████████)	CENTRALISED						
	Sales Booking systems	83%	83%	N/A	61%	Outsourced	Manual	
	Inventory Management systems	66%	Manual	Manual	Manual	N/A	N/A	N/A

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

33	33	33	33	33	34
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	4	4	n/a	4	4	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	3.5	3.5	n/a	3.5	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	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

34.5	35.5	N/A	33.5	27.5	32.5
96%	99%	N/A	93%	98%	90%

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.)	3.9	3	4	4	n/a	3	3.6
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	4	3.8
22	Score the effectiveness of the procedures and controls over stock movements	3.8	3	4	2	n/a	3	3.2
23	Score the effectiveness of the month end inventory accounting procedures	3.8	3	4	n/a	n/a	3	3.5

Total Score for Inventory Processes

15	9	16	6	N/A	13
94%	75%	100%	75%	N/A	81%

Comment on Rating

22 Digital: No reconciliations or periodic confirmation of physical stock checks undertaken

Section D: Cash and Treasury

(Completed by: Central Banking and Treasury. 2rn: completed separately)

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	3.5	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	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	4	4	4	4	4	N/A	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

23	23	23	23	23	18.5
96%	96%	96%	96%	96%	93%

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	3.5	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	3.5	4	3.8
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	3.8	4	4	4	3.5	4	3.9
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.8	4	4	3	n/a	4	3.8

Total Score for Fixed Assets Processes

14.6	15	15.5	14	10	15.5
91%	94%	97%	88%	83%	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	3.8	3	4	4	3	3.75	3.6
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	4	3	4	3.5	3.75	3.5
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

18.3	18.5	18.5	19.5	18	15.5
92%	93%	93%	98%	90%	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	3.9	4	4	4	4	4	4.0
40	Score the effectiveness of the monthly management accounts review and clearance process	3.9	3.5	4	4	4	4	3.9
41	Score the effectiveness of the financial close procedures and controls	3.8	4	3.5	4	4	3.5	3.8
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	3.6	4	3.5	4	4	4	3.8

Total Score for Management Accounts / Financial Close Processes

18.7	19.5	19	20	19.5	19.25
94%	98%	95%	100%	98%	96%

Section H: Tax Compliance - VAT / Employment Taxes
(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	3.8	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

8	8	8	8	8	7.8
100%	100%	100%	100%	100%	98%

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)	2.5	2.5	2.5	2.5	2.5	2.5
C	Score the effectiveness of the back-up procedures for software and transaction listings	3.5	3.5	3.5	3.5	3.5	3.5
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	3	3	3	3	3	3

Total Score for [REDACTED]

13	13	13	13	13	13	13
----	----	----	----	----	----	----

Comments on Ratings

B: Lower score reflecting the frequency of testing - less frequent than best practice

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	10.5
------	------	------	------	------	------	------

Comments on Ratings

B: Lower score reflecting the frequency of testing plans

C: Both backups are held on the RTÉ campus (but different locations)

D: Manual Interface only

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)	2.5	2.5	2.5	2.5	2.5	2.5
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	2.5	2.5	2.5	2.5	2.5	2.5

Total Score for [REDACTED]

13	13	13	13	13	13
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Consolidated Score for Centralised IT Systems

36.5	36.5	36.5	36.5	36.5	36.5
76%	76%	76%	76%	76%	76%

Comments on Ratings

B: Lower score reflecting the frequency of testing
 D: Not fully integrated with [REDACTED] ERP

TV	Radio	News	2rn	Digital	Orchestras
Landmark	Landmark	N/A	Manual	Origins	Manual

Sales Booking Systems

A	Score the effectiveness of the access controls to computerised sales systems	3.75	3.75	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	3	N/A	N/A	1.75	N/A
C	Score the effectiveness of the back-up procedures for software and transaction listings	3.5	3.5	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

13.25	13.25	N/A	N/A	9.75	N/A
83%	83%	N/A	N/A	61%	N/A

Comments on Ratings

B (Digital): No disaster recover testing and out of date plans.
 D (Digital): Backups are taken daily but they sometimes fail due to lack of disc space. The issue is in the process of being resolved.

TV	Radio	News	2rn	Digital	Orchestras
IBMS	Manual	N/A	N/A	N/A	N/A

Section I: Information Technology (Cont'd)

Inventory Management System (IBMS)

A	Score the effectiveness of the access controls to IBMS	2.5	N/A	N/A	N/A	N/A	N/A
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster	2	N/A	N/A	N/A	N/A	N/A
C	Score the effectiveness of the back-up procedures for software and transaction listings	3	N/A	N/A	N/A	N/A	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	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

Comments on Ratings

A: Password changes are not mandatory
 B: Difficult to do full back-up testing without potentially affecting output to air. Full backups are not regularly undertaken.

Audit and Risk Committee Meeting of 15 April 2015



RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 15TH APRIL 2015

Circulation

Attending the Committee meeting:

Anne O'Leary (Chairman)

Frank Hannigan

Pádraig Ó'Céidigh

Cillian DePaor (RTÉ Group Secretary)

CC:

Moya Doherty (Chair of Board)

Noel Curran (Director-General)

Breda O'Keeffe (Chief Financial Officer)

Brian Dalton (MD Corporate Development)

Ruaidhri Gibbons (KPMG Audit Partner)

REPORT TO THE AUDIT AND RISK COMMITTEE

TABLE OF CONTENTS:

Section

- 1 OBJECTIVE AND EXECUTIVE SUMMARY
- 2 CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES
- 3 RISK MANAGEMENT – DIVISIONAL BUSINESS RISKS

APPENDICES:

- DIVISIONAL RISK REGISTERS

**SECTION 1 – OBJECTIVE &
EXECUTIVE SUMMARY**

REPORT TO THE AUDIT AND RISK COMMITTEE

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 11 March 2015 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 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.

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.

REPORT TO THE AUDIT AND RISK COMMITTEE

1.3 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) Reviewing the **strategic risk management exercise** (Group Top 8 Risks) and the documents completed by the Risk Owners setting out the risk drivers, key controls and risk indicators.
- 3) 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.
- 4) 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:

- [11th March 2015 meeting](#) – Internal Financial Control and Strategic Risks documentation
- [Today](#) – **Code of Practice for the Governance of State Bodies; Risk – Divisional Risk Registers; Overall results of Internal Audit's work**

1.4 CONCLUSION

After reviewing the documents presented at the meetings of 11 March 2015 and the 15 April 2015, 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 2014. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

**SECTION 2 – CODE OF PRACTICE
FOR THE GOVERNANCE OF
STATE BODIES**

2. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

2.1 INTRODUCTION

Corporate governance comprises the systems and procedures by which enterprises are directed and managed.

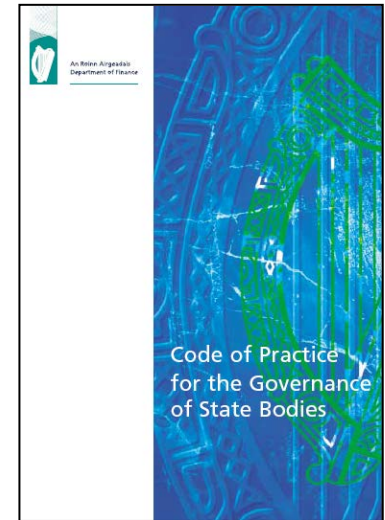
Published by the Department of Finance in June 2009, the revised Code of Practice for the Governance of State Bodies (“Code of Practice”) is intended to provide:

“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”* (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.



2.2 REPORTING

On an annual basis, the Chairperson 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.

REPORT TO THE AUDIT AND RISK COMMITTEE

2.3 OVERVIEW

The Code of Practice is organised into five sections, as set out in the table below:

Section	Topic
1. The Board and Directors	<ul style="list-style-type: none"> • Codes of Conduct, Disclosure and Ethics
2. Remuneration	<ul style="list-style-type: none"> • Senior Management and Director's Fees
3. Risk management, accountability, internal controls and internal audit	<ul style="list-style-type: none"> • Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function
4. Relations with the Oireachtas and the Minister	<ul style="list-style-type: none"> • Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements
5. Other specific procedures to be followed by State Bodies	<ul style="list-style-type: none"> • Diversification, Establishment of Subsidiaries and Acquisitions by State Bodies • Procedures for Procurement • Capital Investment Appraisal • Travel • Disposal of State Assets and Access to Assets by Third Parties • Tax Compliance • Legal Disputes Involving Other State Bodies
Appendix I Appendix II Appendix III Appendix IV Appendix V Appendix VI	<ul style="list-style-type: none"> • Ethics and Standards in Public Office • Framework for a Code of Business Conduct • Charter for Internal Audit • Principles of Quality Customer Service • Format for the Report from the Chairperson regarding Assessment of Internal Financial Control of a State Body • Framework for a Travel Policy

REPORT TO THE AUDIT AND RISK COMMITTEE

2.4 INTERNAL AUDIT REVIEW

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 2014.

In addition to relying on the results of Internal Audit's programme of work for 2014, 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. We noted no exceptions as part of this testing.

2.5 FINDINGS

The spot 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.

SECTION 3 – RISK MANAGEMENT

REPORT TO THE AUDIT AND RISK COMMITTEE

3. RISK MANAGEMENT – DIVISIONAL BUSINESS RISKS

At the Audit and Risk Committee meeting of 11 March 2015, the members of the Committee considered the output of the strategic risk exercise, comprising the Group Risk Map and supporting risk management templates. Since then, the divisions have engaged in a parallel exercise to update their Risk Registers. This represents a second check on the strategic risk management process and provides an opportunity for the divisions to identify their risks.

3.1 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 strategy is focused around the following five key areas or strategic themes, and risks have been identified under each theme:
 - Content;
 - Technology;
 - Staff Development;
 - Open and accountable organisation; and
 - Funding.
- 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.

3.2 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.

REPORT TO THE AUDIT AND RISK COMMITTEE

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).

3.3 RISK REGISTERS

We have set out in the Appendices the top risks of the following divisions:

- Television – see [page 17](#)
- Radio (2014: the Q1 2015 update is in progress) – see [page 21](#)
- News and Current Affairs – see [page 24](#)
- Digital – see [page 28](#)
- 2rn – see [page 32](#)
- Orchestras – see [page 34](#)

REPORT TO THE AUDIT AND RISK COMMITTEE

3.4 DIVISIONAL RISKS ALIGNED TO RTÉ'S STRATEGIC OBJECTIVES AND GROUP RISKS

The chart overleaf presents an overall summary of how the risks identified in the divisional risk registers map to the Top Group Risks identified by the Executive (and reviewed at the 11 March Audit and Risk Committee meeting). The chart also references the strategic objective, per the 2013 – 2017 RTÉ Strategy, underpinning each divisional risk.

The number in the circle cross-references to the ranking of the risk in the respective divisional Top Risk Registers included in the appendices. Secondly, please note that a risk may appear under more than one strategic objective.

As an example, risk one in Television – *investment in the indigenous programme schedule* – is a risk impacting the “content” strategic objective. In turn, three Top Group Risks are aligned to the content strategic objective – *editorial risk, content relevance* and *organisation and people*.

The risks identified locally will be used as an input to the exercise to update / refresh the strategic risks, in the summer of 2015.

Per RTÉ Statement of Strategy 2013-2017



Reference to Divisional Business Risks

Per RTÉ Group Risk Map



Strategic Obj.	TV	Radio	N&CA	Digital	Orch.	2rn	Ref. to Group Risks
Content	1, 5, 8	3, 2	1, 5, 7	3, 5	1, 3, 5		#1 Editorial Risk #7 Content #8 Org. & People
Technology	4, 9, 11		4, 8, 2	9	6	1, 2, 4	#6 BCP / DR #8 Org. & People
Staff Development	6	6, 7	10, 2	3, 6	4, 8	7	#8 Org. & People
Open & Accountable	2, 12		9	7	7, 5	1	#2 Funding Adequacy
Funding	2, 3, 7	1, 2, 4, 8	3, 6	1, 4, 8, 10	1, 2	3, 5, 6	#2 Funding Adequacy #4 Revenue #5 Regulation #6 BCP / DR
Relevant to All Objectives	10	5		2		8	#3 Financial Resources

REPORT TO THE AUDIT AND RISK COMMITTEE

3.5 FINDINGS

The business risks identified by management are appropriate, complete and aligned to the underlying business objectives of the division. Based on the sample examined by Internal Audit, the controls represented by management were confirmed as being in operation,

The key business risks identified by the business divisions are broadly consistent with the Top 8 Group Risks.

Appendices

TOP RISKS - TELEVISION

Top Television Business Risks 2015

Rank	Strategic Theme	Business Risk	Rank Versus Previous Year
1	Content	Cuts or insufficient investment in the indigenous programming schedule on RTÉ One and RTÉ2 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	↑ (3)
2	Regulation	Regulatory and / or legislative developments impacting negatively on RTÉ Television: <ul style="list-style-type: none"> - No Media Charge settlement: impact on overall RTÉ financial resources; - Advertising regulations: stricter regulation in relation to advertising /sponsorship – either in relation to broadcast codes or RTÉ 's ability to offer additional services; - No settlement from DCENR to allow the dropping of pre-school content on RTÉ2 leading to further decline in all day share on RTÉ2; - PVTs increasingly required for new strategic initiatives; - Broadcasting legislation and BAI Regulations 	→
3	Competition	Competitive threat leading to falls in commercial impacts & revenue and the non-achievement of revenue and market share targets: <ul style="list-style-type: none"> - Launch of UTV in the marketplace; - Increasing levels of UK TV Channels selling opt-out advertising in Ireland; - Continuing trend of decision making re marketing investment in the Republic of Ireland moving offshore and further consolidation of Agency groups; - High reliance on a small number of advertising agencies, concentration of buying groups leading to even greater power on behalf of the buyer; - Growing pressure towards automation of ad sales; - Increasing pressure on volume rebates (LTA's) as competitors offer greater return on investment. 	↓ (1)
4	Competition	Continued fragmentation of the TV market: <ul style="list-style-type: none"> - More viewers migrating to other platforms to view RTÉ content – yet these platforms are not being measured or monetised sufficiently; - Increasing use of PVR leading to loss of revenue; - Continuing lack of ability to keep up with changing audience behaviours, particular in relation to non linear viewing; - Major studios selling direct to customers/VOD. 	↓ (1) <i>(Included with risk # 3 - Competition - last year)</i>

Rank	Strategic Theme	Business Risk	Rank Versus Previous Year
5	Content	<p>Loss of foreign acquisitions and sports rights (e.g. exclusive first run on international series):</p> <ul style="list-style-type: none"> - Dominant competing broadcasters acquiring exclusive UK and Ireland rights; - Acquired programmes being procured by SKY, Netflix and UK opt outs; - Acquired programming inflation, including currency fluctuations putting further pressure on decreased acquisitions budget (extensive fall in Euro); and - Loss of 100+ hours of sport on RTÉ2 with no backfill for home production or acquired. 	<p>↓ (4)</p>
6	Operations	<p>People and skills risks arising from organisational change, including:</p> <ul style="list-style-type: none"> - Pressure to restore salaries to pre-cut levels, leading to a knock-on reduction in investment in programming - Increasing fixed cost base with increases in headcount - Reliance/over-reliance on key personnel - Deficit in skills and experience following departures 	→
7	Content	<p>Lack of funding for marketing of content limiting RTÉ 's ability to recruit and win back audiences for programmes:</p> <ul style="list-style-type: none"> - Lack of funds means RTÉ's marketing budgets are not sufficient to publicise it's programming and channels; - Low marketing budgets relative to the size of two channels in the Irish media landscape; - Under resourced audience insights leads to disconnection from audience need. 	New to top risks
8	Content	<p>Reputation damage arising from editorial errors or inappropriate transmission, defamation / libel claims or negative publicity surrounding the now more apparent cuts to programming output.</p> <ul style="list-style-type: none"> - Large volume of social media operators across TV IBD; - Crisis management is challenging should issues arise and is a reputational risk. 	→
9	Operations	<p>Lack of capital investment in ageing equipment resulting in obsolescence, breakdowns in technical systems and studio equipment, possibly impacting output.</p>	<p>↓ (7)</p>
10	Economy	<p>Further Economic Turbulence in Ireland and the Euro zone adversely impacting commercial income and licence fee evasion.</p>	<p>↓ (6)</p>

Rank	Strategic Theme	Business Risk	Rank Versus Previous Year
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Other Risks, outside Top 10:

11	Operations	Loss of competitiveness and market share due to a delay in developing or rolling-out new broadcast technologies (e.g. upgrading more Studios to HD) in a timely and efficient manner, and / or a failure to develop content on a variety of platforms.	↓ (9)
12	Content	A depleted independent sector and stagnant TV sector has resulted in a lack of dynamic production companies and producers , hampering innovation and risk taking.	↓ (10)
13	Finance	Exposure to Bad Debts – inability to pay by either agency or client.	New to top risks
14	Content	No group rights management system for content across TV and Digital.	New to top risks
15	Operation	Risks associated with Organisation Structure	New to top risks

TOP RISKS - RADIO

RADIO IBD - TOP RISKS 2014

Business Risk	Risk Owner	Likelihood	Financial Impact	Reputation impact	Significance rating (1-25)	High-Level Controls	Report used if applicable	Versus Rank in Prior Year
1 Quarterly and full year commercial revenue targets for 2014 are not achieved	Commercial Director	High to Extraordinary	High to Extraordinary	Moderate	20	a) Responsive sales initiatives and actions aimed at addressing any decline b) Market intelligence from Radio Sales c) Benchmarking against competitors d) Continued monitoring and control from Finance Department - early identification of issues	b) Weekly report to MD Radio Fortnightly report to Executive d) Monthly review with all manag	→
2 Loss of audience share 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	a) Review of audience performance via review of JNLR reports b) Radio Board fortnightly meetings and actions c) Radio BD Comms. and Marketing Plan d) Ongoing review of Audience Research Panel (ARP) Data e) Commissioning of ad-hoc reports produced by selected market research companies/RTÉ audience research	a) Quarterly JNLR and audience research b) Minutes and action log c) Quarterly report d) ARP Interface e) Ad-hoc reports	→
3 Failure to maintain editorial quality , resulting in a loss of audience and / or reputation damage .	MD Radio & Channel Heads	Moderate	High	High to Extraordinary	17	a) Editorial Management structure, including Producers in Charge for all programmes b) Channel Editorial meetings, held weekly c) Programme Standards Guidelines, Social Media Guidelines (RTÉ Journalism Guidelines in N & CA) d) Editorial Standards Board e) Access to legal advice f) Centralised complaints mechanism g) Training of staff		→
4 Regulatory developments impacting RTÉ Radio	Commercial Director	High	High	Moderate	16	a) Engagement with key stakeholders; submissions prepared and presented b) Track ASPC and monitor fulfilment to demonstrate value of licence fee c) Submissions to the BAI and DCENR, coordinated at a corporate level d) Secure economic and legal advice, and commission reports, as necessary	b) ASPC quarterly tracking repo	↑ (7)
5 Worsening economic downturn resulting in further reductions in commercial revenue, licence fee income and a requirement for further cost reductions.	Radio Board	High	High	Moderate	16	a) The Radio Board monitor sales reports and monthly management accounts. b) Cost control plans communicated to all Managers and to staff c) Processes to monitor the delivery of Cost Plan d) Focussed Monitoring of cost management areas e) Continued monitoring & control by Finance Dept f) Monthly Income and Expenditure forecasts and cost review to identify variances against budget	a) Sales reports b) Monthly management account d) Monthly report e) Monthly review with all manag f) Monthly management account and costpool reports	↓ (4)

RADIO IBD - TOP RISKS 2014

Business Risk	Risk Owner	Likelihood	Financial Impact	Reputation impact	Significance rating (1-25)	High-Level Controls	Report used if applicable	Rank versus Rank Prior Year
<p>6 Negative Business Impact due to people and skills 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>	<p>a) Manpower plan</p> <p>c) Succession Plan</p>	↓ (5)
<p>7 Business disruption or disadvantage arising from organisational restructuring</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 Credit Default 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>	<p>b) Top 20 debtors report</p> <p>d) Debtors ageing in monthly management accounts</p>	→

TOP RISKS – NEWS & CURRENT AFFAIRS

Top Risks in News and Current Affairs IBD - 2015

Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	R	Versus Rank in 2014
<p>1 Reputation / Editorial Risk: Failure to maintain editorial standards and to comply with obligations to fairness, impartiality and privacy.</p>	M.D. News & Current Affairs & Managing Editors	Moderate	Moderate to High	Extraordinary	16	<ul style="list-style-type: none"> a) Editorial management structure, ensuring clarity in the editorial management chain. The News management team has also expanded. b) Each programme has a responsible editorial manager c) Unified set of three Guidelines documents: RTÉ Journalism Guidelines; RTÉ Programme Content Standards Guidelines; and RTÉ's Social Media Guidelines d) System of daily editorial conferences e) Access to legal advice as necessary f) Editorial Standards Board g) Training - training session on Journalism Guidelines for all editorial staff; Investigative Journalism training h) Special editorial structure where necessary e.g. Election Steering Committee i) Centralised complaints mechanism j) Policy on timely corrections, clarifications and apologies, including escalation procedures, in circumstances where mistakes happen k) Spot checks on compliance with editorial standards and on staff members' familiarity with guidelines 	<ul style="list-style-type: none"> a) b) c) d) e) f) g) H h) es or i) H j) k) 	→	
<p>2 Lack of availability of resources (especially people and capital) to maintain editorial standards and to implement programme developments / enhancements.</p>	M.D. News & Current Affairs	High	Moderate	High	16	<ul style="list-style-type: none"> a) Ongoing review of resource utilisation and effectiveness (with timely identification of actions), and prioritisation of output. b) Reorganisation of news roles, new approaches to news gathering, greater integration of broadcast and online activities. 	<ul style="list-style-type: none"> a) Monthly management accounts b) Rosters 	<ul style="list-style-type: none"> a) C b) C H 	→
<p>3 Loss of audience to competing Television, Radio and Online news services, impacting audience share.</p>	M.D. News & Current Affairs	High	High	High	16	<ul style="list-style-type: none"> a) Ongoing viewing and monitoring of opposition b) Focussed research undertaken, where necessary c) Tracking of audience performance d) Responsive programme changes to broadcast and online offerings as necessary 	<ul style="list-style-type: none"> i) Daily Nielsen report ii) Weekly Audience Research Report iii) JNLR 	<ul style="list-style-type: none"> a) b) c) d) 	→
<p>4 Loss of, or disruption to, output / services due to technological failure, the use of new cheaper technology, or the retirement of the skilled IT personnel needed to remedy the problem.</p>	M.D. News and Current Affairs & Technology Manager	Moderate	Moderate	High	12	<ul style="list-style-type: none"> a) Development of IBD procedures & technical support systems & training. b) Development of inter BD procedures & technical support systems & training. c) New corporate IT structures to consolidate approach d) Business Continuity processes 	<ul style="list-style-type: none"> a) T b) T T c) d) 	→	

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	R	Versus Rank in 2014
5	Editorial competition from other media outlets for stories and breaking news coverage.	M.D. News & Current Affairs	Moderate	Negligible	High	12	a) Ongoing viewing and monitoring of opposition b) Contracts in place with EBU and News wires services c) Focussed research undertaken, where necessary and affordable. d) Tracking audience performance. e) Responsive programme changes.	i) Daily Nielsen report ii) Weekly Audience Research Report iii) JNLR iv) News Analytics	a b c d e	→
6	Loss of audience to competitors' non-news programme offerings (both Television and Radio), impacting audience share.	M.D. News & Current Affairs	Moderate	High	Negligible	12	a) Ongoing viewing and monitoring of opposition b) Focussed research undertaken, where necessary c) Tracking audience performance d) Responsive programme changes to our broadcast and online offerings as necessary	i) Daily Nielsen report ii) Weekly Audience Research Report iii) JNLR	a b c d	→
7	Loss of flexibility in delivering output 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	a) Active planning of events to encourage flexibility b) Investment in technology to deliver new video mobile journalism solutions to enhance flexibility c) Investment in News Now, the upgrading of the SOCR studio and crewing of Studio 3, providing greater the opportunities to bring an item to air at short notice.		a R M b c	→
8	Better use of technology by competitors , impacting efficiency and quality of output.	M.D. News & Current Affairs / Technology Manager	Moderate	Moderate	Moderate	10	a) Ongoing review of trends and technological developments. b) Ongoing viewing and monitoring of opposition c) Research and development and trial of new solutions d) Role of Innovation Lead Technology to promote new solutions e) Investment in technology to deliver new video mobile journalism solutions to enhance flexibility		a b c d e	→

Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Versus Rank in 2014
<p>9 Illegal or unethical acts undertaken during the course of operations (<i>unauthorised secret filming or doorstepping; unapproved use of drones; inappropriate gifts; etc.</i>)</p>	M.D. News & Current Affairs	Moderate	Moderate	High	10	<ul style="list-style-type: none"> a) Editorial management structure, ensuring clarity in the editorial management chain. The News management team has also expanded. b) Each programme has a responsible editorial manager c) Unified set of three Guidelines documents: RTÉ Journalism Guidelines; RTÉ Programme Content Standards Guidelines; and RTÉ's Social Media Guidelines d) System of daily editorial conferences e) Access to legal advice as necessary f) Editorial Standards Board g) Training - training session on Editorial Guidelines for all editorial staff; Investigative Journalism training h) Special editorial structure where necessary e.g. Election Steering Committee i) Centralised complaints mechanism j) Policy on timely corrections, clarifications and apologies, including escalation procedures, in circumstances where mistakes happen k) Spot checks on compliance with editorial standards and on staff members' familiarity with guidelines l) Gift Register maintained 		→
<p>10 Health and Safety risks due to:</p> <ul style="list-style-type: none"> - Potential physical threats or injury to Reporters / Crews during disturbances while covering public demonstrations, or matters which escalate into violence while covering unrelated stories. - Journalists' exposure to disturbing content and scenes while covering international news events, whether in the field or by viewing images (e.g. ISIS videos) in the Newsroom. 	M.D. News & Current Affairs / Head of HR	Moderate	Moderate	Moderate to High	10	<ul style="list-style-type: none"> a) News and Current Affairs Safety Statement b) Risk assessments prepared for events considered to have a higher risk rating c) Security accompany crews on large protests, where an increased risk is identified d) Insurance in place e) Counselling available to personnel as required f) Special training undertaken for work in high risk situations g) Issue of protective equipment / clothing where necessary 		(New to Top Risks)

TOP RISKS – DIGITAL

Top Risks in Digital IBD - 2015

Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Versus Rank in Prior Year
1 Failure to grow commercial income and exploit new Digital streams due to market and competitive forces.	3.1 / 3.2 / 3.3	Muirne Laffan / Digital Management	High	High	Moderate	16	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 targeted Merchandising and Content Sales initiatives e) Re-orientation of Online sales teams to expand existing online advertising models into developing platforms and services f) Initiation of new services both domestically and internationally to generate additional revenue streams such as Premium Player and GAAGO g) Ongoing discussions with telecoms carriers for licencing of the RTÉ Player	a) Fortnightly Executive Revenue Report and Commentary b) Fortnightly Executive Revenue Report and Commentary c) Discussions with main Advertising Agencies e) Weekly monitoring of agency and client spends. Weekly review of Indirect / Exchange revenue gro	→
2 Risks associated with the development of a new strategy for RTÉ Digital .	4.3	Muirne Laffan / Digital Management/ RTÉ Executive	Moderate	High	High	16	a) Release of a new updated strategic plan for RTÉ Digital and submission of same to the RTÉ Executive Board b) Introduction of Annual Projects Planning Schedule in Digital c) Inclusion of Digital Commitments in ASPC d) Approval of Annual Corporate budgets in line with current strategy	a) Digital Strategy document b) Annual Digital Projects document c) Annual ASPC d) Annual Budget	New to Top Risks
3 Reorganisation of RTÉ Digital 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: - Appealing to online audiences and thus hindering expansion and retention thereof - Not meeting audience needs in terms of reach and appeal -Generation of insufficient audiences to enable and support commercial exploitation and of content sales syndication	1.1	Muirne Laffan / Digital Management	High	High	Moderate	16	a) Explain and agree joint strategy re emerging platforms with all relevant BD's with nominated points of contact in relevant BDs. b) Introduction of new Comscore Analytics Stats package to provide more in depth data about user preference/habits to better tailor content accordingly. c) Research to establish audience behaviours/needs d) Renewed primary focus on audience measurement and research to maintain audience inventory for Digital cross media sales teams	b) Analytics System Reporting c) Feedback to key stakeholders d) Monthly monitoring of audience targets in Digital across all platfo	↑ (8)
4 Management and prioritisation of financial resources: - Reductions in operating costs fail to keep pace with declining levels of income i.e. cost base not reactive enough to shortfalls in income. - Risk that operating cost "floor" has been reached in the 2015 Digital Budget)	3.4	Paudie O'Sullivan	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 2015 Budget d) Ongoing Value for Money initiatives seeking cost reductions	a) Monthly management accounts b) Tenders under E.U or National Guidelines c) 2015 Budget	↓ (2)

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	us Rank for Year
5	<p>Insufficient operational and capital funds being available to RTÉ Digital to enable it to develop and launch its proposed range of new services and products in a timely manner to:</p> <ul style="list-style-type: none"> - Support commercial activities; and - Maintain leadership position in the Irish market. 	2.2/ 2.4	Muirne Laffan / Digital Management	High	High	High	16	<ul style="list-style-type: none"> a) Multi Annual Review submission inclusive of Digital Strategy 2015 b) Annual Digital Performance Commitments agreed and delivered c) New strategic direction for RTÉ Digital in process of formulation at RTÉ Executive Board level. d) Approval at RTÉ Executive Board level of business cases for all major Digital projects e) Secure, at RTÉ Executive Board level, the necessary commitments to funding to implement the Digital strategy 	<ul style="list-style-type: none"> a) RTÉ MAR/Digital Strategy 2015 b) ASPC for Digital c) RTÉ Executive Board Strategic docu d) Business case 	↓ (3)
6	<p>Disruption in operations and/or reductions in services due to either the loss or immediate non availability of key Production and all other Operations staff.</p> <p>Talent shortage / staff retention risk in respect of highly marketable experienced technical staff.</p>	2.3	All Senior Managers	High	Moderate	High	16	<ul style="list-style-type: none"> a) Second tier organisational structure now in place across all production and operations responsibilities and cross skilling under ongoing review b) Retention of existing technology staff and the outsourcing of necessary contractor/agency staff now under pressure due to improved market conditions c) Flexibility of outsourcing design and technical expertise from external agency providers and of using casual staff 	<ul style="list-style-type: none"> a) Organisational structure 	↓ (5)
7	<p>Failure to adequately conclude partner arrangements with relevant external parties in the expanding internet/digital space to:</p> <ul style="list-style-type: none"> (a) expand the audience reach and relevance of RTÉ's digital services and products (b) co-finance vital RTÉ Digital projects. 	4.1	Muirne Laffan / Digital Management	High	Moderate	High	16	<ul style="list-style-type: none"> a) Discussions with broadcast in pursuit of the RTÉ Player to be carried on their platforms. b) Ongoing meetings/discussions with key Digital Players c) Ongoing contacts with interested partners on relevant projects in pursuit of co-financing opportunities d) Ongoing meetings/discussions with key Content Providers including programme makers e) Scanning the Digital environment for co-financing opportunities re Player Licencing f) Early identification of necessary or desirable development/operational projects g) Ongoing meetings/discussions with competitor players 		↓ (6)
8	<p>Statutory and regulatory restrictions delaying / hindering:</p> <ul style="list-style-type: none"> - The expansion of Digital operations and services; - The freedom to commercially exploit its slate of products in new markets. 	4.2	Muirne Laffan / Digital Management Team	High	High	Moderate	16	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> b) Departmental / IBA submissions 	↓ (4)

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Versus Rank in Prior Year
9	<p>Failure of project delivery</p> <p>9A) 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>9B) Failure to deliver key enhanced content projects (such as RTÉ.ie site launches/redesigns, Social Media Integration, RTÉ Premium / International Player) on time and within budget.</p>	2.1	Tom Grealis / Michael Lisovski	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>f) Close liaison with relevant experienced external internet platform hosts</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>f) BD Digital Projects schedule / Annual Capital Budget</p>	<p>↓</p> <p>(7)</p>
10	<p>Inability to deliver on Online Advertising targets</p> <p>due to increased migration of Online brand advertising to Direct Response and the failure to establish a Programmatic Trading Function to offset any negative impact on volumes and yield.</p>	3.2/3.3	Conor Mullen/Willie O'Reilly	High	High	Low	16	<p>a) Introduction of innovative rich media formats</p> <p>b) Continue Research to differentiate RTÉ.ie/RTÉ Mobile/RTÉ Player in the marketplace</p> <p>c) Closely manage and reinforce Google relationship</p> <p>d) Establish Programmatic Trading function</p> <p>e) Weekly/monthly reports of Clients/Agency spends</p> <p>f) Production of Research showing the value of RTÉ.ie and its properties</p> <p>g) Deliver high quality after sales service to clients/agencies</p>	<p>b) Quarterly Mobile and VOD research</p> <p>c) Monthly planning and review meetings with Google</p> <p>d) Measure volume/rate of traffic via trading platforms</p> <p>e) Weekly Revenue Reports/Comparison Spends</p> <p>f) Regular search on Mobile/Web/Video</p> <p>g) Turnaround measurements for ad/report delivery</p>	<p>New to Top Risks</p>

Footnote

Falling out of the Top 10 Risks - Bad Debts (last year - #10) and Securing Digital Content Rights (last year - #9). Both are still risks, but fall just outside the top 10.

TOP RISKS – 2rn

Top Risks 2rn - 2015

	Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	2015 Rank	2014 Rank
1	Failure to retain sufficient suitable spectrum for terrestrial television and radio services	2.1	Executive Director	High	High	Moderate	16	a) Ongoing review of market developments b) Actively engage with DCENR, ComReg and Industry to identify and influence long term developments c) Attendance by staff and management at appropriate industry seminars, conferences and exhibitions			↑ (6) w to Top Risks)
2	Failure to invest in new telecommunication technologies and infrastructure	2.2	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			↑ (6) w to Top Risks)
3	Loss of a major customer and/or merger of major customers (2rn is reliant on a small number of large customers) - Today FM migrating to an Access arrangements - O2 rolling short term contracts subject to competition in integration plans with Three Ireland - Meteor rolling short term contracts	3.1	Telecoms Industry Manager	High	Moderate	Negligible	12	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	a) Register of customer contract status c) Database of leads & contacts		→
4	Failure to understand emerging technologies resulting in a loss of customers	2.3	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			↑ (6)
5	Ongoing economic turbulence resulting in the contraction of major customers' businesses and, consequently, loss of customers and revenue for 2rn.	3.2	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) Monthly new business update		↓ (4)
6	Significant reduction in prices chargeable to major customers arising from customer demands for reductions and competitive pressures	3.3	Telecoms Industry Manager	Moderate	Moderate	Low	9	a) Fixed price contracts in place for existing equipment where possible b) Begin negotiation process well in advance of expiry of current contract. 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) Monthly new business update		↓ (2)
7	People and skills risks arising from organisational change: a) Potential weakening in the financial control environment caused by exits b) Impact of restructuring and change c) Failure to fully deliver work practice changes in a timely manner	3.4 / 4.1	Executive Director / Financial Controller	Moderate	Moderate	Low	9	a) Review of key tasks and skill sets required post exist b) Detailed monthly review of control procedures c) Work practice changes / process changes as necessary	a) Revised Job specs for key positions b) Review of monthly reconciliations and banking submissions		↑ (8)
8	Poor weather conditions resulting in additional cost incurred to fix faults / replace damaged equipment	3.9	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) Group Insurance policies b) Project plans		↓ (5)

Footnote
Falling out of the Top 2rn Risks in 2015 - 'Adverse findings from ComReg's Investigation' (last year - #1), 'Optimisation of Digital development in Radio' (last year - #9) and 'Breach of Banking Covenants' (last year - #10)

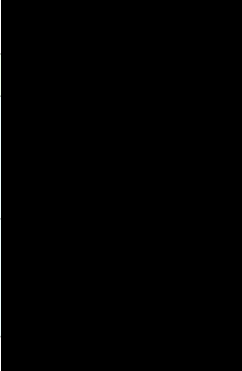
TOP RISKS – ORCHESTRAS

TOP RISKS - Orchestras Quartet & Choirs 2015

Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Versus Rank in Prior Year
<p>1 Lack of funding for Financial & Human Resources, resulting in:</p> <ul style="list-style-type: none"> - Failure to meet public service commitments / RTE Board policy and published strategic planning initiatives as per the five year strategic plan (2013-2017). - Diminution of the quality, artistic standard and range of output, particularly for the NSO. <p>This risk reflects the impact of the economic downturn and internal budget cuts.</p>	2.1	High	High	High	20	<ul style="list-style-type: none"> a) Annual budget process and iterations together with assiduous monthly forecasting, particularly in H1 of 2015 b) IBD Editorial Board reviews formal planning processes, fortnightly c) Editorial Line management of Orchestra Programmers d) Engagement of Conductors/Producers as necessary to deliver programmes e) Monitoring of developments in the industry and with competitors f) Strategic plan in place with regular reviews 	<ul style="list-style-type: none"> a) Annual Budget book and iterations b) Minutes 	→
<p>2 Failure to maintain / grow commercial income due to market and competitive forces.</p> <p>Ongoing implications of the economic downturn contributing to the non-achievement of commercial revenue targets from:</p> <ul style="list-style-type: none"> - Box office sales - Facilities hire due to a fall in 3rd party demand 	3.2	High	High	High	20	<ul style="list-style-type: none"> a) Formal monitoring of Box Office sales reports and weekly Venues Advance Sales reports. Actions taken to address any shortfalls identified. b) Ticket pricing review c) Closer working / initiatives with TV and Radio to help boost sales figures 	<ul style="list-style-type: none"> a) i) Fortnightly, monthly IBD sales reports and ii) Venue advance sales reports b) Pricing reviews 	↑ (3)
						<ul style="list-style-type: none"> a) Identification of all potential customers and contacts through intelligence gathering within BD and from other IBDs and corporate centre b) Building of strategic relationships with best potential customers / agents / promoters and National Concert Hall c) Relationship-management of key customers 		
						<ul style="list-style-type: none"> a) IBD Board and Orchestra Manager maximise commercial opportunities b) Fortnightly, monthly and quarterly review of costs and output being implemented at Board level 	<ul style="list-style-type: none"> a) Management Accounts/Fin Reports b) Annual IBD budget / Commitment 	

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	ersus Rank n Prior Year
3	There is effectively no budget for comprehensive audience research, resulting in a lack of knowledge or understanding of audience preferences . Limited access to Box Office audience data (from the NCH) due to Data Protection considerations increase this risk.	1.1	High	High	High	17	a) Research carried out to build knowledge of audience and market b) Budget process c) Ongoing engagement with the NCH management re its audience research and identifying options for increasing access to further customer information. d) Engagement with customers via Social Media	a) Informal in-venue data collection & joint research with National; Concert Hall	↑ (4)
4	Human Resources risks - Failure to recruit and retain key staff, musicians and conductors of the highest international calibre - Failure to identify gaps in existing skills and to address these gaps	2.2	High	Moderate	High	17	a) General Succession Planning Policy and workload monitoring b) Maintain pool of available freelance talent c) Succession planning for key titled conductor posts in both orchestras d) Titled and Guest Conductor budgets e) Maintain programme budgets within agreed revised limits to remunerate musicians adequately f) Manpower plan and/or skills audit	a) Database of available talent	↑ (5)
5	Regional output 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	16	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) Deployment of quartet in regional role assists in maintaining numbers of regional concerts	a) Ongoing financial reporting -fortnightly, monthly, quarterly b) Appropriate advance planning	↑ (9)
6	The current web-site for the Orchestras is outdated and incapable of driving growth in on-line sales .	1.2	High	Moderate	High	16	a) Collaboration with Digital BD to develop website b) Submission of capital proposals in line with normal RTÉ procedures	a) Minutes	↑ (7)

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable		Versus Rank in Prior Year
7	Failure to maintain and develop collaborative relationships with local arts and culture partner organisations, Promoters / Sponsors etc.	4.2	High	Moderate	Moderate	14	a) Increased focus on relationship-mgt with regional partners by orchestra managers, and the Marketing Dept (PR, marketing) - actions developed accordingly	a) Every alternate week at IBD Board and Editorial Board meetings		↑ (8)
8	Industrial action leading to disruption of work, particularly in the case of the RTÉ NSO.	2.3 4.1	Low	Moderate to High	High	12	a) Partnership process at IBD and Corporate level.	a) Agreed Partnership communiques	O r	↓ (6)





RTÉ INTERNAL AUDIT

REPORTS TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

YEAR-ENDED 31 DECEMBER 2017

Part 1: Audit and Risk Committee Meeting of 13 March 2018

Part 2: Audit and Risk Committee Meeting of 18 April 2018

Audit and Risk Committee Meeting of 13th March 2018



RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 13 MARCH 2018

Circulation:

Attending the Committee meeting:

Anne O'Leary (Chair)
Moya Doherty
Frank Hannigan
Eoin McVey
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:

Dee Forbes (Director-General)
Breda O'Keeffe (Chief Financial Officer)



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 - 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

**1.
REVIEW OF THE EFFECTIVENESS
OF THE INTERNAL CONTROL
SYSTEM**

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: [REDACTED]

From: [REDACTED]

Date: 8 March 2018

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 13 March 2018 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 18 April 2018. 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 13 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?

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 Finance, 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.

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 2017, which outlines RTÉ’s disclosures in this area. In particular, please note the section summarising the Principal Risks and Uncertainties impacting RTÉ.

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.

This requirement is also retained in the updated 2016 Code of Practice for the Governance of State Bodies, although broader in scope. RTÉ will report on compliance with the updated Code of Practice for the Governance of State Bodies in the 31 December 2017 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 is applicable to two RTÉ subsidiaries for the financial year ended 31 December 2017.

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” (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.

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 18 April 2018 **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.	13 March 2018
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.	13 March 2018
3	The Quarterly Risk Update for Q1 2018, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	18 April 2018
4	The results of Internal Audit checks on compliance with the <i>Code of Practice for the Governance of State Bodies</i> .	18 April 2018
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.	18 April 2018
6	Internal Audit report on a review of the Cost Allocations Process ¹ for the year-ended 31 December 2017 (¹ <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>)	18 April 2018*
7	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2017, addressing both purchase receipting and tendering aspects.	18 April 2018*

* 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 until the next meeting on the Committee – Agenda TBC.

(1A) Internal Control in 2rn:

- **Top Risks**
- **Financial Control in 2rn**

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:

- Top Risks listing
- Internal Audit Report: Financial Control in 2rn

Top Risks 2rn - 2017

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Category of Risk
1	Loss of a major customer and/or merger of major customers (2RN is reliant on a small number of large customers)	Telecoms Industry Manager	Medium to High	High	Negligible	14	a) Regular meetings with major customers to 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 lead & contacts	Strategic
2	Failure to deliver the project to migrate the national digital terrestrial television services from the 700MHz spectrum band	Executive Director	Low	Medium	High	12	a) A separate risk register is maintained to manage the seven risks identified		Regulation
3	Government Broadband Intervention Strategy resulting in a loss of customers for 2RN	Executive Director	High	Moderate	Low	12	a) Ongoing review of market developments b) Regular attendance industry seminars		Regulation
4	Failure to retain sufficient suitable spectrum to economically provide terrestrial television and radio services	Executive Director	Moderate	High	Moderate	12	a) Ongoing review of market developments b) Actively engage with DCCAE, 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		Regulation
5	Failure to invest in new telecommunication technologies and infrastructure	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		Strategic
6	Failure to understand emerging technologies resulting in a loss of customers	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		Operational
7	Substantial mobile phone signal technology development resulting in mobile phone operators no longer needing 2RN's structures.	Telecoms Industry Manager	Moderate	Moderate	Negligible	9	a) 2RN actively pursuing new business in broadband and Broadcast areas.		Strategic
8	Poor weather conditions resulting in additional cost incurred to fix faults / replace damaged equipment	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) Group Insurance c) Project plans	Operational

Note: A more detailed Risk Register, maintained locally, aligns each risk to the strategic objectives of the business.

1. RISKS 700MHZ SPECTRUM BAND PROJECT

All projects are subject to risk and uncertainty. Causes can be external (e.g. change in legislation, supplier liquidation, contractor insolvency) or at a project installation level (e.g. ground conditions, works access, weather). A review of the high level risks was assessed at the end of the last quarter. We have revised some of the impact and likelihood.

Risk Description	Impact Level (H/M/L)	Likelihood (H/M/L)	Potential Impact	Mitigation
Lack of Funding	H	L	Delay to procurement & works	Monitor and manage.
Planning Permission	H	H	Delay to works	Allow slack in programme for delay or alternative course to account for potential planning issues at two new sites. Additional forecast budget from the Contingency budget has been assigned.
Cost Overrun	L	L	Funding shortfall	Most of the major equipment orders have been placed. Cost over-run contingency in place.
Inclement Weather	M	M	Delay to works	Sufficient capacity factored into works programme.
Equipment Availability	M	L	Delay to works	Orders have been placed for the main equipment and agreed delivery dates. Sufficient capacity factored into works programme.
Specialist Labour Availability	M	M	Delay to specific works elements	Monitor and manage impact.
Disruption to services by works	L	H	Disruption to FM radio and DTT services.	Outages identified, notified and managed.

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

20 February 2018

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

2rn:

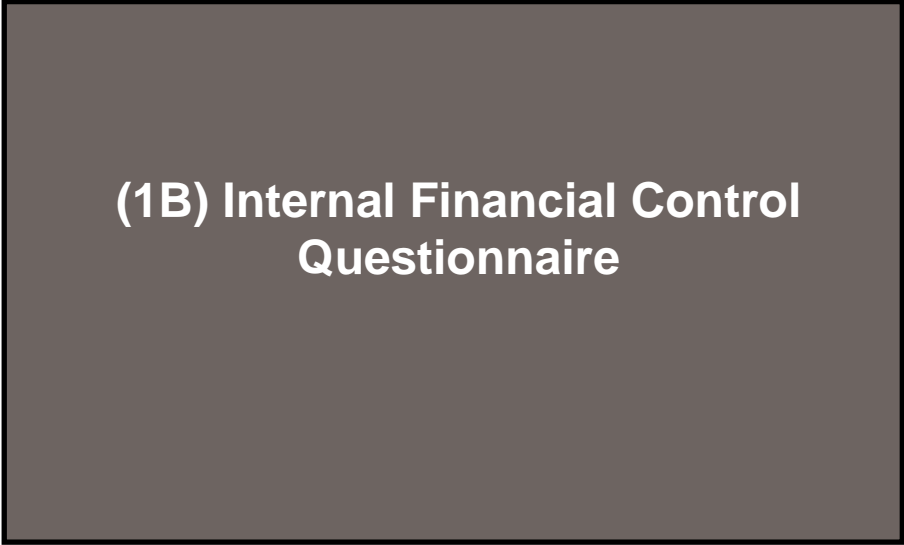
Eoin McGettigan, Chairman RTÉ Transmission Network DAC (trading as 2rn)
Mick Kehoe, Executive Director 2rn
Padraig Leahy, Financial Controller 2rn
John Sutcliffe, Financial Accountant 2rn

RTÉ:

Fiona O'Shea, Group Financial Controller

Full Report included separately in list of reports - not repeated here





**(1B) Internal Financial Control
Questionnaire**

1B 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:

	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

The issue of taxation compliance is being dealt with as part of separate work in relation to Directors' Compliance Statements.

1.2 REPORTING REQUIREMENTS

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 Financial Control.

1.3 CONTROL EFFECTIVENESS

Management completed an assessment of the effectiveness of each financial control (43 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 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 43 questions.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2017

Summary of Effectiveness Ratings								
Section	Process Area	TV	Radio	News	Digital	Orchestras	Commercial	Average
A	Purchasing and Accounts Payable	84%	84%	84%	84%	84%	84%	84%
B	Sales and Accounts Receivable	96%	99%	N/A	96%	98%	98%	97%
C	Inventory	94%	75%	100%	Immaterial	N/A	N/A	90%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%	96%
E	Fixed Assets	91%	94%	98%	94%	83%	100%	92%
F	People Payments	92%	93%	98%	98%	90%	90%	94%
G	Management Accounts / Financial Close	94%	98%	95%	100%	98%	93%	97%

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.

Appendix 1

Details of control 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 sixth 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 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

Introduction

There is consistency in the risks between last year and this year, with some differences in risk rankings. However, the overall risk score for all of the top 10 risks are higher than prior years, suggesting that respondents sense that the level of risk is increasing across a number of dimensions.

There continues to be concerns about operational risk issues, with seven of the top 10 risks representing operational concerns. Two of the top 10 risks relate to strategic risk concerns, with one related to concerns about macroeconomic issues. The emphasis on operational risks is consistent with the previous three years.

Respondents in the European region seem to have the highest overall concern about the magnitude and severity of risks on the horizon in 2018 relative to the other regions.

Two new risks moved into the top 10 spot for 2018 that were not in the top risks for 2017. Concerns about the economy and regulatory scrutiny, which have been in the top two risk concerns for the past several years, fell deeper among the top 10 list for 2018. Those risks were topped by concerns relating to the rapid speed of disruptive innovation and concerns about resistance to change.

Top Five Risks

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.

- Rapid speed of disruptive innovation represents the top ranked risk and the level of concern is noticeably higher than prior years. This top risk for 2018 reflects respondent concerns that disruptive innovation or new technologies might emerge that outpace an organisation's ability to keep up and remain competitive. Sixty-seven percent of respondents rated this risk as a "Significant Impact" risk.

Respondents are focused on whether their organisations are agile enough to respond to sudden developments that alter customer expectations and change their core business model.

- Resistance to change was also highlighted as a key concern. Respondents are growing even more focused on the organisation's potential lack of willingness to make necessary adjustments to the business model and core operations to respond to changes in the overall business environment and industry.
- Concerns about cyber threats disrupting core operations is again a top five concern for 2018, as well as the top operational risk overall.

- Regulatory change and heightened regulatory scrutiny continues to represent a major source of uncertainty among the majority of organisations. Fifty-nine percent of our respondents rated this risk as a “Significant Impact” risk.
- Culture may not encourage timely escalation of risk issues - the level of concern is heightened for 2018 relative to the prior two years. Sixty-one percent of respondents rated this risk as a “Significant Impact” risk. Respondents continue to highlight the need for attention to be given to the overall culture of the organisation.

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.

Figure: Top 10 Risks for 2018
High Level Summary

The overall global business context is slightly less risky in 2018 than the prior year.

Organizations have a greater focus on the risks associated with the rapid speed of disruptive innovations and dramatic changes that new technologies may have.

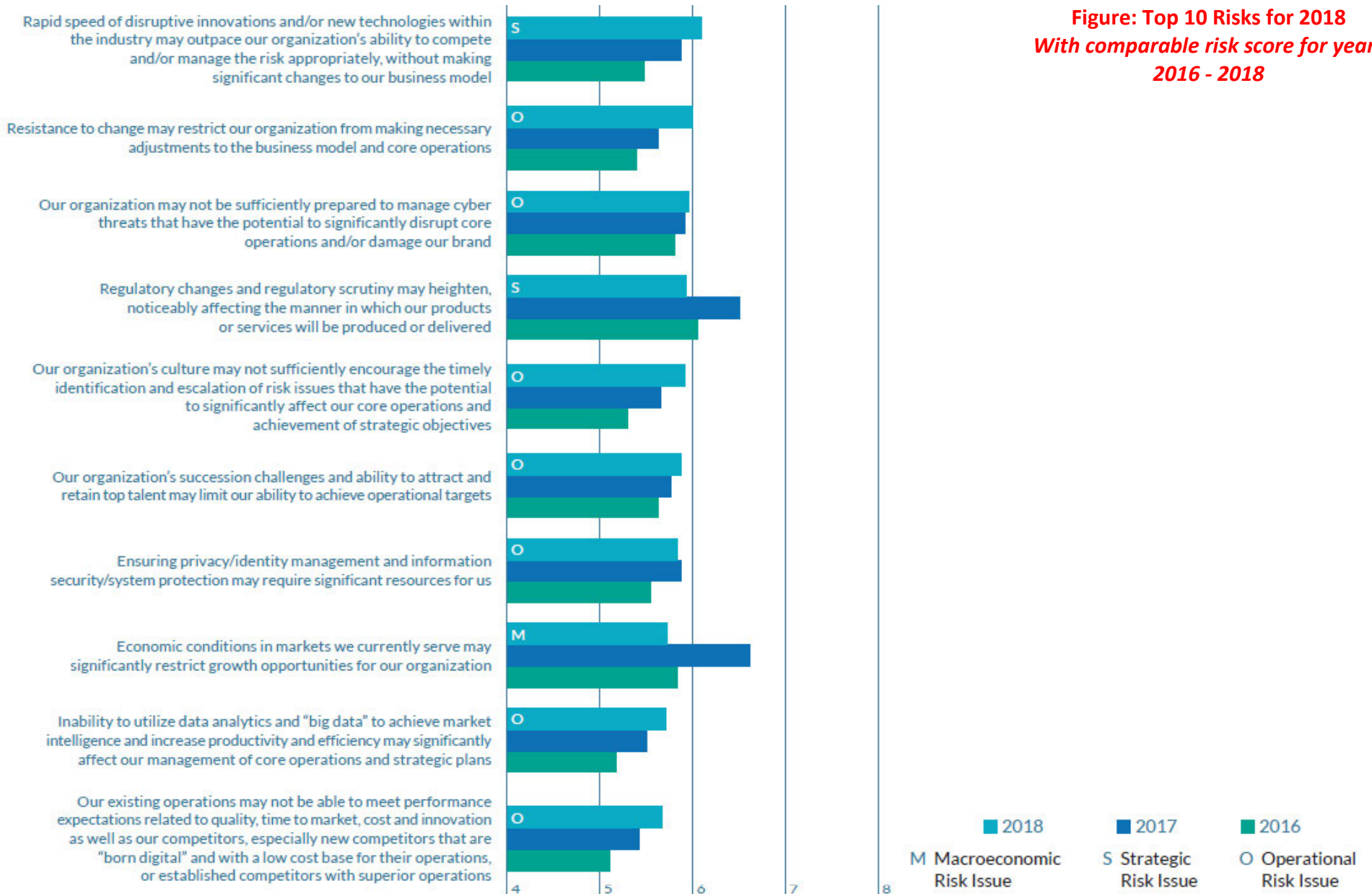
Digital- and culture-related areas are more prevalent risk issues for boards and executives.



TOP 10 RISKS FOR 2018

RISK ISSUE	2018*	2017* (rank)	YOY Trend	RISK ISSUE	2018*	2017* (rank)	YOY Trend
 Rapid speed of disruptive innovations and new technologies	6.10	5.88 (4)	↑	 Succession challenges and ability to attract and retain top talent	5.88	5.76 (6)	↑
 Resistance to change operations	6.00	5.63 (9)	↑	 Privacy/identity management and information security	5.83	5.87 (5)	↓
 Cyber threats	5.96	5.91 (3)	↑	 Economic conditions	5.72	6.61 (1)	↓
 Regulatory changes and regulatory scrutiny	5.93	6.51 (2)	↓	 Analytics and big data	5.71	5.50 (13)	↑
 Organization's culture may not encourage timely identification and escalation of risk issues	5.91	5.66 (8)	↑	 Existing operations meeting performance expectations, competing against "born digital" firms	5.67	5.42 (15)	↑

* Scores are based on a 10-point scale, with "10" representing that the risk issue will have an extensive impact on the organization.



2.1.3 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.**

Technology, Media and Communications



The rapid speed of disruptive innovation and new technologies outpacing and organisation’s ability to compete and manage that risk appropriately ranks as the top risk issue. This confirms that innovation, emerging technologies and digitalisation remain front-and-centre priorities for board members and executives. Digital transformation is a pervasive theme and the risk to an organisation of being disrupted by companies “born digital” is a constant threat for this industry group.

Corporate culture made a significant jump in the risk score in 2018 and is a key part of innovation and digital transformation. Culture is often highlighted as the critical ingredient that enables organisations to attract and retain top talent to foster growth more effectively.

With regard to privacy and information security, organisations remain aware of the risks and dangers that breakdowns in this area pose. Economic conditions continue to remain a vital risk issue with significant uncertainty in the global market.

2.1.4 REPORT

A full printed report is available on request, or may be accessed at the following link:

<https://erm.ncsu.edu/library/article/2018-top-risks-report-executive-perspectives-on-top-risks-for-2018>

**Appendix to Section 1 –
Internal Financial Control**

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2017

Summary of Effectiveness Ratings								
Section	Process Area	TV	Radio	News	Digital	Orchestras	Commercial	Average
A	Purchasing and Accounts Payable	84%	84%	84%	84%	84%	84%	84%
B	Sales and Accounts Receivable	96%	99%	N/A	96%	98%	98%	97%
C	Inventory	94%	75%	100%	Immaterial	N/A	N/A	90%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%	96%
E	Fixed Assets	91%	94%	98%	94%	83%	100%	92%
F	People Payments	92%	93%	98%	98%	90%	90%	94%
G	Management Accounts / Financial Close	94%	98%	95%	100%	98%	93%	97%

Section A: Purchasing and Accounts Payable

(Completed by: Central Purchasing and Central Accounts Payable. 2rn: completed separately)

No.	Question	TV	Radio	News	Digital	Orchestras	Commercial	Average
1	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	2	2	2	2	2	2	2
2	Score the effectiveness of the control procedures over compliance with RTE's purchasing procedures	3.5	3.5	3.5	3.5	3.5	3.5	4
3	Score the effectiveness of the procedures and controls over the receipting of goods and services	3	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	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	3	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	4	4	4	4	4	4	4
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	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

33.5	33.5	33.5	33.5	33.5	33.5
84%	84%	84%	84%	84%	84%

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	Commercial	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	4
12	Score the effectiveness of the procedures and controls over the processing of customer orders	3.5	4	n/a	3.5	n/a	3.5	4
13	Score the effectiveness of the procedures and controls over the invoicing of customers	4	4	n/a	4	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	3.5	n/a	3.5	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	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	4	4	n/a	4	4	4	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	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	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

34.5	35.5	N/A	34.5	27.5	27.5
96%	99%	N/A	96%	98%	98%

Section C: INVENTORY
(Completed by: Each IBD)

No.	Question	TV	Radio	News	Digital	Orchestras	Commercial	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	n/a	3.7
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.	3.6	n/a	4	n/a	n/a	n/a	3.8
22	Score the effectiveness of the procedures and controls over stock movements	3.8	3	4	n/a	n/a	n/a	3.6
23	Score the effectiveness of the month end inventory accounting procedures	3.7	3	4	n/a	n/a	n/a	3.6

Total Score for Inventory Processes

15	9	16	4	N/A	N/A
94%	75%	100%	100%	N/A	N/A

Section D: Cash and Treasury

(Completed by: Central Banking and Treasury. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Commercial	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	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	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	4	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	4
29	Score the effectiveness over the recording of borrowings	4	4	4	4	4	4	4

Total Score for Cash and Treasury Processes

23	23	23	23	23	23
96%	96%	96%	96%	96%	96%

Section E: Fixed Assets
(Completed by: Each IBD)

	Question	TV	Radio	News	Digital	Orchestras	Commercial	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.5	3.5	3.75	4	3	4	3.6
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	3.5	3.5	4	4	3.5	4	3.8
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	3.8	4	4	4	3.5	4	3.9
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.8	4	4	3	n/a	4	3.8

Total Score for Fixed Assets Processes

14.6	15	15.75	15	10	16
91%	94%	98%	94%	83%	100%

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	Commercial	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	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	3.5
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	4	4	4	3.5	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	4.0

Total Score for People Payments Processes

18.3	18.5	19.5	19.5	18	18
92%	93%	98%	98%	90%	90%

Section G: Management Accounts / Financial Close
(Completed by: Each IBD)

No.	Question	TV	Radio	News	Digital	Orchestras	Commercial	Average
39	Score the effectiveness of the monthly management accounts preparation process	3.9	4	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	3.5	3.7
41	Score the effectiveness of the financial close procedures and controls	3.8	4	4	4	4	3	3.8
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	4	4	4	3.5	4	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	4	3.9

Total Score for Management Accounts / Financial Close Processes

18.7	19.5	19	20	19.5	18.5
94%	98%	95%	100%	98%	93%

Audit and Risk Committee Meeting of 18th April 2018



RTÉ INTERNAL AUDIT
REPORT TO THE AUDIT AND RISK COMMITTEE
MEETING: 18 APRIL 2018

Circulation:

Attending the Committee meeting:

Anne O'Leary (Chair)
Moya Doherty
Frank Hannigan
Eoin McVey
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:

Dee Forbes (Director-General)
Breda O'Keeffe (Chief Financial Officer)



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 - Cost Allocation process
5. COMMITTEE RESOLUTION ON INTERNAL CONTROL
6. TECHNICAL UPDATES / RECENT DEVELOPMENTS
7. DRAFT CHAIR'S REPORT TO THE MINISTER

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 13 March 2018 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" (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 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 13 March 2018. 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 3**
- 3) The Quarterly Risk Update, Q1 2018 – circulated to the ARC in separate papers
- 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 5**.

1.4 INTERNAL AUDIT REPORTS

Section 4 contains a selection of reports issued by Internal Audit since the last meeting, as follows:

- ***Procurement Compliance: Review of Procurement Register (Section 4.1)***

The 2016 *Code of Practice for the Governance of State Bodies* contains specific requirements regarding the monitoring of compliance with Public Procurement rules. The purpose of this audit was to assess, verify and report on RTÉ's compliance with the provisions of the Code.

- **Cost Allocations Process (Section 4.2)**

This report addresses the cost allocation process, as outlined in the Cost Allocation Process Overview manual. This audit involved reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the year-ended 31 December 2017. The accuracy of the operation of the allocations model was also verified for a sample of allocation rules by tracing the process, end-to-end, through the model.

1.5 TECHNICAL DEVELOPMENTS

In addition to the topic of internal control, in **Section 6** we include a short update on technical developments.

1.6 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 7**. A final draft will be issued to the Board at the next meeting on 20th April. This is not a new requirement, although the scope of the report has been extended.

Note that the 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.

2.
**DIRECTORS' COMPLIANCE
STATEMENT**

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 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

28 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**

28 March 2018

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*)
 - Specific procedures in place in Digital in 2017 for the preparation of quarterly VAT MOSS returns in respect of supplies of telecommunications, broadcasting and e-services (in 2018, this is the responsibility of the Joint Venture between RTÉ and the GAA):
 - Sales of GAAGO subscriptions are analysed monthly by country based on the IP address of the purchaser. VAT calculated manually based on a table of VAT rates by country and uploaded to [REDACTED]
 - Reconciliation to payment data provided by the payment facilitator, Stripe
 - Control checks and review
 - 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
 - Quarterly taxation compliance meetings with KPMG and, periodically, a full review of all elements of taxation (*last completed in 2014*)
 - Prudent taxation provisioning for uncertain items. Specific tax provisions are signed-off by KPMG to ensure they are still valid
 - Review of non-standard contracts or business transactions by RTÉ's professional advisors to ensure the tax treatment is appropriate, for example during 2017:
 - The Donnybrook campus land sale transaction
 - The Voluntary Exit Programme
 - Briefings from taxation advisors on the tax implications of developments e.g. post the publication of the Finance Bill
 - Pre-planning and review process in place in the event of notification of a Revenue audit (e.g. UK VAT 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

18 April 2018

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. Cost Allocations Process
 - e. 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.
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 2017

12 April 2018

Circulation:

Director-General

Members of the Audit and Risk Committee

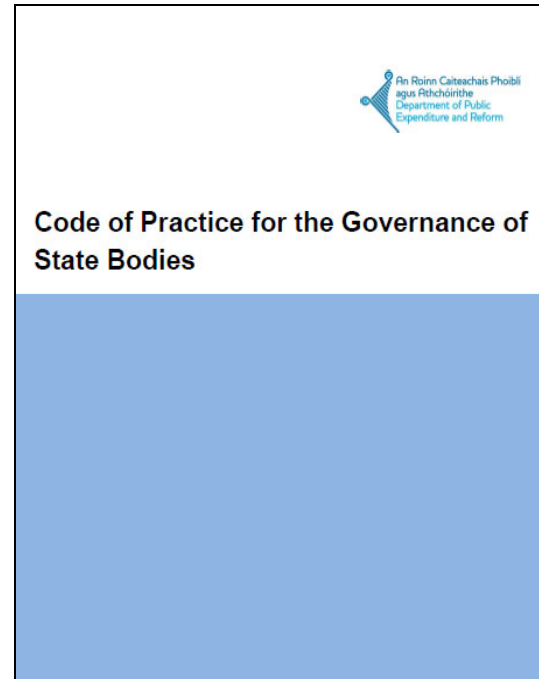
Executive

Cillian De Paor, RTÉ Group Secretary and Director of Compliance

Fiona O'Shea, Group Financial Controller

Paul Doyle, Finance Director Regulatory and Corporate

Full Report included separately in list of reports - not repeated here



**4.
INTERNAL
AUDIT REPORTS**

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2017*

Report 2 of 2 (Procurement Register)

11 April 2018

Full Report included separately in list of reports - not repeated here

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:

Eamonn Reid, Head of Procurement
Fiona O'Shea, Group Financial Controller
Paul Doyle, Finance Director, Regulatory and Compliance
Paul Naughton, Financial Director, RTÉ Television
Sheila Gallagher, Financial Director, RTÉ Radio and Orchestras
Linda Power, Financial Controller, RTÉ News and Current Affairs
Paudie O'Sullivan, Financial Controller, RTÉ Digital



RTÉ Internal Audit

Review of Cost Allocation Process

28 March 2018

Full Report included separately in list of reports - not repeated here

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

RTÉ:

Paul Doyle, Finance Director Regulatory and Corporate
Fiona O'Shea, Group Financial Controller
Pauline Annett, Group Financial Accountant
Michael Armitage, Financial Accountant



**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 13 March 2018 and the 18 April 2018, 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 2017. *(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 103 of the Annual Report contains a paragraph on Internal Control and Risk Management. Furthermore, on page 106 (left column), 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.
TECHNICAL UPDATES /
RECENT DEVELOPMENTS

6 TECHNICAL UPDATES / RECENT DEVELOPMENTS**6.1 MONITORING OF AUDIT FIRMS (APRIL 2018)**

In April 2018 the Financial Reporting Council ('FRC') announced plans to enhance its monitoring of the UK's six largest audit firms to avoid systematic deficiencies within firms' networks, disruption in the provision of statutory audit services and instability in the financial sector.

The FRC will set out its expectations of each audit firm and use evidence it gains to inform its supervision programme for these firms.

The FRC will focus its attention on five key pillars that are critical to the stability of the audit firms and quality of audit work. These are as follows:

- 1) Leadership and governance
- 2) Values and behaviours
- 3) Business models and financial soundness
- 4) Risk management and control
- 5) Evidence on audit quality, including from the FRC's annual programme of audit quality reviews.

The FRC has begun work on monitoring risk reporting, contingency planning and IT security at audit firms and it reports to the firms on its findings on all the five pillars. The results of the FRC's inspection of audit quality by the firms will be published in firm-specific reports in June and summarised in the annual Developments in Audit report in July.

The work of the "Big Six" audit firms is core to the integrity and transparency of UK capital markets and so the FRC is interested in creating a new approach to monitor their stability and performance by focussing on aspects of their businesses that are critical to the provision of high quality audits.

**7.
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 2017

1st Draft dated 13 April 2018

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Statement on the system of internal financial control	2
Statement of compliance	5
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 2017

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, the Financial Review and the Operational Review, as contained in the annual report for the year ended 31st December 2017, consider the commercially sensitive developments affecting RTÉ during 2017.

A brief summary of the contents of the key reports is set-out below.

- The Chair's Statement outlines the main strategic themes of the Board's work during the year and explains the work of the Board Committees. The Statement outlines how the Board will manage the challenges it faces into the future.
- The Director-General's report on page six of the annual report summarises the broad range of RTÉ's services to the audience during 2017 and presents the content highlights. The report highlights the performance of Television channels, outlines RTÉ.ie's position as the number one media site and references strong audience ratings for radio services.

The report outlines strategic developments in the year, including the development of a new five-year strategy, submitted to the BAI in October 2017; the launch of a new organisational structure in March 2017 and the sale of part of the Donnybrook site in July 2017.

The report concludes by highlighting the commercial and financial performance during the year and outlines issues regarding financial sustainability and the future funding of Public Service Broadcasting.

- The Financial Review on page 12 of the annual report presents the financial results for the year ended 31 December 2017 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 restructuring and other charges and the land sale proceeds.

The Financial Review outlines the financial outlook for 2018, including other important factors which impact on RTÉ's finances over the coming years.

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.

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. Those 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, the business divisions also consider risk and have registers that identify their key risks, evaluates the probability of those risks occurring and assesses the likely impact should the risks materialise.

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 104 – 106 of the 2017 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.

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 2017.

The audit findings relate to 1.3% of all the suppliers of goods and services in 2017, representing 3.6% of purchases in value terms.

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;
- 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;
- 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; and
- 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.

In 2017, RTÉ made payments to in excess of 7,600 suppliers of goods and services, including suppliers of people services.

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 strong actions agreed to address the findings, noting that these actions are now in progress. The key actions include:

- The reorganisation of RTÉ, which is underway, and the creation of new consolidated divisions and co-located teams. Oversight of key supplier relationships will be consolidated, resulting in better centralised managerial responsibility;
- Additional resources for the Procurement Department and restructuring of the department to oversee procurement activity by expenditure category;
- Extra monitoring and oversight procedures by Procurement;
- Greater Finance oversight of low value Purchase Orders;
- In the longer term, the implementation of new ERP System(s) for Finance and HR; and
- A review of the process for the engagement of Contractors in RTÉ

Over the course of time, competitive processes will be carried out to address the instances of non-compliant procurement. Tenders are already underway for approximately 30% (value terms) of these instances.

Finally, a follow-on review of procurement procedures will be carried out by Internal Audit in 2018 in order to monitor the implementation of the actions. The results will be reported to the Audit and Risk Committee.

Taking the above factors into account, the Board therefore considers the non-compliance to be isolated incidents in 2017, impacted by historic issues now 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 2017 annual report (page 103).

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 2017 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. Both Codes were updated in 2016;
- 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 107 – in the corporate governance report in the 2017 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:
 - Aengus MacGrianna, originally appointed to the Board following an election among staff members, ceased to be a Board member following his retirement from RTÉ in March 2018. A process is currently underway to elect a member of staff to the Board.

There were no other significant post balance sheet events affecting RTÉ between the year-end date of 31st December 2017 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 182 of the 2017 annual report for the annual report required under Section 21(1) of the Protected Disclosures Act 2014.
- Paragraph 1.9 xii): Government travel policy requirements are being complied with; and
- 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): 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.
- 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) sets out additional disclosures 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 and Group Financial Statements on grounds of commercial sensitivity / data protection. Please refer to Appendix 1 for details of the disclosures.

This report should be read in conjunction with the annual report and group financial statements for the year ended 31st December 2017, which is attached for reference.


Chair

On behalf of the Board
26 April 2018

Appendix 1 – Additional Disclosures in Relation to Certain Categories of Expenditure

Tables of financial data to follow in separate papers

DRAFT

RTÉ Internal Audit

Report on Commercial Revenue Operations

(Advertising & Sponsorship)

31 August 2022

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

██████████, Commercial Director, Television
██████████, Commercial Director, Sales Strategy – Insights
██████████, Head of Trading
██████████, Group Sales Manager
██████████, Head of Commercial Operations
██████████, Financial Controller, Commercial
██████████, Commercial Finance Manager
██████████, Commercial Systems and Support



Advertising & Media

Background

Background

Budgeted Commercial Revenue

The Commercial division is budgeted to generate ██████ in revenue for the year ended 31 December 2022, of which ██████ relates to advertising and sponsorship income.

Financial Update (Year To Date)

Commercial Division has generated commercial trading revenue of €62m year-to-date (up to 30 June 2022). This may be analysed against budget as follows:

Television Commercial Revenue 30 June 2022	Actual YTD €m	Interim Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	62.1	████	-5.8	-9%
Broken Down by Revenue Type:				
Advertising	48.4	████	-4.2	-8%
Sponsorship	6.3	████	-0.6	-9%
Other	7.4	████	-1.0	-12%

How Advertising is sold within Commercial:

Television Advertising

TV Ratings across eighteen audience demographics are sold to advertisers based on an annual deal sheet. A majority of trading occurs via advertising agencies. The deal sheet specifies any discount that RTÉ will offer to the client against the published cost per thousand ratings figure.

Under/over deliveries of TV ratings will arise where actual ratings delivered by RTÉ differ to those sold, and will result in deal credit/debt. This is tracked monthly, reviewed with the client and addressed each quarter.

For the majority of agencies, a trading/discount structure is in place comprising three elements: a graduated expenditure discount, an advanced booking discount and a new advertiser discount (where applicable).

The first of these is a volumetric incentive designed to encourage customers to increase spend. The remaining two are behavioural discounts that help RTÉ to achieve its planning and administrative efficiencies. For a small number of agencies, a Tiered Discount structure is used, and is not dependent on volume.

Radio Advertising

Radio Advertising is sold to both agencies and direct customers based on a published rate card. The rate card prices vary depending on the time of day the ad is broadcast and the RTÉ radio station (specific Spot Buys). Rate card discounted packages are also available once specific conditions are met.

Similar to TV advertising, Radio ratings are also sold to advertisers throughout the year across five different audience demographics, based on an annual deal sheet.

Digital Advertising

The majority of Digital Commercial Income derives from advertising sales and sponsorship on RTÉ.ie, RTÉ Player and RTÉ Mobile. Advertisements are sold to both agencies and direct customers based on a rate card / deal sheet. Prices are set-out in the rate card under the categories of AV Pricing (Video On Demand or VOD), Display Rates and Audio Pricing.

Sponsorship

RTÉ offers the opportunity to closely associate with programme output by way of sponsorship on Radio, Television and Online services. Sponsorship is a relationship entered into by a broadcaster or programme maker whereby a direct or indirect contribution is made to the programme in return for promotion of a name, trademark, image, activities or product. The contribution may be in the form of direct funding, provision of facilities or services, or the supply of goods/prizes.

Sales System

All adverts and sponsorship campaigns are booked on ██████, the airtime booking system. ██████ schedules advertisements based on the bookings made by the customer and generates monthly invoices.

Background & Risks

██████████ has an Ingres database and uses Ingres Checkpoints to perform full back ups on a daily basis to the database server. On completion of the Checkpoint backup, a full machine backup is taken by Commvault to the tape library. This is retained for two weeks.

Fair Trading

RTÉ is a dual funded public service media organisation, which means that the cost of fulfilling RTÉ's remit under the Broadcasting Act 2009 is funded by both commercial revenue and the Licence Fee. RTÉ must ensure that it trades fairly, in all of its trading activities, be they public service or commercial in nature. It must also ensure that its commercial activities are not subsidised by public money.

RTÉ's Fair Trading Policy and Procedures (updated in May 2022) is underpinned by the following principles:

1. Arm's Length Principle: that a clear separation exists between RTÉ's public service activities and its commercial activities
2. Conflicts of Interest: RTÉ recognises the importance of ensuring that decisions made in the course of trading activities are not influenced by conflicts of interest
3. Fair Competition: that RTÉ's trading activities shall be conducted fairly and at prices that reflect market conditions
4. Transparency and Accountability: that RTÉ's trading activities are conducted in a transparent manner, with due regard for commercially sensitive information.

In summary, the principles of fairness, transparency and equity shall continue to underpin RTÉ's approach to all its advertising sales activities.

The revenues and costs of RTÉ's commercial activities were combined and are now managed through a Commercial Division since 1 January 2016.

IT Systems

The following are the key systems impacting the sales process:

- ██████████ Airtime sales processing system
- ████████ Reporting: pre-processed data extracts for reporting purposes
- Reconciliation Database: Monthly reporting of under / over delivery of campaigns and deals
- ████████: Online campaign ordering/confirming system
- ██████████ Main financial system
- Copy Clearance: ██████████ (editorial clearance)

Risks Impacting Commercial Revenue

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

- **Risk # 4 – Commercial Income:** The commercial market shift towards digital platforms, with the continued emergence of new business models and technologies, impacts on RTÉ's ability to sustain revenues.
- **Risk # 2 – Distribution & Migration to IP:** impacts on RTÉ's connection with the audience and the achievement of audience commercial and fair value targets.
- **Risk # 6 – Business Continuity & Disaster Recovery:** The risk posed by either a force majeure event (such as a Covid-19) or a failure in critical technology, infrastructure or security, or the actions of third parties (e.g. cyber attack, supplier action) impacts on business continuity and output.
- **Risk # 10 – Failure to comply with legal and regulatory standards and obligations,** including internal policies, could result in reputational damage and/or financial penalties.

Other specific risks relevant to this report are as follows:

- Incomplete revenue
- Inaccurate revenue billings, not in line with contract / rate cards / deal sheets
- Inaccurate cut-off, resulting in misstatement of revenue
- IT system breakdown

Objective, Scope and Key Issues

Objective

To confirm the existence and operation of controls over the main risks in Commercial sales, to include:

- Accuracy of pricing of sales (including reviewing discounting practices);
- 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];
- Forecasting of ratings and optimisation procedures; and
- Operations of Station Management and Traffic teams.

Scope

The scope of the audit was restricted to Advertising and Sponsorship income of the Commercial Division, focusing on revenue generated in the period January to May 2022.

✘ The audit did not include:

- Non advertising / sponsorship revenue sources (c. [REDACTED] of income)
- Detailed review of the IT systems in use;
- Content of advertising copy

✔ A related audit report on Commercial Regulation compliance issued on 26 October 2021.

Key Management Issues

Monitoring of User Access controls

The monitoring of 'Super Users' on [REDACTED] is not occurring. Super Users have special privileges needed to administer and maintain the system.

Insufficient IT Support for [REDACTED] Reports

[REDACTED] Reports are pre-processed data extracts provided by the third party [REDACTED] (System Support for [REDACTED]) and used widely by the Commercial team. The following issues were identified:

- The data extracts / [REDACTED] Reports are no longer supported by [REDACTED]
- Data extracts are only provided for Television and Radio, and not for Online.

Conclusion

Conclusion

Overall

Commercial revenue was €62.1m for the six-month period to 30 June 2022, as compared to a budget of ██████. While there was 4% growth in commercial income from prior year driven by easing of restrictions and increased investment in content, commercial revenue is still ██████ under budget.

The shortfall in revenue reflects the competitive environment and its effect on advertising and sponsorship arising from the impact of post covid recovery, supply chain challenges, Ukraine war, rising inflation, cost of living, energy costs and increasing competition in the digital market.

Commercial Revenue Operations

The standards of control for the major risk areas in in the “day to day” processing of sales transaction are satisfactory.

Deal debt continues to be managed in an effective manner, with strong monitoring controls in place. We carried out end-to-end testing on a sample of sales transactions from the negotiation of the initial deal and discount terms, through to recording the transaction on the sales system, delivering the campaign on-air, invoicing the customer and, finally, reconciling the audience delivered vis-à-vis the ratings committed to as part of the deal. We are pleased to report that no matters of note arose during the testing of this area.

Two system-related or IT Functionality findings explained in more detail in the action plan overleaf, but not at a level to reduce the overall audit rating.

We appreciate the co-operation and assistance received from Commercial personnel during the course of this audit.

Rating



SATISFACTORY

Appendix – Action Plan

Finding	Agreed Action	Owner	Due Date
<p>1 Monitoring of Super Users on ██████████</p> <p><i>Background</i> The “Authority Maintain” (AUTHMNT) user profile on ██████████ is a powerful administration super user profile that allows the user to amend, increase and decrease the user access levels of any user on ██████████, including themselves. It enables the user to give specific rights to certain functions, by role.</p> <p><i>Finding</i> We carried out a review of all users of the ██████████ system. Included in this was a review of the user profiles with the powerful administration access.</p> <p>During testing we noted the following:</p> <ul style="list-style-type: none"> ✓ All ██████████ users are monitored via bi-annual meetings and User Request Forms are completed by Management prior to access being granted. ✗ Monitoring of Super Users or those with the “Authority Maintain” (AUTHMNT) user profile is not completed during this bi-annual review. There is no periodic review performed of the appropriateness of users with this access. This is a re-occurring issue from the last audit. <p>The lack of formal User Access review of this particular ██████████ functionality increases the risk that amendments made inappropriately could go unnoticed. Users may have incorrect access and may have permissions in excess of their job role e.g. (should their role have changed).</p> <p>This also increases the risk of gaining unauthorised access to process transactions and manipulate data inappropriately.</p>	<p>A review of the powerful administration user profile, “Authority Maintain” (AUTHMNT), will be undertaken bi-annually, as part of the existing process.</p> <p>The report generated from ██████████ to monitor users will be amended slightly to illustrate the type of user profile per staff member.</p>	<p>██████████ ██████████</p>	<p>31 December 2022</p>

Appendix – Action Plan

Finding	Agreed Action	Owner	Due Date
<p>1 Insufficient IT Support for ██████ reports</p> <p><i>Background</i> ██████ Reports are pre-processed data extracts provided by the third party Imagine (System Support for ██████) and used widely by the Commercial team.</p> <p>Previously, there was sufficient knowledge in-house to address any technical problems generating reports within the ██████ environment. However, there has been a knowledge gap since the departure of staff members over the years.</p> <p><i>Finding</i> The following issues were identified:</p> <ul style="list-style-type: none"> • The data extracts / ██████ Reports are no longer supported by Imagine. • The server on which the application is run is very outdated and out of support (L-DOM Server). • Data extracts are only provided for Television and Radio, and not for Online, resulting in an information gap. • The Commercial team can still request assistance from Imagine, if needed, but it is often not sufficient and expensive. 	<p>██████ reports will be replaced by Microsoft Power-BI reports and generated in-house. This process is already in train.</p>	<p>██████ ██████</p>	<p>31 December 2022</p>

RTÉ Internal Audit

Review of Commercial Revenue – Digital

(Incorporating Advertising Revenue, RTÉ Guide)

23 June 2016

Circulation:

Director-General

Members of the Audit and Risk Committee

Executive



Background

Background

Digital Income

RTÉ Digital may be split into three main income generating sub-divisions: *Digital Commercial Income* and *Merchandising Distribution Income*, both reported separately under a new Commercial Division and part of RTÉ Commercial Enterprises Ltd. The remaining income unit is made up of *Library Sales*, which is managed separately from the above income streams.

Digital Commercial Income

The majority of Commercial Income derives from advertising sales and sponsorship on *RTÉ.ie*, *RTÉ Player* and *RTÉ Mobile*. Advertisements are sold to both agencies and direct customers based on a rate card / deal sheet.

Merchandising Distribution Income

Merchandising income may be split into four categories:

- *Player Licensing*: the sale of Video On Demand (VOD) through deals with third parties such as Sky, Virgin Media and Vodafone;
- *RTÉ Premium Player*: a global online Irish television service for international audiences payable via subscription;
- *RTÉ Shop*: the sale of DVD's, Box Sets, etc. online; and
- *GAAGO*: GAA games made accessible abroad via payment of a subscription or a Pay-Per-Game (PPG) basis.

Budgeted Revenue -Digital

Digital is budgeted to generate [REDACTED] revenue in the year ended 31 December 2016, as analysed below:



Financial Update

The Digital Commercial IBD generated commercial income of [REDACTED]m year-to-date May 2016. This may be analysed against budget as follows:

Digital Commercial Revenue 31 May 2016	Actual YTD €m	Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	[REDACTED]	[REDACTED]	[REDACTED]	-15%
Broken Down by Revenue Type:				
Advertising & Sponsorship	[REDACTED]	[REDACTED]	[REDACTED]	-10%
Merchandising Distribution Income	[REDACTED]	[REDACTED]	[REDACTED]	-23%

An additional €0.17m was generated in Library and Archive Sales.

New Sources of Revenue

Digital's intention is to continue to maintain income from current sources, to secure income from recently concluded contracts in respect of RTÉ Player Licensed Sales and also to aggressively exploit new opportunities as they emerge, whether in terms of content sales or expansion of platforms.

RTÉ Guide Income

Revenue generated from sales of the RTÉ Guide is reported under the Corporate IBD. However, Digital Finance is responsible for the finance function. Circa 80% of the revenue generated from the RTÉ Guide stems from circulation (i.e. the cover price). Advertising and sponsorship make up the remainder. Total income is budgeted at [REDACTED] for the year ended 31 December 2016, of which [REDACTED] relates to advertising and sponsorship.

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
- [REDACTED] Video Advertising system for RTÉ Player

Objective and Scope

Risk

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

- Risk # 4 – Failure to grow commercial income
- Risk # 5 – Changes to Regulation impacting advertising / sponsorship / other commercial revenue
- Risk # 6 – Business Continuity & Disaster Recovery

Other specific risks relevant to this report are as follows:

- Incomplete revenue
- Inaccurate revenue billings, not in line with contract / rate cards / deal sheets
- Inaccurate cut-off, resulting in misstatement of revenue
- Non compliance with rules & regulations
- IT system breakdown

Objective

The objective of this audit was to confirm the existence and operation of controls over the main risks in the Digital sales and accounts receivable functions, to include:

- 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.

Scope

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

✘ The audit did not include:

- ✘ Review of income generated from Merchandising Sales (managed in TV)
- ✘ IT Audit of the Doubleclick and FreeWheel Systems
- ✘ Independent verification of circulation returns figures provided by the RTÉ Guide distributor – separate audit in 2016, Q3.

Key Management Issues

Functionality of the Sales System

We identified instances where the Origins sales system's functionality is inadequate, as follows:

- [REDACTED] is unable to post income from more than one revenue source under each campaign.
- Sales prices are not electronically enforced, within a predefined range, on Origins.

We identified technology issues:

- The [REDACTED] sales system is backed up nightly but the backup is stored on the server itself, which is a weaker backup control than a mirrored server.
- The server itself is backed up, but this is only completed once a week, posing a risk of data loss in the event of a system failure in the interim.

Conclusion

Conclusion

Commercial revenue in Digital IBD was €[REDACTED] for the five month period to 31 May 2016, as compared to a budget of [REDACTED]. Despite a strong growth of 35% in income as compared to the equivalent period in the prior year, Digital has experienced a tough trading environment as it works to achieve an aggressive budget target.

The growth in advertising and sponsorship income is largely attributed to an increased supply of VOD inventory enabling RTÉ to monetise increased demand due to wider usage and availability on iOS mobile devices. In contrast, the shortfall in overall revenue is due to a fall in the demand for Display advertising and falling prices in the marketplace. Merchandising Distribution Income has also grown year-on-year due to an increase in Player Licensing Income and GAAGO income. However, this is offset by lower distribution income, partly due to changes to legislation not occurring as envisaged. GAAGO income is partly impacted by the lack of live games at the start of the championship.

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 where possible.

The standard of financial and operational control in the commercial Sales function in Digital is strong. As outlined in the action plan, we identified opportunities to tighten control in the areas of Technology controls. These actions are currently in progress and some have already been completed. Many of the findings are considered low to moderate priority issues.

While generally strong, the standard of financial and operational control in the commercial revenue function in the RTÉ Guides requires improvements in a small number of areas, as outlined in the action plan.

We appreciate the co-operation and assistance received from Digital IBD and the RTÉ Guide during the course of this audit.

Rating

Overall Rating



IMPROVEMENT NEEDED

- Digital Sales Operations: Satisfactory
- Technology aspects: Improvement Needed
- RTÉ Guide Sales Operations: Improvement Needed

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
1.	<p><u>Back-up procedures on [REDACTED] System</u></p> <p>[REDACTED]</p>	<p>Agreed. (Technology co-operation required)</p> <p>Agreed. (Technology co-operation required)</p> <p>Agreed. (Technology co-operation required)</p> <p>[REDACTED]</p>	<p>a) Investigate the feasibility of moving the database to the corporate database cluster, and moving all other elements to the file servers. This would give regular full and transaction log backups to a location off the server and, as a result, enable recovery of the application in the event of a complete loss of the server.</p> <p>b) See action above.</p> <p>c) Backup restoration testing from tape to the test environment will be performed on a six monthly basis. A formal sheet detailing the steps taken as part of the restoration and the results of the restoration will be formally reviewed and signed off by both the tester and the [REDACTED] system administrator. These sheets will be maintained on file for review.</p>	H	<p>[REDACTED]</p> <p>30 September 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	<p>██████ system limitations: campaigns with multiple products</p> <p><i>Testing</i> The accuracy and completeness of revenue was verified during “end-to-end” invoice testing of ten advertising campaigns in Digital.</p> <p><i>Finding</i> During testing, we noted that revenue was booked to the incorrect revenue code or costpool in four of the ten campaigns tested. For example, one campaign had adverts across the RTÉ Player, Online and News Now, but all of the revenue was booked to Online.</p> <p>On investigation, we noted that ██████ is unable to post income from more than one revenue source under each campaign. Therefore the Sales Team book the revenue under one costpool in ██████ and then it must be transferred manually, via manual journal, by the ██████████ each month end.</p> <p>This involves examining each invoice run, line by line, and identifying the number of incorrect classifications by checking to the system. This is a very manual, time consuming and inefficient process.</p> <p><i>Impact</i> There is also a risk of error resulting in revenue by costpool being misstated, impacting actual v budget reporting. This is likely to be a reclassification matter only; total revenue would be correct and the finding should be considered accordingly.</p>	<p>Agreed.</p> <p>██████████</p>	<p>This issue cannot be addressed under the current ██████ system functionality. This will be considered in the functionality of any future system developments.</p> <p>No action necessary, unless there is a migration to ██████ in the future. In the meantime, the manual checks by the Finance Team will continue.</p>	M	<p>██████████</p> <p>31 December 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>In mitigation, the Financial Accountant, is completing a line-by-line check on each booking and can amend any miscoding errors made by the Sales Booking Team as part of the data entry.</p>				
<p>3.</p>	<p>██████ not mapped for new Commercial Division</p> <p>The ██████ system has not yet been mapped to the new RTÉ Commercial Division, 3I, which commenced operations on 1 January 2016. Therefore, revenue is still being booked under the old 3D costpools on ██████. The export file created from Origins therefore contains revenue booked to incorrect costpools.</p> <p>To address this weakness, the ████████████████████ in Digital must then manually find all revenue booked under 3D and replace with 3I coding in excel. This must be done before the export file is imported into ██████ by the IT Finance team.</p> <p>The risk arising from this issue is that revenue might be miscoded. This process is also manual and inefficient.</p>	<p>Agreed.</p> <p>██████████</p>	<p>The ████████████████████ will liaise with the software support company for the ██████ Sales System in order to assess the feasibility of having ██████ mapped for the new costpools.</p>	<p>M</p>	<p>██████████ 30 September 2016</p>
<p>4.</p>	<p>Recording price on the ██████ sales system</p> <p>Sales prices are not electronically enforced, within a predefined range, on ██████. 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>Agreed.</p> <p>██████████</p>	<p>A mitigating control has been implemented since the last audit – no action necessary. System limitations prevent any further action and this will be considered in any future system enhancement.</p>	<p>L</p>	<p>See action for finding #2</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<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 Manager, RTÉ Media Sales 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 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 on a day.</p>				
	Sales Bookings and Discounting Process – Digital				
5.	<p><u>Lack of Formal Sign-Off of annual Deal Sheets</u></p> <p><i>Background</i> 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 annual deal sheet and has replaced the contracts which were issued to agencies in previous years, but rarely signed.</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><i>Finding</i> We selected ten advertising campaigns for testing. Four out of</p>	<p>Agreed.</p> <p>██████████</p>	<p>The risk is largely mitigated by the clause in the Insertion Order. However, consideration will be given to including the following clause in the “final-offer” email sent to agencies or as a footnote in the deal sheets:</p> <p><i>“The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ’s Standard Terms and Conditions of Business”.</i></p>	L	<p>██████████ 30 September 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>the ten advertising campaigns did not have an annual deal sheet as this was not required (small campaign, once-off customer, cross media campaign etc.). Three agency deal sheets for the period 2015/2016 were in place for the remaining six campaigns or sample (i.e. each agency addressed two campaigns).</p> <p>✓ Two of the three deal sheets were formally signed off in writing by the relevant agency.</p> <p>✗ In the case of the remaining deal sheet we observed the following:</p> <ul style="list-style-type: none"> • It was not signed by either party. The trading rates were agreed via a “final offer” email sent by RTÉ to the agency. • No confirmation of agreement with the terms is obtained by RTÉ from the client. • There is a small risk of disagreement on terms in the event of a dispute with the agency. <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>Also in mitigation, a booking cannot be made without the generation of an Insertion Order which states that the booking is made “subject with RTÉ Terms and Conditions”.</p> <p>This is an improvement on the previous audit where none of the deal sheets were signed and we note the new controls implemented by the Sales Manager.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales Bookings and Discounting Process – RTÉ Guide				
6.	<p><u>RTÉ Guide – Lack of Long Term Agreements and Insufficient trail of agreed prices</u></p> <p><i>Background</i> Although the RTÉ Guide is managed in a separate division to Digital from a business and operational perspective, from a finance point of view it is managed within Digital and therefore incorporated into our testing.</p> <p><i>General Findings</i> X There are no Long Term Agreements (LTA’s) or Deal Sheets in place within the Guide. X Orders for advertising in the RTÉ Guide are generally made by email and over the phone. They are not always filed.</p> <p><i>Testing Findings</i> Five advertising campaigns from the RTÉ Guide were selected for testing.</p> <ul style="list-style-type: none"> - There was back-up on file for three of the campaigns selected, such as emails with the client / agency detailing price. - However, the booking email for one campaign was different to the amount per the invoice, but only by €50. - For the remaining two campaigns, there was insufficient backup on file supporting the agreed price and terms as the original emails were unable to be sourced by the team due to archiving issues. - Relevant to all five campaigns, terms and conditions were not included in the backup. 	<p>There are no LTA’s in place because the agencies are not willing to commit to a level of spend in order to warrant an LTA. As print is in decline it is more difficult for the agencies to commit to a spend level therefore they are unwilling to enter into an LTA.</p> <p>All bookings are sent via email and filed away. A request to prevent archiving of emails has been submitted to Central IT.</p> <p>A central filing system will be set up so that all campaign / deal information will be accessible.</p> <p>██████████</p>	<p>Agreed prices and terms for each client will be documented and stored in a central location (e.g. G: Drive) accessible by all team members should a query arise. (This practice is in place in other divisions).</p> <p>The Sales Team in the RTÉ Guide will examine the feasibility of migrating to a process involving Long Term Agreements (LTAs) with certain key agencies to streamline pricing arrangements.</p>	M	<p>██████████ 30 September 2016</p> <p>██████████ 31 December 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>The lack of a trail or record of pricing history make it difficult to verify the terms of the deal. This would pose a problem in the event of a team member being absent, or should a dispute arise with the customer.</p> <p>In mitigation, action within the area of establishing LTA agreements is not entirely within RTÉ’s control as it requires negotiation with third parties and agencies.</p>				
	General				
7.	<p><u>RTÉ Shop and Distribution</u></p> <p><i>Finding</i> The RTÉ online shop is currently closed (effective 31 May 2016). Customers accessing the page on the RTÉ.ie site are greeted with the following:</p> <p><i>“The RTÉ Shop is closed temporarily. For queries in relation to any existing RTÉ Shop orders or to be kept up to date on our brand new RTÉ Shop launching later this year, please email shop@rte.ie”</i></p> <p><i>Background</i> RTÉ’s sole distributor of Television and Radio merchandising closed in 2015. There is a bad debt to be written off as a result of this closure.</p> <p>RTÉ then commenced trading with an alternative company in the latter part of 2015. However, that supplier also went into liquidation early in 2016 with an amount owed to RTÉ on the</p>	<p>RTÉ has completed a tender for two lots, merchandising distribution to the retail trade, and operation of the online shop on rte.ie. An announcement of the successful tenderer(s) is expected by week ended 24/6/2016.</p> <p>Upon completion of the tender, RTÉ expects to appoint vendor(s) who will distribute RTÉ merchandise to the retail trade, and operate the rte.ie online shop. This should allow RTÉ to profitably exploit merchandising commercial opportunities while minimising credit risks to RTÉ.</p>	<p>RTÉ will go to tender for a new distribution service.</p>	Done	<div style="background-color: black; width: 100px; height: 20px;"></div>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>account. There is a payment plan in place for recouping this amount.</p> <p>RTÉ is currently trading with another company, however, this company is responsible for sales only and is not in the business of distributing merchandise to third parties. The RTÉ merchandise products are only for sale in a very small number of the retailer’s own stores. The company does not distribute for the RTÉ Shop.</p> <p><i>Distribution</i> RTÉ must therefore also find a distributor for its merchandise as there is currently no contract in place for the distribution of merchandise. It is especially important to secure a service provider prior to the Christmas 2016 season, where sales and revenue is predicted to be at its highest.</p>				

RTÉ Internal Audit

Review of Health and Safety

14 July 2020

Final

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

██████████, Health and Safety Manager

██████████, Head of Property and Services

████████████████████ Facility Engineering Manager



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Introduction and Background

Introduction

Health and safety laws apply to all employers and are governed by the Health and Safety Authority.

The proactive management of health and safety in the workplace helps organisations prevent injuries and ill-health at work and should reduce the personal loss caused as a result of accidents and ill-health at work.

Background

Primary Act

RTÉ is required to comply with the Safety, Health and Welfare at Work Act 2005 (“2005 Act”). This Act sets out the responsibilities of employers, employees and various other parties in relation to health and safety at work. The 2005 Act also details the role and functions of the Health and Safety Authority, provides for a range of enforcement measures that may be applied and specifies penalties that may be applied for breach of occupational safety and health.

Employers have a duty to ensure employees’ safety, health and welfare at work, as far as reasonably practicable.

General Application Regulations

Section 58 of the 2005 Act gives power to the Minister to make regulations either where matters are prescribed, or for the purposes of giving full effect to the Act and in respect of specific matters (e.g. manual handling).

The Safety, Health and Welfare at Work (General Application) Regulations 2007 to 2019 (“Regulations”) are therefore also relevant to RTÉ. The Regulations place obligations as regards safety and health on employers, employees and others who are connected to work activities. They lay down a basis for managing safety and health and ensuring that employers consult with employees on safety and health matters and to provide a safe workplace for use, safe equipment etc.

Risk Assessments

Section 19 of the 2005 Act requires employers, and those who control workplaces, to prepare risk assessments. A risk assessment outlines the hazards in the workplace and the controls in place to manage those hazards. The 2005 Act specifies that a general risk assessment be prepared for routine tasks at the place of work which pose a risk to health and safety. In addition, separate “once-off” risk assessments are also required before undertaking any non-routine assignments which pose a specific health and safety risk.

Construction Regulations

The Safety, Health and Welfare at Work (Construction) (Amendment) Regulations 2019 prescribe the main requirements for the protection of the safety, health and welfare of persons working on construction sites. They give further effect to Council Directive 92/57/EEC on the minimum safety and health requirements at temporary or mobile construction sites.

Management of Health & Safety within RTÉ

Responsibility for health and safety in RTÉ lies within each division, supported by a Health and Safety Manager within the Human Resources division, who acts in an advisory role.

The Health and Safety Manger works with senior management to develop, implement & maintain Health & Safety practices while providing a professional support and advisory service to the divisions on all health and safety matters. This includes areas such as the preparation of risk assessments and safety statements; accident investigations; providing updates on new legislation; and sourcing training courses.

The Directors of the divisions are responsible for health and safety matters and delegate the day to day management of risks to competent senior managers. Any significant risks are brought to the attention of the Health and Safety Manager and the Executive, which refers the risk to the RTÉ Board, if necessary.

A new Health and Safety Manger was appointed in April 2020, after the post was vacant since October 2019. The function has recently been assigned to the Human Resources division, having formerly reported to the Director of Operations and Production Services.

Risk, Objective and Scope

Risk

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

- [REDACTED] – Legal & Regulatory Changes / Compliance; and
- [REDACTED] Brand and Reputation.

Objective

The objectives of the audit were as follows:

- To ensure that the process for including all Health & Safety Acts, Regulations, Codes of Practice, Standards etc. applicable to the organisation is adequate;
- To ensure that the actions/responsibilities of both employers and employees are known;
- To ensure that Risk Assessments are completed and in line with Health & Safety requirements;
- To ensure that Safety Statements are in place and in line with Health & Safety requirements;
- To ensure that Health & Safety training is provided for all areas, including specialised training and to ensure all relevant parties complete same;
- To ensure that adequate Health & Safety measures are in place;
- To ensure that Health & Safety measures are adequately monitored and tested;
- To ensure that any Health & Safety risks or near misses identified are formally addressed and mitigated; and
- To ensure that Health & Safety items are adequately reported to Senior Management.

Scope

The scope of our review included:

- ✓ Checking compliance with the relevant Health & Safety Acts, Regulations, Codes of Practice, Standards etc. applicable to RTÉ;
- ✓ Gaining an understanding of the key health and safety risks in each Division and the main health and safety controls / procedures in place;
- ✓ Requesting and reviewing risk assessments for a sample of programmes and other events which potentially pose a health and safety risk;
- ✓ Checking that each Division has a Safety Statement which is clear, concise, relevant and up-to-date;
- ✓ Verifying the existence and operational effectiveness of supporting procedures in areas of fire safety, safety equipment (AED, first aid, etc.) and the management of accidents;
- ✓ Checking the existence and adequacy of health and safety training across the organisation.

The scope of our audit did not include:

- ✗ 2rn (covered in Network Operations audits);
- ✗ Child Protection;
- ✗ Vehicles at Work; and
- ✗ A review of risk assessments prepared by Independent Production Companies.

Findings

Key Management Issues

The key issues are summarised below. Full details are contained in **Appendix 1**.

Non compliance with legal requirements

IA noted a number of requirements under the 2005 Act and the Regulations that were not being adhered to. These included, as examples:

- Not holding Fire Drills regularly;
- Issues with Health and Safety Equipment (e.g. Fire Extinguishers and AEDs); and
- Incomplete Health & Safety Policy.

Safety Statements were not available for inspection for certain higher risk areas. In addition, IA noted issues with the completeness of the Safety Statements. Some key information is not documented, including:

- The hazards identified and the risks assessed; and
- The protective and preventive measures and plans.

Risk Assessments not in place, or are incomplete

From a sample of 42, a risk assessment was not available for inspection for **18 (43%)** of the programmes, events and projects selected in our audit sample. Of these **18** cases, **8 (44%)** had some mitigating controls implemented in practice, but were not documented. However, the remaining **10 (56%)** had no actions taken. Of the 23 risk assessments available, **14 (61%)** had scope for improvement.

IA noted that there was a lack of awareness across the organisation of the requirement to complete risk assessments, with limited assistance and guidance available to line managers with completing risk assessment.

In addition, a risk assessment for the organisation and a number of higher risk areas are not available.

Overview and Context of Findings Continued

Key Management Issues Continued

Scope to improve Information, Communication & Training

IA noted a number of gaps and improvement points in relation to management information reporting and the communication and training to staff. These areas included:

- Differences in accident figures included in monthly reports when compared to the accident log;
- H&S accident log and HSA reportable log for 2019 were incomplete and inaccurate in areas; and
- Some mandatory training is lapsing without being recertified within the required timeframe.

Procedures not in place

IA noted that a number of Health & Safety procedures are not being completed or where they are completed, that they are not completed adequately. These areas included:

- Reviewing of H&S accident log to identify trends;
- Capturing & classification of near misses;
- Escalation procedures to senior management; and
- Tracking of H&S actions in monthly reporting.

The findings of our review are graded as follows. Please refer to **Appendix 1** for full details of the Findings.

Ref	Issue	Grading
1	Non Compliance with 2005 Act and the Regulations	High
2	Risk Assessments	Medium
3	Inaccurate or insufficient Health & Safety Information, Communication and Training	Medium
4	Inadequate Health and Safety Procedures	Medium

Conclusion and Report Rating

Conclusion

Overview

Internal Audit carried out an audit of Health and Safety focusing on compliance with the relevant Legislation / Regulations and reviewing the practices in place to implement the safety measures. Employers have extensive duties under the Safety, Health and Welfare at Work Act 2005 and the 2007 – 2019 Regulations. RTE, as an employer, has a legal duty to ensure the safety, health and welfare of its employees at work. In turn, employees have responsibilities under the Act and are required to co-operate with the employer to enable compliance with the relevant statutory provisions.

Context

This audit work was carried out in advance of the Covid-19 pandemic. We note the extensive work carried out by Health and Safety, within a tight deadline, in completing RTE's Working Safely on Site Protocols. The protocols outline how the workplace is being organised to address the risks of COVID-19, RTE's response plan and other supporting advice and documents.

In addition, it is important to highlight that the post of Health and Safety Manager was vacant for a period of approximately six months to April 2020 during the recruitment process. The function has recently been assigned to the Human Resources division, having formerly reported to the Director of Operations and Production Services. The development of updated plans for the operation of the Health and Safety function are in progress.

Health and Safety provides a professional support and advisory service to the business and implements the safety Framework. However all staff and their managers, as users of the framework, have responsibilities to follow the procedures and guidance set-out and to seek advice as needed.

Findings

A number of areas need attention. Our audit findings highlight instances of non compliance with employer obligations under the 2005 Act and the Regulations, which increases compliance and reputation risk in the event of sanction by the HSA. Many Safety Statements are out of date and no Safety Statements are in place for some higher risk areas.

Risk assessments were not prepared for events which, in our view, gave rise to specific health and safety risks. In addition, we noted weaknesses with the process of preparing general risk assessments. Furthermore, the audit highlighted scope for improvements in the area of providing information, communication & training to staff. Some mandatory or refresher training is out of date. On the basis of the non compliance with legislation we assess the overall process as "Unsatisfactory".

Actions

The findings highlighted in this audit will be incorporated into the new Health & Safety Manager's work programme – please see **Appendix 2** for details. We appreciate the co-operation and assistance received from staff during the course of this audit.

Report Rating



UNSATISFACTORY

Appendix 1 – Findings

1 – Non-Compliance with 2005 Act and the Regulations



From our observations, testing and discussions with individuals across the organisations, the following are not been completed as required under the 2005 Act or the Regulations.

<i>Area</i>	<i>Comment</i>
<i>Protective & Preventive Measures</i>	<p>Non-compliance noted in areas such as:</p> <ul style="list-style-type: none"> ➤ Fire drills not completed for a number of years; ➤ Issues with the tracking and maintenance of Health and Safety Equipment (e.g. Fire Extinguishers, First Aid Boxes, AEDs etc.); ➤ Incomplete Health & Safety Policy; ➤ Risks identified in higher risk areas (e.g. Production Services) not fully mitigated; ➤ Insufficient numbers of staff trained on implementing preventative measures (e.g. Fire Wardens, First Aiders etc.) and their work location is not being appropriately tracked; and ➤ Evacuation procedures not available.
<i>Safety Statements</i>	<p>Covers areas such as:</p> <ul style="list-style-type: none"> ➤ Safety Statements are missing for certain higher risk areas (e.g. Production Services and Corporate Events); ➤ Safety Statements out of date and not reflecting the current divisional structures. Many are dated early 2016, in the old IBD structure, and some were carried forward from a 2010 version (Radio OB) with minimal change; ➤ Non-compliant Safety Statements across the organisation (e.g. the hazards identified and the risks assessed; the protective and preventive measures; and the plans and procedures for dealing with emergencies or serious and imminent danger are incomplete); and ➤ Safety Statements not brought to the attention of staff and visitors as required.
<i>Orchestra Noise Audits</i>	<ul style="list-style-type: none"> ➤ Bi-annual noise audits not completed since 2018 and audit recommendations not implemented.
<i>Training</i>	<ul style="list-style-type: none"> ➤ Training is not always available and is not adequately tracked centrally.
<i>Night Shift/Lone Workers</i>	<ul style="list-style-type: none"> ➤ No consideration across all H&S measures and requirements.
<i>Regional Offices</i>	<ul style="list-style-type: none"> ➤ Minimal consideration across all H&S measures and not reflected in documents.

Appendix 1 – Findings Continued

2 – Risk Assessments



From our observations, testing and discussions with individuals across the organisations, IA noted the following issues with Risk Assessments.

Area	Comment
<i>Completion of Risk Assessment for high-risk events</i>	<p>IA selected a focused sample of 42 programmes, events and projects across the organisation which gives rise to specific health and safety risks. On review of same, IA noted the following issues:</p> <ul style="list-style-type: none"> ➤ 18 (43%) of the risk assessments were not available for inspection; ➤ Of the 18 cases, 8 (44%) had some mitigating controls implemented in practice but were not documented and the remaining 10 cases (56%) had no actions taken; and ➤ Of the 23 (55%) of the risk assessments available, 9 (39%) listed the hazards, the risks posed by the hazards and the mitigating controls in a clear and comprehensive manner. However, the remaining 14 cases (61%) had scope for improvement and did not address the risks adequately.
<i>Health & Safety Oversight</i>	<p>Additional guidance from and oversight by Health & Safety is required as IA noted the following issues:</p> <ul style="list-style-type: none"> ➤ Lack of awareness across the organisation of the requirement to complete risk assessments in certain areas and under certain circumstances; ➤ No monitoring or reviewing of risk assessments completed; ➤ Reliance on third parties risk assessments even in the case of companies with different Health & Safety legislation; and ➤ Scope to improve training/guidance for staff with completing risk assessments.
<i>Inadequate Information / Guidance to Managers</i>	<p>Covers areas such as:</p> <ul style="list-style-type: none"> ➤ No standard/general risk assessments for the organisation and for a number of higher risk areas (e.g. Corporate Events and Orchestras), as required under the Act; ➤ Risk Assessment Policy and Procedure lacks sufficient details; and ➤ Sign off on risk assessments not completed for high risk items.

Appendix 1 – Findings Continued

3 – Inaccurate or insufficient Health & Safety Information, Communication and Training



From review of Health & Safety documents and reports, the following inaccuracies and issues were noted with the information presented.

<i>Area</i>	<i>Comment</i>
<i>H&S Monthly Reporting Procedures</i>	<ul style="list-style-type: none">➤ Differences in accident figures included in monthly reports when compared to the accident log;➤ Due dates not included for all H&S action items;➤ No comments for overdue action items; and➤ No inclusion of trends in management reporting.
<i>H&S Accident & Incident Logs</i>	<ul style="list-style-type: none">➤ H&S accident log for 2019 is incomplete in areas; and➤ HSA reportable log for 2019 was also incomplete in areas and included inaccuracies.
<i>Training</i>	<ul style="list-style-type: none">➤ Some mandatory training is lapsing without being recertified within the required timeframe; and➤ H&S training slides includes inaccurate information, lack sufficient detail and is misleading in areas (e.g. only one type of fire extinguisher and its uses is included when we have four different types).
<i>Safety Statements</i>	<ul style="list-style-type: none">➤ The overall RTÉ Framework Safety Statement & the higher risk areas Safety Statements include inaccurate and outdated information (e.g. including the use of general Risk Assessments as a control when we do not have a general Risk Assessment for the organisation).

Appendix 1 – Findings Continued

4 – Inadequate Health and Safety Procedures



From completion of our testing and discussions with Health and Safety and Property and Services, the following Health and Safety procedures are not being completed or where they are completed, they are not completed adequately.

Area	Comment
<i>No procedures in place to address certain risks</i>	<p>Covers areas such as the following where procedures are either not documented or in place:</p> <ul style="list-style-type: none"> ➤ Items to be included on H&S accident log; ➤ Review of H&S accident log to identify trends and documentation of same and trends identified; ➤ Policies, procedures, training etc. adhering to Health & Safety Act & Regulatory requirements; ➤ Training requirements per division/job type; ➤ Capturing & classification of near misses; ➤ Escalation procedures to senior management; ➤ Guidance on completing accident forms; ➤ Approach for engagement with insurance / Head of Procurement about accidents, including the timeframe of same; and ➤ Easily accessible / centralised forum for staff to notify P&S/H&S of items (e.g. when lights have blown for emergency exits).
<i>Inadequate procedures in place in the following areas</i>	<ul style="list-style-type: none"> ➤ Tracking of H&S actions in monthly reporting; ➤ List of reportable items and requirements for reporting to the HSA; ➤ Oversight of Health & Safety measures completed by Property & Services; ➤ Health & Safety information included on the Hub; and ➤ Health & Safety presence and communication.

Appendix 2 – Audit Actions

Action Plan	Owner	Due Date
<p>1 - Non Compliance with 2005 Act and Regulations:</p> <p>Management should ensure that all findings are addressed and included within the relevant managers' (e.g. Health & Safety Manager, Facility Engineering Manager etc.) work plan.</p> <p>IA in conjunction with the relevant managers will track the individual items and their due dates.</p>	<p>1. ██████████ (Director of HR) and ██████████ (Head of Property & Services)</p>	<p>1. 31 December 2020</p>
<p>2 - Risk Assessments; Inaccurate or insufficient Health & Safety Information, Communication and Training; and Inadequate Health and Safety Procedures:</p> <p>Management should ensure that all findings are addressed and included within the relevant managers' (e.g. Health & Safety Manager, Facility Engineering Manager etc.) work plan.</p> <p>IA in conjunction with the relevant managers will track the individual items and their due dates.</p>	<p>2. ██████████ (Director of HR) and ██████████ (Head of Property & Services)</p>	<p>2. 30 June 2021</p>

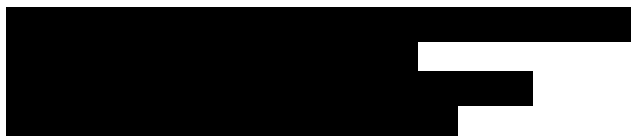
RTÉ Internal Audit

Report on Commercial Revenue – Radio

16 June 2014

Circulation:

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



Executive Summary: Background

Background

Budgeted Revenue

Radio is budgeted to generate [REDACTED] in commercial revenue for the year ended 31 December 2014, of which [REDACTED] relates to advertising, [REDACTED] to sponsorship and [REDACTED] to promotional and other income.

Financial Update

Radio IBD has generated commercial income of €7.3m in the year to 30 April 2014. This may be analysed against budget as follows:

Radio Commercial Revenue 30 April 2014	Actual YTD €m	Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	7.3	[REDACTED]	-	0
Broken Down by Revenue Type:				
Advertising	5.9	[REDACTED]	-0.2	-4%
Sponsorship	0.9	[REDACTED]	0.3	44%
Other	0.5	[REDACTED]	-0.1	-17%

People / Departments

Radio Advertising sales are managed by four Account Managers and a Direct Sales Agent. Radio sponsorship income is managed by a Sponsorship Manager. RTÉ 2fm Roadcaster usage, concert / product promotions and facilities income (use of the radio studios, production of advertisements etc.) is managed by the Radio Promotions Manager. These managers report to [REDACTED], Director of Radio Sales. In total, approximately 18 people work in the RTE Radio sales department. Accounts receivable and cash collection is managed as part of Group Finance.

Sales Methodology

Advertising and Sponsorship is sold to both agencies and direct customers based on a rate card. The rate card prices vary depending on the time of day the advertisement is broadcast and the RTÉ radio station. Rate card packages are available and bespoke packages can be compiled if necessary. All adverts and sponsorship campaigns are booked on [REDACTED], the radio advertisement sales booking system. [REDACTED] schedules advertisements based on the bookings requested by the customer and generates monthly invoices.

Discounts from rate card prices are offered on occasions, more commonly on RTÉ 2fm airtime rather than on RTÉ Radio 1 or RTÉ Lyric fm, due to the fact that the station has more spare capacity.

Other commercial income (promotions, RTÉ 2fm Roadcaster, concert promotion income and facilities income) is also sold to agencies/direct customers based on a rate card. The rate card prices for these income streams are open to negotiation with the customer / agency, depending on demand for these products. These sales bookings are managed using Excel worksheets, with details of the sale being re-keyed from Excel into [REDACTED] by the Radio sales staff. Invoices are printed from [REDACTED] and posted by central accounts receivable.

IT Systems

The following are the key applicable IT systems:

- [REDACTED]: Airtime booking and inventory management system
- [REDACTED]: Main financial accounting system
- [REDACTED]: Radio transmission system

Scope of Audit

- ✓ The scope of this audit was restricted to commercial sales in Radio IBD
- ✓ The audit included a financial review

The audit did not include:

- ✗ SMS/IVR (premium phone line) income;
- ✗ Detailed review of the IT systems in use; and
- ✗ Editorial decisions on adverts / copy clearance.

Executive Summary: Objectives, Scope & Key Issues

Objectives of audit

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

- Customer Account Management;
- Accuracy of pricing of sales (including reviewing discounting practices and agreement to rate card);
- Recording of sales bookings;
- Transmission of adverts;
- 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];
- Compliance with relevant laws and regulations (minutage, advertising standards, etc.); and
- Copy clearance procedures.

Key Management Issues

Advertising Minutage and Monitoring

We identified instances of the advertising minutage broadcast by RTÉ Radio exceeding the maximum permitted limits. In a sample of transmission logs tested during the audit, the breaches of advertising minutage represented 3.5% of the clock hours tested on RTÉ Radio 1. No breaches were detected in respect of RTÉ 2fm and RTÉ Lyric fm.

In a separate finding, we noted that there are no longer formal procedures in place for monitoring compliance with the advertising minutage rules in Radio.

Transmission Logs

We identified two instances of differences between what was actually transmitted on air and what was reported as broadcast per the Post Transmission Logs generated from [REDACTED]. While having no financial effect, this issue calls into question the integrity of the post transmission logs from [REDACTED] and whether they can be relied on to report accurately on broadcasting output from RTÉ Radio services.

Un-invoiced Sales

We identified uninvoiced sales of €118k, some relating to sales in 2013. This point is relevant to RTÉ 2fm Roadcaster and Radio Promotions sales, which are managed manually and not via the [REDACTED] Sales System.

Executive Summary: Conclusion & Rating

Overall Conclusion

Commercial revenue in Radio IBD was €7.3m for the four month period to 30 April 2014, in line with budget. This represents an increase of 3% in income compared to the equivalent period in prior year.

We identified a key audit issue in relation to compliance with advertising minutage rules, which appears to be driven by changes to the planned break schedule after it has been prepared by the Radio Sales Traffic team. During testing of a sample of transmission logs we observed breaches of the advertising minutage rules on RTÉ Radio 1. This is an important area as legal and regulatory compliance risk has been identified as one of RTÉ's key group risks. On that basis, and taking into account the potential financial (fines) and reputation impact in the event of an adverse BAI audit, we have rated the report as "unsatisfactory".

The standard of control in the "day to day" processing of Advertising and Sponsorship income is satisfactory. We carried out end-to-end testing on a sample of advertising and sponsorship transactions from the pricing and discount terms, through to recording the transaction on the sales system, delivering the campaign on-air and invoicing the customer. We identified a small number of less significant issues and the actions are currently in progress.

There is scope for improvement in relation to financial management of the smaller income streams of promotional, RTÉ 2fm Roadcaster and RTÉ CEL income. We noted delays in issuing RTÉ Radio Promotions and RTÉ 2fm Roadcaster invoices and a lack of a sufficient paper trail in the pricing of RTÉ CEL adverts.

For the avoidance of doubt, the report is assigned a rating of "unsatisfactory" due to the advertising minutage issue only, which is driven by factors extending beyond the direct control of Radio Sales personnel and includes editorial considerations.

We appreciate the co-operation and assistance received from Radio Sales personnel and Central Accounts Receivable during the course of this audit.

Rating



UNSATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Regulation and Compliance				
1.	<p><u>Commercial Advertising Minutage Breaches</u></p> <p><i>Rules</i> Irish broadcasting legislation grants the Minister for Communications, Energy and Natural Resources the authority to set the amount of minutage which public broadcasters may devote to advertising. Presently, RTÉ Radio may dedicate up to [REDACTED]</p> <p><i>Risks</i> There is a risk that RTÉ may be subject to a fine or other sanction from the BAI if it exceeds its allowable minutage for commercial advertising. Breaches also create additional reputation risk.</p> <p><i>Audit Testing</i> Seven daily transmission logs were selected and reviewed to check compliance with minutage rules – five days from RTÉ Radio 1, one from RTÉ 2fm and one from RTÉ Lyric fm.</p> <p><i>Results of Testing</i></p> <ol style="list-style-type: none"> 1) RTÉ Radio’s advertising minutage was not in excess of [REDACTED] of its broadcast hours on any full day reviewed. 2) Advertising minutage was not in excess of the permitted maximum hourly limit on the days selected for RTÉ 2fm and RTÉ Lyric fm. 	<p>Agreed</p> <p>[REDACTED]</p> <p>Agreed</p> <p>[REDACTED]</p>	<p>To address the RTÉ Radio 1 breaches arising due to late transmission changes and other events occurring after the preparation of the break schedule: an examination of the processes will take place in order to identify the reason for the late changes and the programmes responsible in order to agree a number of mitigating actions to address the matters.</p> <p>Reminders will be issued to the various programme teams highlighting the importance of adhering to the planned break schedule and the risks associated with moving a scheduled advertising break into another clock hour.</p>	<p>H</p>	<p>[REDACTED]</p> <p>30 September 2014</p> <p>[REDACTED]</p> <p>1 August 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>3) Advertising minutage was broadcast in excess of the permitted maximum hourly limit on nine occasions on RTÉ Radio 1. The breaches occurred across three of the five days selected. As analysed in further detail below, three of the nine breaches are considered material breaches and specific action is required.</p> <p>4) For the three days where breaches arose, we compared the planned break schedule prepared by Radio Sales Traffic to the actual advertisements broadcast to ascertain if breaches were planned, or if they occurred due to unplanned transmission changes. None of the breaches occurred in the planned break schedule.</p> <p>Reasons for breaches Of the nine breaches:</p> <ul style="list-style-type: none"> • Four are considered marginal / immaterial in duration - 8 to 13 seconds over the permitted maximum. These were due to minor differences in the actual recorded duration of the advert versus what was scheduled. • Two breaches were not, upon further investigation, actual breaches but reflect an error in reporting due to duplication in the Post Transmission Logs from [REDACTED] – see finding three below for further details. <p>The remaining three breaches are considered material breaches and all three are driven by late transmission changes or other unplanned events after the preparation of the planned break schedule. Adverts scheduled at the end of one clock hour were moved to the beginning of the next hour during programming, causing a breach in that clock hour.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>therefore causing a discrepancy between what was actually transmitted and what was reported as being transmitted. We understand these issues arose as the commercials were played from two sources in studio – the studio itself and the production desk. [REDACTED] incorrectly logged these as two separate commercials. This incorrectly increased the duration of the commercial minutage for that clock hour, incorrectly highlighting a breach of minutage rules.</p> <p>While not categorised as a breach, this issue calls into question the integrity of the post transmission logs and whether the logs can be fully relied on to report accurately on broadcasting from RTÉ Radio.</p>	<p>There are two reasons why the logs generated by [REDACTED] should not be regarded as an exact record of transmission:</p> <p>1. Commercials can be played outside [REDACTED] from the Commercials Backup CD. This is a physical CD played from a CD player direct to air and not via [REDACTED] has no knowledge of whether or not a break was played to air via CD.</p> <p>2. Commercials can be played by [REDACTED] but may not be played to Air. If a break is played multiple times, [REDACTED] has no knowledge of which break was actually played to air. This should be resolved during the reconciliation process.</p> <p>[REDACTED]</p> <p>Agreed [REDACTED]</p>	<p>duplicate advertisements.</p> <p>From a programme production perspective, programme teams will be informed of the correct technical procedures for the play-out of Commercial breaks in studio.</p>	<p>M</p>	<p>[REDACTED]</p> <p>15 August 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
4.	<p><u>Access to ██████████ System / Review of User profiles</u></p> <p>The “Authority Maintain” (AUTHMNT) user profile on ██████████ is a powerful administration user profile that allows the user to amend, increase and decrease the user access levels of any user on ██████████ including themselves. It enables the user to give specific rights to certain functions, by role.</p> <p>During testing we noted the following:</p> <ol style="list-style-type: none"> 1) One “Authority Maintain” user was identified as having two different sign-on names under two different roles. 2) Quarterly reviews of user profiles (for appropriateness) were not performed by the ██████████ Administrators. A lack of formal review increases the risk that users may have incorrect access within ██████████ and may have permissions in excess of their job role. This also increases the risk of gaining unauthorised access to process transactions and manipulate data inappropriately. <p>Both of the above are re-occurring issues from the late 2013 TV Sales internal audit report. In mitigation, the delay in implementation is attributed to the fact that a ██████████ system upgrade is currently in progress. This roll-out commenced in the first quarter of 2014, after the internal audit report was issued.</p>	<p>Agreed</p> <p>(██████████)</p>	<p>Once the new ██████████ system upgrade is fully operational, the following will be carried out:</p> <ul style="list-style-type: none"> - In the case of the duplicate sign-on, one sign-on will be disabled. - The ██████████ System Administrators will be informed of their responsibility and trained on how to perform formal review of user profiles for appropriateness. Reviews will take place on a quarterly basis. 	M	<p>██████████</p> <p>31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
5.	<p>Invoice Layout Functionality on [REDACTED]</p> <p>The invoice printing functionality on [REDACTED]k has space for two channels only. This creates a difficulty if the campaign runs across all three radio channels.</p> <p>This is due to limited space on the invoice layout functionality on [REDACTED] and reflects the way the function was originally specified at the time of system implementation. Only two channels can fit on one invoice.</p> <p>During testing it was noted that a campaign which had airtime across all three radio stations only had amounts listed in respect of two stations on the face of the invoice. However, the full campaign was billed and correctly recorded on [REDACTED] in this case, but the invoice was incorrect.</p> <p>There is a risk that the presentation may be misleading for clients when invoiced resulting in unnecessary queries. In mitigation, the total invoice amount should be traceable to the booking email submitted by the client and, also, the transmission details for each station are attached to the invoice.</p>		<p>An investigation will be carried out to determine if the functionality on [REDACTED] could be easily amended to provide more space in the text fields on the invoice.</p>	L	<p>[REDACTED] 30 September 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales bookings and Discounting Process – Sponsorship				
6.	<p><u>Sponsorship Campaigns</u></p> <p>Testing Seven sponsorship campaigns were selected for testing of the following matters:</p> <ol style="list-style-type: none"> 1) Existence and signing of the sponsorship contract; 2) Approval in accordance with sponsorship approval tiers; and 3) Completeness and accuracy of input to [REDACTED] <p>Results:</p> <ol style="list-style-type: none"> 1) Two out of seven Sponsorship contracts reviewed as part of our audit testing were not formally signed off by either an RTÉ representative or the client prior to going to air. These were: <ol style="list-style-type: none"> a) <u>Contract for the sponsorship of RTÉ 2fm’s Breakfast Republic</u> : In mitigation, the risk is low as the income had already been received and the delay was due to a UK agency element being involved, slowing the process. Email correspondence between the client and RTÉ confirming the booking was also reviewed. The signed contract has since been filed. b) <u>Contract for the sponsorship of RTÉ Radio 1 Traffic and Travel</u>: At the time of testing, the contract had expired on 31 December 2013 and the contract extension letter had yet to be formally signed off. In mitigation, the invoice had been paid in full and this was a known customer 	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The sponsorship team will endeavour to ensure that all future sponsorship contracts are formally signed off on a timely basis by a representative of RTÉ, the client / client’s agency. In cases where it is not possible to have the contract signed prior to transmission, the sponsorship team will continue to confirm agreement with the agency and the client over email and receive payment in advance where necessary.</p> <p>Consideration will be given to training the Sponsorship Assistant on inputting bookings to [REDACTED]. This will facilitate the implementation of a dual-checking process, whereby the booking is entered by the [REDACTED]</p> <p>The Sponsorship Manager will be reminded to exercise caution when making bookings ensuring that errors are captured before invoicing the client incorrectly.</p>	<p>L</p>	<p>[REDACTED] 31 August 2014</p> <p>[REDACTED] 15 September 2014</p> <p>[REDACTED] 31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>throughout 2013. The signed contract has since been filed.</p> <p>2) All campaigns inspected were signed off as approved in accordance with contract approval tiers.</p> <p>3) In one case, the campaign value was entered incorrectly into [REDACTED] and the client was billed for €800,000 instead of €80,000. The invoice was credited and reissued, and the system was updated for the correct amount.</p>				
	<p>Sales Bookings and Discounting Process – Advertising</p>				
<p>7.</p>	<p><u>Sign-off of client agreements</u></p> <p>RTÉ has entered into volume incentive agreements (“LTA Agreements”) with five of the larger agencies in order to boost demand for RTÉ 2fm airtime, which has been struggling in recent years. The LTA agreements for two of the agencies were not signed off by either party. We were informed that the agencies refuse to formally sign any agreements.</p> <p>The lack of formal sign-off of the terms increases the potential for dispute and lack of clarity regarding the criteria to achieve a discount.</p> <p>In mitigation, during 2013 the agreement operated in practice without any issues.</p>	<p>Agreed</p> <p>[REDACTED]</p>	<p>Confirmation of the discounts awarded and agreement of same by the agency / client will, as a minimum, be recorded over email prior to the discount being awarded.</p> <p>Consideration will be given to including the following clause in the email sent to agencies:</p> <p><i>“The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ’s Standard Terms and Conditions of Business”.</i></p>	<p>M</p>	<p>[REDACTED]</p> <p>31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
8.	<p><u>Campaign Booking Error</u></p> <p>We reviewed ten advertising campaigns end to end: from the initial discounting and booking stage to actual transmission.</p> <ul style="list-style-type: none"> - We noted no issues for nine campaigns. - For the remaining campaign, the campaign value invoiced by RTÉ Radio was not in agreement the value specified in the booking email. <p>On investigation, it transpired that the campaign start-date was missed and that the advertising spots did not go to air for the first three days of the pre-agreed campaign term. As it was a large retail campaign in the Christmas 2013 period, and a very large client, compensation had to be awarded in return to the client.</p> <p>This appears to have arisen due to human error by the Media Sales Assistant in identifying the commencement date for the campaign, and appears to be an isolated incident based on the results of testing in the area.</p>	<p>Agreed</p> <p>██████████</p>	<p>██████████ will be reminded to exercise caution and to check that the commencement date for each campaign per the booking email before entering into ██████████</p>	<p>L</p>	<p>██████████ 31 July 2014</p>
9.	<p><u>Access to client packages and discounts</u></p> <p>Media Sales Assistants (“MSAs”) are responsible for entering campaigns on ██████████. The Radio Sales Account Managers are responsible for negotiating the discounts and bespoke package discounts underpinning those campaigns.</p> <p>When MSAs are booking packages on ██████████, they use the information in the booking email from the agency. The booking e-mail from the agency should reflect the discount structure already agreed with the Account Manager.</p>	<p>Agreed</p> <p>██████████</p>	<p>MSAs will be given access to discount sheets and bespoke packages folder on the shared drive in order to check the information in the booking email before entering the campaign on to the system.</p>	<p>M</p>	<p>██████████ 15 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>During our testing we noted that the MSAs do not have access to a copy of the client discounts and the bespoke package discounts agreed between the Radio Sales Account Managers and the agencies. This creates a risk that the MSA does not have complete information when inputting the campaign. In the event of a discrepancy between the agreed discount structure and the discount quoted in the booking email from the agency, the MSAs could possibly award a higher discount than agreed by the Account Manager.</p> <p>While the MSAs contacts the Account Manager should any queries arise in relation to the deal, there is often a tight window from when the campaign is negotiated and when is it due to go to air. If the Account Manager is not available when the campaign is input, the MSAs have insufficient access to information to resolve any queries.</p> <p>Saving documentation of the client discount schemes to a shared drive would improve transparency and create operational efficiencies in booking campaigns onto [REDACTED].</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	RTÉ CEL				
10.	<p><u>CEL – Income and Pricing</u></p> <p><i>Testing:</i> Five RTÉ CEL adverts were selected for testing, with the sample selected from the accounting records and from the operational booking calendar.</p> <p>The following work was performed:</p> <ul style="list-style-type: none"> - The adverts were checked to the relevant invoices and to the Excel listing to verify completeness of records. - The process in respect of costing and pricing adverts was reviewed and documented. <p><i>Results:</i></p> <ol style="list-style-type: none"> a) All five adverts selected were billed to the customer. b) One RTÉ CEL sale was booked to the incorrect month on [REDACTED]. An advert recorded in January (2014) and listed on the excel listing for January was not booked on [REDACTED] until March, therefore slightly distorting the monthly RTÉ CEL revenue figures. This was due to the CEL Studio Coordinator being on leave in February. c) The paper trail / email correspondence with the client was not available for inspection for one of the five bookings selected. d) For two of the five adverts selected, it was not clear from the booking email how the price was arrived as a discount from the rate card was granted. 	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The RTÉ CEL Studio coordinator will ensure that all income is booked to the correct month on [REDACTED]. If absent, the RTÉ CEL Studio Coordinator will liaise another appropriate staff member, in advance, to ensure income is correctly recorded.</p> <p>All booking emails from clients will be stored in a manner in which they can be easily retrieved upon request.</p> <p>For non-standard, off-rate card bookings a breakdown of how the price is arrived at should be prepared and set-out in the email correspondence with clients. This should be retained on file for inspection.</p>	M	<p>[REDACTED]</p> <p>31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
11.	<p><u>CEL – Voiceovers / Rights Management</u></p> <p><i>Background</i> Many customers of RTÉ Radio Sales utilise the RTÉ CEL studio facilities to make an advert. RTÉ CEL has an agreement with voiceover artists and other Independent Contractors to use their services for an agreed fixed charge. As part of the terms and conditions the client is not allowed to send the advert to other radio stations without notifying RTÉ CEL, as other rights charges may apply. The following clause is included as part of the RTÉ CEL Studios email signature:</p> <p><i>"If you wish to use this ad on other stations, please enquire with RTÉ CEL for additional usage costs. All scripts and production remain the copyright of RTÉ".</i></p> <p><i>Finding</i> There are weak controls in place to prevent an RTÉ CEL advert being sent to other stations by the client without notifying RTÉ. While not identified in our audit sample, we were informed of instances where RTÉ CEL adverts were used on other stations. This creates a further risk that the voice-over artist will bill RTÉ for this extended use.</p> <p>Previously, RTÉ CEL produced adverts were produced with a distinctive audio announcement (noise) at the end which other Radio stations were unable to remove through editing, making it impossible to reuse the advert in any station other than an RTÉ service.</p>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>RTÉ CEL will revisit the possibility of including audio announcements at the end of the advert during production in order to minimise the risk of unauthorised use of the advert.</p>	<p>M to H</p>	<p>[REDACTED] 31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Promotional and Roadcaster Income				
12.	<p><u>Incorrect use of [REDACTED] account codes</u></p> <p><i>Background</i> Promotional and Roadcaster income is managed by the same Sales Manager. Both income sources have different income account codes on [REDACTED], for budgetary and reporting purposes.</p> <p><i>Finding</i> During testing it was noted that Roadcaster income was booked under the Promotional income code in error on numerous occasions, thus distorting the income for the month. This is misleading for readers of the account when reviewing budgeted targets versus actual, especially given that each area has different sales targets.</p>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The RTÉ Promotions Manager will perform a review of income booked to each code at month end before the system closes, ensuring that the income is booked against the correct account code.</p>	M	<p>[REDACTED]</p> <p>31 July 2014</p>
13.	<p><u>Promotions and RTÉ 2fm Roadcaster sales not invoiced on a timely basis</u></p> <p>Contrary to VAT legislation, which requires that a sale is invoiced within 15 days of the end of the month in which the sales transaction has occurred, RTÉ 2fm Roadcaster sales and radio promotion / concert promotion campaigns are not being invoiced on a timely basis.</p> <p><i>Uninvoiced sales</i> Sales in excess of €118k remained un-invoiced at 30 April 2014, a proportion which include campaigns broadcast in July, October and December 2013. As a result:</p> <ul style="list-style-type: none"> • These sales have not been recorded on the debtor’s ledger on [REDACTED] 	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The [REDACTED] will meet with Radio Finance to review the list of outstanding invoices and put procedures in places to ensure that all arrears of sales invoices are issued promptly.</p> <p>Radio Promotions invoices will be issued promptly after the month-end during which the sale took place.</p>	H	<p>[REDACTED]</p> <p>31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> Central Accounts Receivable is unaware of the debt and cannot follow the normal cash collection procedure; There is an increased risk of a customer dispute over sales values etc. if the sale is not invoiced in a timely manner. 				
14.	<p><u>Over reliance on Microsoft Excel Worksheets</u></p> <p>The radio advertisement booking system, [REDACTED], only records radio advertisement and sponsorship bookings. The remaining commercial sales in radio are recorded on Microsoft Excel spreadsheets, managed by the relevant sales areas. There is a risk that sales information stored on Excel spreadsheets could be inadvertently lost or deleted resulting in a booked campaign not being delivered, or a customer not being invoiced. The key disadvantages of spreadsheets include:</p> <ul style="list-style-type: none"> Only one individual can access the spreadsheet at a time resulting in delays in uploading sales bookings, increasing the risk of a sales booking not being recorded; Non-integration with the financial application, [REDACTED] resulting in increased administration and re-keying of data; Information being inadvertently deleted (cells, columns, rows) without the user’s knowledge; and Loss of unsaved work in the event of IT problems. <p>We estimate that approximately 4.7% of Radio commercial sales in the YTD are managed via Microsoft Excel worksheets.</p>	<p>Agreed.</p> <p>[REDACTED]</p> <p>I am no longer responsible for the management of the [REDACTED] application and so am not in a position to commit resource. I should be in a position to act in a consultative capacity if required.</p> <p>[REDACTED]</p>	<p>An investigation will be carried out to determine the feasibility of booking [REDACTED] and RTÉ 2fm Roadcaster income on [REDACTED] than on excel spreadsheets.</p>	L	<p>[REDACTED]</p> <p>31 October 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Accounting				
15.	<p><u>No formal recording of credit note approval</u></p> <p>Five credit notes were selected for audit testing.</p> <p>The Sales Account Managers and the Media Sales Assistants must liaise with a “designated Account Manger” to generate credit notes, providing explanations and backup, in order for a credit note to be raised. This Account Manager is the only person who can raise credit notes on [REDACTED]. The Account Manager then validates and processes the credit note.</p> <p>The above acts as a good segregation of duties control. However, the designated Account Manager has the ability to raise their own credit notes without having to have them approved by someone else before being processed. As a result the segregation of duties control does not apply to the designated Account Manager.</p> <p>It was noted that none of the five credit notes were formally signed off as approved by someone outside the Sales function. In Radio, credit notes are not forwarded to the Finance Manager prior to being processed and only exceptionally large ones are discussed at the weekly finance meeting.</p>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>[REDACTED] will notify the Finance Manager of all credit notes via email.</p> <p>For credit notes:</p> <ul style="list-style-type: none"> • above a monetary threshold of €5k (in net value), and • relating to a matter other than the routine booking email – [REDACTED] differences, <p>the [REDACTED] will review and approve (by email) the credit note prior to the credit note being processed, and the details of it circulated.</p>	L	<p>[REDACTED]</p> <p>31 July 2014</p>
16.	<p><u>Contra Deals</u></p> <p>A contra deal relates to a sales transaction which involves a non-cash consideration. The accounting treatment of contra deals was communicated to the relevant teams in January 2014.</p> <p>The number of contra deals is increasing from prior years.</p>	<p>Agreed.</p> <p>[REDACTED]</p> <p>This text accurately reflects the situation. We have moved to put better controls in place.</p> <p>[REDACTED]</p>	<p>The implications of contra deals on budget variances will be discussed and a policy will be agreed.</p> <p>Procedures to capture contra deals on the [REDACTED] system will be agreed and implemented.</p>	H	<p>[REDACTED]</p> <p>31 July 2014</p> <p>[REDACTED]</p> <p>31 August 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>increasing the importance of robust procedures in the area.</p> <p>The following are examples of current contra deals:</p> <ul style="list-style-type: none"> • provision of training services in return for airtime; • provision of catering / entertainment facilities in return for airtime. <p>It was noted in our review that Radio airtime being sold as part of contra deals is not being recorded in the accounts in certain instances.</p> <p>In cases where contra deals are not recorded, a potential VAT exposure arises. When RTÉ is entering into contra deals, the VAT implication of the transaction must be considered.</p>	<p>We cannot guarantee that a suitable solution will be implemented in this timeframe. A notional solution in the existing system may well be possible, however if development is required then experience tells us that there is not enough time to spec, develop and fully test this for implementation into production by end July. Once again I am available to act in a consultative capacity if required.</p> <p>([REDACTED])</p>	<p>This area will be revisited by Internal Audit in due course.</p>		

RTÉ Internal Audit
Review of Database Management System Controls for the
[REDACTED] Application

21 May 2018

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Solicitor / Data Protection Officer
[REDACTED] Head of Applications & Systems



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- 1.3 Approach to Fieldwork 2
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- 3. Detailed Findings and Recommendations 5
- Appendix A – Scripts Run..... 10

- [REDACTED]

It was also agreed to consider any specific control weaknesses which may impact on adherence to GDPR.

The [REDACTED] application operates across four [REDACTED] database servers, which includes primary and secondary configuration servers, a calls database and an Oasis database. All are within scope of this review.

1.3 Approach to Fieldwork

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

- An opening meeting to discuss the scope and approach to this review
- A risk assessment of the [REDACTED] application and the risks inherent to a [REDACTED] environment
- A review of policies and procedures, where available
- Discussions with relevant personnel to obtain an understanding of the processes and controls in place
- Requesting the extraction of information from the [REDACTED] Server and [REDACTED] databases through the use of [REDACTED] scripts as detailed in **Appendix A**
- An analysis of the [REDACTED] server and database configurations through observation, review and inspection
- A close-out meeting with relevant RTÉ personnel to communicate our initial findings and confirm their factual accuracy

2. Summary Findings and Conclusions

2.1 Overview

██████████ is an on air call management system used by a number of RTÉ radio programmes both to put callers on air in a live broadcast environment and also to assist with programme planning. The latter editorial function involves assisting with programme research and planning, verifying caller details, managing caller details as part of planning the running order and is used extensively on *Liveline*. The system holds personal details of callers, including names, addresses and phone numbers and is therefore in scope from a GDPR perspective.

A ██████████ upgrade project has been ongoing since 2016, to move to ██████████ version 4. The project is in a pilot phase. This is a significant upgrade and brings additional functionality through:

- Virtual Director, which provides live studio streaming, combined with automated graphics which can be shared across multiple platforms
- Oasis (On Air Social Interaction Server), which aggregates social media feeds for each studio for incoming streams and external content

A number of studios still operate ██████████ version 3 and a high level of customisation exists across the individual radio studios.

2.2 Summary Findings

A number of control issues have been identified during the course of our fieldwork and audit testing, which are summarised below and outlined in detail in Section 3. Further context, including mitigating factors giving rise to the finding, where applicable, is set-out in Section 3.

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[REDACTED]

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

2.3 Conclusion and Rating

[REDACTED] is an on air call management system used by a number of RTÉ radio programmes both to put callers on air in a live environment and also to assist with programme planning. It is an important application impacting the on-air broadcast environment and it holds personal data.

Internal Audit engaged [REDACTED] to perform a technical audit covering database security and design including user management and access controls, application of patches, change control, encryption and security of databases.

The report is rated at the mid-point in the Internal Audit report rating. A number of high priority findings were identified during the review. A number of findings reflect the fact that the [REDACTED] 4 project upgrade is in progress and the short term priority has been to stabilise the system and address technical issues before finalising other access and security matters. Actions have been agreed with management to address the findings.

We appreciate the time and assistance of the relevant personnel during the course of the audit.

 *Improvement Needed*

No. Findings	Implications	Priority	Action / Recommendation	Responsibility / Date
<p>4</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>■</p>	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>30 September 2018</p> <p>[Redacted]</p> <p>[Redacted]</p>
<p>5</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>■</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>31 July 2018</p> <p>[Redacted]</p> <p>[Redacted]</p>
<p>6</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>■</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>30 September 2018</p> <p>[Redacted]</p> <p>[Redacted]</p>

[Redacted]	[Redacted]
	[Redacted]
	[Redacted]
	[Redacted]
	[Redacted]
[Redacted]	[Redacted]

Passwords

[Redacted]	[Redacted]
	[Redacted]
	[Redacted]
	[Redacted]

SQL Injection

[Redacted]	[Redacted]
	[Redacted]
	[Redacted]

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2022*

Report 2 of 2 (Purchasing Compliance)

3 July 2023

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Finance:

██████████, Group Financial Controller
██████████, Head of Procurement
██████████, Financial Director, Content, Operations & Production Services
██████████, Financial Controller, News and Current Affairs
██████████, Financial Controller, Commercial
██████████, Business Executive, Finance Divisional Support
██████████, Group Finance & Shared Service Accountant

Technology:

██████████, Head of Applications and Systems, Technology



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Introduction and Background

Introduction

The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Policy 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).

Background

Purchase Orders

Purchases processed through [REDACTED] 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:

Order Value	Approver
€0 - €2,500	Costpool Manager
€2,501 - €10,000	Costpool Manager / Finance
€10,001 – €100,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division
€250,001 - €750,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Finance / Central Procurement / Senior Manager / FD of Division / Exec. of Division / CFO / DG

Amounts above €2m. require Board approval (*with some exceptions in line with Board approved policy*).

Goods are receipted on [REDACTED] 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 [REDACTED].

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 (automated control). There is a [REDACTED] 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.

Invoice Manager

A number of purchases, considered exceptions, are processed each month via Invoice Manager due to the nature of the service provided or in exceptional circumstances. This is an alternative approval tool on [REDACTED] whereby invoices are approved by a member of Finance without an approved PO. Any processing of invoices where the value is over [REDACTED] of goods receipted will also be approved via Invoice Manager.

Purchase Cards

Goods and services may also be paid by purchase cards. Purchase cards are Mastercard and 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 helps reduce the number of low value orders processed via [REDACTED] web and reduces administration costs.

Payment

RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*.

Risk, Objective and Scope

Risk

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

- Risk #6 – Brand and Reputation; and
- Risk #9 – Management of Finances and Business Planning.

Other specific risks relevant to this report are as follows:

- Fraud;
- Duplicate Payments;
- Purchase commitments being made prior to managerial approval; and
- Inherent IT Risk/System Functionality: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] However, by their nature, manual controls are weaker than automatic system controls (e.g. automated receipting control noted under Purchase Order Background section).

Objective

The objectives of this audit are as follows:

- Determine if POs are raised in line with the RTÉ Purchasing Policy;
- Investigate if purchase invoices paid were in excess of the approved PO value;
- Review the appropriateness of Requisitioners and Approvers; and
- Determine if Invoice Manager is being appropriately used.

Scope

The scope of our review is from 1 January 2022 to 31 December 2022 and covers:

- All POs (including Capital WIP and Commissioned programmes) approved and processed, across all Divisions;
- All PO invoices paid, across all Divisions;
- All PO Requisitioners & Approvers and Invoice Manager Approvers; and
- All Invoice Manager invoices paid, across all Divisions.

The audit involved four main areas of work:

- ✓ Identifying the number of POs that were raised after the invoice date;
- ✓ Comparing the value of invoices to the value of the approved PO and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Reviewing the number and appropriateness of invoices and suppliers processed through Invoice Manager.

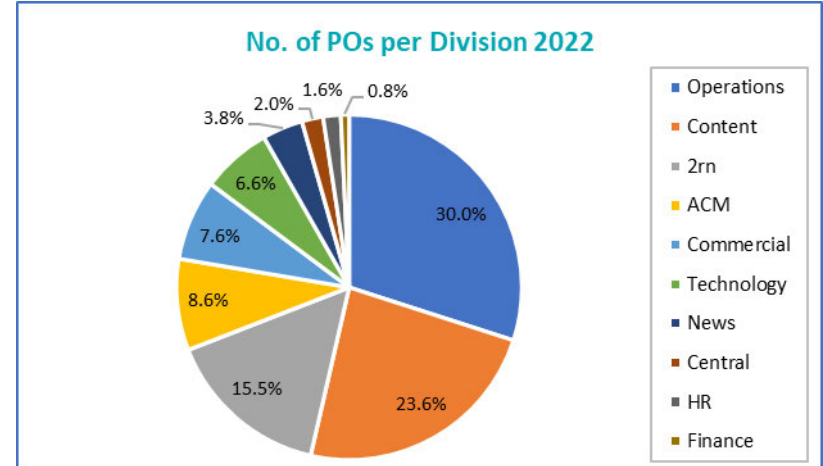
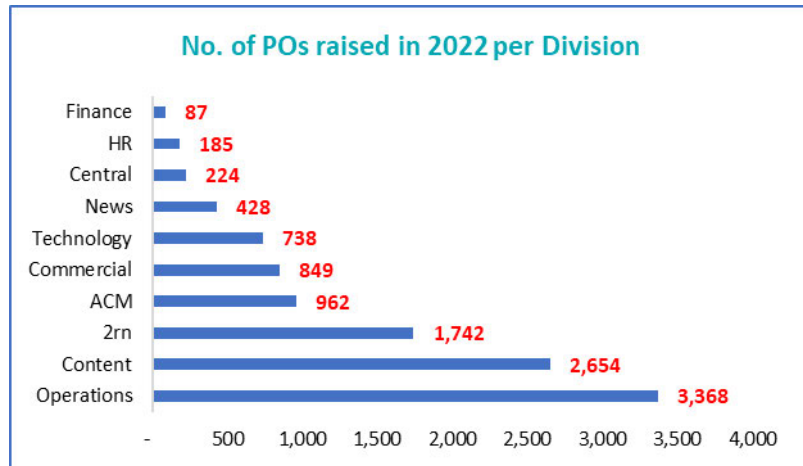
The scope of our audit did not include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate audit report);
- ✗ Reviewing purchase card payments (covered in a separate audit report); and
- ✗ Compliance with payments in accordance with European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012.

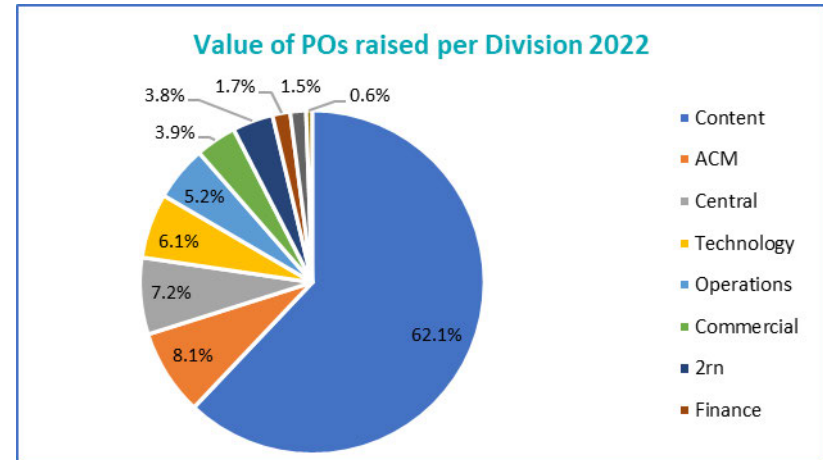
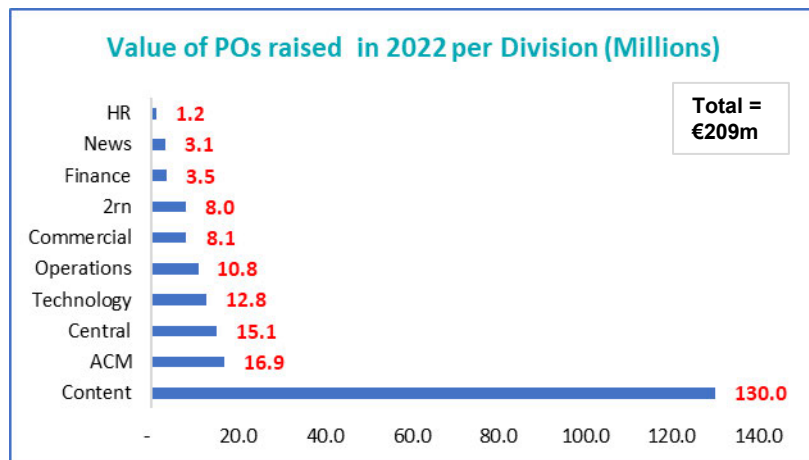
Data Analysis – Purchase Orders

Purchase Order Data Analysis

8,720 POs were raised in 2022 (2021: 8,195) which totalled 11,237 (2021: 10,904) lines of orders as some POs contained multiple order lines. The graphs below provides an analysis of the total number of POs raised by each Division and their percentage split.



The graphs below details the value by Division of the POs raised in 2022 and their percentage split. The total value of POs raised in 2022 was **€209m** (2021: €182m; 2020: €150m).



Data Analysis – Purchase Orders and Users

Purchase Order Data continued

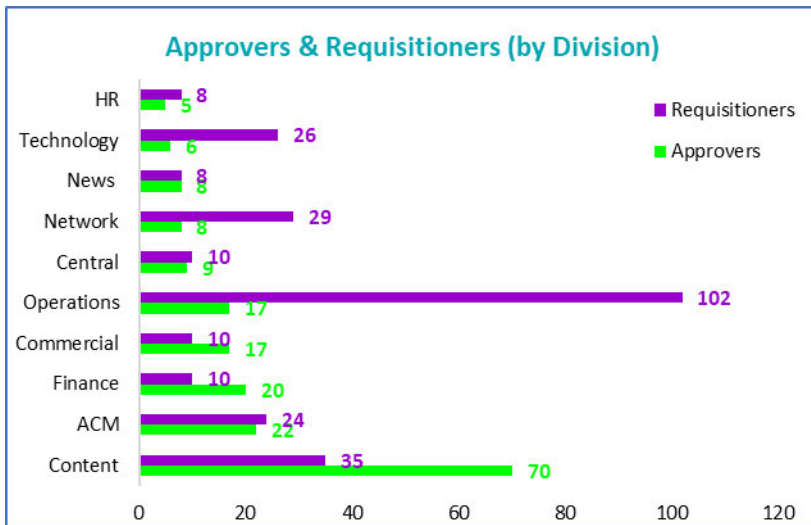
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value of PO	Number of POs Processed in 2022
€0 - €5,000	6,327
€5,001 - €10,000	982
€10,001 - €100,000	1,153
€100,001 - €250,000	139
€250,001 - €750,000	77
€750,001 upwards	42
Total	8,720

Note: 992 of the 8,720 POs raised in 2022 were less than €100 in value, representing 11% (2021: 10%). 50% related to ten suppliers, generally for recurring consumable supplies. 153 of the 992 POs under €100 in value had no invoice posted against them.

Requisitioners and Approvers

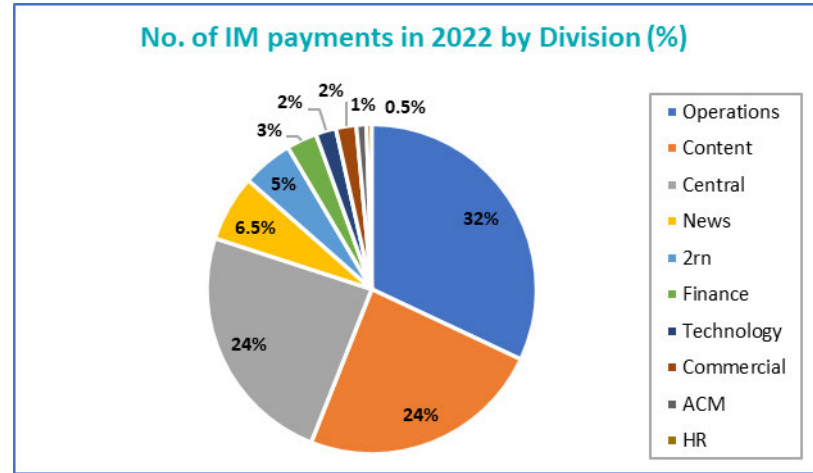
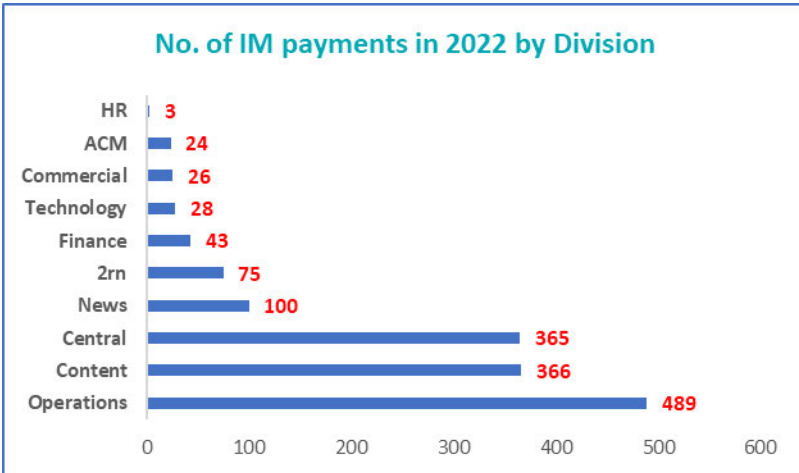
At the end of 2022, there were a total of 182 PO Approvers and 262 PO Requisitioners on [REDACTED]. The graphs below shows the breakdowns by Division.



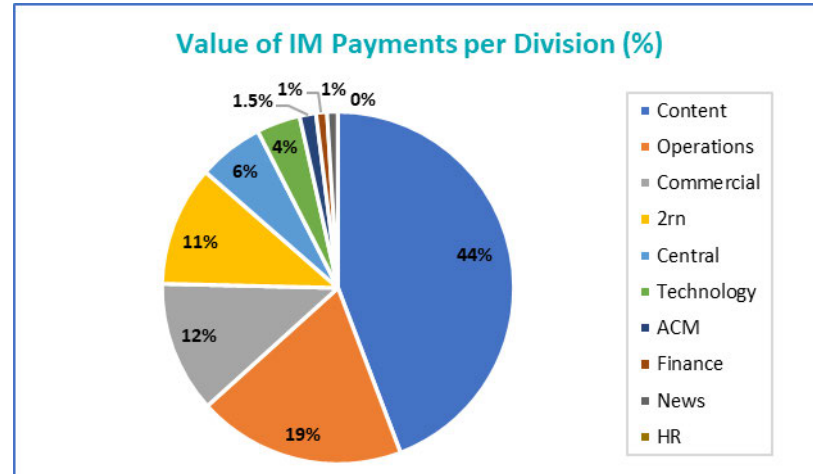
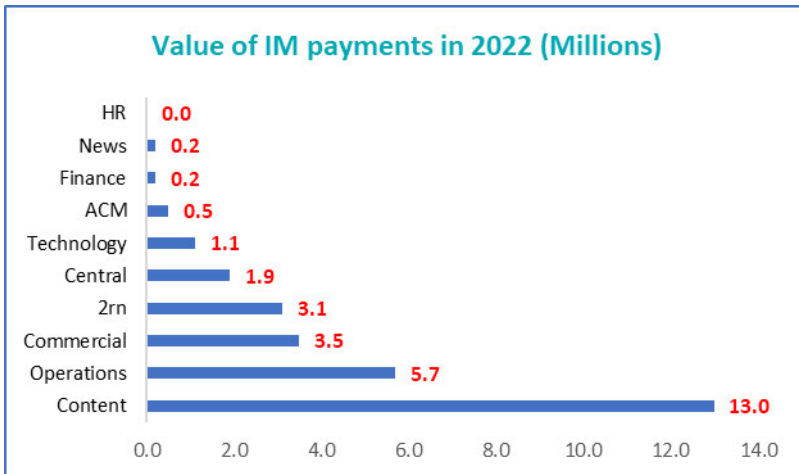
Data Analysis – Invoice Manager

Invoice Manager

1,519 invoices were processed through invoice manager ('IM') during 2022 (2021: 1,435). The graphs below provides an analysis of the total number of invoices processed under Invoice Manager by each Division, along with their percentage split.



The graphs below details the value by Division of the invoices processed under Invoice Manager in 2022, as well as the percentage split. The total value of invoices paid in 2022 was **€29.3m** (2021: €22.1m).



Data Analysis – Invoice Manager

Invoice Manager (continued)

Sub-analysis by Invoice

A breakdown of the number of invoices processed through Invoice Manager by value thresholds is displayed in the table below.

Value of Invoice	Number of Invoices Processed in 2022
€0 - €1,000	567
€1,001 - €5,000	388
€5,001 - €25,000	364
€25,001 - €75,000	114
€75,001 upwards	86
Total	1,519

Sub-analysis by Supplier

The Top 100 suppliers (out of 249 suppliers in total) account for **€28m** or **96%** of the total population of €29.3m. The breakdown below shows that the top 20 suppliers make up 69%.

Top 100 Suppliers	Value of Invoices	%
Suppliers 1 - 20	20.1m	69%
Suppliers 21 - 40	3.8m	13%
Suppliers 41 - 100	4.0m	14%
Sub-total	28.0m	96%
Suppliers 101 - 249	1.2m	4%
Total	29.3m	100%

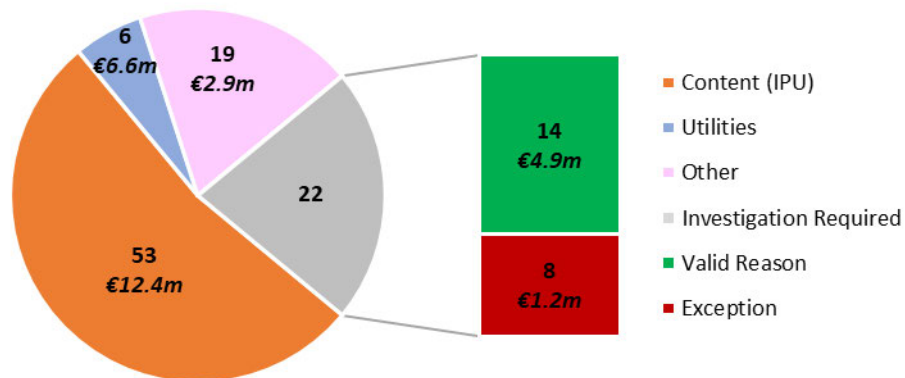
Finding – 1

1: Invoice Manager

1,519 invoices were processed via Invoice Manager ('IM') across 265 suppliers, to a value of €29.3m during 2022 (2021: €22.1m). The number and value of invoices processed through IM appears high given other financial processes available to process supplier invoices. In most cases, the alternative process (PO system) has a greater number of approval steps.

IA acknowledges the restrictions of the [redacted] system and the necessity of the IM process. However, the volume of transactions highlights potential excessive use. A review of the invoices paid to the 'Top 100' suppliers (€28m in value and 96% of IM population) is therefore further analysed below.

Use of Invoice Manager - Top 100 Suppliers



Analysis of 8 Exceptions

Supplier	Total Spend	% of Total
Supplier A	-304,388	26%
Supplier B	-230,519	20%
Supplier C	-217,061	19%
Supplier D	-96,194	8%
Supplier E	-94,957	8%
3 Other Suppliers	-221,092	19%
	<u>-1,164,210</u>	<u>100%</u>

81%

As shown in the chart above, six suppliers in the Top 100 (representing €5.0m) were classified as suppliers of utilities – electricity, telephone, water, waste management, etc. – and a further 19 were classified as “other” (rent, rates, travel), representing €2.9m. Invoice Manager is deemed as an acceptable payment method for these suppliers due to the nature of the services and ad-hoc usage.

Content (IPU)

53 of the 100 suppliers (representing €12.4m) were Production Companies, relating to content supplies. This is shown in the orange slice of the pie chart above.

This is not in line with our expectations for the use of Invoice Manager and the majority of these payments should have been processed through the normal PO process. 44% of all payments made via Invoice Manager in 2022 related to IPU and this level is considered excessive given the alternative PO payment system is in place. This point is covered in more detail in Appendix 1.

Finding – 1 (*cont'd*)

1: Invoice Manager (*continued*)

Further investigation was required for the remaining **22** suppliers as they comprise a variety of supplies. IA noted that **14** (*representing €2.9m*) were in line with our expectations for the use of Invoice Manager and include one-off corrections of invoices, credit notes and volume discount rebates. However, the remaining **8** should have been processed through the normal PO process (categorised as “exceptions”).

These **8** suppliers represent **€1.2m** or 4% of total value processed via IM. IA notes that five suppliers accounted for the **81%** of the of the exceptions as illustrated within the table above. An example includes professional service billings that are generally processed under the PO process, being processed through Invoice Manager.

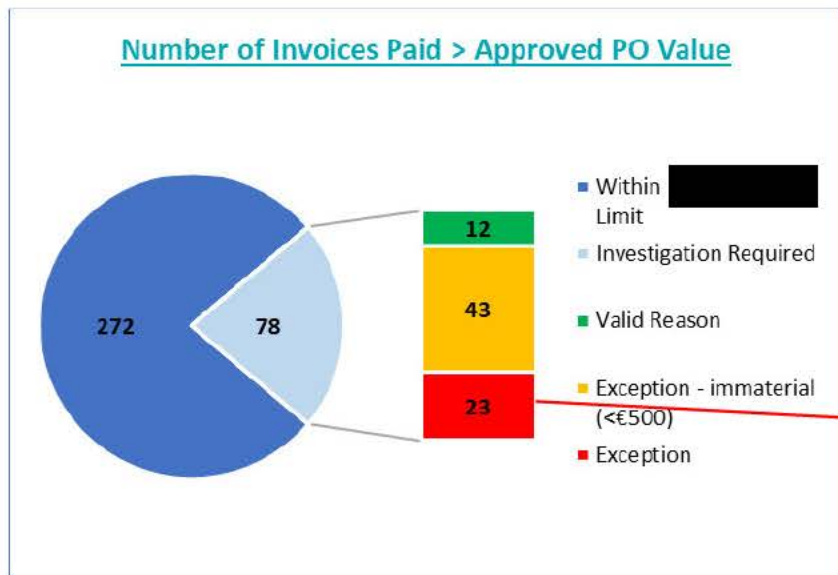
Please refer to Appendix 1 for audit actions.

Finding – 2

2: Purchase Invoice v Approved PO

Of the 8,720 POs raised during 2022, **350 POs (4%)** were highlighted for further testing as the value of the invoice paid exceeded the approved order amount.

A summary of the results of the **350** orders is set-out below:



Material Exceptions

Supplier	No. of invoices	Excess Invoice > PO - €	% of Total
Supplier A	1	-47,737	57%
Supplier B	1	-6,917	8%
Supplier C	1	-6,215	7%
Supplier D	1	-4,782	6%
Supplier E	1	-2,730	3%
Other Suppliers	18	-14,887	18%
	23	-83,268	100%

82%

For **272 (78%)** of the orders, the excess between the invoice amount paid and the approved PO was within the [redacted] tolerance level (note this is a manual control completed by AP – please refer to the Risk section for further details). **78 (22%)** of POs required further investigation as the excess between the invoice amount paid and the approved PO amount was outside the [redacted] tolerance level. IA notes that any difference between the invoice amount and the goods receipt of these exceptions (in excess of the [redacted] tolerance) were processed and approved through invoice manager. In these circumstances the approver is required to be manually selected by AP.

12 (15%) of the invoices had valid reasons for the price differences (e.g. delivery costs, NRV etc.). However the remaining **66 (85%)** should not have been processed and paid under the PO (“exceptions”). On further inspection of these exceptions, **43 (55%)** were immaterial - the differential between invoice paid and the approved PO was under € [redacted]. Of the remaining **23** exceptions, IA notes that **5** invoices accounted for the **82%** of the total as illustrated within the table above. Please refer to **Appendix 1** for audit actions.

Finding – 3

3: Raising POs before invoices

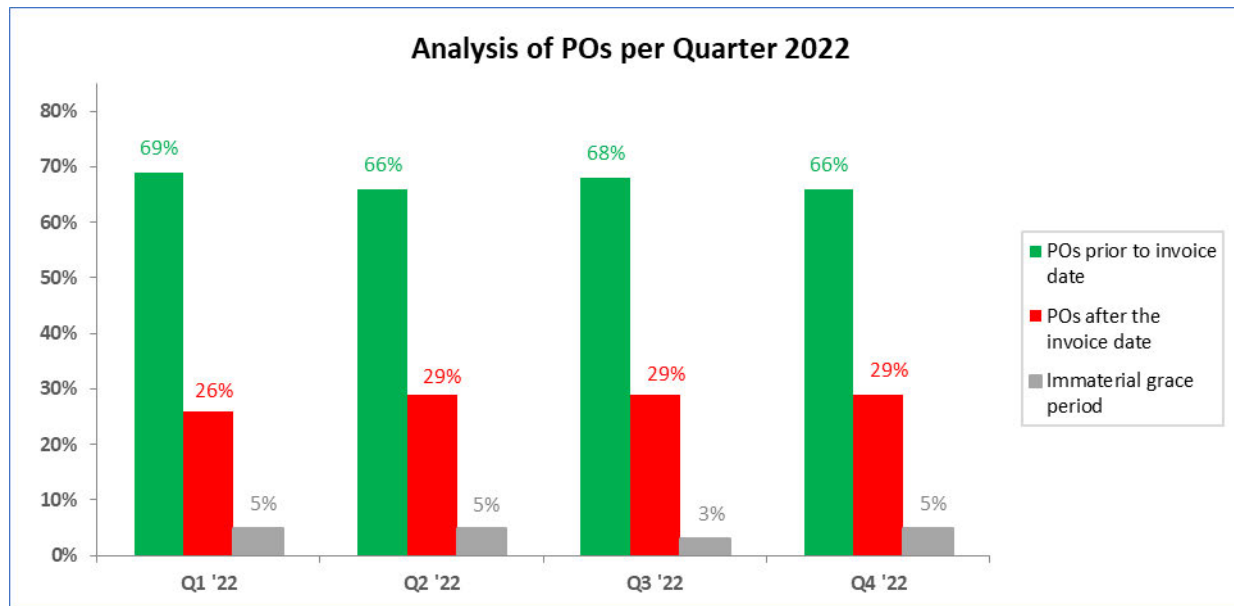
In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

Previous IA reports highlighted that POs are sometimes raised after the invoice has been received, which is 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 and the possibility of misstatements.

Internal Audit has carried out regular reviews of the timeliness of raising POs. The most recent results, by quarter, for the year 2022 are outlined in the chart below:

The average per number of POs raised after the invoice date was **28%** for 2022, increasing slightly on the 24% recorded in 2021.

There is an ongoing project/working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams. The results at the end of 31 December 2022 are slightly disimproved on 2021 results. The works and action of the working group will continue throughout 2023, as well as intermittent review by Internal Audit.

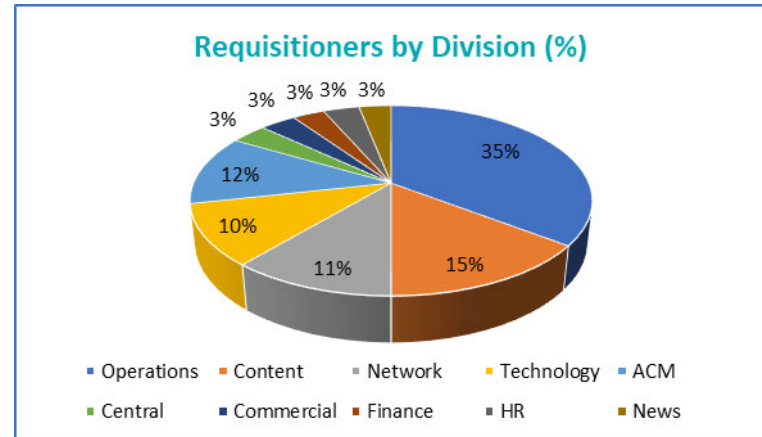
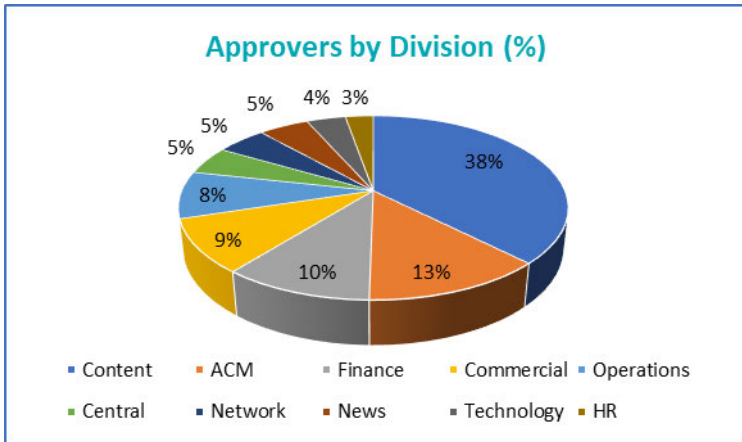


Finding – 4

4: Requisitioners and Approvers

IA reviewed the list of PO Requisitioners and Approvers and concluded that both the number of individuals and the suitability of the individuals are appropriate. IA identified that one approver and three requisitioners need to be removed from the system as a result of staff departures.

In addition, 11 approvers were also listed as requisitioners.



Please refer to **Appendix 1** for audit recommendations.

Conclusion and Report Rating

Conclusion

The audit highlighted that 1,519 invoices to the value of €29.3m were processed via Invoice Manager. 20 suppliers represented nearly two thirds of all payments processed through Invoice Manager. The use of Invoice Manager is high given the other payables financial processes available. Supplier invoices are being processed through Invoice Manager when they should be processed through the normal PO process.

The audit specifically draws attention to the fact that 53 of the Top 100 suppliers (representing €12.4m or 44%) were payments made to Production Companies. A further 8 suppliers, representing €1.2m or 4% of total value, were also identified as exceptions.

This is excessive and not in line with our expectations for the use of Invoice Manager. Invoice Manager should primarily be used for exceptions, corrections and utilities. The issues highlighted in the audit did not fall under these categories and should therefore have been processed through the normal PO process.

A review of the value of invoices compared to the value of the approved PO was carried out. 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. A small number of invoices were processed incorrectly and should have required a new POs.

IA noted that an average of 28% of purchase commitments are being made prior to managerial approval of the order, which is contrary to RTÉ Purchasing Policy. This has increased by 4% on the prior year figure.

A review of the number of PO Requisitioners and Approvers by Division was performed, and it was concluded that both the number and suitability of the individuals was appropriate. A small number of departed approvers are required to be removed. 11 Employees with both approver and requisitioner rights were identified.

On the basis of the above findings, we assess the overall process as “Improvement Needed”. This reflects the known restrictions within the current system and that the implementation of ERP will be addressing a number of key risk areas in 2023.

Report Rating



IMPROVEMENT NEEDED

Appendix 1 – Audit Actions

Actions	Action & Owner(s)	Due Date
<p>1 – Use of Invoice Manager as the payment process for Commissioned Programmes:</p> <p>Background Commissioned programme invoices were processed to a value of approximately €40 million for the year 2022. Invoice Manager was used as the payment method for approximately 30% of the invoices. The remaining 70% of invoices were processed and paid via Purchase Order.</p> <p>53 of the Top 100 suppliers paid via Invoice Manager (representing 44% in value terms) were Production companies. <i>(The Top 100 represented 96% of the total population).</i></p> <p>Finding The use of Invoice Manger to process payments to Production companies is not in line with our expectations for the use of Invoice Manager. While some isolated use will arise, the majority of these payments should have been processed through the normal PO process. 44% of the Top 100 payments made via Invoice Manager in 2022 related to IPU and this level is considered excessive given the alternative PO payment system is in place.</p> <p>Mitigation While the number of IPU payments made via Invoice Manager was high, the risk of unauthorised approval is low. All IPU payments via Invoice Manager are approved by the appropriate managers by email in advance. Only a small number of nominated senior Finance managers are authorised to make such approval.</p> <p>In addition, the new [REDACTED] does not have an “Invoice Manger” payment function and IPU payments for the 2023 financial year onwards will not be paid in this manner. All payments will have to be made via Purchase Order or a separate Workflow process. Workflow means that the approval process follows the costpool rules as if it was a PO.</p>	<p>N/A</p>	<p>N/A</p>

Appendix 1 – Audit Actions

Actions	Owner	Due Date
<p>2 - Purchase Invoice v Approved PO:</p> <p>Finding The number of invoices paid that were higher in value than the relevant approved PO has been increasing year on year, although low in value terms. As mentioned earlier in the report, this was due to limited functionality within Agresso where it was possible to receipt goods and pay an invoice for a value in excess of the approved PO.</p> <p>Mitigation This issue has been addressed in the new accounting system, ██████████ which went live in March 2023. ██████████ has a small tolerance level to cover small overrun amounts such as delivery charges, etc.</p> <p>Anything above that tolerance level is not accepted and the PO is automatically rejected and routed back through workflow for approval. The PO follows the purchasing workflow rules again depending on value and follows the same approval process. It is therefore outside of the AP Team’s control and invoices will not be posted to the supplier account until the approval process is fully complete.</p> <p>This should reduce the number of instances where the invoice amount is of greater value than the PO amount for the next review on 2023 results.</p>	N/A	N/A
<p>3 - Requisitioners and Approvers:</p> <p>Management should remove the requisitioners (3) and approver (1) in cases of departed employees.</p> <p>In the 11 cases where employees have both requisitioner and approver status, a review will be undertaken where the inappropriate role will be removed in each case.</p>	██████████ Head of Applications)	30 June 2023



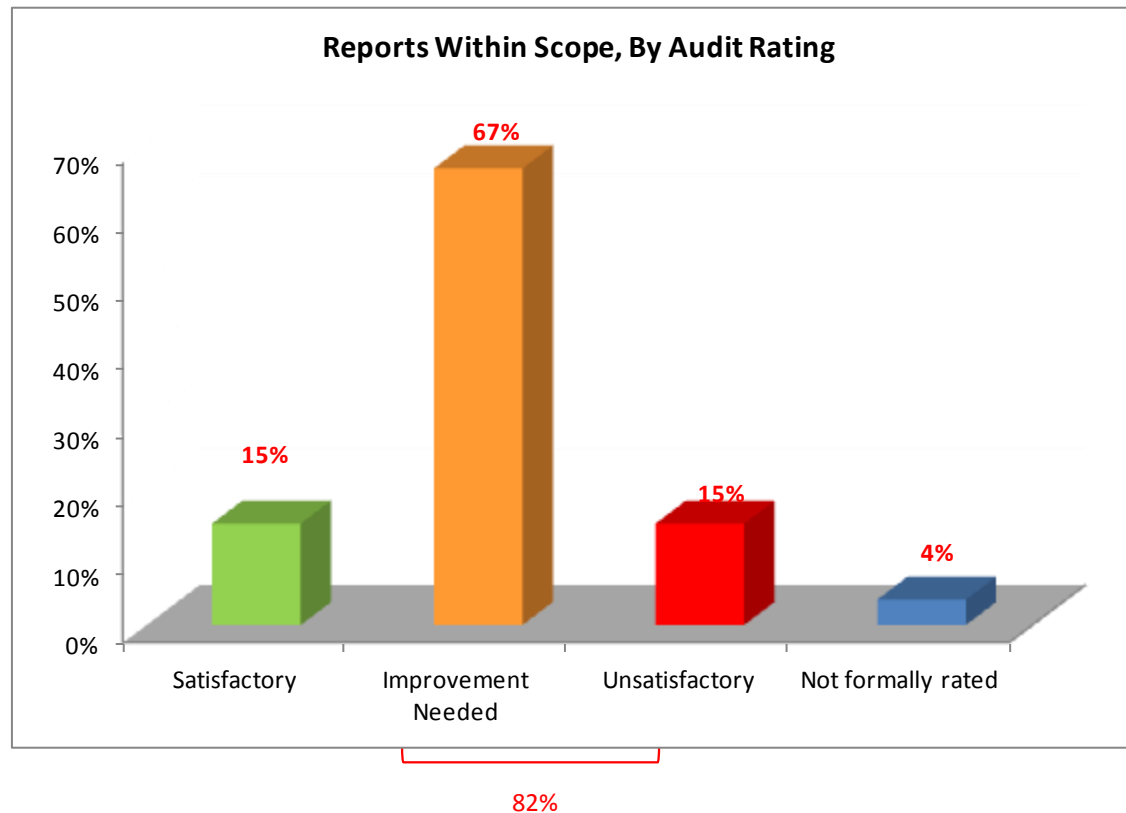
Implementation of Actions in Internal Audit Reports: Status Update, Q2 2019

Peadar Faherty, 13 June 2019

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 priority, responsible manager(s) and a target completion date
- We last checked on progress in implementing actions in late 2018.
- This is a follow-on report, incorporating both in progress actions at the date of the last review, as well as new actions from more recent audit reports issued in late 2018 and 2019.
- This review was based on planned audit reports. Other work carried out by Internal Audit – “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: (27 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.

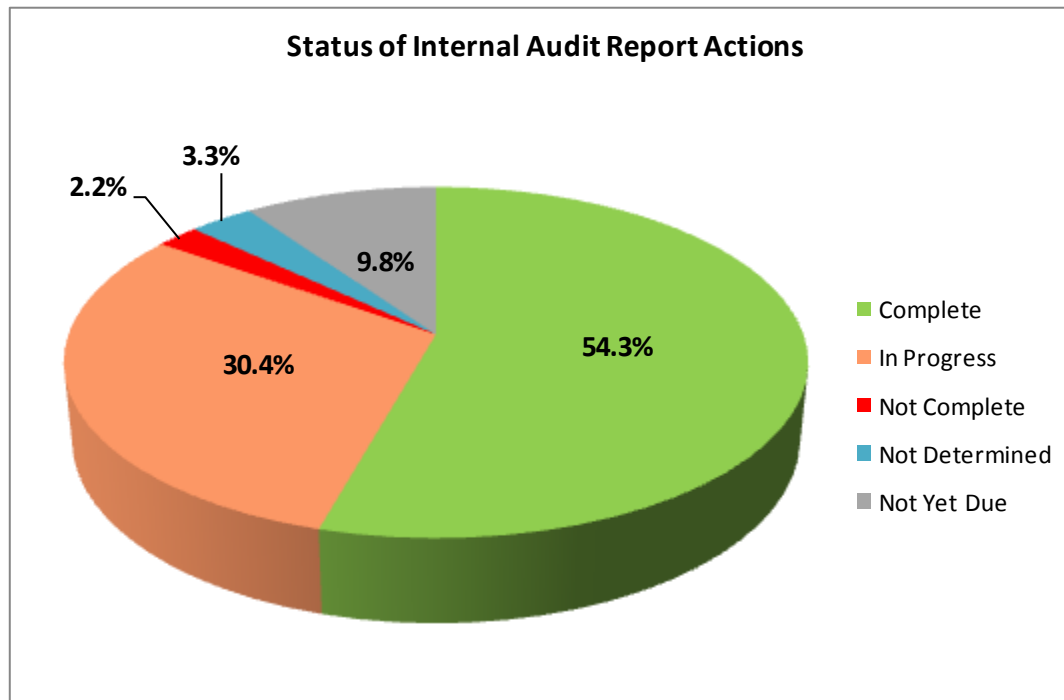
While actions are identified to address these findings, these actions are at an early stage of implementation and may require further investigation and resources to address the control weakness.



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).

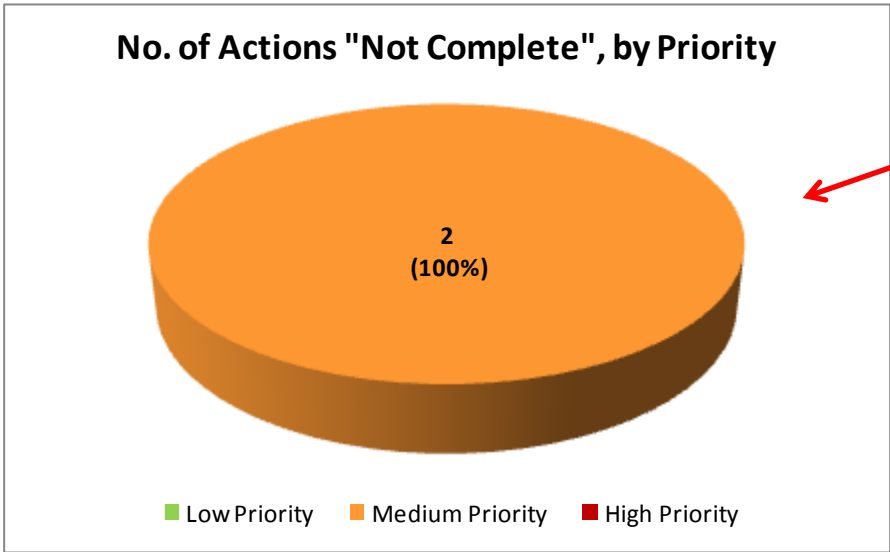
The general control environment requires an immediate improvement. Objectives are not being met, or are being met without achieving value for money.

Status of Actions (June 2019)

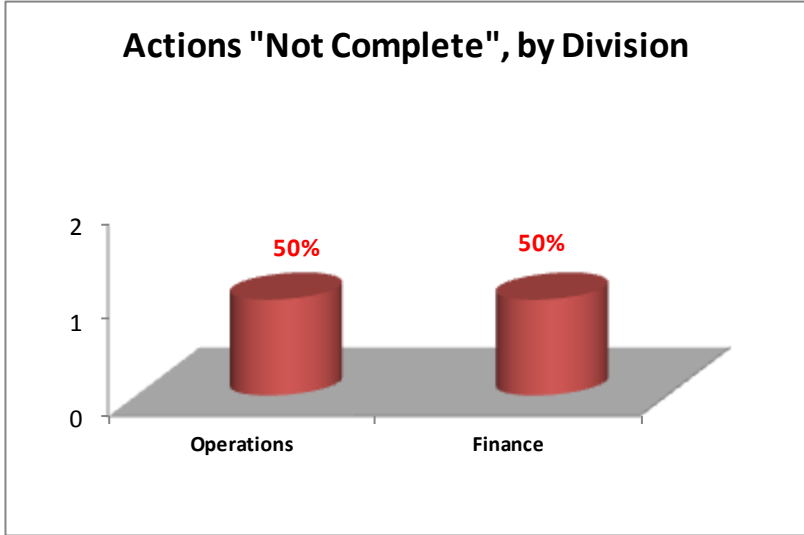
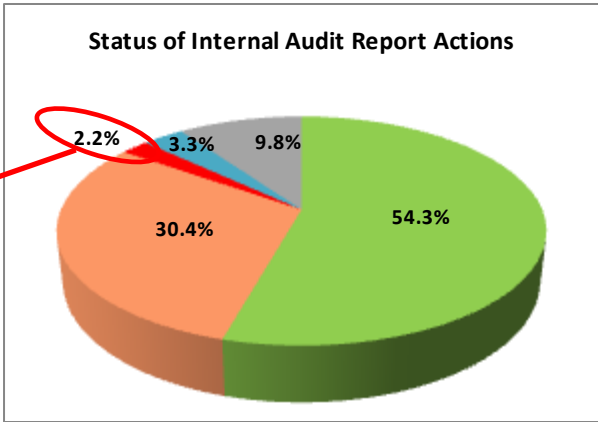


Analysis of Actions "Not Complete"

Population = 2 actions, across 2 reports



[Priority is sub-analysed further in the blue text overleaf]



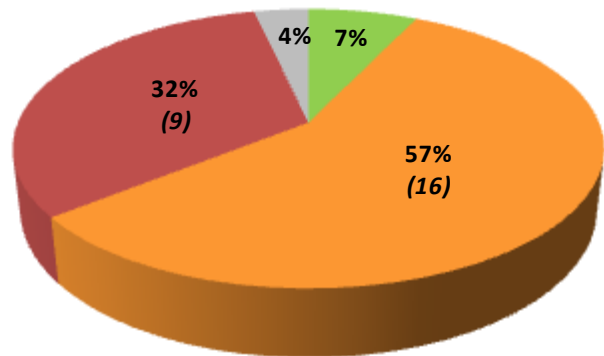
Analysis of Actions “Not Complete”

No. Actions	No. Reports	Area	Summary
1	1	Operations	Music reporting –TracklistApp functionality (reliant on 3 rd Party developer to action) <i>[M priority]</i>
1	1	Finance / HR	RTÉ Travel Policy – update policy <i>[M priority]</i>
<u>2</u>	<u>2</u>		

Analysis of Actions "In Progress"

Population = 28 action items, across 15 Internal Audit reports

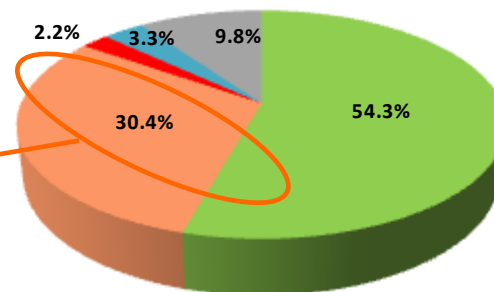
No. of Actions "In Progress", by Priority



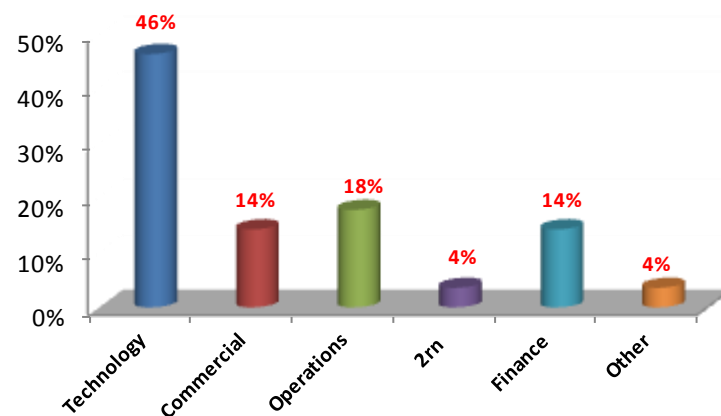
Low Priority Medium Priority High Priority Unassigned

[Priority is sub-analysed further in the blue text overleaf]

Status of Internal Audit Report Actions



Actions "In Progress", by Division

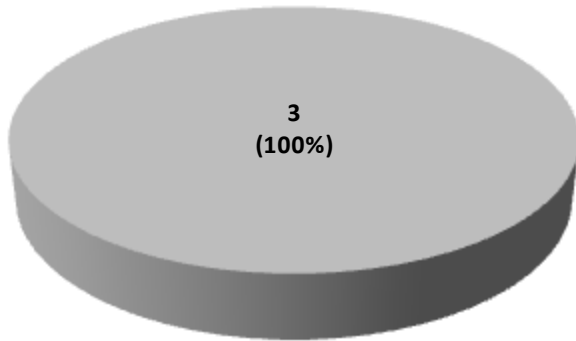


Analysis of Actions “In Progress”

No. Actions	No. Reports	Area	Summary
13	5	Technology	<ul style="list-style-type: none"> • PhoneBox application [1 x ‘H’ & 4 x ‘M’] • Cyber Controls Assessment [1 x ‘H’] • Backup Arrangements [2 x ‘H’, 3 x ‘M’] • IT & Data Privacy RTÉ ID database [1 x ‘M’] • Cyber Phishing Controls [1 x ‘H’]
4	3	Commercial	<ul style="list-style-type: none"> • Premium Rate Competitions [1 x ‘L’] • Advertising Minutage [2 x ‘H’, 1 x ‘M’]
4	4	Finance	<ul style="list-style-type: none"> • Various matters in progress [3 x ‘M’] • Mobile Devices [1 x ‘L’]
5	1	Operations	<ul style="list-style-type: none"> • Taxi voucher system and processes [2 x ‘H’, 3 x ‘M’]
2	2	Other	<ul style="list-style-type: none"> • 2rn x 1 – GDPR [Unassigned] • IT Finance [1 x ‘M’]
<u>28</u>	<u>15</u>		

Analysis of Actions "Not Determined"

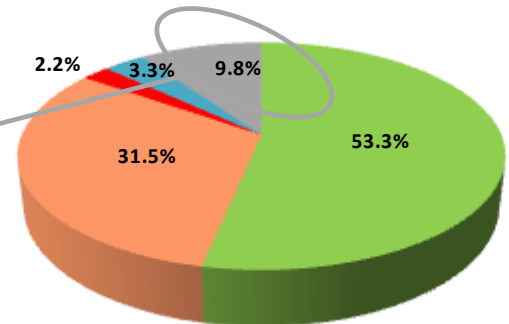
No. of Actions "Not Determined", by Priority



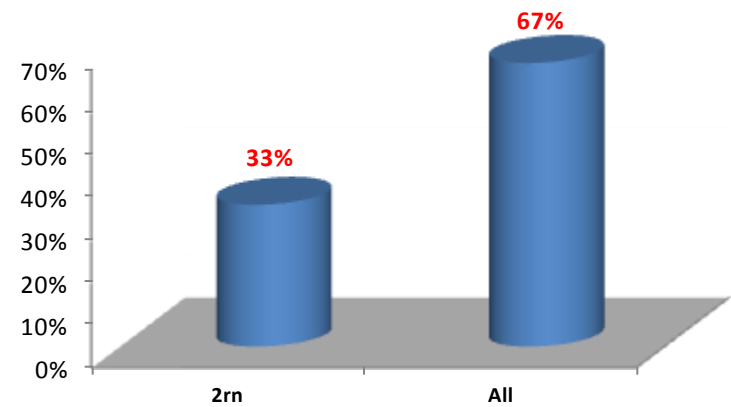
■ Low Priority
 ■ Medium Priority
 ■ High Priority
 ■ Unassigned

[Priority is sub-analysed further in the blue text overleaf]

Status of Internal Audit Report Actions



Actions "Not Determined", by Division



Analysis of Actions “Not Determined”

No. Actions	No. Reports	Area	Summary
2 1	1 1	ACM 2rn	<ul style="list-style-type: none"> • Marketing matters • 2rn GDPR
<u>3</u>	<u>2</u>		

Conclusion

- In summary, progress has been made in implementing the actions, with the 54% of actions now complete. A majority of the 30% 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
- The elapsed time from when the action was due for implementation is much shorter than the last review and, as a result, the level of open items was expected to rise
- This update covers the year-end / internal control review work-programme in Q1 which, by its nature, has a lower level of action items to add to the log
- Themes – the actions in progress are spread across 15 report and there is no single reason for non-completion. A small number of general common themes are set-out overleaf

- Themes (continued)
 - There are a number of technology related open action items:
 - This reflects a number of system upgrades currently in progress and the action will be closed when the project is complete. (Funding for technology capital projects was constrained in recent years).
 - The reasons also include legacy servers; servers awaiting decommissioning; non-user / service accounts and the importance of not implementing changes which could negatively impact legacy production systems. Therefore, a cautious approach is taken.
 - GDPR: some actions are not finalised while engagement with third parties on GDPR contractual matters is ongoing
 - Restructuring – a small number of action items lost focus and attention due to staff changes, retirements and reorganisation. They are in progress and assigned to a new owner
 - Various other matters

Next Steps

- The actions from Internal Audit reports in progress, and to be issued in summer 2019, will be added to the log.
- A further update report on the status of implementing actions will be prepared later in 2019.

RTÉ Internal Audit

Report on the Operation of the Outsourced Web Scanning Service, incorporating Attack and Penetration Testing of selected Web Services

27 March 2015

Circulation:

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

Technology:

[REDACTED] erg, Head of Technology Infrastructure
Connectivity and Security Team Lead
[REDACTED] Director of Production and Operations Digital
[REDACTED], Systems and Development Manager Digital
[REDACTED] Infrastructure Engineer Digital



Executive Summary: Background and Scope

Background

For many years, Internal Audit has undertaken attack and penetration tests of RTÉ's web applications and infrastructure. As these services increased in complexity over the years, it became apparent that a more frequent testing programme was required and that Technology and Digital management had to put its own assurance and testing programme in place.

In 2014, Technology carried out a tender for Web Security Services to procure a managed web application and vulnerability scanning service. The product [REDACTED] was selected as the successful tender and the service commenced in approximately mid-2014. The [REDACTED] product provides:

- Monthly automated vulnerability scanning of in-scope web services;
- An on-demand vulnerability scanning and testing service prior to the roll-out of new web pages, applications, etc.; and
- A web accessible dashboard which outlines the results and facilitates tracking of the status of actions, sorted by significance.

Internal Audit carried out an audit to assess the effectiveness of the web scanning service provided by [REDACTED] which is the subject of this report.

Scope of audit

The scope of the audit was as follows:

1. A process review of the vulnerability assessment service provided by [REDACTED]
2. A benchmark of the vulnerability assessment service against another leading vulnerability assessment scanning tool
3. A targeted manual attack and penetration test of aspects of RTÉ's web services, focusing on high risk areas of the RTÉ website

Internal Audit used IT expertise to assist with this audit.

1. Process review:

A process review of the methodology underpinning the vulnerability scanning service, its reporting functionality and the scope of RTÉ technical assets within the remit of the service.

The purpose of this aspect of the audit was to determine the efficacy of the [REDACTED] product and whether RTÉ can have confidence in the completeness of reporting and the integrity of findings.

2. Benchmark of the vulnerability assessment service:

An automated vulnerability assessment using another market leading scanning tool. The results of this vulnerability assessment were compared to the reports available on the [REDACTED] dashboard, for the same service.

3. Manual attack and penetration test:

This aspect of the audit was carried out by [REDACTED]. Attack and penetration testing was carried out on the following websites and their associated internet-facing infrastructure:

- ✓ www.rte [REDACTED]
- ✓ login.rte [REDACTED]

Particular focus was given to assessing the potential for vulnerability to the following risk areas:

- Website defacement
- Website unavailability
- Uploading of inappropriate material
- Unauthorised access to RTÉ customer information

The approach included the following activities:

- Application mapping
- Semi-automated vulnerability scanning
- Manual exploitation

Executive Summary: Objectives and Summary Findings

Objectives of audit

██████████ is an automated web scanning tool. By their nature, automated scanning tools have limitations as compared to an approach involving some manual testing. In addition, there are a variety of automated scanning solutions available in the market, each with different levels of functionality.



Summary Findings

1. Process Review

- ██████████ concluded that ██████████ is an appropriate tool and fit for purpose.
- A team of recognised Information Security professionals is developing / maintaining the solution and regularly develops new vulnerability checks. The dashboard reports provide comprehensive, yet easily interpreted, results of the scans.
- ██████████ the importance of sufficient resources being allocated to perform the remediation steps required to address items highlighted during the reviews.
- It is important that automated scanning is not seen as a replacement for full penetration testing, which should occur upon significant changes to code, or to the web services.

2. Benchmark of ██████████ Service against another tool

- No vulnerabilities were identified by the ██████████ tool that had not already been identified by the ██████████ tool.
- Furthermore, ██████████ dashboard provides a more intuitive interface and better management of reports arising from the vulnerability assessment process.

3. Manual Attack and Penetration Test

- Based on manual testing, ██████████ to be fulfilling the expectations of an automated technical vulnerability scanning service. However, the service needs to be supported by manual testing from time to time.
- See action plan for detailed findings. None of the findings identified are high priority issues and many would not ordinarily be expected to be identified in an automated service.
- ██████████ some minor scope to improve the range of issues detected, however ██████████ incremental enhancements as the use of the ██████████

Executive Summary: Conclusion

Overall Conclusion

Frequent automated perimeter scanning is a foundational activity that is common in more mature organisations with a significant internet-facing presence. Its primary function is to enable the timely identification and remediation of technical vulnerabilities affecting web applications and infrastructure.



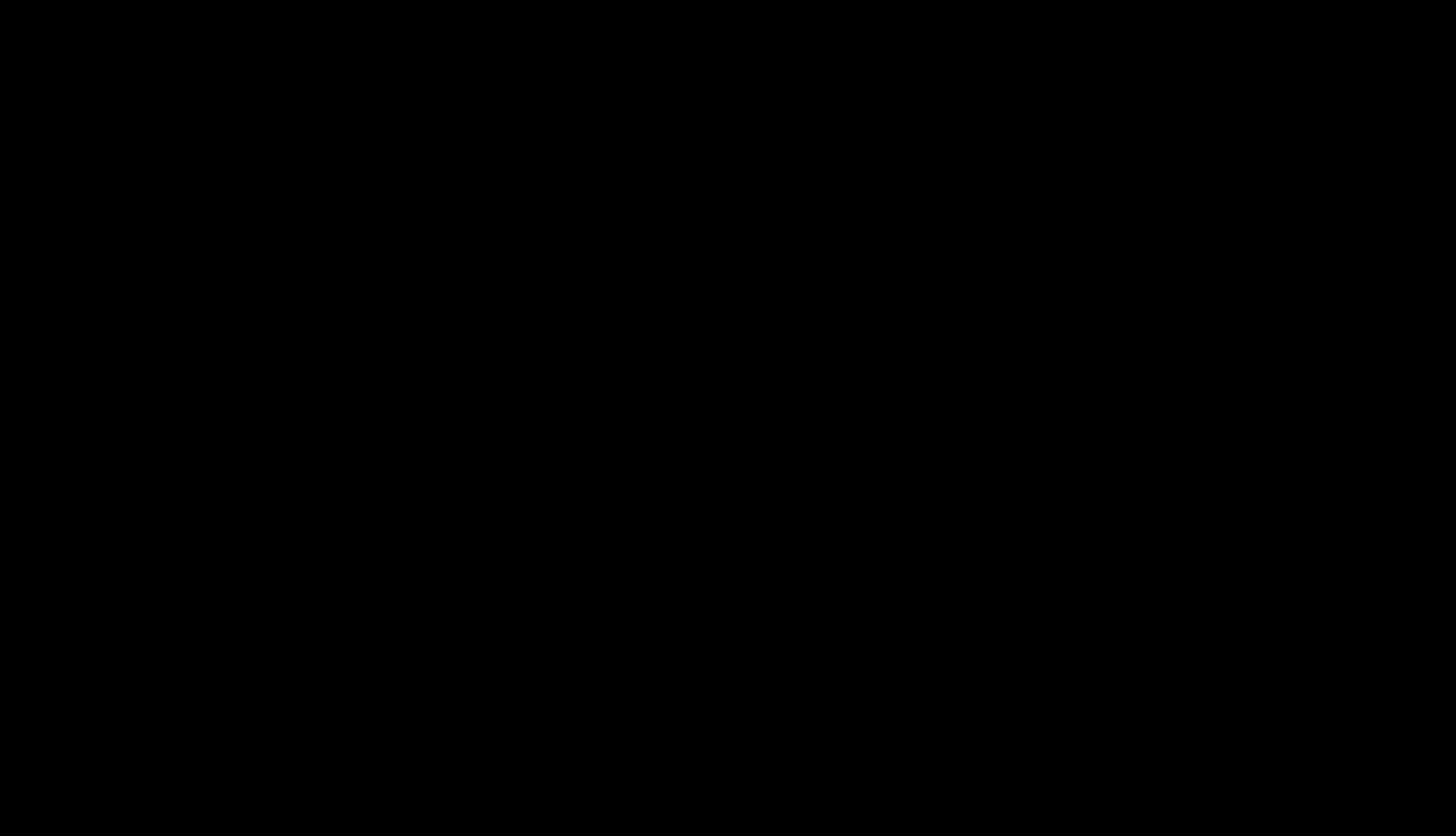


We appreciate the assistance of staff in Technology and Digital during the audit.

Rating



SATISFACTORY

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
1.	[REDACTED]			M	Done

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
	because it does not need to be combined with other kind of vulnerabilities, and could be exploited as an unauthenticated user.				
				M	<p>2A Done</p> <p>2B   31 December 2015</p>

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
				M to L	 31 December 2015
				L	Done

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
				L	Done

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
	then search for known vulnerabilities in these applications using publicly available vulnerability databases.				

APPENDICES

('Screen shots' of technical files and systems – circulated to IT personnel only)

RTÉ Internal Audit

Report on 2rn Commercial Revenue

(Incorporating RTÉ's charges, as Multiplex Service Provider, for carriage on the DTT platform)

4 July 2019

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[Redacted]
[Redacted]
[Redacted]
[Redacted] 2rn

RTÉ:

[Redacted]
[Redacted]



Background

Background

Introduction

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

2rn provides transmission and distribution services to radio broadcasters and to RTÉ DTT Multiplex Management. As the multiplex manager, RTÉ provides carriage on the national DTT multiplex to Television and Radio broadcasters. RTÉ has contracted 2rn to install, commission, operate and maintain the infrastructure and associated facilities required to provide the digital multiplexing services.

2rn also rents tower space on its masts to local and regional radio stations and a range of mobile telephone and broadband operators, private communications companies and the emergency services.

Infrastructure

2rn has a network of over 120 sites containing masts, buildings, antennae and other broadcasting equipment. The towers and masts range in size from 10m to over 300m in height. These sites are located all over Ireland.

A broadcaster's Multiplexed Transport Stream is transported to eleven main transmission sites via a microwave radio links and is transmitted from those sites. The primary distribution system consists of two (STM-1) microwave radio circuits with two radial spurs.

Regulatory Environment

ComReg has designated RTÉ and 2rn to have significant market power (SMP) in the markets for: wholesale access to national terrestrial broadcast transmission services (Market A) and wholesale access to DTT Multiplexing Services (Market B).

As a result, certain obligations have been placed on both RTÉ and 2rn. These obligations cover Access, Non-Discrimination, Transparency, Accounting Separation & Price Control and Cost Accounting.

Separated Accounts were prepared for the first time for the accounting year ended 31 December 2013, comprising Regulated Accounts for each of Market A and Market B, Primary and Secondary Accounting Documentation and Additional Financial Data (AFD). This obligation has continued as an annual requirement.

Overview of Revenue

2rn is budgeted to generate commercial revenue of █████m for 2019. █████% relates to Regulated customers. The financial position at 30 June 2019 is set out below:

2rn Commercial Revenue	Actual YTD	Interim Budget	Variance	%
30 June 2019	€m	YTD	YTD	%
		€m	€m	Variance
Total Revenue	13.7	█████	0.14	1.1%
By Revenue Type:				
Regulated	8.3	█████	-0.02	-0.2%
Unregulated	5.4	█████	0.16	3%

2rn Regulated Income

Regulated income derives from the provision of services in the regulated market in which 2rn operates, as defined by ComReg. The main Radio customers are RTÉ, Newstalk and Today FM. A Tariff Pricing Model (Market A) is used to calculate billings to regulated customers.

2rn Unregulated Income

Unregulated income derives from the provision of services other than national transmission to a variety of customers such as mobile telephone operators, the emergency services, wireless broadband providers, local radio stations etc. The largest unregulated customers are the mobile operators, with significant consolidation currently taking place in that industry.

Separate to the above, and as explained in the introduction, 2rn provides DTT transmission and distribution to RTÉ as the Multiplex Service Provider.

Background (*Cont'd*) and Scope

Overview of Revenue (*cont'd*): RTÉ Billings

The Market B Tariff Model is used to calculate the tariff chargeable by RTÉ to broadcasters for digital terrestrial multiplexing, distribution and transmission services. RTÉ, as the Multiplex Service Provider, charges customers for carriage on the DTT Platform based on the actual measured bit-rate that each service uses in a three month period. DTT income from third party broadcasters on the Saorview platform is on budget, at €[REDACTED]m., at the end of June 2019.

IT Systems

In 2rn Microsoft Excel is used for calculating CPI adjustments, deferred income etc., and the calculation of income is therefore largely dependent on Excel. However, the following IT systems are also important in the sales function of 2rn:

- [REDACTED]: Financial application.
- [REDACTED]: software package used to track Accommodation Request Forms (ARFs) and a repository for engineering documentation. ARF forms are used in planning the installation of the equipment of third parties.
- [REDACTED]: Online booking System for booking access/time-slots on sites.

Scope

The scope of this audit included the following:

- ✓ Commercial revenue in 2rn in 2019
- ✓ RTÉ's charges, as Multiplex Service Provider, for carriage on the DTT platform (*scope: Q1 2019 billings*)
- ✗ The audit did not include:
 - ✗ Detailed review of the IT systems in use; and
 - ✗ A full regulatory audit of the Tariff Pricing Models

Objectives of audit

To confirm the existence and operation of controls over the main risks, to include:

- Customer account management (credit facility, advance payments etc.);
- Accuracy completeness and of pricing of 2rn sales, including CPI adjustment calculations;
- Recording and confirmation of sales bookings, including New Business / Additions;
- Invoicing of customers, including compliance with the Tariff Pricing Model (Market A) and calculation of accrued / deferred income;
- Charging customers for carriage on the DTT platform, including compliance with the Tariff Pricing Model (Market B);
- Issue of credit notes;
- Collection / follow up on overdue accounts;
- Maintenance of appropriate books and records; and
- Compliance with relevant laws and regulations.

Conclusion and Rating

Key Management Issues

No issues were identified in this audit which merit classification as “key management issues”. A small number of other less significant observations are being communicated to management and will be actioned locally.

Overall Conclusion

The standard of control in the commercial revenue function in 2rn is satisfactory. While reliance is placed on spreadsheets to calculate revenue and to operate the Market A Tariff Model, reconciliations and control checks are in place to mitigate the risk of manual error. We note that the existing systems do not provide an easy option to automate these processes, but a major project is underway to implement a new ERP system.

The standard of control in relation to RTÉ’s quarterly charges, as Multiplex Service Provider, for carriage on the DTT platform (Market B) is also satisfactory.

We appreciate the co-operation and assistance received from 2rn and RTÉ during the course of this audit.

Rating



SATISFACTORY

RTÉ Internal Audit

Review of Health and Safety Risk Assessment

5 June 2015

Circulation:

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

[Redacted text block]



[Redacted text block]

Executive Summary: Background and Scope

Background

Introduction

RTÉ is required to comply with the Safety, Health and Welfare at Work Act 2005 ("2005 Act"). This Act sets out the responsibilities of employers, employees and various other parties in relation to health and safety at work.

Risk Assessments

Section 19 of the 2005 Act requires employers, and those who control workplaces, to prepare risk assessments. A risk assessment outlines the hazards in the workplace and the controls in place to manage those hazards. The 2005 Act specifies that a general risk assessment be prepared for routine tasks at the place of work which pose a risk to health and safety. This general risk assessment forms part of the IBDs Safety Statement. In addition, separate "once-off" risk assessments are also required before undertaking any non-routine assignments which pose a specific health and safety risk. An overarching Framework Safety Statement applies to the entire organisation.

Management of Health & Safety within RTÉ

Responsibility for health and safety in RTÉ lies within each IBD. The IBD Managing / Executive Directors are responsible for health and safety matters and delegate the day to day management of risks to competent senior managers. Any significant risks are brought to the attention of the Executive, which refers the risk to the RTÉ Board, if necessary. In addition, a dedicated Health and Safety Manager within Corporate Human Resources acts in an advisory role to each of the IBDs. The Health and Safety Manger provides a professional support and advisory service to the IBDs on all health and safety matters including the preparation of risk assessments and safety statements; developing policies; providing updates on new legislation; sourcing training courses; etc.

It should be noted that RTÉ has a low incidence of health and safety accidents. Any incidences generally relate to slips, trips and minor falls.

Scope of audit

This scope of this review involved:

- ✓ Requesting risk assessments for a sample of programmes across all IBDs and other events which potentially pose a health and safety risk;
- ✓ Reviewing the risk assessments to ensure that the risk assessments address the risks posed by the particular programme, event etc. and adequately document the control activities undertaken;
- ✓ Gaining an understanding of the key health and safety risks in each IBD and the main health and safety controls / procedures in place;
- ✓ Ensuring that each IBD has a safety statement which is clear concise, relevant and up-to-date; and
- ✓ Checking the existence and adequacy of health and safety training across the organisation.

This review focused on risk assessments only and did not include:

- ✗ A review of risk assessments prepared by Independent Production Companies;
- ✗ A review of risk assessments prepared by 2rn (covered as part of a separate audit, Network Operations, in August 2014); and
- ✗ The recently updated Child Protection Policy.

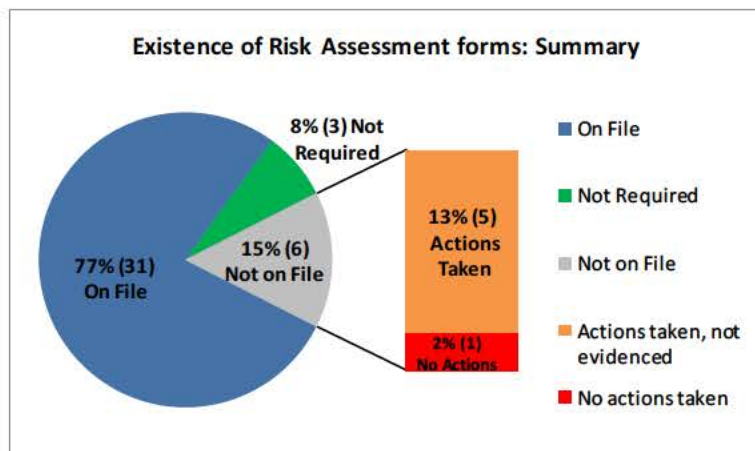
Methodology

As part of our testing we selected a random sample of 40 programmes, events and projects across the organisation which give rise to specific health and safety risks. We then sought a risk assessment for these events. The risk assessment is documentary evidence of the control activities carried out to avoid injury in the course of programme production etc.

Executive Summary: Summary Findings

Summary Findings

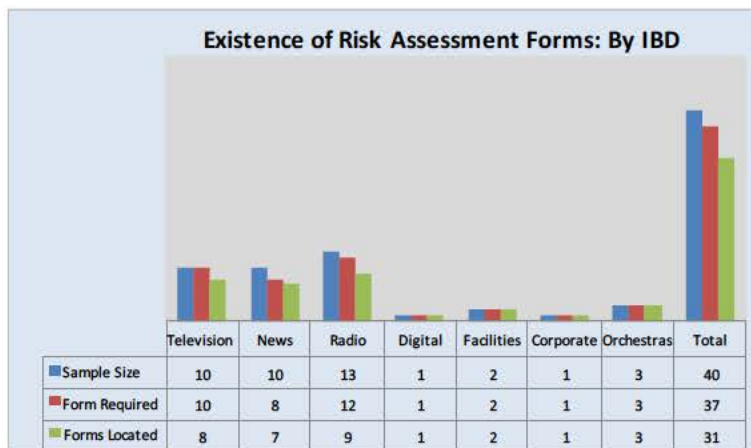
A



Existence of Risk Assessments Forms: Sample = 40

- ✓ On further investigation, three risk assessments were not required (*one from Radio and two from News & Current Affairs*) given the nature of the activity. The activity included in our audit sample was covered by the Safety Statement.
- ✓ 31 risk assessment forms were received out of 37. Therefore 84% of the revised sample size had a risk assessment prepared, where required.
- ✗ In mitigation, of the six forms not on file, **five** had implemented control measures without documenting these formally on a risk assessment. The control measures are not evidenced in any RTÉ files.
- ✗ In the **one** remaining instance, in Radio, there was no evidence of the mitigating actions.

B

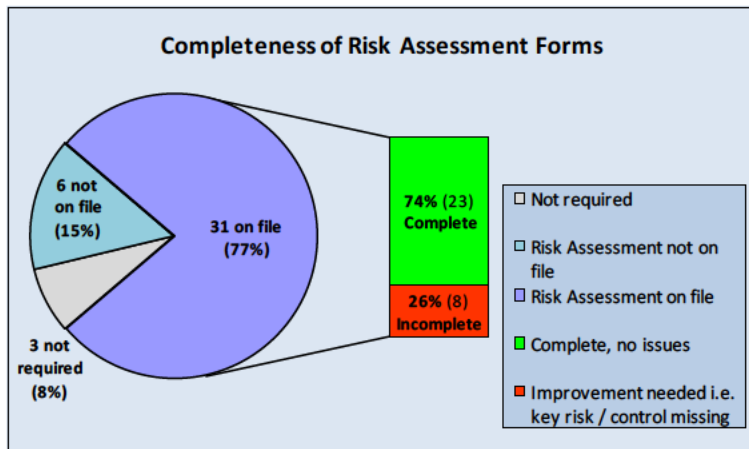


Existence of Risk Assessments - by IBD

- ✓ The bar chart details the number of risk assessments received from the IBDs (**31**) as compared to the number requested (**40**). As outlined above three were not required.
- ✗ Risk assessment forms were not available for inspection for **six** (15%) events selected as part of our sample, as follows – Radio (3), TV (2), News & Current Affairs (1).
 - ✓ As outlined above, mitigating action had taken place, but was not evidenced, in five of the six cases (1 News, 2 Television and 2 Radio).

Executive Summary: Summary Findings (Continued) and Key Issues

C



Completeness of Risk Assessments

- ✓ Of the 31 risk assessment forms available, 23 (74%) listed the hazards, the risks posed by the hazards and the mitigating controls in a clear and comprehensive manner.
- ✗ There is scope for improvement in the case of eight (26%) risk assessments, when measured against the standards set-out in the *Guidelines on Risk Assessments and Safety Statements* issued by the Health and Safety Authority. Some improvements are needed to address issues such as:
 - A failure to list key hazards, or the risks posed by the hazards;
 - A failure to list all control measures;
 - Printing a blank / template risk assessment and filing it without any modification;
 - Illegible risk assessment.

Summary:

Based on testing and discussions with Programme Producers and the RTÉ Health and Safety Manager and Officer (and taking account of the low level of health and safety incidences in RTÉ), we conclude that the appropriate safety controls are being implemented in most cases. The issues highlighted in A, B and C above relate to documentation: the documentary evidence is not completed in some cases to a sufficient degree to demonstrate that this exercise actually took place. The risk assessment is documentary evidence that all hazards were identified and appropriate controls implemented to manage the risks.

Key Management Issues

The key issues identified during the course of this review is outlined below.

Risk Assessments

A risk assessment was not available for inspection for six (15%) of the events in our audit sample in circumstances where a specific risk assessment is considered necessary. In mitigation, controls had taken place, but were not documented, in five cases. These are matters to be addressed by training / awareness sessions. Eight (28%) of the risk assessments examined as part of this audit had scope for improvement and did not provide documentary evidence that all risks were adequately addressed before programme production commenced.

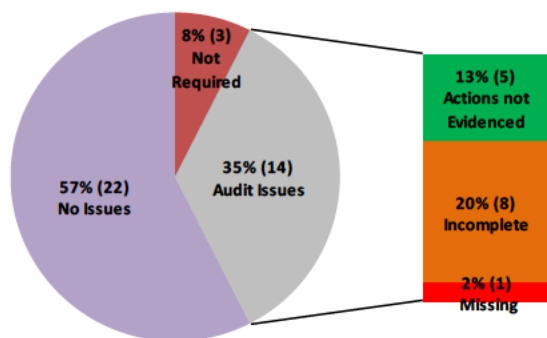
Safety Statements

The Safety Statements for News & Current Affairs, Television and the Orchestras and certain Corporate functions are all out of date and require updating.

Executive Summary: Overall Conclusion

Overall Conclusion

Overall Summary Statistics: Sample =40



Summary of Results:

- Of the six risk assessment not on file, **five** had implemented some control measures without documenting these formally on a risk assessment.
- In the remaining **one** case, we obtained no evidence of mitigating control measures taking place.
- There is scope for improvement in the standard of documentation of hazards, risks or controls in the case of **eight** (26%) risk assessments

In summary, RTÉ is complying with the main requirements of the Safety, Health and Welfare at Work Act, 2005. Safety measures and precautions are in place to prevent health and safety accidents and this is evidenced by the low level of reported health and safety incidents. Formal structures are also in place and responsibility is devolved to appropriate officials throughout the organisation. A Framework Safety Statement is in place for the organisation. However, we noted weaknesses as explained below.

There is scope to update some of the IBD safety statements to reflect staff changes, reorganisations etc. In addition, staff are not receiving an annual reminder of where the safety statement can be located. We also noted that the intranet was not being fully updated with the most recent and relevant health and safety documents. Training and awareness of best health and safety practices could be improved in certain areas.

Following a review of the preparation of risk assessments across the organisation, we noted that 15% of events which required a risk assessment, had not prepared one. However, mitigating action was taken in many cases. In the case of eight of the risk assessments inspected during the course of the audit, the risk assessment did not provide documentary evidence that all risks were identified prior to production and that the relevant controls were put in place. Actions have now been agreed to address these issues.

We appreciate the co-operation and assistance received from staff and Corporate Human Resources during the course of this audit.

Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Risk Assessments				
1.	<p><u>Existence of Risk Assessment Forms</u></p> <p>A random sample of 40 programmes, events and projects which gave rise to specific health and safety risks, were selected from across the organisation. Completed risk assessment forms were then requested for each one.</p> <p>The results of testing were as follows:</p> <ul style="list-style-type: none"> • Upon further investigation, three (8%) risk assessments were not required (one from Radio and two from News & Current Affairs) given the nature of the activity which was selected as part of the audit sample. The tasks in question were sufficiently covered by the Safety Statement for that IBD. • 31 (77%) risk assessment forms were received. • Risk assessments were not available for inspection in six cases (15%). • In mitigation, of the six (15%) not on file, five had implemented control measures without documenting these formally on a risk assessment. The remaining instance is summarised below: <ul style="list-style-type: none"> - Live Outside Broadcast with an audience for a music festival in the West of Ireland. This was a once-off occurrence and the show had no Producer at the time. 	<p>Health and Safety are in agreement with the findings in this report and support the recommendations.</p> <p>We will be engaging with the divisions and hosting regular meetings to provide advice / guidance and to communicate the importance of Health and Safety matters.</p> <p>(██████████, Health and Safety Manager)</p>	<p>All programme makers and those involved in activities which could pose a health and safety risk will be reminded by the Health and Safety Manager of the need to complete risk assessments at events outside the normal activities of the organisation and not already covered in the Safety Statement.</p> <p>The Health and Safety Manager will develop a programme of briefings for the next 12 to 18 months having regard for when training was last conducted in each area and the activities which give rise to higher levels of risk.</p> <p>A standardised proforma risk assessment form will be drafted and implemented across the organisation.</p>	M	<p>██████████ ██████████ ██████████ ██████████</p> <p>██████████ ██████████ ██████████ ██████████</p> <p>██████████ ██████████ ██████████ ██████████</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	<p><u>Completeness of Risk Assessment Forms</u></p> <p>The risk assessments forms received were then examined to test their quality and completeness. The results are as follows:</p> <ul style="list-style-type: none"> • Of the 31 risk assessment forms available, 23 (74%) were deemed to be of an acceptable standard and listed the hazards and mitigating controls in a clear and comprehensive manner. • There is scope for improvement in the case of eight (26%) risk assessments, when measured against the standards set-out in the <i>Guidelines on Risk Assessments and Safety Statements</i> issued by the Health and Safety Authority. The following is a summary of the main weaknesses in the eight forms: <ul style="list-style-type: none"> - One risk assessment form for an overseas trip was signed and dated but no risks were identified and no control measures listed. - While the majority of key risk(s) in the context of the event were specified, some were omitted in the case of six risk assessments forms, e.g. electrical risks, noise exposure, manual handling, slips and trips. - Eight risks were identified but only two control measures to minimise these risks were explained in the remaining instance (one form). <p>On a general note, a small number of the risk assessments were handwritten and very unclear to read. There is also a tendency to use generic risk assessment forms and not tailor it to the particular production.</p>	See point 1. above	See action set-out in point 1. above	H	See point 1. above

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Technology Safety Statement 2009).</p> <ul style="list-style-type: none"> Content and format of safety statements The 2005 Act states that safety statements are reviewed and updated every year. Most of the IBDs, as detailed above, are not fulfilling this requirement. In addition, the Act requires that the safety statement be in a form that is reasonably easy for the employee to follow. We noted that some of the safety statements, particularly in the cases of News and Current Affairs and Television, are very lengthy and could be presented in a format that is easier to read. 	<p>A revision of out-of-date Safety Statements will be carried out by November of this year.</p> <p>(██████████), <i>Health and Safety Manager</i></p>			
4.	<p>Communication</p> <p>The communication and awareness of Health and Safety issues could be improved across the organisation. We noted the following during testing, although some issues have now been addressed:</p> <ul style="list-style-type: none"> Insufficient information published on the Intranet At the time of audit testing, only the 2011 Framework Safety Statement was available on the Intranet. <p>In mitigation, some documents were in the later stages of being signed off and have since been published. However, at the time of publishing this report, only three of the eight RTE safety statements (including the Framework) are currently published on the Intranet.</p> <ul style="list-style-type: none"> Format of Risk Assessment forms At the time of audit testing there were two different risk assessment forms for Television (SRA1 for programmes and PRA2 	<p>Agreed.</p> <p>(██████████), <i>Former Health and Safety Manager</i></p> <p>Agreed.</p> <p>(██████████), <i>Health and Safety Manager</i></p>	<p>Publication of safety statements on the intranet: See finding #3.</p> <p>A short presentation will be developed outlining the steps in completing a Risk Assessment form and circumstances in which one is required.</p> <p>A reminder will be issued to all programme producers and programme editors that it is their responsibility to complete and prepare risk assessments for their own Productions.</p> <p>A sample completed risk assessment demonstrating the standard required in their preparation for each IBD / business area will be circulated to all relevant personnel by the Health and Safety Manager.</p>	M	<p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>for studios) which proved to be confusing and misleading for Producers. This has since been combined into one form and uploaded to the Intranet. However, it now needs to be communicated to the TV Producers.</p> <ul style="list-style-type: none"> Sample risk assessments There is currently no sample of a completed risk assessment published on the Intranet or circulated to staff, demonstrating the standard required in the preparation of the risk assessment. Producer Responsibilities There is a lack of awareness among some Producers that it is their responsibility, and not health and safety, BCO or head of genre, to complete the risk assessment forms for their productions. This needs to be communicated. 				
5.	<p><u>Health and Safety Training</u></p> <p>The following points were noted:</p> <ul style="list-style-type: none"> There is no formal policy addressing the need for, or timing of, “refresher courses” for employees who originally received health and safety training a number of years ago. Training courses have been given in certain areas in the past 12 months, such as: <ul style="list-style-type: none"> Investigative Journalism training for News and Current Affairs journalists Child Protection policy and training among TV Producers and Directors In-house Manual Handling training 	<p>Agreed.</p> <p>(██████████ HR Manager, Radio)</p> <p>Ideally hostile environment refresher training would be provided to staff each three years, however, funding has not been available to provide this training. Each year the hostile environment training and lack of refresher training is highlighted by us but funding has not been available. It costs up to €5k</p>	<p>The IBD HR Managers will be reminded to track all Health & Safety training courses attended by employees in their divisions and to monitor the timing of refresher courses, as needed.</p> <p>The Health and Safety Manager will engage with the HR Departments in Radio and News and Current Affairs with a view to arranging briefing sessions in the areas referred to.</p>	M	<p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p> <p>██████████</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> • However, it has been a number of years since any training was given in the following areas: <ul style="list-style-type: none"> - Radio Producers: No health and safety training has been given for Radio producers since February 2007 when 30 staff members were trained. Due to the lapse of time and staff turnover another Radio producer Health and Safety training course is warranted. - “Refresher” Hostile Environment Training (News & Current Affairs): One journalist has been trained in this area since 2011. 22 RTÉ staff members have received this training since 2004. Of those who completed the training in previous years just one person has received it again more recently. A refresher training course is therefore warranted. This training has not been completed in recent times due to budgetary constraints. It is the intention that two further journalists will attend at a later date in 2015. - “Day to day” News reporting: Training to date in News has been primarily focussed on high risk areas such as Investigative Journalism and, to a lesser extent, Hostile Environment Training. However, the majority of journalists in the Newsroom, reporting on day-to-day events, would benefit from “refresher” training courses on health and safety generally and the completion of risk assessments. They are, by the nature of their job, exposed to potential threats. 	<p>per person to provide such training. We have been able to budget €20k toward such training in 2015, however, we may only be able to train 4 or 5 people.</p> <p>The general training course for newsroom staff to assist to deal with conflict situations was being developed in conjunction with H&S Manager up until 2014 so we would like to see this being resurrected. We think it is very important that general reporters receive such training.</p> <p>██████████, HR <i>Manager, News and Current Affairs)</i></p>			

RTÉ Internal Audit

Programme Classification & Compliance Review

6 September 2021

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

██████████ Head of Broadcast & Media Services
██████████, Manager, Schedule Management
██████████ Channel & Products Manager (Online)



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Introduction and Background

Introduction

RTÉ operate an onscreen programme classification system to let viewers know more about the content of scheduled programmes. Icons appear on screen for seven seconds at the start of each programme which help people make an informed decision whether to view or not to view.

The classification system was introduced in November 2001 and is an information service to television viewers.

Programmes with explicit violence, scenes of a sexual nature, etc., which are more suited to a mature audience, will be flagged with an on-screen warning and will not be scheduled until after the 9pm watershed (linear TV).

Background

Programme Classification Categories

The four classification categories currently in place are:

(GA) General Audience: Indicates a programme suitable for all ages and tastes.

(CH) Children: Indicates a programme aimed specifically at children

Note: CH is an internal classification only and is not seen by the viewer or broadcast on air.

(PS) Parental Supervision: Indicates a programme aimed a mature audience. It might deal with adult themes, be moderately violent or frightening, or contain infrequent bad language. This classification label invites parents or guardians to consider restricting children's access.

(MA) Mature Audience: Indicates a typically post-watershed (21.00) programme which might contain scenes of violence, sexual activity, bad language or adult themes.

Programme Classification Process / Workflow

The workflow for assigning content with a programme classification code prior to transmission is explained below.

LINEAR TELEVISION

A) Assigning On Screen Classification Code (Current System)

- A team of Programme Acceptance Viewers are responsible for formally assessing the editorial appropriateness of all Acquired and Commissioned (IPU) content, prior to broadcast. [REDACTED] is the system used to view content and from here it gets transferred to the [REDACTED] scheduling system.
- Programme Acceptance Viewers are trained in programme classification and are independent of the programme making teams.
- Content assessment and the assignment of a programme classification code is done through completion of a "cue sheet" on [REDACTED]
- When selecting a classification code that is not 'General Audience', there is a list of criteria from which to select in order to justify or explain the rating given. A rating of between 1-10 must be assigned.
- For GA programmes, a blank cue sheet can be submitted without any justification / further explanation and a rating of zero.
- The higher the rating, the later in the schedule the programme should be placed, depending on the audience and the slot.
- In-house programmes (whether pre-recorded or live) do not go through the formal acceptance viewing process. The in-house programme team perform their own "acceptance review" and assign programme classification code prior to going to transmission.

B) Pre-Transmission Checks

- The [REDACTED] scheduling system will not accept a programme or allow it to be scheduled for transmission without submission of a completed cue sheet.
- This is an automated quality control check being performed by [REDACTED] therefore eliminating any risk of a programme going to air without a code being assigned to it.

Risk, Objective and Scope

C) Pre-transmission Continuity Announcement

- In advance of programmes going to air, a tailored continuity announcement can be specifically scheduled to air prior to the programme being broadcast. This is done by engaging with RTÉ's in-house Continuity department. A pre-written script tailored to the programme goes out live in advance.

D) Helpline Information

- Depending on the nature of the content being broadcast, information directing viewers to a helpline can also be added as an additional form of control.

C) And D) are additional controls that can be used to accompany an on screen programme classification code. Unlike the on screen code, which are mandatory before the programme goes to broadcast, these steps are optional extras.

RTÉ PLAYER

The RTÉ Player is aligned with linear broadcasting and uses the same programme classification code. The below describes some Player-specific scenarios, based on whether the programme was initially broadcast on linear TV:

Linear TV → Player

The RTÉ Player team are informed via the [REDACTED] system of the programme classification code assigned at the linear viewing stage. The Player team usually assign the same code, but have the option to amend as necessary on occasion.

Player Only (Acquired / IPU)

Content can be bought specifically for Player-only (digital first programmes & non-linear box sets), a recent example being *Line of Duty*. In such cases, the programmes go through the formal independent acceptance viewing process. One of the Acceptance Viewers is responsible for reviewing Player-only acquired & IPU.

Player Original (In-House)

Some content originates or is produced within Player (via the Player lab). This content also goes through the formal independent acceptance viewing process mentioned above. (This Content may later be broadcast on linear TV).

Risk

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

- Risk #6 – Brand and Reputation,
- Risk #7 – Editorial Risk, and
- Risk #10 – Legal & Regulatory Changes / Compliance.

Objective

The objective of this audit is to perform a review of RTÉ's current programme classification process, and to investigate / evaluate it's consistency and compliance across all RTÉ platforms, covering the following:

- In-House
- IPU
- Acquired
- Acquired Irish
- Promos

Scope

The audit involved the following steps:

- ✓ Discussions with key personnel to gain understanding of current processes in place around programme classification and documentation of same;
- ✓ Walkthrough of the Acceptance Viewing process and review of controls in place;
- ✓ Perform a comparison between the process and risks for Linear and on Player;
- ✓ Pick a sample from both linear TV and from Player and verify appropriate classification code / warnings in place; and
- ✓ Pick a sample of IPU/Acquired programmes and request evidence of acceptance viewing process.

Key Findings

On-Screen Programme Classification Code
(Findings #1, #4 & #6)

Finding #1:

- There has been no recent advertising or promotion of the programme classification code and there is no on-screen explanation as to what the two letters in the code mean.
- The classification code is not meaningful unless the viewer is familiar with it and receive reminders regularly.

Finding #4: The current code is restrictive in the case of some programmes on Player and may impact the programme from reaching its target audience.

Finding #6: The programme classification code has not been used since the start of the global pandemic, having being replaced by a "Stay Safe" graphic.

No formal Acceptance Viewing for
In-House content
(Finding #2)

Programmes made in-house do not go through a formal acceptance viewing process. This potentially increases the risk of a mis-coding and the programme teams making the decision may not be sufficiently trained in the area.

Lack of consistency between warnings
used on Linear TV and Player
(Finding #3)

There is a lack of consistency in the application of warnings used on linear Television compared with those used on the RTÉ Player. Pre-programme continuity announcements and helpline information do not apply in the same way on the RTÉ Player.

Note: These findings are explained in more detail in the action plan as set out in Appendix 1, on page 7.

Conclusion

Conclusion

RTÉ operates an onscreen programme classification system to let viewers know more about the content of scheduled programmes. The system was introduced in November 2001, making it twenty years old this year. The objective of this audit was to carry out a review of RTÉ's programme classification process, to evaluate compliance and to assess consistency across all RTÉ platforms.

- Our review concluded that the current programme classification system is outdated and in need of review. It is not easy to locate explanations of the code on rte.ie and there has been no recent advertising or promotion of its existence.
- It was also noted that programmes made in-house do not go through a formal acceptance viewing process. This potentially increases the risk of a later mis-coding and the programme teams making the decision may not be sufficiently trained in the area.
- There is a lack of consistency in the application of the warnings used on linear Television compared with those used on the RTÉ Player. This may impact the programme from reaching its target audience.

On an overall basis the report is rated at the mid-point, improvement needed. Actions have been agreed to address the above points, as outlined in the Appendix overleaf.

The new Channel Management System, replacing the [REDACTED] system, is due to be rolled out in quarter one of 2022. Its new design features already address some of the findings highlighted in this audit and, therefore, some actions are already in train.

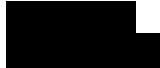

We appreciate the co-operation received from the relevant staff members during the course of this audit.

Rating



IMPROVEMENT NEEDED

Appendix 1 – Action Plan

Finding	Agreed Action	Owner	Due Date
<p>1 Outdated Programme Classification Code:</p> <p>The programme classification code appears on-air in the form of two letters on the top right-hand corner of the screen. We noted the following:</p> <ul style="list-style-type: none"> ➤ There is no additional on-screen explanation as to what the two letters stand for. ➤ The current programme classification code is not easy to locate on rte.ie, which is the primary source of explanation. ➤ The classification category CH (Children) is no longer being used, despite being published on the Programme Classification Information on RTÉ.ie. ➤ There has been no recent advertising of the classification code via an on-air promo, or explanations posted on RTÉ social media. ➤ The classification code is 20 years old and is lacking a modern graphic. It does not always suit other platforms (Player / Online) – as explained below – and may need to be amended to fit all RTÉ platforms, rather than the traditional focus on Linear TV. <p>The classification code is not meaningful unless the viewer is familiar with it. However, it is reasonable to conclude that the audience is not sufficiently aware of the code.</p>	<p>Consideration will be given to reviewing and updating the existing programme classification process for all content broadcast on RTÉ Television.</p> <p>This will involve appropriate communication and promotion so that both internal teams and the public understand its meaning and are fully aware.</p>		<p>30 June 2022</p>
<p>2 No formal Acceptance Viewing for In-House content:</p> <p>Finding:</p> <ul style="list-style-type: none"> ➤ Programmes made in-house do not go through a formal acceptance viewing process. <ul style="list-style-type: none"> – While this reflects the nature of live programming, including News and Sport, pre-recorded in-house content is also not subject to acceptance viewing. (There may be some involvement from Legal (e.g. <i>RTÉ Investigates</i>), but this only applies to certain higher-risk programmes). 	<p>A more consistent organisation-wide approach is required, and consideration should be given to a mandatory approach where all content goes through the same, consistent compliance process, independent of the producers of that content, in-house or external.</p>		<p>31 December 2022</p>

Appendix 1 – Action Plan (*Continued*)

Finding	Agreed Action	Owner	Due Date
<p>➤ Promos are also not subject to acceptance viewing.</p> <p>Implications:</p> <ol style="list-style-type: none"> 1) In-house programmes do not have the same independent review process as IPU or acquired. 2) A classification other than “GA” will only be assigned to the programme if the Producer / BCO decides it is warranted. However, they may not be sufficiently trained in area to make an informed decision and it raises concern around their objectivity, being the programme makers also. 3) The Player team are depending on the programme teams to direct them. Examples of how this can be problematic is described below: <p><i>Late Late Show (‘LLS’)</i> The LLS was intermittently assigned GA by the programme team. This ordinarily would be sufficient, but some segments warrant an alternative code (PS or MA) depending on the nature of the topic. The risk is minimised on linear as these segments are often at the end of the programme. However, the LLS is accessible on Player at any time. On account of this, the LLS was recently changed from GA to PS and will remain in this category.</p> <p><i>Back to Barrytown</i> All the episodes were given a GA classification by the programme team. In this instance, the language used on the programme was not suitable for a wider Player audience so the Player team checked with the Executive Producer who then agreed to change to MA. The role of the classification was misunderstood by the person deciding the classification.</p>			

Appendix 1 – Action Plan (Continued)

Finding	Agreed Action	Owner	Due Date
<p>3 Lack of consistency between ‘warnings’ on Linear TV and Player:</p> <p>Background Pre-broadcast continuity announcements or helpline information can be added as additional controls to accompany the on-screen classification code.</p> <p>However, there is a lack of consistency between the application of these additional warnings on Player as compared to Linear TV.</p> <p>Findings:</p> <p>➤ <i>Continuity Announcements</i></p> <p>Pre-transmission continuity warnings do not carry over automatically to RTÉ Player because they are not part of the file in [REDACTED]. For programmes first broadcast on linear television, the need for Continuity announcements is recorded by Acceptance Viewers on [REDACTED].</p> <p>This can be an issue for programmes published on RTÉ Player after linear transmission, as there is potential for the requirement for warnings to be missed, unless advised to do so by the acceptance viewers or the programme teams, usually done manually via email.</p> <p>The Player team have limited access to the [REDACTED] system and checking whether additional warnings were applied for each programme / episode is a labour intensive, time consuming process, and not always feasible.</p> <p>➤ <i>Helplines</i></p> <p>Helpline information used on linear TV is not as effective on the RTÉ Player. The Player gives the viewer the option to auto-play to the next episode in the series, so it is unusual for a user to get to the end of the credits in the on-demand space. Therefore, the helpline is often not viewed by viewers.</p>	<p>The new Channel Management System (CMS) will be explored for ways to streamline this process, for example, a functionality to communicate and implement continuity warnings is being reviewed. All classification material and associated alerts will follow the same processes and workflows, reducing the risk of omission.</p> <p>Actions implemented for finding 2 above will be relevant in this area.</p> <p>Future developments in the area of sign-in to use Player will assist with this issue, as the classification will form part of the recommendation algorithm.</p>	<p>[REDACTED]</p>	<p>31 December 2022</p>

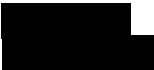
Appendix 1 – Action Plan (*Continued*)

Finding	Agreed Action	Owner	Due Date
<p data-bbox="112 272 850 301"><i>3 Lack of consistency between ‘warnings’ on Linear TV and Player:</i></p> <p data-bbox="112 337 311 365">Findings (Cont’d):</p> <p data-bbox="112 368 272 396">➤ <i>Watershed</i></p> <p data-bbox="146 432 966 615">The concept of the watershed is not applicable on Player as programmes are accessible at all times throughout the day. This means that the Player, by its nature, may be more exposed and does not have the same controls that the watershed provides on linear. The use of sign-in for RTÉ Player and switching to “Kids Mode” allows for extra control in the on-demand space.</p> <p data-bbox="112 651 542 679">➤ <i>Impact of late programme deliveries</i></p> <p data-bbox="146 715 966 869">Late delivery of a programme can have a knock-on effect on classification for Player. Programmes that are acceptance viewed outside of office hours mean that the classification code is only assigned after the Player schedule is published. This means that programmes can be misclassified on Player, requiring manual adjustment at a later stage.</p> <p data-bbox="112 905 233 933">Mitigation</p> <p data-bbox="112 936 966 1062">In mitigation, Player have their own suite of generic warnings which can be applied, for example “Flashing Lights”, “Graphic Content”, etc. but their application may be missed unless advised to do so by the acceptance viewers or the programme teams.</p>			

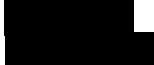
Appendix 1 – Action Plan (Continued)

Finding	Agreed Action	Owner	Due Date
<p>4 Current classification Code too rigid for Player:</p> <p>The current classification code is too restrictive for some types of programmes. Examples are listed below:</p> <ul style="list-style-type: none"> ➤ Difference between coding for on-air and on-demand: <i>I'm Fine</i>, a documentary about mental health, was targeted at young males but was given a MA code on linear TV due to the language used. This code may prevent the programme from reaching its target younger audience on Player and was changed to PS on Player manually. (MA on Player generates an additional warning before playback starts which may deter younger audiences) <p><i>This is Me</i> – a documentary following the final chapters in the life of a HPC Vaccine campaigner, was coded MA on linear but Player amended to PS with editorial review and additional warnings.</p> ➤ Cast are younger than the classification code assigned: <i>Davy's Toughest Team</i> and <i>Why Girls Quit Sport</i> are examples of programmes that were given MA on Linear due to bad language even though the people featured in the show are mostly under 18. <p>Implications</p> <p>A rigid classification code may impact the programme from reaching its target audience on the RTÉ Player, with more flexibility required in order to reach desired audiences. It also sends a contradicting message to viewers.</p> <p>As a result, manual changes to the classification code are sometimes made by the Player team, which impacts consistency and increased risk of error.</p> <p>With content now being generated for the Player and then moving to Linear in recent years (<i>as opposed to it ordinarily being first broadcast on Linear TV</i>), it is important to have a consistent approach.</p>	<p>See action in finding #1.</p> <p>Consideration will be given to implementing more granular meta data warnings (suicide references, drug misuse, etc.).</p>	<p>[REDACTED]</p>	<p>30 June 2022</p>

Appendix 1 – Action Plan (Continued)

Finding	Agreed Action	Owner	Due Date
<p>5 Broadcasting repeat programmes (Elections / By-Elections):</p> <p>Background There is an inherent risk that content appropriately reviewed and cleared as part of the original Acceptance Viewing process may no longer be suitable when repeated at a later date given changed circumstances.</p> <p>This is particularly relevant to repeat programming broadcast in the period of election coverage and is important to ensure compliance with Rule 27 of the BAI Code of Fairness, Objectivity and Impartiality in News and Current Affairs. The period of the moratorium on election coverage, immediately prior to the poll, poses an additional risk.</p> <p>Findings</p> <ul style="list-style-type: none"> ➤ Content goes through the acceptance viewing process once, prior to the first transmission, where applicable. However, there are no additional controls in place to monitor this for repeat programmes. ➤ There is no facility or “tagging system” for recording extra notes on what the content features, for reference at a future point prior to repeat. ➤ A recent example of this was the repeat of the programme <i>National Treasures</i>, which featured a politician and a candidate in an upcoming by-election, shortly after the repeat. <p>Implications / Limitations There is an exposure for RTÉ with potential for reputation damage and possible breach of election coverage rules. This is most relevant to the repeats in the factual and entertainment genres.</p> <p>It should be noted that it is difficult to mitigate the risk completely, particularly in more complex cases of new election candidates who were not originally politicians or individuals of high profile during the first broadcast, or where there is a long passage of time since the original broadcast.</p>	<p>Steps will be taken to ensure that programme broadcast during the election moratorium (<i>and a predetermined period of time in the election campaign prior to the moratorium</i>), do not contain material that would breach the moratorium or election rules:</p> <ul style="list-style-type: none"> ▪ Consideration will be given to assigning a suitable individual the temporary task of reviewing the programme schedule prior to broadcast during this period. The review will involve a check of the content in certain pre-agreed genres (<i>excluding N&CA</i>) and focusing especially on repeats. The check will be via a second viewing or consultation with programme team etc ▪ This review is to allow for necessary changes to made in advance. ▪ Investigation into the possibility of improving the original information gathering at viewing (via the new CMS) by adding extra notes / tags and recording topics covered during the first review, thereby creating a trail and flagging future potential issues prior to repeats. 		<p>30 June 2022</p>

Appendix 1 – Action Plan (Continued)

Finding	Agreed Action	Owner	Due Date
<p>6 Classification code not currently in use:</p> <p>Since the commencement of the pandemic in March 2020, the two letter RTÉ programme classification code has been replaced with a "Stay Safe" symbol in the top righthand corner of the screen. This means that there is currently no classification code in use on Linear TV.</p> <p>This is being mitigated by a continuity warning announcement prior to the programme, as required.</p>	<p>The "Stay Safe" symbol will be removed when appropriate to do so in line with public health guidelines.</p> <p>The Business will review and agree on appropriate next steps once the "Stay Safe" symbol has been removed – see action in finding #1.</p>		<p>31 March 2022</p>

RTÉ Internal Audit

R2148 PAC33
Item 21

Review of Purchase Order Compliance (Q1, Q2 2022)

19 October 2022

Circulation:

Richard Collins, Chief Financial Officer

Finance:

██████████, Head of Procurement

██████████, Procurement Category Manager

██████████ Financial Controller



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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 30 June 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 30 June 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 30 June 2022, IA noted the following:

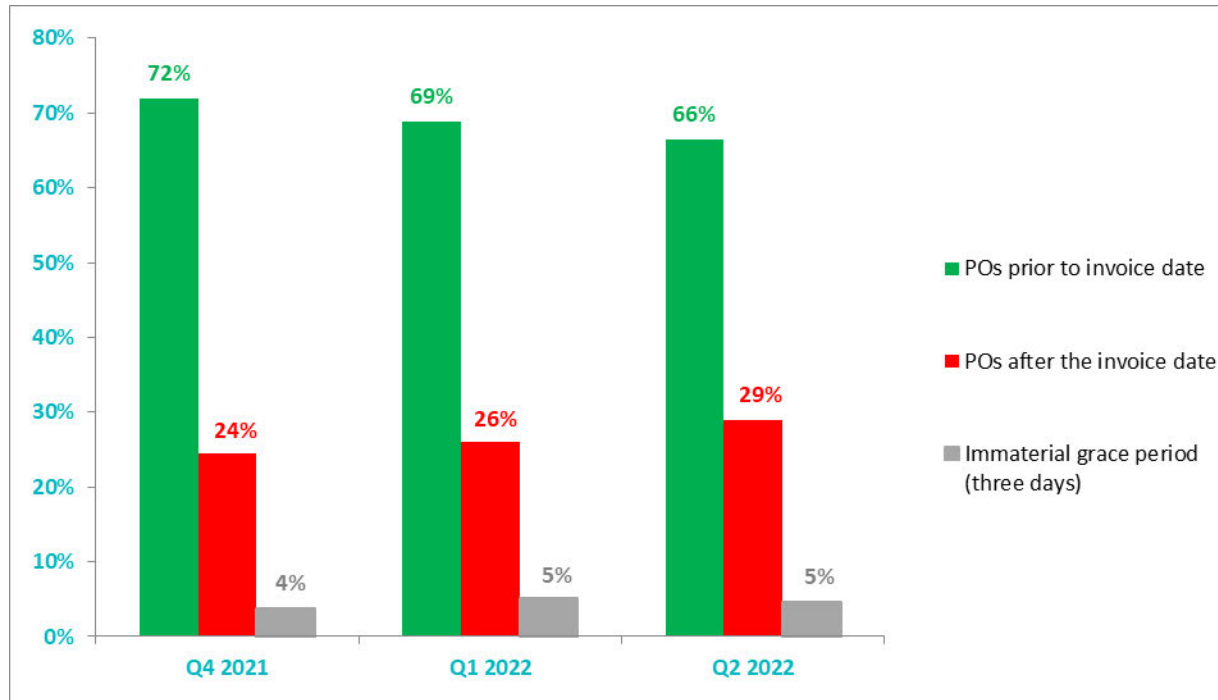
- The number of POs being raised after receipt of invoice increased since the last review, with a deterioration noted in both quarters. The number of late POs was 26% for Q1 2022 and increased to 29% for Q2. This is higher than reported in Q4 2021 (**24%**). See “**1a) PO Summary – Number of Invoices**” for further details.
- The monetary value of the POs raised after receipt of invoice fluctuated during the period: 23% in Q1 and a reduction to 18% in Q2. Please see “**1b) PO Summary – Value of Invoices**” for further details.
- 10 managers accounted for **45%** of all late POs during the period under review, either directly as costpool manager or senior managers of other managers. Please see “**2) No. of Late POs by Responsible Manager Summary – Top 10**” for further details.
- Two divisions (**Content** and **Operations**) are consistently higher in relation to the percentage share of late POs. Please see “**3) Late PO by Division Summary - % of All Late POs**” for further details.
- 383 suppliers had a total of 879 late POs in the half year period under review. The late POs of the top 15 suppliers combined account for 23%. This is further analysed in “**4) Number of Late POs by Supplier – Top 15**”.

Findings

1a) PO Summary – NUMBER of Invoices

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

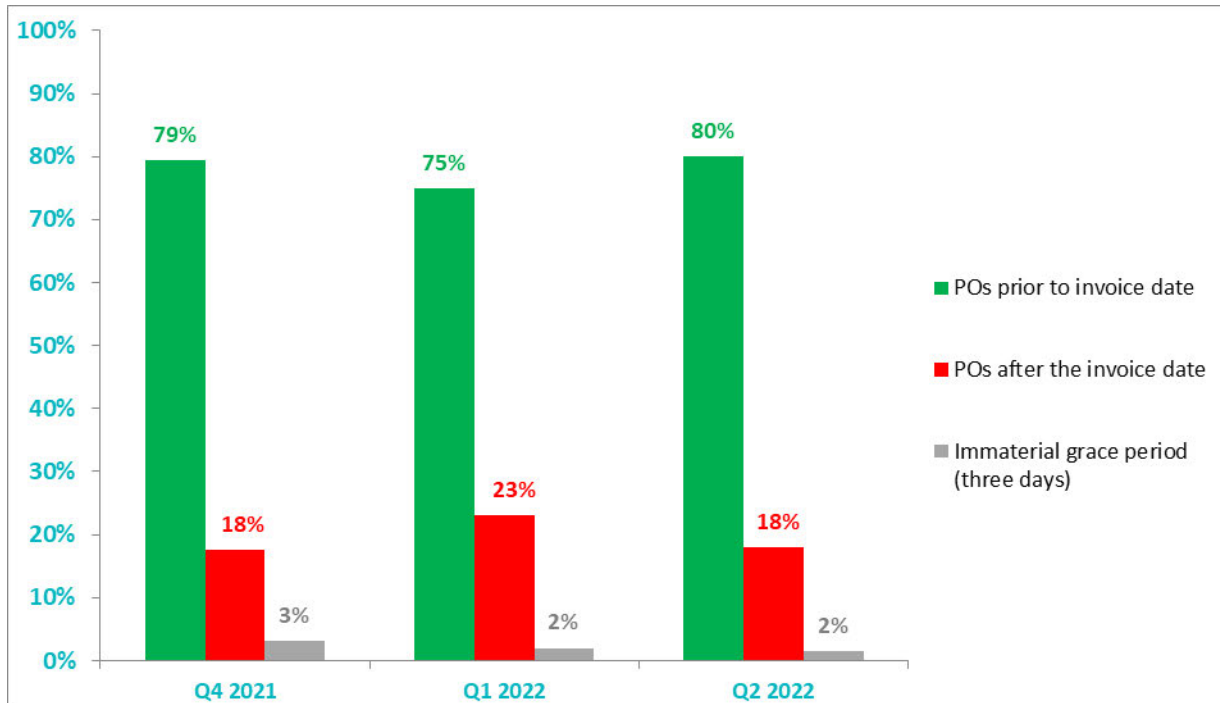
Analysis of number of invoices	Previously Reported	Current Period Under Review		
	Q4 2021	Q1 2022	Q2 2022	Average
POs prior to invoice date	72%	69%	66%	68%
POs after the invoice date	24%	26%	29%	27%
Immaterial grace period (three days)	4%	5%	5%	5%
Total	100%	100%	100%	100%



Findings (Cont'd)

1b) PO Summary – VALUE of Invoices

PO Summary - Analysis of <u>value of invoices > €1,000</u>				
	Previously Reported	Current Period Under Review		
Analysis of value of invoices	Q4 2021	Q1 2022	Q2 2022	Average
POs prior to invoice date	79%	75%	80%	78%
POs after the invoice date	18%	23%	18%	20%
Immaterial grace period (three days)	3%	2%	2%	2%
Total	100%	100%	100%	100%



Findings (Cont'd)

2) No. of Late POs by Overall Responsible Manager – Top 10

No. of Late POs by Overall Responsible Manager - Summary (Top 10)			
	Current Period Under Review		
Overall Responsible Manager (Top 10)	Q1 2022	Q2 2022	Total for period
██████████			
██████████	12	25	37
██████████	n/a	34	34
██████████	24	21	45
██████████	13	31	44
██████████	23	19	42
██████████	20	17	37
██████████	17	20	37
██████████	12	23	35
██████████	0	31	31
██████████	8	21	29
██████████	24	n/a	24
Top 10 Manager Total	153	242	395
Top 10 Manager % of Total Late POs	40%	48%	45%
Sum of POs from other managers	227	257	484
Total Late POs	380	499	879

Responsible Manager

These individuals are costpool managers and, in some cases, are also senior managers overseeing other managers (and costpools) within their remit of responsibility.

* see note below

██████████ retired from RTÉ at end Q1 2022 and ██████████ was appointed as his replacement. 34 late POs in Q2 - in ██████████ former responsibilities - are now listed under ██████████ name in the table. As the replacement in ██████████ former role was not appointed until early Q3, the late 25 POs for his former role are also shown under his name for Q2.

Findings (Cont'd)

3) 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. (Jun - Sept' 2021)	Quarter 1 2022	Quarter 2 2022
Content - RTÉ	39%	34%	34%
Operations - RTÉ	28%	24%	29%
Audience, Channel & Marketing	6%	10%	12%
News - RTE	2%	4%	4%
Network - RNL	3%	3%	1%
Central Services - RTE	3%	4%	2%
Technology - RTÉ	5%	4%	5%
Finance - RTÉ	2%	2%	6%
Commercial - CEL	4%	5%	2%
Human Resources - RTÉ	5%	5%	2%
Content - IPU	2%	3%	1%
Commercial - RTÉ	2%	2%	2%
Total		100%	100%

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.

Findings (Cont'd)

4) Number of Late POs by Supplier – Top 15

383 RTÉ suppliers had a total of 879 late POs in the half year period under review. This is analysed by quarter in the tables below.

No. of Late POs by Supplier			
Supplier (TOP 15)	Period Under Review		Total
	Q1	Q2	
	13	15	28
	6	16	22
	6	10	16
	12	3	15
		14	14
	10	3	13
	3	9	12
		12	12
	6	4	10
	1	9	10
	1	9	10
	2	7	9
	2	7	9
	6	3	9
		9	9
Total Number of Late POs - Top 15 Suppliers	130	68	198
Total Number of Late POs - All Other Suppliers	250	431	681
Total Late POs	380	499	879
Top 15 Suppliers - Late POs as a % of All Late POs	34%	14%	23%
All Other Suppliers - Late POs as a % of All Late POs	66%	86%	77%
	100%	100%	100%

Total Number of Suppliers with late POs Q1 & Q2		
Number of Late POs	# of Suppliers	% of total Suppliers
≥ 10	11	3%
5 - 9	33	9%
2 - 4	112	29%
1	227	59%
Total	383	100%

Audit Key

Red	Greater than 12 Late POs in the quarter
Amber	Between 6-12 Late POs in the quarter
Green	Less than 6 Late POs in the quarter

Conclusion

Conclusion & Action

The results of our Purchase Order compliance review highlights a deterioration since the last review in Q4 2021.

The level of late POs was 26% for Q1 2022, increasing to 29% for Q2. *(This result takes account of exclusions to our scope and a number of days 'grace')*. An average of **27%** of invoices are being received in RTÉ prior to managerial approval of the corresponding PO, contrary to RTÉ Purchasing Policy. The average for Q4 2021 was 24%. *(In monetary value terms, the average is 20%, compared to 18% in Q4 2021.)*

The level of late POs therefore requires attention given the deterioration on prior reviews.

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 for the remainder of 2022 and into 2023 in conjunction with the local finance teams. Internal Audit will review quarter 3 & 4 at a later date.

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

Review of Purchase Order Compliance

23 July 2020

Final

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Division Finance:

[Redacted text]



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Background, Risk, Objective and Scope

Background

In line with the RTÉ Purchasing Policy, Purchase Orders (“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.

There is an ongoing project/working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams.

Risk

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

- Risk #11 – Business Planning and Financial Prioritisation; and
- Risk #12 – Legal & Regulatory Changes and Compliance.

Other specific risks relevant to this report are as follows:

- Fraud.

Objective

The objective of this audit was to review the POs raised in the five month period ended 31 May 2020 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 five month period ended 31 May 2020, 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; and
- The following categories of expenditure were omitted from the analysis:
 - × Competition Winners;
 - × Donations;
 - × Rates; and
 - × Department of Foreign Affairs (travel recharges).

Findings

Summary Findings

On review of the POs tested during the five month period ended 31 May 2020, IA noted the following:

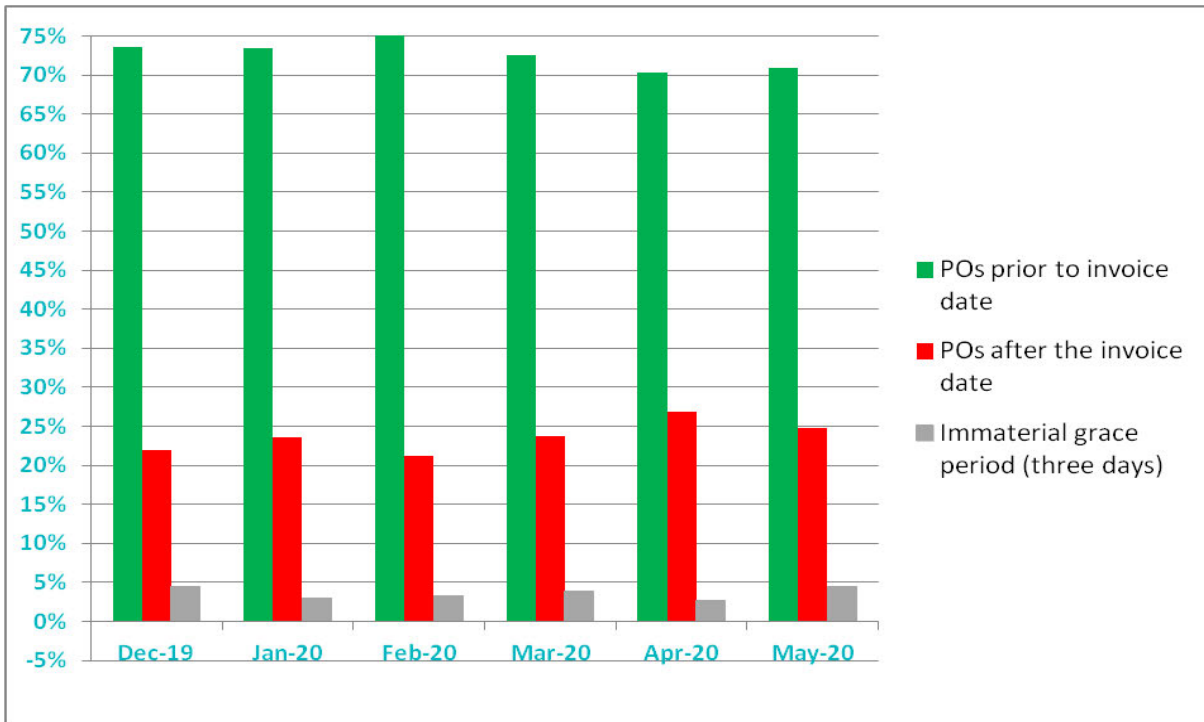
- The number of POs raised after receipt of an invoice fluctuated during the period, with a high of **27%** in **April**. However, this improved in **May** to **25%**. This is **slightly higher** than to the level reported in **December** of last year (**22%**). Please see **“1a) PO Summary – Number of Invoices”** for further details, analysis and graphs;
- The monetary value of the POs raised after receipt of an invoice fluctuated during the period also, with a high of **23%** in both **January** and **May**. The **May** result is an **increase** of **10%** from the level reported in in **December** of last year. Please see **“1b) PO Summary – Value of Invoices”** for further details, analysis and graphs;
- There is not always a direct correlation between the number and value of late POs raised, which is evident during the period **January to May**. Please see **“1c) Late PO Summary – by No. of POs and Value”** for further details, analysis and graphs;
- 15 managers were attributable to ranges of **50%** to **67%** of **all** late POs during the period under review. Please see **“2) No. of Late POs by Responsible Manager Summary – Top 15”** for further details and analysis;
- Two divisions (**Content** and **Operations**) are consistently and significantly higher than all other divisions in relation to the percentage share of late Pos. Please see **“3a) Late PO by Division Summary - % of All Late POs”** for further details, analysis and graphs; and
- Four divisions (**Content, Operations, Finance** and **ACM**), were regularly higher than the **average** of late POs across all divisions. These division's late POs as a % of their total POs range from **24% (Operations – January)** to **78% (Finance – May)**. Please see **“3b) Late PO by Division Summary - % All POs Issued in that Division”** for further details, analysis and graphs.

Findings

1a) PO Summary – NUMBER of Invoices

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

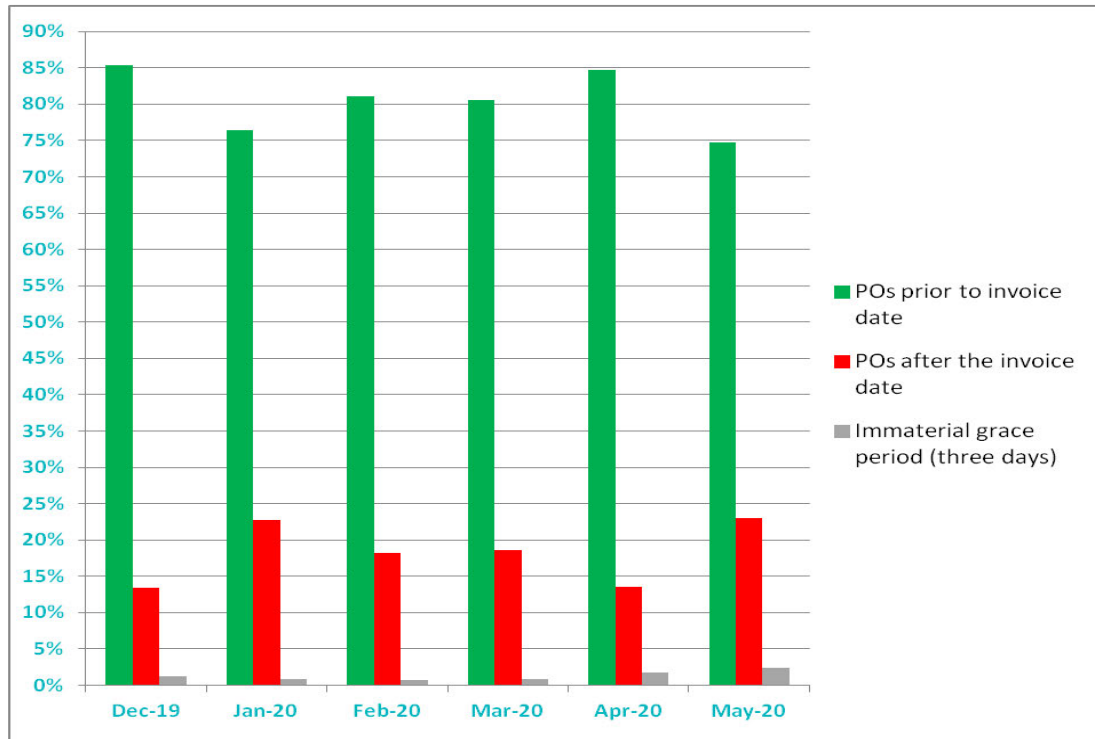
Analysis of number of invoices	Previously Reported	Current Period Under Review				
	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
POs prior to invoice date	74%	73%	76%	73%	70%	71%
POs after the invoice date	22%	24%	21%	24%	27%	25%
Immaterial grace period (three days)	4%	3%	3%	4%	3%	4%
Total	100%	100%	100%	100%	100%	100%



Findings

1b) PO Summary – VALUE of Invoices

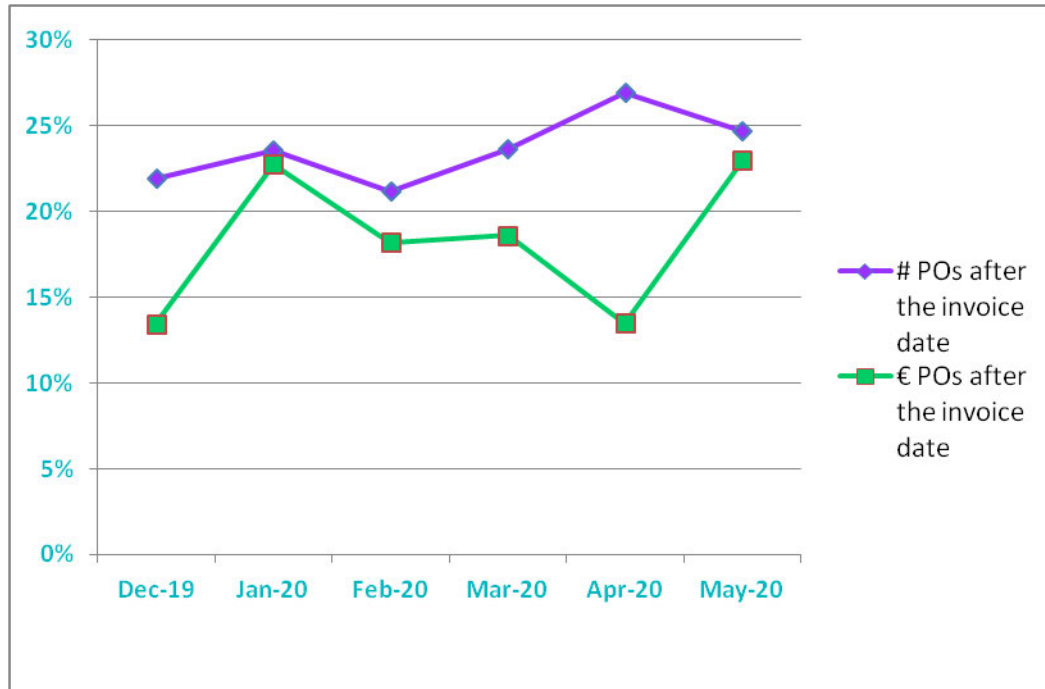
PO Summary - Analysis of value of invoices > €1,000						
	Previously Reported	Current Period Under Review				
Analysis of value of invoices	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
POs prior to invoice date	85%	76%	81%	81%	85%	75%
POs after the invoice date	13%	23%	18%	19%	14%	23%
Immaterial grace period (three days)	1%	1%	1%	1%	2%	2%
Total	100%	100%	100%	100%	100%	100%



Findings

1c) Late PO Summary – by No. of POs and Value

Late PO Summary - By No. of POs and Value (as % of all POs)						
	Previously Reported	Current Period Under Review				
Analysis of invoices	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
# POs after the invoice date	22%	24%	21%	24%	27%	25%
€ POs after the invoice date	13%	23%	18%	19%	14%	23%



Findings

2) No. of Late POs by Responsible Manager Summary – Top 15

No. of Late POs by Responsible Manager - Summary - Top 15						
	Previously Reported	Current Period Under Review				
Responsible Manager (Top 15)	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
	5	9	3	6	17	15
	10	5	12	7	10	5
	5	17	5	3	4	7
	26	6	17	8	2	5
	3	0	11	14	4	4
	4	9	6	7	4	3
	3	8	12	6	5	1
	4	4	1	0	4	4
	6	3	5	5	0	1
	3	3	3	3	3	2
	8	5	5	4	2	2
	0	28	2	2	2	0
	1	0	1	2	28	1
	3	0	0	1	0	17
	0	3	6	5	2	0
Top 15 Manager Total	81	100	89	73	87	67
Top 15 Manager % of Total Late POs	50%	66%	60%	51%	67%	63%
Other Managers > 3 late POs	41	15	21	37	9	6
Managers with < 3 late POs	40	37	39	32	33	33
Total Late POs	162	152	149	142	129	106

Findings

3a) Late PO by Division Summary - % of All Late POs

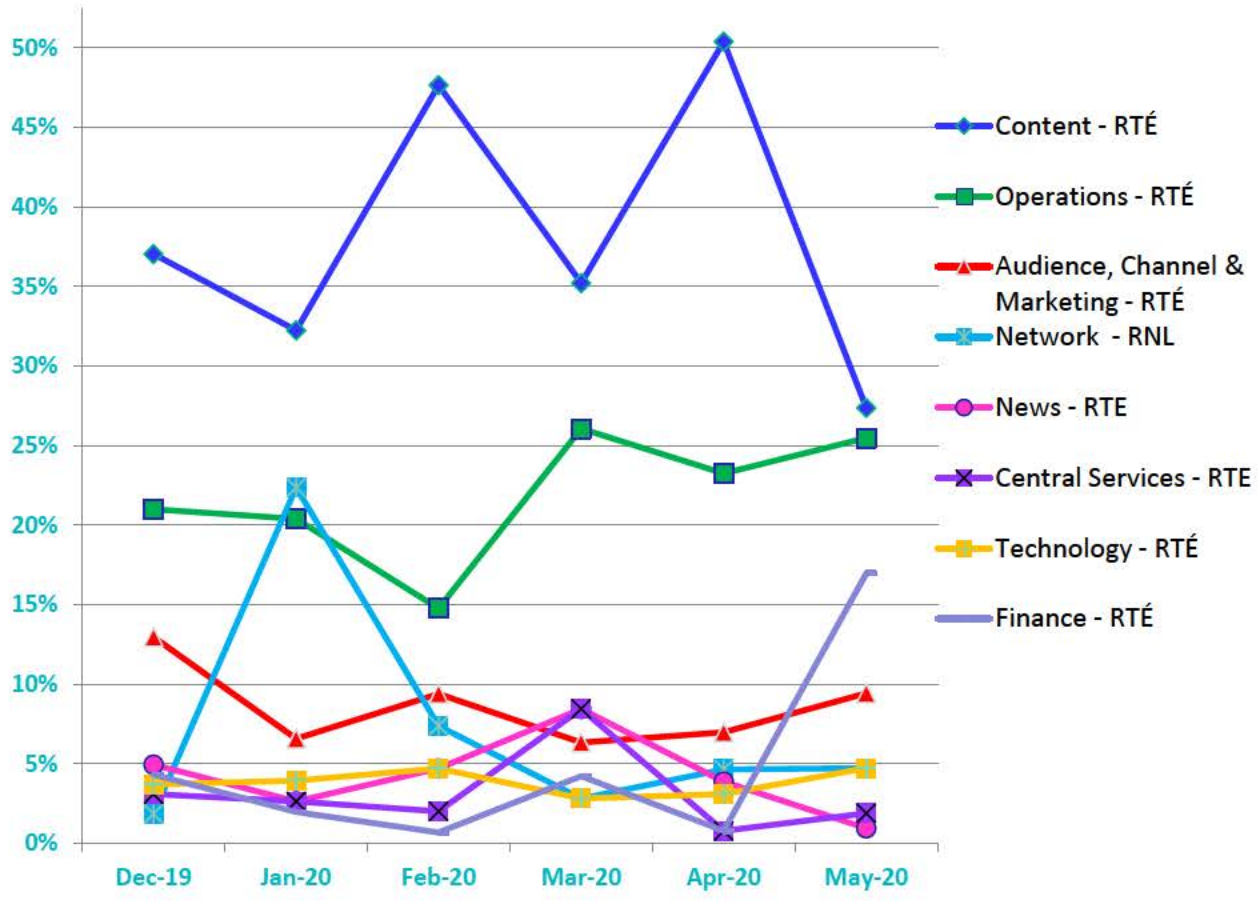
Late POs by Division Summary (% All Late POs)						
	Previously Reported	Current Period Under Review				
Division	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Content - RTÉ	37%	32%	48%	35%	50%	27%
Operations - RTÉ	21%	20%	15%	26%	23%	25%
Audience, Channel & Marketing - RTÉ	13%	7%	9%	6%	7%	9%
News - RTE	5%	3%	5%	8%	4%	1%
Network - RNL	2%	22%	7%	3%	5%	5%
Central Services - RTE	3%	3%	2%	8%	1%	2%
Technology - RTÉ	4%	4%	5%	3%	3%	5%
Finance - RTÉ	4%	2%	1%	4%	1%	17%
Commercial - CEL	5%	1%	4%	1%	3%	5%
Human Resources - RTÉ	1%	2%	1%	1%	2%	2%
Content - IPU	1%	4%	1%	1%	2%	1%
Commercial - RTÉ	4%	1%	3%	1%	0%	1%
Total	100%	100%	100%	100%	100%	100%

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.

Findings

3a) Late PO by Division Summary - % of Late All POs Continued



Findings

3b) Late PO by Division Summary - % All POs Issued in that Division

Late POs by Division Summary (% All POs Issued in that Division)						
	Previously Reported	Current Period Under Review				
Division	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Content - RTÉ	34%	36%	47%	38%	53%	43%
Operations - RTÉ	20%	24%	19%	30%	31%	25%
Finance - RTÉ	33%	60%	17%	24%	10%	78%
Human Resources - RTÉ	33%	43%	20%	22%	25%	33%
Audience, Channel & Marketing - RTÉ	31%	16%	26%	29%	20%	29%
Network - RNL	5%	49%	18%	11%	12%	11%
Central Services - RTE	20%	22%	13%	57%	7%	14%
Technology - RTÉ	14%	16%	18%	10%	14%	20%
Commercial - RTÉ	50%	14%	33%	18%	0%	17%
Commercial - CEL	24%	3%	14%	7%	17%	14%
News - RTE	15%	7%	6%	16%	15%	5%
Content - IPU	2%	8%	1%	3%	5%	2%
Average Late POs across Divisions	22%	24%	21%	24%	27%	25%

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

There has been a slight deterioration in the Purchase Order Process since the last review, as both the number and value of late POs have increased since then. The level of late POs remains high, in particular given the exclusions we have applied to our scope. Currently (May 2020 data) **25%** of the total invoices received, representing **23%** in monetary value, are being received prior to managerial approval of the order, which is contrary to RTÉ Purchasing Policy.

As noted in the background section, an ongoing Finance Working Group has been working to address the late PO issue. On a monthly basis, and in conjunction with IA, reviews are completed. We are not issuing any additional audit actions at this time. The works and action of the working group will continue into 2020.

However, it is on the basis of the above findings that we assess the overall standard of the process as “Improvement Needed”.

Rating



IMPROVEMENT NEEDED

Auditor: [REDACTED], Internal Audit Manager

RTÉ Internal Audit Report on Treasury

30 June 2014

Circulation:

Noel Curran, Director-General

Executive

Members of the Audit and Risk Committee

Finance:

[Redacted]



Executive Summary: Objectives and Scope

Background

Introduction

At 31 May 2014, RTÉ Group Treasury was responsible for managing cash and cash equivalents of ██████ and open foreign exchange contracts of ██████, of which €8.3m is due to mature during the remainder of 2014. Bank borrowings were ██████ at 31 May 2014.

The key responsibilities of the Treasury department include:

- Preparing bank reconciliations for all RTÉ Group bank accounts;
- Investing surplus funds appropriately, taking into account the timing of future cash payments;
- Managing RTÉ's foreign currency exposure (mainly USD and GBP relating to programme acquisitions and sports rights);
- Preparing and updating cash flow projections;
- Ensuring sufficient funds are available to meet RTÉ's day to day cash requirements.

Group Treasury is a corporate function and is managed by the Group Financial Controller, assisted by the Group Financial Accountant and Treasury Administrator.

Treasury Policy

RTÉ Group Treasury operates in line with a recently (*July 2014*) updated Treasury Policy, which is currently awaiting Board approval. This Policy outlines:

- The key principles and objectives of the RTÉ's Treasury function;
- Responsibility for treasury management in RTÉ;
- Matters relating to treasury policy control, compliance and reporting;
- The banking institutions with whom RTÉ may conduct business, including limits on the total investment/contract value with any individual institution;
- The permitted treasury instruments which RTÉ may deal in;
- Specific policy statements on a range of areas such as liquidity management, cash reserve management, derivatives, foreign currency, etc.
- Delegated authority levels.

Scope of audit

The scope of the audit was organisation wide and financial in nature. It included a review of:

- ✓ The accuracy of the books and records, including bank reconciliations, records of deposit deals, accounting for interest receivable, etc;
- ✓ A sample of foreign currency and deposit deals to check appropriate segregation of duties, approval, quotations, etc;
- ✓ Procedures surrounding bank lodgments;
- ✓ Treasury cash flow forecasts and foreign currency projections;
- ✓ Regulations governing semi-state bodies and RTÉ Group Treasury's compliance with those regulations;
- ✓ Adherence to debt covenants;
- ✓ The RTÉ Treasury Policy and compliance with that policy; and
- ✓ Disclosures in the annual report.

This audit excluded:

- ✗ Procedures and controls over petty cash; and
- ✗ Detailed technical review of IT systems.

Objectives of audit

To confirm the existence and operation of effective controls over the primary risks to RTÉ's Treasury operations, including checking that:

- The Treasury policy is complete, relevant and complied with;
- Bank accounts are reconciled on a regular basis;
- Appropriate segregation of duties exist within RTÉ Group Treasury;
- Surplus cash deposits are invested appropriately;
- Cash flow is appropriately managed;
- Foreign exchange risk is appropriately managed; and
- Proper books of account are maintained.

Executive Summary: Key Issues and Overall Conclusion

Key Management Issues

No 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.

Overall Conclusion

The standard of control within RTÉ Group Treasury is satisfactory and no issues of note were identified during the course of this audit.

An organised team manages the cash deposits, balancing the need to achieve favourable deposit rates with institutions of appropriate standing with the requirement that funds are available to meet the day to day cash requirements of the business. In addition, arrangements are in place to appropriately plan for and manage payments to foreign suppliers (USD and GBP denominated). These activities take place in the context of managing cash flow requirements and accurately forecasting the future cash requirement. In addition, debt covenants must also be adhered to.

The Treasury Policy has recently been approved by the Board’s Finance Committee and will be submitted to the full Board for approval at its next meeting.

We would like to thank staff within RTÉ Group Treasury for assistance during the audit.

Rating



SATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><u>Outstanding cheques</u></p> <p>During our review of a sample of bank reconciliations we noted a large number of low value outstanding cheques, some dating back to 2010. Given the passage of time, many of these cheques could be written back to the Income Statement at this point.</p> <p>Outstanding cheques represent cheques processed through the RTÉ accounting records, but not yet presented by the payee at their bank. Given the large number of small value cheques involved, the process to write back cheques to the books is time consuming and requires IT input. The delay is attributable to these factors.</p> <p>This finding is relevant to the No. 10 (Sterling) account and, in particular, the No. 4 (Artists Fees) account.</p>	<p>A bi-annual review process is already planned. The cheques referred to are generally low value fee payments to contributors.</p> <p>██████████</p>	<p>A bi-annual review of outstanding cheques will be carried out and old cheques addressed as part of the review.</p>	M	<p>██████████ 31 August 2014</p>
2.	<p><u>Electronic payments</u></p> <p>Payments made to creditors electronically via the creditor automated payment system are approved by the Group Financial Controller and the CFO prior to payment. They review a print-out of the payment run and supporting back-up, signing this print-out as evidence of review.</p> <p>The data is subsequently uploaded onto a dedicated PC in Group Finance and sent electronically to Bank of Ireland. However, while a relatively low risk, there is scope for payments to be amended after approval, but before being sent electronically to the bank.</p> <p>While acknowledging the importance of the timely processing of payments, modern banking systems have the functionality to include a control requiring on-line approval before the bank</p>	<p>This matter will be considered once the electronic payment of Fees is fully operational. Finance is in the process of examining various alternatives to ascertain to most practical solution.</p> <p>██████████</p>	<p>Options to facilitate the online approval of payments to creditors will be examined based on the operation of the new electronic Fee payments process. This will involve consideration of the practicality of an electronic solution, having regard for the tight payment deadlines.</p>	L	<p>██████████ 31 December 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>will process a creditors’ payment run.</p> <p>A project is currently underway to introduce electronic processing of all Fee payments within the SEPA zone. This will involve online approval of the payment run by an authorised approver. The project may afford the opportunity to examine rolling-out the process to all payments, at a later stage.</p>				
3.	<p><u>Obtaining quotations</u></p> <p><i>Bank deposits</i></p> <p>During testing of a sample of bank cash deposit deals we noted that:</p> <ul style="list-style-type: none"> Competitive quotations of deposit rates were not obtained in a small number of cases. This generally arose in the case of rollover deals, sometimes for a relatively short period of time; and The highest competitive quote was not accepted in all cases. <p>We noted there were valid commercial business reasons for not accepting in the highest quote in all cases. In addition, the difference in rates was not material.</p> <p><i>Foreign exchange contracts</i></p> <p>We noted a lack of written evidence of quotations in respect of a small number of foreign exchange contracts, especially where there was a short time period between the contract date and the settlement date.</p>	<p>Decisions on bank deposits will be addressed in the context of the new Treasury Policy. The objective of the Treasury policy is to minimise risk by having a balanced portfolio with due regard for counterparty limit – both amount and % of cash reserve – and rating.</p> <p>As outlined in Section 3.7 of the Treasury Policy competitive quotes will be obtained for all FX deals.</p> <p>██████████)</p>	<p>Counterparty exposure and maturity profile will be considered when placing funds on short term deposit, in line with the terms of the Treasury Policy.</p> <p>In line with the new Treasury policy a minimum of two quotes will be obtained for all foreign currency contracts and evidence will be retained.</p>	M	<p>██████████ 31 July 2014</p> <p>██████████ 31 July 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	<p><u>Approval procedures</u></p> <p>As part of our testing of a sample of foreign exchange contracts we inspected the paperwork evidencing the authorisation of the transactions in our sample, i.e.:</p> <ul style="list-style-type: none"> • RTÉ foreign currency purchase authorisation letter; and • Contract confirmation from the bank. <p>We observed that RTÉ authorised signatures were in place in all cases.</p> <p>Decisions to initiate a transaction / place a foreign currency order are made based on the forecast foreign currency requirements, the cash reserves and the prevailing exchange rate at the time. This process involves consultation with the CFO in the case of transactions above delegated authority limits.</p> <p>Notwithstanding the signed approval (bank contract, purchase authorisation letter) retained on file, in the case of foreign currency orders above the authorisation limit, the e-mail from the CFO evidencing approval of the order should also be on file.</p>	<p>Agreed.</p> <p>██████████</p>	<p>Where applicable, e-mails evidencing approval of foreign currency orders, above the authorisation limits, will be retained on file.</p>	<p>L</p>	<p>██████████ 31 August 2014</p>

RTÉ Internal Audit

Report on 2rn Network Operations

14 August 2014

Circulation:

Noel Curran, Director-General

Executive

Members of the Audit and Risk Committee

2rn:

Mick Kehoe, Executive Director

[Redacted]

[Redacted]



Executive Summary: Objectives and Scope

Background

Introduction

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

2rn provides transmission and distribution services to radio broadcasters and to RTÉ DTT Multiplex Management. As the multiplex manager, RTÉ provides carriage on the national DTT multiplex to television broadcasters. RTÉ has contracted 2rn to install, commission, operate and maintain the infrastructure and associated facilities required to provide the digital multiplexing services.

2rn also rents tower space on its masts to local and regional radio stations and a range of mobile telephone and broadband operators, private communications companies and the emergency services.

Infrastructure

2rn has a network of over 150 sites containing masts, buildings, antennae and other broadcasting equipment. The towers and masts range in size from 10m to over 300m in height. These sites are located all over Ireland.

A broadcaster's Multiplexed Transport Stream is transported to eleven main transmission sites via a combination of fibre optic cables and microwave radio links and is transmitted from those sites. The primary distribution system consists of two (STM-1) microwave radio circuits with two radial spurs.

Network Monitoring Centre ("NMC")

The 2rn NMC is responsible for the day-to-day monitoring and operation of the national broadcast network, which is managed and maintained by 2rn.

The centre is responsible for the overall quality control and operation of the infrastructure and can intervene via a remote facility to ensure that service is preserved and supported. The NMC is available from 07:00 to 00:00 Monday to Friday and from 08:00 to 22:00 weekends. A voicemail system is available outside these hours, with a view to responding the next day.

IT Systems

- The Field Service Module of the [REDACTED] maintenance management system is used to schedule service calls and to log completed work.
- The [REDACTED] system is used as a repository for technical and engineering documents, standard maintenance forms, health and safety records and related documents.
- The NMC uses the [REDACTED] System to monitor the transmission network and the system is used to manage fault alarms

Regulatory environment

In July 2013 ComReg designated RTÉ and 2rn to have significant market power (SMP) in the markets for: wholesale access to national terrestrial broadcast transmission services (Market A) and wholesale access to DTT Multiplexing Services (Market B).

As a result, certain obligations have been placed on both RTÉ and 2rn. These obligations cover Access, Non-Discrimination, Transparency, Accounting Separation & Price Control and Cost Accounting.

Separated Accounts were prepared for the first time for the accounting year ended 31 December 2013, comprising Regulated Accounts for each of Market A and Market B together with Primary Accounting Documentation.

Scope of audit

- ✓ The scope of the audit was the operational aspects of the business activities of 2rn.

This audit excluded:

- ✗ Financial matters;
- ✗ Regulatory matters arising from ComReg's designation of 2rn / RTÉ as having SMP; and
- ✗ A detailed technical review of IT / engineering systems.

Executive Summary: Key Issues and Overall Conclusion

Objectives of audit

To confirm the existence and operation of effective controls over the primary risks to the operation of the transmission and distribution network in 2rn, including reviewing the following areas:

- Network maintenance and operations, including procedures for the establishment of preventative maintenance routines and the logging of work;
- The management of access to sites and planned outages due to maintenance work;
- The Network Monitoring Centre and alarm monitoring;
- Health and safety matters, including risk assessments and training;
- Timesheets / recording of work;
- Certification / accreditation awards; and
- IT – system access and user profiles.

Key Management Issues

No 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.

Overall Conclusion

The standard of control within 2rn Network Operations is satisfactory and no issues of note were identified during the course of this audit.

Performance levels are high (as measured by the service availability statistics) and there is significant redundancy built into the distribution system. When problems arise, they are normally identified and actioned, on a timely basis, by the NMC with involvement of teams of engineers and riggers, as deemed necessary. A programme of preventative maintenance is in place for the transmission and distribution equipment. Health and safety procedures have been implemented to ensure the work – which is potentially dangerous – is carried out in a safe manner. A number of external accreditations are also in place from ISO and NSAI. The manner in which engineers log work on completion of a service call will be reviewed.

We would like to thank the staff in 2rn for their assistance during the audit.

Rating



SATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><u>Engineering Activity Timesheets</u></p> <p>Background In line with regulatory accounting policies, and to facilitate the allocation of costs, all operational staff record details of time worked. Activity timesheets are completed fortnightly and returned to engineering / rigging supervisors and managers, as appropriate, for validation. In summary, time is tracked by activity type – maintenance, projects, training, time off, etc. – by location and by customer group.</p> <p>Activity reports are submitted centrally and tracked in Finance. Data is consolidated and summarised to provide annual rolling totals of time spent by operational staff by customer group. Activity analysis by customer group by site is then used as a basis for cost allocation.</p> <p>Testing Engineers use the [REDACTED] system to record the completion of maintenance service calls. For a random sample of Engineers, we compared the data per the service calls logged on the [REDACTED] system to the data recorded on the Engineers’ activity return / timesheet.</p> <p>Results We noted differences between the data recorded on [REDACTED] and the data recorded on the activity return in the case of six (40%) of the sample of 15 service calls reviewed.</p> <p>The differences related to two main reasons:</p> <ul style="list-style-type: none"> Inconsistency in the treatment of the administrative tasks associated with recording / inputting service calls. [REDACTED] records the service call ‘completion data’ based on the date it was input to the system. This generally occurs when the 	<p>Agreed.</p> <p>The service call completion data is determined by the date of input to [REDACTED]. This has the potential of creating an anomaly when compared to the activity timesheet.</p> <p>The time sheet anomaly is in part due to how engineers have logged their time used on completion of GP service call data. For some routine work a significant amount of data is compiled and logged. Engineers have been using a general administrative category for this time on their activity reports. The time should more correctly be assigned to the specific service that the service call reports relate to.</p> <p>This is now being addressed. [REDACTED]</p>	<p>A review will be undertaken of the sample data tested as part of the audit. Based on that, a guidance note will be prepared for operational staff setting-out the procedure for recording, in activity timesheets, the time spent in inputting data to the system upon completion of a maintenance call. The approach will ensure consistency between the [REDACTED] record and the activity timesheet.</p> <p>In the event that a service call is completed by a Supervisor or another individual, the call will be reassigned on [REDACTED]. A reminder will be issued to staff in this regard.</p>	M	<p>[REDACTED] 31 October 2014</p> <p>[REDACTED] 31 October 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Engineers return to the office after working at remote sites. However, Engineers record the administrative time taken to input service calls to [REDACTED] as “Admin. General”. Therefore, in a number of cases, work assigned to administration on the activity return was assigned to a specific work location and task on [REDACTED].</p> <ul style="list-style-type: none"> • Calls completed by another individual for efficiency reasons (e.g. the Supervisor if the assigned Engineer was working on another job a considerable distance away), but not reassigned to that individual on the [REDACTED]. <p>In the event of any regulatory queries it would be possible to reconcile these differences in data. However, to avoid any confusion it is preferable to address this at the point of entry.</p>				
2.	<p><u>Electronic Storage of Health and Safety Documentation</u></p> <p>Background The [REDACTED] IT system is used as a repository for storing technical and engineering documents and for health and safety documents such as risk assessments. It is accessible by engineers while they work at various sites throughout the country (in addition to being accessible at the main office locations).</p> <p>Finding We inspected a sample of health and safety documentation on [REDACTED], noting that the documentation existed and was up to date.</p> <p>However, we noted some duplicate and / or old versions of documents (e.g. site risk assessment) retained on file. This appears may be due to the naming convention – any minor variation to the file name will mean that it is added to the existing file (as opposed</p>	<p>This matter is already being dealt with and we have uncovered the underlying issue. The originators were linking the document to the location a second time. We have circulated a mail informing originators of the correct manner.</p> <p>It will take some time to work though, but a Correct Action Report has been raised to track the action. ([REDACTED])</p>	<p>Those using the system will be reminded of the correct procedures for updating documents.</p> <p>Duplicate or old versions of documents will be removed from [REDACTED]t.</p>	L	<p>[REDACTED] Done</p> <p>[REDACTED] 31 October 2014</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>to replacing the file). This is a low priority matter but, in order to avoid any confusion as to the most up to date version of the document, a review needs to be carried out of the health and safety documentation filed on [REDACTED] to delete unnecessary documents.</p>				
<p>3.</p>	<p><u>Health and Safety Training Files</u></p> <p>We noted some inconsistency in the method of logging training information (training course name, training date, expiry of certification etc.), with some training recorded on [REDACTED] and some not.</p> <p>However, all training events were recorded in the 2rn Excel training log and available for inspection during the audit. This matter is now resolved with a dedicated HR resource in place.</p>	<p>From a HR Training capturing perspective, [REDACTED] it will be used as the official HR Training information tool.</p>	<p>Health and Safety training events will be logged consistently on [REDACTED], including the expiry of the certification.</p>	<p>L</p>	<p>[REDACTED] Ongoing</p>
<p>4.</p>	<p><u>Business Continuity / Disaster Recovery</u></p> <p>The existing 2rn Business Continuity Plan is out of date and needs to be updated to reflect various changes to processes, responsibilities, IT systems and interaction with customers. This increases the risk that the Plan is not relevant if it needs to be called into action.</p> <p>Secondly, there has been limited testing of the Business Continuity Plan over recent years.</p>	<p>N/a</p>	<p>This matter is relevant to all of RTE and an organisation wide Internal Audit Report – <i>Review of Business Continuity Planning</i> – was issued by Internal Audit 2013.</p> <p>The report highlighted the need for structural changes in the manner in which Business Continuity is sponsored and managed through the organisation. 2rn will be addressed in that context as part of the new structure.</p>		<p>See 2013 Internal Audit report</p>

RTÉ Internal Audit

Commercial Regulation Compliance Review

26 October 2021

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

[REDACTED], Commercial Director, Sales Strategy – Insights
[REDACTED], Head of Commercial Operations
[REDACTED], Sales Traffic Manager
[REDACTED], Manager, Schedule Management
Antony Whittall, TV Operations Compliance



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Introduction and Background

Introduction

RTÉ engages in ancillary commercial activities to support its public-service activities. These include the sale of advertising and sponsorship, the publication of the RTÉ Guide and other broadcast-related commercial activities.

The Commercial division is a standalone department 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.

Advertising is sold by selling TV Ratings across different audience demographics to advertisers throughout the year based on an annual deal sheet.

Background

Broadcasting codes provide that advertising, teleshopping material, sponsorship and other forms of commercial promotion employed in any broadcasting service protect the interests of the audience. The objective is to ensure that all commercial marketing communications are 'legal, decent, honest and truthful'.

Regulatory Bodies – BAI & ASAI

Two advertising codes from separate bodies are relevant when considering RTÉ's compliance with commercial regulation. RTÉ's policy is to adhere to Broadcasting Authority of Ireland ('BAI') Guidelines and to uphold Advertising Standards Authority for Ireland ('ASAI') Rulings.

RTÉ is regulated by the BAI and, therefore, failure to comply with BAI codes can result in fines being imposed.

The ASAI is an independent self-regulatory body set up and financed by the advertising industry. It involves the enforcement of standards through the voluntary commitment and cooperation of advertisers, agencies and media.

The BAI and ASAI generally work together, and the principles of their Codes are very much aligned. The *General Commercial Communications Code* was developed by the BAI (2017) and the *Code of Standards for Advertising and Marketing Communications in Ireland*, was drawn up by the ASAI in 2016.

Both Codes have rules pertaining to the advertising of specific products and services, summarised below:

A) Alcohol

The rules are designed to ensure that the content of alcohol advertising and promotion is consistent with the need for demonstrating responsibility and moderation in consumption, and that it does not encourage consumption by children.

An independent monitoring body, the Alcohol Marketing Communications Monitoring Body ('AMCMB'), was established by the Department of Health to monitor the level of adherence by advertisers and media owners. The rules are explained in more detail in [Appendix 2](#).

B) High Fat Salt Sugar ('HFSS') Foods

HFSS foods are those that are assessed as high in fat, salt or sugar in accordance with the Nutrient Profiling Model developed by the UK Food Standards Agency, as adopted by the BAI.

Food information in commercial communications shall be accurate, clear and easy to understand and shall not mislead as to the characteristics of the food. The rules apply to all radio and television broadcasters regulated in the Republic of Ireland. Specific rules are detailed in [Appendix 2](#).

C) Commercial Minutage

Irish broadcasting legislation grants the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media the authority to set the amount of minutage which public broadcasters may devote to advertising.

There are specific rules applicable to both Television and Radio, which are covered in more detail in [Appendix 2](#).

Background, Objective and Scope

D) Product Placement

Per the BAI Code, Product placement (i.e. the inclusion of a product or service in a programme for a payment) is prohibited save for exceptions approved by the BAI. Placement of products in programme content must be editorially justified and must not give undue prominence to the products or services in question. Audiences must be clearly informed of the presence of product placement and programmes containing product placement must be appropriately identified.

E) Sponsorship

The Code states that Sponsorship must not influence the content and scheduling of programmes in such a way as to affect the responsibility and editorial independence of the broadcaster. There must be a clear separation between sponsorship and advertising for the audience and audiences must be clearly informed of the existence of a sponsorship agreement.

Fair Trading

The *Code of Fair Trading Practice: Guidance for Public Service Broadcasters*, issued by the BAI in 2017, is also relevant under this review.

RTÉ is a dual funded public service media organisation, which means that the cost of fulfilling RTÉ's remit under the Broadcasting Act 2009 is funded by both commercial revenue and the Licence Fee. RTÉ must ensure that it trades fairly, in all of its trading activities, be they public service or commercial in nature. It must also ensure that its commercial activities are not subsidised by public money.

Key steps RTÉ takes to ensure compliance

In order to ensure that RTÉ remains fully compliant and up to date with regulation, the following key processes in place:

- Regular publication and circulation of relevant policy documents, including:
 - RTÉ Fair Trading Policy and Procedures
 - RTÉ Journalism Guidelines (2020)
 - Editorial Guidelines
- Training and briefing sessions explaining policies to staff.
- There is a separate unit within the Commercial division, which is responsible for Regulation and Compliance, allowing for a level of objectivity from the client facing roles.

- Specific Committees with individuals qualified both in the editorial and commercial areas have been established, for example a Product Placement & Sponsorship Committee as well as a Clearance Committee, responsible for overseeing adverts.
- A designated Copy Clearance function: the copy clearance process is designed to ensure that no advert goes to air without being going through the copy clearance review process.
- There are also other local day-to-day processes and procedures in place, such as the following:
 - Restrictions built into L [REDACTED] parameters;
 - Submission of quarterly reports to monitoring bodies;
 - Generation and circulation of monitoring reports to stakeholders.

Objective of Audit

The objective of this audit is to perform a review of RTÉ's compliance with current commercial regulation, and to investigate / verify its adherence to the various Codes as issued by the BAI, and other monitoring bodies.

Scope of Audit

The audit involved the following steps:

- ✓ Discussions with key personnel to gain understanding of current commercial regulation governing RTÉ, processes in place and documentation of same;
- ✓ Perform detailed testing on a sample of advertising campaigns and RTÉ programmes, covering specifically the following areas – Alcohol and HFSS.
- ✓ Recalculate commercial minutage for a sample of days on Radio & TV to confirm compliance with rules;
- ✓ Perform a walkthrough of the following processes and review internal controls in place: [REDACTED] restrictions, Copy Clearance procedures & generation of reports;
- ✓ Discuss RTÉ's process and procedures for dealing with new regulation and future changes to existing regulation (Alcohol, Gambling & Online).

Risks and Key Findings

Risks

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

- Risk #1 – Commercial Revenue,
- Risk #6 – Brand and Reputation,
- Risk #10 – Legal & Regulatory Changes / Compliance.

Key Findings

Commercial Minutage - Radio

Finding #1, #3 & #4:

- We identified instances of the advertising minutage broadcast by RTÉ Radio exceeding the maximum limits [REDACTED]
- Since the onset of the pandemic, the formal monitoring and reporting of compliance with minutage rules on Radio channels has ceased.
- The process for calculating commercial advertising minutage per hour (for one day) is very manual and time-consuming using reports generated from [REDACTED]

Commercial Minutage - Television

Finding #2 & #3:

- We identified instances of the advertising minutage broadcast by RTÉ Television exceeding the maximum limits [REDACTED]
- The monitoring reports prepared by RTÉ Scheduling, or an extract thereof, are not circulated to a wider audience within RTÉ, reducing an opportunity to motivate further improvement.

Compliance with HFSS Rules

Finding #6

While there were no specific breaches identified in the audit, controls could be improved in some areas of the process.

Note: These findings are explained in more detail in the action plan as set out in Appendix 1, on page 7.

Conclusion

Conclusion

RTÉ's Commercial division is governed by various broadcasting Codes and is regulated by the BAI. The objective of this audit was to perform a review of RTÉ's compliance with current commercial regulation, and to investigate its adherence to the various Codes issued by the BAI and other monitoring bodies.

Detailed audit testing was performed, covering specifically the following areas of regulation – Alcohol, HFSS and commercial minutage.

As documented in the key findings section, the main area of concern was breaches of commercial minutage, both on Radio and Television. It must be noted that breaches were expected due to the impact of Covid-19 public health announcements from Government, especially as these were often received very late prior to transmission and of a duration longer than scheduled. The lack of monitoring procedures was also an area of concern, particularly in Radio.

The audit also highlighted some minor process improvements that could be made to improve controls in the area of HFSS.

Otherwise, RTÉ is largely compliant with current regulation and has numerous robust procedures in place to keep abreast of current and upcoming commercial regulation.

While the regulation referred to in this report is currently in effect, it must be noted that the sector is undergoing fundamental change and is likely to change over the coming months. The Future of Media Commission was set up by the Government in September 2020 to examine the future of the media in Ireland. This includes Ireland's public service broadcasters, commercial broadcasters, print and online media platforms. The Government has stated that they wish to move away from the current self-regulating regime for advertising and want the Competition and Consumer Protection Commission (CCPC) to take a more active enforcement role.

On an overall basis the report is rated at the mid-point, 'improvement needed', which takes into account the disruption caused by the global pandemic. Actions have been agreed to address these points, as outlined in Appendix 1 overleaf.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

Rating



IMPROVEMENT NEEDED

Appendix 2 – Specific Regulation

Specific Regulation & Explanation

A: Alcohol

- a) Advertising for alcohol will only be booked by an alcoholic drinks advertiser, or its agency, or placed by the Broadcasters, in any programming with an adult audience profile of 75% or greater.
- b) Where alcohol advertising is permissible under audience profiling a maximum of 25% of sold advertising time and only one in four advertisements for alcohol products is permissible across the broadcast day excluding the period from 6 a.m. to 10 a.m. Additionally, no more than two advertisements for alcohol products can appear in any commercial break.

RTÉ is required to produce and provide a profile of its audience to the monitoring body (AMCMB). These reports are monitored by the AMCMB, as follows:

- Firstly, comparisons are made against the profile information to check that no advertising was placed in a time period which the applicable quarterly profile indicated had an under-18 audience greater than 25%.
- Secondly, the independent reports are checked to ensure that there was compliance with the provision that:
 - a maximum of 25% of sold advertising time related to alcohol advertising
 - no more than one in four advertisements related to alcohol and
 - no more than two alcohol advertisements occurred in any advertising break.
- Thirdly, the independent reports are checked to ensure that there was no alcohol advertising in television breakfast time (6am – 10am).

B: High Fats Salts & Sugar ('HFSS')

- A maximum of 25% of sold advertising time and only one in four advertisements for High Fat Salt Sugar (HFSS) food products and/or services products are permissible across the broadcast day.
- The following restrictions must be applied. Advertising of HFSS products:
 - cannot be advertised in children's programmes;
 - cannot use Licensed characters (characters from films, videos etc);
 - cannot make nutritional claims; and,
 - cannot use promotional offers.
- In line with all Children's Commercial Communications for food and drink, HFSS products and services cannot use celebrities or sports stars.

Companies must provide signed certification to RTÉ verifying that a food product is HFSS compliant (submitted to adclearance@rte.ie) . If they do not provide this, advertising will be restricted. There is no obligation, as yet, to submit quarterly reports as is done with Alcohol restrictions.

Appendix 2 – Specific Regulation

Specific Regulation & Explanation

C: Commercial Minutage



	Finding	Agreed Action	Owner	Due Date
	Commercial Minutage – Compliance			
1.	<p><u>Minutage Breaches - Radio</u></p> <p>Background There are rules with regards to minutage levels on Radio, as follows:</p> <p>[REDACTED]</p> <p>A breach occurs when RTÉ exceeds the BAI approved hourly limit applying to commercial advertising. RTÉ may be subject to a significant fine (up to €250k) or other sanction from the BAI if it exceeds its allowable minutage.</p> <p>Audit Testing Pre and post Transmission logs were selected for two days and reviewed to check compliance with minutage rules across all three stations, RTÉ Radio 1, RTÉ 2fm and RTÉ Lyric fm.</p> <p>Results of Testing</p> <p>✓ <u>Daily Minutage Limit</u>: RTÉ Radio’s advertising minutage was not in excess of [REDACTED] of its broadcast hours on any full day reviewed.</p> <p>✓ <u>RTÉ Lyric fm</u>: Advertising minutage was not in excess of the permitted maximum hourly limit on either day.</p> <p>X <u>RTÉ Radio 1</u>: Advertising minutage was broadcast in excess of the permitted maximum hourly limit on seven occasions. The breaches occurred across the two days selected.</p> <p>X <u>RTÉ 2fm</u>: Advertising minutage was breached on four occasions for one of the two</p>	<p>1) Reminders will be issued to the various programme teams highlighting the importance of adhering to the planned break schedule and the risks associated with moving a scheduled advertising break into another clock hour.</p> <p>See action 3.3.1 in finding #3 below as it is linked to this point.</p>	[REDACTED]	31 December 2021

Finding	Agreed Action	Owner	Due Date
<p>days selected.</p> <p>X <u>Planned [REDACTED] Break Schedule</u>: We compared the planned break schedule prepared by Radio Sales Traffic to the actual advertisements broadcast to ascertain if breaches were planned, or if they occurred due to unplanned transmission changes. There were six scheduled breaches in total across the two stations on the same day.</p> <p>On this day, two clock hours had scheduled breaches on RTÉ 2fm, while four clock hours had scheduled breaches on RTÉ Radio 1.</p> <p>Reasons for breaches / Mitigation</p> <p>➤ 10 of the 11 breaches reported above (7+4) occurred on the day where there were already six scheduled breaches in [REDACTED]. Planned / scheduled breaches on [REDACTED], prior to transmission, have never arisen as an audit issue in previous reviews and the planned schedules were always compliant with commercial minutage legislation.</p> <p>From discussions with the Compliance Team, the scheduled breaches arose due to the Covid-19 announcements from Government that were issued around that time. The copy for the announcements was received at a very late stage the evening before they were to be broadcast, meaning that the team were unable to remove any commercial adverts already scheduled.</p> <p>In addition, the length of the government announcements proved to be longer than the scheduled 60 seconds, also affecting minutage.</p> <p>➔ Aside from the anomaly mentioned above, breaches are predominately driven by:</p> <ul style="list-style-type: none"> - programme overruns; - programmes failing to take commercial breaks as scheduled; - late transmission changes or other unplanned events; and 			

	Finding	Agreed Action	Owner	Due Date
	<p>- programme underruns</p> <p>Implications</p> <ul style="list-style-type: none"> • Potential imposition of BAI financial penalties. • Possible loss of revenue – If commercial spots are dropped as a result of overruns or not aired within agreed time slot / programme, then RTÉ’s commercial income is negatively impacted. • Impact on listeners and viewers, as remainder of schedule is forced to run later than scheduled / billed, potentially leading to loss of reputation within the advertising industry and amongst RTÉ listeners and viewers • There is a loss of promo time, as promos may be dropped to make up time due to programme overruns. This has a direct impact on promotion of upcoming RTÉ content. 			
2.	<p><u>Minutage Breaches - Television</u></p> <p>Background Compliance with television minutage rules is monitored by the Scheduling team in RTÉ Television who produce Pre and Post transmission reports (referred to as “Minutage Reports” for the purpose of this report) from [REDACTED] detailing minutage per hour for each station every day, listing breaches and reasons for them.</p> <p>Audit Testing The RTÉ Minutage Reports for the entire month of July 2021 were requested from the Scheduling team and inspected to ascertain the number of breaches within the month. Results of testing were as follows:</p> <ul style="list-style-type: none"> ✓ Reports were available for inspection for each day of the month requested. ✓ RTÉ’s advertising minutage was not in excess of 10% of its broadcast hours in any full day. ✓ No breaches occurred in the planned break schedules (pre-transmission). ✗ During the review of the July 2021 RTÉ minutage reports we noted advertising 	<p>1) Reminders will be issued to the various programme teams highlighting the importance of adhering to the planned break schedule and the risks associated with moving a scheduled advertising break into another clock hour.</p> <p>Consideration will be given to undertaking the action in the context of action 3.3.1 below.</p>	[REDACTED]	30 June 2022

	Finding	Agreed Action	Owner	Due Date
	<p>minutage broadcast in excess of the permitted maximum limit, as follows:</p> <ul style="list-style-type: none"> • RTÉ One: Ten breaches occurred in the 31-day period. Breaches occurred across ten days (32%) during the month of July, representing 1.5% of the clock hours tested. • RTÉ2: 26 breaches occurred in the 31-day period. Breaches occurred across 13 days (42%), representing 2% of clock hours reviewed. <p>→ While the minutage reports are partly system generated, manual intervention is required to ascertain whether any breaches took place. This means that while the data is accurate, the identification of breaches might be missed in error. The control would be strengthened if breaches were to be identified by the channel management system [REDACTED]</p> <p>Mitigation Compliance with minutage rules is being tracked by the scheduling Team in ‘Pre-Transmission’ reports with any potential breaches rectified before going to transmission. However, due to the nature of live programming commercial breaks can get pushed out of their scheduled slots, resulting in breaches.</p>			
3.	<p>Monitoring, Tracking and Communication of Compliance</p> <p>3.1 RADIO</p> <p>Background In the past, an individual was assigned the responsibility for monitoring and reporting on compliance with advertising minutage rules in Radio. The circulation of reports allowed for easy monitoring and identification of recurring instances of breaches within programme teams.</p>	<p>3.1 RADIO</p> <p>3.1.1 Consideration will be given to appointing an individual with the task of monitoring compliance with minutage rules and reporting results to the programme teams.</p> <p>3.1.2 Given that the task of calculating minutage breaches from [REDACTED] reports is quite an onerous, time-consuming task (see findings #4 & #5</p>	[REDACTED]	31 December 2021

Finding	Agreed Action	Owner	Due Date
<p>Finding During this audit we observed an absence of formal monitoring controls for advertising on Radio channels. Since the commencement of the global pandemic in March 2020, the monitoring of compliance with minutage rules and reporting of same has ceased.</p> <p>No individual is assigned this responsibility for monitoring and communicating post-broadcast compliance with advertising minutage rules in Radio.</p> <p>Impact The impact of the absence of formal monitoring and reporting of results may be a contributing factor to the breaches observed during the audit. See finding #1.</p> <p>3.2 TELEVISION</p> <p>Background As mentioned above, the Scheduling team in RTÉ Sales prepares pre and post transmission reports. These reports detail minutage per hour for each station, identifying breaches and outlining reasons for them.</p> <p>Finding The reports prepared by RTÉ Scheduling, or an extract of the findings, are not circulated to a wider audience within RTÉ. This gives rise to the following issues:</p> <ul style="list-style-type: none"> • The preparation of the reports represents a good monitoring control. However, the work involved in creating the reports is not properly communicated to stakeholders and is somewhat lost in day-to-day operations. • Key departments / programme teams and genres responsible for repeated breaches are not being made aware, in a formal manner, reducing any chances or motivation for improvement. • Results are not being tracked on a monthly / quarterly basis, making it difficult to observe key trends. 	<p><i>below</i>), consideration will be given to performing spot checks of transmission logs for a pre-agreed number of days per month.</p> <p>This will facilitate the continuation of monitoring and reporting procedures that had been re-instated pre-Covid. It also sends the message to programme people that minutage breaches are still being monitored and need to be taken seriously.</p> <p>3.2 TELEVISION</p> <p>3.2.1 The RTÉ Scheduling Team will circulate monthly reports on compliance with minutage rules. Consideration will be given to notifying and meeting with stakeholders with recurring breaches, as part of this process.</p> <p>3.2.2 This can be done in conjunction with the current and ongoing communication to the Executive, regarding overruns by adding a section specially on minutage breaches.</p> <p>3.3 TV & RADIO (QOS Group)</p> <p>3.3.1 The topic of commercial minutage breaches and overruns will be revisited by the Quality of Service ('QOS') Group via quarterly meetings.</p>	<p>[Redacted]</p> <p>[Redacted]</p>	<p>31 December 2021</p> <p>31 December 2021</p>

Finding	Agreed Action	Owner	Due Date
<p>Mitigation During recent discussions with management from the Scheduling Team, it was noted that while specific breaches of commercial minutage on Television are not being communicated and circulated to the wider stakeholders, issues with programme overruns and related statistics are being reported and flagged at Executive level.</p> <p>This has occurred monthly since July 2021. Following this, a request was made by the Director of Operations, Technology and Transformation to the MD News and Current Affairs to communicate the recurring issue of overruns to all News and Current Affairs staff, as the majority of issues in Television are arising within this division.</p> <p>3.3 TELEVISION & RADIO (MONITORING COMMITTEE)</p> <p>Background Prior to the pandemic in March 2020, a group representing staff from both Television and Radio were working together in attempting to address the issue of overruns and commercial minutage breaches.</p> <p>The group compiled a discussion document “Breaches in RTÉ commercial minutage” detailing the problems and implications of overruns, gave specific examples of breaches across both Radio and Television, and graphs showing the recurring problematic programmes.</p> <p>The document also made some proposed recommendations on how to deal with the recurring breaches and recommendations / suggestions on how to potentially enforce or improve compliance. Recommendations included delivering workshops / Q&A sessions to the various programme teams.</p> <p>Finding While the QOS group still meets weekly every Friday, the subject of Commercial Minutage breaches and the proposals explained above have not been re-visited since the pandemic.</p>	<p>While a halt in proceedings of the Group in the earlier months post-pandemic was expected, it is now timely to revisit this area.</p> <p>This action could happen in conjunction with the first action in findings #1 & #2 above, as the work is linked.</p>		

	Finding	Agreed Action	Owner	Due Date
	Commercial Minutage – Technology			
4.	<p><u>Manual Nature of Calculating Breaches for Radio</u></p> <p><i>Finding</i> The process for calculating commercial advertising minutage per hour for one day is very manual and time-consuming using reports generated from [REDACTED]</p> <p>The reports that need to be run from [REDACTED] are produced in a very basic format and require substantial manipulation in excel to arrive at the required result, which can be a time-consuming process.</p> <p><i>Impact</i> The manual nature involved in calculating commercial advertising minutage for Radio may be a contributing factor in finding #3.1 above (introducing monitoring controls). There may not be sufficient resources for this process to be carried out on a recurring basis.</p> <p>The system used in Television ([REDACTED]) is more adaptable in that minutage reports are system generated with breaches identified via observation of the reports.</p>	<p>This finding is just for noting pending any future IT system enhancements; no immediate action to be recommended.</p> <p>There was a previous action to address this point, as follows:</p> <p><i>An investigation will be undertaken into researching the feasibility of using [REDACTED] to generate more user-friendly and accurate reports for calculating minutage compliance.</i></p> <p>This is not possible, however.</p>	N/A	N/A
5.	<p><u>Limitations of [REDACTED] Reports</u></p> <p><i>Background</i> This is a recurring issue that was highlighted from the previous reviews (2014 & 2018).</p> <p>In order to calculate the minutage for each hour, reports from [REDACTED] are used to arrive at the required result.</p> <p><i>Finding</i> 1) <u>Limitations of [REDACTED] Reports</u> a) In instances where commercials are played from two sources in studio – the</p>	<p>1) In advance of providing any transmission log to the BAI as part of a compliance check, a review of the log will be undertaken to identify and highlight any duplicate advertisements, or instances where there were potentially omitted adverts due to it being played on CD.</p> <p>2) See action #4 above</p>	[REDACTED]	N/A

Finding	Agreed Action	Owner	Due Date
<p>studio itself and the production desk, [REDACTED] has no knowledge or capability of reporting what is actually transmitted to air, and only reports on what is transmitted from the system. [REDACTED] therefore reports these as two separate commercials, which can have an impact on calculation of minutage.</p> <p>While no examples of this occurred in the two days selected for testing in this review, it has been confirmed that the issue has not been resolved.</p> <p>b) [REDACTED] is unable to capture commercials that were played from any other source, for example, from CD.</p> <p>Impact & Mitigation This could have an impact on minutage calculations, with potential for ad breaks to be omitted from overall results.</p> <p>In mitigation, the impact of a) above is an overstatement of minutage in error. While an issue, this is less significant than an understatement which may result in an issue being undetected.</p> <p>On the other hand, the impact of b) above is a potential overstatement of minutage, as ads played from CD are not counted by [REDACTED]. It has been confirmed by the [REDACTED] administrator that adverts are rarely played from CD and only in cases of a failure in studio.</p>			

	Finding	Agreed Action	Owner	Due Date
	High Fat, Salt and Sugar (“HFSS”)			
6.	<p><u>Compliance with HFSS Rules – Control Weakness</u></p> <p>Background An extract from the regulation states the following:</p> <p><i>No more than 25% of sold advertising time and only one in four advertisements for HFSS food are permissible across the broadcast day on radio and television services.</i></p> <p>Finding Compliance with the above (a maximum of 25% of sold advertising time and whether only one in four advertisements for HFSS food across the broadcast day on radio and television services) has not been reviewed in a number of years, since the rule was first introduced.</p> <p>This was a finding and action from the previous audit, in 2017.</p> <p>Mitigation The Commercial team’s policy was to only allow 16% / 17% of sold advertising time for HFSS foods across a broadcast day when last reviewed.</p> <p>Given the passage of time since a review has been done on whether RTÉ is within the 25% limit, another compliance review is warranted. The RTÉ Compliance Team are aware of this and are exploring options to make this into an automated report using a combination of [REDACTED] and Microsoft Power-BI.</p>	<p>1) The RTÉ Commercial Team will carry out a review of whether a maximum of 25% of sold advertising time and only one in four advertisements for HFSS food are shown across the broadcast day on radio and television services.</p> <p>This should be done twice yearly to ensure continuous compliance.</p> <p>2) Investigation will be made into whether this review can be made into a more automated report, using the combination of SAM reports and Power BI.</p> <p>Having an automated will allow for its generation more frequently, thereby improving monitoring and compliance levels.</p>	[REDACTED]	31 March 2022

	Finding	Agreed Action	Owner	Due Date
	Copy Clearance Procedures			
7.	<p><u>Unsupported Copy Clearance system</u></p> <p>Background The copy clearance process is designed to ensure that no advert goes to air without being reviewed and “copy cleared” by the designated team. All ads should be entered onto the copy clearance system. The process is as follows:</p> <ul style="list-style-type: none"> - Advertisers / agencies / media companies submit an advert script / MP3 via email. - An Ad clearance PDF form must be completed with the email and is submitted to the Ad Clearance email account. - Once the email is received with the completed PDF form attached, the Copy Clearance system (which is linked to the Ad Clearance email account) extracts all of the information and data out of the PDF form and populates it automatically onto the system into the relevant fields. <p>Finding The current system used for copy clearance only works using Outlook 2007, which is currently 14 years old, unsupported and almost obsolete.</p> <p>Implication RTÉ is exposed in that adverts cannot be copy cleared should a problem arise with the current system. Ad clearance are responsible for reviewing all adverts and communicating to Sales Traffic whether restrictions need to be made in [REDACTED] in order for RTÉ to remain compliant with regulations.</p> <p>Mitigation Following discussions with the Head of the Compliance Team, the issue is currently being addressed. They have undergone a recent tender process and are due to commence working with a company with a view to creating a new system, for rollout early in 2022.</p>	The planned rollout of the new copy clearance system with appropriate IT support will take place.	[REDACTED]	30 June 2022

	Finding	Agreed Action	Owner	Due Date
8.	<p><u>Copy Clearance: System Weakness</u></p> <p>This was a finding from the previous audit in 2017.</p> <p>Background There is a risk that an agency / client will submit a script / ad straight to the Commercial Libraries avoiding the Copy Clearance process altogether, or alternatively, submit a different draft to what was originally reviewed and agreed by Copy Clearance.</p> <p>The Commercial Library system does not automatically know if an ad has been pre-approved or not. Therefore, the MediaFlex (TV) system used in the Commercial Libraries does not “talk to” the Copy Clearance system. The same applies for [REDACTED] (Radio system).</p> <p>There is a risk of an un-cleared advert being aired due to this technical weakness.</p> <p>Mitigating Factors In order to counter-act this risk there are a number of manual controls in place:</p> <ul style="list-style-type: none"> - A member of the Copy Clearance Committee also runs the Commercial Library in Radio and is very familiar to what has been approved and can flag any uncertainties submitted to the Radio commercial library. - The copy clearance team, as part of their daily tasks, run a report at regular intervals showing all submissions to the Commercial Library from agencies. They must ensure that all submissions have been copy cleared prior to submission and that the script / ad submitted is the same as what was previously cleared. This involves re-viewing or re-listening to all ads for a second time. <p>The team initial / date the ad / script in the Commercial Library once re-reviewed.</p> <p>The risk is assessed as low taking the measures into account.</p>	<p>As part of the upgrade of the copy clearance system referenced in finding #7 above, consideration will be given to whether this system weakness can be eliminated or improved upon.</p>	<p>[REDACTED]</p>	<p>30 June 2022</p>

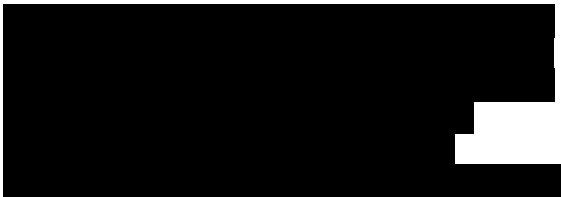
RTÉ Internal Audit

Report on Commercial Revenue and Commercial Regulation – (Television Channels)

14 August 2017

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive



Relevant extracts:



Background

Background

Budgeted Revenue

Commercial IBD is budgeted to generate ██████ in Television revenue for the year ended 31 December 2017, of which ██████ relates to advertising and sponsorship income. Approximately 56% of RTE's total net commercial revenue relates to advertising and sponsorship income in Television.

Financial Update

Commercial IBD has generated Television commercial income of €45m year-to-date June 2017. This may be analysed against budget as follows:

Television Commercial Revenue 30 June 2017	Actual YTD €m	Interim Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	45.6	██████	-1.2	-3%
<i>Broken Down by Revenue Type:</i>				
Advertising	██████	██████	-1.5	-4%
Sponsorship	██████	██████	0.5	17%
Other	██████	██████	-0.2	-4%

How TV Advertising is sold

TV Ratings across seventeen different audience demographics are sold to advertisers throughout the year based on an annual deal sheet. While most deals are with advertising agencies acting on behalf of advertisers, a small number of advertising clients deal directly with RTE.

The deal sheet specifies any discount that RTE will offer to the client against the published cost per thousand ratings figure.

Under/over deliveries of TV ratings will arise where actual TV ratings delivered by RTE differ to those sold, and will result in deal credit/debt. This is tracked monthly, reviewed with the client and addressed each quarter.

A trading/discount structure is in place comprising three elements: a graduated expenditure discount, an advanced booking discount and a new advertiser discount. The first of these is a volumetric incentive designed to encourage customers to increase spend. The remaining two are behavioural discounts that help RTE to achieve its planning and administrative efficiencies.

Fair Trading

RTE is a dual funded public service media organisation, which means that the cost of fulfilling RTE's remit under the Broadcasting Act 2009 is funded by both commercial revenue and the Licence Fee. RTE must ensure that it trades fairly, in all of its trading activities, be they public service or commercial in nature. It must also ensure that its commercial activities are not subsidised by public money.

RTE's Fair Trading Policy (effective 1 January 2016) is underpinned by the following principles:

1. Arm's Length Principle: that a clear separation exists between RTE's public service activities and its commercial activities
2. Fair Competition: that RTE's trading activities shall be conducted fairly and at prices that reflect market conditions
3. Transparency and Accountability: that RTE's trading activities are conducted in a transparent manner, with due regard for commercially sensitive information.

The revenues and costs of RTE's commercial activities were combined and are now managed through a Commercial Division since 1 January 2016.

IT Systems

The following are the key systems impacting the sales process:

- ██████ Airtime sales processing ██████
- ██████ Reconciliation Database: Monthly reporting of under / over delivery of campaigns and deals
- ██████ Online campaign ordering/confirming system
- ██████ Main financial system
- ██████ : Ad Clearance system (editorial clearance)

Objective, Scope and Key Issues

Risk

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

- Risk # 4 – Failure to grow commercial income
- Risk # 5 – Changes to Regulation impacting advertising / sponsorship / other commercial revenue
- Risk # 6 – Business Continuity & Disaster Recovery

Other specific risks relevant to this report are as follows:

- Incomplete revenue
- Inaccurate revenue billings, not in line with contract / rate cards / deal sheets
- Inaccurate cut-off, resulting in misstatement of revenue
- Non compliance with rules & commercial regulations
- IT system breakdown

Objective

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

- Accuracy of pricing of sales (including reviewing discounting practices);
- 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];
- Compliance with relevant laws and regulations (minutage, advertising standards, etc.);
- Forecasting of ratings and optimisation procedures;
- Copy clearance procedures; and
- Operations of Station Management and Traffic teams.

Scope

The scope of the audit was restricted to Television advertising and sponsorship income of the Commercial Division, focusing on revenue generated in the period January to May 2017.

✗ The audit did not include:

- ✗ Non advertising / sponsorship revenue sources (c. 10% of income)
- ✗ Detailed review of the IT systems in use; and
- ✗ Content of advertising copy

Key Management Issues

Compliance with Laws & Regulations

The report highlights findings regarding compliance with laws and regulations relevant to TV advertising & sponsorship, as follows:

- **Minutage:** We identified instances of the advertising minutage broadcast by RTÉ Television exceeding the maximum limits set by the Minister for Communications, Climate Action and Environment. We also identified opportunities to improve the RTÉ minutage reporting, arising due to system limitations.
- **Alcohol & High Fat, Salt and Sugar Regulations:** While there were no breaches identified in the audit, controls could be improved in certain areas of the process.

Conclusion

Conclusion

Commercial revenue (Television) in the Commercial IBD was €45.5m for the six month period to 30 June 2017, as compared to a budget of ██████████. Representing a decline of 9% in income compared to the equivalent period in prior year, Television continues to operate in a very competitive trading environment.

The shortfall in revenue reflects the competitive environment and the impact on advertising and sponsorship arising from the Brexit decision in 2016 and the weakness of the sterling since the Referendum result. More than €20 million of RTÉ Television advertising bookings are made by companies that make their decisions in London. This has a huge impact on RTÉ as the uncertain economic outlook prompts these agencies and advertisers to rethink their marketing plans. The weaker sterling also means their fixed sterling budget extends to less euro denominated advertising bookings. The fall in consumption of Television and the amount of choice viewers have is another factor. It should also be noted that there were no major sporting events in 2017 (e.g. the UEFA European Championship occurred in June 2016, resulting in increased revenues for that year).

Commercial Revenue Operations: rating

The standard of control in the “day to day” processing of sales transaction is satisfactory. Deal debt continues to be managed in an effective manner, with strong monitoring controls in place. We carried out end-to-end testing on a sample of sales transactions from the negotiation of the initial deal and discount terms, through to recording the transaction on the sales system, delivering the campaign on-air, invoicing the customer and, finally, reconciling the audience delivered vis-à-vis the ratings committed to as part of the deal. We are pleased to report that no matters of note arose during the testing of this area.

Commercial Regulation: rating

The day to day operational management of commercial regulation within TV Sales is operating effectively. However, we identified instances where advertising minutage was in breach of and exceeded the limits set out in the minutage rules, often due to the nature of live Television programming. We also identified weaknesses in the RTÉ minutage reporting arising from the manual intervention required and other IT system weaknesses. Therefore, we assign this part of the audit a combined “orange” rating given the potential reputational risk. While there were no breaches with regard to compliance with Alcohol and Food Regulations (HFSS), controls could be improved in certain areas of these processes.

We appreciate the co-operation and assistance received from TV Sales personnel during the course of this audit.

Rating

On an overall basis the report is rated at the mid-point, improvement needed, although it falls at the higher end of this rating (i.e. closer to satisfactory)

Overall Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Compliance with Laws and Regulation				
1.	<p><u>Accuracy and completeness of RTÉ Minutage Reports</u></p> <p>Background Irish broadcasting legislation grants the Minister for Communications, Climate Action and Environment the authority to set the amount of minutage which public broadcasters may devote to advertising. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Compliance with these rules is monitored by the Scheduling team in RTÉ Television who produce Pre and Post transmission reports (referred to as “Minutage Reports” for the purpose of this report) from [REDACTED] detailing minutage per hour for each station everyday, listing breaches and reasons for them. This is a new monitory control implemented since the last audit.</p> <p>Audit Testing Internal Audit selected the reports for four days in 2017 for review (two from RTÉ One and two from RTÉ2). The minutage reports for these four days were reviewed and the hourly minutage was recalculated using daily transmission logs, testing both accuracy and completeness of the reports.</p>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>As part of the next upgrade of [REDACTED] (Channel Management / Rights Management system), consideration will be given to automating the manual monitoring aspect of the minutage compliance review process. Breaches would therefore be identified by the system, rather than manually.</p>	<p>L / M</p>	<p>[REDACTED]</p> <p>(to fit in with the timing of the [REDACTED] upgrade)</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Results The following results were noted:</p> <ul style="list-style-type: none"> ✓ Reports were available for inspection for each of the four days selected; new monitoring controls are in place. ✓ When recalculated, minutage per the [REDACTED] reports was in line with recalculations from transmission logs for each of the four days. ✓ RTÉ’s advertising minutage was not in excess of 10% of its broadcast hours in any full day. ✗ A minutage breach that occurred on one of the four days selected was not identified, in error, on the minutage report. This is due to the manual nature required to identify breaches from the reports. Despite the fact that the reports are system driven by [REDACTED] the system itself does not identify or flag when there are breaches. This must be done by observation and manual calculation, which by its nature increases the risk of error. <p>Impact While the minutage reports are partly system generated, manual intervention is required to ascertain whether any breaches took place. This means that while the data is accurate, the identification of breaches might be missed in error. The control would be strengthened if breaches were to be identified by the system [REDACTED]</p>				
2.	<p><u>Compliance with Minutage Rules and Number of Breaches</u></p> <p>Background As explained in point #1 above, there are rules with regards to minutage levels, as follows:</p>	<p>Agreed. See comments in finding #3 below. [REDACTED]</p>	<p>Further communication of actual breaches is needed: See finding #3 for details of the action.</p>	M	<p>[REDACTED] 31 December 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> • Up to 10% of programme transmission hours may be devoted to advertising; • [REDACTED] • [REDACTED] <p>Failure to comply with the above requirements poses a reputational risk to RTÉ and increases the risk of fines being imposed for such breaches.</p> <p>Audit Testing</p> <ul style="list-style-type: none"> • Firstly, the RTÉ Minutage Reports for the entire month of March were requested from the Scheduling team and inspected to ascertain the number of breaches within the month. • Secondly, as an initial high level check, TV monthly advertising reports (generated from [REDACTED] were reviewed for the period January to April 2017. These reports compare the total advertising minutage broadcast each day to the allowable daily minutage limit. • Finally, as referred to in finding #1 above, Internal Audit selected Minutage Reports from four days in 2017 for review (two from RTÉ One and two from RTÉ2). The reports for these four days were reviewed and the hourly minutage was recalculated using daily transmission logs, testing both accuracy and completeness of the reports. • We compared the planned break schedule prepared by TV Sales to the actual advertisements broadcast for the four 				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>days tested above to ascertain if the breaches arose due to unplanned transmission changes.</p> <p>Findings</p> <ul style="list-style-type: none"> ✓ RTÉ’s advertising minutage broadcast was not in excess of [REDACTED]’ broadcast hours in any day. ✓ No breaches occurred in the planned break schedules tested. ✗ Of the four days selected for recalculation of minutage, there were breaches in two clock hours i.e. commercial advertising was in excess of what is permitted. One breach occurred on each station (2.4% of total clock hours tested). ✗ During the review of the March 2017 RTÉ minutage reports we noted advertising minutage broadcast in excess of the permitted maximum limit, as follows: <ul style="list-style-type: none"> • RTÉ One: Nine breaches occurred in the 31 day period. Breaches occurred across eight days (26%) during the month of March, representing 1.4% of the clock hours tested. • RTÉ2: 10 breaches occurred in the 31 day period. Breaches occurred across 10 days (32%), representing 1.5% of clock hours reviewed. <p>In mitigation, compliance with minutage rules is being tracked by the scheduling in ‘Pre-Transmission’ reports with any potential breaches rectified before going to transmission. However, due to the nature of live programming commercial breaks get pushed</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	out of their scheduled slots, often resulting in breaches.				
3.	<p><u>Communication and Tracking of Results</u></p> <p>Background As mentioned above, the Scheduling team in RTÉ Sales prepares pre and post transmission reports on a daily basis. These reports detail minutage per hour for each station, identifying breaches and outlining reasons for them.</p> <p>Finding The reports prepared by RTÉ Scheduling, or an extract of the findings, are not circulated to a wider audience within RTÉ. This gives rise to the following issues:</p> <ul style="list-style-type: none"> • The preparation of the reports represents a good monitoring control. However, the work involved in creating the reports is not properly communicated to stakeholders and is somewhat lost in day to day operations. • Key departments / programme teams and genres responsible for repeated breaches are not being made aware, in a formal manner, reducing any chances or motivation for improvement. • Results are not being tracked on a monthly / quarterly basis, making it difficult to observe key trends. 	<p>There will always be a risk around “Live” programming including Sport and breaches will always occur. When they do occur, it has gone beyond Commercial Sale’s remit and is outside of their authority.</p> <p>Communication of breaches to programme teams should be made by an appropriate person at Executive level once the new structure is in place rather than by the person completing the report for it to be taken seriously.</p> <p>██████████)</p>	<p>The RTÉ Scheduling Team will circulate monthly reports on compliance with minutage rules. Categorising breaches by colour in terms of gravity of the breach and naming the departments / areas involved will be considered as part of this process.</p>	M	<p>██████████</p> <p>31 December 2017</p>
4.	<p><u>Compliance with Alcohol Regulations</u></p> <p>Background The Alcohol Marketing, Communications and Sponsorship Codes of Practice, 2008 were introduced to reduce the exposure of young people to alcohol advertising and marketing.</p>	<p>a) The audience levels of RTÉ One+1 and the reliability levels of the sample are significantly different due to the small volume of people</p>	<p>a) The Head of Operations will ensure that the quarterly AMCMB reports are circulated to all necessary Sales Teams in a timely manner so that they are made aware of results and the necessary ██████████ restrictions</p>	M	<p>██████████</p> <p>31 December 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>An extract of the main rules relating to advertising on Television are as follows:</p> <p>a) Advertising for alcohol will only be booked by an alcoholic drinks advertiser, or its agency, or placed by the Broadcasters, in any programming with an adult audience profile of 75% or greater.</p> <p>b) Where alcohol advertising is permissible under audience profiling a maximum of 25% of sold advertising time and only one in four advertisements for alcohol products is permissible across the broadcast day excluding the period from 6 a.m. to 10 a.m. Additionally, no more than two advertisements for alcohol products can appear in any commercial break.</p> <p>Monitoring of Compliance The Department also established an independent monitoring body, the Alcohol Marketing Communications Monitoring Body (AMCMB). Its function was to monitor the level of adherence by advertisers and media owners to these Codes.</p> <p>Under the Alcohol Marketing, Communications and Sponsorship Codes of Practice 2008 RTÉ is required to produce and provide a profile of its audience to the AMCMB, as follows:</p> <ul style="list-style-type: none"> • The profile will be for each channel broadcast. • It will be analysed by individuals up to eighteen years of age and those over eighteen years of age. • The audience profile of a programme will be evaluated on the average data covering three monthly fixed quarters in 	<p>viewing. For this reason, the RTÉ One+1 result is never included in the quarterly alcohol reports submitted to the AMCMB.</p> <p>The AMCMB are aware that the RTÉ One+1 result is not statistically accurate and for this reason they do not request for its inclusion in the quarterly reports.</p> <p>RTÉ instead submit a combined result (RTÉ One & RTÉ One +1 together) as part of their quarterly report, which is always within the 25% threshold.</p> <p>██████████</p> <p>b) The AMCMB monitoring body have access to the Nielsen system (analytical software database) and can see, with ease, the number of spots and breaks scheduled. There has never been any issue</p>	<p>can be put in place.</p> <p>b) The Commercial Sales team will ensure compliance with the following Alcohol rules and be able to provide evidence of compliance if required:</p> <ul style="list-style-type: none"> - a maximum of 25% of sold advertising time related to alcohol advertising - no more than one in four advertisements related to alcohol and - no more than two alcohol advertisements occurred in any advertising break. 		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>arrears. The quarters will be as per the annual calendar i.e. January to end March, April to end June etc.</p> <p>These reports are monitored by the AMCMB, as follows:</p> <p>a) Firstly, comparisons are made against the profile information to check that no advertising was placed in a time period which the applicable quarterly profile indicated had an under-18 audience greater than 25%.</p> <p>b) Secondly, the independent reports are checked to ensure that there was compliance with the provision that:</p> <ul style="list-style-type: none"> - a maximum of 25% of sold advertising time related to alcohol advertising - no more than one in four advertisements related to alcohol and - no more than two alcohol advertisements occurred in any advertising break. <p>c) Thirdly, the independent reports are checked to ensure that there was no alcohol advertising in television breakfast time (6am – 10am).</p> <p>In order to ensure compliance with the 25% rule, RTÉ works to 22% instead of 25%. If the audience in any one half hour slot consists of greater than 22% of Individuals 4+, an alcohol-related ad will not be shown during this slot.</p> <p>Testing and Findings</p> <p>a) Three programmes were selected for testing to ensure compliance with the under-18 audience profile being less than 25% rule detailed above. See below for findings:</p> <p>✓ The profile of under 18s watching did not exceed 25% on any day for one programme.</p>	<p>to date.</p> <p>In addition, revenue from alcohol advertising has dropped over the recent years, from approximately 10% of total advertising revenue to 4%. This in turn would indicate that alcohol advertising revenue is well below the 25% threshold.</p>			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>✓ There was a blanket restriction in place for one of the programmes selected so no issues noted.</p> <p>→ For the third programme, the profile of under 18s watching did not exceed 25% on any day on RTÉ One. However, the 25% threshold was exceeded on RTÉ One+1 on one day (26.5%).</p> <p>In mitigation, because the report is circulated in arrears and this was a new programme (8th January 2017), this is not technically a breach because no restrictions are put in place for the first three months of a new programme – the action to put restrictions in place must <u>then</u> occur.</p> <p>In order for actions to take place the audience profile must be communicated to the Traffic team via circulation of the quarterly report so that they know to put a blanket restriction on this programme in the future.</p> <p>b) There is no tangible evidence that RTÉ is monitoring whether a maximum of 25% of sold advertising time relates to alcohol advertising, that no more than one in four advertisements relates to alcohol and that there is no more than two alcohol advertisements in any advertising break.</p> <p>c) There is a blanket restriction on all adverts containing alcohol until 10am on both channels and before 7.30pm on RTÉ2.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
5.	<p><u>Circulation of Alcohol Audience Reports</u></p> <p>Background The Traffic team keep a list of all programmes that always have a restriction on them (e.g. Simpsons) and these restrictions are built into [REDACTED] parameters to prevent adverts been shown at incorrect times or during unsuitable programmes. New programmes must also be monitored and amended accordingly by Traffic.</p> <p>Finding The quarterly Alcohol reports submitted by RTÉ to AMCMB should be circulated to the relevant Sales Traffic Team members, so that they are informed of any audience profiles exceeding, or close to exceeding, the 25% threshold.</p> <p>The quarterly report for January to March 2017 was not circulated by email to the Traffic team. It would be preferential if the report was circulated by email so as to keep a record and also verbal messages may be lost.</p> <p>However, in mitigation, any major findings or necessary actions were communicated verbally by the Head of Operations in TV Commercial.</p>	See management comment in finding #4 a) above.	See action in finding #4 a) above.	M	[REDACTED] 31 October 2017
6.	<p><u>Compliance with High Fat, Salt and Sugar (“HFSS”) Rules</u></p> <p>Background The Broadcasting Authority of Ireland (BAI) issued revised versions of its General and Children’s Commercial</p>	Agreed. A similar review will be carried out. [REDACTED]	The RTÉ Commercial Sales Team will carry out another review of whether a maximum of 25% of sold advertising time and only one in four advertisements for HFSS food are shown across the broadcast	M	[REDACTED] 30 November 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Communications Codes in 2013. The Codes were updated to include rules to be applied to the promotion of High Fat, Salt and Sugar foods to children. The rules became effective on 2nd September 2013 and apply to all radio and television broadcasters regulated in the Republic of Ireland. Commercial communications include advertising, sponsorship and other forms of commercial announcements.</p> <p>These rules state that commercial communications for HFSS food (including drinks) shall not be permitted in children’s programmes. In addition, content rules will apply to commercial communications for HFSS food broadcast outside of children’s programmes but which are directed at children. Such commercial communications shall not:</p> <ul style="list-style-type: none"> • Include celebrities or sports stars; • Include programme characters; • Include licensed characters e.g. characters and personalities from cinema releases; • Contain health or nutrition claims; • Include promotional offers; • No more than 25% of sold advertising time and only one in four advertisements for HFSS food are permissible across the broadcast day on radio and television services. <p>In addition, any advertiser who wants to promote food during children’s programming, or to target children with food promotions outside of children’s programming, will be required to provide a signed certificate to broadcasters stating that the food product/service to be advertised is not a HFSS food.</p> <p>The BAI have since launched a revised general Commercial</p>		<p>day on radio and television services. This should be done twice yearly to ensure continuous compliance.</p>		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Communications Code (effective 1st June 2017).</p> <p>There is no obligation as yet to submit quarterly reports as is the requirement with Alcohol restrictions.</p> <p>Testing</p> <p>a) A sample of three ads was selected for testing for compliance with HFSS rules.</p> <ul style="list-style-type: none"> ✓ Two out of the three ads had a status of “Approved with Restriction” in place. There is a technical restriction on [REDACTED] preventing these ads to be aired during Children’s entertainment programmes. ✓ The remaining ad had no restriction in place as RTÉ was provided with a signed HFSS certificate regarding the content of this ad. <p>b) Compliance with whether a maximum of 25% of sold advertising time and whether only one in four advertisements for HFSS food across the broadcast day on radio and television services was reviewed. RTÉ Sales are aware of this and only 16% / 17%, respectively, of sold advertising time was for HFSS foods across a broadcast day when last reviewed. This review was undertaken a few years ago when the rule was first introduced, and continued for a period of two years.</p> <p>Finding</p> <p>Given the passage of time since a review has been done on whether RTÉ is within the 25% limit, and the fact that there has been updated legalisation this year, another compliance review is warranted.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
7.	<p><u>Copy Clearance: System Weakness</u></p> <p>Background The copy clearance process is designed to ensure that nothing goes to air without being copy cleared. All ads should be entered onto the copy clearance system.</p> <p>Once an ad has gone through the copy clearance process, an email is then generated and sent to the agency / client confirming that the ad / script has been approved for airing. In certain cases there will be restrictions, for example “ex-kids” means that the ad cannot be shown during children’s programmes. This will be stated on the email that is generated from the system.</p> <p>Once this email is generated from the copy clearance system and circulated to agencies, the agency must submit the ad / script to the Commercial Libraries in RTÉ for transmission.</p> <p>Finding There is a risk that the agency / client will submit a script / ad straight to the Commercial Libraries avoiding the Copy Clearance process altogether, or alternatively, submit a different draft to what was originally reviewed and agreed by Copy Clearance.</p> <p>From a system perspective, it is not possible for the ad to go straight from Copy Clearance to the Commercial Library as it needs to be “prepped” for TV (resolution, mega-pixels etc). However, the people working in the commercial library are not responsible for ensuring the correct version of the ad is being aired, or that it adheres to Copy Clearance regulations.</p>	<p>It is unlikely that this issue will be resolved in the near futures due to technology and budget restraints. However, there is a risk there so it is worth noting.</p> <p>While the systems are different, the people involved in reviewing the product of each system, are the same, therefore reducing the risk.</p> <p>██████████</p>	<p>This will be included in the Data Value Group’s remit for investigation to ascertain if there is a way to link the two sets of data – Copy Clearance and Commercial Library – via a unique data record.</p> <p>Alternatively, an investigation will be undertaken into whether the system could become more automated, matching copy submitted to what was already cleared by the copy clearance team, therefore eliminating the need for the manual re-check.</p>	M	N/A

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>The Commercial Library system does not automatically know if an ad has been pre-approved or not. Therefore, the MediaFlex (TV) system used in the Commercial Libraries does not “talk to” the Copy Clearance system. The same applies for Radioman (Radio system).</p> <p>There is therefore a risk of an un-cleared advert being aired due to this technical weakness.</p> <p>Mitigating Factors In order to counter-act this risk there are a number of manual controls in place:</p> <ul style="list-style-type: none"> - A member of the Copy Clearance Committee also runs the Commercial Library in Radio and is very familiar to what has been approved and can flag any uncertainties submitted to the Radio commercial library. - The copy clearance team, as part of their daily tasks, run a report at regular intervals showing all submissions to the Commercial Library from agencies. They must ensure that all submissions have been copy cleared prior to submission and that the script / ad submitted is the same as what was previously cleared. This involves re-viewing or re-listening to all ads for a second time. <p>The team initial and date the ad / script in the Commercial Library once it has been re-reviewed.</p> <p>The risk is assessed as low taking the measures into account.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
8.	<p><u>Access to ██████████ System / Review of User profiles</u></p> <p>Background The “Authority Maintain” (AUTHMNT) user profile on ██████████ is a powerful administration user profile that allows the user to amend, increase and decrease the user access levels of any user on ██████████ including themselves. It enables the user to give specific rights to certain functions, by role.</p> <p>Testing We carried out a review of all users of the ██████████ system. Included in this was a review of the user profiles with the powerful administration access.</p> <p>During testing we noted the following:</p> <ul style="list-style-type: none"> ✓ All new users and leavers on ██████████ are monitored via bi-annual meetings and User Request Forms are completed by Management prior to access being granted. This is a new control since the last audit in 2013. ✓ A review of the most recent listing of individuals with the “Authority Maintain” (AUTHMNT) user profile showed no issues. All individuals were deemed to have a requirement for the functionality and there were no duplicate accounts listed. ✗ There was no single person responsible for running and monitoring the "Authority Maintenance" reports. There has been a knowledge gap since the departure of the 	<p>The role of Commercial Systems and Support Executive has already been filled and is in the transition stage from his previous role. This user profile review is listed as a requirement for the role.</p> <p>██████████</p>	<p>A review of the powerful administration user profile, “Authority Maintain” (AUTHMNT), will be undertaken bi-annually, as part of the existing process. An alternative method of reviewing user profiles may also be considered by the team locally.</p> <p>The process of learning how this report is run will be undertaken by the person hired to fill the role of Commercial Systems and Support Executive.</p>	M	<p>██████████</p> <p>30 November 2017</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Commercial Systems and Support Executive to another team within Technology a few years prior to this audit. This is a re-occurring issue from the last audit.</p> <p>The fact that the people within the business are unable to run the "Authority Maintenance" report proves that there is no periodic review performed of the appropriateness of users with this access on [REDACTED]</p> <p>The lack of formal User Access review of this particular [REDACTED] functionality increases the risk that amendments made inappropriately could go unnoticed.</p> <p>A lack of User Access review also increases the risk that users may have incorrect access within [REDACTED] and may have permissions in excess of their job role e.g. (should their role have changed). This also increases the risk of gaining unauthorised access to process transactions and manipulate data inappropriately.</p>				

RTÉ Internal Audit

Review of [REDACTED] Fee Payment

14 November 2022

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

Human Resources:

[REDACTED] HR Resource Manager
[REDACTED], HR Information Systems Manager

Finance:

[REDACTED], Group Financial Controller
[REDACTED], Head of Procurement
[REDACTED], Finance Manager, People Payments
[REDACTED], Financial Director, RTÉ Content & Operations
[REDACTED] Financial Controller, RTÉ News and Current Affairs
[REDACTED], Financial Controller, Commercial
[REDACTED], Financial Controller, ACM



Background

Background

Two systems are used for processing payments to individuals – the payroll system and the [REDACTED] system. Individuals paid via payroll are RTÉ employees working regular fortnightly hours. The [REDACTED] fees payment system, which is the subject of this audit, is used to pay two groups:

- **Group 7 payments:** Non-employees providing “people services” to RTÉ e.g. Presenters, Programme Contributors, Independent Camera Operators, Musicians, Actors, Writers etc. (contract for services)
- **Group 2 Payments:** Employees who work irregular hours, employees on short-term contracts (as this payment system is flexible and allows for the payment of employees with irregular hours), and all Fair City Actors.

An average of approximately 850 individuals are paid via each payment run on the [REDACTED] fees system. This figure fluctuates at different times of the year in line with changes in production demands.

Each division has a number of fee administrators who raise fee payment requests on [REDACTED]. These fee requests must be approved by two approvers: usually the costpool manager and a member of Finance. In advance of the payment run, the People Payments department within Group Finance reviews material fee payment requests, checking for errors such as duplicate payments and monitor compliance with tax legislation etc. The final stage of processing fee payments is outsourced to [REDACTED], who prepare online payslips and reports and administer the actual payments to the individuals.

Objectives of Audit

- Verify the accuracy of payments made via [REDACTED] by agreeing a sample of fee payments (selected from the period January to June 2022 – “H1 2022”) to appropriate supporting documentation;
- Review the tax status of a sample of individuals, to include a review of the accuracy of tax deducted, checking VAT invoices, etc.; and
- Check that fee payment requests on [REDACTED] were approved by two appropriate approvers.

Scope of Audit

The scope of our audit was organisation wide. We selected a targeted sample of 28 individual classified as non-employees on the [REDACTED] system. In selecting our sample, we ensured there was a sufficient spread of the following characteristics across the sample of individuals:

- Types of Independent Contractors - companies, sole traders, programme contributors, etc.;
- Levels of earnings;
- Numbers of payments – ad-hoc / once-off / regular payments / etc.;
- Job Description

We tested the following:

- ✓ Agreed payments to invoices and checked, where relevant, that the invoice was a valid VAT invoice;
- ✓ Agreed the rate charged to the contracted rate;
- ✓ Checked the accuracy and appropriateness of tax deductions;
- ✓ Checked that the approvers were appropriate;
- ✓ Agreed the hours worked to rosters, schedules and other backup; and
- ✓ Investigated, where relevant, the process under which certain individuals were engaged (procurement / tendering).
- ✓ Performed walkthrough of the payment process, covering cut-off, correction of errors and reporting.

The scope of our audit did not include:

- ✗ The payroll system
- ✗ A review of the IT systems used by RTÉ / [REDACTED] to process payments;
- ✗ A review of master files / standing data – a separate recent audit

Risk

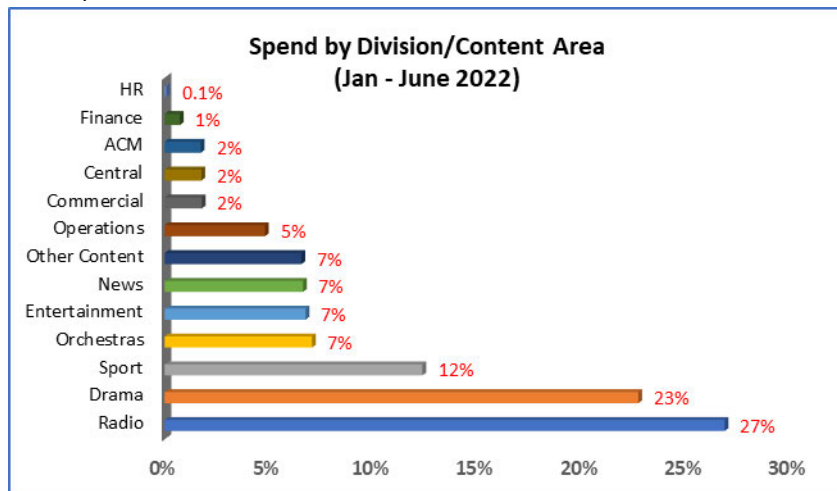
The key corporate risks addressed by the report are as follows:

- Risk # 8 – Management of Finances and Business Planning
- Risk # 6 – Brand & Reputation
- Risk # 3 – People/Skills

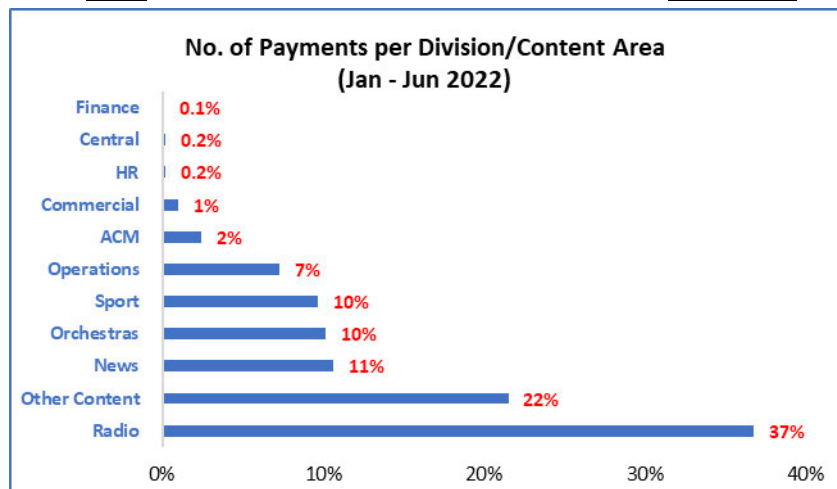
Data Analysis

A Spend / # Payments by Area

In excess of €9 million of [REDACTED] fee payments took place in the six month period to end June 2022:



18,873 [REDACTED] fee payments have been processed in the period and 4,158 individuals / entities received a fee payment. The average payment was for [REDACTED]. However, individual fee payments ranged from [REDACTED].

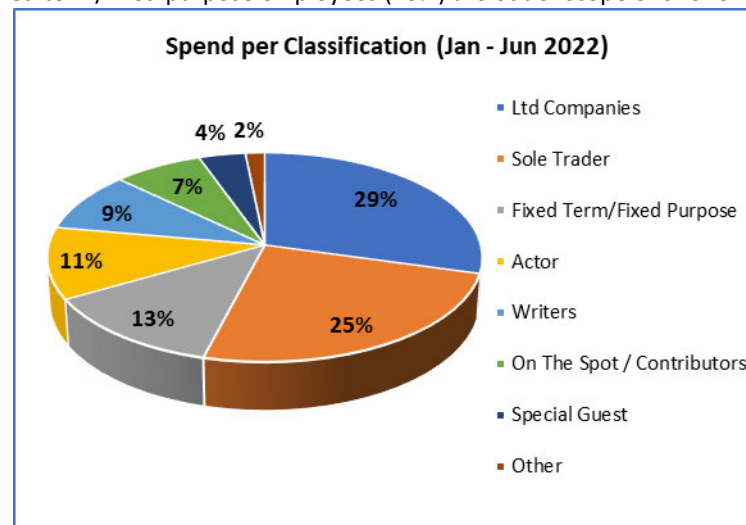


A summary of statistics per RTÉ Division is shown in the table below.

Per Division	Total Spend €m	# of Payments	# of Individuals
Content	[REDACTED]	[REDACTED]	[REDACTED]
News	[REDACTED]	[REDACTED]	[REDACTED]
Operations	[REDACTED]	[REDACTED]	[REDACTED]
Commercial	[REDACTED]	[REDACTED]	[REDACTED]
Central	[REDACTED]	[REDACTED]	[REDACTED]
ACM	[REDACTED]	[REDACTED]	[REDACTED]
Finance	[REDACTED]	[REDACTED]	[REDACTED]
HR	[REDACTED]	[REDACTED]	[REDACTED]
Total	9.37	18,873	4,158

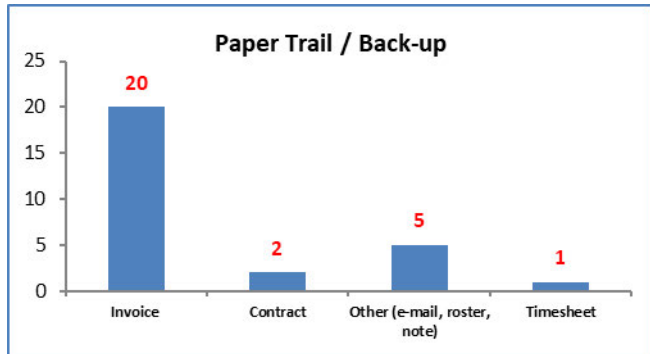
B Spend per Contract Classification

The chart below analyses fee payments according to their contract classification. 29% of fee payments are made to Limited Companies, followed by Sole Traders (both VAT and Non VAT Registered traders) at 25%. Fixed term/registered employees (13%) are out of scope of this review.



Summary of Key Findings

1) Paper Trail



Paper Trail

The majority of individuals (71%) in our sample submitted invoices to RTÉ.

The back-up for the remaining fee payments (29%) consisted of a variety of sources, with a signed-off timesheet, emails and/or a contract of engagement being the most common back-up for casual employees.

In the case of a programme contributor, a formal contract/ invoice is not required and contributor release forms are used.

2) Contracts and Fee Rates

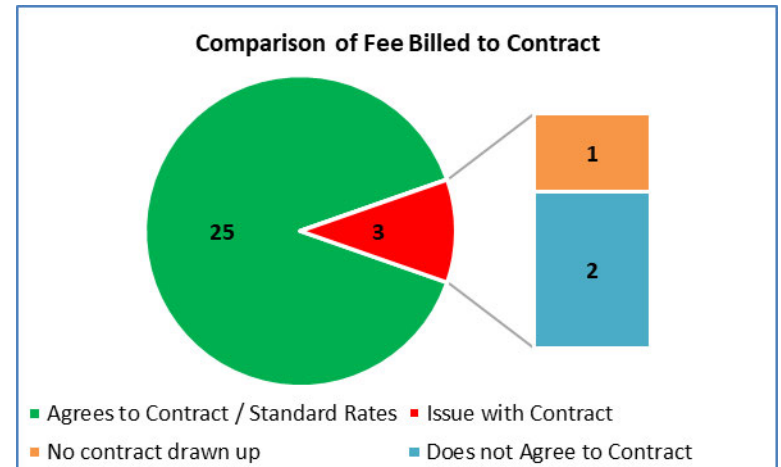
We checked if a suitable contract existed for each individual in our sample. We also compared the fee rate per contract to the rate actually billed. 25 of the 28 individuals had valid contracts for services performed and invoiced RTÉ at their contract rate. There were audit findings concerning three individuals, as follows:

X A contract was not drawn up for **one** individual, in a once off engagement. On review of the engagement completed, a contract should have been completed.

Two payments were made at different rates than specified in the contracts:

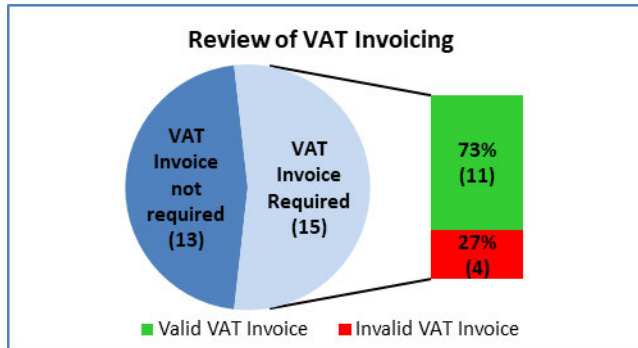
X The difference was minor in one case and, most likely, reflected a lack of filing of paperwork related to a contract change or an addition to the existing contract.

X In a second case, the rate billed was very different and appears to be a different scope of work than normally contracted. Verbal confirmation of the rate was received from Producer / Approver. This is a low value contract.



Summary of Key Findings

3) Valid VAT Invoice



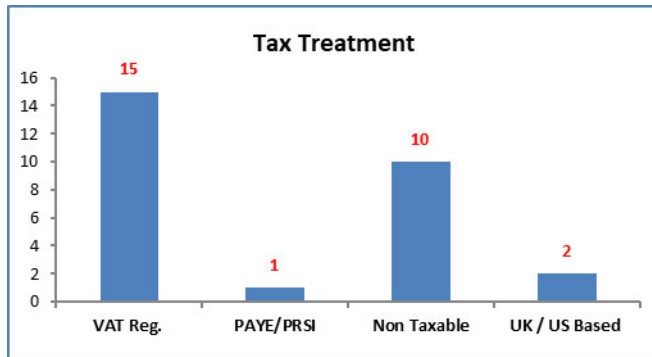
Valid VAT Invoice

15 of the Independent Contractors in our sample were VAT registered traders in the period covered by the audit and therefore are within the scope of this test. 11 of the 15 VAT invoices reviewed as part of this audit (73%) complied with all the Revenue's requirements for a valid VAT invoice.

The requirements for a valid VAT invoice include: name, address and VAT registration number of the person supplying the goods; the unit price; the VAT payable; the date on which the goods were supplied; etc.

The absence of a unique invoice number was the common theme across the four exceptions identified, in addition to further administrative matters in two of the four cases. All invoices included a valid VAT number.

4) Taxation



Taxation

The taxation treatment of each individual in our sample is set-out in the graphic across.

The majority of individuals were VAT registered traders with appropriate evidence secured from the individual of their tax status. All VAT registration numbers were verified and no issues noted.

12 individuals in the sample were regarded as "non taxable" (based overseas, below VAT threshold or once off contributors).

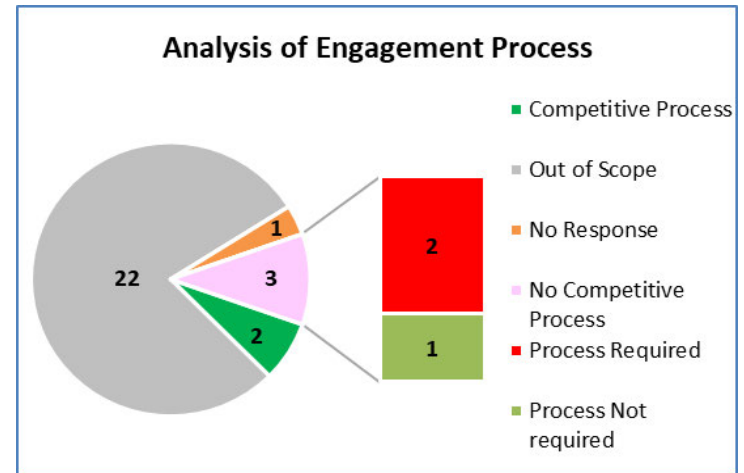
Once yearly, for internal financial monitoring purposes, the cumulative payments to non-taxable Traders are checked to see whether they are in excess of the VAT threshold (€37,500). Each trader is responsible for their own taxation affairs and registration, having regard for their personal circumstances and, therefore, RTÉ does not follow up or send formal reminders to individuals in this regard.

Summary of Key Findings

5) Tender Process

We investigated whether a competitive tender or quotation process was carried out in respect of the engagement of individuals in our audit sample, having regard for RTÉ's Procurement Policy. The findings are set-out in the graphic across and explained in further detail below.

- ✓ 22 of the individuals in our sample were out of scope of a formal procurement process. While a certain judgement is exercised in our conclusions, the majority (19) of these were engagements which involved editorial decision making and therefore subject to the audio-visual media services exemption (Presenters, Special Guests, Musicians, etc). Three individuals related to content / production and involved a production company and alternative engagement process.
- ✓ Some form of competitive process occurred for 7% (two individuals) selected from our sample. However, this did not always involve an advertisement.
- No response was received from the Line Manager for one of our selected sample (4%). We conclude that these engagements do not fit into the "out of scope" category as they do not involve editorial engagements. In these circumstances, a conclusion that no competitive process took place is reasonable.
- A competitive process was not carried out for three individuals, analysed in more detail below:
 - ✓ A process is not required for **one** of the three individuals due to the expenditure being below the relevant threshold. However, if the individual continues to be engaged a tender will be required in the near future (Online Sport Reports)
 - ✗ A competitive process should have been completed for the remaining **two** individuals, based on levels of spend (as is done for suppliers on the ██████ payment system). In these two cases, similar roles are currently being engaged via ██████ (Sound Operator & Food Photographer).



Key Findings

Key Management Issues

Valid VAT Invoice

Four of the applicable Contractors in our audit sample (27%) issued invoices which did not fulfil all of Revenue's requirements for a valid VAT invoice. The absence of a unique invoice number was the common reason across all four.

Contract Compliance

We noted some issues with contracts / fee rates, as follows:

- No contract was drawn up for one engagement (*writer / proof reader*).
- In two cases the payments were different to the contracted rates:
 - One rate was different to the rate in the contract and appears to be a different scope of work. Verbal confirmation of the rate was received from Producer / Approver.
 - One payment was at a slightly higher rate than contracted, but the difference was not material.

Tender Process / Public Procurement Rules

No competitive tender or quotation process took place in respect of two engagements where a competitive process was deemed necessary.

No formal process exists to monitor if a competitive tender process has taken place for engagements via [REDACTED] fees. While taxation and employment classification matters are considered throughout the process, tendering is delegated to the contracting Line Manager with limited central monitoring.

Segregation of Duties Controls

We noted an absence of segregation of duties in the approval of certain fee payments, with the first and second approval step being carried out by the same individual in these cases. 96% of these instances related to one Finance approver arising from the manner in which temporary approvers are assigned to cover periods of leave and this was not an attempt to circumvent the approval process. The remaining cases are also valid approvals.

Conclusion

We carried out a review of a sample of fee payments in 2022 and sought evidence supporting the payments.

While the processing and payment of fees takes place in the People Payments department in Group Finance, this is the final step in a process involving a number of other parties - the administrators in the divisions inputting fee payment requests, the approvers of those fee payment requests and, also, HR in relation to issuing contracts to employees and non-employees.

Overall, we noted an improvement in the results of our review when compared with the findings in the previous audit. Examples of improvements were observed in relation to the following areas:

- ✓ *Processing of payments and associated compliance requirements:* The majority of fee payments in our sample were supported by valid paperwork and billed at the correct contract rate.
- ✓ *Taxation Treatment:* Only for some minor exceptions, all payments were processed according to the correct tax treatment;
- ✓ *Segregation of Duties controls:* 96% of instances related to one Finance approver arising from the manner in which temporary approvers are assigned to cover periods of leave, which is an improvement on prior results.

- ✗ However, we also identified opportunities for improvement, where stronger control is needed. We have agreed actions to address weaknesses in issues relating to VAT invoicing, ensuring fee payments are in agreement with contracts and, finally, tendering procedures. These are explained in further detail in the action plan.

While individually not significant, if the findings were extrapolated to the whole population of data rather than our sample, it would merit an audit rating of "Improvement Needed".

We appreciate the assistance and cooperation from the relevant HR and finance personnel during the course of the audit.

Rating



IMPROVEMENT NEEDED

Appendix 1 – Audit Actions

#	Action	Owner	Due Date
1	<p>Taxation: Valid VAT Invoice Fee inputters will be provided with a document listing the components of a valid VAT invoice.</p> <p>In addition fee inputters will be advised that any invoices not meeting the requirements of a valid VAT invoice should be returned to the supplier and a new valid VAT invoice should be requested.</p>	FCs /FDs of each area, with advice and input from People Payments	31 January 2023
2	<p>Contract Compliance In the one case where no contract was drawn up, the programme team will be advised that a form of contract is necessary in the event of a further engagement, and to contact HR.</p> <p>In the two cases where incorrect rates were used, the correct rate will be confirmed, reflected in the contract and communicated to the individual providing the service.</p> <p>Alternatively, in cases where there is a different scope of work, a new separate contract will be drawn up.</p>	Individual Line Managers (x3)	Ongoing
3	<p>Tender Process / Public Procurement Rules Where required for the exceptions identified in the report, a competitive process of obtaining quotations will be carried out, prior to engaging these individuals again.</p> <p>Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.</p>	Contracting Line Managers (x2)	Ongoing

RTÉ Internal Audit

Review of “Lump Sum” Payments

19 September 2019

Circulation:
Executive

Human Resources:

██████████, HR and IR Manager

██████████, HR Service Delivery / Relationship Manager

██████████, Head of HR ACM, Commercial, Technology &
Transformation

██████████, Finance Manager



Background

Background

Two systems are used for processing payments to individuals – the payroll system and the ██████ fees system.

Individuals paid via payroll are RTÉ employees working regular fortnightly hours. The ██████ fees payment system is used to pay:

- Non-employees providing “people services” e.g. Presenters, Programme Contributors, Musicians, Actors, Writers etc. (contract for services)
- Employees who work irregular hours or on short-term contracts (as this payment system is flexible and allows for the payment of employees with irregular hours)

This audit is concerned with employees who receive ‘lump sum’ payments via the payroll system. These are additional, ad-hoc, payments which accrue to existing RTÉ employees for additional work duties. The payments amounted to approximately €1.4 million in 2018.

While the nature / drivers of these payments share some characteristics with ██████ fee payments, lump sum payments only apply to RTÉ employees who are already paid through the core fortnightly payroll system.

Objectives of Audit

The objective of this audit was to:

- ✓ Review the manner in which lump sum payments are initiated, processed and approved;
- ✓ Determine the efficiency of existing processes and the consistency across divisions; and
- ✓ Assess opportunities to improve the control environment.

Scope of Audit

The scope of the audit was the lump sum payments processed in the first half of the year, using data provided by HR Operations.

The audit consisted of the following:

- Discussions with relevant personnel to obtain an understanding of the processes and controls;
- A review of policies and procedures, where available;
- An appraisal of relevant risks;
- Spot-checks on paperwork and documentation.

The scope of our audit did not include:

- ✗ A review of the IT systems used by RTÉ or ██████ to process payments;
- ✗ A full audit of the data provided by HR Operations.

Risk

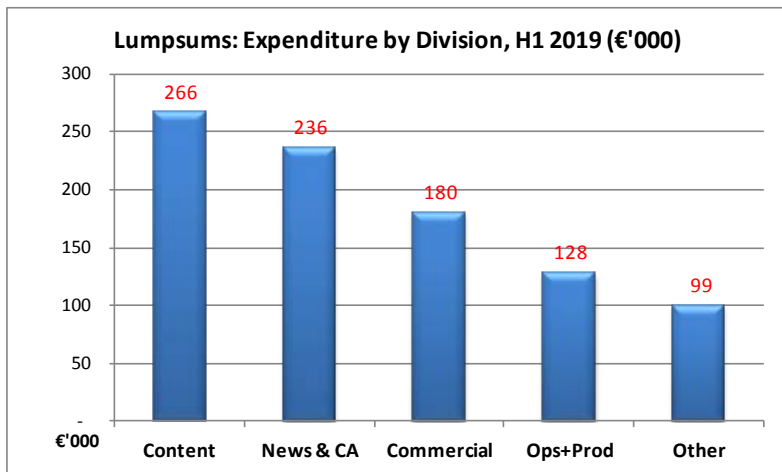
The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Achievement of Organisational Change

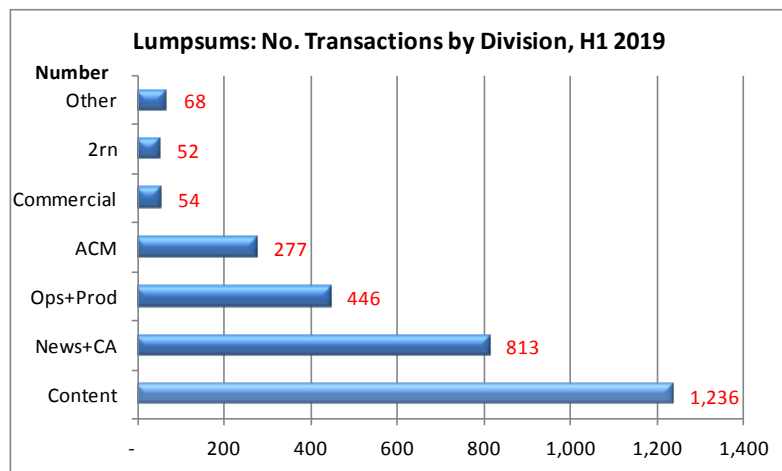
Data Analysis

Expenditure by Division A

In excess of €900k of lump sum payments were processed in the first half of 2019, analysed by division below.



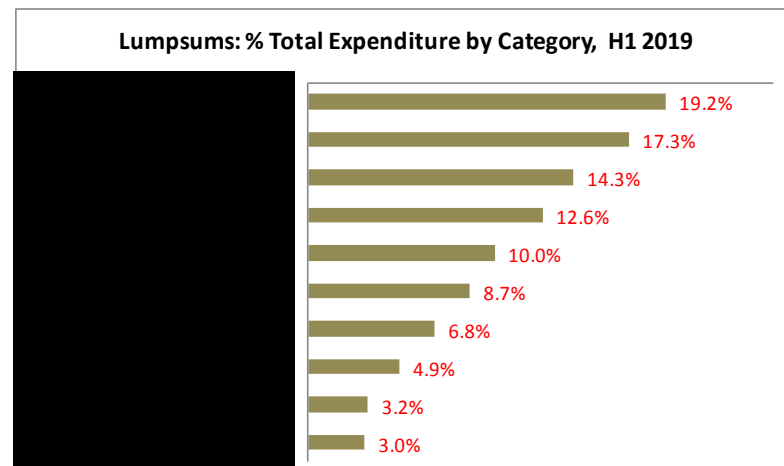
The two largest content / output divisions accounted for 55% of the expenditure. The average payment value was €309. However, individual payments ranged from €11.85 to €12,000.



2,946 lines of data were processed in the period and, as illustrated in the second chart across, the largest number of transactions were in the Content division.

Expenditure by Category B

The transactions are analysed by category in the chart below.



The largest category is sales payments (19%) which relates to end of year incentive payments to the sales teams. Presenter fees is the next largest category (17%), comprising approximately 60% Radio and 40% TV engagements. 75% of this total relates to ten individual Presenters.

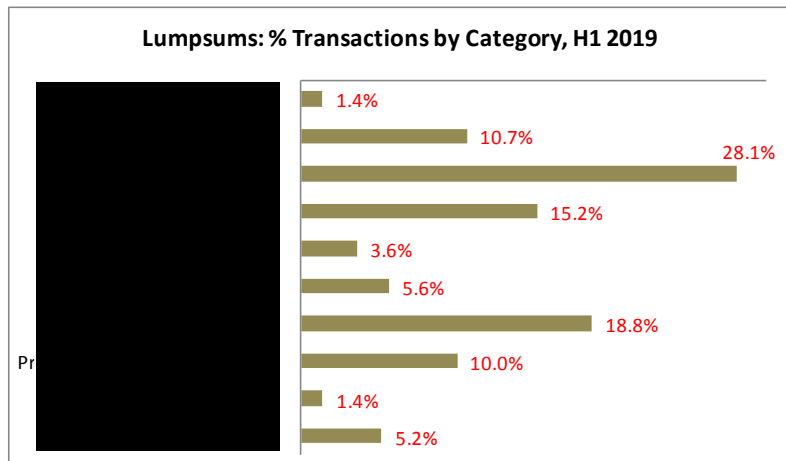
A further 27% relates to payments for additional hours / duties carried out by an RTÉ employee, whether as part of his/her current role (12.6%) – leave cover, excess attendance, etc. – or a different (secondary) role (14.3%) in another part of the organisation such as continuity or hospitality.

The category is determined by the inputter and there may be some differences in interpretation across different individuals as a result.

Data Analysis (Cont'd)

Expenditure by Category B

The chart below plots the number of transactions processed per category.



Expenditure by Individual D

430 individuals received lump sum payments in the period covered by the review, with an average cumulative payment value of €2k per individual. The cumulative payments / earnings were in a range from €19 to €28,000.

Lumpsums: Analysis of Individual Earnings, H1 2019			
Earning Band	No. Individuals	Total (€)	%
€10,000 +	13	195,375	21%
€5,000 - €9,999	27	182,687	20%
€3,000 - €4,999	54	220,757	24%
€1,000 - €2,999	103	189,029	21%
€500 - €999	115	97,849	11%
<€500	118	23,112	3%
	430	908,809	

Expenditure by Category and Division C

The table below combines the analysis in charts A and B above to sub-analyse expenditure by category, by division.

Lump Sums: Expenditure by Category / Type, Sub-Analysed by Division (H1, 2019)								
Category	Total		Content €k	News €k	Ops + Prod €k	Commercial €k	2rn €k	Other €k
	€k	%						
[Redacted]								
[Redacted] - Secondary Job								
[Redacted] - Primary Job								
[Redacted] Allowance - Taxable								
[Redacted] n / Voiceover								
[Redacted] ent								
			29.3%	25.9%	14.0%	19.7%	3.9%	7.4%

Findings

Key Management Issues

The key issues are summarised below. These are summarised overleaf and expanded in further detail in Appendix 1.

Migrate transactions to other payment processes

Nearly 3,000 transactions were processed in the period under review, some of low value.

There is an opportunity to migrate some transactions to another payment system: pay via the [REDACTED] system; incorporate into an existing allowance; process via a timesheet; or address via an adjustment to the individual's FTE. In advance of redesigning the lump sum payment process, it is important to firstly migrate transactions to an alternative process, where this is more appropriate.

Define the scope of and rename

There is a general understanding that a lump sum payment accrues to an RTÉ employee carrying out additional work, who is already paid through the core fortnightly payroll system. However, the type of work within scope is not defined in a policy and inconsistencies arise across areas.

As part reviewing the process, it is timely to revisit the term 'lump sums' and consider an alternative term which better fits the scope of the payment.

Design a consistent process

The fortnightly lump sum payment process is manual with a heavy administrative burden. There are inconsistencies in the process across different departments, especially in relation to the approval and review processes.

There is no formal process in place to validate that a staff member's core contractual hours and duties have been completed before an additional engagement is paid via a lump sum.

Compliance risk

There are no formal monitoring processes in place to ensure that staff members carrying out duties in addition to their core work, and are paid via a lump sum, are not breaching the Organisation of Working Time Act 1997. This is especially important in light of the enactment of the Employment (Miscellaneous Provisions) Act 2018 and the provisions, therein, on banded hours.

An exposure may arise for the organisation in circumstances where accurate data on hours worked is not readily available.

Findings (Cont'd)

Summary Findings

The findings are summarised briefly below. Refer to Appendix 1 for full description and for further background and context.

<i>Area / Theme</i>	<i>Summary</i>
PROCESS OBSERVATIONS	
1. Manual process	The fortnightly lump sum payment process is manual with a heavy administrative burden.
2. Inconsistencies in processes	There are inconsistencies across different departments in the way in which lump sum transactions are initiated, approved and the level of interaction with HR / Finance.
3. Limited data and reporting	One consequence of the manual process is an absence of any consistent data reporting functionality. For example, data on hours worked is not captured and it is not possible to easily cross-check to the employee's substantive contract.
4. Opportunities to migrate transactions to other payment processes	Nearly 3,000 transactions were processed in the period under review, many low value. There are opportunities to reduce the number of transactions by working in a different way so that a lump sum payment is no longer needed, or alternatively migrated to another payment system.
POLICY AND GOVERNANCE	
1. No definition of a lump sum payment	A lump sum payment is not defined and the scope of work to be paid in this way is unclear. It is timely to revisit the term 'lump sums' and consider an alternative which better fits the intended scope of the payment.
2. Differences in approval processes	We noted inconsistencies in the approval and review processes. In addition, the level of Finance oversight also varies across areas. While some oversight and review is occurring in most cases, the level and formality varies across areas and there is no standard approach.
3. Validation that the core hours are worked	There is no formal process in place to validate that a staff member's core contractual hours and duties have been completed before an additional engagement is paid via a lump sum.

Findings (Cont'd)

Findings (Cont'd)

<i>Area / Theme</i>	<i>Summary</i>
COMPLIANCE / RISK	
1. Monitoring of working time	There are no formal monitoring processes in place to ensure that staff members carrying out duties in addition to their core work are not breaching the Organisation of Working Time Act 1997. Data on hours is recorded in a free text field (“detailed reason for payment”) as part of other narrative text, making monitoring difficult. In many cases, no data on hours is recorded.
2. Regular patterns of lump sum payments	Lump sums are expected to be used to cover ad-hoc, additional duties which do not readily fit an alternative payment system given their ad-hoc nature. However, we noted regular patterns of lump sum payments of such a frequency that the payments appear to be more akin to core pay. Approximately 60 individuals had, on average, one transaction every pay period in the period covered by this review.
DOCUMENTATION	
1. Documentation used to initiate a transaction	There is no consistency in the documentation used to initiate a transaction for the payment of a lump sum. We noted that a variety of methods are used to capture and initiate a transaction. This increases the risk that accurate, consistent data is not gathered.
2. Reliance on local knowledge	Reliance is placed on local knowledge in order to track the payment of certain lump sums negotiated over the years via collective agreements.
3. Absence of process documentation	There is no end-to-end process documentation.
OTHER OBSERVATIONS	
1. Frequency of payments	Consideration should be given to reviewing the frequency of payments, as an efficiency measure. In addition, there is no set time limit within which a lump sum must be submitted for processing and payment.

Conclusion

Conclusion

Overview

This audit is concerned with employees who receive 'lump sum' payments. These are additional, ad-hoc, payments which accrue to employees who are already paid through the core fortnightly payroll system.

In excess of €900k of lump sum payments were processed across nearly 3,000 transactions in the half-year period covered by this audit. Payments processed via Content and News accounted for 55% of the expenditure. The largest expenditure category is sales payments (19%) which relates to end of year incentive payments. Presenter fees is the next largest category (17%).

Findings

The process is manual with a heavy administrative burden. There are inconsistencies across departments, with different approaches to initiate and approve a transaction. As a result, there is a risk that:

- transactions are not appropriately approved;
- insufficient validation is taking place to check that a staff member's core contractual hours and duties have been completed before an additional engagement is paid via a lump sum; and
- non-compliance with the Working Time Act occurs, especially given the limited monitoring.

The audit is rated unsatisfactory on the basis of the inefficiencies and inconsistencies in the process, and the compliance risks arising as a result.

There are opportunities for RTÉ to achieve savings in this area. However, the majority of the savings will accrue from efficiencies in processing based on streamlining the process, removing duplication and eliminating the unnecessary re-keying of data. Some direct savings may arise from improved oversight and governance, but the key gains should arise from efficiencies.

Action

As part of a wider project, we note that the Director HR has already established a working group to examine the lump sum payment process. Work is underway and actions are in progress to revise the process and issues new guidelines to the business. These findings were known to HR and were in the process of being addressed.

Rating



UNSATISFACTORY

RTÉ Internal Audit

Report on 2rn Commercial Revenue

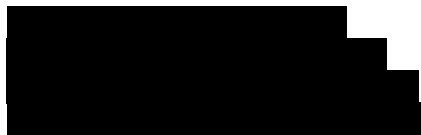
(Incorporating RTÉ's charges, as Multiplex Service Provider, for carriage on the DTT platform)

21 September 2015

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

2rn:



RTÉ Multiplex Management



Background

Background

Introduction

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

2rn provides transmission and distribution services to radio broadcasters and to RTÉ DTT Multiplex Management. As the multiplex manager, RTÉ provides carriage on the national DTT multiplex to Television and Radio broadcasters. RTÉ has contracted 2rn to install, commission, operate and maintain the infrastructure and associated facilities required to provide the digital multiplexing services.

2rn also rents tower space on its masts to local and regional radio stations and a range of mobile telephone and broadband operators, private communications companies and the emergency services.

Infrastructure

2rn has a network of over 120 sites containing masts, buildings, antennae and other broadcasting equipment. The towers and masts range in size from 10m to over 300m in height. These sites are located all over Ireland.

A broadcaster's Multiplexed Transport Stream is transported to eleven main transmission sites via a microwave radio links and is transmitted from those sites. The primary distribution system consists of two (STM-1) microwave radio circuits with two radial spurs.

Regulatory Environment

In July 2013 ComReg designated RTÉ and 2rn to have significant market power (SMP) in the markets for: wholesale access to national terrestrial broadcast transmission services (Market A) and wholesale access to DTT Multiplexing Services (Market B).

As a result, certain obligations have been placed on both RTÉ and 2rn. These obligations cover Access, Non-Discrimination, Transparency, Accounting Separation & Price Control and Cost Accounting.

Separated Accounts were prepared for the first time for the accounting year ended 31 December 2013, comprising Regulated Accounts for each of Market A and Market B, Primary and Secondary Accounting Documentation and Additional Financial Data (AFD). This obligation continues as an annual requirement.

Overview of Revenue

2rn is budgeted to generate commercial revenue of █████ for 2015. The financial position at 31 August 2015 is set out below:

2rn Commercial Revenue 31 August 2015	Actual YTD	Interim Budget	Variance	%
	€m	YTD €m	YTD €m	Variance
Total Revenue	19.1	█████	-0.3	-1.5%
Broken Down by Revenue Type:				
Regulated	11.2	█████	-0.6	-4.9%
Unregulated	7.9	█████	0.3	4%

2rn Regulated Income

Regulated income derives from the provision of services in the regulated market in which 2rn operates, as defined by ComReg. The main Radio customers are RTÉ, Newstalk and Today FM. A Tariff Pricing Model (Market A) is used to calculate billings to regulated customers.

2rn Unregulated Income

Unregulated income derives from the provision of services other than national transmission to a variety of customers such as mobile telephone operators, the emergency services, wireless broadband providers, local radio stations etc. The largest unregulated customers are the mobile operators, with significant consolidation currently taking place in that industry.

Separate to the above, and as explained in the introduction, 2rn provides DTT transmission and distribution to RTÉ as the Multiplex Service Provider.

Background (*Cont'd*) and Scope

Overview of Revenue (*cont'd*): RTÉ Billings

The Market B Tariff Model is used to calculate the tariff chargeable by RTÉ to broadcasters for digital terrestrial multiplexing, distribution and transmission services. RTÉ, as the Multiplex Service Provider, charges customers for carriage on the DTT Platform based on the actual measured bit-rate that each service uses in a three month period.

IT Systems

In 2rn Microsoft Excel is used for calculating CPI adjustments, deferred income etc., and the calculation of income is therefore largely dependent on Excel. However, the following IT systems are also important in the sales function of 2rn:

- ██████████ Financial application.
- ██████████ software package used to track Accommodation Request Forms (ARFs) and a repository for engineering documentation. ARF forms are used in planning the installation of the equipment of third parties.
- ██████████ Online booking System for booking access/time-slots on sites. The majority of 2rn business has been migrated to the ██████████ system. This has reduced manual processing and improved controls are also in place.

Scope

The scope of this audit included the following:

- ✓ Commercial revenue in 2rn in 2015
- ✓ RTÉ's charges, as Multiplex Service Provider, for carriage on the DTT platform (*scope: 30 June 2015*)
- ✗ The audit did not include:
 - ✗ Detailed review of the IT systems in use; and
 - ✗ A full regulatory audit of the Tariff Pricing Models

Objectives of audit

To confirm the existence and operation of controls over the main risks, to include:

- Customer account management (credit facility, advance payments etc.);
- Accuracy completeness and of pricing of 2rn sales, including CPI adjustment calculations;
- Recording and confirmation of sales bookings, including New Business / Additions;
- Invoicing of customers, including compliance with the Tariff Pricing Model (Market A) and calculation of accrued / deferred income;
- Charging customers for carriage on the DTT platform, including compliance with the Tariff Pricing Model (Market B);
- Issue of credit notes;
- Collection / follow up on overdue accounts;
- Maintenance of appropriate books and records; and
- Compliance with relevant laws and regulations.

Conclusion and Rating

Key Management Issues

No 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.

Overall Conclusion

The standard of control in the commercial revenue function in 2rn is satisfactory. While reliance is placed on spreadsheets to calculate revenue and to operate the Market A Tariff Model, reconciliations and control checks are in place to mitigate the risk of manual error. We note that the existing systems do not provide an easy option to automate these processes. A small number of less significant items are being actioned at present, as set out in the action plan overleaf.

The standard of control in relation to RTÉ’s quarterly charges, as Multiplex Service Provider, for carriage on the DTT platform (Market B) is also satisfactory.

We appreciate the co-operation and assistance received from 2rn and RTÉ during the course of this audit.

Rating



SATISFACTORY

	Finding	Management Comment ██████████)	Agreed Action	Priority	Manager responsible and Completion Date
1.	<p><u>Completeness and Accuracy of Invoicing</u></p> <p><i>Background</i></p> <p>As part of testing the accuracy and completeness of invoicing, we selected 10 instances of new business in 2015 and checked that the associated revenue was billed, in the correct time-period. New business refers to circumstances when an existing commercial customer installs new equipment (dish, panel etc.) on a 2rn site already being used by the customer, or extends its business to a new site. Separate audit procedures were carried out in respect of new customers.</p> <p><i>Finding</i></p> <p>We noted one exception in the sample of 10 tested. This related to ██████████ installation of three panels at the Derrybeg site, with effect from 26 February 2015.</p> <p>While an interim billing was correctly issued to cover the interim period from the installation date up to the date of the next consolidated quarterly billing (15/7/2015), the Derrybeg installation was not added to ██████████'s consolidated billing for the following quarter (16/7/2015 to 15/10/2015).</p> <p>This appears to be an isolated incident and has been addressed.</p>	<p>In relation to the omission of the charge for Derrybeg from ██████████ Quarterly schedule, this was omitted in error. An interim invoice was issued from the start date to the beginning of the next quarter but this was not added to the ongoing schedule. This is corrected.</p>	<p>This item will be addressed and correctly billed.</p>	H	<p>██████████ Done</p>
2.	<p><u>Completeness of Revenue: Engineering Records</u></p> <p><i>Background</i></p>	<p>The antennae listing and the invoice schedule are not expected be in agreement at all times. In this case there is an expected difference</p>	<p>At the point when a new Licence is to be agreed, in the event of discrepancies or differences of opinion with regard to the amount</p>	M	<p>██████████ 30 June 2016</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>As part of testing the completeness of revenue, we compared the equipment invoiced in respect of rentals at ten different sites to the corresponding engineering records for those sites (scope: four customers). The engineering records are held on the [REDACTED] IT system, updated based on the annual Riggers' "climb-down" of the mast. These records list all the equipment on the mast, its location, technical specification and the customers' name. In total, 86 pieces of equipment was within scope of this test.</p> <p><i>Finding</i></p> <p>We noted no issues for nine of the 10 samples tested.</p> <p>In the case of [REDACTED] equipment on the Donnybrook mast, we identified an under-billing of items of equipment based on a comparison between the items billed by 2rn and the equipment physically inspected per the engineering records.</p> <p>These differences are explained by negotiations for a new long term licence. As a result, offsetting arrangements are in place in other sites where the number of pieces of equipment invoiced exceed the number of equipment listed on the engineering records.</p>	<p>[REDACTED]</p> <p>between the invoice schedule and the antenna list. [REDACTED] long term Licence has expired and a replacement Licence is under negotiation. A short term agreement in place.</p> <p>As a result unless new equipment is added we are continuing to invoice the status quo for equipment on sites. There are a number of sites where the invoice schedule does not match the antenna list. The new Licence when agreed will involve a full re-measure of all onsite equipment and any discrepancies will be addressed. In the interim, across the full portfolio of sites, there is a net benefit to 2RN in terms of revenue.</p>	<p>and or size of antennas on a site, joint climb-downs with [REDACTED] contractors will be undertaken to confirm and agree the equipment on site for the contract schedule.</p>		
3.	<p><u>Accuracy of Data Recorded on SharePoint</u></p> <p><i>Background</i></p> <p>The [REDACTED] IT system is used as a repository for storing technical and engineering documents and for health and safety documents such as risk assessments. It is accessible by</p>	<p>This will be addressed.</p>	<p>The record will be corrected on [REDACTED]</p>	L	<p>[REDACTED] Rigging Supervisor Done</p>

	Finding	Management Comment [REDACTED]	Agreed Action	Priority	Manager responsible and Completion Date
	<p>engineers while they work at various sites throughout the country (in addition to being accessible at the main office locations).</p> <p><i>Finding</i></p> <p>As part of our testing of the completeness of revenue, we noted an error in the Structure Antenna List maintained on SharePoint. A 600m dish assigned to [REDACTED] was incorrectly listed on the Structure Antenna List as being on the Failmore Main Site. It should, in fact, be listed as the Fanad site.</p> <p>This is an isolated error – we tested many other items at various stages during the course of testing noting no issues.</p>				
	<p><u>Signed Contracts</u></p> <p><i>Background</i></p> <p>A contract or licence agreement is drawn up between 2rn and each customer, setting out the terms, conditions, annual fees, etc. All invoicing is billed in line with the terms of each customer contract.</p> <p><i>Finding</i></p> <p>1. The contract with (formerly named) [REDACTED] is out of date. The original 2004 licence was extended to end June 2015. In late June 2015, 2rn wrote to [REDACTED] proposing a short extension to the contract to 31/3/2016. A response is awaited.</p>	<p>Agreed.</p>	<p>A signed contract will be put in place with [REDACTED]</p>	<p>L</p>	<p>[REDACTED] 31 December 2015</p>

	Finding	Management Comment ██████████	Agreed Action	Priority	Manager responsible and Completion Date
	<p>While the absence of a signed, up-to-date, contract increases risk in the event of a dispute between the parties, this matter is impacted by a specific set of circumstances arising from significant consolidation taking place in the industry at present. This is therefore assessed as a low risk.</p> <p>2. ██████████ has not yet signed up to the new Reference Offer Contract. Its existing commercial access contract is in place until September 2016 and ██████████ plans to move to the Reference Offer Contract upon expiry. This is not considered an issue: while the charging mechanism has changed under the new Reference Offer mechanism, this is directed by ComReg regulation and is not considered to invalidate the fees and charging mechanism in the existing (commercial access) signed contract.</p>				

RTÉ Internal Audit

Report on Commercial Revenue and Commercial Regulation – (Radio Channels)

13 August 2018

Circulation:

Director-General
Members of the Audit and Risk Committee
Executive

[REDACTED], Group Head of Commercial
[REDACTED], Head of Sales Strategy and Commercial Compliance,
Commercial
[REDACTED], Financial Controller, Commercial
[REDACTED], Finance Manager, Commercial

Relevant extracts:

[REDACTED], Head of RTÉ Radio 1
[REDACTED], Head of RTÉ 2fm / Head of Radio Strategy
[REDACTED], Head of RTÉ Lyric fm
[REDACTED] IT Support Engineer, Technology
[REDACTED], Commercial Systems and Support Executive, Commercial
[REDACTED] Promotions Manager, Commercial



Background

Background

Budgeted Revenue

Commercial Division is budgeted to generate [REDACTED] in revenue from Radio channels for the year ended 31 December 2018, of which [REDACTED] relates to advertising and sponsorship income. Approximately 15% of RTÉ's total net commercial revenue relates to advertising and sponsorship income on Radio channels.

Financial Update

Commercial IBD has generated Radio commercial income of €10m year-to-date May 2018. This may be analysed against budget as follows:

Commercial Revenue (Radio Channels)	Actual YTD €m	Interim Budget YTD €m	Variance YTD €m	% Variance
31 May 2018				
Total Revenue	[REDACTED]	[REDACTED] 8	-0.6	-6%
Broken Down by Revenue Type:				
Advertising	[REDACTED]	[REDACTED]	-0.27	-3.2%
Sponsorship	[REDACTED]	[REDACTED]	-0.28	-17%
Other	[REDACTED]	[REDACTED]	-0.04	-7%

How Radio Advertising is sold

Radio Advertising is sold to both agencies and direct customers based on a published rate card. The rate card prices vary depending on the time of day the advertisement is broadcast and the RTÉ radio station (specific Spot Buys). Rate card discounted packages are also available once specific conditions are met.

Similar to TV advertising, Radio ratings are now also being sold to advertisers throughout the year across five different audience demographics, based on an annual deal sheet. This is a recent development.

A trading/discount structure is in place comprising an expenditure discount (all campaigns) and an advanced booking discount (ratings-based campaigns only). The first is a volumetric incentive to encourage customers to increase spend and the second is a behavioural discount to assist in achieving administrative efficiencies.

All adverts and sponsorship campaigns are booked on [REDACTED] the airtime booking system. [REDACTED] schedules advertisements based on the bookings made by the customer and generates monthly invoices.

Other commercial income (promotions, RTÉ 2fm Roadcaster, concert promotion income and facilities income) is also sold to agencies/direct customers based on a rate card. The rate card prices for these income streams are open to negotiation with the customer / agency, depending on demand for these products. These sales bookings are managed using Excel worksheets, with details of the sale being re-keyed from Excel into [REDACTED] by the Commercial Finance Manager. Invoices are printed from [REDACTED] and posted by central accounts receivable.

Fair Trading

RTÉ is a dual funded public service media organisation, which means that the cost of fulfilling RTÉ's remit under the Broadcasting Act 2009 is funded by both commercial revenue and the Licence Fee. RTÉ must ensure that it trades fairly, in all of its trading activities, be they public service or commercial in nature. It must also ensure that its commercial activities are not subsidised by public money.

RTÉ's Fair Trading Policy (updated April 2018) is underpinned by the following principles:

1. Arm's Length Principle: that a clear separation exists between RTÉ's public service activities and its commercial activities
2. Fair Competition: that RTÉ's trading activities shall be conducted fairly and at prices that reflect market conditions
3. Transparency and Accountability: that RTÉ's trading activities are conducted in a transparent manner, with due regard for commercially sensitive information.

IT Systems

The following are the key applicable IT systems:

- [REDACTED] Airtime booking and inventory management system
- [REDACTED] Main financial accounting system
- [REDACTED] Radio transmission system

Objective, Scope and Key Issues

Risk

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

- Risk # 4 – Reputation and Compliance
- Risk # 5 – Failure to grow Commercial Revenue
- Risk # 10 – Changes to Legislation or amendments to Regulation

Other specific risks relevant to this report are as follows:

- Incomplete / Inaccurate revenue
- Inaccurate cut-off, resulting in misstatement of revenue
- IT system breakdown

Objective

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

- Accuracy of pricing of sales (including reviewing discounting practices);
- Recording of sales bookings;
- Transmission of adverts;
- 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];
- Compliance with relevant laws and regulations (minutage, advertising standards, etc.);
- Copy clearance procedures; and
- Operations of Station Management and Traffic teams.

Scope

The scope of the audit was restricted to commercial income generated from Radio Channels, focusing on revenue generated in the period January to April 2018.

✘ The audit did not include:

- ✘ Detailed review of the IT systems in use;
- ✘ Content of advertising copy; and
- ✘ SMS/IVR (premium phone line) income

Key Management Issues

Compliance with Laws & Regulations

The report makes findings regarding compliance with laws and regulations relevant to advertising & sponsorship, as follows:

- **Minutage:** We identified instances of the advertising minutage broadcast by RTÉ Radio exceeding the maximum limits set [REDACTED]

In a separate finding, we noted that there are no longer formal procedures in place for monitoring compliance with the advertising minutage rules in Radio.

Promotional / Roadcaster Income

- We noted errors and inconsistencies in the invoicing and accounting treatment for promotional income and Roadcaster campaigns. Over-reliance on excel spreadsheets and manual invoicing were also noted.

Conclusion

Conclusion

Commercial revenue from Radio Channels was €10.1m for the four month period to 30 April 2018, as compared to a budget of ██████ m. This represents an increase of 1% in income compared to the equivalent period in prior year.

Commercial Revenue Operations (Advertising & Sponsorship): rating

The standard of control in the “day to day” processing of sales transaction is satisfactory. We carried out end-to-end testing on a sample of sales transactions from the negotiation of the initial deal and discount terms, through to recording the transaction on the sales system, delivering the campaign on-air, invoicing the customer and, finally, transmission on air. We are pleased to report that no matters of note arose during the testing of this area.

Commercial Regulation: rating

We identified instances where advertising minutage was in breach of and exceeded the limits set out in the minutage rules. In this instance all breaches were predominately driven by late transmission changes or other unplanned events after the preparation of the planned break schedule. In addition to this we noted that no individual is assigned this responsibility for monitoring and communicating post-broadcast compliance with advertising minutage rules in Radio. Therefore, we assign this part of the audit a combined “orange” rating given the potential reputational risk.

Promotional / Roadcaster Income: rating

We noted errors and inconsistencies in the invoicing and accounting treatment for promotional income and Roadcaster campaigns. Over-reliance on excel spreadsheets and manual invoicing were also noted. These income sources represent a very small portion of the overall commercial income from Radio channels.

We appreciate the co-operation and assistance received from the relevant Sales personnel during the course of this audit.

Rating

On an overall basis the report is rated at the mid-point, improvement needed.

Overall Rating



IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Compliance with Laws and Regulation				
1.	<p><u>Commercial Advertising Minutage Breaches</u></p> <p>Rules</p> <p>[REDACTED]</p> <p>Risks</p> <p>There is a risk that RTÉ may be subject to a fine or other sanction from the BAI if it exceeds its allowable minutage for commercial advertising. Breaches also create additional reputation risk.</p> <p>Audit Testing</p> <p>Five daily transmission logs were selected and reviewed to check compliance with minutage rules – three days from RTÉ Radio 1, one day from RTÉ 2fm and one day from RTÉ Lyric fm.</p> <p>Results of Testing</p> <ul style="list-style-type: none"> ✓ <u>Daily Minutage Limit:</u> RTÉ Radio’s advertising minutage was not in excess of [REDACTED]. ✓ <u>Planned [REDACTED] Break Schedule:</u> For the three days where breaches arose, we compared the planned break schedule prepared by Radio Sales Traffic to the actual advertisements 		<p>Reminders will be issued to the various programme teams highlighting the importance of adhering to the planned break schedule and the risks associated with moving a scheduled advertising break into another clock hour.</p> <p>To address the RTÉ Radio 1 and 2fm breaches arising due to late transmission changes and other events occurring after the preparation of the break schedule: an examination of the processes will take place in order to identify the reason for the late changes to the scheduling of adverts and the programmes responsible in order to agree a number of mitigating actions to address the matters.</p>	H	<p>[REDACTED]</p> <p>15 September 2018</p> <p>[REDACTED]</p> <p>30 September 2018</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>broadcast to ascertain if breaches were planned, or if they occurred due to unplanned transmission changes. None of the breaches occurred in the planned break schedule.</p> <p>✓ <u>RTÉ Lyric fm</u>: Advertising minutage was not in excess of the permitted maximum hourly limit for any hour on the day selected.</p> <p>✗ <u>RTÉ Radio 1</u>: Advertising minutage was broadcast in excess of the permitted maximum hourly limit on six occasions. The breaches occurred across two of the three days selected.</p> <p>✗ <u>RTÉ 2fm</u>: Advertising minutage was breached on one occasion for the day selected on RTÉ 2fm.</p> <p>All seven breaches are analysed in further detail below</p> <p>Reasons for breaches All seven breaches (six on RTÉ Radio 1 and one on RTÉ 2fm) were predominately driven by late transmission changes or other unplanned events after the preparation of the planned break schedule.</p> <p>Adverts scheduled at the end of one clock hour were moved to the beginning of the next hour during programming, causing a breach in that clock hour.</p> <p>In conclusion, all seven reported breaches (14% of total RTÉ Radio 1 and 7% of RTÉ 2fm advertising clock hours - 05:00 to 23:00 - tested) are assessed as valid material breaches of minutage rules.</p>				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date						
	<p>The breaches ranged from 0:27 to 2:40 in excess of the maximum hourly limit. See the table below for further analysis on the breaches by station and programme:</p> <table border="1" data-bbox="130 459 806 857"> <thead> <tr> <th data-bbox="130 459 422 524">Programme Name</th> <th data-bbox="422 459 573 524">Radio Station</th> <th data-bbox="573 459 806 524">Duration of breach</th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="130 524 806 857" style="background-color: black;">[REDACTED]</td> </tr> </tbody> </table> <p>*The underlying issue arose due to an advert not played on the previous programme: [REDACTED]</p>	Programme Name	Radio Station	Duration of breach	[REDACTED]						
Programme Name	Radio Station	Duration of breach									
[REDACTED]											
2.	<p><u>Monitoring of Commercial Advertising Minutage Compliance</u></p> <p>Background In the past, an individual was assigned the responsibility for monitoring and reporting on compliance with advertising minutage rules. The circulation of reports allowed for easy monitoring and identification of recurring instances of breaches within programme teams.</p> <p>Finding During this audit we observed an absence of formal monitoring controls for advertising on Radio channels. Following the</p>	<p>Current structure will need review. For Television Channels, this monitoring is undertaken by scheduling with liaison with commercial.</p> <p>Radio channels and commercial will need to establish and plan needs analysis around this and a workflow to ensure compliance.</p>	<p>Following restructuring, consideration will be given to appointing an individual with the task of monitoring compliance with minutage rules and reporting results to the programme teams. E.g. Spot checks of a sample of transmission logs to check compliance with advertising minutage rules.</p>	H	<p>[REDACTED] 31 October 2018</p>						

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>departure of personnel in recent years, the level of monitoring of compliance with minutage rules and reporting of same has ceased.</p> <p>No individual is assigned this responsibility for monitoring and communicating post-broadcast compliance with advertising minutage rules in Radio.</p> <p>Impact The impact of the absence of formal monitoring and reporting of results may be a contributing factor to the breaches observed during the audit. See finding #1 and #3.</p> <p>This was also the case for Television channels when audited a few years ago, but there has since been a person nominated to monitor and report on compliance in this area, thereby strengthening monitoring controls.</p>	<p>[REDACTED]</p>			
3.	<p>Limitations of the [REDACTED] Transmission Logs and Manual Nature of Minutage Recalculation</p> <p>Background This is a recurring issue that was highlighted from the previous review in 2014. In order to calculate the minutage for each hour, reports from [REDACTED] are used to arrive at the required result.</p> <p>Finding 1) <u>Limitations of [REDACTED] Reports</u> a) During testing, we identified two instances of differences between what was actually transmitted on air and what was reported as being transmitted in the post transmission reports generated from [REDACTED]</p>	<p>As listed above, a proper workflow management process will need to be established to monitor, measure and report on minutage compliance.</p> <p>(Conor Mullen)</p> <p>[REDACTED] is unable to determine whether a commercial is actually broadcast to air. It also is</p>	<p>1) In advance of providing any transmission log to the BAI as part of a compliance check, a review of the log will be undertaken to identify and highlight any duplicate advertisements.</p> <p>2) See Finding #2.</p> <p>3) An investigation will be undertaken into researching the feasibility of using [REDACTED] to generate more user-friendly and accurate reports for calculating minutage compliance.</p>	H	<p>[REDACTED] Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Certain scheduled commercial breaks were listed in duplicate on the [REDACTED] reports. However, only one instance of each break was actually played to transmission and broadcast, therefore causing a discrepancy.</p> <p>We understand these issues arose as the commercials were played from two sources in studio – the studio itself and the production desk. [REDACTED] has no knowledge or capability of reporting what is actually transmitted to air, and only reports on what is transmitted from the system. [REDACTED] therefore reports these as two separate commercials, which can have an impact on calculation of minutage.</p> <p>b) [REDACTED] is unable to capture commercials that were played from any other source, for example, from CD. This could also have an impact on minutage calculations, with potential for ad breaks to be omitted from overall results.</p> <p>c) In mitigation, the impact of this is an overstatement of minutage in error. While an issue, this is less significant than an understatement which may result in an issue being undetected.</p> <p>2) <u>Manual Nature of Calculating Minutage</u> The process for calculating commercial advertising minutage per hour for one particular day is very manual and time consuming using reports generated from [REDACTED]</p>	<p>unable to recognise or record commercials played from other sources, such as back-up CDs.</p> <p>In addition, [REDACTED] is unable to differentiate what types of airtime contribute to commercial minutage, or decipher the type of a particular commercial.</p> <p>For the reasons above and due to the fact that the reconciliation process is done within [REDACTED] it would suggest that [REDACTED] would be a more suitable location for calculating and monitoring minutage.</p> <p>[REDACTED]</p>			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>The reports that need to be run from [REDACTED] are produced in a very basic format and require substantial manipulation in excel to arrive at the required result, which can be a time consuming process.</p> <p>Impact As highlighted in the prior audit report, there is a risk that inaccurate logs may be submitted to the BAI if requested for a compliance check. This issue has been investigated since the last audit and a resolution was not reached due to software limitations on [REDACTED]</p> <p>However, now that the issue is known, duplications can be identified manually and eliminated from testing.</p> <p>The manual nature involved in calculating commercial advertising minutage for Radio may be a contributing factor in finding #2 above (introducing monitoring controls). There may not be sufficient resources for this process to be carried out on a recurring basis.</p> <p>The system used in Television (IBMS) is more adaptable in that minutage reports are system generated with breaches identified via observation of the reports.</p>				
	<p>IT Functionality</p>				
<p>4.</p>	<p>Access to [REDACTED] System / Review of User profiles</p> <p>Background The “Authority Maintain” (AUTHMNT) user profile on [REDACTED] is a powerful administration user profile that allows the user to</p>		<p>In the case of the five users that do not require administrator rights or access to the “Authority Maintain” (AUTHMNT), the rights will be disabled.</p>	<p>N/A</p>	<p>Completed [REDACTED]</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>amend, increase and decrease the user access levels of any user on [REDACTED] including themselves. It enables the user to give specific rights to certain functions, by role.</p> <p>Testing We carried out a review of all users of the [REDACTED] system. Included in this was a review of the user profiles with the powerful administration access.</p> <p>During testing we noted the following:</p> <ul style="list-style-type: none"> ✓ The role of Commercial Systems and Support Executive has been filled since the last review of this area in 2017. This user profile review of the “Authority Maintain” user profile is a requirement for the role. ✓ Bi-annual reviews of user profiles (for appropriateness) are now being performed by the Commercial Systems and Support Executive. This also was an action from previous audits. ✓ All new users and leavers on [REDACTED] are monitored via bi-annual meetings and User Request Forms are completed by Management prior to access being granted. ✗ Eleven users were assigned the “Authority Maintain” user profile at the time of audit testing. Five of the eleven did not require this functionality and their access has since been removed. This issue is partly due to the organisation restructuring with recent changes in roles within the Commercial Team and would have been captured in the bi-annual review later in the year. 		<p>A review of the powerful administration user profile, “Authority Maintain” (AUTHMNT), will continue to be undertaken bi-annually, by the Commercial Systems and Support Executive.</p>	<p>M</p>	<p>[REDACTED] Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>Impact The lack of formal User Access review of this particular [REDACTED] functionality increases the risk that amendments made inappropriately could go unnoticed.</p> <p>A lack of User Access review also increases the risk that users may have incorrect access within [REDACTED] and may have permissions in excess of their job role (e.g. should their role have changed). This also increases the risk of gaining unauthorised access to process transactions and manipulate data inappropriately.</p>				
	<p>Promotional and Roadcaster Income</p>				
<p>5.</p>	<p>Agency Commission not accounted for correctly</p> <p>Background When advertising campaigns are booked through an agency rather than via a direct booking, an agency commission of 15% is usually deducted. This is usually listed as a separate item on the invoice and booked under a separate account code on [REDACTED] for ease of identification.</p> <p>Five campaigns were selected for testing for the period under review (three promotional campaigns and two from Roadcaster income). Our review included verifying the price, any discounts given and invoicing / accounting treatment of each campaign.</p> <p>Finding Of the five promotional / Roadcaster campaigns selected, the following was observed:</p>	<p>Agreed.</p> <p>The exclusion of the agency fee on invoices for promotional and roadcaster income was to speed up the invoicing generation process. The Agency fee should be included as a separate line item on both the invoice and [REDACTED] for clarity.</p> <p>This is being explored as part of the [REDACTED] upgrade that is currently in train.</p>	<p>The RTÉ Promotions Manager will perform a review of income booked via an agency and ensure that invoices include a separate line item reflecting the 15% commission. This will be cross-checked by the Commercial Financial Accountant.</p>		<p>[REDACTED] 30 September 2018</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> The agency commission fee was not deducted as a separate line item on the invoice for two of the campaigns where an agency was involved. The “gross” amount on the invoice incorporated the 15% deduction. <p>Impact The agency fee was therefore not recorded separately on [REDACTED]. This may be misleading when reviewing budgeted targets versus actual, especially when analysing gross and net sales.</p> <p>However, this issue had no impact on the accuracy of the income recorded on [REDACTED].</p>	<p>Agreed.</p> <p>[REDACTED]</p>			
6.	<p>Incorrect use of [REDACTED] account codes</p> <p>Background Promotional and Roadcaster income is managed by the same Sales Manager. Both income sources have different income account codes on [REDACTED] for budgetary and reporting purposes.</p> <p>Finding During testing it was noted that Roadcaster income was booked into [REDACTED] under the Promotional income code in error on three occasions out of a sample of five promotional campaigns, thus distorting the income for the month.</p> <p>We noted that the income was split correctly by the Sales Manager for promotions and allocated to the correct category in the monthly Promotions spreadsheet. The recording of income</p>	<p>Agreed.</p> <p>[REDACTED]</p>	<p>The Financial Accountant in Commercial will ensure that income is recorded correctly to the correct account code in [REDACTED].</p>	L	<p>[REDACTED] Ongoing</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<p>to the incorrect accounting code was made by Finance, in error.</p> <p>Impact This may be misleading for readers of the account when reviewing budgeted targets versus actual, especially given that each area has different sales targets.</p> <p>In mitigation, this error was a once-off incident and arose mainly due to the organisation restructuring earlier this year, with the new finance team assigned to the area being unfamiliar with the process.</p>				
7.	<p><u>Over reliance on Microsoft Excel Worksheets</u></p> <p>Background The airtime advertising booking system, [REDACTED] only records advertisement and sponsorship bookings. The remaining commercial sales of Radio Channels are recorded on Microsoft Excel spreadsheets, managed by the relevant sales areas.</p> <p>Findings There is a risk that sales information stored on Excel spreadsheets could be inadvertently lost or deleted resulting in a booked campaign not being delivered, or a customer not being invoiced. The key disadvantages of spreadsheets include:</p> <ul style="list-style-type: none"> • Only one individual can access the spreadsheet at a time resulting in delays in uploading sales bookings, increasing the risk of a sales booking not being recorded; • Non-integration with the financial application, [REDACTED] resulting in increased administration and re-keying of data; 		<p>Completion of the final stages in migrating the recording of Promotional and Roadcaster income over to the [REDACTED] Sales system will be undertaken.</p>	L	<p>[REDACTED] 31 December 2018</p>

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	<ul style="list-style-type: none"> • Information being inadvertently deleted (cells, columns, rows) without the user’s knowledge; and • Loss of unsaved work in the event of IT problems. <p>Impact We estimate that approximately 5.7% of commercial sales earned via Radio channels in the YTD are managed via Microsoft Excel worksheets.</p> <p>This was a finding from the previous audit in 2014 and the action was to investigate the feasibility of booking Promotional and RTÉ 2fm Roadcaster income on [REDACTED] rather than on excel spreadsheets. This action is currently in train and very near completion.</p>				

RTÉ Internal Audit

Review of Supplier and Employee Master Data

30 October 2020

Circulation:

Director-General

Members of the Audit and Risk Committee

Executive

[Redacted text block]



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

Accurate supplier data drives system effectiveness and saves time, resources, and money. Attempting to manage large volumes of data across multiple systems and departments, along with the decay of data are challenges to maintaining quality supplier data. Up-to-date supplier information is critical for compliance with regulations and controls.

Background

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. There are tiered delegated authority approval limits in place via ██████████ web. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General level, varies depending on the contract value.
- ██████████ **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. It is processed by an outsourced provider, ██████████ However, **employee master data** is also maintained on ██████████

The purpose of this audit was to determine if any suppliers, independent contractors or employees were set up on more than one payment system, or set up twice within the same payment system. The key risk of duplicate accounts is intentional (fraudulent) or unintentional duplicate payments. The audit also detects potential conflicts of interest.

Risk

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

- Risk # 8 – Brand and Reputation (*e.g. Fraud risk, Conflicts of Interest etc.*); and
- Risk # 11 – Business Planning & Financial Resources.

Objective and Scope

Objective

The objectives of the audit were as follows:

Payroll / Employee Data

- To detect if any employees are being paid via other payment systems and to assess if appropriate; and
- To detect “ghost” or fictitious employees.

Fees

- To identify if any individual has more than one [REDACTED] fees account; and
- To detect if any individuals receiving fee payments are also set up as suppliers on Accounts Payable, or as employees on payroll.

Accounts Payable

- To identify duplicate supplier accounts and, where arising, to assess if all such duplicate supplier accounts are necessary; and
- To detect if any suppliers are also paid via [REDACTED] fees or payroll.

Scope

This audit is a “catch-all” audit providing a second check of existing operational controls. Any issues with the operational effectiveness of the second line of defence internal controls will be evidenced by a higher number of invalid duplicate accounts and payments. The audit is informative regarding the financial control environment generally.

The scope of our audit was limited to analysing “active” supplier, employee and [REDACTED] fees master file data. The master file data on Accounts Payable, [REDACTED] (Fees & Employees) and Payroll (via [REDACTED] was analysed to identify duplicate accounts using:

- ✓ Bank Account Number;
- ✓ Name of business, employee, Independent Contractor, Sole Trader etc.;
- ✓ PPS number or VAT number, where relevant; and
- ✓ Address.

The scope of our audit did not include:

- ✗ Suppliers paid via purchase card;
- ✗ A full review of duplicate payments as many of the payments on these systems are multiple payments of a similar value (duplicates were examined by exception).

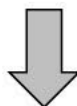
Overview and Context of Findings

Summary Findings

Operational control effectiveness, both within and across payment systems, was assessed and assigned a control rating based on a three-point traffic light scale.

The control rating is based on an assessment and review of the effectiveness of controls currently in place, while also comparing to the results when the audit was last carried out.

See table below for results in each area:



Review of Master Data	Ref.	Current Result 2020	Prior Audit Result
Across Systems:			
Accounts Payable & ██████████	A.1		
██████████ Fees & ██████████ Employees	A.2		
Accounts Payable & ██████████ Employees	A.3		
Outsourced Payroll & ██████████ Employees	A.4		
Within Systems:			
Accounts Payable data	B.1		
██████████ Fees data	B.2		
██████████ Employees data	B.3		

Please refer to the Findings section where we have summarised the detailed findings for each of the areas referenced above.

Overview and Context of Findings Continued

Key Management Issues

Duplicate accounts

We noted some instances of unnecessary duplicate accounts, both across and within payment systems. This increases the risk of duplicate payments being processed and the difficulty in tracking the level of business with the supplier for the purpose of monitoring tender thresholds, procurement rules and matters relating to employment legislation / scope of work. This will be actioned by the closure of unnecessary duplicate accounts.

The findings of our review are graded as follows.

Ref	Issue	Grading
1	Duplicate Accounts Across Different Payment Systems	Medium
2	Duplicate Accounts Within a Payment System	Medium

Findings

1: Duplicate Accounts Across Different Payment Systems



A.1

Accounts Payable and ██████████



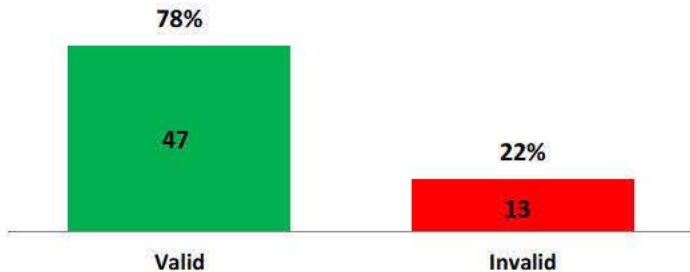
60 suppliers (1.2% of the 5,066 suppliers) on Accounts Payable have an account with matching master file data to an account(s) on ██████████ (0.8% of the 8,088 accounts on ██████████). There is a valid reason for the duplicate account in the case of 47 (78%) of these suppliers/accounts. This result is circa 10% better than the results from the previous audit.

The remaining 13 duplicates (22%) are not necessary and need further action as duplicate accounts pose a higher risk. Of the 13 cases, at least one payment had been processed on each payment system. The nature of the service delivered was similar irrespective of the payment system used. Further to this, five of the 13 cases were highlighted in the previous audit as invalid and were not subsequently closed as required.

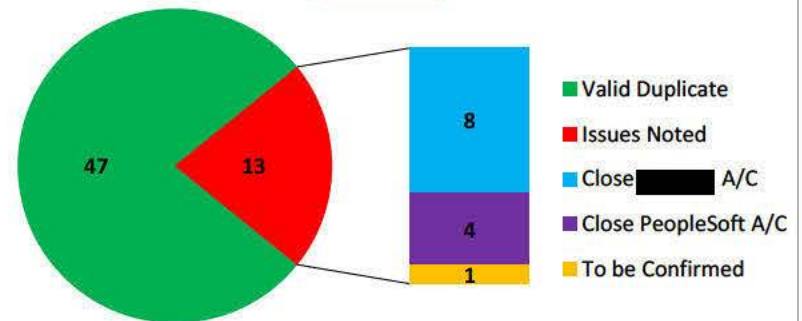
Of the 13 unnecessary duplicate accounts, 4 ██████████ accounts should be closed and 8 ██████████ accounts. One further account is still being investigated to determine which duplicate account will be closed.

Please see charts below for further details.

Analysis of Duplicates: ██████████ & Peoplesoft Non Employees



Analysis of Duplicates: ██████████ & ██████████ Non Employees



Findings

1: Duplicate Accounts Across Different Payment Systems Continued

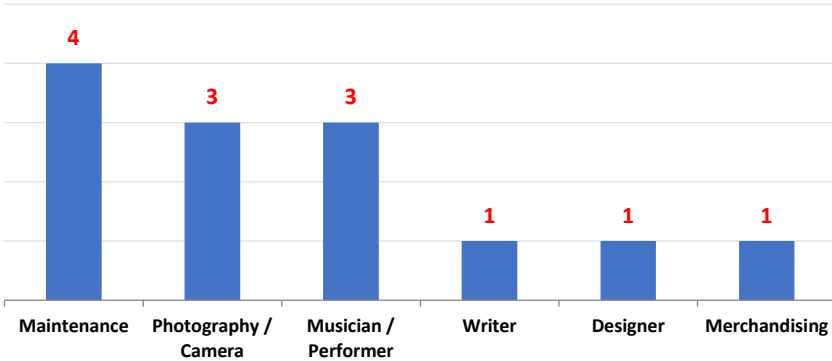
A.1

Accounts Payable and [REDACTED] Continued

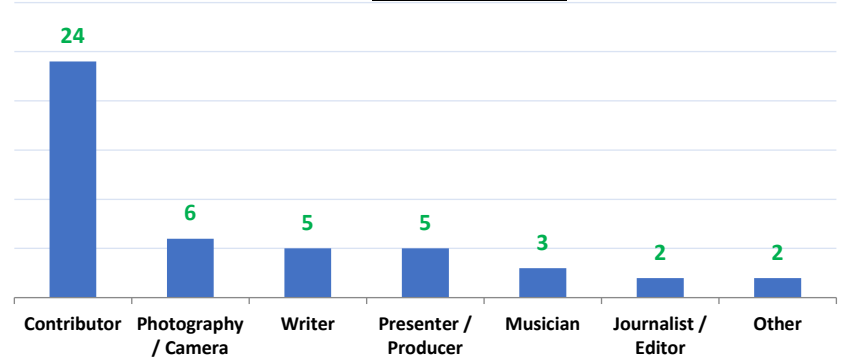


The breakdown of duplicates between [REDACTED] and [REDACTED] is analysed in the charts below, for both valid duplicates and invalid duplicates.

Analysis of 13 Invalid Duplicate Suppliers on [REDACTED] & [REDACTED]



Analysis of 47 Valid Duplicate Suppliers on [REDACTED] & [REDACTED]



Talent Agencies

IA noted from testing that there are still talent agencies receiving payments for “named talent” via Accounts Payable when the “named talent” have their own [REDACTED] account. IA noted three agencies which this occurs for. This represents an improvement of circa 70% from the results of the last audit.

Findings

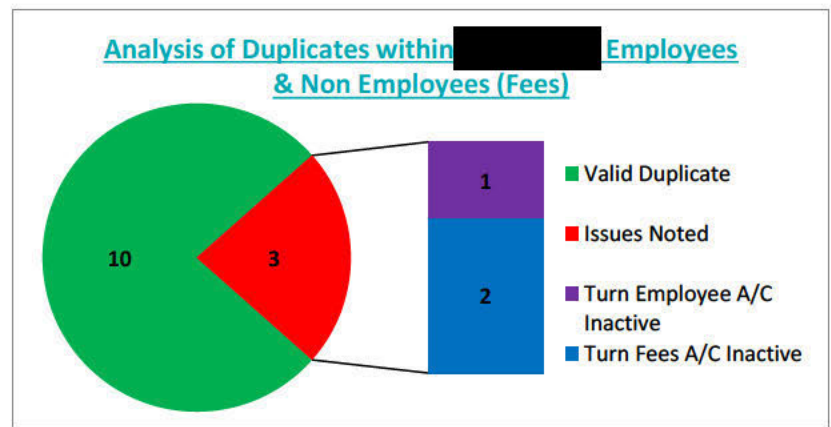
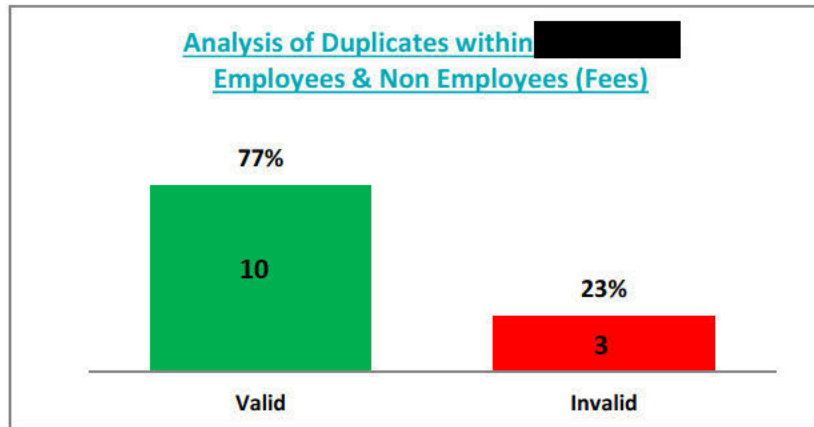
1: Duplicate Accounts Across Different Payment Systems Continued

A.2 [Redacted] and [Redacted] Employees

13 employees have an active account on [Redacted]. There is a valid reason for the [Redacted] account in 10 (77%) of these cases. The results are similar to those reported in the last audit.

The remaining 3 (23%) employees no longer have a valid reason for an active non-employee account. Two require their [Redacted] account to close and one requires their employee account to close.

Please see charts below for further details.



Findings

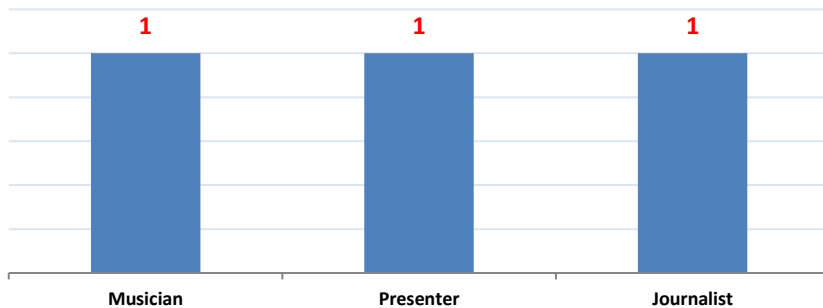
1: Duplicate Accounts Across Different Payment Systems Continued

A.2 [Redacted] and [Redacted] Employees Continued

The breakdown of duplicates between [Redacted] Employees and [Redacted] is analysed in the charts below, for both valid duplicates and invalid duplicates.

Please note that three of the valid duplicates include accounts that are active but “closed”. These accounts are flagged with a “Do Not Use” notification on the [Redacted] master data, and no activity / payments can be made. They are inactive accounts and for historical viewing purposes only.

Analysis of Invalid Duplicates within [Redacted] Employees and Non Employees



Analysis of Valid Duplicates within [Redacted] Employees and Non Employees

