Reference ID: JOC19

JOC Letter Ref: JCM-1-1436 and JCM-1-1451

Query: Publication of all reports from internal audit in RTÉ that have been made available to the RTÉ Board Audit and Risk Committee

Response:

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

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

7 February 2019

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[redacted]

RTÉ:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

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

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

Regulatory / Legislative Background

a) Code of Practice for the Governance of State Bodies

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

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

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

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

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

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

b) Directors' Compliance Statement

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

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

Objective and Scope

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

The scope of the review included the following:

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

The scope did not include:

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

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

Objectives and Scope

Objective and Scope *(Cont'd)*

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

	Process	Overview of control questions
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; 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; 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; authorisation of right-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; filing of returns
G	**Management accounts / financial close**	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts
H	**Tax compliance – VAT / Employment Taxes**	VAT; PAYE / PRSI, Professional Services Withholding Tax – covered as part of work on the Directors' Compliance Statement

Risk and Summary Findings

Risks

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

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

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

- Proper books of account not being maintained
- Fraud

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

Findings

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

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

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

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

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

Conclusion and Rating

Overall Conclusion

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

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

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

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

Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	• Examine one 2rn tender in 2018 and examine documentation, evaluation sheet, award letter, etenders notification, etc.	Observation and inspection
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices	• Assess the design of Segregation of Duties procedures.	Walkthrough Testing and Approval
3)	All invoice payments and payment runs are authorised by appropriate personnel	• Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger. • Review a sample of invoices from the payment run for proof of prior approval before payment.	Substantive testing Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	• Check a sample of the invoices on [redacted] to verify that they were paid by due date.	Observation and inspection
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	• Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	• Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.	Substantive testing
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines 2015	• Select a 2rn Purchase Card envelope for one month in 2018 and confirm that supporting documentation is in place with appropriate approval. • Inspect files generally for existence, approval and retention.	Observation and inspection Observation and inspection
B	**Sales and Accounts Receivable** ***Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.***		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Walkthrough Testing

	Key Control Activity	Summary of Test of Control	Testing Approach
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed	• Inspect contract / Accommodation Request Form (ARF) with supporting documentation for one order.	Observation and inspection
10)	All discounts from rate card are approved by an appropriate official in advance	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card	Observation and inspection
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Examine a reconciliation of the debtors' listing / ledger to the debtors' control account in the GL for one month and review reconciling items	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	• Analyse aged debtor listing for one month	Substantive testing
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	• Verify approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Observation and inspection
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	• Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Observation and inspection
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	• Audit the bank reconciliation for each bank account for one month and check for review by a senior person.	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	• Verify that reconciling items were cleared by the next month end.	Substantive testing
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual	• Confirm that formal procedures are in place for cheque signing and	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	signatories and authority limits. There is also formal procedures and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	for non-cheque payments (EFT etc) and verify dual signatories based on authority limits	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.	Substantive testing
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Observation and inspection
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	• Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.	Substantive testing
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits	• Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person	Observation and inspection
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Substantive testing
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	• Verify that any stock right-off has been approved by an appropriate person.	Observation and inspection
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures	Observation and inspection
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	• Select a sample of Travel & Subsistence claims and check to see if they are supported by receipts and filed as appropriate	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records	• Audit the reconciliation between [redacted] and [redacted] payroll records for one month.	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and [redacted] payroll records on a monthly basis.	• Review the reconciliation between PAYE/PRSI return to the revenue to [redacted] and NorthgateArinso records for one month	Substantive testing
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• View the management accounts for one month	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	• Examine that reconciling items have been closed off	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	• Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	• Assess and review the monthly accruals process	Observation and inspection
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	• Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL. • Verify that the VAT returned has been filed by the due date	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	• Check a PAYE/PRSI return has been correctly filed on time for one month.	Substantive testing
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns by 2rn	• Obtain listing of all other taxation returns / payments submitted by 2rn during 2018 (Professional Services Withholding Tax) • Check that the return has been filed on time and correctly for one month.	Substantive testing

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

Section	Process Area	Score	Maximum Score	Percentage	*Please list any questions to be completed by RTÉ Shared Service functions.*
A	Purchasing and Accounts Payable	35	40	88%	
B	Sales and Accounts Receivable	31.5	36	88%	
C	Inventory	14	16	88%	
D	Cash and Treasury	21	24	88%	*Q27*
E	Fixed Assets	15.5	16	97%	
F	People Payments	14	16	88%	**Q35 n/a to 2rn**
G	Management Accounts / Financial Close	20	20	100%	
H	Tax Compliance	8	8	100%	

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	**Segregation of Duties** Due to limited numbers of staff within certain functions and recent changes in staffing, all functions within these areas are not fully segregated. In order to address this, 2rn have segregated the key control functions within each area, by applying the following key controls: • ***Treasury*** - While duties are not fully segregated in this area, the main control is enforcing segregation between the person responsible for bank lodgments and the person completing the bank reconciliations. - All bank reconciliations are also signed off by the Financial Controller. • ***Payroll*** - All adjustment sheets and payroll reports are signed off the Financial Controller. - Payroll journals are posted by Central Finance in RTÉ. • ***Accounts Payable*** - The supplier master file for 2rn is managed and updated centrally by Central Procurement, meaning that a new supplier cannot be added without their knowledge or involvement. - The task of ordering/receipting goods is segregated from the person responsible for making payments. - Approval and sign-off from the Financial Controller and the Managing Director are required prior to making		In the context of recruitment currently taking place, 2rn will continue to ensure that these key controls are in place and monitor whether sufficient segregation of duties are in place for each of the finance functions.	L	[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	payment runs.				

RTÉ Internal Audit

2rn Data Risk Assessment

2 February 2018

Circulation:

[redacted], Executive Director 2rn
[redacted], Telecommunications Industry Manager
[redacted], Regional Manager
[redacted], IT Engineer

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

1. Background

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

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

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

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

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

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

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

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

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

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

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

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

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

Scope and Summary

2. Scope

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

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

The audit did not address:

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

3. Risks

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

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

4. Executive Summary

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

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

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

Actions

5. Actions

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

Area / Theme	*Data Line in Register*	*Summary Actions*
1. Websites	1, 4	Terms & Conditions and a Privacy Policy should be put in place for the [redacted], visible at the point of creating a new account and permanently visible at the bottom of the web pages.
2. Contracts with 3rd Parties / Hosted Service Providers	1, 2, 3, 4	▪ Undertake a legal review the contract with the Service Provider to include the addition of relevant specific GDPR clauses therein. ▪ Ascertain if any data sub-processors are used by the Service Provider and if they are appropriately approved by 2rn. ▪ Determine if the servers are located in the European Economic Area. ▪ Confirm / reconfirm there is a lawful basis on which to obtain / process the data gathered.
3. Structures and Responsibility	All	Assign a single GDPR coordinator / champion to monitor and coordinate the activities and actions in 2rn ahead of May 2018.
4. Policies & Procedures – general	All	▪ Ensure an updated Information Security Management System Policy is in place for 2rn ▪ Create a Data Retention and Destruction Policy and where feasible impose the terms of the 2rn policy on Suppliers
5. Training	General	Agree a communication / training plan to inform staff of the EU's General Data Protection Regulations and the impact on their day to day business activities, linking with the RTÉ programme as appropriate.

Responsibility: [redacted]

Appendix 1 – Register of Data in 2rn

APPENDIX 1 - REGISTER OF DATA GATHERED IN 2RN

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

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

RTÉ Internal Audit

Review of 2rn Internal Financial Control

12 March 2021

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:
[redacted] Chairman RTÉ Transmission Network DAC (trading as 2rn)
[redacted] Executive Director 2rn
[redacted], Financial Controller 2rn

RTÉ:
[redacted], Group Financial Controller

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Introduction, Background and Risk

Introduction

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

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

Background

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

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

Code of Practice for the Governance of State Bodies:

Section 1.8 of the Code states that:

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

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

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

Companies Act 2014:

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

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

Risk

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

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

(Based on Q4 2020 rankings, currently under review)

Other specific risks relevant to this report are as follows:

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

Objective and Scope

Objective

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

Scope

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

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

The scope did not include:

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

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

Controls

Key Controls

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

	Process	Overview
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 workings for returns; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

Findings

Findings

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

- ✓ The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.

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

Other matter:

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

Conclusion and Report Rating

Conclusion

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

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

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

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

Report Rating

SATISFACTORY

Auditor: Tess O'Neill, Internal Audit Manager

	Key Control Activity	Summary of Test of Control	Testing Approach
A	Purchasing and Accounts Payable		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	*Purchasing and Tendering*		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	• Examine one 2rn tender in 2020 and examine documentation, evaluation sheet, award letter, eTenders notification, etc.	Inquiry, Observation and Inspection.
A.2	*Payment Procedures*		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices.	• Assess the design of Segregation of Duties procedures.	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	• Test one EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger.	Re-performance.
		• Test a sample of invoices from the payment run for proof of prior approval before payment.	Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	• Examine a sample of the invoices on [redacted] to verify that they were paid by due date.	Inquiry, Observation and Inspection.
A.3	*Creditor Reconciliations*		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	• Test one creditor reconciliation and ensure all reconciling items have been followed up and cleared the following month.	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	• Test one creditor reconciliation and ensure the creditors' listing agrees to the GL.	Re-performance.
A.4	*Purchase Card*		
7)	RTÉ Purchasing Card Guidelines.	• Test one Purchase Card envelope and verify that supporting documentation is in place with appropriate approval.	Re-performance.
B	Sales and Accounts Receivable		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	*Customer Sales*		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	• Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.	Inquiry, Observation and Inspection.
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Test one debtor reconciliation and ensure the debtors' listing agrees to the GL and review reconciling items.	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	• Test one aged debtor listing.	Re-performance.
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	• Test the approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Re-performance.
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	• Test a sample of lodgements and check timeliness of recording in books.	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Inquiry, Observation and Inspection.
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	• Test one bank reconciliation for each bank account for a sample of periods and check for review by a senior person.	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	• Test that reconciling items were cleared by following month, where applicable.	Re-performance.
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Test one quarterly compliance certificate to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.	Re-performance.
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Inquiry, Observation and Inspection.
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	• Test the Fixed Asset Register was reconciled to the GL for sample of periods.	Re-performance.
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits.	• Test one addition and one disposal, verifying they are appropriately authorised in writing by a senior person.	Re-performance.
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Inquiry, Observation and Inspection.
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	• Verify that any stock right-off has been approved by an appropriate person.	Inquiry, Observation and Inspection.
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures.	Inquiry, Observation and Inspection.
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	• To be addressed as part of RTÉ Group audit work in this area	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records.	• Test the reconciliation between [redacted] and [redacted] payroll records for one period.	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and [redacted] payroll records on a monthly basis.	• Test the reconciliation between PAYE/PRSI returns to Revenue to [redacted] and [redacted] records for one period.	Re-performance.
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• Test that management accounts are approved and submitted to Central Finance for one month.	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	• Test that all account balances are reconciled before the submission of management accounts to Central Finance.	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Test that intercompany balances (both P&L and B/S) have been reconciled for one month and agree to confirmations from the relevant parties.	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	• Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	• Test for one month, that the accruals listings are available and reconcile to the GL.	Re-performance.
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	• Test that VAT workings reconcile to the GL for one month. • Test that the VAT workings were provided to Central for filing.	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	• Test that PAYE/PRSI returns have been correctly filed on time for a one period.	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	• Test that returns agree to back-up and have been filed on time for one period.	Re-performance.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2020

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

Note:
Taxation: also covered as part of audit work on the Director's Compliance Statement.
Treasury: additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

RTÉ Internal Audit

Report on Commercial Revenue – Digital

1 July 2013

Circulation:

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

[redacted]

Extract

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Background

Background

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

Budget, by Income Type	***€m***
Advertising & Sponsorship	[redacted]
Programme Interactive Competitions	
Other Merchandising, Libraries etc	
Content Consumer	
Content (Business to Business)	
Total Budgeted Revenue	

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

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

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

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

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

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

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

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

IT Systems
The key systems used by Digital personnel are:

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

Executive Summary: Objectives, Scope & Key Issues

Scope of audit

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

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

Objectives of audit

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

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

Key Management Issues

Back-up procedures on Origins

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

Evidence of Approvals

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

Executive Summary: Conclusion & Rating

Overall Conclusion

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

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

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

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

Rating

Improvement Needed

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

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

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
6.	**Lack of Formal Sign-Off of annual Deal Sheets** There is a contract in place with all agencies which lists the volume discount off rate card price offered by RTÉ. This document is commonly referred to as the 'deal sheet'. 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. During testing of 15 Digital invoices for Online, Player and Mobile, we noted that none of the deal sheets for 2012 were formally signed off in writing by both parties. The trading rates were agreed via a "final offer" email sent by RTÉ to each agency. 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.	Agreed. We are insisting that all 2013 deal sheets are signed off in writing by both RTÉ and the agencies. We are currently in the process of getting these contracts signed and will provide Internal Audit with all signed copies when received. [redacted]	The negotiations team will endeavour to ensure that all future annual deals are formally signed off in writing by a representative of RTÉ and the clients' agency.	M	[redacted] 31 August 2013
7.	**Editing of existing online bookings** The comment box field (in [redacted]) is sometimes not completed by the Ad. Operations team. As a result, the history of each campaign – trail of changes, why was it moved, etc. – may not be adequately documented. This creates a risk of insufficient sales intelligence to effectively monitor changes to campaigns, or to track the reasons for under-delivery. It also creates difficulties if another member of the team (other than the person setting-up the campaign) has to review the campaign at a later stage.	Following the meeting with Internal Audit, a reminder email reinforcing the requirement to complete the comments box field for each campaign on the [redacted] system, will be sent to Online Traffickers. [redacted]	The comments box in the [redacted] system will be used by staff to manually record the changes that have been made to a booking, the date of the change, and the reason for that change etc.	M	[redacted] 31 August 2013

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

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

RTÉ

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

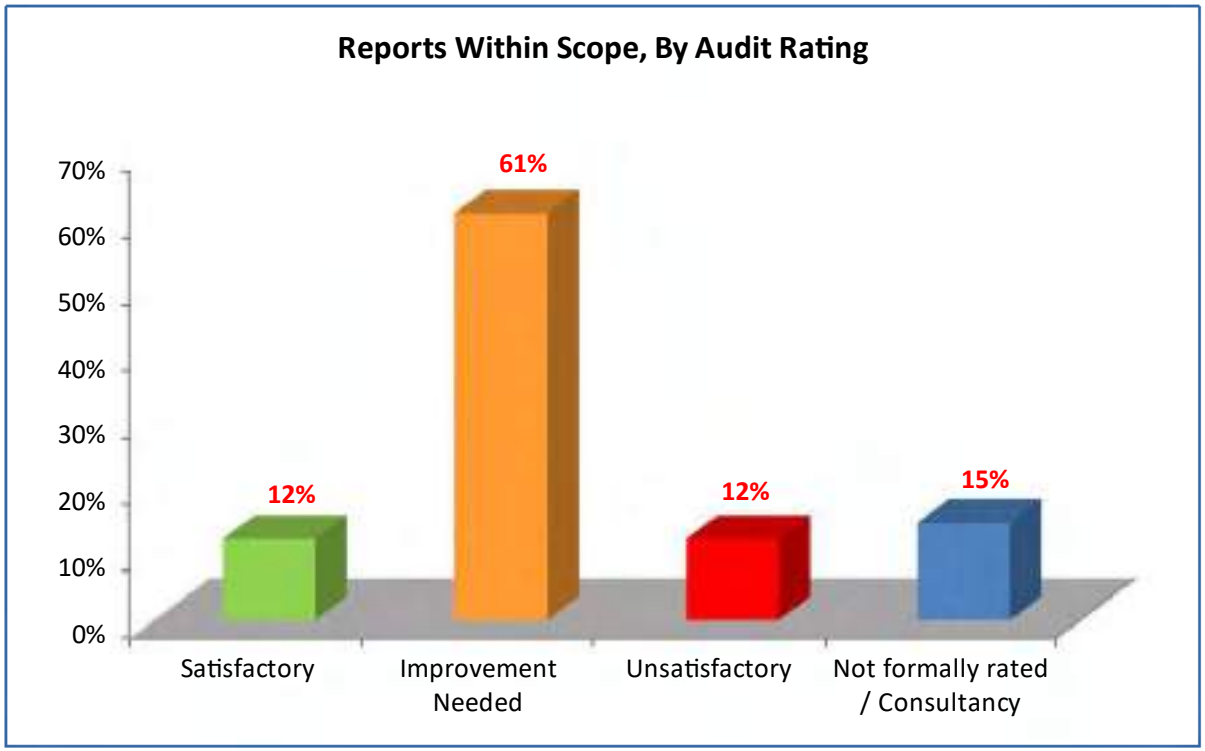
Peadar Faherty, 24 January 2023

Background

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

Internal Audit Reports within scope, by audit rating:

(41 open reports)



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

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

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

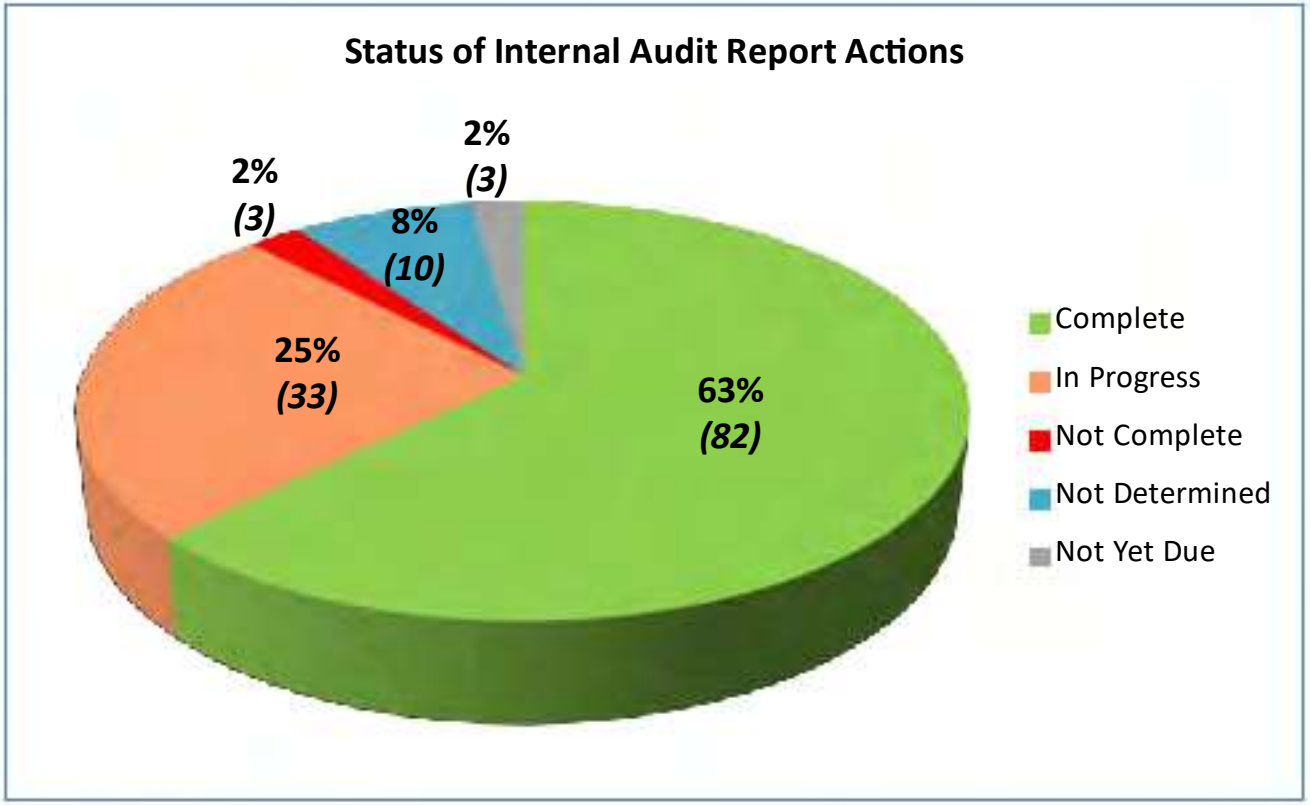
Improvement Needed: While some controls are functioning as intended, the overall control environment is lacking or has degraded since the last audit. Improvements in control are therefore necessary for one or more medium risk areas. The report contains a number of re-occurring findings / control weaknesses.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

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

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

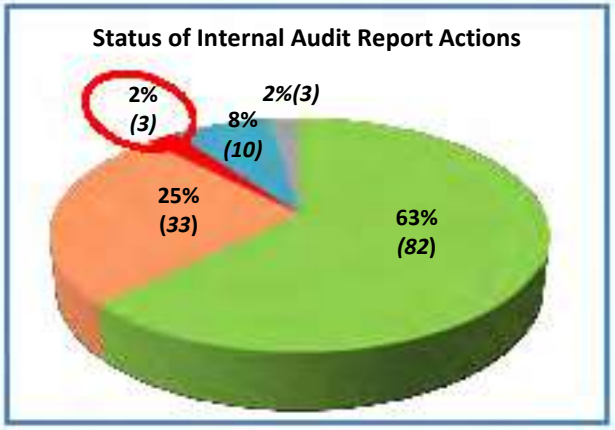
The general control environment requires an immediate improvement. Objectives are not being met, or are being met without achieving value for money.

Status of Actions (December 2022)



Analysis of Actions "Not Complete"

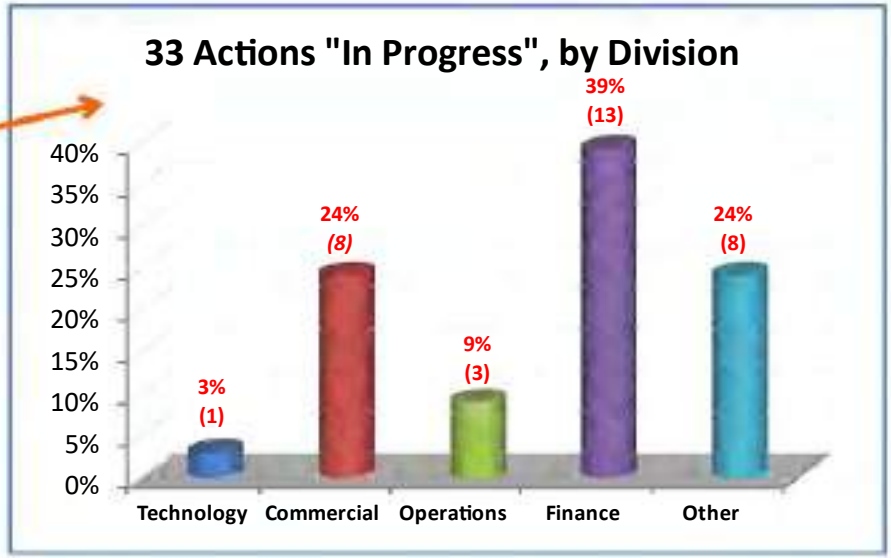
*Population = **3** actions, across 2 reports*



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

Analysis of Actions "In Progress"

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



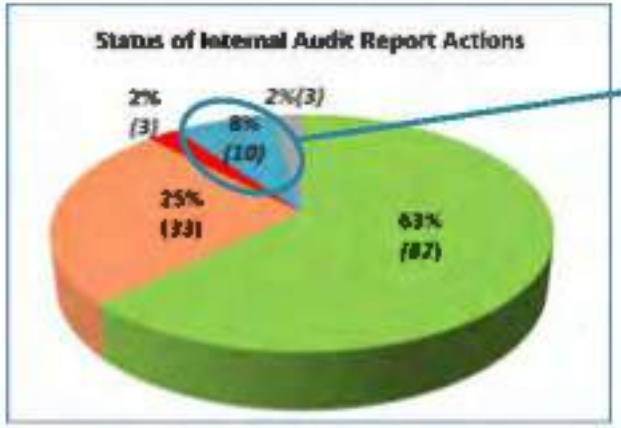
**Note: the ERP project, which is the subject of delays, is specifically referenced in 12% of the in progress actions. The ERP project will also have an indirect impact on other in progress actions.*

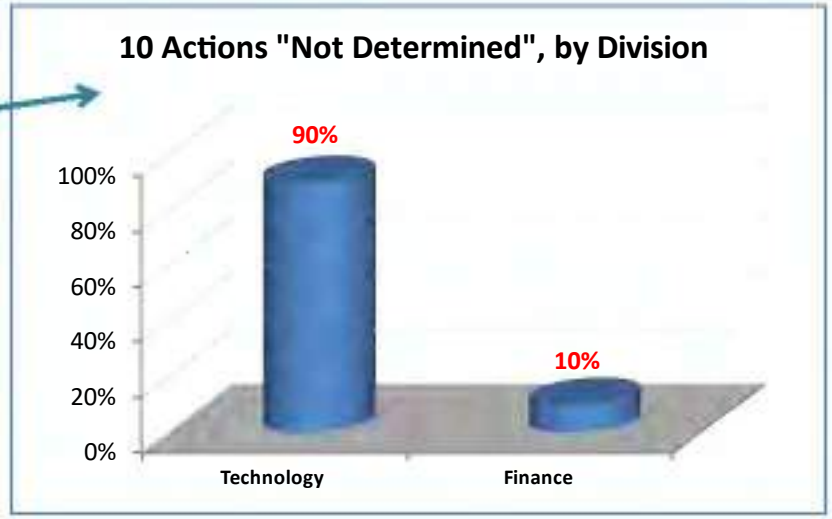
RTÉ

Analysis of Actions "In Progress"

No. Actions	No. Reports	Area	Summary
13	8	Finance	• Procurement Compliance: eight actions (Invoice Manager, PO Compliance, Tendering etc.) • Purchase Cards: three actions – longer term process / policy • Supplier and Employee Master Data: one action to close accounts • Phishing Controls: one action on user access controls
8	2	Commercial	• Compliance with Regulations: seven actions (Advertising Minutage / HFSS & Alcohol / System Weaknesses) • Premium Rate Competitions: one action
3	1	Operations	• Programme Classification (Player v Linear TV inconsistencies)
1	1	Technology	• Backup Policy and Procedures documentation
8	5	Other	• HR: 4 actions *(H&S, Lump Sum Payments, Supplier & Master Data)* • Corporate: 2 actions *(Travel & Subsistence & Corporate Compliance Framework Review)* • All: 2 actions *(PeopleSoft Fee Payments)*
33	***17***		

Analysis of Actions “Not Determined”





Conclusion

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

Next Steps

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

RTÉ Internal Audit

Report on Music Reporting to Collecting Societies

21 January 2016

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Television:

[redacted]

Radio:

[redacted]

Legal:

[redacted]

Relevant Extracts:

Television

[redacted]

Technology

[redacted]

Radio

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Introduction and Background

Background

Introduction

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

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

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

Collecting Societies

There are four collecting societies operating in Ireland, namely:

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

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

Fees and Returns

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

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

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

Process - Television

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

Process - Radio

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

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

Objectives and Scope

Process - Radio *(cont'd)*:
The application also has functionality to publish music playlists to Radio websites and this is operational for a large number of Radio programmes.

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

Objective and Scope

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

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

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

The Scope did not include:

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

Risk

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

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

Findings

Key Findings

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

Completeness of Advertising Returns

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

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

Completeness of Programme Returns

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

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

IT System in Television

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

Conclusion and Rating

Conclusion

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

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

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

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

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

Rating

IMPROVEMENT NEEDED

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	progresses, one would expect the completion rate to increase as more new copy is submitted and old adverts cease to be broadcast. ***Results – Overview*** • Technical Issue: During testing it was noted that there is a discrepancy between the level of music returns received and processed by the Sales Traffic team and what is being reported to Collecting Societies as part of the electronic submission of reports. This appears to be due to a technical processing issue. The reports currently being submitted by RTÉ to the Collecting Societies are showing a lower number of returns than what is actually received from the Agencies. • Incomplete Returns - Television: We identified incomplete returns in respect of Television advertising. The overall average completion rate for the two returns selected was **76%** across the two Television services. • Incomplete Returns - Radio: There is a higher level of incomplete returns in respect of Radio advertising. The overall average completion rate for the two returns was **60%** across the three services. The problem with incomplete returns is that agencies, especially UK ones, often ignore this section of the Copy Instruction Form, or there are significant delays in returning music. Significant effort is often then required by the Traffic Team in Television Sales to follow-up outstanding returns with the agencies. The current policy is that all outstanding returns will be followed-up once, using the IMRO logo in all emails as an additional reminder.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Accuracy of music used: Ten adverts were selected for testing, from both the June return and the September return, and across all stations in Television and Radio. The adverts were listened to, the duration checked and music source verified to the internet. No issues were noted.				
	Television Music Reporting				
2.	**Completeness of Returns – RTÉ One** ***Background*** The music returns in Television are based on weekly reports "Submissions Reports" (Saturday to Friday) and are submitted monthly to the Collection Societies, four weeks in arrears. Four sample weeks across four different months from both RTÉ One and RTÉ 2 were selected for audit testing. This allowed a sufficient period of time for the submission of late returns via the quarterly Additions report. ***Results – Overview*** The level of completeness of returns for RTÉ One was high. As outlined in the Executive Summary, there has been an improvement in the level of compliance since the last audit. The overall average completion rate for the four weeks tested was **95%**. The level of missing returns ranged from 3.1% to 7.6% across the four weeks tested (reducing to between 1.8% and 7.1% after the submission of the Additions Report).	The level of compliance is high and has improved since the last audit. This is a good result, considering the loss of one staff member since the previous audit. [redacted]	The Producers of the programmes referred to in the finding will be issued with another reminder and informed of the results of the audit.	M	[redacted] 29 February 2016

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

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

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

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Television is just one of a number of possible Technology projects under consideration across RTÉ, and of a lower priority. Internal Audit's Technology Risk Assessment Report, in Summer 2015, highlighted a number of other priority projects across RTÉ which are in need of action, some impacting broadcasting.)				
5.	**Accuracy of Music Returns** ***Background*** We selected a sample of eight programmes across both stations and viewed each programme on the Compliance Viewer. We checked whether a music return was filed by the programme team for each of the programmes selected and compared all music played and its duration to what was submitted in each of the music returns. The details (artist, song title, publisher, etc) were agreed to an external source, where necessary. ***Result*** The returns six (out of eight) programmes were accurate and complete. We noted some inaccuracies in the music returns for two of the remaining eight programmes selected. • [redacted] (RTÉ One): two missing pieces of music out of 10 used on the programme. In addition, the theme tune for the commercial break was omitted and the closing theme tune was omitted from the return. Reporters and other third parties are relied on for the submission of music for Nationwide. • [redacted] (RTÉ One): one missing piece of music	We are pleased to note that the level of accuracy is high. The specific issues highlighted in the finding are considered relatively minor. [redacted])	The programmes in the sample were selected randomly and it is likely that the minor issues identified may be relevant to other programme teams. A reminder will be issued about the need to complete music returns on a timely basis to include the complete range of music on the programme. In particular, the reminder should focus on the importance of theme tunes, inserts, music in the background, etc.	L	[redacted] 29 February 2016

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

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

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

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	the event that a Presenter uses the "PFL" button on the desk to pre-listen to music as opposed to following the correct procedure of using the [redacted] pre-listen function.				
9.	**Accuracy of Music Returns** ***Background*** We selected a sample of eight programmes and listened to the programme in the archives, logging the music played on the programme. We compared our log to the automated / manual log of music recorded by the programme teams. ***Result*** We noted some inaccuracies in the music returns for four of the eight programmes selected. In one of four cases, we noted a significant level of inaccuracy: • [redacted]: 15 missing tracks out of a total of 28 tracks. (It appears that no manual return was prepared for this programme. Five tracks were listed as manual tracks, but these all related to station imaging. As a result, it appears that some of the manual return is outstanding) (We acknowledge that the above programme contains a lot of new music and, given the late time slot, there may be practical difficulties with adding tracks to the [redacted] Music Database, via the Sound Library, at short notice). We noticed some ad-hoc inaccuracies for the remaining three programmes:	The issues on [redacted] Show primarily reflect the manner in which the music is added to the audio database, and may relate to some pre-recorded material. The remaining issues reflect cases where a manual return was not completed. ([redacted]	[redacted] Show: This matter will be resolved by: • Adding music to the [redacted] Music Database (via the Sound Library) in the first instance; or • In the event that music is added to the Audio Database, completing a manual return after the event to record that the track is played. A reminder will be issued to the programme teams about the need to record manual returns.	M	[redacted] / Ongoing [redacted] Ó hÉanaigh

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Nova (RTÉ lyric fm): two missing tracks out of 10 tracks on the programme. In addition various clips, inserts and extracts of music during a 40-minute feature interview were not logged • Reels to Ragas (RTÉ lyric fm): three missing tracks out of 13 • Togha agus Rogha (RTÉ Raidio na Gaeltachta): two missing tracks out of nine tracks played on the programme. In addition a short extract of a tune used as part of a competition was not listed. The returns for the remaining four (out of eight) programmes were accurate and complete.				
10.	**Music Administrator** Each station has a Music Administrator, responsible for following up on missing music returns, issuing reminders and providing assistance as needed. This is not a dedicated post, but is carried out in addition to existing duties. At the time of out audit testing we noted that there was no dedicated Music Administrator for RTÉ 2fm. This increases the risk that gaps in returns, such as pre-recorded programmes identified above, may not be addressed on a timely basis with the programme teams locally.	A Music Administrator has now been appointed since the completion of the audit. [redacted]	A new [redacted] will be appointed for RTÉ 2fm.	M	Done
11.	**Programmes Out of Scope** We noted that no process is in place to identify any ad-hoc requirement for a music return on programmes which normally comprise of speech content. For example, a News and Current		Reminders will be issued to News and Current Affairs programme teams to consider the requirement for a music return for specific events or other once-off programmes.	L	N/a

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

RTÉ Internal Audit

Review of Purchase Receipting Process

21 January 2014

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

[redacted]

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RTÉ

Background

Background

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

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

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

Tiered delegated authority approval limits

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

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

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

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

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

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

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

Objectives and Scope

Inherent IT Risk

[redacted]

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

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

Audit Objective

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

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

Scope of Audit

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

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

The scope did <u>not</u> include:

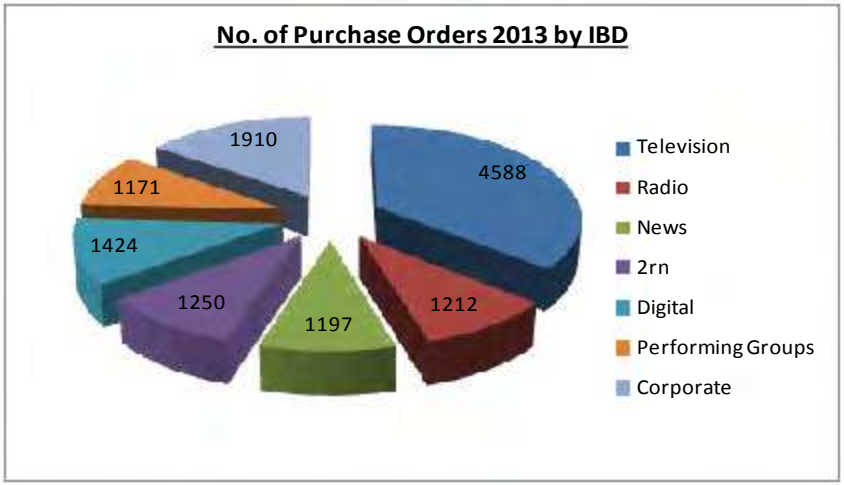
- X Reviewing purchase card payments (a separate report on purchase card payments is currently in progress)
- X A full review of all invoices posted on [redacted] to detect duplicate payments – to be covered separately in the audit plan.

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

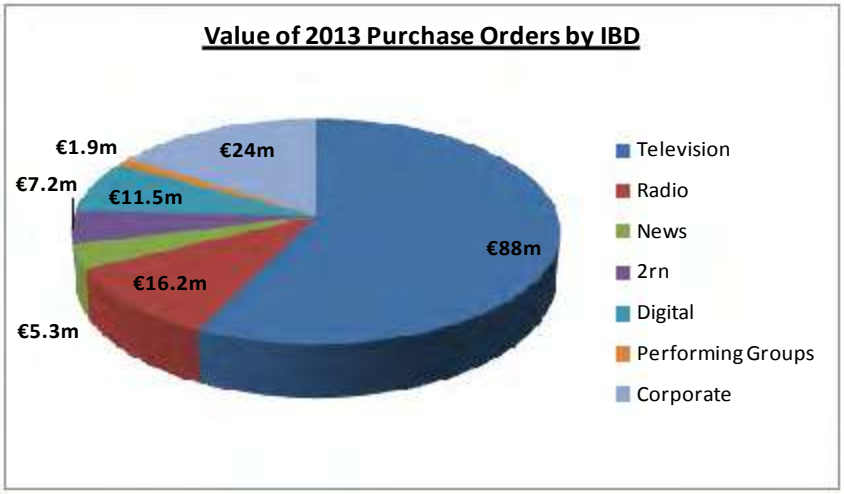
Data Analysis

Purchase Order Data

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



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



Stratification of Purchase Order Data

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

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

Note:

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

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

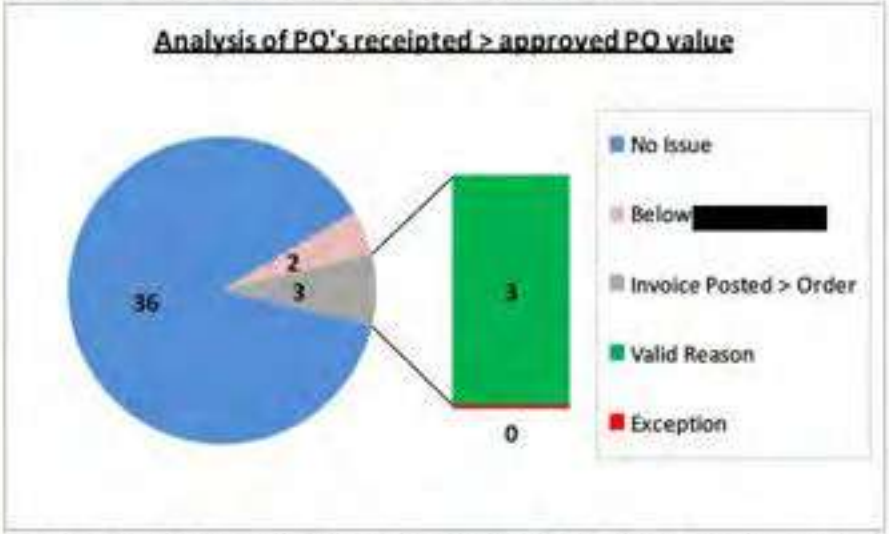
While not a matter within the scope of this audit, there may be an option to use a purchase card (or blanket orders) to further reduce the administration task of processing these low value orders. This matter will be investigated further locally.

Summary Findings

Summary Findings

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

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



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

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

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

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

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

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

Conclusion

Conclusion

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

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

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

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

Rating

SATISFACTORY

RTÉ Internal Audit

Review of Card Payment Terminal Processing

15 January 2020

Final

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Divisions:
[redacted]

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RTÉ

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Introduction, Background, Risk, Objective and Scope

Introduction

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

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

Background

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

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

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

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

Risk

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

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

Other specific risks relevant to this report are as follows:

- Fraud.

Objective

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

Scope

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

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

The scope did not include:

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

Overview and Context of Findings

Process

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

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

* up to 06/12/19

Initiating Transactions

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

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

Overview and Context of Findings

Accounting for Card Transactions

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

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

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

Banking Arrangements

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

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Potential Non Compliance with PCI DSS	Low

Findings

1: Compliance with PCI DSS

Description

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

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

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

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

Conclusion and Report Rating

Conclusion

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

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

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

Report Rating

SATISFACTORY

Auditor: [redacted]**, Internal Audit Manager**

RTÉ Internal Audit

Review of Security

21 January 2015

Circulation:

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

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Background

Background

The Department

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

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

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

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

Responsibilities

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

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

Responsibilities (Cont'd)

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

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

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

Regulation

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

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

Regions

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

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

Scope and Key Issues

Scope / Objectives

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

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

The scope did not include the following:

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

Key Management Issues

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

Rating

SATISFACTORY

Conclusion

Conclusion

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

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

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

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

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

	Finding	Management Comment ([redacted]	Agreed Action	Priority	Manager responsible and Completion Date
2.	**User Access Levels** Access to RTÉ's premises is secured by Co-Tag ID card access. We noted 2,850 active ID cards in use by staff members, contractors and retired staff at the time of out audit. A number of different user profiles are in operation to restrict access to an appropriate level. While a member of the Security team has access to all areas, a contractor attending on site will have time restricted access to a limited number of buildings depending on the nature of their work. Similarly, staff members are assigned to an access role which reflects their geographical location of work and job role. Due to the manner in which the system is designed it is not possible to be assigned to more than one access role on the Co-Tag system. *Findings* We selected a sample of user access roles and reviewed the individuals assigned to the role. In general, roles were assigned correctly based on job responsibilities and we noted no significant issues. However, the following matters need to be addressed: • The title of one access group "Gp10 – Security" is misleading and should be renamed. It does not relate to security personnel, which have a separate dedicated group, but is an access group granting enhanced access for Donnybrook staff members accessing regional locations • One individual (in Production Design) was assigned a powerful profile to access all areas, but no longer requires that access level • One of the individuals in the Technology group (Gp36) had departed the organisation A review needs to be carried out to address the above matters.	We will update the user access profiles as suggested.	The user access level titled "*Gp10 – Security*" will be renamed to better reflect the scope of the role. A small number of other access roles will be updated to reflect the matters set-out in the findings.	L	[redacted] 28 February 2015

	Finding	Management Comment ([redacted]	Agreed Action	Priority	Manager responsible and Completion Date
3.	**Security Tender** Some security work is outsourced to a third party security company. [redacted]. was selected as the preferred contractor following a competitive tender process in 2009. *Findings* We noted the following during the audit: • Given the passage of time since the original tender (in early 2009), it is timely to carry out a new competitive re-tender; • Some of the services currently carried out by the firm were not included in the scope of the original tender; • It is timely to formalise some changes to daily rates since the last contract; • There are opportunities for greater efficiencies in the manner in which the outsourced contract is used to deliver the overall Security service. These opportunities have been identified by management but need to be reflected in the specification of a new contract, via a new tender. Management is aware of, and actioning, the above issues but industrial relations difficulties have delayed progress in this area. A process is ongoing with employee representatives: discussions are currently taking place with the IRT and have reached a final conciliation phase. A new tender will take place when complete. Plans are well advanced and this issue was being addressed prior to the commencement of the audit.	Discussions are ongoing since 2014 and are progressing through the IRT process. A tender will take place when this process is complete.	A new tender for Security Services is scheduled to take place in 2015.	M	[redacted] 30 September 2015

	Finding	Management Comment [redacted]	Agreed Action	Priority	Manager responsible and Completion Date
4.	**Management of Nuisance Phone Calls** A Policy exists to deal with the receipt of offensive text messages, with procedures in place to liaise with the Telecom Service Provider to block the sender of the text, if deemed necessary. Similarly, a protocol exists for the management of offensive e-mails, co-ordinated by the Manager, Services Facilities, with input from Technology. It is timely to develop a Policy to address offensive phone calls, which by their nature may give rise to different data protection and access issues than e-mails or text messages. While e-mails and text messages may be easily quarantined or blocked, respectively, phone calls require a different approach. This Policy would set-out: • The individual(s) authorised to investigate matters relating to nuisance phone calls; • The grounds for disclosure of phone call data (for example investigating nuisance calls or inappropriate behaviour, security threat, legal cases); • The individuals to whom data may be disclosed; • The level of interrogation permitted, having regard for any Data Protection concerns, and • The approach to addressing issues. Management has already commenced discussions with Legal and Technology and work in this area is in progress.	Agreed.	A policy / protocol on the management of nuisance phone calls to RTÉ will be developed, in consultation with the RTÉ Solicitors' Office and the Data Protection Officer.	L	[redacted] 30 April 2015
5.	**Accessing CCTV Data** CCTV data is addresses as part of the broader RTÉ Technology Usage Policy and its use governed by the RTÉ Data Protection Policy and Guidelines.	Agreed.	To be documented as part of the action in finding # 4.		See finding # 4

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

RTÉ Internal Audit

Tendering Procedures – Follow-up Review

4 January 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

***Purchasing*:**
Eamonn Reid, Head of Procurement
[redacted]

Central Finance:
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IBD Finance:
[redacted]

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RTÉ

Executive Summary: Background and Scope

Background

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

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

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

Key Issues

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

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

2. **Weaknesses in Tender Process**
   We identified a number of cases where a direct invitation to tender process continued to be followed when a national tender was required.

3. **Training and Awareness / Process Issues**
   There is also scope to carry out "refresher" training focusing on the tender procedures at National and EU level.

Various actions were agreed to address these points.

Scope of Review

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

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

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

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

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

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

Status of Issues – High Priority Actions

	Issues raised in the previous audit report / action
1.	**Tender Not Undertaken** *Finding:* In **seven** cases, a competitive tender was not carried out in circumstances when one would be expected, given the level and the nature of the expenditure. *Action:* The Line Managers for the seven suppliers will be asked to liaise with Purchasing as regards tendering options. The services outlined will be subject to the necessary competitive tender to ensure compliance with Public Procurement Guidelines. *Results:* See below

Tender Not Undertaken	Type of Service	Status of tender completion	Comments
1	[redacted]		Tender Completed
2	[redacted]		Tender Completed
3	[redacted]		Tender in Progress - currently being signed off by Project Team
4	[redacted]		Tender in Progress - Currently meeting with suppliers and Invitation To Tender (ITT) in final stages.
5	[redacted]		Tender in Progress - Development of ITT is in progress. May be incoorporated into the marketing framework.
6	[redacted]		Tender not Commenced *(See action plan for comments)*
7	[redacted]		Tender Completed

2.	**Weaknesses in Tender Processes** *Finding:* We identified **three** cases where a direct invitation to tender process continued to be followed when a national tender was required. *Action:* Purchasing Line Managers will be asked to liaise with Purchasing as regards the tendering options. *Results:* See below

Incorrect Tender Type	Type of Service	Status of tender completion	Comments
1	[redacted]		Tender in Progress - currently advertsised on etenders
2	[redacted]		Tender not Commenced *(See action plan for comments)*
3	[redacted]		Tender Completed

Status of Issues (Cont'd)

	Issues raised in the previous audit report / action	Actions Undertaken
3.	**Training Related Matters** *Findings:* a) Use of a direct invitation to tender process is extensive across RTÉ divisions. The decision on the appropriateness of a direct invitation to tender is often made locally by the Line Manager, without sufficient involvement from Central Purchasing. b) There were weaknesses relating to insufficient documentation and filing in place to evidence the tender process. c) There is therefore scope to carry out "refresher" training focusing on the tender procedures at National and EU level. *Actions:* a) Plans will be drawn up to carry out a number of training sessions for buyers to inform them of any changes to the Public Procurement Guidelines and to provide a reminder of RTÉ policy in this area. This will also address the area of documentation and paperwork. b) The relevant Line Managers will be reminded of the circumstances during which a direct invitation to tender is appropriately used and of the associated risks. c) To overcome the risk of poor filing locally, a copy of the scorecards / evaluation sheets and the names of the members of the evaluation team will be sent to Central Purchasing for filing in the central files maintained by purchasing. *Results*: RTÉ Procurement conducted eight procurement training courses in 2016 covering the above topics. 109 RTÉ staff attended the training and more courses will be scheduled for 2017. The circumstances during which a direct invitation to tender is appropriately used was covered along with the importance of filing paperwork. Letters of acceptance are not issued by Central Purchasing until the scoresheets and relevant paperwork are signed and scanned to them in electronic format. All signed contracts are stored on a contracts database. Since the last audit was completed, all POs over €10,000 in value must be accompanied by text in the "internal text" field of the requisition in Agresso Web to aid Central Purchasing in identifying whether a tender process was carried out. All requisitions without this text are immediately rejected by Central Purchasing. This control has also assisted in raising awareness on Procurement Guidelines among staff. In addition, all three RTÉ procurement staff attended a training course on the new public procurement EU Directives provided by the Office of Government Procurement. The Head of Procurement also successfully completed a Advanced Diploma on Public Procurement Law from The Honourable Society of the King's Inns in 2016.	

Conclusion

Conclusion

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

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

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

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Results of Audit				
1.	**No Tender Undertaken** No tender process occurred in the two cases highlighted as an issue in our original audit report. See below for more details: • **Paint Supplies:** Central Purchasing were in discussions with the Line Managers in this area to determine what type of tender is required. This will resume again in Q1, 2017. *(Spend of €90k approximately (Ex-VAT) in the two year period 2015-2016)* • **Set Design:** A Tender process was commenced after the time of the initial audit but the project got delayed. This will be actioned again and reviewed in Q1, 2017. *(Spend of €290k approximately (Ex-VAT) in the two year period 2015-2016)*	Agreed [redacted]	The relevant purchasing Line Managers for these suppliers will be asked to liaise with Purchasing as regards the tendering options. The services outlined will be subject to the necessary competitive tender to ensure compliance with Public Procurement Guidelines.	H	[redacted] 31 March 2017 [redacted] 31 March 2017

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

26 February 2016

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[redacted]

RTÉ:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

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

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

Background

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

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

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

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

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

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

Objective and Scope

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

The scope of the review included the following:

✓ Verifying the existence and operation of the key controls in place in respect of the following financial processes in 2rn:
- Purchasing and Accounts Payable
- Sales and Accounts Receivable
- Cash and Treasury
- Fixed Assets
- Inventory
- People Payments
- Management Accounts
- Taxation

✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and

✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

X IT audit of the financial systems.

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

Risk and Summary Findings

Risks

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

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

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

- Fraud
- Proper books of account not being maintained

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

Findings

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

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

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

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

Conclusion and Rating

Overall Conclusion

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

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

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

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

Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	• Examine one 2rn tender in 2015 and examine documentation, evaluation sheet, award letter, etenders notification, etc.	Observation and inspection
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices	• Assess the design of Segregation of Duties procedures.	Walkthrough Testing
3)	All invoice payments and payment runs are authorised by appropriate personnel	• Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.	Substantive testing
		• Review a sample of invoices from the payment run for proof of prior approval before payment.	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	• Check a sample of the invoices on [redacted] to verify that they were paid by due date.	Observation and inspection
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	• Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	• Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.	Substantive testing
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines 2015	• Select a 2rn Purchase Card envelope for one month and confirm that supporting documentation is in place with appropriate approval.	Observation and inspection
		• Inspect files generally for existence, approval and retention.	Observation and inspection
B	**Sales and Accounts Receivable**		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Walkthrough Testing
9)	Procedures are in place for processing customer orders and formal	• Inspect contract / Accommodation Request Form (ARF) with	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	contracts or supporting documentation are filed	supporting documentation for one order.	
10)	All discounts from rate card are approved by an appropriate official in advance	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card	Observation and inspection
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Examine a reconciliation of the debtors' listing / ledger to the debtors' control account in the GL for one month and review reconciling items	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	• Analyse aged debtor listing for one month	Substantive testing
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	• Verify approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Observation and inspection
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	• Assess the design of Segregation of Duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	• Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Observation and inspection
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	• Audit the bank reconciliation for each bank account for one month and check for review by a senior person.	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	• Verify that reconciling items were cleared by the next month end.	Substantive testing
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	on authority limits	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.	Substantive testing
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Observation and inspection
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	• Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.	Substantive testing
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits	• Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person	Observation and inspection
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Substantive testing
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	• Verify that any stock right-off has been approved by an appropriate person.	Observation and inspection
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures	Observation and inspection
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	• Select a sample of T&S claims and check to see if they are supported by receipts and filed as appropriate	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records	• Audit the reconciliation between [redacted] and [redacted] payroll records for one month.	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and [redacted] payroll records on a monthly basis.	• Review the reconciliation between PAYE/PRSI return to the revenue to [redacted] and [redacted] records for one month	Substantive testing
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• View the management accounts for one month	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	• Examine that reconciling items have been closed off	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	• Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	• Assess and review the monthly accruals process	Observation and inspection
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	• Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL. • Verify that the VAT returned has been filed by the due date	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	• Check that the PAYE/PRSI return has been filed on time for one month.	Substantive testing

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

Section	Process Area	Score	Maximum Score	Percentage	*Please list any questions to be completed by RTÉ Shared Service functions.*
A	Purchasing and Accounts Payable	34	40	85%	
B	Sales and Accounts Receivable	32.5	36	90%	
C	Inventory	13	16	81%	
D	Cash and Treasury	22.5	24	94%	*Q27*
E	Fixed Assets	15.5	16	97%	
F	People Payments	14.5	16	91%	*Q35 not applicable*
G	Management Accounts / Financial Close	19.25	20	96%	
H	Tax Compliance	8	8	100%	

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

21 February 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[redacted]

RTÉ:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

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

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

Regulatory / Legislative Background

a) Code of Practice for the Governance of State Bodies

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

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

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

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

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

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

b) Directors' Compliance Statement

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

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

Objective and Scope

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

The scope of the review included the following:

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

The scope did not include:

X IT audit of the financial systems.

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

Objectives and Scope

Objective and Scope *(Cont'd)*

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

	Process	Overview of control questions
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, Professional Services Withholding Tax – covered as part of work on the Directors' Compliance Statement

Risk and Summary Findings

Risks

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

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

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

- Proper books of account not being maintained
- Fraud

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

Findings

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

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

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

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

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

Conclusion and Rating

Overall Conclusion

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

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

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

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

Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	• Examine one 2rn tender in 2016 and examine documentation, evaluation sheet, award letter, etenders notification, etc.	Observation and inspection
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices	• Assess the design of Segregation of Duties procedures.	Walkthrough Testing
3)	All invoice payments and payment runs are authorised by appropriate personnel	• Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.	Substantive testing
		• Review a sample of invoices from the payment run for proof of prior approval before payment.	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	• Check a sample of the invoices on [redacted] to verify that they were paid by due date.	Observation and inspection
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	• Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	• Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.	Substantive testing
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines 2015	• Select a 2rn Purchase Card envelope for one month and confirm that supporting documentation is in place with appropriate approval.	Observation and inspection
		• Inspect files generally for existence, approval and retention.	Observation and inspection
B	**Sales and Accounts Receivable**		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Walkthrough Testing
9)	Procedures are in place for processing customer orders and formal	• Inspect contract / Accommodation Request Form (ARF) with	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	contracts or supporting documentation are filed	supporting documentation for one order.	
10)	All discounts from rate card are approved by an appropriate official in advance	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card	Observation and inspection
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Examine a reconciliation of the debtors' listing / ledger to the debtors' control account in the GL for one month and review reconciling items	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	• Analyse aged debtor listing for one month	Substantive testing
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	• Verify approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Observation and inspection
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	• Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Observation and inspection
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	• Audit the bank reconciliation for each bank account for one month and check for review by a senior person.	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	• Verify that reconciling items were cleared by the next month end.	Substantive testing
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	on authority limits	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.	Substantive testing
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Observation and inspection
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	• Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.	Substantive testing
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits	• Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person	Observation and inspection
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Substantive testing
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	• Verify that any stock right-off has been approved by an appropriate person.	Observation and inspection
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures	Observation and inspection
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	• Select a sample of Travel & Subsistence claims and check to see if they are supported by receipts and filed as appropriate	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records	• Audit the reconciliation between [redacted] and [redacted] payroll records for one month.	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and [redacted] payroll records on a monthly basis.	• Review the reconciliation between PAYE/PRSI return to the revenue to [redacted] and [redacted] records for one month	Substantive testing
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• View the management accounts for one month	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	• Examine that reconciling items have been closed off	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	• Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	• Assess and review the monthly accruals process	Observation and inspection
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	• Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL. • Verify that the VAT returned has been filed by the due date	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	• Check a PAYE/PRSI return has been correctly filed on time for one month.	Substantive testing
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns by 2rn	• Obtain listing of all other taxation returns / payments submitted by 2rn during 2016 (Professional Services Withholding Tax) • Check that the return has been filed on time and correctly for one month.	Substantive testing

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

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

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

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

20 February 2018

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ:
[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

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

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

Regulatory / Legislative Background

a) Code of Practice for the Governance of State Bodies

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

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

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

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

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

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

b) Directors' Compliance Statement

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

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

Objective and Scope

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

The scope of the review included the following:

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

The scope did not include:

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

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

Objectives and Scope

Objective and Scope *(Cont'd)*

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

	Process	Overview of control questions
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; 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; 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; authorisation of right-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; filing of returns
G	**Management accounts / financial close**	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts
H	**Tax compliance – VAT / Employment Taxes**	VAT; PAYE / PRSI, Professional Services Withholding Tax – covered as part of work on the Directors' Compliance Statement

Risk and Summary Findings

Risks

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

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

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

- Proper books of account not being maintained
- Fraud

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

Findings

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

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

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

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

Conclusion and Rating

Overall Conclusion

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

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

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

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

Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	• Examine one 2rn tender in 2017 and examine documentation, evaluation sheet, award letter, etenders notification, etc.	Observation and inspection
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices	• Assess the design of Segregation of Duties procedures.	Walkthrough Testing and Approval
3)	All invoice payments and payment runs are authorised by appropriate personnel	• Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.	Substantive testing
		• Review a sample of invoices from the payment run for proof of prior approval before payment.	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	• Check a sample of the invoices on [redacted] to verify that they were paid by due date.	Observation and inspection
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	• Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	• Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.	Substantive testing
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines 2015	• Select a 2rn Purchase Card envelope for one month in 2017 and confirm that supporting documentation is in place with appropriate approval. • Inspect files generally for existence, approval and retention.	Observation and inspection Observation and inspection
B	**Sales and Accounts Receivable** ***Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.***		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Walkthrough Testing

	Key Control Activity	Summary of Test of Control	Testing Approach
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed	• Inspect contract / Accommodation Request Form (ARF) with supporting documentation for one order.	Observation and inspection
10)	All discounts from rate card are approved by an appropriate official in advance	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card	Observation and inspection
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Examine a reconciliation of the debtors' listing / ledger to the debtors' control account in the GL for one month and review reconciling items	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	• Analyse aged debtor listing for one month	Substantive testing
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	• Verify approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Observation and inspection
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	• Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Observation and inspection
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	• Audit the bank reconciliation for each bank account for one month and check for review by a senior person.	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	• Verify that reconciling items were cleared by the next month end.	Substantive testing
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual	• Confirm that formal procedures are in place for cheque signing and	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	signatories and authority limits. There is also formal procedures and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	for non-cheque payments (EFT etc) and verify dual signatories based on authority limits	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.	Substantive testing
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Observation and inspection
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	• Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.	Substantive testing
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits	• Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person	Observation and inspection
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Substantive testing
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	• Verify that any stock right-off has been approved by an appropriate person.	Observation and inspection
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures	Observation and inspection
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	• Select a sample of Travel & Subsistence claims and check to see if they are supported by receipts and filed as appropriate	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records	• Audit the reconciliation between [redacted] and [redacted] payroll records for one month.	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and NortgateArinso payroll records on a monthly basis.	• Review the reconciliation between PAYE/PRSI return to the revenue to [redacted] and [redacted] records for one month	Substantive testing
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• View the management accounts for one month	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	• Examine that reconciling items have been closed off	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	• Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	• Assess and review the monthly accruals process	Observation and inspection
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	• Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL. • Verify that the VAT returned has been filed by the due date	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	• Check a PAYE/PRSI return has been correctly filed on time for one month.	Substantive testing
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns by 2rn	• Obtain listing of all other taxation returns / payments submitted by 2rn during 2017 (Professional Services Withholding Tax,) • Check that the return has been filed on time and correctly for one month.	Substantive testing

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

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

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

RTÉ Internal Audit

Review of 2rn Internal Financial Control

12 March 2020

Final

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[redacted]

RTÉ:

[redacted]

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

RTÉ

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Introduction, Background and Risk

Introduction

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

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

Background

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

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

Code of Practice for the Governance of State Bodies:

Section 1.8 of the Code states that:

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

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

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

Companies Act 2014:

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

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

Risk

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

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

Other specific risks relevant to this report are as follows:

- Fraud; and
- Proper books of account.

Objective and Scope

Objective

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

Scope

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

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

The scope did not include:

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

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

Overview and Context of Findings

Key Controls

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

	Process	Overview
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.

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Lack of documented policy and procedures	Low

Findings

1: Lack of documented policy and procedures

Description

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

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

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

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

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

Conclusion and Report Rating

Conclusion

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

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

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

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

Report Rating

SATISFACTORY

Auditor: [redacted]

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	• Examine one 2rn tender in 2019 and examine documentation, evaluation sheet, award letter, etenders notification, etc.	Inquiry, Observation and Inspection.
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices.	• Assess the design of Segregation of Duties procedures.	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	• Test a sample of EFT payment runs (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger. • Test a sample of invoices from the payment run for proof of prior approval before payment.	Re-performance. Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	• Examine a sample of the invoices on [redacted] to verify that they were paid by due date.	Inquiry, Observation and Inspection.
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	• Test a sample of creditor reconciliations and ensure all reconciling items have been followed up and cleared the following month.	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	• Test a sample of creditor reconciliations and ensure the creditors' listing agrees to the GL.	Re-performance.
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines.	• Test a sample of Purchase Card envelopes and verify that supporting documentation is in place with appropriate approval.	Re-performance.
B	**Sales and Accounts Receivable**		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	• Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.	Inquiry, Observation and Inspection.
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Test a sample of debtor reconciliations and ensure the debtors' listing agrees to the GL and review reconciling items.	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	• Test a sample of aged debtor listings.	Re-performance.
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	• Test the approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Re-performance.
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	• Test a sample of lodgements and check timeliness of recording in books.	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Inquiry, Observation and Inspection.
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	• Test bank reconciliations for each bank account for a sample of periods and check for review by a senior person.	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	• Test that reconciling items were cleared by following month, where applicable.	Re-performance.
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Test a sample of quarterly compliance certificates to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.	Re-performance.
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Inquiry, Observation and Inspection.
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	• Test the Fixed Asset Register was reconciled to the GL for sample of periods.	Re-performance.
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits.	• Test a sample of additions/disposals and verify they are appropriately authorised in writing by a senior person.	Re-performance.
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Inquiry, Observation and Inspection.
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	• Verify that any stock right-off has been approved by an appropriate person.	Inquiry, Observation and Inspection.
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures.	Inquiry, Observation and Inspection.
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	• Test a sample of Travel & Subsistence claims and verify that they are supported by receipts and filed as appropriate.	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records.	• Test the reconciliation between [redacted] and [redacted] payroll records for a sample of periods.	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and [redacted] payroll records on a monthly basis.	• Test the reconciliation between PAYE/PRSI returns to Revenue to [redacted] and [redacted] records for a sample of periods.	Re-performance.
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• Test that management accounts are approved and submitted to Central Finance for a sample of periods.	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	• Test that all account balances are reconciled before the submission of management accounts to Central Finance.	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Test that intercompany balances (both P&L and B/S) have been reconciled for a sample of periods and agree to confirmations from the relevant parties.	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	• Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	• Test for a sample of periods, that the accruals listings are available and reconcile to the GL.	Re-performance.
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	• Test that VAT workings reconcile to the GL for a sample of periods. • Test that the VAT workings were provided to Central for filing.	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	• Test that PAYE/PRSI returns have been correctly filed on time for a sample of periods.	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns(PSWT, DWT and CT).	• Test that returns agree to back-up and have been filed on time for a sample of periods.	Re-performance.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2019

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

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

RTÉ Internal Audit

Review of 2rn Internal Financial Control

24 February 2022

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:
[redacted], Chairman RTÉ Transmission Network DAC (trading as 2rn)
[redacted], Executive Director 2rn
[redacted] Financial Controller 2rn

RTÉ:
[redacted] Group Financial Controller

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

Background

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

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

Code of Practice for the Governance of State Bodies:

Section 1.8 of the Code states that:

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

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

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

Companies Act 2014:

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

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

Risk

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

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

(Based on Q4 2021 rankings, currently under review)

Other specific risks relevant to this report are as follows:

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

Objective and Scope

Objective

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

Scope

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

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

The scope did not include:

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

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

Controls

Key Controls

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

	Process	Overview
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 workings for returns; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

Findings

Findings

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

- ✓ The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 93% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.

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

Other matter:

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

Conclusion and Report Rating

Conclusion

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

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

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

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

Report Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	Purchasing and Accounts Payable		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	*Purchasing and Tendering*		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	• Examine one 2rn tender in 2021 and examine documentation, evaluation sheet, award letter, eTenders notification, etc.	Inquiry, Observation and Inspection.
A.2	*Payment Procedures*		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices.	• Assess the design of Segregation of Duties procedures.	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	• Test one EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger.	Re-performance.
		• Test a sample of invoices from the payment run for proof of prior approval before payment.	Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	• Examine a sample of the invoices on [redacted] to verify that they were paid by due date.	Inquiry, Observation and Inspection.
A.3	*Creditor Reconciliations*		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	• Test one creditor reconciliation and ensure all reconciling items have been followed up and cleared the following month.	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	• Test one creditor reconciliation and ensure the creditors' listing agrees to the GL.	Re-performance.
A.4	*Purchase Card*		
7)	RTÉ Purchasing Card Guidelines.	• Test one Purchase Card envelope and verify that supporting documentation is in place with appropriate approval.	Re-performance.
B	Sales and Accounts Receivable		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	*Customer Sales*		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	• Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.	Inquiry, Observation and Inspection.
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Test one debtor reconciliation and ensure the debtors' listing agrees to the GL and review reconciling items.	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	• Test one aged debtor listing.	Re-performance.
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	• Test the approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Re-performance.
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	• Test a sample of lodgements and check timeliness of recording in books.	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Inquiry, Observation and Inspection.
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	• Test one bank reconciliation for each bank account for a sample of periods and check for review by a senior person.	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	• Test that reconciling items were cleared by following month, where applicable.	Re-performance.
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Test one quarterly compliance certificate to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.	Re-performance.
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Inquiry, Observation and Inspection.
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	• Test the Fixed Asset Register was reconciled to the GL for sample of periods.	Re-performance.
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits.	• Test one addition and one disposal, verifying they are appropriately authorised in writing by a senior person.	Re-performance.
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Inquiry, Observation and Inspection.
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	• Verify that any stock right-off has been approved by an appropriate person.	Inquiry, Observation and Inspection.
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures.	Inquiry, Observation and Inspection.
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	• To be addressed as part of RTÉ Group audit work in this area	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records.	• Test the reconciliation between [redacted] payroll records for one period.	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] payroll records on a monthly basis.	• Test the reconciliation between PAYE/PRSI returns to Revenue to [redacted] records for one period.	Re-performance.
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• Test that management accounts are approved and submitted to Central Finance for one month.	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	• Test that all account balances are reconciled before the submission of management accounts to Central Finance.	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Test that intercompany balances (both P&L and B/S) have been reconciled for one month and agree to confirmations from the relevant parties.	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	• Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	• Test for one month, that the accruals listings are available and reconcile to the GL.	Re-performance.
H	**Taxation**		
	Risk Summary: Non-compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	• Test that VAT workings reconcile to the GL for one month. • Test that the VAT workings were provided to Central for filing.	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	• Test that PAYE/PRSI returns have been correctly filed on time for a one period.	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	• Test that returns agree to back-up and have been filed on time for one period.	Re-performance.

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

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

Note:
Taxation: also covered as part of audit work on the Director's Compliance Statement.
Treasury: additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

RTÉ Internal Audit

Report on Acquired Programme Inventory

3 February 2015

Circulation:

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

Dermot Horan, Director of Production and Acquisitions

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Background and Scope

Background

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

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

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

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

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

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

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

Scope of Audit

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

The audit involved the following work:

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

The audit did not include:

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

Executive Summary: Findings and Conclusion

Findings

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

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

No exceptions were identified during the course of testing.

Overall Conclusion

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

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

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

Rating

SATISFACTORY

Appendix 1 – Audit Sample

Sample Selection

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

Legend:

Large deal - 5 programmes selected from each

Internal Memorandum

RTÉ

To: [redacted]

CC: [redacted]

From: [redacted]

Date: 1 August 2013

Re: Review of Car Rental Service

The purpose of this memorandum is to set-out our findings following a review of the car rental service.

1. Background

The RTÉ car rental service is provided by [redacted] Originally contracted by Television Sport as a preferred supplier in mid-2009, the service was rolled-out across all of RTÉ in Q4 2010. Bookings are made via a dedicated [redacted] website, with RTÉ users selecting a vehicle (from a predefined list) and defining a pick-up location, dates of hire, driver name, contact details, etc. The user also enters a valid RTÉ costpool number, the reason for travel and the [redacted] account code. Booking requests are then routed by workflow e-mail to the costpool manager for approval or rejection. Upon approval, a booking confirmation is sent to the relevant e-mail address.

The process also provides for phone bookings in the event that the booker does not have access to the internet, or if the booking is for a rental at short notice. In these circumstances, the [redacted]r administrator taking the call inputs the booking in the manner outlined above and the booking routes to the costpool manager, for approval, in the normal manner. Many areas have centralised bookers who book car rental on behalf of various RTÉ staff members or non-employees (programme panellists, contractors, etc.).

Data is uploaded from the car rental system to [redacted] on a monthly basis, via a file upload by Finance IT. [redacted] receives an updates list of costpools approximately monthly and booking requests without a valid costpool number are rejected.

RTÉ has negotiated corporate rates with [redacted] which vary based on the vehicle type and the duration of the rental. The rates are automatically applied depending on the vehicle and rental duration selected by the user.

[redacted] provides a facility whereby rental cars are delivered to the Donnybrook campus for collection (and later drop-off) by the user. Users are charged for the duration set-out in the booking and, in common with all rentals, no refunds are provided for early returns. The user is required to phone [redacted] and request as extension, if needed. A grace period on one hour is provided in the return time and users are not charged a drop-off charge for returning to a different location to the pick-up location.

2. Scope and methodology

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

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

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

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

The review did not involve:

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

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

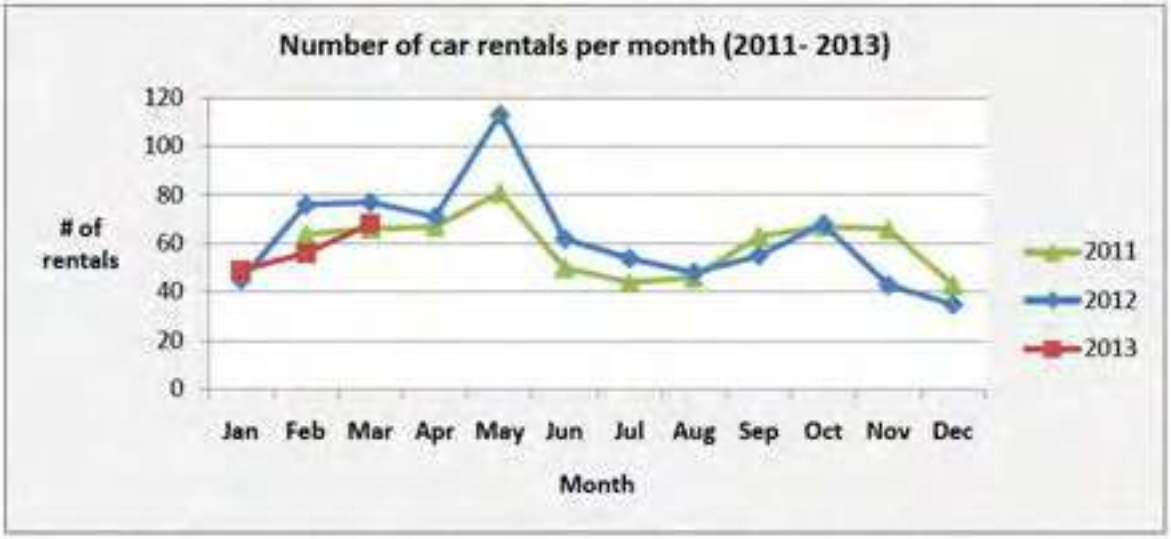
The comparative data on mileage was extracted from [redacted]. It is important to note that the mileage costs are based on the date the trip took place as opposed to the date of the mileage claim. Secondly, parking charges have been excluded from the mileage account code.

3. Financial analysis

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

3.1 Use of service – overview

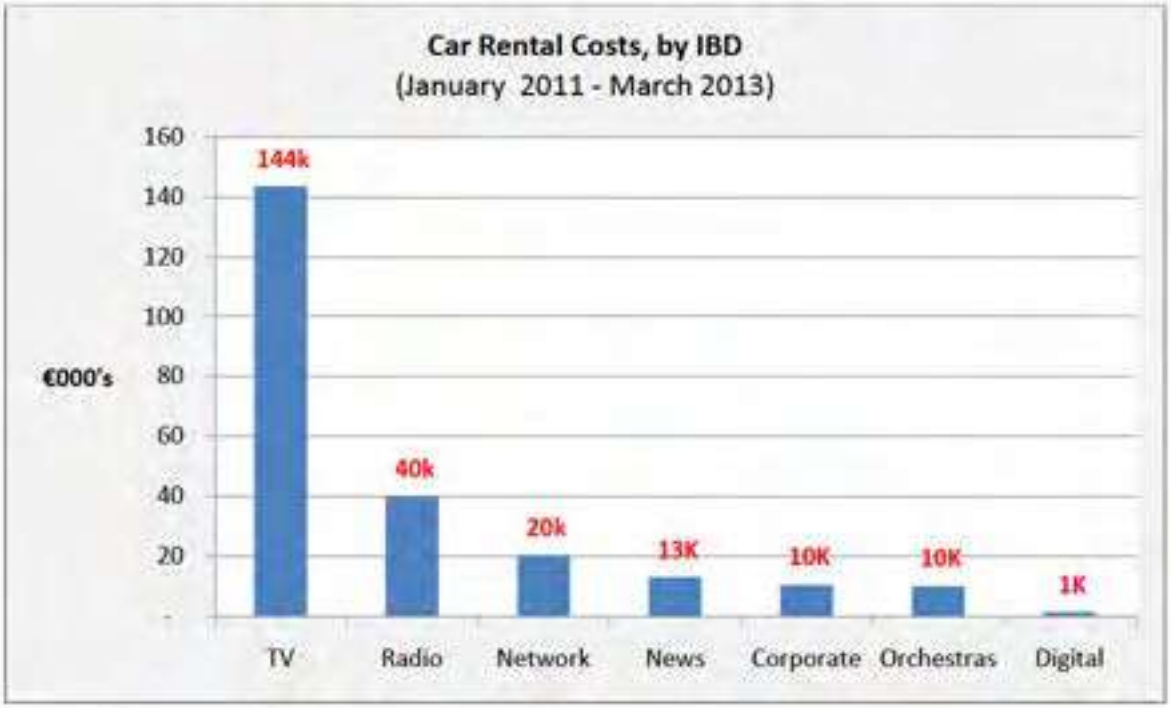
The number of [redacted]r car rentals has been increasing since the service was extended across RTÉ in Q4 of 2010, rising to 747 rentals in 2012 (from 657 in 2011):



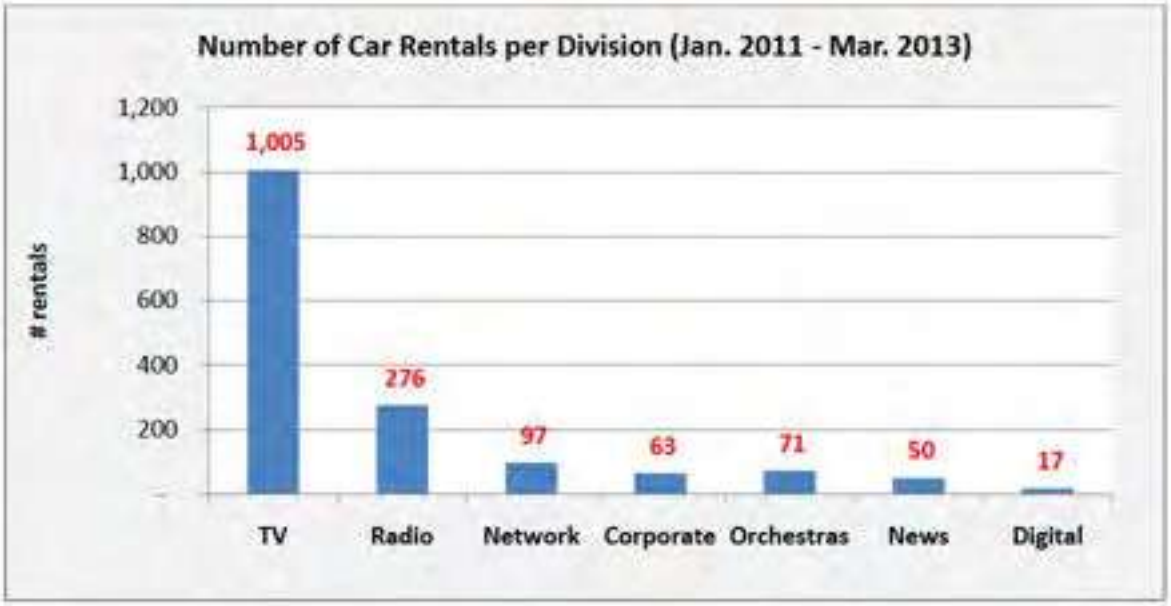
This is further illustrated by examining the value of rentals in the period before and after the extension of the service. (2011 was the first full year the service was operational across all of RTÉ).

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

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



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



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

3.2 Use of service – by costpool and individual

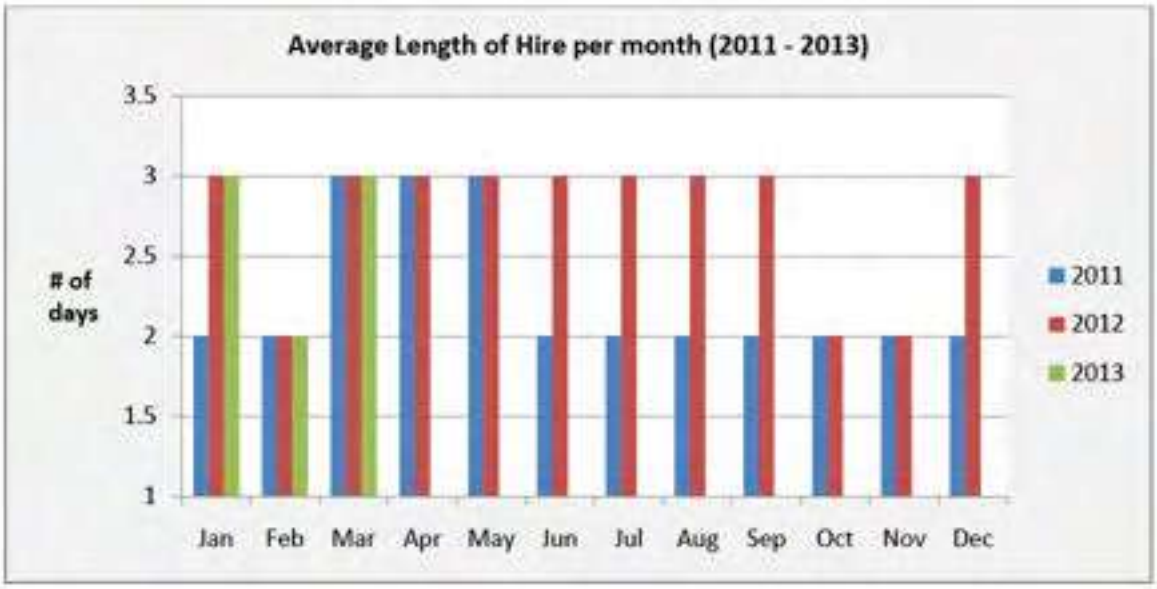
The car rental service is predominantly used by programme / output areas. 43% of the car rental cost in the period under review derives from fifteen costpools, primarily programme related. Ten of the fifteen costpools are in Television.

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

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

3.3 Length of hire

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



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

3.4 Type of vehicle rented

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

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

3.5 Damage

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

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

4. Findings

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

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

4.1 Use of the car rental service: overall use

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

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

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

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

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

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

- Mileage costs charged to two costpools – programme related costpools in Cork and Galway, respectively – are equal to approximately two-thirds of the car rental cost for all of RTÉ in the period;
- 13 of the 15 highest individual claimants of mileage are based in regional locations;
- Mileage charged to RTÉ Raidió na Gaeltachta costpools equates to nearly a quarter of all mileage claims.

c) The top claimants of mileage are not using the car rental service. In the period from January 2010 to May 2013 we noted that the top 15 claimants of mileage incurred mileage costs of €422k (circa 25% of all mileage costs in the period), but the corresponding car rental cost for these individuals was only €1k. Therefore, individuals who are high claimants of mileage merit a closer examination.

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

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

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

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

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

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

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

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

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

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

c) The duration of the rental is in line with intention at the time of the introduction of the policy. Cars are not being used for an excessively lengthy period of time, nor are cars being rented in circumstances when a taxi or other transportation option would prove more appropriate.

- Only 16 rentals were for a duration greater than 10 days
- While 147 (9%) rentals were for a period of one day or less, in excess of 85% of these rentals were for at least ¾ day rental. We identified two instances of rentals which were for an excessively short duration and an alternative transportation option would have been more appropriate. *[The rental is charged based on the duration of the booking. Some of the ¾ day rentals could, potentially, have been returned much earlier than the booked duration. However, no data is available on the actual return time]*

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

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

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

4.2 Invoicing

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

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

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

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

4.3 Overall expenditure on vehicle travel / transportation costs

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

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

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

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

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

Footnotes:

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

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

4.3.1 Use of car rental

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

4.3.2 Mileage costs

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

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

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

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

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

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

Note: general election in February 2011

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

4.3.3 Total vehicular transport cost

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

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

4.4 Insurance arrangements

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

> *"Any person driving with the consent of the Insured provided they hold a valid licence to drive such a vehicle, or having held a valid licence are not barred from holding one. (Drivers with driving convictions post or pending, and/or with medical conditions, and/or with 4 or more penalty points need to be declared to insurers prior to permission to drive being given)"*
> Marsh, 2013 Summary of Insurance

We noted the following:

There is no formal process in place for drivers to confirm they are compliant with their obligations under the RTÉ insurance policy

There is no formal process in place for notifying RTÉ of endorsements to licences or the accumulation of excessive penalty points.

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

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

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

5. Actions

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

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

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

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

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

- As explained in Section 4.1, the mileage cost incurred in two regional programme related costpools alone is equal to two-thirds of the total RTÉ spend on car rental. In line with action a) above, review the high mileage claimants in large regional costpools.
- Nearly 25% of RTÉ"s annual mileage cost is charged to costpools of RTÉ Raidió na Gaeltachta, where the [redacted] car rental service is not available. In conjunction with action a), explore options for reducing mileage costs of the high claimants in RTÉ Raidió na Gaeltachta (examine car pooling, long-term rental, other options).

c) Improve the **reporting and monitoring procedures** in respect of the car rental contract. At present the focus is limited to billing and monthly procedures relating to the upload of data from the booking system to [redacted]. While the car rental service operates effectively via the online booking system, there is scope to improve the monitoring controls.

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

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

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

e) Plan for better utilisation of the car rental service during **special events**. The last general election resulted in an approximate increase of €30k - €35k in mileage as compared to an increase of only €2k in car rental. There is potential to better utilise car rental for special events.

f) **Communicate** and promote the car rental service via the corporate intranet. While the booking website is accessible on the travel section of the intranet a general reminder of the car rental service should be issued to all staff from time to time as an intranet "news item". The last such reminder happened in late 2010 and is therefore now overdue.

g) Originally used in Television, the car rental service was extended throughout the organisation in the latter part of 2010 with Property and Services and Television maintaining a high-level oversight role. The existing structures were not revised in a formal way following the extension of the service throughout RTÉ and roles are not clear at present. It is therefore now timely to examine the **allocation of responsibilities**, to formalise roles for the monitoring the car rental service, to agree the role of the divisional finance / local teams and to better promote the service as a business transportation option.

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

6. Conclusion

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

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

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

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

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

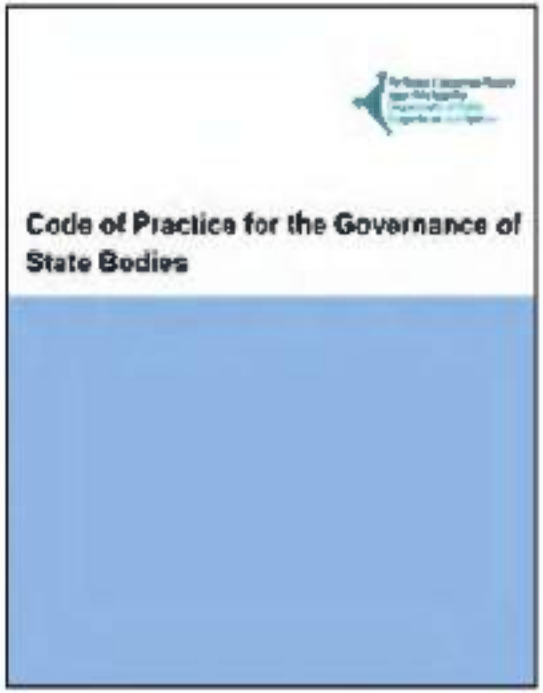
While a management request as opposed to a normal scheduled audit assignment, we rate this assignment at the mid-point – "***Improvement Needed***" – in the usual Internal Audit rating.

RTÉ Internal Audit

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

Year-ended 31 December 2020

15 April 2021



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ

Background

Background

Introduction

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

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

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

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

Reporting

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

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

Code of Practice (2016)

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

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

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

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

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

Background and Governance Framework

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

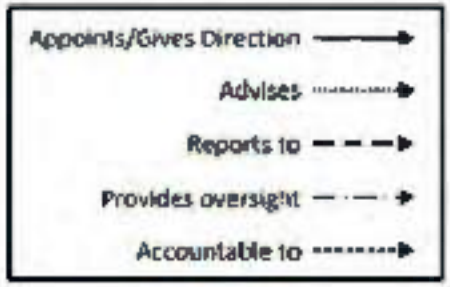
A new Annex on Gender Balance, Diversity, and Inclusion to supplement the existing Code of Practice was published in September 2020.

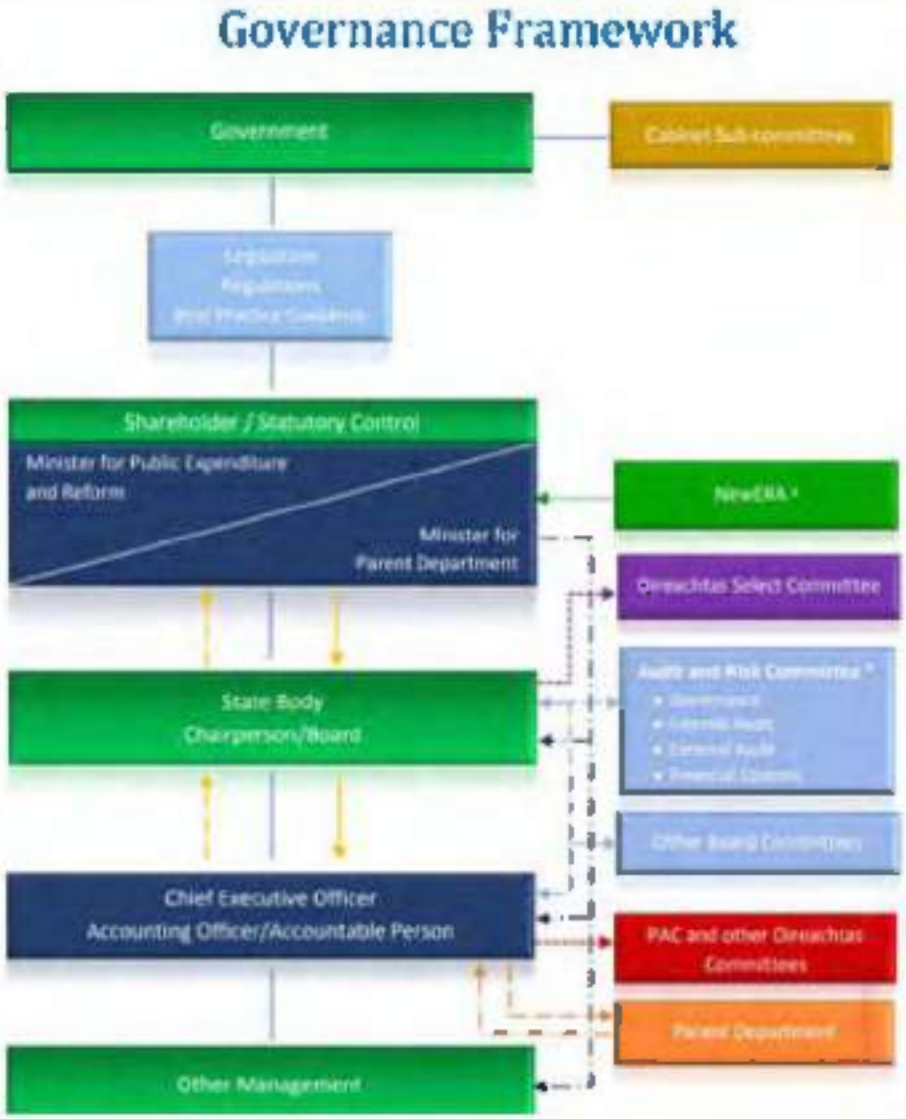
Governance Framework

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

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

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





Objective and Scope

Objective and Scope

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

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

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

Checklist

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

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

Risk

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

Risk # 11 – Business Planning and Financial Prioritisation
Risk # 12 – Changes in Legislation / Regulation & Compliance

Findings

Findings - YE 31/12/2020

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

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

Results

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

Audit Exception – Procurement

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

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

Actions

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

Findings

Findings (Cont'd)

Conclusion

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

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

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

Rating: **Compliant with Code of Practice**

Internal Audit Report:

Review of Office 365 Security and Privacy: Exchange Online

11 February 2019

Circulation

[redacted]

EY

Building a better working world

The contents of this document are commercially sensitive and for internal RTÉ use only

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1. Overview and Introduction

1.1 Background

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

1.2 Scope and Objectives

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

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

1.3 Approach to Fieldwork

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

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

2. Summary and Conclusions

2.1 Overview

[redacted]

[redacted]

[redacted]

- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

  [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

2.2 Summary Findings and Conclusion

[redacted]

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

2.3 Rating

[redacted]

3. Detailed Findings and Recommendations

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

No.	Findings	Implications	Priority	Recommendation	Responsibility / Date
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

No.	Findings	Implications	Priority	Recommendation	Responsibility / Date
	[redacted]	[redacted]		[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

RTÉ Internal Audit

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

26 January 2023

Circulation:

Richard Collins, Chief Financial Officer

Finance:

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

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

RTÉ

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Background, Risk, Objective and Scope

Background

[redacted]
Purchase Orders ('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. 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 5% tolerance limit to allow for variances such as delivery costs etc. (refer to the Risk Section). Payment takes place, generally by EFT to the supplier's bank account.

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

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

Objective

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

Scope

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

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

Risk

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

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

Other specific risks relevant to this report are as follows:

- Fraud.

Findings

Summary Findings

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

- The number of POs being raised after receipt of invoice increased slightly since the last review. The number of late POs was 29% for Q3 2022 and remained at 29% for Q4. This is slightly higher than reported in Q1 &2 2022 (***27%).*** *See* ***"1a) PO Summary – Number of Invoices"*** for further details.

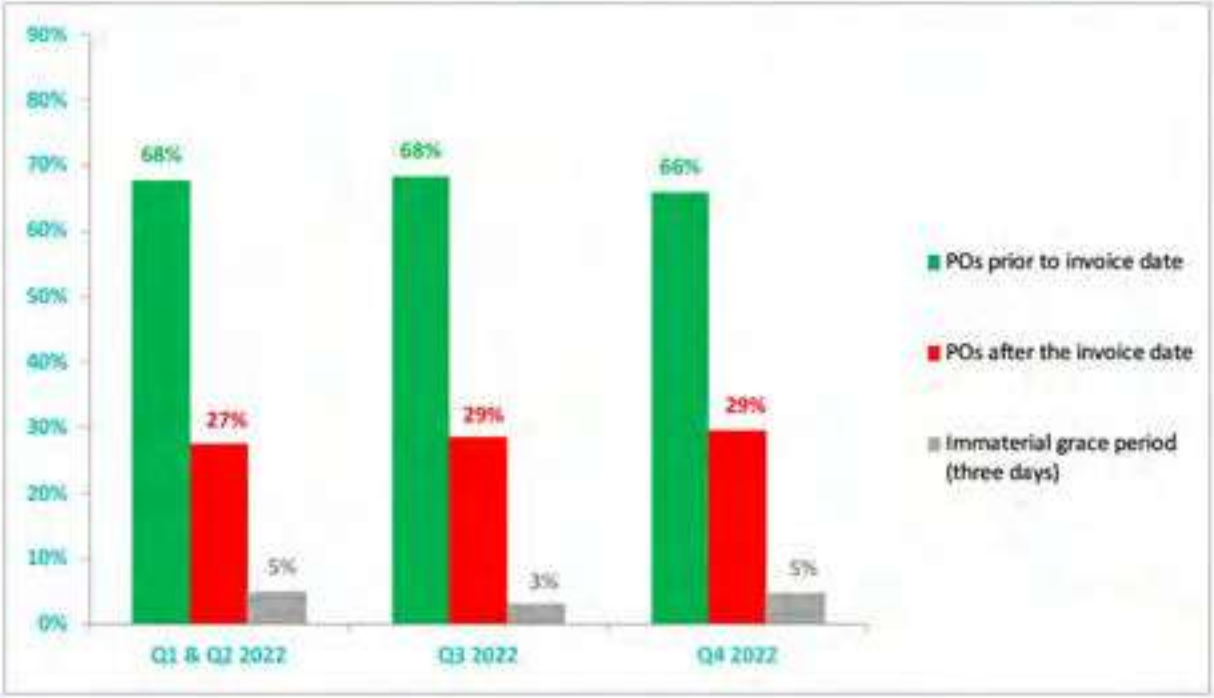
- The monetary value of the POs raised after receipt of invoice fluctuated during the period: 19*%* in Q3 and a reduction to 15% in Q4***.*** Please see ***"1b) PO Summary – Value of Invoices"*** for further details. This represented an improvement on the position last reported (first half of the year).

- Two divisions (***Content*** and ***Operations)*** are consistently higher in relation to the percentage share of late POs. Please see ***"2) Late PO by Division Summary - % of All Late POs"*** for further details.

Findings

1a) PO Summary – NUMBER of Invoices

PO Summary - Analysis of number of invoices > €1,000				
	Previously Reported	Current Period Under Review		
Analysis of number of invoices	Q1 & Q2 2022	Q3 2022	Q4 2022	Average
POs prior to invoice date	68%	68%	66%	67%
POs after the invoice date	27%	29%	29%	29%
Immaterial grace period (three days)	5%	3%	5%	4%
Total	100%	100%	100%	100%

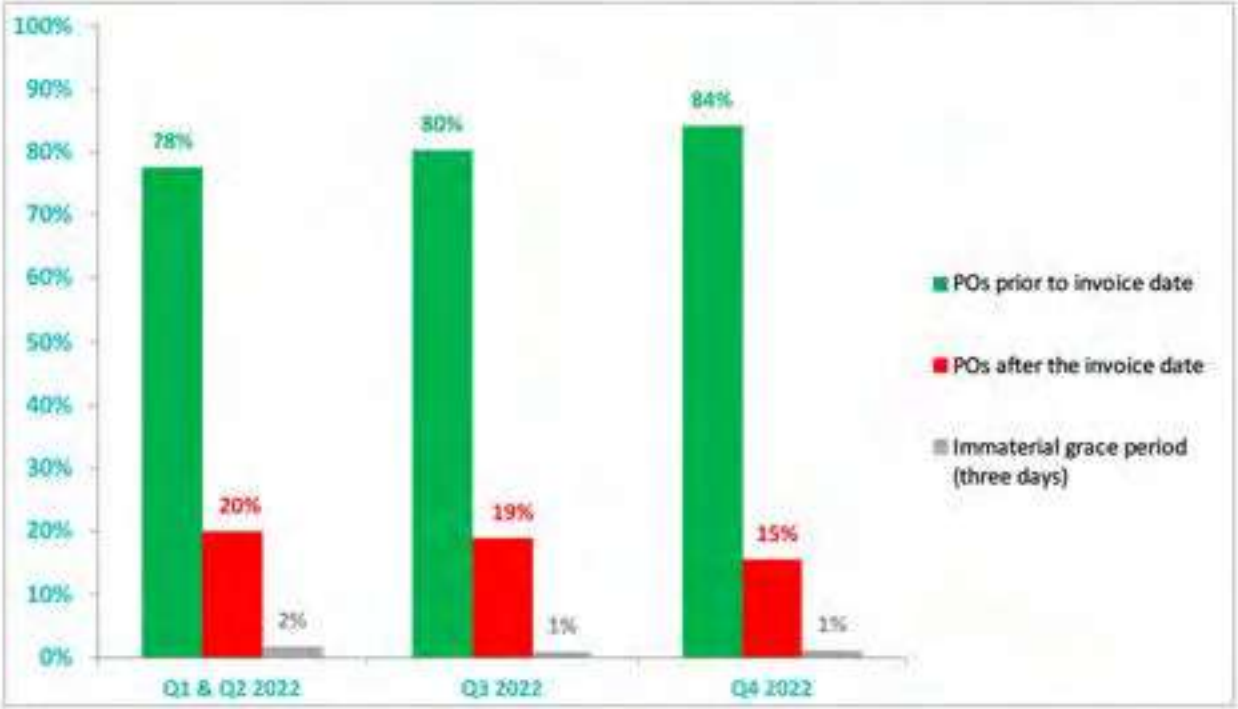


RTÉ

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	Q1 & Q2 2022	Q3 2022	Q4 2022	Average
POs prior to invoice date	78%	80%	84%	82%
POs after the invoice date	20%	19%	15%	17%
Immaterial grace period (three days)	2%	1%	1%	1%
Total	100%	100%	100%	100%



RTÉ

Findings (Cont'd)

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

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

RTÉ

Conclusion

Conclusion & Action

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

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

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

Actions:

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

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

Rating

IMPROVEMENT NEEDED

RTÉ Internal Audit

Report on RTÉ National Symphony Orchestra

31 January 2014

Circulation:

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

Performing Groups:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Objectives and Scope

Background

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

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

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

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

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

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

Scope of audit

✓ The scope of our audit was to review the key financial and operational activities of the RTÉ National Symphony Orchestra.

✗ The scope did <u>not</u> include:
  ✗ IT Audit, e.g. of the [redacted]

Objectives of audit

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

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

Executive Summary: Key Issues and Overall Conclusion

Key Management Issues

Casual Musician Contracts

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

RTÉ Music Library Facilities

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

Access Rights to Instrument Storeroom

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

Overpayment of Musicians

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

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

Overall Conclusion

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

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

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

Rating

IMPROVEMENT NEEDED

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

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	**Unpaid Leave of Absence** ***Testing*** Two tests were performed on unpaid leave, as follows: **1)** A sample of 10 instances of leave without pay during 2013 were examined to ensure that authorisation forms were in place and approved in advance. Findings: - Signed authorisation forms were on file for 9 of the 10 instances of leave, approved in advance and in agreement with HR [redacted] data. One form was not on file. In mitigation, a signed letter of application for leave was available. **2)** From our sample in finding # 1 *(Fee Payments)* above, we compared a sample of 5 individuals engaged on a casual basis to cover unpaid leave to the corresponding [redacted] data to ensure that the individual they were covering for actually took unpaid leave. Findings: - In all 5 cases the details corresponded to [redacted] unpaid leave data and no issues were noted.	Agreed. [redacted]	1) A reminder will be issued to ensure that Leave of Absence authorisation forms will be submitted and filed for all instances of unpaid leave. 2) No action needed.	M	[redacted] 31 March 2014

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Health and Safety				
5.	**Risk Assessments on venues** ***Testing*** We selected six venues from the monthly RTÉ NSO schedules to test whether a health and safety risk assessment form was completed for each venue prior to the concert. In selecting venues we focused on "non-standard" venues such as regional venues and schools which are not regularly on the Orchestra's schedule. ***Finding*** 1) A risk assessment was not carried out in one instance. 2) We received a risk assessment for the remaining five out of six venues. However, we noted that the risk assessment for one venue was not fully completed until the musicians were onsite (i.e. completed late). The specific details are as follows: • No risk assessment: This related to a school visited by the NSO for RTÉ Children's week (Education Project). A risk assessment was not carried out for this venue due to staffing changes at the time. This is an isolated incident. • Late completion of risk assessment: In certain instances, when the venue is particularly far away, the risk assessment process commences prior to the visit but is only completed when the Orchestra Manager has travelled to the venue with the orchestra on tour. This creates a risk that an issue / hazard could arise on site, before the risk assessment is complete.	Agreed. [redacted]	The Orchestra Manager will ensure that a risk assessment is carried out prior to any concerts being scheduled in a venue. In instances where it is not possible to fully complete the risk assessment prior to attending the venue for the concert, the Orchestra Manager will gather as much information as is possible and issue an interim risk assessment to orchestra members if specific hazards are identified.	M	[redacted] 31 March 2014

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Music Library and Copyrights				
8.	**Music Library Records** ***Background*** Music is subject to copyright laws and must therefore be hired or purchased for use in particular concerts. In the EU, music is subject to copyright until the composer has been dead for over 70 years. ***Testing*** Five pieces of music used in concerts during the period covered by the audit were selected for testing. Hired music was traced back to invoices and purchased music was compared to the [redacted] system records. Two-way testing was also performed by selecting five pieces of music randomly from the [redacted] (Library) system and tracing these through to the location on the physical Library floor, followed by reverse testing of five pieces from the Library floor back to [redacted] system records. ***Findings*** *a) Completeness and Accuracy of Music Records* We identified issues with the completeness and accuracy of the recording of library holdings as follows: - [redacted] System to Library Floor: In one of the five instances tested, the catalogue number on [redacted] did not trace back to the library floor. - Library floor to [redacted] System: There was no listing on [redacted] for one of the five pieces selected on the Library floor.	Discussions are currently in train regarding replacement of [redacted] which might affect when inventory and updating of catalogue can/ should be carried out. [redacted] Noted. [redacted]	The issues identified in finding a) will be updated and corrected on the [redacted] system. A full inventory of music on file will be carried out. In addition to recording up to date information on the location and existence of music, this will also afford an opportunity to record any sets of music in poor condition.	M	[redacted] 31 March 2014 [redacted] / Interim General Manager RTÉ NSO [redacted] 31 May 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	b) *Condition of Music:* - There was no Conductor's score enclosed in one instance, making the music unusable at short notice. - Two sets of the same piece of music were on file in another instance, one set being unusable and taking up some of the limited storage space. - Some sets of music stored in the library were worn out and unusable. While the [redacted] system may identify a piece of music, there is sometimes no further comment recorded in order to track the current condition of the music. A full inventory of music on file is therefore recommended.				
9.	**Storage of Music in Donnybrook Archive** There is a lack of space to store all of the music on site in the NCH and music from Irish composers is therefore stored in the archive rooms in Donnybrook. This music continues to be in use and is part of the RTÉ NSO's performance library. We noted the following: 1) The music stored in the archive rooms in Donnybrook is stored in boxes on high shelves above shoulder height, requiring the boxes to be lifted up and down. Music should ideally be stored in bags as is the case in the NCH Library. 2) The existence of two separate music storage areas can create administrative inefficiencies, with unnecessary time spent on travel between locations. In mitigation, NSO concerts are planned months in advance allowing sufficient time for music to be organised. Secondly, the music stored in Donnybrook is needed on a less	The assessment of old/ historic material may need the input of specialist music archivists/ librarians. The inventory review will also include an assessment of the most appropriate storage location, which may be external to RTÉ. [redacted] Noted. [redacted]	An inventory of music on file in the Donnybrook Archives, and its condition, will be carried out. Consideration will be given to seeking storage of physically vulnerable or unique music in a more suitable location elsewhere, having regard for the nature of the music.	L	[redacted] / Interim General Manager RTÉ NSO [redacted] 30 June 2014

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

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

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

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Rotation				
13.	**Rotation of musicians** ***Background*** Rotation is the consequence of an artistic decision regarding the number of musicians required to perform specific repertoire. If a piece within a music programme, or an entire programme, has been reduced for artistic reasons then musicians will take turns in being relieved from certain programme duties and will be "on rotation". While on rotation the musicians are "on call" should they be required at a later stage. The tracking of rotation is recorded in notebooks by "book-holders" in each section of the orchestra. The purpose of this process is to ensure consistency and fairness in who is being rotated off the performance and to keep a record of it. ***Testing*** Rotation books from two sections - First Violins and Violas- were requested for review and a walkthrough of how the process works was performed and documented. ***Issues:*** a) Format of Rotation Books The format of the rotation books currently in use is difficult to follow. Small pocket-sized notebooks are used for each section with recordings made in pencil. There are different rotation approaches in use across each section. Consideration should be given to introducing a roster format that will be uniform across all sections and be easy to follow. Soft copy rosters would facilitate easier tracking of rotation.	Agreed. [redacted]	The current format of the rotation books will be changed to a soft-copy roster format that is uniform across all sections and easier to follow for tracking purposes. Rotation rosters will be submitted weekly to the Orchestra Manager for sign-off. This new approval will facilitate the tracking of musicians: • Working the concert • On-call • Not working In instances where current book-holders are not Section Leaders, the Section Leaders will replace the current book-holders, managing rotation in liaison with the Orchestra Manager and ensuring the Orchestra Manager to make final decisions as necessary.	M	[redacted] 30 April 2014 [redacted] 30 April 2014 [redacted] 31 May 2014

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

RTÉ Internal Audit

Review of 2rn Internal Financial Control

8 March 2023

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:
[redacted] Chairman RTÉ Transmission Network DAC (trading as 2rn)
[redacted] Executive Director 2rn
[redacted], Financial Controller 2rn

RTÉ:
[redacted] Group Financial Controller

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

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Introduction, Background and Risk

Introduction

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

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

Background

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

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

Code of Practice for the Governance of State Bodies:

Section 1.8 of the Code states that:

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

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

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

Companies Act 2014:

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

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

Risk

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

- Risk #1 – Commercial Revenue;
- Risk #8 – Management of Finances and Business Planning; and
- Risk #10 – Legislation/Regulation and Compliance.

(Based on Q3 2022 rankings, currently under review)

Other specific risks relevant to this report are as follows:

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

Objective and Scope

Objective

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

Scope

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

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

The scope did not include:

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

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

Controls

Key Controls

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

	Process	Overview
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 workings for returns; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

Findings

Findings

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

- ✓ The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating 94% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ Divisions.

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

Other matter:

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

Conclusion and Report Rating

Conclusion

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

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

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

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

Report Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines.	• Examine one 2rn tender in 2021 and examine documentation, evaluation sheet, award letter, eTenders notification, etc.	Inquiry, Observation and Inspection.
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices.	• Assess the design of Segregation of Duties procedures.	Inquiry, Observation and Inspection.
3)	All invoice payments and payment runs are authorised by appropriate personnel.	• Test one EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace payments through to bank statements and General Ledger. • Test a sample of invoices from the payment run for proof of prior approval before payment.	Re-performance. Re-performance.
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations.	• Examine a sample of the invoices on [redacted] to verify that they were paid by due date.	Inquiry, Observation and Inspection.
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared.	• Test one creditor reconciliation and ensure all reconciling items have been followed up and cleared the following month.	Re-performance.
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis.	• Test one creditor reconciliation and ensure the creditors' listing agrees to the GL.	Re-performance.
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines.	• Test one Purchase Card envelope and verify that supporting documentation is in place with appropriate approval.	Re-performance.
B	**Sales and Accounts Receivable**		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers.	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Inquiry, Observation and Inspection.
9)	Procedures are in place for processing customer orders and formal contracts or supporting documentation are filed.	• Inspect contract/Accommodation Request Form (ARF) with supporting documentation for one order.	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
10)	All discounts from rate card are approved by an appropriate official in advance.	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card, if applicable.	Inquiry, Observation and Inspection.
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Test one debtor reconciliation and ensure the debtors' listing agrees to the GL and review reconciling items.	Re-performance.
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances.	• Test one aged debtor listing.	Re-performance.
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note.	• Test the approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Re-performance.
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts.	• Assess the design of segregation of duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Inquiry, Observation and Inspection.
15)	There are financial procedures in place for handling and recording of receipts in a timely manner.	• Test a sample of lodgements and check timeliness of recording in books.	Re-performance.
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled.	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Inquiry, Observation and Inspection.
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official.	• Test one bank reconciliation for each bank account for a sample of periods and check for review by a senior person.	Re-performance.
18)	All reconciling items are investigated and cleared before the following month end.	• Test that reconciling items were cleared by following month, where applicable.	Re-performance.
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Inquiry, Observation and Inspection.

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc).	on authority limits.	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Test one quarterly compliance certificate to Barclays outlining compliance with covenants. Test the calculation of the formulae/financial data.	Re-performance.
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits.	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Inquiry, Observation and Inspection.
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis.	• Test the Fixed Asset Register was reconciled to the GL for sample of periods.	Re-performance.
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits.	• Test one addition and one disposal, verifying they are appropriately authorised in writing by a senior person.	Re-performance.
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item.	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Inquiry, Observation and Inspection.
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials.	• Verify that any stock right-off has been approved by an appropriate person.	Inquiry, Observation and Inspection.
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures.	Inquiry, Observation and Inspection.
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts.	• To be addressed as part of RTÉ Group audit work in this area	Re-performance.

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records.	• Test the reconciliation between [redacted] and [redacted] payroll records for one period.	Re-performance.
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and [redacted] payroll records on a monthly basis.	• Test the reconciliation between PAYE/PRSI returns to Revenue to [redacted] and [redacted] records for one period.	Re-performance.
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• Test that management accounts are approved and submitted to Central Finance for one month.	Re-performance.
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary.	• Test that all account balances are reconciled before the submission of management accounts to Central Finance.	Re-performance.
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Test that intercompany balances (both P&L and B/S) have been reconciled for one month and agree to confirmations from the relevant parties.	Re-performance.
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team.	• Test that supporting documentation is on file for a sample of manual journal entries and that they were approved by a senior member.	Re-performance.
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied.	• Test for one month, that the accruals listings are available and reconcile to the GL.	Re-performance.
H	**Taxation**		
	Risk Summary: Non-compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT returns are reconciled to the GL.	• Test that VAT workings reconcile to the GL for one month. • Test that the VAT workings were provided to Central for filing.	Re-performance.
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations.	• Test that PAYE/PRSI returns have been correctly filed on time for a one period.	Re-performance.
37)	There are procedures in place for timely and correct submission of any other relevant taxation returns (PSWT, DWT and CT).	• Test that returns agree to back-up and have been filed on time for one period.	Re-performance.

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

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

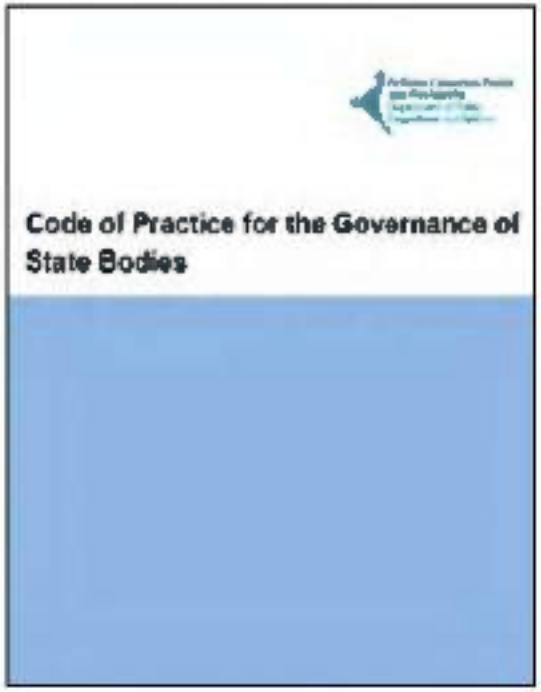
Note:
Taxation: also covered as part of audit work on the Director's Compliance Statement.
Treasury: additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

RTÉ Internal Audit

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

Year-ended 31 December 2019

9 April 2020



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ

Background

Background

Introduction

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

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

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

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

Reporting

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

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

Code of Practice (2016)

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

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

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

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

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

Background and Governance Framework

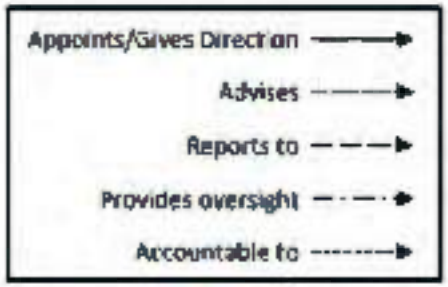
The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

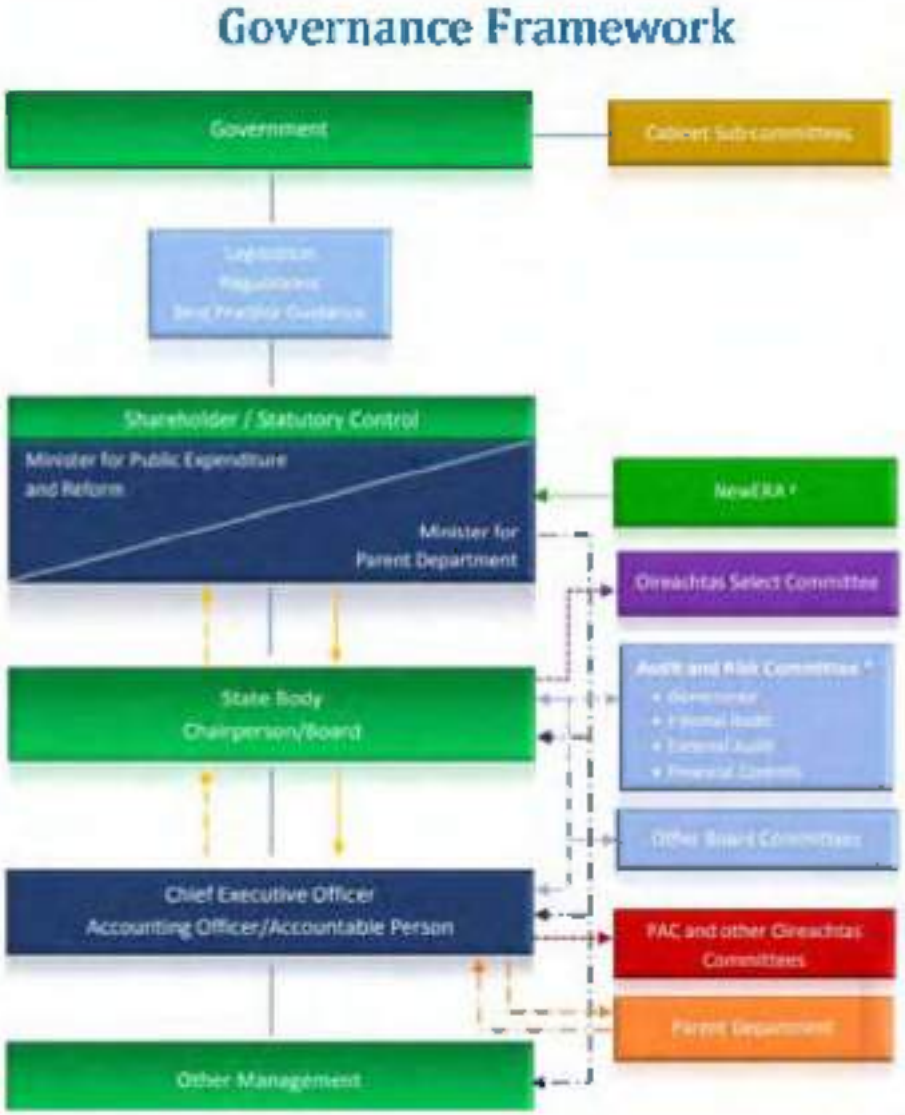
Governance Framework

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

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

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





Objective and Scope

Objective and Scope

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

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

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

DCCAE Checklist

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

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

Risk

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

Risk # 11 – Managing of Finances and Business Planning
Risk # 12 – Changes in Legislation / Regulation & Compliance

Findings

Findings - YE 31/12/2019

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

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

Results

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

Audit Exception – Procurement

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

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

Actions

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

Findings

Findings (Cont'd)

Conclusion

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

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

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

Rating: **Compliant with Code of Practice**

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

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
1 - 5	The Board and Directors	• 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	*Board* • Matters reserved to the Board for consideration and decision • Delegated Authority Limits – *both updated in 2018* • 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 • RTÉ Revised Strategy 2020 – 2024 *Other compliance documents* • 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	• Annual Report and Financial Statements • Additional Reporting Requirements	• 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	• Internal Control • Review of Effectiveness of Internal Control	• RTÉ Journalism Guidelines • RTÉ Content Standard Guidelines

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
		• Internal Audit Function • Risk Management • Audit and Risk Committee	• RTÉ Social Media Guidelines • 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	• 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	• Oversight Agreement between RTÉ and DCCAE • Annual Statement of Performance Commitments ("ASPC") • RTÉ Public Service Statement 2015 • RTÉ Statement of Strategy • RTÉ Revised Strategy 2020 – 2024 • 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	• Remuneration and Superannuation • Travel and Official Entertainment	• 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	• Customer Charter • Customer Action Plan • Display and Content of Charter and Action Plan	• Complaints Process • ASPC • Competition Voting Terms & Conditions

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
-	Guidance Documents	• Business and Financial Reporting Requirements	• 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
		• Audit and Risk Committee Guidance	• Audit & Risk Committee Terms of Reference • Audit & Risk Committee Self-Assessment Questionnaire
		• Remuneration and Superannuation	• Remuneration & Management Development Sub-Committee • Remuneration Disclosures in Annual Report
		• Board-Self Assessment Evaluation Questionnaire	N/A

RTÉ Internal Audit

Review of Cost Allocation Process

14 March 2016

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

RTÉ:

[redacted]

KPMG:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background and Scope

Background

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

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

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

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

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

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

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

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

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

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

Objective and Scope

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

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

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

Scope and Risk

Objective and Scope *(Continued)*

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

The scope of the audit was as follows:

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

The scope did not include:

X IT aspects of the [redacted] Allocations database.

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

Risks

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

- Risk # 3 – Management and prioritisation of financial resources

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

Findings, Conclusion and Rating

Findings & Recommendation

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

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

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

Overall Conclusion

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

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

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

Rating

SATISFACTORY

Appendix 1 – Audit Sample Size

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

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

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

RTÉ Internal Audit

Review of Insurance Arrangements

30 September 2013

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

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Background and Scope

Background

Background

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

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

Policies

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

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

- Public liability
- Employer's liability
- Media liability (broadcast risk)
- Directors' and Officers' liability
- Pension Trustee liability
- Business interruption
- Other business – engineering, computer, travel, marine transit, and crime
- Motor fleet

Claims

A Liability Claims Review meeting takes place twice per year attended by Marsh, RTÉ's principal insurer [redacted], the solicitor appointed by the insurer to manage claims and various RTÉ representatives (Finance, Health and Safety and Human Resources).

A Liability Claims report is maintained by the Broker to track 'active' claims and is circulated at regular intervals. The report lists each claim and tracks the nature of the claim, the present position of the claim, the outstanding reserve, amounts paid etc. At the time of writing RTÉ has a number of open claims dating back to October 2004. The majority of claims fall into a category best described as "slips, trips and falls".

Before an incident reaches the status of a claim, RTÉ has a policy in place regarding the reporting of accidents, with a template Accident on Duty form posted on the intranet for completion by the injured party and his / her line manager.

Scope of Audit

The scope of the audit was organisation-wide. The objectives of this audit were to:

- ✓ Review the insurance cover in place in RTÉ and assess the adequacy of same;
- ✓ Review the accident tracking, monitoring and reporting procedures;
- ✓ Assess the process by which claims are administered, defended and processed;
- ✓ Assess the efficiency of the coordination between the different RTÉ departments which have a role to play in the area under review; and
- ✓ Consider the arrangements in place for securing indemnity from third party contractors.

The scope did not include a review of the process and strategy for defending claims arising under the Media Liability policy.

Key Issues and Agreed Action

Key Management Issues

The findings are set-out in the action plan. The key management issues are set-out below:

Accident reporting and recordkeeping

There is scope to improve the recording and management of accidents events. The audit identified instances of accidents currently the subject of a liability claim, but which were not recorded on the central log of accidents. We also identified instances of inconsistent information held by departments, such as accident reports logged by HR, but not recorded in the insurance files in Central Finance.

We noted limited formal metrics / KPIs to track the nature, frequency and location of accidents. These areas are now in the process of being addressed.

Claims handling process

Having reviewed a sample of active claim files, we observed delays in managing correspondent from the Personal Injuries Assessment Board. We also identified opportunities to improve the administration of claims.

There is no formal written policy in place for the management of accidents. Such a policy is an important prerequisite to put RTÉ in a strong position to devise a strategy and approach to dealing with a claim, should one arise. The policy would clarify the timing of an engineering report; the individual(s) required to attend when the engineer attends on site; policy regarding the taking of photos upon notification of accident; and policy regarding retention of CCTV and other physical evidence and related matters.

Insurance arrangements for Contractors

Reliance is placed on personnel locally (in the divisions) to check the insurance arrangement of third parties engaged as part of productions – special effects, stunts, specialist studio production personnel. In many cases the person engaging the Contractor has no specialist knowledge of the insurance checks which should be carried out, or the risks involved. While an advisory service is available via the Broker / Insurance department to assist the divisions, there is scope to improve the awareness of this service and to carry out insurance briefing sessions in this regard.

Conclusion

Conclusion

This audit involved a review of RTÉ's insurance arrangement. While not extending to a full review of health and safety, which is audited separately, the audit also necessitated consideration of accident tracking and reporting by line management to Human Resources. HR is reliant on Line Managers locally to notify that an accident has taken place.

It is important to acknowledge a number of positive aspects of RTÉ's management of insurance. Firstly, RTÉ has a low history of accidents and claims, given the size of the organisation and the scale of business operations. Most accidents relate to minor slips, trips and falls. RTÉ has appointed a qualified Broker to advise on all insurance matters, the policies in place and the management of claims. Regular meetings take place with the Broker and the Insurers. Adequate insurance policy coverage is in place, having regard for the nature of RTÉ's business and the risks faced. A governance structure is in place with liaison between Legal, Finance and Human Resources. Finally, the Broker has not raised any issues with the manner in which insurance is currently being managed.

The audit highlighted some areas for improvement including: accident management and recordkeeping, aspects of the claim handling process and matters relating to third party Contractors. The actions to address these areas are set-out in the attached action plan.

Some of these actions are complete, or are already in progress. In addition, following changes in personnel, a number of improvement initiatives in the area of accident management and reporting had started in Human Resources prior to the commencement and the audit. These actions have been documented in the action plan, where relevant.

The nature of the claim process is such that some of the active claims reviewed in this audit relate to events which occurred, perhaps, one or two years ago. However, process improvement have taken place since that date although it takes time for the benefit of those improvements to be observed.

We appreciate the assistance of the relevant personnel during the course of this audit.

Rating

Improvement Needed

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	Accident recordkeeping			
1.	**Incomplete records: accident log** We reviewed the Central Human Resources log of accidents as part of this audit. Five accidents which are currently the subject of a liability claim were not recorded on the Central Human Resources log. This may be due to the fact that the accident: • had been omitted from the log in error, or • was not reported to HR in the first place. Secondly, the Central Human Resources log of accidents was compiled retrospectively, in early 2013, for the period 2010 to 2012 inclusive. This approach adversely impacts the availability of timely, up to date information. (We noted that new accident recording procedures have been implemented by the Health and Safety Manager).	Accidents will be logged by the Health and Safety function in Central Human Resources. (See also finding #6 and actions re: communication to Line Managers).	H	[redacted] Done
2.	**Incomplete records: insurance claim files** During our review of files for sample of current insurance claims[1], we identified examples of insurance claims which only came to the attention of the Insurance department via the Plaintiff's solicitor. Two of a random sample of eight insurance claim files examined as part of this audit did not have an accident report on file: either because one was not completed by the injured party, or because the form was not shared with the Insurance department. In these cases notification from the Plaintiff's solicitor alerted the Insurance department of the accident.	Revised procedures have been agreed between Finance and Human Resources and the flow of information / accident reports is set-out in a revised *RTÉ Accident / Incident Reporting Flowchart*. See also finding #7 on the policy for the management of accidents.	M	[redacted] Done

[1] Unless specifically stated, when references are made to "claims" or "claim files" in this document, media liability claims were not included in the sample audited. See Ex. Summary for scope of audit.

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	While not identified as part of our random sample, we were informed of examples where the accident report had to be sought and prepared retrospectively, once the matter was the subject of a claim. As a result, RTÉ's approach to managing the claim is sometimes reactive – see finding #7 for further details.			
3.	**Records maintained in different departments** We compared the accident reports filed by Central Finance to the Central Human Resources log of accidents. We identified five instances of accidents logged by HR, but which were not recorded in the insurance files in Central Finance. There is also scope to improve the management of files and to consolidate all relevant data / reports in one central file. Currently, different departments may retain separate files for the same event.	See finding #2 above.	L	N/a
	Accident reporting			
4.	**Reporting of statistics / KPIs** *Accident reporting* We noted limited formal management report of accidents and the absence of ongoing metrics / KPIs to track the nature, frequency and location of accidents. As a result, it is currently difficult to identify trends or patterns of accidents or 'near-misses'. *Learning from accidents* We noted the absence of a consistent policy in place in RTÉ for: • Providing feedback / learning points to operational line management to	A new policy on the reporting of accidents will be put in place. Using the accident log set-out in finding #1, this will involve the quarterly reporting of summary accident statistics and KPIs to the Group Head of Human Resources, the Managing Director Corporate Development and others, as deemed necessary.	M	[redacted] 30 November 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	prevent future accidents, and • Follow-up reporting on accident events to the department where the accident occurred. Approximately 13 of the current / active claims relate to incidents in a defined production studio area, thereby affording an opportunity for specific action and briefing for line management locally in the department. • Six of these claims relate to alleged injuries suffered by two individuals, both working in the same department. While acknowledging that the area involves manual work, and is therefore at higher risk of accident, the pattern of claims in the area in a short period of time is a cause of concern and further training and action may be required locally.			
5.	**<u>Accident on Duty form</u>** RTÉ has two "Accident on Duty" forms – one to be completed by the injured party and one by his / her supervisor or line manager. The existing Accident on Duty form on the intranet is out of date and could be improved. For example, we consider the question *"do you intent to make a claim against any third party"* to be inappropriate for an initial accident report. One of the claim files reviewed as part of this audit contained an Accident on Duty form completed by a programme contributor. In those circumstances, the question is not appropriate. Secondly, the form provides insufficient space to provide a detailed description of the accident and is open ended i.e. the form does not prompt the collection of further relevant information by asking a series of focused questions to gather more specific information on the accident. We note that the Health and Safety Manager has prepared an updated version of each form, which is welcome.	The Accident on Duty forms will be revised and updated on the intranet.	M	[redacted] Done

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
6.	**Briefing to Line Managers** On a broader communication level, it is timely to issue a reminder to Line Managers about the RTÉ accident reporting procedures. This will also provide an opportunity to circulate contact details of individuals in Insurance / Health and Safety in the event of queries arising. It has been a number of years since a reminder was issued and the recent reorganisation and change has resulted in a number of new individuals in supervisory positions.	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	[redacted] In progress to 31 December 2013 [redacted] 31 December 2013
	Insurance claims process			
7.	**Accident management** We noted there is no written RTÉ policy for the management of accidents when an accident occurs. Such a policy would outline: • the timing of an engineering report; • the individual(s) / department(s) required to attend when the engineer attends on site (this is likely to vary depending on the type of accident); • policy regarding the taking of photos upon notification of accident; • policy regarding retention of CCTV and other physical evidence; • agreed process for the flow of information between Heath and Safety and Insurance; • Etc. The objective of such a policy is to ensure that RTÉ has as much information as possible on file to facilitate an informed response, should the accident lead to a notification of claim from the Personal Injuries Assessment Board ("Injuries Board"). Given the cross-departmental input needed to investigate an accident and respond to a claim (when a claim arises from the accident) a proactive accident management policy is an important prerequisite to put RTÉ in a better position to devise a strategy and approach to dealing with the claim. At	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 / Loss Adjuster reports in order to ensure that reports are completed on a timely basis after being commissioned.	H L	[redacted] 31 December 2013 [redacted] 31 December 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	present the approach is sometimes reactive. *[The impact of the absence of an accident management policy may be illustrated by the following example:* During our review of claim files we noted an engineering report dated 5 March 2013 in response to an 18 November 2011 accident. The report was commissioned after the claim was formally notified to RTÉ in early 2013. The insurance files contained limited other information. However, an accident report was prepared at the time of the accident and a 20 November 2011 entry to PeopleSoft recorded that the individual took an extended period of certified sick leave due to the injuries sustained in the accident. This information afforded an opportunity to gather further preliminary information – photos, interviews with crew, access to design drawings etc. – in the event of a claim. This is especially relevant as the stage where the accident occurred, in a third party premises, was scheduled to be de-rigged shortly afterwards. A formal accident policy would provide guidance on the approach to managing accidents and gathering data to be in a better position to defend a claim should one arise, perhaps one or two years later.]			
8.	**<u>Correspondent from the Personal Injuries Assessment Board</u>** Correspondence from the Injuries Board is passed to the insurers, who deal with the correspondence on RTÉ's instructions. As a general observation, based on our review of a sample of active claims files, we observed delays in responding to correspondent from the Injuries Board. In the sample of eight claim files examined as part of the audit, six involved correspondence from the Injuries Board. These six cases are analysed below:	A tracking mechanism will be developed in conjunction with the Broker to monitor the status of each Formal Notice of claim received from the PIAB. This will track the status of RTÉ's response to the PIAB during the 90 day period *(from receipt of notice)* granted to respondents to decide whether or not to consent to the PIAB assessing the claim. During meetings with the Brokers the ageing and status of each open PIAB Notice will be reviewed. In conjunction with the actions set-out in finding #10, an "owner" will be assigned to each active claim. That individual will be responsible for dealing with the claim and	M	[redacted] 30 November 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	• ***Four*** (67%) were not responded to within the timeline set-out by the Injuries Board. (In the one case where the Injuries Board letter was answered, the deadline to respond had passed almost two months earlier). In each of these cases, given the absence of a response, the Injuries Board initially outlined their intention to proceed with assessing the claim. o In three of the cases we noted that, after further demand letters from the Injuries Board to RTÉ for the payment of the application fee, the Injuries Board later issued an Authorisation to the Plaintiff to bring proceedings in the courts. o The remaining case is still open – in a letter to RTÉ the Injuries Board outlined its intention to proceed to assess the claim, and requested payment of the application fee from RTÉ. • Of the remaining ***two*** claim files involving correspondence from the Injuries Board: o The Injuries Board refused to assess one of the claim o In the second case, which is a recent claim, the Injuries Board has recently issued a final reminder requesting a response from RTÉ. • Of the six cases referred to above, two related to correspondence received in the period prior to the appointment of RTÉ's existing insurance Broker. This finding highlights a lack of a consistent process for handling correspondence.	coordinating RTÉ response to the PIAB notice, including calling a case meeting of relevant parties, as deemed necessary, to agree the RTÉ response and approach.		
9.	**Engineering reports** On occasions RTÉ's insurers are not providing RTÉ with a copy of engineering reports on a timely basis. During our review of claim files as part of the audit, two engineering reports were not on file even though a report had been commissioned by the insurers. In other cases, a copy of the report was provided to RTÉ and retained on the claim file.	See action in finding #7, above.	M to L	N/a

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	Notwithstanding the attendance of RTÉ personnel when the engineer is on site for the survey, RTÉ is in a good position to identify any errors, inaccuracies or mistaken assumptions in the report, ensuring an accurate position is established before a decision on dealing with the claim. This will also provide RTÉ with an opportunity to challenges the report of the engineer, where such an approach is warranted. Secondly, engineering reports are not always completed on a timely basis after the occurrence of the accident.			
10.	**Record-keeping** It is difficult to obtain statistics on closed claims, a summary of how historic claims were resolved, amounts paid under claims etc. While this data is available in a summarised format from the insurers, there is scope to improve the internal tracking processes and to have an easily accessible organisational view of claims, irrespective of the origination of the claim. In addition, we noted the absence of a central consolidated log of all insurance events. Finally, we noted that multiple files in relation to the same case are sometimes maintained in different areas. A central record of all claims is preferable.	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.	M	[redacted] Done
11.	**Responsibility for the management of insurance claims** The roles and responsibilities for managing individual insurance claims in RTÉ are not documented. ○ While in many instances the nature of the claim – employee related, accident related, broadcast / editorial related, etc. – determines the department most suitable to lead the case, some cases require input from different departments. Clarity in roles is therefore important.	As per finding #10, once a new case comes to the attention of RTÉ and is logged centrally, one individual will be assigned responsibility for leading each insurance case (i.e. case manager). This log will be circulated monthly to relevant parties (HR, Legal, Finance, Insurance and other senior managers, as necessary) and each case manager will update the log to record any developments in his/her case. Secondly, the log	M	[redacted] Done [redacted]

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	o The sample of historic personal injury claim files reviewed as part of this audit highlighted that, in some cases, there was no single person or department responsible for managing and leading the claim. In other cases, we noted a lack of coordination in dealing with the Insurers and more than one RTÉ contact point dealt with the Insurers in relation to the claim. In dealing with the Insurance company, it is important that RTÉ has a consistent organisation viewpoint on the strategy for dealing with a particular claim. We understand that a Finance / HR / Legal group has been meeting over recent months to review the area of insurance and the approach to managing claims. Therefore, this finding is most applicable to the historic claim files reviewed as part of the audit.	will be discussed as part of quarterly insurance meetings. The Broker will attend the quarterly meetings, with the Insurers attending every second meeting (i.e. six monthly). The HR / Legal / Finance group examining the issue of insurance will discuss the matter of the final decision making authority for devising a strategy to deal with a claim and will agree on the process for holding case meetings in this regard.		Ongoing from 31 October 2013 As above 31 December 2013
	Administration of claims			
12.	**<u>Liability Claims Review meeting</u>** RTÉ's Brokers are slow in circulating the minutes of the bi-annual liability claims review meeting, which has an impact on the timely completion of follow-up actions. This also increases the risk of a lack of clarity in the allocation of responsibility for same.	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).	L	[redacted] 31 October 2013
13.	**<u>Updating Liability Claims summary report</u>** A summary Liability Claims report is maintained by RTÉ's Broker to track each 'active' claim – the nature of the claim, the present position, the outstanding reserve, amounts paid etc. During our review of a sample of active claim files we identified examples where the Liability Claims report was not maintained up to date.	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.	L	[redacted] 31 October 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	For example, the report dated 15/5/2013 lists an engineer's report as "still awaited", even though it was completed on 5/3/2013 and a copy provided to RTÉ. Another example is a case recorded as "IB notice received" even though the date of responding to the Injuries Board had passed and the status of the claim had moved.			
14.	**Delays in responding to information requests** As part of our review of the file of a claim settled in March 2013, we noted a five month and 24 day delay in RTÉ responding to an information request (copy of contract with a Production Company) from the Loss Adjuster appointed by the insurance company. These types of delays have the potential to adversely impact RTÉ's defence of the claim. While settled recently, this is a historic claim prior to the insurance broker tender. Staff changes in Central Finance have also taken place since that date and we consider a delay on this scale to be an isolated incident.	For noting – this is an historic issue and no specific action deemed necessary. The actions for finding #11 also address this finding via the assignment of responsibility for managing each case.	L	N/a
	Insurance arrangements for third parties / Contractors			
15.	**Checking insurance arrangements** Considerable reliance is placed on personnel locally (in the divisions) to check the insurance arrangement of third parties engaged as part of production – special effects, stunts, specialist studio production personnel, etc. In many cases the person engaging the Contractor has no specialist knowledge of the: • Type and level of insurance cover RTÉ should request from the Contractor; • Methods of checking the validity of cover; • Indemnity which should be provided to RTÉ; • Checks to carry out on restrictions in the policy etc. During the course of the audit we were made aware of issues whereby the	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.	L	[redacted] 31 December 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	insurance implication of productions – particularly out of the ordinary productions / events – were not being considered in a timely manner and notified to Central Finance in order to report to RTÉ's Brokers. We identified examples of these issues as part of previous health and Safety audits.			
	Other matters			
16.	**RTÉ Indemnity** On occasions RTÉ is asked to indemnify a third party as part of a production, for example filming in a shopping centre, museum, public transport system, or during an Outside Broadcast involving an audience. The relevant letter is issued by the Insurance Administrator, who consults with the Insurers if deemed necessary. In the absence of the Insurance Administrator, the matter is dealt with by the Broker. There is a low risk that RTÉ could provide indemnity in circumstances when an indemnity is not required i.e. if the production is an IPU production, or if the individual requesting indemnity is a non-employee contractor with his / her own personal insurance policy. While the existing Insurance Administrator is experienced and knowledgeable of the RTÉ employees who normally request indemnity, and the types of productions applicable, a checklist of questions to ask in response to a request for an indemnity letter would assist in identifying circumstances when further investigation is required before issuing an indemnity. This is relevant in the event that the existing staff member (or the representative of the Insurer) is not available.	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.	L	[redacted] 31 December 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
17.	**Use of vehicles for business purposes** ***Background*** RTÉ staff use vehicles for business purposes in three ways, as set-out below. The insurance implications of each method is also outlined below. The RTÉ Travel and Expenses Policy sets-out the policy on the use of a private car for business purposes and the claiming of mileage expenses. In summary, pre-authorisation from the Divisional Head is required. Secondly, persons granted authorisation to use their car on official business purpose must provide evidence that their insurance policy permits such use and that RTÉ is indemnified accordingly. Subsequently, evidence is provided to Finance on an annual basis, at the time of insurance renewal, in order to continue to claim mileage via the Transfare system. RTÉ also offers staff a car rental service via Europcar. Bookings are made via a dedicated website with authorised users selecting a vehicle from a predefined list of approved RTÉ vehicles. Booking requests are routed to the costpool manager for approval or rejection. These vehicle rentals are covered by the RTÉ Motor Fleet insurance policy. Finally, RTÉ maintains a small fleet of motor vehicles, generally in production areas such as news crews, Radio Roadcaster, field production and a small number of 'pool' vehicles. These vehicles are owned or leased by RTÉ and are covered by the RTÉ Motor Fleet insurance policy. ***Finding*** In recent times a new method of using private cars for business purposes has emerged as a cost saving exercise. This involves the use of a private car for business, but reclaiming the petrol costs associated with the trip as opposed to the mileage. However, unlike the mileage reclaim system, evidence that the individual's insurance policy permits such use is not sought, nor is an indemnity sought for RTÉ under the individual's policy. Therefore, there is a	The Finance Travel and Subsistence Group will prepare a paper examining this issue. The RTÉ Travel Policy will be updated to address the matter of reclaiming of petrol receipts.	M	[redacted] 30 November 2013 [redacted] 31 December 2013

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	potential exposure for RTÉ in the event of an accident on RTÉ business. The risk is mitigated in that the RTÉ Motor Fleet policy provides coverage of private vehicles under the "occasional business use" clause, although in such circumstances trips are generally of an unplanned nature. Secondly, individuals reclaiming petrol receipts were formerly claimants of mileage and already subject to insurance checking procedures. However, this provides only limited mitigation and is not suitable for regular users of petrol receipts process. New procedures need to be put in place in respect of those claiming refunds of petrol receipts to mitigate the insurance risk. In addition, the Travel Policy does not clearly outline a policy on the area of reclaim petrol receipts and needs to be updated.			

RTÉ Internal Audit

Review of Purchasing Compliance

Year-ended 31 December 2016

8 March 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

IBD Finance:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background

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

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

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

Tiered delegated authority approval limits

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

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

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, generally by EFT to the supplier's bank account.

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

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

This, in turn, reduces the number of low value orders processed via [redacted] web and reduces administration costs.

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

Payment
RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*. Procedures have been implemented to identify the dates upon which invoices fall due for payment to ensure that payments are made by such dates.

Objective and Scope

Risk

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

- Risk # 3 – Management and prioritisation of financial resources

Other specific risks relevant to this report are as follows:

- Fraud
- Duplicate Payments
- Compliance with Regulation
- Purchase commitments being made prior to managerial approval
- Inherent IT Risk / System Functionality:

[redacted] However, by their nature, manual controls are weaker than automatic system controls.

Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2016 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG place reliance on this work as part of their external audit. We also review the timeliness of invoice payments and the extent to which orders are raised, and approved, in advance of invoices.

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

Scope

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed during the period 1 January 2016 to 31 December 2016, across all IBDs. The audit involved three main areas of work:

- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requsitioners per IBD; and
- ✓ Identifying the number of POs that were raised after the invoice date.

The scope did <u>not</u> include:

- X Reviewing purchase card payments
- X A full review of all invoices posted on [redacted] to detect duplicate payments – indirectly covered as part of a separate audit.

Data Analysis

A Purchase Order Data

13,931 POs were raised in 2016, in comparison to 13,441 in 2015. (These totalled 20,488 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by IBD:

The graph below details the value, by IBD, of POs raised in 2016. The total value of POs raised in this period was €185.4m.

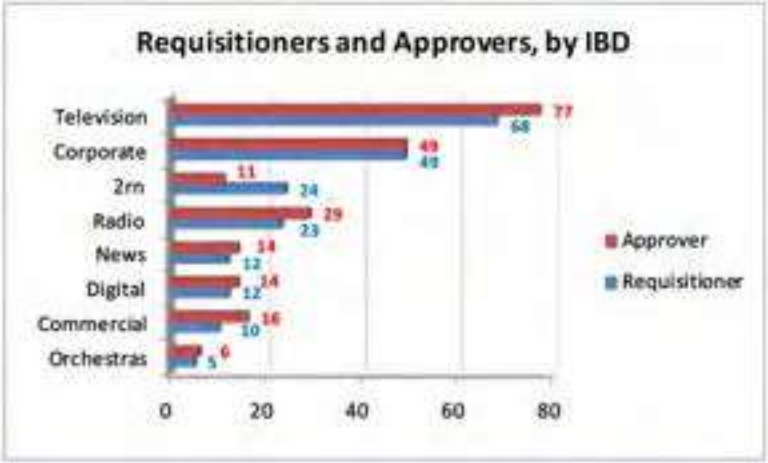
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value of PO	Number of Orders Processed in 2016
€0 - €5,000	11,130
€5,001 - €10,000	1,253
€10,001 - €100,000	1,290
€100,001 - €250,000	141
€250,001 - €750,000	78
€750,001	39
Total	**13,931**

Note:
1,094 of the POs raised in 2016 were less than €100 in value and just over 28.5% of those related to ten suppliers, generally recurring consumable supplies.

B Requisitioners and Approvers

At the end of 2016, there were a total of 216 Approvers and 203 Requisitioners on [redacted] The graph below shows the breakdown by IBD.

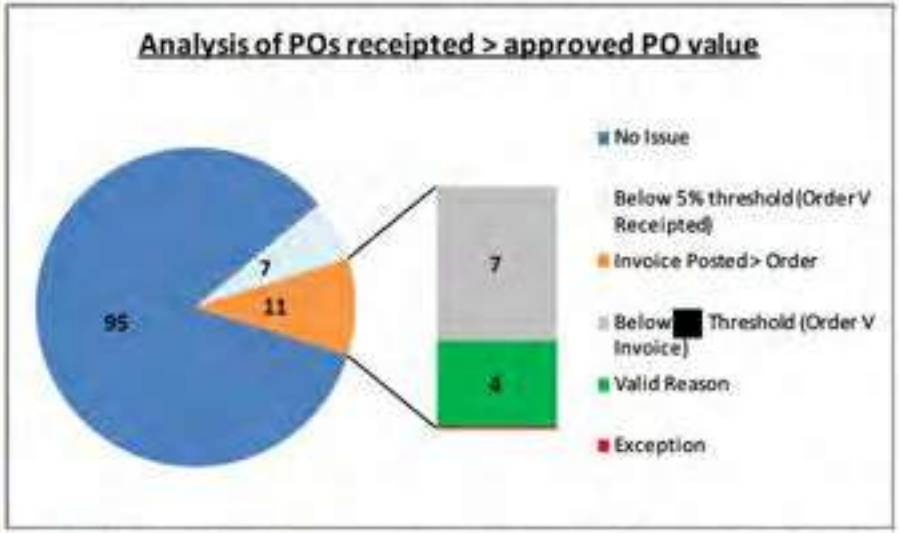


Summary Findings

1) Purchase Receipting Process

Of the 13,931 POs raised during 2016, 113 POs (0.8%) were highlighted for further testing as the value of the goods receipted against the order exceeded the original approved order amount.

A summary of the review of the 113 orders is set-out below:



For **95** of the orders, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting the goods (e.g. a mix up between the price and quantity fields).

In the case of **11** orders, both the goods receipted and the invoice processed were in excess of the original approved order. These orders were investigated further. Of the 11, seven are below the [redacted] threshold. In the remaining four cases, they were valid payments and no audit exceptions arose. See the Action Plan (#1) for full details of the explanations.

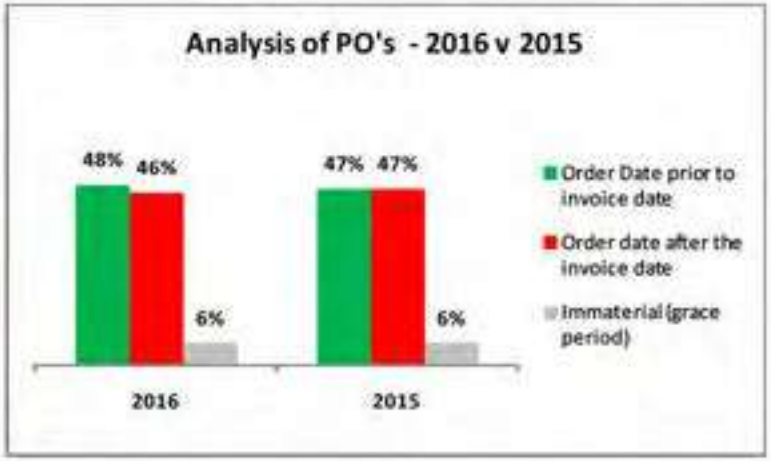
2) Requisitioners and Approvers

We reviewed the list of PO Requisitioners and Approvers, concluding that the number and job roles of the individuals is appropriate. We identified one departed individual listed as an Approver. The validity of two non-employee Requisitioners is also considered in action # 4.

3) Raising POs before Invoice

A comparison of the date the PO was approved compared to the Invoice date was undertaken. In 2016, we identified that **46%** of POs were dated after the Invoice date. This finding highlights a risk of purchase commitments being made prior to managerial approval of the order.

See the chart below for further analysis of the in scope orders:



As part of other audit work we identified some improvements in late 2016, following actions by a Finance Working Group.

RTÉ

Conclusion

Conclusion

Internal Audit carried out a review of the processing of all POs in 2016. The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

We reviewed the list of PO Requisitioners and Approvers by IBD, concluding that the number and job roles of the individuals is appropriate. Actions to address some matters are set-out in the action plan, in particular the existence of two non-employees as Requisitioners.

We noted that 46% of POs were dated after the Invoice date which highlights an issue regarding the extent to which purchase commitments are being made prior to managerial approval. In line with the RTÉ Purchasing Procedures, the PO should be raised and approved prior to making the commitment and in advance of receiving the invoice. A Finance Group has been working to address this issue since Q4 2016. Given the nature of the actions, lit will take some time for the improvement initiatives to be fully reflected in the statistics for the full year.

The standard of control is satisfactory in terms of the purchase receipting process. However, on the basis of the above findings, we assess the overall standard of control as "Improvement Needed". We appreciate the assistance of staff in Accounts Payable and Central Purchasing.

Rating

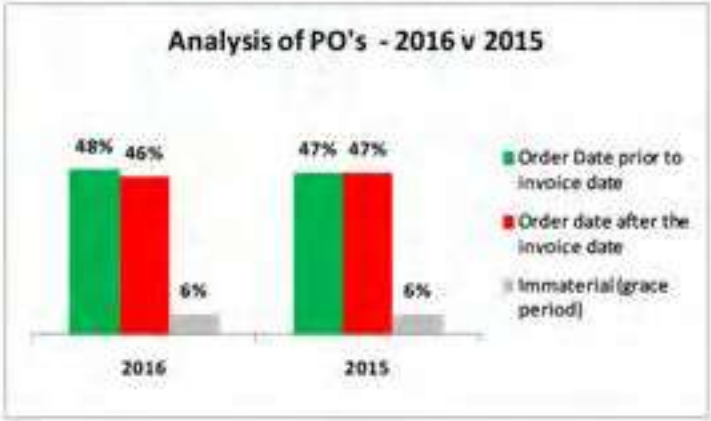
IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Purchase Receipting Process				
1.	**Invoices processed in excess of Approved Order Value** *Background* 113 of the POs (0.8%) raised in 2016 were highlighted for review as the value of the goods receipted exceeded the original approved order amount. For 95, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. A further seven were within the acceptable [redacted] *Finding* In the case of the remaining **11** orders, the invoice processed was in excess of the original approved order. These orders were investigated further, as follows: • In **seven** of the nine exceptions, the invoice processed was less than the acceptable [redacted] and did not require further investigation. • For the other **four** 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:	N/A	No action necessary – no inappropriate processing of invoices greater than the approved order amount.	N/A	N/A

Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below
[redacted]	€38,813	€42,818	-€4,005	1
[redacted]	€25,000	€32,090	-€7,090	2
[redacted]	€5,500	€5,963	-€463	3
[redacted]	€557	€859	-€302	4

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	A valid purchase / payment was made in each of these instances. See below for a more detailed explanation of each exception. ***1)*** [redacted] In this case the company billed RTÉ an incorrect invoice amount. When the balance was due to be paid, the full invoice value was posted in error against the PO. A credit note was then posted via Invoice Manager to correct the full amount of the original invoice. Credit notes are not handled through the Purchase Order system. The correct payment was then posted through Invoice Manager. ***2)*** [redacted]***:*** This payment was in relation to the 1916 events and required urgent payment at the time. A PO was raised for an amount lower than what was invoiced by the company. Due to some dispute over the invoice amount and subsequent time delays, there was no time to raise a second PO for the (agreed valid) balance. The balance was paid via Invoice Manager as needed to be paid immediately. ***3)*** [redacted]***:*** Blanket PO: The original PO was raised as a blanket PO to cover varying monthly charges from the supplier. However the actual charges exceeded the blanket PO and an amount was paid before further POs were raised and approved. This is a valid payment. ***4)*** [redacted]***:*** The PO was raised for the amount prior to any VAT being applied. VAT is not reclaimable on Food/Drink so the full cost (including the VAT charge) was paid. The entitlement to				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	deduct input VAT relates solely to VAT incurred on costs of accommodation and does not include VAT incurred on expenditure on food or drink.				
	PO Management				
2.	**<u>Purchase Orders raised after the Invoice</u>** *Background* A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data used to examine receipting. The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed in 2016, with the following assumptions: • Three days "grace" period for minor administrative delays will be allowed • Orders to the value of <€1,000 will be excluded from results • All currencies will be included • The following categories of expenditure will be omitted from the analysis so the results are not distorted: - Competition Winners; - Donations; - Rates; and - Department of Foreign Affairs (travel recharges). *Findings* The results of the analysis were as follows: • We indentified that **46%** of the POs approved during 2016 were dated after the Invoice date ("After-the-Fact").		***Finance Working Group*** The Finance Working Group will continue to monitor the level of compliance and liaise with Finance teams. The Group will coordinate the issuing of reminders to Requisitioners and Approvers that an approved order should be in place prior to making any purchase commitment and prior to receiving an invoice for the goods / services. ***Data and Reporting*** Reports detailing the number of After-the-Fact POs will be prepared monthly for review at the monthly Finance Meeting. 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 Appprovers, as required, e.g. where issues of persistent After-the-Fact POs are identified.	M	[redacted] in conjunction with [redacted] Ongoing Done [redacted] 31 March 2017 and Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• For the same period in 2015, using restated data, 47% of POs were dated after the Invoice. • The total number of POs generated in the period (within scope for this test) is similar year on year, with 7,065 POs raised in 2016 and 6,547 in 2015. See the chart below for further analysis of the in scope orders:  *Impact* 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. 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				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	programme / rights. This finding also has a knock-on effect on RTÉ's compliance with The *European Communities (Late Payment in Commercial Transactions) Regulations 2012,* which became operative on 16 March 2013. The Regulations provide that the standard deadline for public authorities to make business payments is 30 days and that Interest shall be payable in respect of a late payment if claimed by the Supplier. A specific Finance Working Group has been established to implement action and monitor the level of compliance locally in the Divisions. The working group commenced in the latter part of 2016 and is continuing into 2017. Therefore it will take some time for the actions to be fully implemented and the benefits recognised. As part of separate internal audit work in December 2016, we noted evidence of improvement in the timeliness of the raising orders in the latter months of 2016 period (as compared to the equivalent period in 2015), following the implementation of actions. It will be later in 2017 before the improvement is reflected in the full population of data for a full year.				
3.	**<u>Legacy Open POs</u>** The total value of open POs (i.e. POs received, but not yet invoiced) at 31 December 2016 was €8.4 million: comprising of €5.2 million for POs raised in 2014 and 2015. This comprises various low value amounts across the number of POs. The equivalent value at 31 December 2015 was €9.5 million.		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. Any POs that are no longer required will be closed as necessary.	L	[redacted] 30 June 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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.				
	Requisitioners & Approvers of POs				
4.	**Departed Employees** *Background* The number and appropriateness of Approvers and Requisitioners on [redacted] at 31 December 2016 was reviewed. These listings were compared with recent staff lists from HR to ensure that all Approvers / Requisitioners were employees of RTÉ and reviewed for other unusual features. *Findings* • At the end of 2016, there were a total of 216 Approvers and 203 Requisitioners on [redacted] • One Approver was a former employee who had departed from the Television IBD in July 2016, and should not still be listed as an active Approver. • We identified that two non-employees were set-up as Requisitioners on [redacted] as outlined below. Except in very exceptional circumstances, with appropriate approval from senior finance officials, it is not appropriate for non-employees to be set up as Requisitioners.		*Departed employee still set-up as an Approver* The issue with the departed employee is relevant to broader issues around RTÉ Technology User Access Policy. That is being reviewed separately by Internal Audit as part of a broader review of the identification of departed employees and the removal of those employees from relevant IT systems. *Non Employees set-up as Requisitioners* Individual A: While this appears to be an isolated incident, a review of the employment status of proposed new Requisitioners (i.e. determine whether they are employees or non employees) will be carried out prior to their set-up as Requisitioners on [redacted] Individual B: N/A the individual has departed the organisation and no longer has access to the systems.	M	Covered in a separate audit. [redacted] 31 March 2017 and Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	- ***Individual A:*** One Requisitioner was engaged as an Independent Contractor, working in a PDA / programme type role in Young People's and Entertainment. In this particular instance, the individual was assumed to be an employee in error and therefore set up as a Requisitioner on [redacted] - This was due to the fact that a number of other programme personnel – all employees of RTÉ – were all being set-up as Requisitioners at the same time as a single batch. The non-employee was not separately highlighted within that group due to an isolated error. - ***Individual B:*** A second non-employee was also set up as a temporary Requisitioner on [redacted] (Merchandising department). In this case, the set-up was intentional and the individual, hired through an employment agency, was set up as a Requisitioner due to a shortage of resources on the team. - The individual has since left the organisation. Approval was sought and granted from the Commercial Finance Manager in Television.				

RTÉ Internal Audit

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

Report 1 of 2 (Procurement Register)

16 April 2021

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted], Head of Procurement
[redacted], Group Financial Controller
[redacted], Financial Director, Content, Operations & Production Services
[redacted], Financial Controller, News and Current Affairs
[redacted], Financial Controller, Commercial
[redacted], Financial Controller, 2rn

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RTÉ

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Introduction and Background

Introduction

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

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

Background

National and EU Tendering Procedures
The Office of Government Procurement issued an updated version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were updated and applicable from 1 January 2020 (last revised on 18 December 2017).

Code of Practice for the Governance of State Bodies
The 2016 *Code of Practice for the Governance of State Bodies* ("the Code") contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

> *"The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff."*

Section 8.16 of the Code also states that the Board:

> *"should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson's comprehensive report to the Minister. "*

RTÉ currently has three key payment systems to pay individuals and companies supplying goods/services to RTÉ: Accounts Payable [redacted] Fees and Payroll [redacted].

- **Accounts Payable** [redacted] is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

- [redacted] **Fees** is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted] Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

- **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

Risk, Objective and Scope

Risk

The key corporate risks (Q4 '20 update) addressed by the report are as follows:

Risk # 10 – Brand and Reputation *(FOI requests etc)*;
Risk # 11 – Management of Finances and Business Planning; and
Risk # 12 – Regulatory Change & Compliance.

Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT ("NRV"));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2020 to 31 December 2020, across the [redacted] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as "tendered" in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did <u>not</u> include:

- ✗ Contributors paid via [redacted] Fees – separate processes following Eversheds Review – see page 5;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

Overview and Context of Findings

[redacted] Fees

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on the previous page, [redacted] Fees is out of scope of our testing of the Procurement Register as a separate process (Eversheds review), and the implementation of follow on actions, has been underway for the past three years.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also taken place. RTÉ has engaged with each Contractor, issuing contracts of employment as appropriate.

While procedures are in place in respect of payments via [redacted] there is less formal monitoring and reporting of tendering in respect of Contractors engaged via [redacted] fees.

A significant capital project to implement a new ERP system is also currently in progress. This will replace legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

[redacted] Payable ([redacted]

Data Analysis

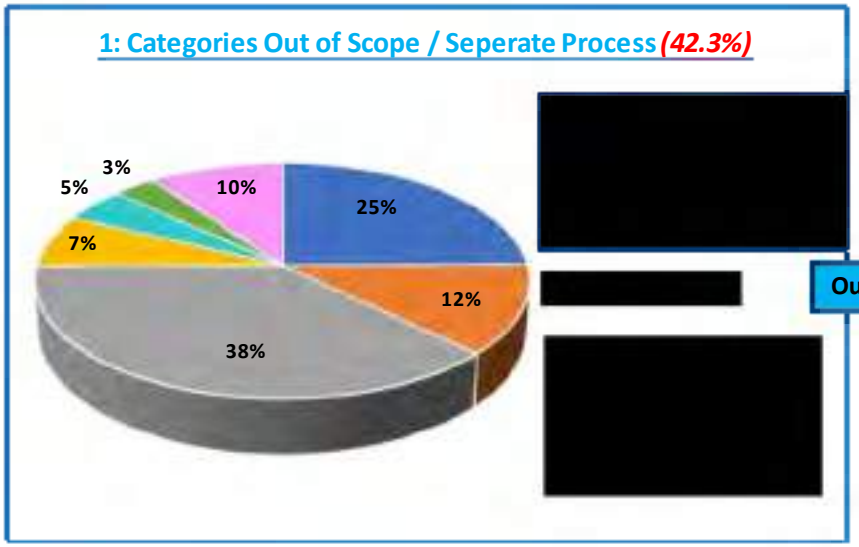
Payments were made to 1,700 suppliers on [redacted] from 1 January 2020 to 31 December 2020. The total value of payments made was €151.6 million and this is the scope for our audit testing.

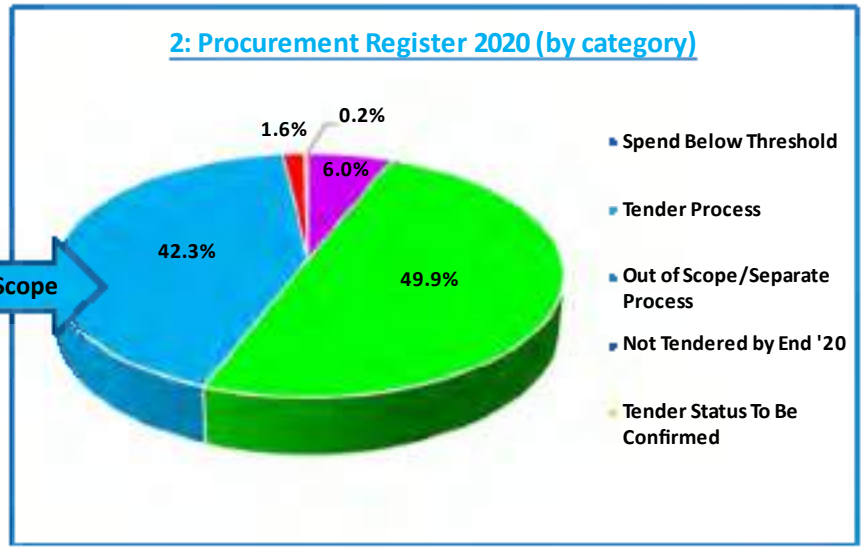
Categories Out of Scope:

Of the €151.6 million in payments, €64 million (42.3%) was excluded from testing as it fell into an out-of-scope category or another process. The graph overleaf provides a more detailed break-down of these items.

Findings

Findings – Overview





As illustrated in the above charts, 42.3% (€64 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and are procured via a bidding process organised by the rights holder. The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable. The categories are detailed in chart 1.

Of the remaining 57.7% (€87.4 million), a tender process occurred for 49.9% (€75.6 million) and 6.0% (€9.0 million) fell below the threshold which required a more formal process under Public Procurement Rules.

This leaves 1.6% (€2.4 million) of total spend not tendered and 0.2% (€0.4 million) with the tender status unknown at the point of testing. It is reasonable to conclude that the latter is unlikely to have been subject to a tender process.

Findings (Cont'd)

Review of Compliance

The audit identified an absence of a formal procurement process at the time of testing for **1.6%** *(2019: 2%)* of expenditure via [redacted] in 2020. This represents **€2.4** (*2019: €3.7*) million in expenditure and **31** (*2019: 54*) suppliers.

The level of exception has fallen by €1.3m from prior year and there was also a reduction of 23 in the number of supplier exceptions. This reflects the action by the Procurement Team in 2020. Please see table below for further details on the exceptions.

1: Absence of Formal Procurement Process	Audit Population		Exceptions Identified in Audit			
Payment System	**€m**	**# Suppliers**	**€m**	**% Value**	**# Suppliers**	**% Suppliers**
[redacted] 2020	151.6	1,700	2.4	1.6%	31	1.8%
[redacted] - 2019	180.5	1,875	3.7	2.0%	54	2.9%
Movement	**-28.9**	**-175**	**-1.3**	**-0.4%**	**-23**	**-1.1%**

Expenditure Band	Suppliers	€'000
<€50k	15	551
€50k - €100k	9	662
€100k - €214k	6	817
>€214k (EU Threshold)	1	346
Total	**31**	2,376

In the case of a further **0.2%** *(2019 – 0.5%)* of spend, the tender status at the time of testing was unknown. This represents **€0.4** (*2019: €0.8*) million in value and **7** (*2019: 18*) suppliers. Please see table below for further details.

2: Tender Status Unknown	Audit Population		Exceptions Identified in Audit			
Payment System	**€m**	**# Suppliers**	**€m**	**% Value**	**# Suppliers**	**% Suppliers**
[redacted] - 2020	151.6	1,700	0.4	0.2%	7	0.4%
[redacted] - 2019	180.5	1,875	0.8	0.5%	18	1.0%
Movement	**-28.9**	**-175**	**-0.4**	**-0.3%**	**-11**	**-0.5%**

The level of compliance has improved on the prior year results.

It is useful to also consider the consolidation of both exceptions highlighted above ('non tendered' and 'tender status unknown'). On that basis, we noted that the aggregate value of the exception fell by €1.7m in 2020, illustrating a higher level of valid competitive tendering in 2020 and the continuous effort by the Procurement Team to reduce the levels of non compliance over recent years. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies,* non-compliance must be monitored and reported at each year-end.

Conclusion and Report Rating

Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, Internal Audit ('IA') carried out a review of all payments made in excess of €28,000 during the period 1 January 2020 to 31 December 2020, on the [redacted] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2020. IA also carried out testing on the database, verifying random samples as necessary.

Our finding highlight that a formal procurement process did not take place for 1.6% of payments to suppliers in 2020. The tender status of a further 0.2% of the total population was unknown at the time of testing.

While these exceptions exist, the position has improved from prior year and reflects the continuous action by the Procurement Team to reduce the levels of non compliance over recent years. The improvement is illustrated in a reduction of 23 suppliers in the number of suppliers where a formal procurement process did not take place. In value terms, this represents an improvement of €1.3m. A small improvement was also noted in those categories as 'tender status unknown'.

In addition, IA notes that a number open audit actions ongoing – please refer to ***Appendix 1*** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ ERP System;
- ✓ Monitoring and reporting; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as "Improvement Needed".

Report Rating

IMPROVEMENT NEEDED

Appendix 1 – Audit Recommendations

#	Recommendation	Owner	Due Date
1	**Tender Process:** Where required for the exceptions identified in the report, a new/updated tender will be carried out. Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.	Head of Procurement / Project Manager(s) & FD / FC locally	31 December 2021
2	**Monitoring / Reporting of non compliant procurement spend:** The non compliant tender spend and unknown tender spend as noted in the report should be reported to the relevant division and monitored accordingly.	Head of Procurement	31 May 2021 & ongoing
3	**Implementation of new ERP System(s):** 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. This project will bring a number of benefits to the Payables modules including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.	CFO / Group Financial Controller	Q3 2021
4	**Oversight by Procurement department:** Managers in the Procurement Department now oversee procurement activity by expenditure category. The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.	Head of Procurement	Ongoing

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2018*

Report 2 of 2 (Procurement Register)

12 April 2019

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background – Public Procurement

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

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

National and EU Tendering Procedures
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> *"The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff."*

Section 8.16 of the Code also states that the Board:

> *"should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson's comprehensive report to the Minister."*

Background – RTÉ Process

RTÉ has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable ([redacted] Payroll [redacted] and [redacted]

- **Accounts Payable** ([redacted] is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

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- **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

Objectives, Scope and Risks

Audit Objectives

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments / contracts in excess of €25,000 (Ex-VAT);
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

Audit Scope

The scope of our review covered all payments made in excess of €25,000 during the period 1 January 2018 to 31 December 2018, across the [redacted] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions / out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers;
- ✓ Reviewing the database for completeness via two-way testing; and
- ✓ Testing a sample of items listed as "tendered" in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did <u>not</u> include:

- ✗ Contributors paid via [redacted] – separate review process currently underway: see below.
- ✗ Payments to employees
- ✗ Payments made via Purchase Cards
- ✗ A review of payments / contract values below €25,000 in value

Risks

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

Risk # 4 – Brand and Reputation
Risk # 6 – Managing of Finances and Business Planning
Risk # 10 – Changes in Legislation / Regulation & Compliance

Data Analysis & Summary Findings

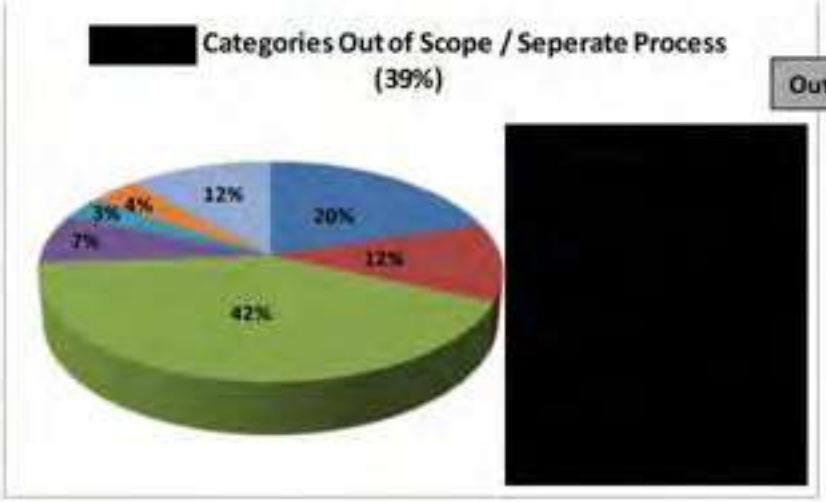
[redacted] Payments

Data Analysis

Payments were made to 1,934 suppliers on [redacted] from 1 January 2018 to 31 December 2018. The total value of payments made was €174.2 million and this is the scope for our audit testing.

Categories Out of Scope:

Of the €174.2 million in payments, €68 million (39%) was excluded from testing as it fell into an out of scope category, or another process. The graph below provides a more detailed break-down of these items:

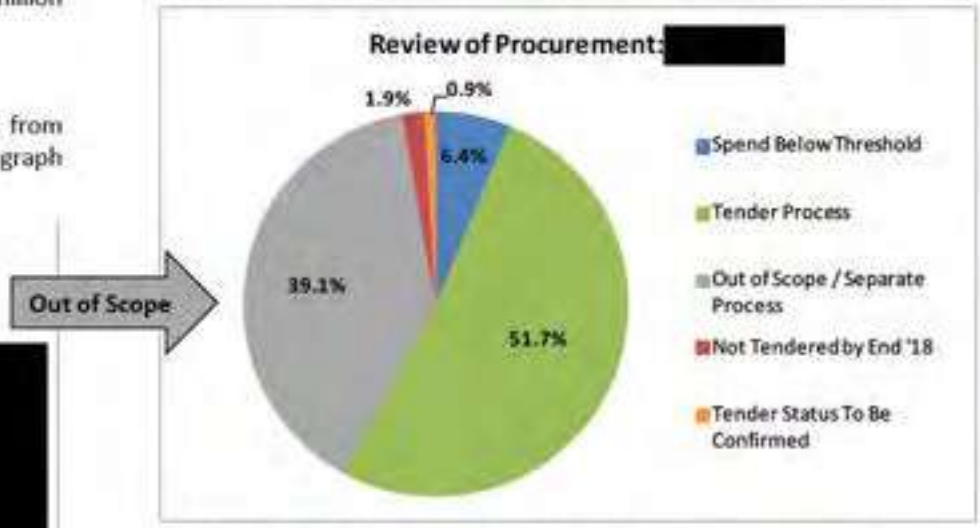


As illustrated in the chart above, some expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and is procured via a bidding process organised by the rights holder.

The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable.

Audit Results

As illustrated in the chart below, 6% (€11 million) of the total spend fell below the threshold which required a more formal process under Public Procurement Rules. Of the remaining expenditure, above the tender threshold, a tender process occurred for 52% (€90 million). The categories that are out of scope / have a separate process (39%) are explained across.



The audit identified an absence of a formal procurement process, by the end of 2018, in the case of **1.9%** *(2017 – 2.8%)* of the expenditure via [redacted] This represents €3.3 million expenditure and 37 suppliers. See table below:

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[redacted]	174.2	1,934	3.3	1.9%	37	1.9%

For a further **0.9%** *(2017 – 1.7%)*, the tender status at the time of testing is to be confirmed. This represents €1.6 million in value and 31 suppliers. These suppliers are currently being reviewed.

Summary & Key Findings

[redacted]

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader
- Limited Company
- Actor
- Writer
- Special Guest
- On The Spot Contributor

As outlined on the previous page, [redacted] is out of scope of our testing of the Procurement Register as a separate review process is currently underway.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Further detailed analysis continues on a case by case basis for a number of individuals highlighted in the review.

A significant capital project to implement a new ERP system is also currently in progress. This will replace a number of legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

Key Management Issue

We identified instances of non-compliant procurement during our review, as follows:

- By the end of 2018, a tender process was not completed for 1.9% of payments on the contracts database (1.9% of 1,934 suppliers)
- The tender status is yet to be confirmed for a further 0.9%, at the date of this audit report

However, we note the general improvement in the results compared to prior year across all categories.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported. While procedures are in place in respect of payments via [redacted] there is no formal monitoring and reporting of tendering in respect of Contractors engaged via [redacted]

Conclusion

Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. (This was effective for the first time for the year-ended 31 December 2017.)

In monitoring compliance with these new rules, Internal Audit carried out a review of all payments made in excess of €25,000 during the period 1 January 2018 to 31 December 2018, on the [redacted] payment systems. We verified whether a valid contracts database was in place, listing all payments / contracts in 2018. Internal Audit also carried out testing on the database, verifying random samples as necessary.

It was noted that a formal procurement process did not take place for 1.9% of all payments made in 2018. A further 0.9% of the total population was deemed to be inconclusive as the tender status was yet to be confirmed at the time of testing. This represents an improvement in the position, across all categories, compared to the prior-year, reflecting the work carried out in the Procurement Department during 2018. In summary,

- ✓ Instances of an absence of a formal procurement process improved from 2.9% of the database in 2017 to 1.9% in the current year
- ✓ Similarly, suppliers categorised as 'tender status unknown' improved from 1.7% of the database in 2017 to 0.9% in 2018
- ✓ The proportion of the suppliers which have been subject to a tender process has increased from 46% in 2017 to almost 52% in 2018 (the balance is attributable to supplies out of scope)

Work is necessary to reduce these instances of non-competitive procurement and to ensure compliance with the Code. A number of actions are set-out in the action plan. It is also necessary to investigate and conclude upon the instances where the tender status is unknown.

The findings reflect the limitations of the financial system and the traditional dispersed buying structure across the Divisions. On the basis of the actions in progress and the improvements observed during 2018, the report merits a rating at the mid-point on the audit scale.

On the basis of the above findings, we assess the overall standard of control as "Improvement Needed".

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	**Tender Process for Payments via** [redacted] ***Background*** Payments were made to 1,934 suppliers on [redacted] and the total value of payments made was €174.2 million. €68 million (39%) of payments were excluded from testing as they fell into one of the out of scope categories, or followed another process. These out of scope items are explained in more detail via the chart in the executive summary. ***Findings – General*** • Over recent years, the managerial responsibility for supplier relationships was fragmented across divisions, which increased the difficulty of centralised monitoring of procurement. As a result, it is sometimes difficult to get a consolidated view of the historic tendering arrangements with the supplier. • Due to the limited functionality of [redacted] and the system being at end of useful life, the Contracts Database is largely Excel based. The limited functionality of [redacted] also increases the difficulty of tracking tendering arrangements. Excel is manual, increasing the risk of errors. Version control and difficulty in tracking data input to the Contracts Database may arise. ***Findings – Financial Matters*** • 6% (€11 million of the spend) fell below the threshold which required a more formal process under Public Procurement Rules and 39% was out of scope.	Agreed	***1) Tender Process*** Where required, a new / updated tender will be carried out. ***2) Organisational Restructure (One RTÉ)*** The reorganisation of RTÉ, with the implementation of the 'One RTÉ' structure, has created new consolidated divisions and co-located teams. Oversight of key supplier relationships is now being consolidated, resulting in better centralised managerial responsibility. This is in place, but the process is ongoing. As teams continue to come together, especially in output areas, a better organisational view of expenditure should emerge, addressing the traditional fragmented nature of buying. ***3) Procurement Department: Resources / Structure*** Additional resources are now in place for the Procurement Department, with Managers overseeing procurement activity by expenditure category. This additional resourcing will assist in the development and ongoing monitoring of the Procurement Register, with a view to observing improved results over time.	H	[redacted] 31 December 2019 Director-General Ongoing [redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Of the remaining 94% above the tender threshold, a tender process occurred for **52%** (€90 million). • The audit identified an absence of a formal procurement process in the case of **1.9%** of the expenditure via [redacted] This represents €3.3 million expenditure and 37 suppliers. • For a further **0.9%**, the tender status at the time of testing was unknown and is yet to be confirmed. This represents €1.6 million in value. ***Implication*** This review highlighted instances of non-competitive procurement within 2018 payments via [redacted] In other cases there is no current information available on the tender status.		***4) Monitoring & Oversight by Procurement department: Top 10 Suppliers*** Procurement has identified the Top 10 suppliers of products / services to each Division and to the RTÉ group. A named individual will be responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. This project is at an advanced stage of being rolled out and will continue. Procurement will engage with the nominated individuals, with quarterly meetings taking place. This is linked to organisational restructuring. ***5) Implementation of new ERP System(s)*** A major capital project to implement a new ERP system in 2019 is currently in progress. This will replace a number of legacy Finance and HR systems. This project will bring a number of benefits including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.		[redacted] Ongoing [redacted] Ongoing to Q4 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	**Tender Process for Payments via** [redacted] As outlined in the Executive Summary, [redacted] is out of scope of our testing of the Procurement Register as a separate review process us currently underway. However, the following findings are relevant: • As already highlighted in the other audit reports, no formal monitoring and reporting of the status of tendering in respect of Contractors engaged via [redacted] is currently in place. • In addition, the engagement processes have traditionally been different to those of other suppliers, engaged via [redacted] even though some contracts share similar characteristics. These matters are now being addressed in the context of the Eversheds Sutherland review.		New processes and policy has been implemented in respect of the engagement of Contractors in RTÉ, in the context of a wider examination of freelance / contractor contractual engagements, undertaken by Eversheds Sutherland. Further detailed analysis continues on a case by case basis for a number of individuals highlighted in the review. A significant capital project to implement a new ERP system is also currently in progress. This will replace a number of legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.		[redacted] 31 December 2019 [redacted] Ongoing to Q4 2019

RTÉ Internal Audit

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

Report 1 of 2 (Procurement Register)

31 March 2022

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted]

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RTÉ

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Introduction and Background

Introduction

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

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

Background

National and EU Tendering Procedures

The Office of Government Procurement issued the most recent version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values are updated every two years and the thresholds from 1 January 2020 to 31 December 2021 are applicable for this review.

Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* ("the Code") contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

> *"The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff."*

Section 8.16 of the Code also states that the Board:

> *"should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson's comprehensive report to the Minister. "*

RTÉ currently has three key payment systems to pay individuals and companies supplying goods/services to RTÉ: Accounts Payable [redacted] and Payroll [redacted]

- **Accounts Payable** [redacted] is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

- [redacted] is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted]t Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

- **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

Risk, Objective and Scope

Risk

The key corporate risks (Q4 '20 update) addressed by the report are as follows:

Risk # 4 – Brand and Reputation *(FOI requests etc)*;
Risk # 8 – Management of Finances and Business Planning; and
Risk # 10 – Legislation / Regulation & Compliance.

Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT ("NRV"));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2021 to 31 December 2021, across the A[redacted] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as "tendered" in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did <u>not</u> include:

- ✗ Contributors paid via [redacted] – separate processes following Eversheds Review – see page 5;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

Overview and Context of Findings

[redacted]

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on the previous page, [redacted] Fees is out of scope of our testing of the Procurement Register as a separate process (Eversheds review), and the implementation of follow on actions, was undertaken.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also took place.

While procedures are in place in respect of payments via A[redacted], there is less formal monitoring and reporting of tendering in respect of Contractors engaged via [redacted]t fees.

A significant capital project to implement a new ERP system is also currently in progress. This will replace legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

Accounts Payable [redacted]

Data Analysis

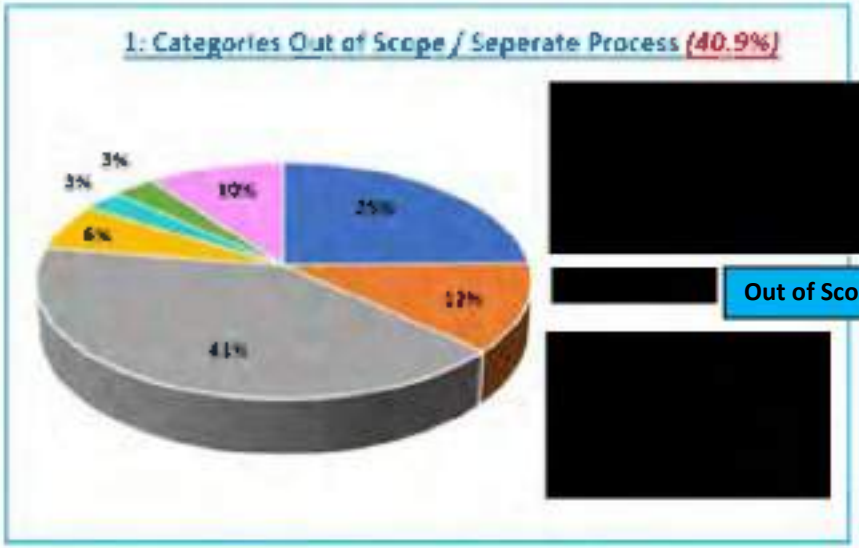
Payments were made to 1,686 suppliers on [redacted] from 1 January 2021 to 31 December 2021. The total value of payments made was €160.2 million and this is the scope for our audit testing.

Categories Out of Scope:

Of the €160.2 million in payments, €65.6 million (40.9%) was excluded from testing as it fell into an out-of-scope category or another process. The graph overleaf provides a more detailed break-down of these items.

Findings

Findings – Overview



[redacted]

Out of Scope

As illustrated in the above charts, 40.9% (€65.6 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and are procured via a bidding process organised by the rights holder. Suppliers assigned to these categories have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable.

Of the remaining 59% (€94.7 million), a tender process occurred for 52.3% (€83.9 million) and 5.4% (€8.5 million) fell below the threshold which required a more formal process under Public Procurement Rules.

This leaves 1.1% (€1.8 million) of total spend not subject to a tender and the tender status of a further 0.3% (€0.4 million) was unknown at the point of testing. It is reasonable to conclude that the latter expenditure is unlikely to have been subject to a tender process.

Findings (Cont'd)

Review of Compliance

The audit identified an absence of a formal procurement process at the time of testing for **1.1%** *(2020: 1.6%)* of expenditure via [redacted] in 2021. This represents **€1.8** (*2020: €2.4*) million in expenditure and **21** (*2020: 31*) suppliers.

The level of exception has fallen by €0.6m from prior year and there was also a reduction of 10 in the number of supplier exceptions. This reflects the action by the Procurement Team in 2021. Please see table below for further details on the exceptions.

1: Absence of Formal Procurement Process	Audit Population		Exceptions Identified in Audit			
Payment System	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[redacted] - 2021	160.2	1,686	1.8	1.1%	21	1.2%
[redacted] 2020	151.6	1,700	2.4	1.6%	31	1.8%
Movement	**8.6**	**-14.0**	**-0.6**	**-0.5%**	**-10.0**	**-0.6%**

Expenditure Band	Suppliers	€'000
<€50k	7	265
€50k - €100k	8	566
€100k - €214k	5	656
>€214k (EU Threshold)	1	283
Total	**21**	**1,770**

In the case of a further **0.3%** *(2020 – 0.2%)* of spend, the tender status at the time of testing was unknown. This represents **€0.4** (*2020: €0.4*) million in value and **10** (*2020: 7*) suppliers. Please see table below for further details.

2: Tender Status Unknown	Audit Population		Exceptions Identified in Audit			
Payment System	€m	# Suppliers	€m	% Value	# Suppliers	%
[redacted] - 2021	160.2	1,686	0.40	0.25%	10	0.6%
[redacted] - 2020	151.6	1,700	0.36	0.24%	7	0.4%
Movement	**8.6**	**-14**	**0.04**	**0.01%**	**3**	**0.2%**

As shown, the level of compliance has improved on the prior year results in Table 1 (Absence of Formal Procurement Process), but has remained largely unchanged in Table 2 (Tender Status Unknown).

It is useful to also consider the consolidation of both exceptions highlighted above ('non tendered' and 'tender status unknown'). On that basis, we noted that the aggregate value of the exception fell by €0.6m in 2021, illustrating a higher level of valid competitive tendering in 2021 and the continuous effort by the Procurement Team to reduce the levels of non compliance over recent years. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies,* non-compliance must be monitored and reported at each year-end.

Conclusion and Rating

Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, Internal Audit ('IA') carried out a review of all payments made in excess of €28,000 during the period 1 January 2021 to 31 December 2021, on the [redacted] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2021. IA also carried out testing on the database, verifying random samples as necessary.

Our finding highlights that a formal procurement process did not take place for 1.1% of payments to suppliers in 2021. The tender status of a further 0.3% of the total population was unknown at the time of testing.

While these exceptions exist, the position has improved from prior year and reflects the continuous action by the Procurement Team to reduce the levels of non compliance over recent years. The improvement is illustrated in a reduction of 10 suppliers in the number of suppliers where a formal procurement process did not take place. In value terms, this represents an improvement of €0.6m.

In addition, IA notes that a number of open audit actions are ongoing – please refer to ***Appendix 1*** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ ERP System;
- ✓ Monitoring and reporting; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as "Improvement Needed".

Rating

IMPROVEMENT NEEDED

Appendix 1 – Audit Recommendations

#	Recommendation	Owner	Due Date
1	**Tender Process:** Where required for the exceptions identified in the report, a new/updated tender will be carried out. Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.	Head of Procurement / Project Manager(s) & FD / FC locally	31 December 2022
2	**Monitoring / Reporting of non compliant procurement spend:** The non compliant tender spend and unknown tender spend as noted in the report should be reported to the relevant division and monitored accordingly.	Head of Procurement	31 July 2022 & ongoing
3	**Implementation of new ERP System(s):** 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. This project will bring a number of benefits to the Payables modules including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.	CFO / Group Financial Controller	31 December 2022
4	**Oversight by Procurement Department:** Managers in the Procurement Department now oversee procurement activity by expenditure category. The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.	Head of Procurement	Ongoing

RTÉ Internal Audit

Review of Purchasing Compliance *Year-ended 31 December 2017*

Report 1 of 2

23 February 2018

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Division Finance:
Fiona O'Shea, Group Financial Controller

[redacted]

Extracts:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background

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

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

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

Tiered delegated authority approval limits

Order Value	Approver
€0 - €10,000	Costpool Manager
€10,001 – €100,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division / MD of Division
€250,001 - €750,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO / DG

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

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, generally by EFT to the supplier's bank account.

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

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

This, in turn, reduces the number of low value orders processed via [redacted] web and reduces administration costs.

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

Payment
RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*. Procedures have been implemented to identify the dates upon which invoices fall due for payment to ensure that payments are made by such dates.

Objective and Scope

Risk

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

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Reputation and Compliance**on**

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:

[redacted] However, by their nature, manual controls are weaker than automatic system controls.

Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2017 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG places reliance on this work as part of their external audit. We also review the timeliness of invoice payments and the extent to which orders are raised, and approved, in advance of invoices.

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

Scope

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs input) approved and processed during the period 1 January 2017 to 31 December 2017, across all Divisions. The audit involved three main areas of work:

- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requsitioners per Division; and
- ✓ Identifying the number of POs that were raised after the invoice date.

The scope did <u>not</u> include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate 2018 audit report to follow).
- ✗ Reviewing purchase card payments
- ✗ A full review of all invoices posted on [redacted] to detect duplicate payments – indirectly covered as part of a separate audit.

Data Analysis

A Purchase Order Data

11,695 POs were raised in 2017, in comparison to 13,931 in 2016. (These totalled 16,843 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by Division:

The graph below details the value, by Division, of POs raised in 2017. The total value of POs raised in this period was €196m (€185.4m in 2016).

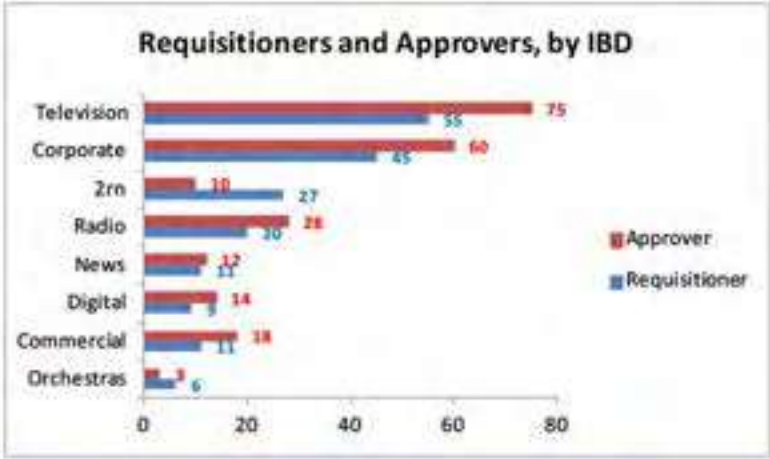
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value of PO	Number of Orders Processed in 2017
€0 - €5,000	9,160
€5,001 - €10,000	1,136
€10,001 - €100,000	1,112
€100,001 - €250,000	164
€250,001 - €750,000	84
€750,001 upwards	39
Total	**11,695**

Note:
844 of the POs raised in 2017 were less than €100 in value and just over 34% of those related to ten suppliers, generally recurring consumable supplies. 160 of the 844 POs under €100 in value have no invoice posted against them.

B Requisitioners and Approvers

At the end of 2017, there were a total of 220 Approvers and 184 Requisitioners on [redacted] The graph below shows the breakdown by Division.



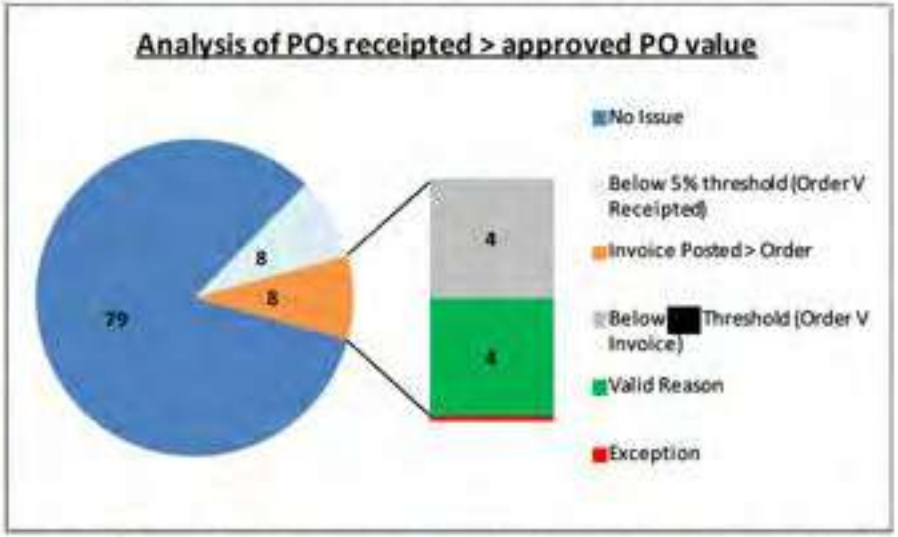
RTÉ

Summary Findings

1) Purchase Receipting Process

Of the 11,695 POs raised during 2017, 95 POs (0.8%) were highlighted for further testing as the value of the goods receipted against the order exceeded the original approved order amount.

A summary of the review of the 95 orders is set-out below:



For **79** of the orders, the amount invoiced was equal to, or less than, the approved PO and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting (e.g. a mix up between the price and quantity fields). A further **8** were within the [redacted].

In the case of **8** further orders, both the goods receipted and the invoice processed were in excess of the original approved order. These orders were investigated further. Of the 8, four are below the [redacted] threshold. In the remaining four cases, they were valid payments and no audit exceptions arose. See the Action Plan (#1) for full details of the explanations.

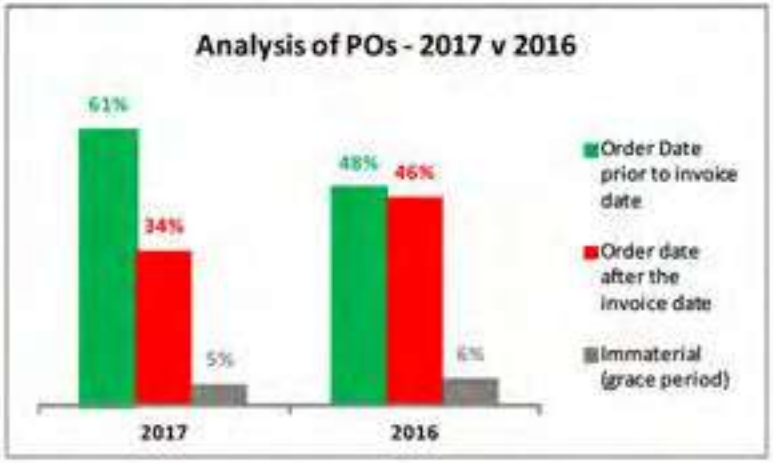
2) Requisitioners and Approvers

We reviewed the list of PO Requisitioners and Approvers, concluding that the number and job roles of the individuals is appropriate. We identified a significant number of departed individual still listed as an Approvers / Requisitioner. An employee set up as an Approver under an incorrect staff number is also considered in action # 4.

3) Raising POs before Invoice

A comparison of the date the PO was approved compared to the Invoice date was undertaken. In 2017, we identified that **34%** of POs were dated after the Invoice date. This finding highlights a risk of purchase commitments being made prior to managerial approval of the order.

See the chart below for further analysis of the in scope orders:



As part of other audit work we identified significant improvements during the course of 2017, following actions by a Finance Working Group.

Conclusion

Conclusion

Internal Audit carried out a review of the processing of all POs in 2017. The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

We reviewed the list of PO Requisitioners and Approvers by Division, concluding that the number and job roles of the individuals is appropriate. Actions to address some matters are set-out in the action plan, in particular the existence of departed Approvers and Requisitioners still having active accounts on [redacted]

We noted that 34% of POs were dated after the Invoice date which highlights an issue regarding the extent to which purchase commitments are being made prior to managerial approval. In line with the RTÉ Purchasing Procedures, the PO should be raised and approved prior to making the commitment and in advance of receiving the invoice. An ongoing Finance Group has been working to address this issue since late 2016 and improvements are evident when compared with the last audit. The work of the group will continue and we expect that the positive impact of the action will be continued into 2018.

The standard of control is satisfactory in terms of the purchase receipting process. However, on the basis of the above findings, we assess the overall standard of control as "Improvement Needed". We appreciate the assistance of staff in Accounts Payable and Central Purchasing.

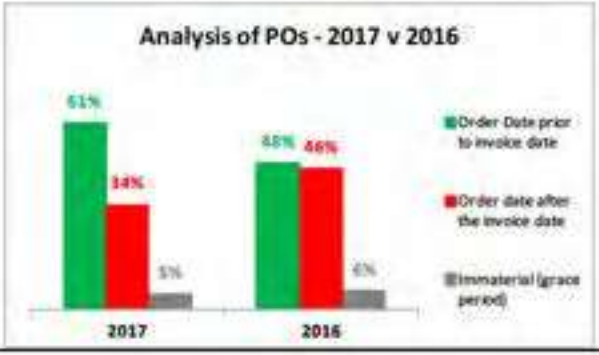
Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Purchase Receipting Process				
1.	**Invoices processed in excess of Approved Order Value** *Background* 95 of the POs (0.8%) raised in 2017 were highlighted for review as the value of the goods receipted exceeded the original approved order amount. For **79**, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. A further **eight** were within the acceptable [redacted] threshold. *Finding* In the case of the remaining **eight** orders, the invoice processed was in excess of the original approved order. These orders were investigated further, as follows: • In **four** of the eight exceptions, the invoice processed was less than the acceptable [redacted] threshold and did not require further investigation. • For the other **four** 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:	N/A	No action necessary – no inappropriate processing of invoices greater than the approved order amount.	N/A	N/A

Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below
Catering Service	€900	€981	-€81	1
Catering Service	€827	€1,018	-€190	1
News Agency	€9,000	€9,533	-€533	2
Catering Service	€3,200	€3,924	-€724	1

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	A valid purchase / payment was made in each of these instances. See below for a more detailed explanation of each exception. ***1) Catering Service:*** The PO was raised for the amount prior to any VAT being applied in these three instances. VAT is not reclaimable on Food/Drink so the full cost (including the VAT charge) was paid. The entitlement to deduct input VAT relates solely to VAT incurred on costs of accommodation and does not include VAT incurred on expenditure on food or drink. ***2) News Agency:*** Blanket PO: The original PO was raised as a blanket PO to cover varying monthly charges from the supplier. However the actual charges exceeded the blanket PO and an amount was paid before further POs were raised and approved. This is a valid payment.				
	PO Management				
2.	**<u>Purchase Orders raised after the Invoice</u>** *Background* A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data-set used to examine receipting. The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed in 2017, with the following assumptions: • Three days "grace" period for minor administrative delays will be allowed		***Finance Working Group*** The Finance Working Group will continue to monitor the level of compliance and liaise with Finance teams. The Group will coordinate the issuing of reminders to Requisitioners and Approvers that an approved order should be in place prior to making any purchase commitment and prior to receiving an invoice for the goods / services.	M	[redacted] in conjunction with [redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Orders to the value of <€1,000 will be excluded from results • All currencies will be included • The following categories of expenditure will be omitted from the analysis so the results are not distorted: - Competition Winners; - Donations; - Rates; and - Department of Foreign Affairs (travel recharges). *Findings* The results of the analysis were as follows: • We indentified that **34%** of the POs approved during 2017 were dated after the Invoice date ("After-the-Fact"). • For the same period in 2016, 46% of POs were dated after the Invoice. • The total number of POs generated in the period (within scope for this test) is similar year on year, with 7,490 POs raised in 2017 and 7,513 in 2016. See the chart below for further analysis of the in scope orders: 		***Data and Reporting*** Reports detailing the number of After-the-Fact POs will be prepared monthly for review at the monthly Finance Meeting. 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 Appprovers, as required, e.g. where issues of persistent After-the-Fact POs are identified.		[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Impact 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. 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. This finding also has a knock-on effect on RTÉ's compliance with The *European Communities (Late Payment in Commercial Transactions) Regulations* 2012.The Regulations provide that the standard deadline for public authorities to make business payments is 30 days and that Interest shall be payable in respect of a late payment if claimed by the Supplier. A specific Finance Working Group was established in late 2016 to implement action and monitor the level of compliance locally in the Divisions. We noted evidence of improvement in the timeliness of the raising orders in the latter months of 2017 period (as compared to the equivalent period in 2016), following the implementation of actions. The full year impact of the improvements and actions should be evident in 2018. This Group will continue local monitoring once the new financial structure is in place.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	**Legacy Open POs** The total value of open POs (i.e. POs received, but not yet invoiced) at 31 December 2017 was €5.5 million comprising of €3.2 million for POs raised in 2016. This comprises various low value amounts across the number of POs. The equivalent value at 31 December 2016 was €8.4 million. 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.		An exercise to review the number of legacy open POs that are no longer required will be undertaken, at least half yearly, in each of the Divisions. Any POs that are no longer required will be closed as necessary.	L	[redacted] Controller to 30 June 2018
	Requisitioners & Approvers of POs				
4.	**Departed Employees** *Background* The number and appropriateness of Approvers and Requisitioners on [redacted] at 31 December 2017 was reviewed. These listings were compared with recent staff lists from HR to ensure that all Approvers / Requisitioners were employees of RTÉ and reviewed for other unusual features. *Findings* • At the end of 2017, there were a total of 220 Approvers (217 in 2016) and 184 Requisitioners (184 in 2016) on [redacted] • *Departed Approvers / Requisitioners:* a) A number of Approvers on the listing (as at 31 December 2017) are former employees who departed from the organisation in late 2017, and should not still		*Departed Approvers / Requisitioners* Once the remainder of departures have taken place, IT Finance will review the listing of Approvers and ensure that work-lists have been transferred and their accounts deactivated. The listing of Requisitioners will be reviewed and all departed employee accounts will be closed immediately. *Employee set up under incorrect ID Number* This employee will be set up on [redacted] under their correct staff ID number. The incorrect Approver number will be made inactive on [redacted] and all previous	M	[redacted] 30 June 2018 [redacted] 31 March 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	be listed as active Approvers. Many of these people departed either under the Voluntary Exit Programme or retirement. In mitigation, in order for the work lists of these departed approvers to be transferred temporarily to other current employees, their accounts still need to remain active. Once the work lists have a finalised designated approver, the accounts of the departed employees will be made inactive. b) We also indentified a number of Requisitioners on the listing that are former employees, who departed from the organisation in late 2017. Unlike the Approvers, there is no business reason for these accounts to remain active and they should be closed. • *Employee set up under incorrect ID Number:* a) We identified one Approver (recently joined) that was set up on [redacted] under an incorrect Employee ID number due to an administrative error. In order to avoid confusion, this will need to be amended in some way as there is a risk that a future staff member will be assigned this staff number.		transactions will be given a note so that the trail of transactions will not be lost.		

RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT. YEAR-ENDED 31 DECEMBER 2013.

Part 1: Audit and Risk Committee Meeting of 13 March 2014

Part 2: Audit and Risk Committee Meeting of 9 April 2014

Part 1: Audit and Risk Committee Meeting of 13 March 2014

REPORT TO THE AUDIT AND RISK COMMITTEE

(INTERIM REPORT ON RISK MANAGEMENT – TOP RISKS OF NON-BROADCAST DIVISIONS; CORPORATE RISK REGISTERS; INTERNAL FINANCIAL CONTROL)

MEETING: 13TH MARCH 2014

Circulation

Members of the Audit and Risk Committee:
Seán O'Sullivan (Chairman)
Karlin Lillington
Eunice O'Raw
Stuart Switzer

Emer Finnan
(Advisor to Audit & Risk Committee)

CC:
Noel Curran (Director-General)
Breda O'Keeffe (Chief Financial Officer)
Cillian DePaor (RTÉ Group Secretary)
Fiona O'Shea (Group Financial Controller)
Ruaidhri Gibbons (KPMG Audit Partner)

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GUIDANCE FOR ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROL (“TURNBULL REPORT” – EXTRACT)	**B**

REPORT TO THE AUDIT AND RISK COMMITTEE

1. EXECUTIVE SUMMARY

1.1 PURPOSE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to commence its review, on behalf of the Board, of the effectiveness of the internal control system in RTÉ; and
- Outline the work performed by Internal and report the results of the audit testing carried out.

1.2 INTERNAL CONTROL

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives. As outlined in more detail in *Appendix A*, internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

1.3 WHY REVIEW THE EFFECTIVENESS OF INTERNAL CONTROL?

The Code of Practice for the Governance of State Bodies

A review of the effectiveness of the system of internal control is a requirement of the Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Finance in June 2009, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 10.1 requires that:

> *"The Board is responsible for the body's system of internal control and should review annually the effectiveness of the body's system of internal controls, including financial, operations and compliance controls and risk management".*

The annual report of each State Body must include a statement on "internal financial control" (using a prescribed format) and the external auditors are required review this statement. The Chairperson's annual report to the Minister for Communications, Energy and Natural Resources must also include a statement on the system of internal financial control.

1.4 WHAT SHOULD THIS REVIEW INVOLVE?

Guidance has been published to assist Audit Committees to discharge their duties in this area:

- The publication "Internal Control: Revised Guidance for Directors on the Combined Code" (commonly referred to as the "Turnbull Guidance") outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards. See *Appendix B* for an extract from the Guidance setting out the questions which the Board may wish to discuss with management when carrying out its annual assessment of internal control.

- The Office of the Comptroller and Auditor General issued guidance for completing the Code of Practice statement on internal control (although this guidance has not been re-issued to reflect the 2009 updates to the Code of Practice)

The guidance in these two documents has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

1.5 METHODOLOGY

Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control. This work involved:

1) Spot checks on compliance with the **Code of Practice for the Governance of State Bodies**

2) Coordinating the completion of **internal control self-assessment questionnaires**, used by the divisions to assess the:

   - Financial control environment
   - IT control environment

3) In conjunction with the Head of Statutory Compliance / RTÉ Risk Officer, assisting the divisions to update their **risk registers** – these are maintained by each division as a standalone Microsoft Excel document, with an overall summary / cover sheet outlining the top risk of the division.

Given the large agenda, this work is being presented to the Audit and Risk Committee in two parts:

- Today – Top risks in 2rn and in Digital; selected Corporate risk registers; Internal Financial Control.
- 9 April 2014 meeting – Top risks in Television, Radio, News and Current Affairs and Orchestras; Selected Corporate risk registers; RTÉ Group "Top 10" Risks; Code of Practice for the Governance of State Bodies.

SECTION 2 – BUSINESS RISKS

2. BUSINESS RISKS

2.1 DOCUMENTATION BY IBDS

Each IBD completed an exercise which involved documenting:

- Its primary objectives, as per the MAR / Strategy 2013-2017 document;
- The key risks to the achievement of those objectives;
- Its assessment of the likelihood and impact (both financial and reputation) of each risk;
- The controls it has in place to manage each risk; and
- The "owner" of each risk.

2.2 RISK UNIVERSE FRAMEWORK

Any organisation is subject to a broad range of potential risk areas.

For the purpose of background information, the following risk universe provides an overview of the types of risks faced by a typical organisation of RTÉ's size:

2.3 DETERMINING RISK RATINGS

A large number of risks were identified by management across each of the IBDs. In order to prioritise risks and to identify the key risks in RTÉ, we used management's assessment of the significance and likelihood of each risk to calculate an overall risk rating for each risk, on a scale of 1 to 25. The following risk assessment matrix summarises the way in which each risk rating was calculated and maps the risk ratings to a general classification of low, moderate or high risk.

	LIKELIHOOD				
IMPACT	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

Management rated the likelihood / impact of risks on a 5 point scale ranging from negligible to extraordinary (where 5 is extraordinary)

Low Risk
Moderate Risk
High Risk

Example:
Likelihood of risk: High (score = 4)
Impact of risk: Moderate (score = 3)

⇒ **Risk rating = 12 (4 x 3)**
i.e. Moderate 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).

2.4 KEY RISKS

We have set out in the pages overleaf the "top risks" for the following non-broadcast divisions:

- 2rn
- Digital

The risk registers of the following Corporate functions are also set-out overleaf:

- Technology
- Saorview
- Property and Services
- RTÉ Guide
- Legal Affairs

A number of other risk registers, including the output divisions, will be table at the meeting of 9 April 2014. In addition, the meeting will consider the RTÉ Group Top 10 Risks.

RISK REGISTER – 2RN

TOP RISKS IN 2RN - 2014

	Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	R	[redacted]	Versus Rank in Prior Year
1	Adverse findings arising from **ComReg's investigation** of alleged abuse by 2rn of its dominant position in the market for the provision of Wholesale Analogue Terrestrial Television Transmission and Distribution Services	2.1	Financial Controller	Moderate	High	Moderate	12	a) Robust response to documents etc. and clear presentation of 2rn's position b) Engagement of relevant legal / regulatory experts to assist as necessary b) Provision of back-up documentation and financial models to support position			↑ (4)
2	Significant **reduction in prices** chargeable to major customers arising from customer demands for reductions and competitive pressures	4.1	Telecoms Industry Manager	High	Moderate	Low	12	a) Fixed price contracts in place for existing equipment b) Begin negotiation process well in advance of expiry of current contract and incentivise customers to sign at current contract value by offering enhanced operating terms and improved service levels. c) Incentives for customers to add equipment	a		↑ (3)
3	**Loss of a major customer** (2rn is reliant on a small number of large customers), especially in the context of the broader consolidation currently underway in the Telecoms industry.	4.2 / 4.5	Telecoms Indurtry Manager	Moderate	Moderate	Negligible	10	a) Regular meetings with major customers to review levels of service and customer requirements b) Contracts in place with large customers c) Regular meetings and follow-up with potential targets to explain service offering d) Today FM examining access arrangements under new regulatory framework e) O2: rolling short term contracts in place, pending Competition Authority / European Commisison decision on sale of business f) Meteor: as above	a c		↑ (7)
4	Ongoing **economic turbulence** resulting in the contraction of major customers' businesses and, consequently, loss of revenue for 2rn.	4.3	Telecoms Industry Manager	Moderate	Moderate	Low	9	a) Management monitor movements in income on a monthly basis b) Regular meetings with major customers to review levels of service and customer requirements	a		↓ (2)
5	**Poor weather conditions** resulting in additional cost incurred to fix faults / replace damaged equipment.	4.9	Executive Director / Head of Operations	Moderate	Moderate	Negligible	9	a) Insurance cover for all equipment b) Maintenance program ensures equipment is weather-proofed insofar as is practical c) Building / Structure / Equipment design caters for bad weather insofar as is practical	a c		↑ (8)

	Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	R			Versus Rank in Prior Year
6	Failure to understand, and respond to, **emerging technologies** resulting in a loss of customers.	3.1	Executive Director	Moderate	Moderate	Low	9	a) Ongoing review of market developments b) Regular attendance by staff and management at appropriate industry seminars and exhibitions c) Ongoing education and training in the division				→
7	Failure to deploy existing staff to best advantage due to **Restrictive Agreements** with staff.	5.2	HR Executive	Low to Moderate	Moderate	Low	9	a) Ongoing review of organisational structure in view of changing business environment b) Ongoing RT negotiations	a		R R	New to Top Risks
8	**People and skills** risks arising from organisational change: a) Reorganisation of Finance Function and impact on segregation of duties b) Impact of restructuring and change c) Failure to fully deliver work practice changes in a timely manner	5.1	Exedutive Director / Financial Controller	Moderate	Moderate	Low	9	a) Review of key tasks and skill sets required post exist of staff b) Detailed monthly review of control procedures c) Work practice changes / process changes as necessary	a b			↑ (10)
9	2rn unable to optimise involvement in **Digital development** in Radio	3.2	Business Development Manager	Moderate	Moderate	Low	9	a) Membership and full participation in "Digital Radio for Ireland" Group b) Regular attendance by staff and management at appropriate industry seminars and exhibitions c) Ongoing review of market developments	a		y	→
10	**Breach of Banking Covenants** in place for borrowing.	4.6	Financial Controller	Low	Moderate	High	8	a) Contracts in place with customers, thereby providing clarity on forward revenue streams and cash flows b) Quarterly Review Process c) Monitor revenue base: begin negotiation process well in advance of expiry of current contract. Incentivise customers to sign at current contract value: enhanced operating terms and improved service levels.	a b b			↓ (5)

RISK REGISTER – DIGITAL

Top Risks in Digital IBD - 2014

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Rank in Prior Year
1	Economic turbulence leading to ongoing reductions in commercial revenue and hindering the rapid exploitation of new Digital commercial income streams	3.1 / 3.2 / 3.3	[redacted]	High	Extraordinary	Moderate	[redacted]	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 commited 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) Formulation of Cross Media initiatives to tackle revenue decline	a) Fortnightly Executive Revenue Report and Commentary b) Fortnightly Executive Revenue Report and Commentary c) Discussions with main Advertising Agencies e) Weekly monitoring of agency and client spends. Weekly review of Indirect / Exchange revenue growth. f) Cross media discussion/meetings	a) [redacted] Digital IBD Management b) [redacted] / Digital IBD Management c) [redacted] d) [redacted] e) [redacted] f) [redacted] /Conor [redacted]	[redacted]
2	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 2014 Digital Budget)	3.4	[redacted]	High	High	High	[redacted]	a) Ongoing monitoring of revenue and costs to budget via monthly management accounts b) Competitive Tendering for all major contracts c) New Digital Operating Cost baseline now established as per 2014 Budget d) Ongoing Value for Money initiatives seeking cost reductions	a) Monthly management accounts b) Tenders under E.U or National Guidelines	a) [redacted] Ivan / Digital IBD Management b) [redacted] Digital IBD Management c) [redacted] Digital IBD Management d) [redacted] Digital IBD Management	[redacted]
3	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: - Support commercial activities; and - Maintain leadership position in the Irish market.	2.2	[redacted]	High	High	High	[redacted]	a) Multi Annual Review submission inclusive of Digital Strategy 2015 b) Annual Digital Performance Commitments agreed and delivered c) Approval at RTÉ Executive Board level of business cases for all major Digital projects d) Secure, at RTÉ Executive Board level, the necessary commitments to funding to implement the Digital strategy	a) RTÉ MAR/Digital Strategy 2015 b) ASPC for Digital c) RTÉ Executive Board level approval	a) [redacted] b) All IBD managers d) [redacted]	[redacted]
4	Statutory and regulatory restrictions delaying / hindering: - The expansion of Digital operations and services; & - The freedom to commercially exploit its state of products in new markets.	4.2	[redacted]	High	High	Moderate	[redacted]	a) Ongoing review of changes in legislation, and ongoing operation in full compliance with all statutory provisions primarily in respect of Broadcasting Act 2009 b) Seeking all relevant regulatory permissions for new/expanded services c) Proactive defence of competitor/industry complaints including robust public defence of current on-line development position d) Proactive association with external competitors re content sharing	b) Departmental / BA submissions	a) IBD Management b) IBD Management with assistance from relevant senior RTÉ managers c) IBD Management with assistance from relevant senior RTÉ managers d) IBD Management with assistance from relevant senior RTÉ managers	[redacted]

	Business Risk	Ref	Risk Owner	Likelihood	Financial Impact	Reputation Impact	Significance rating (1-25)		Control		Report used, if applicable		Responsibility		Versus Rank in Prior Year
5	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. Talent shortage / staff retention risk.	2.3	[redacted]	High	Moderate	High	[redacted]	a) b) c) d)	Second tier organisational structure now in place across all production and operations responsibilities and cross skilling under ongoing review Retention of existing technology staff and the outsourcing of necessary contractor/agency staff now under pressure due to improved market conditions Flexibility of outsourcing design and technical expertise from external agency providers and of using casual staff Restrictions on headcount recruitment impacting on available resources across Digital	a)	Organisational structure	a) b) c) d)	All Digital Managers [redacted]	↑ (8)
6	Failure to adequately conclude partner arrangements with relevant external parties in the expanding internet/digital space to: (a) expand the audience reach and relevance of RTE's digital services and products (b) co-finance vital RTE Digital projects.	4.1	[redacted]	High	Moderate	High	[redacted]	a) b) c) d) e) f) g)	Ongoing meetings/discussions with key Content Providers Ongoing meetings/discussions with key Digital Players Ongoing contacts with interested partners on relevant projects in pursuit of co-financing opportunities Ongoing contacts with interested partners on relevant projects in pursuit of co-financing opportunities Scanning the Digital environment for co-financing opportunities re Player Licencing Early identification of necessary or desirable development/operational projects Ongoing meetings/discussions with competitor players			a) b) c) d) e) f) g)	[redacted]	↓ (4)
7	Failure of project delivery: 7A) Failure to adequately plan and prioritise digital and other projects so as to ensure that projects are efficiently managed and controlled and are delivered on time; 7B) Failure to deliver key enhanced content projects (such as RTE News Now on Digital platforms, Connected TV's, RTE ie site launches/redesigns, Social Media Integration, RTE Premium Player) on time and within budget.	2.1	[redacted]	High	Moderate	High	[redacted]	a) b) c) d) e)	Creation of agreed schedule of Projects planned at Digital Executive level. Partnership contract with external Technology service provider Ongoing research of industry and consumer requirements Forge strategic alliances with key industry players e.g. Telco's, ISP's, Technology Vendors, TV Vendors and Development partners Budgets in place for approved capital expenditure projects with agreed timelines	a) b) e)	Annual Projects Plan Version One contract in place BD Digital Projects schedule / Annual Capital Budget	a) relevant managers b) [redacted] / All relevant managers d) e)	[redacted]	↓ (6)

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Rank in Prior Year
8	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 - Supporting its commercial exploitation and of content sales syndication.	1.1	[redacted]	High	High	Moderate	[redacted]	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 Analytics State package to provide more in depth data about user preference/habits to enable Editorial and Commercial to tailor content accordingly c) Integration of Digital Sales teams with cross media revenue teams.	b) Analytics System Reporting	a) [redacted] b) [redacted] c) [redacted]	↑ (10)
9	Failure to secure Digital distribution and content rights (including music rights) for multi-platform use and for distribution on third party platforms or on proposed new services (or secure rights in part only and/or at commercially unviable terms and conditions)	1.2	[redacted]	High	Moderate	Moderate	12	a) As far as practicable we endeavour to have all rights cleared as part of established 'umbrella' Newsroom/Radio/Sport/ PU Acquired content contracts with agency services e.g. Reuters, and music rights holders such as MRO/MCPS/PPI. b) Wherever possible, separate Digital contracts are negotiated with own service providers where commercially viable, e.g. BBC, Disney etc c) Strategy on RTÉ Player/Sales Content rights clearance renewal to obtain maximum right clearances for online/on demand use as part of overall revenue share agreement with programme makers d) Distribution on third party platforms require separate Producer and Music clearances across a range of content providers in an evolving market with new commercial models. Separate Contracts with all relevant Distribution partners and Producers.	a) Annual contracts b) Annual/bi-annual contracts c) Contracts with all relevant programme makers re acquired programmes d)	a) [redacted] b) [redacted] c) [redacted] d) [redacted]	↓ (7)
10	Bad Debts Events	3.10	[redacted]	High	Moderate	Low	12	a) Credit references and payment in advance sought for new customers b) Monthly meeting of Digital Accountant and sales managers with the Manager of Central Accounts Receivable to review monthly aged debtors listing c) Proactive approach to management of Merchandising credit at high risk periods in collaboration with our Distribution agent	b) Monthly aged debtors listing review c) Close contact with appointed Merchandising Distributor for Seasonal Sales periods	a) Central AR b) [redacted] c) [redacted]	↓ (9)

Footnotes

- Reflecting the new organisation structure, content / editorial related risks are captured in the area where the content is generated - News, TV entertainment, Sport etc.

RISK REGISTERS – CORPORATE FUNCTIONS

	Technology Risk Register - February 2014		
Rank	**Risk Category**	**Business Risk**	**Risk Rating**
1	Operational Risk	Single points of failure in critical broadcast infrastructure, negatively impacting broadcast continuity and output. Examples include the single playout facility in the TV Building (i.e. no second off-site facility) and the single point of failure in the Sky uplink disk in the 'satellite farm'.	**High**
2	Financial Risk	Financial resource constraints leading to under-investment in technology infrastructure and systems resulting in continued "sweating" of ageing and legacy equipment, which could lead to operational impacts and inefficiencies.	**High**
3	Market and Commercial Risk	Loss of competitiveness and market share due to a delay in rolling-out new broadcast technologies, especially delays in upgrading studios to High-Defintion in a timely manner.	**High**
4	Operational Risk	People and skills risk to include: a) Skills development impacted by insufficient training and development plans being in place; and b) Insufficient knowledge sharing taken place previously.	**Moderate**
5	Operational Risk	Resistance to implement revised work practices and to engage in more collaborative, innovative working arrangements. Ultimately, this may impact on the organsiational culture required to implement the RTÉ Strategy 2013-2017.	**Moderate**[1]
6	Operational Risk / Reputation Risk	Breaches in, or failure of, IT security resulting in reputation damage or lack of availability of key systems. This could arise due to intentional or unintentional misuse of RTÉ technology systems such as unauthorised access to, or inappropriate use of, IT systems.	**Moderate**

1: Assessed as "moderate" for Technology personnel, and "moderate" in relatation to RTÉ personnel generally.

	Saorview Risk Register - February 2014		
Rank	**Risk Category**	**Business Risk**	**Risk Rating**
1	Strategic Risk / Financial Risk	Reduction of UHF spectrum for terrestrial broadcasting due to the reallocation of UHF spectrum to mobile broadband and related uses. This may have a negative cost impact on RTÉ and the consumer.	**Moderate**
2	Strategic Risk	The negative impact on the attractiveness of DTT, to third party broadcasters, due to the cost of carriage.	**High**
3	Reputation Risk	The withdrawal of a broadcast customer(s) from the market, resulting in a knock on impact on the cost of carriage on DTT.	**Moderate**
4	Reputation Risk / Financial Risk	Failure to deliver the SAORVIEW Technology Roadmap due to insufficient funding.	**High**

Corporate Risk Register

Property and Services - February 2014

	Business Risk	Significance rating (1-25)	Key Controls
1	Insufficient capital expenditure adversely impacting the building fabric and increasing the risk of **obsolescence** in equipment and technology. In turn, this could lead to failures and breakdowns, possibly impacting on production output. A postponment of the Project 2025 redevelopment plan, and the corresponding impact on short term capital investment, is an important underlying factor.	20	a) Constant review of assets carried out to determine he assets most at risk. b) In drawing up Capital Budgets priority given to essen ial works to ensure no unplanned obsolescence in the lifetime of the plan. c) Rolling Capital Plan d) Engagement with engineers and architects as necessary / works carried out
2	The impact of **restructuring and change** in the business, such as: - Insufficient investment in training to upskill existing staff to take on new roles; - Deficits in experience and skills due to retirements; and - Failure to deliver improvements in work practises and to absorb the extra work load for staff members remaining in the department.	12	a) Reorganisation of he departments and reassignment of responsibilities to ensure identified gaps are filled promptly and services continue to be provided efficiently b) Work practice change and discussion with staff and Unions as necessary c) Internal communications process to keep staff informed d) Succession planning
3	Loss of the following **key on-site facilities** for a prolonged period of time due to a fault or breakdown: - electricity - gas - air-conditioning - water	9	a) Disaster recovery plan in place. b) Business Continuity Plan in place. c) Second ESB supply installed with automatic changeover in the event of ESB outage. d) Monitoring systems in place - IT System to highlight faults in plant and equipment as they occur e) Regular maintenance in line with an agreed schedule of maintenance
4	**Security** breaches resulting in: - unauthorised access to the RTÉ Campus - theft of equipment - unauthorised access to live studio during broadcast	9	a) Access controls in place / CO-TAG system and perimeter security. Procedures for laptop physical security b) Employment of competent security personnel c) CCTV and monitoring controls in place d) Standard operating procedures for Management of Audiences at Live Television Programmes e) Risk Assessments carried out - enhanced security controls for high profile events f) Routine checks of vehicles exiting the premises
5	Failure of key 'day-to-day' upgrade **projects**, or problems in the delivery of projects from a project timeline and / or project budget perspec ive	8	a) Project Plans in place with timelines and consideration of risks b) Dedicated Project Manager for projects c) Only competent 3rd Parties are hired - preferred supplied list for building and related services d) Engage with users locally (e.g. in respect of recent staff accommoda ion changes / moves)
6	Non compliance with **Health and Safety regulations** (for example statutory minimum training requirements due to tightening of training budgets) resulting in fines and / or adverse publicity and reputation damage.	6	a) Special training carried out as necessary - Working at Heights; Safe Pass; Manual Lifting; Working with Electricity etc. b) Training records maintained on PeopleSoft / BMS System and monitored for the expiry of training courses c) Safety Statements and "method statements" in place outlining safe procedures to carry out he work. d) Appointment of Health and Safety Officer and safety updates provided to local managers e) Circuit breakers installed across he system to prevent electrical excesses and similar physical controls in place. f) Employment of competent staff g) Risk Assessments carried out in advance of large projects

Corporate Risk Register

Property and Services - February 2014

	Business Risk	Significance rating (1-25)	Key Controls
7	**Injury** to staff member following a fall, working at heights, working with electricity etc.	6	a) Safety equipment/clothing/safety harness provided to staff to prevent injury b) Special training carried out as necessary - Working at Heights; Safe Pass; Manual Lifting; Working with Electricity etc. c) Safety Statements and "method statements" in place outlining safe procedures to carry out he work. d) Appointment of health and safety officer and safety updates provided to local managers e) Procedures in place for handling suspicious items in post and social media protocols
8	**Business disruption** resulting from industrial unrest or the unwillingness of staff to implement revised work practices.	6	a) Regular meetings with union representatives. b) Existence of dispute resolution process. c) Internal communications process to keep staff informed. d) Partnership meetings e) Performance management and evaluation system for management.
9	Non-compliance with, or lack of knowledge of, **buildings engineering and maintenance regulations**	6	a) Procedures to receive regulatory updates direc ly to staff members (e.g. HSA updates, IBEC notifications). Staff participate in internal safety forums as necessary. In addition, updates are received from the RTÉ Health & Safety Officer. b) Access to legal advice, as necessary
10	Failure to maintain, store and dispose of **hazardous materials** / chemicals in an appropriate manner	6	a) Safety statement in place b) Method statements outlining how work should be carried out c) Communica ion with staff in relevant areas in the IBD's - make-up and wardrobe, services, building, d) Formal audits by Dublin City Council approx. twicer per year and local (internal) audits also carried
11	**Employee / public liability** cost due to an injury to a member of staff, contractor or visitor on site.	4	a) Insurance held b) Warning notices in place where needed c) Access to sites is controlled / upgrade works at network "self-help" sites d) All major contractors required to produce method statements prior to commencement of work e) Third Party employees and agents required to show proof of training (Safe Pass) as relevant f) Safety statements in place

RTE GUIDE RISK REGISTER 2014

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility
1	Continuing viability of the RTÉ Guide as a "cash generator" within the RTÉ portfolio of businesses	[redacted]	High	High	Low	15	a) Reorganisation of RTÉ Guide as a cost efficient standalone enterprise b) Close monitoring of operational revenues and discretionary costs	a) Implementation of KPMG Report b) Review of monthly management accounts	a) [redacted] b) [redacted]
2	Fall in copy sales for the RTÉ Guide, resulting in an inability to maintain current circulation revenue levels	[redacted]	High	Moderate	Moderate	12	a) Close monitoring of weekly RTÉ Guide circulation figures b) Implementation of annual promotion and marketing plan c) Regular shelf space auditing by contract merchandisers d) Ongoing new initiatives with major multiples to arrest decline.	a) Weekly RTÉ Guide Sales Reports Revenue Report b) Annual promotion and marketing plan c) Weekly management meetings	a) [redacted] b) [redacted] c) [redacted] d) [redacted]
3	Inability to maintain current advertising revenue levels	[redacted]	High	Moderate	Low	12	a) Close monitoring of weekly RTÉ Guide Advertising income b) Implementation of short term income initiatives as appropriate	a) Weekly management meetings b) Ongoing comparison with annual Advertising Budget	a) [redacted] b) [redacted]
4	Failure of the printer to print the RTÉ Guide on time, in sufficient numbers and to an appropriate quality	[redacted]	Moderate	Moderate	High	12	a) Close liaison of Production Manager with printer on an issue by issue basis b) Contract with Printer includes provision for alternative printing arrangements c) Business interruption insurance in place	Weekly operational monitoring	a) [redacted] b) [redacted] c) [redacted]
5	Increase in printing / paper costs of the RTÉ Guide	[redacted]	Moderate	Moderate	Low	9	a) Contract in place with print costs element fixed. b) Sourcing of paper from independent supplier, other than through printer c) Close monitoring of non print other add-on costs, incl close analysis of weekly invoices d) Special prints are priced in advance to ensure the fee is acceptable (based on cost/benefit analysis)		a) [redacted] b) [redacted] c) [redacted] d) [redacted]

Corporate Risk Register

Legal Affairs

Rank	Category	Business Risk	Risk Rating
1	**Broadcast Risk**	Failure to comply with editorial standards and obligations to fairness, impartiality and privacy	**High**
2	**Competition Law Risk**	Challenges to RTÉ's revenue, both public and commercial, but particularly the latter	**Medium to High**
3	**Operational Risk**	The absence of an organisation-wide training function to assess the training needs of staff, to ensure that they are skilled to meet the needs of RTÉ, resulting in deficits in experience and knowledge (post ERRF & VSF). In addition, this weakness contributes to the absence of a system to identify areas where skills' problems arise and to alert management of same in a timely manner.	**High**

SECTION 3 – FINANCIAL CONTROL

3. INTERNAL FINANCIAL CONTROL

3.1 BACKGROUND

Internal Financial Control

Each IBD and, where applicable, central functions / shared services completed a self-assessment of the internal financial controls in the following areas:

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

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 – [redacted] (financials), [redacted] (payroll and fees) and [redacted] (employee expenses);
- The inventory management system - [redacted]; and
- The sales booking systems - [redacted] (Television and Radio) and [redacted]s (Digital).

3.2 REPORTING REQUIREMENTS

In line with Section 2.4 of the Code of Practice for the Governance of State Bodies:

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

Furthermore, as outlined in Section 10.1 of the Code of Practice, the Board's consideration of internal control should include *"the body's system of internal controls, including financial control"*

As a result, we carry out specific work in the area of Internal Financial Control.

3.3 CONTROL EFFECTIVENESS

Management completed an assessment of the effectiveness of each financial control (45 questions) and IT control (four questions for each of six IT systems) using a scale of 1-4, where 4 is the highest rating.

In the following pages we have set-out, by IBD, details of the effectiveness ratings assigned to the individual financial and IT control questions in each of the process areas. In summary, the output of this exercise highlights that a strong control environment exists in RTÉ, with the average control effectiveness rating in the range 83% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year with some processes showing marginal rating improvements (from an already high base).

The average IT rating is lower, at circa 70%, reflecting the age of some systems (e.g. [redacted]), testing of back-up plans and related matters.

3.4 INTERNAL AUDIT PROCEDURES

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;
- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The reasons for differences in the ratings assigned to the same control question by different IBDs;
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.

- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation / supporting evidence

3.5 OPINION

In our opinion:

The effectiveness ratings assigned to the financial control and IT control processes within scope are reasonable and, for the sample tested, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Summary of Effectiveness Ratings

Section	Process Area	TV	Radio	News	Digital	Orchestras	2rn	Average
A	Purchasing and Accounts Payable	83%	83%	83%	83%	83%	85%	83%
B	Sales and Accounts Receivable	93%	96%	N/A	90%	95%	89%	93%
C	Inventory	89%	79%	100%	Immaterial	N/A	75%	86%
D	Cash and Treasury	90%	90%	90%	90%	90%	85%	89%
E	Fixed Assets	91%	94%	94%	88%	90%	97%	92%
F	People Payments	85%	93%	93%	95%	88%	97%	92%
G	Management Accounts / Financial Close	92%	98%	93%	98%	98%	96%	96%
H	Tax Compliance	100%	100%	100%	100%	100%	100%	100%
I	Information Technology							
	Central IT Systems ([redacted])	74%	74%	74%	74%	74%	74%	74%
	Sales Booking systems	79%	79%	N/A	56%	Outsourced	Manual	71%
	Inventory Management systems	66%	Manual	N/A	Manual	N/A	N/A	66%

Section A: Purchasing and Accounts Payable
(Completed by: Central Purchasing and Central Accounts Payable. 2rn: completed seperately)

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

	TV	Radio	News	Digital	Orchestras	2rn
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	3.5	3.5	N/A	3.5	3.5	3.5	4
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer	3.5	4	N/A	3	N/A	4	4
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	4	4	N/A	4	4	4	4
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3	3	N/A	3	3	3	3
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4	4	N/A	4	4	4	4
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4	4	N/A	4	4	3	4
19	Score the effectiveness of reconciliation procedures and controls	4	4	N/A	4	4	4	4

Total Score for Sales and Accounts Receivable Processes	33.5	34.5	N/A	32.5	26.5	32
	93%	96%	N/A	90%	95%	89%

Section C: INVENTORY
(Completed by: Each IBD)

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)	3.8	3.5	4	4	N/A	3	3.7
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.	3.5	N/A	4	N/A	N/A	3	3.5
22	Score the effectiveness of the procedures and controls over stock movements	3.5	3	4	2	N/A	3	3.1
23	Score the effectiveness of the month end inventory accounting procedures	3.5	3	4	N/A	N/A	3	3.4

Total Score for Inventory Processes	14.3	9.5	16	6	N/A	12
	89%	79%	100%	75%	N/A	75%

Section D: Cash and Treasury
(Completed by: Central Banking and Treasury. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3	3	3	3	3	3	3
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5	3.5	3.5	3.5	3.5	3.5	4
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4	4	4	4	4	4	4
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	3.5	3.5	3.5	3.5	3.5	3.5	4
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4	4	4	4	4	3	4
29	Score the effectiveness over the recording of borrowings	4	4	4	4	4	4	4

Total Score for Cash and Treasury Processes	18	18	18	18	18	17
	90%	90%	90%	90%	90%	85%

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

	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.5	3.5	3	3	3	3.5	3.3
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	3.5	3.5	4	4	3.75	4	3.8
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	3.75	4	4	4	4	4	4.0
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.75	4	4	3	N/A	4	3.8

Total Score for Fixed Assets Processes	14.5	15	15	14	10.75	15.5
	91%	94%	94%	88%	90%	97%

Section F: People Payments
(Completed by: People Payments: questions 33, 34 & 37. Each IBD: questions 35 & 36. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	4	4	4	4	4	4	4.0
35	Score the effectiveness of the procedures and controls over the payment of Fees	3.5	3.5	3.5	3.5	3.5	N/A	3.5
36	Score the effectiveness of the procedures and controls over the processing of personal expenses	3.5	3	4	3.5	3	3.75	3.5
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	2	4	3	4	3	3.75	3.3
38	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	4	4	4	4	4	4	4.0

Total Score for People Payments Processes	17	18.5	18.5	19	17.5	15.5
	85%	93%	93%	95%	88%	97%

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

No.	Question	TV	Radio	News	Digital	Orchestras		2rn	Average
39	Score the effectiveness of the monthly management accounts preparation process	4	4	4	4	4		4	4.0
40	Score the effectiveness of the monthly management accounts review and clearance process	3.85	3.5	4	4	4		4	3.9
41	Score the effectiveness of the financial close procedures and controls	3.5	4	3	4	4		3.5	3.7
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	4	4	4	3.5		3.75	3.8
43	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.5	4	3.5	3.5	4		4	3.7

Total Score for Management Accounts / Financial Close Processes	18.35	19.5	18.5	19.5	19.5		19.25
	92%	98%	93%	98%	98%		96%

Section H: Tax Compliance
(Completed by: Corporate Centre)

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
44	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	4	4	4	4	4	4	4.0
45	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	4	4	4	4	4	4	4.0

Total Score for Tax Compliance Processes	8	8	8	8	8	8
	100%	100%	100%	100%	100%	100%

Section I: Information Technology
(Completed by: IT personnel in Central IT, Central HR, Central Finance and the IBDs)

No.	Question	TV	Radio	News	2rn	Digital	Orchestras
[redacted]							
A	Score the effectiveness of the access controls to the [redacted] ERP system	4	4	4	4	4	4
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	2	2	2	2	2	2
C	Score the effectiveness of the back-up procedures for software and transaction listings	4	4	4	4	4	4
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	3	3	3	3	3	3
	Total Score for [redacted]	13	13	13	13	13	13
[redacted]							
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

Section I: Information Technology (Cont'd)

No.	Question	TV	Radio	News	2rn	Digital	Orchestras
[redacted]							
A	Score the effectiveness of the access controls to [redacted]	4	4	4	4	4	4
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	2	2	2	2	2	2
C	Score the effectiveness of the back-up procedures for software and transaction listings	4	4	4	4	4	4
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	2	2	2	2	2	2
	Total Score for [redacted]	12	12	12	12	12	12
	Consolidated Score for Centralised IT Systems	35.5	35.5	35.5	35.5	35.5	35.5
		74%	74%	74%	74%	74%	74%

Sales Booking Systems

No.	Question	TV	Radio	News	2rn	Digital	Orchestras
		[redacted]k	[redacted]	N/A	Manual	[redacted]	Manual
A	Score the effectiveness of the access controls to computerised sales systems	3.6	3.6	N/A	N/A	3	N/A
B	Score the effectiveness of the plans to ensure continuity in the event of a disaster (both business operations and IT systems)	3.5	3.5	N/A	N/A	1	N/A
C	Score the effectiveness of the back-up procedures for software and transaction listings	2.5	2.5	N/A	N/A	2	N/A
D	Consider the effectiveness and appropriateness of the use of information systems and whether there are any further opportunities to computerise existing manual systems	3	3	N/A	N/A	3	N/A
	Consolidated Score for Sales Booking Systems	12.6	12.6	N/A	N/A	9	N/A
		79%	79%	N/A	N/A	56%	N/A

		TV	Radio	News	2rn	Digital	Orchestras
		[redacted]	Manual	N/A	N/A	N/A	N/A

Section I: Information Technology (Cont'd)

Inventory Management System [redacted]

A	Score the effectiveness of the access controls to [redacted]	2	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	2.5	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

APPENDIX A
INTERNAL CONTROL: BACKGROUND

APPENDIX A: INTERNAL CONTROL: BACKGROUND

1.1 WHAT IS INTERNAL CONTROL?

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives in terms of:

- Strategic and financial goals (including the effectiveness and efficiency of operations);
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

1.2 COMPONENTS OF INTERNAL CONTROL

Internal control consists of the following five interrelated components. All five components must be present and functioning effectively to conclude that internal control is effective.

Components of Internal Control *(source: COSO pyramid)*

Control Activities
Control activities are the policies and procedures that help ensure management directives are carried out. A critical aspect of internal control, control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as such as:

- approvals;
- authorisation levels and verification controls;
- reconciliations;
- reviews of operating performance;
- security of assets; and
- segregation of duties.

Risk Assessment
Risk assessment is the identification and analysis of relevant risks which could affect the achievement of an organisation's objectives.

Control Environment
The control environment sets the tone of an organisation and is the foundation for all other components of internal control. Examples of control environment factors include:

- the integrity, ethical values and competence of personnel, including Codes of Business Conduct, Good Faith Reporting etc;
- the way management assigns authority and responsibility and organises its people (organisational structure); and
- management's philosophy and operating style.

Information and Communication
Relevant information must be identified, captured and communicated in a form and timeframe that enables personnel to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information, which make it possible to run and control the business. Information systems are therefore an important part of internal control. There also needs to be effective communication with external parties, such as customers, suppliers and regulators.

Monitoring
Internal control systems need to be monitored through a process that assesses the quality of the system's performance over time. This is accomplished by ongoing monitoring activities, audits and specific evaluations. Internal control deficiencies should be reported upwards through the organisation structure, with serious matters reported to top management and the board.

1.3 INTERNAL CONTROL: ROLES AND RESPONSIBILITIES

Everyone in an organisation has responsibility for internal control.

- *Management:* the CEO of an organisation is ultimately responsible and should assume "ownership" of the system. Responsibility for the establishment of more specific internal control policies and procedures is assigned to senior managers and other personnel responsible for the unit's functions. Of particular significance are *Financial Officers* and their staff, whose control activities cut across all operating units of an enterprise and have a key role in implementing internal control.

- *Board:* management is accountable to the board of directors, which provides governance and oversight of control activity.

- *Internal Auditors:* Internal auditors play a role in evaluating the effectiveness of control systems and contribute to ongoing effectiveness through the monitoring and reporting issues and control weaknesses.

- *Risk Management:* assist in the identification and management of risk and coordinate risk management efforts.

- *Other Personnel:* internal control is, to some degree, the responsibility of everyone in an organisation and therefore should be an explicit or implicit part of everyone's job description. Virtually all employees produce information used in the internal control system or take other actions needed to effect control.

- *External:* External auditors bring an independent and objective view to the assessment of internal control, contributing directly through the annual audit and indirectly by providing information useful to management and the board, via the management letter.

1.4 REVIEWING INTERNAL CONTROL

Guidance is available to assist Audit Committees to discharge their duties in this area. The guidance in the following two documents has been taken into account in determining the nature and scope of the assessment of the effectiveness of the system of internal control in RTÉ.

Office of the Comptroller and Auditor General
The Office of the Comptroller and Auditor General has issued guidance for completing the Code of Practice statement on internal financial control ("the C&AG Guidance"). The C&AG Guidance includes a set of questions to assist directors in considering the system of internal financial control, including:

1) Has the Board identified and analysed the risks pertaining to the accuracy of the financial statements?

2) Has the Board considered business risks?

3) After identifying risks, has the Board considered and determined:
   - their significance;
   - the likelihood of occurrence; and
   - the manner in which management should respond to those risks?

4) Has the Board examined the procedures in use by the Body which are designed to address the business risks? (Such procedures may include written procedures material; information processing controls such as authorisation limits, proper approval of transactions, design and use of documentation; physical controls; etc).

The Turnbull Guidance

The publication "Internal Control: Revised Guidance for Directors on the Combined Code" (commonly referred to as the Turnbull Guidance) provides clarification on the procedures which should be performed during a review of the effectiveness of a system of internal control. The Turnbull Guidance notes that the internal controls considered by the Board should include *"all material controls including financial, operational and compliance controls and risk management systems"*. The Guidance also suggests that, in performing a review of the effectiveness of internal control, the Board should:

- consider the significant risks and assess how they have been identified, evaluated and managed;
- assess the effectiveness of the related system of internal control in managing the significant risks;
- consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses; and
- consider whether the findings indicate a need for more extensive monitoring of the system of internal control.

The Turnbull Guidance includes a list of useful questions for the Board to assist it in assessing the effectiveness of the company's risk and control processes. See *Appendix C* for further details.

1.5 LIMITATIONS OF INTERNAL CONTROL

An internal control system, no matter how well operated, can provide only reasonable, not absolute, assurance to management and the Board regarding the achievement of an entity's objectives.

This is due to the limitations inherent in all internal control systems. These include the realities that judgments in decision-making can be faulty, and that breakdowns in control can occur because of errors and mistakes – whether simple administrative errors or serious mistakes in strategic decisions. Additionally, controls can be circumvented by the collusion of two or more people, or by management override of the system. Another limiting factor is that the design of an internal control system must reflect the fact that there are resource constraints and that the benefits of controls must be considered relative to their costs. Finally, shifts in government policy, competitors' actions or economic conditions can be beyond the controls in place.

APPENDIX B

GUIDANCE FOR ASSESSING INTERNAL CONTROL

FRC

Financial Reporting Council

Internal Control

Revised Guidance for Directors on the Combined Code

October 2005

Five - Appendix

Assessing the effectiveness of the company's risk and control processes

Some questions which the board may wish to consider and discuss with management when regularly reviewing reports on internal control and when carrying out its annual assessment are set out below. The questions are not intended to be exhaustive and will need to be tailored to the particular circumstances of the company.

This Appendix should be read in conjunction with the guidance set out in this document.

Risk assessment

- Does the company have clear objectives and have they been communicated so as to provide effective direction to employees on risk assessment and control issues? For example, do objectives and related plans include measurable performance targets and indicators?

- Are the significant internal and external operational, financial, compliance and other risks identified and assessed on an ongoing basis? These are likely to include the principal risks identified in the Operating and Financial Review.

- Is there a clear understanding by management and others within the company of what risks are acceptable to the board?

Control environment and control activities

- Does the board have clear strategies for dealing with the significant risks that have been identified? Is there a policy on how to manage these risks?

- Do the company's culture, code of conduct, human resource policies and performance reward systems support the business objectives and risk management and internal control system?

- Does senior management demonstrate, through its actions as well as it policies, the necessary commitment to competence, integrity and fostering a climate of trust within the company?

- Are authority, responsibility and accountability defined clearly such that decisions are made and actions taken by the appropriate people? Are the decisions and actions of different parts of the company appropriately co-ordinated?

- Does the company communicate to its employees what is expected of them and the scope of their freedom to act? This may apply to areas such as customer relations; service levels for both internal and outsourced activities; health, safety and environmental protection; security of tangible and intangible assets; business continuity issues; expenditure matters; accounting; and financial and other reporting.

- Do people in the company (and in its providers of outsourced services) have the knowledge, skills and tools to support the achievement of the company's objectives and to manage effectively risks to their achievement?

- How are processes/controls adjusted to reflect new or changing risks, or operational deficiencies?

Information and communication

- Do management and the board receive timely, relevant and reliable reports on progress against business objectives and the related risks that provide them with the information, from inside and outside the company, needed for decision-making and management review purposes? This could include performance reports and indicators of change, together with qualitative information such as on customer satisfaction, employee attitudes etc.

- Are information needs and related information systems reassessed as objectives and related risks change or as reporting deficiencies are identified?

- Are periodic reporting procedures, including half-yearly and annual reporting, effective in communicating a balanced and understandable account of the company's position and prospects?

- Are there established channels of communication for individuals to report suspected breaches of law or regulations or other improprieties?

Monitoring

- Are there ongoing processes embedded within the company's overall business operations, and addressed by senior management, which monitor the effective application of the policies, processes and activities related to internal control and risk management? (Such processes may include control self-assessment, confirmation by personnel of compliance with policies and codes of conduct, internal audit reviews or other management reviews).

- Do these processes monitor the company's ability to re-evaluate risks and adjust controls effectively in response to changes in its objectives, its business, and its external environment?

- Are there effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risk and control assessments?

- Is there appropriate communication to the board (or board committees) on the effectiveness of the ongoing monitoring processes on risk and control matters? This should include reporting any significant failings or weaknesses on a timely basis.

- Are there specific arrangements for management monitoring and reporting to the board on risk and control matters of particular importance? These could include, for example, actual or suspected fraud and other illegal or irregular acts, or matters that could adversely affect the company's reputation or financial position.

Part 2: Audit and Risk Committee Meeting of 9 April 2014

REPORT TO THE AUDIT AND RISK COMMITTEE

(REPORT ON RISK MANAGEMENT – RTÉ GROUP TOP RISKS; TOP RISKS OF BROADCAST DIVISIONS AND ORCHESTRAS; CORPORATE RISK REGISTERS. REPORT 2 OF 2)

MEETING: 9TH APRIL 2014

Circulation

Members of the Audit and Risk Committee:
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Karlin Lillington
Eunice O'Raw
Patricia Quinn
Stuart Switzer

Emer Finnan *(Advisor to Audit & Risk Committee)*

CC:
Noel Curran (Director-General)
Breda O'Keeffe (Chief Financial Officer)
Cillian DePaor (RTÉ Group Secretary)
Fiona O'Shea (Group Financial Controller)
Ruaidhri Gibbons (KPMG Audit Partner)

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CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES	**3**
REPORT ON BUSINESS CONTINUITY PLANNING (*FOR REFERENCE*)	**4**

REPORT TO THE AUDIT AND RISK COMMITTEE

1. OVERVIEW

1.1 PURPOSE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to review, on behalf of the Board, the effectiveness of the internal control system in RTÉ; and
- Outline the work performed by Internal Audit and report the results of the audit testing undertaken.

1.2 AUDIT METHODOLOGY

Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control. This work involved:

1) Coordinating the completion of **internal control self-assessment questionnaires**, followed by sample testing, to assess the:

   - Financial control environment
   - IT control environment

2) In conjunction with the Head of Statutory Compliance / RTÉ Risk Officer, assisting the divisions to update their **risk registers** – these are maintained by each division as a standalone Microsoft Excel document, with an overall summary outlining the top risks of the division.

3) Spot checks on compliance with the **Code of Practice for the Governance of State Bodies**

Given the large agenda, this work is being presented to the Audit and Risk Committee in two parts:

- 13 March 2014 – Top risks in 2rn and in Digital; Corporate risk registers; Internal Financial Control.
- **Today – RTÉ Group "Top Risks"; Top risks in Television, Radio, News and Current Affairs and Orchestras; Selected Corporate risk registers; Code of Practice for the Governance of State Bodies**.

1.3 CONCLUSION

After reviewing the documents presented at the meetings of 13 March 2014 and the 9 April 2014, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and

b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2013. *(No material control weaknesses or other matters of concern need to be reported in this statement).*

SECTION 2 – BUSINESS RISKS

2. BUSINESS RISKS

2.1 DOCUMENTATION BY IBDS

Each IBD completed an exercise which involved documenting:

- Its primary objectives, as per the Five-Year Strategy (*RTÉ Today, Tomorrow 2013 – 2017*);
- The key risks to the achievement of those objectives;
- Its assessment of the likelihood and impact (both financial and reputation) of each risk;
- The controls it has in place to manage each risk; and
- The "owner" of each risk.

2.2 RISK UNIVERSE FRAMEWORK

Any organisation is subject to a broad range of potential risk areas.

For the purpose of background information, the following risk universe provides an overview of the types of risks faced by a typical organisation of RTÉ's size:

2.3 DETERMINING RISK RATINGS

A large number of risks were identified by management across each of the IBDs. In order to prioritise risks and to identify the key risks in RTÉ, we used management's assessment of the significance and likelihood of each risk to calculate an overall risk rating for each risk, on a scale of 1 to 25. The following risk assessment matrix summarises the way in which each risk rating was calculated and maps the risk ratings to a general classification of low, moderate or high risk.

	LIKELIHOOD				
IMPACT	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

Low Risk
Moderate Risk
High Risk

Example:
Likelihood of risk: High (score = 4)
Impact of risk: Moderate (score = 3)

⇒ **Risk rating = 12 (4 x 3)**
i.e. Moderate 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).

2.4 BUSINESS RISKS

We have set out in the appendices to *Section 2* the "top risks" of the following divisions:

- Television
- Radio
- News & Current Affairs
- Orchestras

2.5 CORPORATE REGISTERS

Also set-out in the appendices are the risks of the following corporate functions:

- Human Resources
- Group Finance
- Technology (originally circulated in the pack for the 13 March 2014 meeting – now updated to reflect the prior year comparatives)

2.6 KEY RISKS – RTÉ GROUP

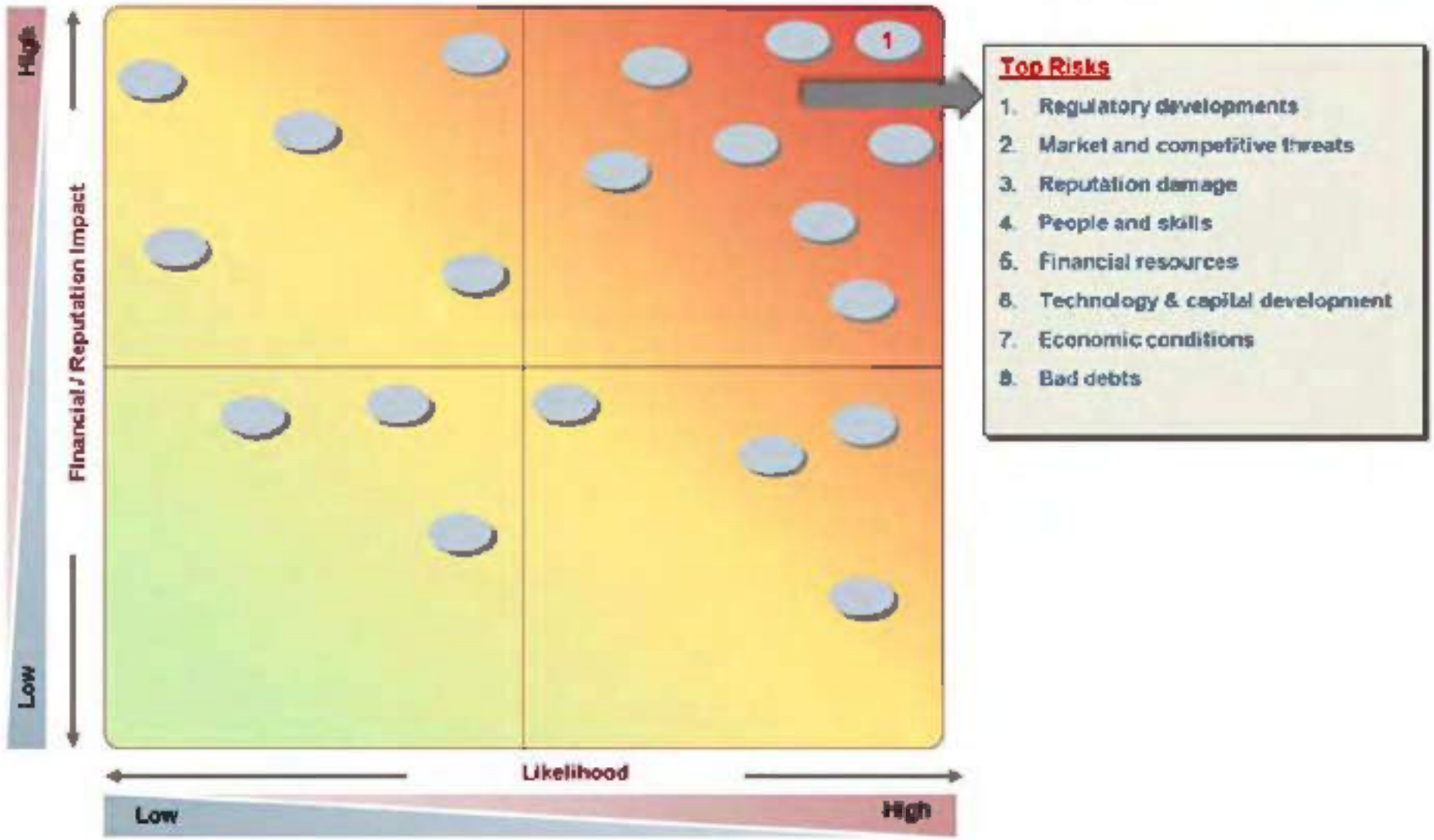
While the main objective of this exercise is to update the divisional risk registers, we have also identified the risks which have the highest average risk ratings in the risks registers of the individual IBDs (i.e. the "Top Group Risks"). These risks should be considered as being the key risks for the RTÉ Group as a whole.

The Top Risks of the RTÉ Group have been approved by the members of the Executive and are set-out overleaf. The listing of the top risks will form a key input to the Audit and Risk Committee's own risk work programme for the remainder of 2014.

The ranking of each risk has been determined based on the average risk rating for each risk across the divisions. Judgment has been exercised in determining the ranking, with some of the risks having similar significance ratings. Rather than focusing excessively on the ranking of one risk vis-à-vis another, the Top Risks should be viewed as important risk areas which need ongoing attention and management (i.e. the risks in the top right quadrant below).

The following is an illustration of the top risks on a risk map, which maps the likelihood and significance of risks.

Illustrative RTÉ Risk Map



RTÉ GROUP - TOP RISKS

RTÉ Group Top Risks - 2014

Rank	Risk Category	Description of Risk	Trend v Last Year
1	**Legal and Regulatory Compliance Risk**	The impact of **Regulatory developments,** such as the proposed introduction of a household-based Public Service Broadcasting Charge in early 2015. Other regulatory threats include: (a) challenges to RTÉ's public or commercial revenue, or new charges on the Licence Fee; (b) changes to advertising / sponsorship regulations; (c) slow response by the BAI to PVTs / submissions, impacting RTÉ's ability to commercially exploit new strategic opportunities and (d) unfavourable regulatory decisions impacting 2rn, or 3rd party challenges to how RTÉ operates 2rn.	↑ (2)
2	**Commercial and Market Risk**	**Market and Competitive** threats, such as: • Increasing presence of competitors in the marketplace, including the knock-on impact on the distribution of RTÉ services; • Increased opt-out advertising and greater fragmentation of audiences due to competing services, new market entrants and, in Television, the impact of further digital penetration; • In Television and Digital, the challenge of monetising new viewing habits arising from increasing PVR and non-linear TV viewing (VOD, iPad, Smartphones); • High Reliance on a small number of advertising agencies and clients, allied to increased market concentration due to a smaller number of buying groups and greater UK based decision making on advertising spend.	↑ (4)
3	**Broadcast / Editorial Risk**	**Reputation Damage -** damage to RTÉ's reputation arising from a failure to comply with editorial standards and obligations to fairness, impartiality and privacy, resulting in defamation claims and negative publicity.	↑ (5)
4	**Operational Risk**	**People and Skills** risks arising from organisational change: • Deficits in experience, skills and succession planning following staff departures over recent years; • Insufficient training, development and knowledge sharing, compounding existing gaps; • Failure to deliver the improvements in work practices and the collaborative, innovative working culture needed to absorb the extra work load for staff members remaining in the organisation.	↓ (3) *(Slightly restated from prior-year)*
5	**Financial Risk**	**Lack of Financial Resources** to invest in: • Indigenous content such as indigenous programming output; sports rights; new digital product and services; etc. • The funding of the capital investment programme; • Key programme acquisitions, in an environment of increased licencing of joint UK / Ireland acquisition rights by dominant foreign broadcasters, and / or price pressures. This may lead to a potential dilution of RTÉ's public service value or a failure to deliver the public service objects as set down in legislation and in the RTÉ Strategy 2013 - 2017.	↑ (6)
6	**Operational Risk**	**Technology & Capital Development** risks: a) Loss of competitiveness and market share due to a failure to roll-out new broadcast (e.g. HD Studios) and other technologies on a variety of platforms in a timely manner; b) Failure to deliver key strategic technology projects on time and budget; c) Under-investment in technology infrastructure; d) *[The impact of a) - c) leading to]* Obsolescence in technology, combined with single points of failure in critical broadcast infrastructure, potentially impacting broadcast continuity and output.	↑ (7)
7	**Economic Risk**	**Economic Conditions** in Ireland and the Eurozone impacting commercial income, licence fee evasion and, consequently, cash reserves / funding requirements.	↓ (1)
8	**Financial Risk**	**Bad Debt** events e.g. an advertising agency or a customer defaults on a debt; failure of RTE debtors to meet the T&C's of the credit insurance provider in order to have the debt covered by the credit insurance policy	→

RISK REGISTER – Television

Top Risks in Television IBD - 2014

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control			Versus Rank in Prior Year
1	**Market and Competitive Threats**: ***(1a)*** Increasing competitive threats leading to falls in commercial impacts & revenue and the non-achievement of revenue and market share targets: - Entry of new competitors into the marketplace; - Increasing levels of UK TV Channels selling opt-out advertising in Ireland; - Continuing trend of decision making re marketing investment in Republic of Ireland moving offshore and further consolidation of Agency groups; - Inability to accurately measure non-linear TV viewing (VOD, iPad, Smartphones etc) will impede an integrated sell of viewing to RTE content; and - Increasing use of PVR leading to loss of revenue.	TV Content and Editorial Board	High	Extraordinary	High	**24**	a) b) c) d) e)	Review particularly competitive times in the schedule to identify recommendations and actions to improve competitiveness. (Review done when compiling following years schedules for planning and budget purposes and als on an ongoing basis.) Daily tracking of audience performance via ratings and weekly monitoring of commercial impacts across all audiences. All major changes discussed at TV Content an Editorial Board / TV Board. i) Corporate Editorial where programme performance, trends and competitors are reviewed. ii) TV Content and Editorial Board where TV programme performance is reviewed, competitors assessed etc. Review of output performance On-Line Audience Reaction Panel which gives daily responses to programmes and can be tailored for specific research.	al al	↑ **(4)**
	(1b) Competitive threat leading to continued fragmentation of the TV market (around 800 channels were available in Ireland in 2013).	TV Content and Editorial Board	High	High to Extraordinary	High		a) b) c) d) e) f)	RTÉ platform contracts with Sky and UPC RTÉ's contract with Sky: defensive actions such as RTÉjr on Kids EPG and new DTT channels secured in contract Explore new technologies to connect with the audience such as mobile phone apps, tablets, mobile TV and social media initiatives. RTÉ Television continues to examine varied and compellin channel offering for the Saorview platform Participation in IBEC Audiovisual Federation Group UPC contract provides for Saorview channels in a prominent EPG location	d	
2	**Regulatory and / or legislative developments** impacting negatively on RTÉ Television: - Advertising regulations (Trading restrictions, alcohol, HFSS, advertising to children etc.); - Slow decision making by Regulators - PVTs increasingly required for new strategic initiatives in Television; - Reduction in Licence Fee / extra changes in the collection system; - Broadcasting Legislation and BAI Regulations; - Regulatory impact of serious decline in commercial competition.	TV Board	High	Extraordinary	High	**23**	a) b) c) d) e) f)	Meet and present to key decision makers including Competition Authority, BAI and DCENR Submissions made to BAI, EBU, European Commission etc. making RTÉ's case on sports rights, licence fee, advertising pricing, minutage etc. Secure economic and legal advice, or commission reports, as deemed necessary Jointly work with industry and advertising bodies to develop a coherent approach to advertising, sponsorship and product placement. Work with SPI, BAI, DCENR on Terms of Trade and related matters incl VAT Engage and work with other broadcasters, where appropriate, both in Ireland and internationally and also benchmark with other broadcasters.	V	↓ **(1)**

[redacted]

Top Risks in Television IBD - 2014

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	[redacted]	ersus Rank n Prior Year
3	Cuts or insufficient **investment in the indigenous programming schedule** on RTÉ One and RTÉ Two leading to an erosion of competitiveness and a loss of market share, thereby resulting in a fall in commercial revenue and ultimately a potential dilution of RTÉ's PSB value [This risk also includes poor programme investment decisions resulting in a failure to provide a compelling programme offering to the audience (content, production values, etc.). Likelihood of this element of the risk occurring is low to medium.]	TV Content and Editorial Board	High	Extraordinary	High	22	a) Review estimated effect of programme cuts on audience share and commercial impacts before a cut is made, to assess damage to schedule and revenue b) All budget cuts which are being made to the Schedule are fully discussed and agreed by the TV Board to ensure that damage to the market share and Commitments is minimised c) Continue to look for value for money offerings in programme production models both for in-house and commissioned programmes in order to achieve better value and avoid programme cuts. d) Output Reviews which looks at output, share performance, audience demos., CPH, overall investment e) Continue to look for co-funding opportunities, advertiser funded models and other sources of funding which leverage RTÉ's investment	[redacted]	↓ (2)
4	**Loss of foreign acquisitions** (e.g. exclusitivity first run on international series) and sports rights due to acquired programming inflation and / or dominant competing broadcasters acquiring exclusive UK and Ireland rights	Dir. of Production and Acquisitions / Head of Sport	High	High	Moderate to High	20	a) Strong relationships forged and contracts already in place with most key suppliers (acquisition deals, output deals) b) Acquisition contracts are closely monitored to give RTE the optimum licences and transmission rights / times. c) Acquisition Plan in place which will be updated each year tracking key rights and when they are due to expire. d) Networking with other Irish broadcasters on programme strategy, where appropriate e) Sports rights strategy and negotiation plans	[redacted]	↑ (6)
5	**People and skills** risks arising from organisational change, including: - Low and uncoordinated investment in training and career development compounding experience gaps; - Failure to deliver improvements in work practices needed to absorb the extra work load of staff members remaining in the organisation; - Deficits in experience, skills and knowledge.	Director of Operations / Head of HR and other TV IBD Board Directors	High	High to Extraordinary	Moderate	19	a) Change work processes, resource demand and organisation structures in order to manage departures of staff. b) Review international practices and look for best practise examples in other broadcasters c) Continue to negotiate work practice changes with staff and Unions: 13-point roster, TV reform agenda process and the broader 'Guidling Principles' change document d) Use of project management skills to deliver restructuring change needed. e) Responsive changes to management structures and span of control	[redacted]	↓ (3) *Risk slightly estated from prior year*
6	Further **Economic Turbulence** in Ireland and the Eurozone adversely impacting commercial income and licence fee evasion.	Commercial Director TV	High	Extraordinary	High	18	a) The RTE Executive monitor fortnightly Board Revenue reports which includes market and economic commentary and rolling forecasts. b) Pricing strategy for Television Advertising c) Sales restructuring across IBD's implemented by the Commercial Director d) Implement further cross media selling of advertising and sponsorship packages. e) Monitor licence fee collection, household stats and calculated evasion rates. Action as necessary e.g. engagement with stakeholders on issues f) Market intelligence, agency and client contacts	[redacted]	↓ (5)

Top Risks in Television IBD - 2014

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control		Versus Rank in Prior Year
7	Lack of investment in ageing equipment resulting in **obsolescence**, breakdowns in technical systems and studio equipment, possibly **impacting output**.	Operations Director	High	Moderate to High	High	16	a) b) c)	Periodic review of assets carried out to determine most at risk. Constant review of broadcast technology in studio and on site In drawing up Capital Budgets priority given to essential works to ensure no unplanned obsolescence in the lifetime of the plan.	↑ (8)
8	**Reputation damage** arising from editorial errors or inappropriate transmission, defamation / libel claims or negative publicity surrounding programming output	MD TV & TV Content and Editorial Board	High	High	High	16	a) b) c) d) e) f) g) h)	Training for TV Producer/Director Group. Previewing of programmes for libellous content. Editorial meetings at IBD and corporate level and a new Editorial Standards Board now in place Defined editorial process and structure in TV Programme Standards Guidelines Programme Editorial Specifications for all Commissioned Programmes Centralised complaints mechanism Access to legal advice as necessary	↓ (7)
9	Loss of competitiveness and market share due to: - Delay in developing or rolling-out **new broadcast technologies** (upgrade studios to HD) in a timely and efficient manner and / or - A **failure to develop content on a variety of platforms** (DTT, mobiles, VOD, RTE Player), due to rights restrictions and or available funding.	CTO / Director of Operations / MD TV	High	High	High	15	a) b) c) d) e)	Review uptake of HD ready TV sets by Irish consumers an take up of HD services with cable and satellite operators. RTÉ One HD and RTE Two HD offering on DTT Launch of RTE One +1, RTE Two HD, RTEjr, News Now following digital switchover Negotiation of rights across many platforms (acquisitions, commissions (terms of trade) Development of Digital Strategy across TV, Radio, On-line	→
10	A depleted independent sector and stagnant TV sector has resulted in a lack of dynamic **production companies and producers**, hampering innovation and risk taking.	Channel Controllers	High	High	High	15	a) b)	Vary the combination and mix of programmes being commissioned	***New to Top Risks***
11	Loss of key **personnel** in operations and elsewhere in the business. Impacts on succession planning.	Head of HR / Dir. of Operations	High	High	Moderate	15	a) b)	Continue to negotiate work practice changes with staff and Unions Responsive changes to management structures and span of control	***New to Top Risks***

Note: A fall in income is an overarching threat in Television IBD and is captured in risks 1 (*market threats*), 2 (*regulatory*), 3 (*impact on indigenous output*) and 6 (*further economic downturn*). Risks 1, 3 and 6, in particular, are largely interchangeable and are closely related in terms of the cause and effect relationship between these risks.

RISK REGISTER – Radio

RADIO IBD - TOP RISKS 2014

	Business Risk	Risk Owner	Likelihood	Financial Impact	Reputation impact	Significance rating (1-25)	High-Level Controls	sus Rank 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	→
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	→
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 RTE 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	↑ (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	↓ (4)

[redacted]

RADIO IBD - TOP RISKS 2014

	Business Risk		Risk Owner	Likelihood	Financial Impact	Reputation impact	Significance rating (1-25)	High-Level Controls		[redacted]	ersus Rank n Prior Year
6	Negative **Business Impact** due to people and skills issues: (a) Failure in succession planning and / or managing performance (b) Loss of key personnel (c) Inadequate resources arising from lower funding and headcount levels		Radio Board	Moderate to High	High	Moderate to High	16	a) b) c)	Manpower plan, including age profile of all radio staff. Talent Development - plan and action Succession Plan in place for each Channel		↓ (5)
7	Business disruption or disadvantage arising from **organisational restructuring**		Radio Board	High	High	Moderate	16	a) b) c) d) e)	Internal communications processes to keep staff informed Regular meetings with employee representatives. Existence of dispute resolution process. Manpower planning group Changes in structures and operations as necessary to cope with staff departures		↓ (6)
8	**Credit Default** by an advertising agency or client on a debt owing to RTÉ		Radio FD / Group Financial Controller / Radio Sales	Moderate	High	Moderate	14	a) b) c) d)	Credit Insurance in place Debtors listing: reviewed and monitored Credit references sought for new customers Monthly review of debtors by Radio FD with Central Finance and Radio Commercial Director		→

RISK REGISTER – News & Current Affairs

Top Risks in News and Current Affairs IBD - 2014

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	[redacted]	sus k in Year
1	Failure to maintain **editorial standards** and comply with obligations to fairness, impartiality and privacy.	M.D. News & Current Affairs & Managing Editors	Moderate	High	Extraordinary	16	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) RTÉ Journalism 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 l) Physical reorganisation of newsroom to integrate Newsdesk more efficiently		
2	Lack of **availability of resources** (especially staff) to maintain editorial standards and to implement programme developments / enhancements.	M.D. News & Current Affairs	High	Moderate	High	16	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.		
3	**Loss of audience** to competing Television, Radio and Online news services, impacting audience share.	M.D. News & Current Affairs	High	High	High	16	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		
4	Loss of, or disruption to, output / services due **technological failure**, the use of new cheaper technology, or the loss of the skilled IT personnel needed to remedy the problem.	M.D. News and Current Affairs & Technology Manager	Moderate	Moderate	High	12	a) Development of BD procedures & technical support systems & training. b) Development of inter IBD procedures & technical support systems & training. c) New corporate IT structures to consolidate approach d) Business Continuity processes		

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	[redacted]	Versus Rank in Prior Year
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) Focussed research undertaken, where necessary and affordable. c) Tracking audience performance. d) Responsive programme changes.	[redacted]	→
6	Loss of **audience** to competitors' non-news programme offerings, 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	[redacted]	→
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 and the launch of *Morning Edition* , providing greater opportunities to bring an item to air at short notice.	[redacted]	→
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	[redacted]	↑ (9)

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control		Versus Rank in Prior Year
9	**Illegal or unethical acts** undertaken in the course of operations.	M.D. News & Current Affairs	Moderate	Moderate	High	10	a)	Editorial management structure, ensuring clarity in the editorial management chain. The News management team has also expanded.	↓ (8)
							b)	Each programme has a responsible editorial manager	
							c)	RTÉ Journalism 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	
							l)	Physical reorganisation of newsroom to integrate Newsdesk more efficiently	
10	**Adverse regulatory developments** impacting the development of online news services.	Corporate & I.B D Management	Moderate	Moderate	Moderate to High	10	a)	Advocacy of RTE position in appropriate national and European fora	→
							b)	Commission economic reports and analysis as necessary	

[redacted]

RISK REGISTER – Orchestras

TOP RISKS - Orchestras Quartet & Choirs 2014

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	[redacted]	Versus Rank in Prior Year
1	Failure, through **lack of adequate funding**, to meet public service commitments / RTÉ Board policy and published strategic planning initiatives as per he five year corporate plan (2013-2017). Reduced financial support for OQ&C resulting in a diminution of he necessary **quality, artisitc standard and range of output** in the programmes, particularly for the NSO. This risk reflects the economic downturn and budget cuts.	2.1	High	High	High	21	a) IBD Editorial Board reviews formal planning processes, fortnightly b) Editorial Line management of Orchestra Programmers c) Engagement of conductors/producers as necessary to deliver programmes d) Succession Planning/recruitment -only essen ial recruitment/replacement taking place e) Monitoring of developments in he industry and with competitors f) Strategic plan in place / monthly, quarterly and annual review	a) Minutes d) Submission to IBD Board for approval		↑ (3)
2	The real value of budgets is down for 2014, particularly affecting NSO and Chamber Music. This arises from continuing economic downturn, resulting in a **lack of financial resources** for musical talent.	3.1	High	High	High	21	a) Annual budget process and iterations toge her with assiduous monthly forecas ing, particularly in H1 of 2014	a) Annual Budget book a iterations		→
3	**Economic downturn** contributing to the non-achievement of commercial revenue targets from: - Box office sales	3.2	High	High	High	20	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	a) i) Fortnigh ly, mon hly IBD sales reports and ii)Venue advance sale reports b) Pricing reviews		↓ (1)
	- Facilities hire due to a fall in 3rd party demand						a) Iden ification of all potential customers and contacts through intelligence gathering within IBD and from other IBDs and corporate centre b) Building of strategic relationships wi h best potential customers / agents / promoters and National Concert Hall c) Relationship-management of key customers			
	- Economic downturn contributes to a reduction in the range of output						a) IBD Board and Orchestra Manager maximise commercial opportunities b) Fortnightly, monthly and quarterly review of costs and output being implemented at Board level	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	[redacted]	Versus Rank in Prior Year
4	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	20	a) Research carried out to build knowledge of audience and market b) Budget process c) Ongoing engagement wi h the NCH management re identifying options for increasing access to further customer information. d) Engagement with customers via Social Media	a) Informal in-venue data collection & joint		↑ (7)
5	**Human Resources risks:** - Failure to recruit and retain musicians and par icularly conductors of the highest international calibre - Failure to identify gaps in existing skills and to address these gaps - Staff vacancies (Executive Director and General Manager NSO)	2.2	High	Moderate	High	20	a) Maintain pool of available freelance talent b) Succession planning for key titled conductor posts in both orchestras c) Titled and Guest Conductor budgets d) General Succession Planning Policy e) Maintain programme budgets within agreed revised limits to remunerate musicians adequately f) Manpower plan and/or skills audit	a) Database of available talent		↑ (8)
6	**Industrial action** leading to disruption of work, particularly in the case of the RTÉ NSO.	2.3 4.1	High	Moderate to High	High	17	a) Partnership process at IBD and Corporate level.	a) Agreed Partnership communiques		↑ (9)
7	A potential lack of resources to improve the Orchestras web-site to drive **growth in on-line sales**. (This is pending the preparation and review of formal capital justification / proposals and he risk, ul imately, will depend on the capital resources available to the organisation and priori isation of same)	1.2	Moderate to High	Moderate	High	17	a) Collaboration with Digital IBD to develop website b) Submission of capital proposals in line with normal RTÉ procedures	a) Report of priority next steps		New

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Res	[redacted]	Versus Rank in Prior Year
8	Failure to maintain and **develop collaborative relationships** with local arts and culture partner organisations, Promoters / Sponsors etc.	4.2	High	Moderate	Moderate	15	a) Increased focus on rela ionship-mgt with regional partners by orchestra managers, and he Marketing Dept (PR, marketing and sponsorship) - actions developed accordingly	a) Every alternate week at IBD Board and Editorial Board meetings	a)		↓ (6)
9	**Regional output** commitments are not achieved, impacting he perception of he na ional orchestras as being exclusively Dublin focused and not viewed as regional Orchestras.	1.3 2.4	High	Low	High	15	a) Clear internal reporting on unit cost of different categories of regional activity, achievement of best financial balance within policy priorities as part of IBD planning and budget-setting b) Successful renegotiation of travel rules for orchestras will assist in controlling costs.	a) Ongoing financial repor ing -fortnightly, monthly, quarterly b) Monthly financial accounts and sales returns	a) b)		↓ (4)

Note: The 2013 risk of *Strategic Planning* (ranked # 5) has fallen out of he top risks listing this year.

RISK REGISTERS – CORPORATE FUNCTIONS

Rank	Risk Register - 2014 Business Risk	Risk Rating	Key Controls	Rank in 2013
	Group Human Resources			
1	Technology failure resulting in the non availability of the **PeopleSoft system**	**High**	a) A policy of no system changes or modifications to PeopleSoft (except for critical changes) b) Rigorous system and performance testing of all changes c) Support arrangements in place d) Technology security controls - anti-virus, data back-up etc.	***(1)***
2	Engaging staff or independent contractors with no or inappropriate **contracts,** or engaging agency staff without the appropriate approvals	**Moderate to High**	a) Dedicated Cross-Divisional Hiring and Contract Review Group b) Request for Engagement forms in respect of staff hires, with IBD MD approval c) Contracts must be in place and input to PeopleSoft before a payment can be made d) Segregation of duties - set-up, payment, local HR - in the hire process e) Restricted access to set-up a new employee on PeopleSoft f) Standard processes, checklists and forms within HRSS and training of staff g) Second check of contracts prior to issue in the HRSS	***(2)***
3	Adverse impact on **service** from the HRSS arising from the departure of staff, especially in the context of an increase in the number of contract renewals / new contracts issued	**Moderate**	a) Ongoing review of work practices and processes b) Workflow IT System being rolled-out, currently implemented in Radio IBD c) Regular tracking of service performance via internal statistics / KPIs	***(3)***
4	Non compliance with **Child Protection Policy** resulting in reputation damage and / or potential injury to children and young people while on site	**Moderate**	a) Child Protection Policy and briefing sessions for all divisions b) Health and Safety Officer in place to coordinate activity in this area c) Training and engagement with divisions	***(6b)***
5	Non compliance with **Health and Safety regulations** resulting in injury to staff, fines and potential adverse publicity and reputation damage.	**Moderate to Low**	a) Safety Statement and local 'method statements' in place outlining safe procedures to carry out the work c) Health and Safety Officer in place to coordinate activity in this area d) Training, especially where a regulatory requirement exists (Safe Pass, Working at Heights, etc.) e) Risk Assessments completed as required	***(6a)***
6	Business disruption resulting from **industrial unrest** (including unofficial action)	**Low**	a) Regular meetings with union representatives. b) Internal communications process to keep staff informed (newsletter, meetings etc.) c) Dispute resolution processes exist with dedicated staff in Corporate HR	***(4)***
7	Further **loss of key HR personnel** and skills, and a failure to have appropriate succession plans in place	**Low**	a) Succession planning and training b) Ongoing review of existing structures in light of changes in the business	***(5)***
8	Failure to implement **new working practices** and improve efficiencies, resulting in a failure to achieve targeted cost reductions	**Low**	a) Training for staff b) New HRSS processes in conjunction with local HR teams c) Automation of key tasks with a dedicated team focusing on management reporting matters/IT	***(7)***
9	Adverse impact of **business restructuring and change** such as staff 'burnout' and stress as staff take on new duties following the departure of colleagues; poor motivation of staff due to higher workload, post restructuring; increase in staff sick days taken; etc.	**Low**	a) Staff Welfare Policies set out in the Staff Manual b) Monitoring of sick leave via the HRSS c) Awareness and monitoring locally by HR teams d) All decisions on ERRF / VSF / Alternative Working Arrangements / etc. were assessed for business impact prior to making the "accept / reject" decision on each application	***(8)***
10	Inaccurate tracking and reporting on **headcount** / staff numbers	**Low**	a) Fortnightly validation of payroll and PeopleSoft data b) Monthly PeopleSoft audits to check data accuracy	***(9)***

Corporate Risk Register - 2014

Shared Services: Group Finance

	Business Risk	Risk Rating	Key Controls
	Shared Services: Group Finance		
1	Inaccurate TV licence sales figures provided by An Post / Department of Social Protection ("DSP") leading to potential misstatement of the Licence Fee income recognised by RTÉ	**High**	a) Weekly/ monthly analysis of "over he counter unit sales" from An Post. b) Monthly review of DSP payment and reconciliation of movements in DSP database. c) Reconcilia ion of "over the counter" licence fee income prepared by An Post, quarterly in arrears. d) Meetings between CFO and DCENR.
2	Increase in Television Licence Fee evasion *[Primarily a 3rd party risk]* The trend of payments migrating to a monthly direct debit mechanism as a means of paying for the Television Licence Fee is a related risk. This trend increases the risk of direct debits being rejected by the bank, particularly following the implementation of SEPA, and increases the risk of the subsequent cancellation of direct debits by the customer.	**High**	a) Marketing/awareness campaign in conjunction with An Post/ DCENR. b) Ongoing engagement with DCENR / An Post re: Licence collec ion methods c) Engagement between CFO / GFC and DCENR as regards all licence fee matters d) Regular monitoring of sales reports, including the patters of direct debit sales
3	An advertising agency or customer defaults on a debt owing to RTÉ [*This is a shared risk with the divisions - see divisional Risk Registers*]	**High**	a) Credit insurance in place for all key agencies which limits RTÉ's exposure to bad debts. Adherence to terms of credit insurance policy. b) Credit references sought for all new customers, wi h advance payment procedures c) Monitor ongoing exposure to agencies including future bookings via weekly consolidated reporting d) Ongoing monitoring of aged debts and action taken regarding old or problematic debts by Accounts Receivable. e) Weekly reporting of top debtors to the Group Commercial Director / IBD Commercial Directors / CFO and FDs/FCs. f) Debtors queries, old debtors, slow paying debtors - reviewed at monthly Sales/AR meetings g) Meeting problem debtors in order to agree payment plans as and when they arise
4	Incorrect / inappropriate taxation treatment adopted by RTÉ. Changing Revenue attitude with respect to taxation matters, as evidenced, for example, by the August 2012 *Corporate Governance and Tax Compliance* correspondence to the Chairpersons of all Commercial State Bodies. The risk includes a potential change in the VAT treatment under new Terms of Trade (IPU Commissions)	**Medium**	a) Professional taxation advisors engaged to provide advice on complex taxation matters b) Competent accounting staff employed, who keep up to date on developments in taxation c) Prudent provisioning for any doubtful items d) Taxation is a matter on the Board agenda e) Taxation compliance report completed by KPMG f) Annual training programme
5	Misstatement / overpayment of a Fee payment (Contractor/Contributor etc.) or payment in excess of the agreed / contracted rate	**Medium**	a) Formal approval procedures followed - costpool approval and finance approver b) Restricted access to update standing data for Northgate c) Certain contractors are paid based on standard rate codes, which are set-up in the system and not manually input d) IT controls within PeopleSoft - when a fee line is entered the system checks against the (max fee amount) maximum total amount for the entire contract e) Contracts in place outlining the agreed rates and the deliverables
6	Financial risks associated with the migration to the Single Euro Payments Area (SEPA), such the rejection of files transmitted electronically to the bank; delays in the receipt of salaries by employees due to bank processing issues; technical difficulties in the conversion of files; etc.	**Medium**	a) Project plan in place to manage he migration b) Regular meetings with the main banking partners and with Northgate
7	Inappropriate or fraudulent tendering procedures	**Medium**	a) Evaluation team for contract tenders and the use of evaluation criteria b) Involvement/oversight of the purchasing department in all EU / National tenders c) Purchasing Procedures and Guidelines document d) Segregation of duties - tendering, ordering, supplier set-up and invoicing e) Code of Business Conduct for Staff Members - posted on RTÉ.ie

Corporate Risk Register - 2014

Shared Services: Group Finance

	Business Risk	Risk Rating	Key Controls
8	Inappropriate payments, and / or material commitments entered into, on behalf of RTÉ	Medium	a) Commitment approval sought in advance of awarding major contracts. b) Purchase order approval process, with tiered delegated approval limits c) Segregation of duties between supplier set-up, ordering, invoice processing and settlement d) Purchasing Procedures and Guidelines document
9	Breach of banking covenants in place for borrowings [2rn and RTÉ risk]	Medium to Low	a) Quarterly review process in place in 2rn (*see 2rn Risk Register*); Half-Year / Annual review processes in the case of RTÉ - the reviews involve a historic and forward looking review
10	A bank, with which RTÉ deposits its cash resources, goes bankrupt leading to loss of funds	Low	a) Minimum credit rating, as defined by the Treasury Policy, needed before RTÉ may lodge cash with a bank (primarily funds invested with Irish financial ins itutions).
11	Failure to monitor and forecast cash position in an effective manner resulting in: - RTÉ unknowingly running out of cash resources; or - RTÉ experiencing temporary cash flow difficulties, overdraft costs, loss of interest income etc.	Low	a) Detailed cash analysis on a daily basis and annual cash flow projections (2013 - 2017) updated regularly. b) Monthly management accounts, incorporating cash flow statement and liquidity KPI's
12	Errors or misstatement in the presentation of the revised Television Licence Fee Attribution disclosure in the Group Financial Statements as at 31 December 2013.	Low	a) Formally documented allocations process and manual in place b) Formal review and sign-off by the IBD FDs / FCs
13	Misstatement of Payroll costs as part of processing	Low	a) Fortnightly validation of Payroll paid personnel with PeopleSoft data. b) Review of budget versus actual of payroll costs and investigation of differences c) Validation by costpool managers, of individuals paid through their costpool
14	Misappropriation of RTÉ funds i.e. fraudulent cheque or bank withdrawals, theft of cash	Low	a) Most customers pay by cheque or EFT - very limited cash transactions b) Petty cash is maintained in locked cabinets / drawers to prevent theft c) Petty Cash reconciliations are carried out at regular intervals d) Cheque books are stored in locked cabinets. e) Cheque payments and bank wi hdrawals require two authorised signatories f) Electronic payments made to creditors are approved by the Group Financial Controller and CFO prior to payment.
15	Inappropriate and / or unauthorised foreign exchange contracts entered into on behalf of RTÉ	Low	a) Treasury policy in place b) Foreign exchange contracts entered into based on detailed rolling foreign currency projections c) Foreign currency exchange contracts are signed by two authorised signatories, normally the CFO and the DG.

Note: There were no material changes to the rankings of risks as compared to those listed in the 2013 Risk Register.

	Technology Risk Register - February 2014			
Rank	**Risk Category**	**Business Risk**	**Risk Rating**	**Rank Versus 2013**[2]
1	Operational Risk	Single points of failure in critical broadcast infrastructure, negatively impacting broadcast continuity and output. Examples include the single playout facility in the TV Building (i.e. no second off-site facility) and the single point of failure in the Sky uplink disk in the 'satellite farm'.	**High**	↑ **(2)**
2	Financial Risk	Financial resource constraints leading to under-investment in technology infrastructure and systems resulting in continued "sweating" of ageing and legacy equipment, which could lead to operational impacts and inefficiencies.	**High**	***New***
3	Market and Commercial Risk	Loss of competitiveness and market share due to a delay in rolling-out new broadcast technologies, especially delays in upgrading studios to High-Defintion in a timely manner.	**High**	↓ **(1)**
4	Operational Risk	People and skills risk to include: a) Skills development impacted by insufficient training and development plans being in place; and b) Insufficient knowledge sharing taken place previously.	**Moderate**	↓ **(1)** *Risk split into two risks this year*
5	Operational Risk	Resistance to implement revised work practices and to engage in more collaborative, innovative working arrangements. Ultimately, this may impact on the organsiational culture required to implement the RTÉ Strategy 2013-2017.	**Moderate**[1]	***New***
6	Operational Risk / Reputation Risk	Breaches in, or failure of, IT security resulting in reputation damage or lack of availability of key systems. This could arise due to intentional or unintentional misuse of RTÉ technology systems such as unauthorised access to, or inappropriate use of, IT systems.	**Moderate**	↓ **(3)**

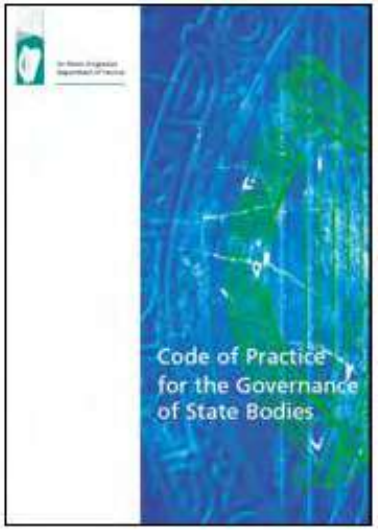
1: Assessed as "moderate" for Technology personnel, and "moderate" in relatation to RTÉ personnel generally.
2: This Register is not directly comparable to prior year due to the restructuring of IT and the establishment of a new Technology division replacing Central IT

SECTION 3

Code of Practice for the Governance of State Bodies

3. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

3.1 INTRODUCTION



Published by the Department of Finance in June 2009, the revised Code of Practice for the Governance of State Bodies ("Code of Practice") is intended to provide:

"a framework for the application of best practice in corporate governance by both commercial and non-commercial State bodies".

Board members and employees of State Bodies are required to follow the principles set out in the Code of Practice in order to ensure that all their activities "meet the highest standards of corporate governance".

Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. On an annual basis, the Chairman of the Board is required to report to the Minister for Communications, Energy and Natural Resources on RTÉ's compliance with the Code of Practice.

In addition to relying on the results of Internal Audit's programme of work for 2013, we carried out spot checks on RTÉ's compliance with the Code of Practice by selecting a sample of the activities covered by the DCENR's own Code of Practice compliance checklist. (*This checklist was provided to RTÉ by the Broadcasting Policy Division in correspondence dated 17 June 2010.*) We noted no exceptions as part of this testing.

Further work to check compliance with the year-end / reporting requirements per the Code of Practice will be carried out in April 2014, as part of drafting the Chairman's Annual Report to the Minister (in accordance with Section 13.1 of the Code of Practice).

3.2 FINDINGS

The spot checks indicate that RTÉ remains compliant with the Code of Practice for the Governance of State Bodies. Our other audit work during the year did not highlight any other issues of non compliance with the Code of Practice.

RTÉ Internal Audit

Review of Travel & Subsistence

20 February 2015

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

Divisional Finance

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Objectives and Scope

Background

Overview

[redacted] is RTÉ's electronic travel and subsistence system and was implemented in February 2003. It is integrated with Agresso and has workflow approval functionality.

RTÉ's Travel Policy is contained in Chapter 7 of the Staff Manual (6th Edition) and is posted on the travel section of the intranet. Amendments to the policy are communicated via the intranet, with the last material revision in 2008.

Expense claims – process

All claims should be submitted using [redacted] in accordance with the RTÉ Travel Policy and must be made within 21 days of completion of the duty during which the expenditure was incurred. In summary:

- The claimant enters the details of the claim into [redacted]
- Receipts are placed into a pre-printed travel receipts envelope by the claimant, showing the claim number, date of claim and the claimant's name
- Each approver is responsible for viewing and substantiating all receipts
- The claim is approved electronically
- The date of approval is written on the envelope by the approver and the sealed envelope is forwarded to the relevant Finance co-ordinator
- The Finance co-ordinators are responsible for ensuring that all envelopes are received and archived in approval date order

Scope of audit

The scope of our audit was the employee expense claims processed through [redacted] during the period 1 January 2014 to 30 November 2014. We selected a sample of 40 claims and requested the relevant [redacted] envelopes. All IBDs and the Corporate Centre were within the scope of this review. We also carried out some high level analysis of the full population of transactions.

We tested the following:

- ✓ Verified an envelope was on file;
- ✓ Checked for evidence of the approver viewing the claim;
- ✓ Verified that valid receipts were retained;
- ✓ Checked that the details of those entertained was recorded; and
- ✓ Examined if all subsistence / mileage claims were made in accordance with the RTÉ Travel Policy.

Any instances of missing receipts are categorised as follows:-

Category	Description
A	**Major**: missing receipt for a purchase in excess of €500, or numerous higher value receipts.
B	**Intermediate**: missing receipts related to amounts greater than €100 but less than €500, or related to a number of missing low value receipts.
C	**Moderate**: missing receipts related to individual amounts of less than €100, or where the number / value of missing receipts was low in the context of the number of transactions.

The scope of our audit did not include:

- ✗ Expenses claimed via Purchase card – covered in a separate assignment;
- ✗ Club Travel – used by employees to book work related flights; and
- ✗ Taxi Voucher system – with payment subsequently made on account.

Methodology

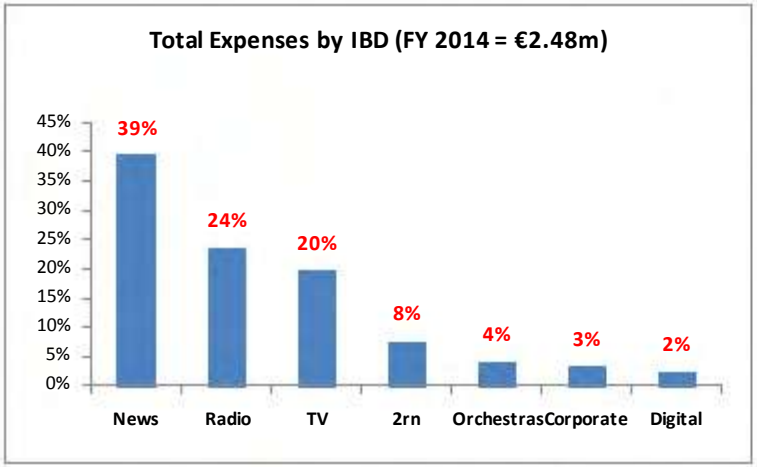
The full population was interrogated based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. In addition, a number of other [redacted] claims were selected randomly from the full population.

In total, 4/5 of our sample was based on the "focused audit tests" and a further 1/5 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

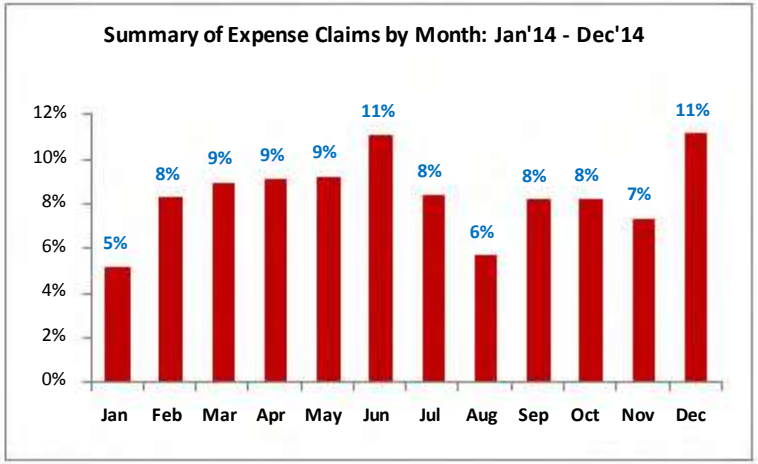
Executive Summary: Financial Background

Financial Background

A



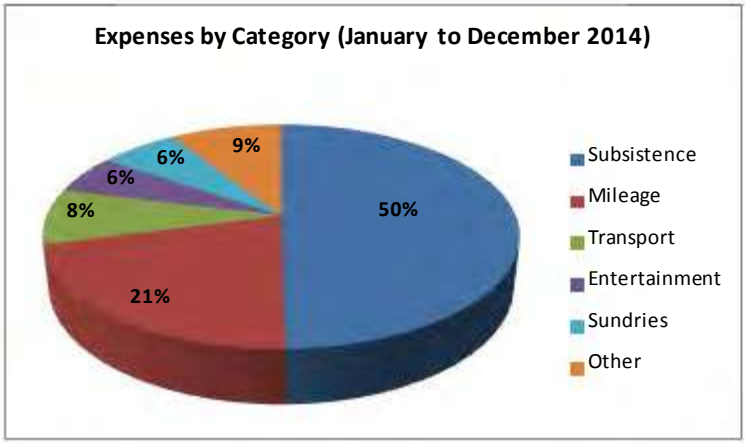
B



€2.5m of transactions were processed through RTÉ's [redacted] system in the twelve month period to 31 December 2014, up from €2.3m in the same period in 2013 (an increase of 8%). The largest spend is in News (39%), Radio (24%) and Television (20%). The total number of claims processed in the twelve month period was 11,582, up by 4% from the same period in 2013.

Claims peak before the year-end cut-off in December and in June as the Spring production season ends.

C



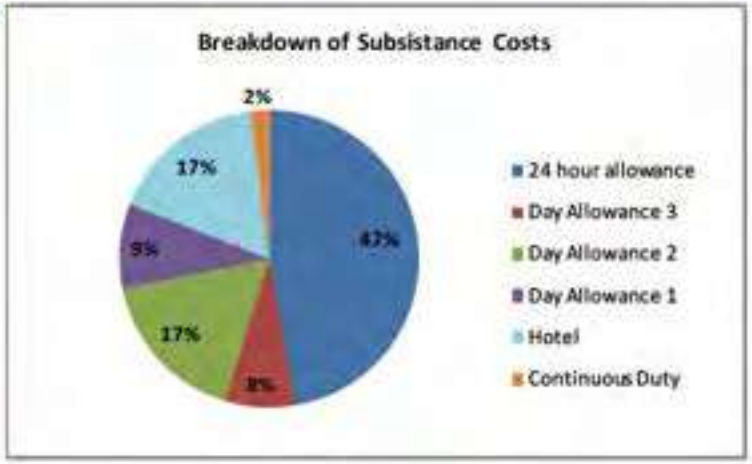
An analysis of spend by category is illustrated in chart C. Subsistence costs represent the highest expenditure for the period at 50%. This consists of subsistence claims and hotel costs.

Staff Mileage is 21%, followed by Transport, Entertainment and Sundries.

The "other expenses" category makes up 9% and comprises various expense captions: travel costs (6%), mobile phones (1%), make-up (1%), and any other (1%).

Executive Summary: Summary Findings

D



Daily allowance ("DA") subsistence claims arise where the claimant is required to be away from their home or place of work. Claims are based on the hours worked. The 24 hour allowance is a flat rate allowance covering accommodation, meals, etc. for a 24 hour period.

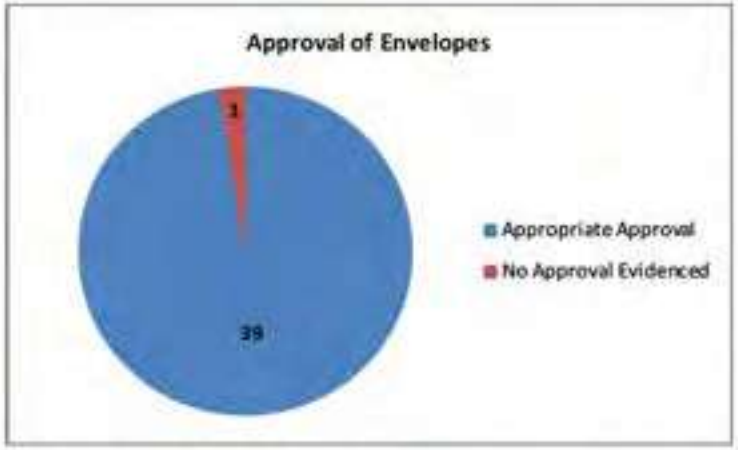
Each of the DAs has a different monetary value based on the location of where the allowance is being claimed and the hours worked.

As shown in chart D across, nearly half (47%) of Subsistence expenditure is made up of the 24-hour daily allowance, followed by receipted hotel claims and the Day Allowance 2 *(10 hours and up to 14 hours)*, each representing 17%.

Summary Findings

A

B



Existence of envelopes:

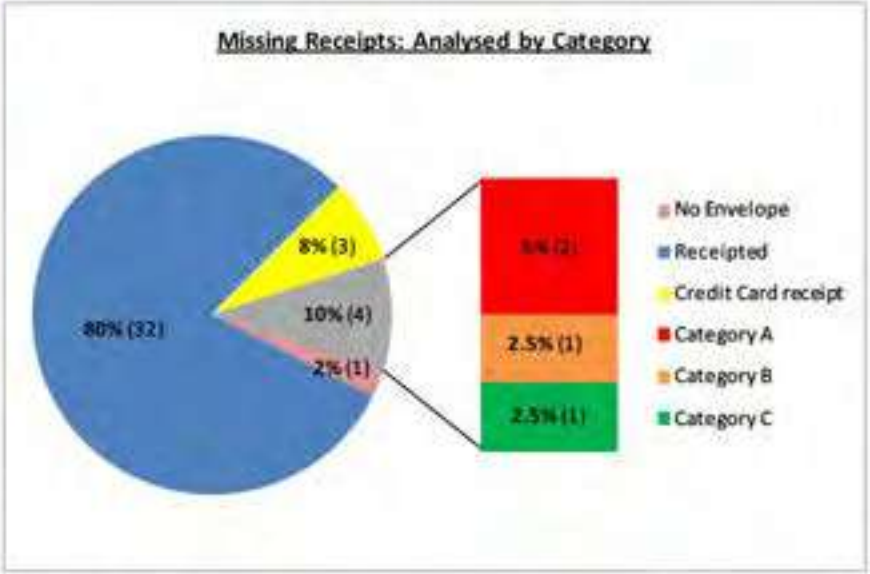
A [redacted] envelope was on file for 39 (98%) of the 40 claimants selected for testing. One envelope was not available for audit (2%). This is an improvement on the prior audit where 18% of envelopes were unavailable for testing.

Authorisation / Sign-off of envelopes:

Of the 40 expense claim envelopes tested, 39 (98%) were physically evidenced as approved, while one (2%) was not approved. In mitigation, all claims were electronically approved in [redacted].

Executive Summary: Summary Findings (Cont'd)

Ⓒ



Evidence of Receipts:

We noted issues with receipting in the case of four of the 40 [redacted] envelopes tested (10%). A further three (8%) envelopes contained a credit card receipt but not a full till receipt. While a credit card receipt is some mitigation it does not provide full explanation / evidence of the claim, especially in the case of hotel or entertainment bills.

As shown in the chart above, two of the envelopes with missing receipts was assigned a "Category A" rating, as follows:

- Other Travel and Non Travel expense claims to the value of €1,380 (in connection with production abroad)
- 3 x €100 parking receipts (in connection with extended periods of parking)

One envelope was assigned a "Category B" rating for a Hotel bill to the value of €340 (in Ireland). Three other low value receipts were also missing.

One envelope was assigned a "Category C" rating for a missing train receipt to the value of €95 for a trip abroad. All other receipts were in order.

Ⓓ The action plan contains a small number of actions to address other matters in the areas of entertainment, recording daily allowances, cost control initiatives, etc. noted as part of the audit.

Executive Summary: Key Issues and Overall Conclusion

Key Management Issues

Compliance with Policy

We noted the following matters:

- One out of 40 envelopes tested was not available for inspection
- One of 40 envelopes reviewed was not evidenced as approved, although it was electronically approved
- Four of 40 envelopes reviewed contained missing receipts
- Other matters as detailed in the Action Plan

Policy Updates

The RTÉ Travel Policy has not been updated since November 2008. We note that the update is in progress, with ongoing discussions with employee representatives taking place.

Overall Conclusion

For the most part, the individual expense items tested as part of this audit were valid claims duly supported by a receipt and submitted in line with the RTÉ Travel policy. The standard of control has been improving consistently over recent audits. Furthermore, we did not identify any deliberate fraudulent claims as part of our analytical review.

However, the report highlighted some missing receipts and may indicate a lack of a thorough review by approvers. Receipts are important both from an internal control perspective and in the event of a future Revenue audit.

We noted some improvement from the last audit, particularly with regard to the number of envelopes available for inspection. This reflects a renewed focus on this area led by the Finance teams. We outline a small number of other findings in the action plan.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Compliance with RTÉ Travel Policy				
1.	**Existence of Envelopes** We selected a sample of 40 [redacted] claims for review across the organisation. A [redacted] envelope was available for 39 (98%) out of the 40 envelopes selected. In the remaining instance, in Digital, the envelope and relevant receipts were not available for inspection.	Agreed.	The Financial Controller will inform the relevant Line Manager of the specific breach of policy relating to the retention of an envelope. This will be addressed locally.	M	[redacted] 31 March 2015
2.	**Authorisation / Sign-off of envelopes** We reviewed the approval of the [redacted] envelopes tested, as follows: • Of the 40 envelopes tested, 39 (98%) were physically signed off by an appropriate approver / costpool manager in accordance with the RTÉ Travel Policy. • One envelope, in Radio, was not signed by an appropriate approver / costpool manager. It was not therefore possible to validate whether the receipts were physically inspected by the Line Manager prior to approval on [redacted]. In mitigation, all claims were electronically approved in [redacted]	Agreed.	A reminder will be issued to the approver of the claim to evidence the date of approval of the claim, as required under the policy. *(We note that the claim was electronically approved.)*	L	[redacted] 31 March 2015
3.	**Evidence of Receipts** Full receipts were retained on file in the case of 82%* of the [redacted] envelopes inspected for testing of receipts. *(*80% of the*	Agreed.	The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, or the use of credit card receipts, to ensure that they are addressed with the	M	[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	full sample examined.) ***Missing Receipts*** We noted issues with missing receipts in the case of **four** of the envelopes tested (10%). The claims were made by individuals in News & Current Affairs (2 envelopes) and Radio (2 envelopes). As shown in the Executive Summary, two cards were assigned a Category A rating, one a Category B rating and one a Category C rating. These are explained in further detail as follows: Card assigned to *News & Current Affairs*: Other Travel and Non Travel expense claims to the value of €1,380 (in connection with production abroad). Card assigned to *News & Current Affairs*: 3 x €100 parking receipts (in connection with extended periods of parking). Card assigned to *Radio*: Hotel bill to the value of €340 (in Ireland). Card assigned to *Radio*: A missing train receipt to the value of €95 for a trip abroad. ***Credit Card Receipts*** A further **three** envelopes (8%) contained a credit card receipt but not a full till receipt. While this is some mitigation as it identifies the amount and the supplier, it does not provide full explanation / evidence of the items included in the claim, especially in the case of hotel or entertainment bills. The claims were made by individuals in Television (2 envelopes) and 2rn (1 envelope). In five other cases the missing receipts were considered		relevant claimant. The FDs / FCs will remind all approving Line Managers of their responsibility to ensure that valid receipts are retained on file in [redacted] envelopes and checked prior to signing-off on the expenditure.		30 April 2015 Financial Directors / Financial Controllers 30 April 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	immaterial in the context of the claim (e.g. a minor toll charge) and therefore not included in the analysis of missing receipts above.				
4.	**<u>Entertainment</u>** During testing we noted non-compliance with certain clauses in the RTÉ Travel Policy relating to entertainment claims (business entertainment). The exceptions arose for the following reason: • **Three** of the sample of claims which contained a business entertainment expense failed to provide the full details of those being entertained and the reason for entertainment, which is contrary to Section 12 of the RTÉ Travel Policy. • **One** instance where the claimant had expensed a meal under entertainment but had not reduced the Daily Allowance accordingly. o Section 11 of the Travel Policy states that "*where a meal is claimed under entertainment, or where the claimant was provided with a free meal (attendance at a conference, paid by another organisation etc), the appropriate subsistence charge should be reduced by Day Allowance 1*".	Agreed.	Within each division, an email will be sent by the FDs / FCs to [redacted] approvers reminding them of particular areas to be mindful of when approving claims including provision of details of those being entertained for business purposes and the reduction of the subsistence charge for meals. *(In the case of confidential meetings, it is acceptable to include a more generic description and initials, if necessary.)*	M	Financial Directors / Financial Controllers 30 April 2015
5.	**<u>Policy Updates</u>** The RTÉ Travel Policy has not been updated since November 2008. An update of the Policy is therefore now overdue. We acknowledge that the update is currently in progress and has been delayed pending discussion with employee representatives. A draft was submitted to employee representatives for discussion in late 2013.	Agreed.	The RTÉ Travel Policy will be updated and communicated to staff.	M	[redacted] 30 June 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Other Observations				
6.	**Mobile Phone Bills** We identified one instance where large recurring monthly mobile phone bills were being claimed via [redacted]. In certain instances it makes economic sense to transfer employees with large recurring bills over to the corporate RTÉ package. There are corporate tariffs and data bundles with preferential rates on equipment available. (This matter has been communicated to the individual's Line Manager).	Agreed. ([redacted]. *Claimant's Line Manager)*	The option of transferring the individual in question over to the corporate RTÉ package will be explored.	L	[redacted] Completed
7.	**Subsistence Claims** ***Background*** The nature of broadcasting operations often requires travel overseas. Subsistence rates for a number of foreign locations are listed on the travel section of The Hub, with the rate varying depending on the location. ***Finding*** The subsistence rate for New York and Washington is higher than that the rest of the USA. The 24-hour rate for New York/Washington is $320, as compared to $270 in the rest of the USA. During testing we noted that the higher rate ($320) was claimed in respect of travel outside New York/Washington.	Agreed. This was an oversight by the claimant. That said, cities such as Chicago, Boston and San Francisco are as expensive, if not more so, than Washington. Since appointment, the claimant has been fantastic in terms of budgeting and getting value for money for RTE. ([redacted] [redacted]. *Claimant's Line Manager)*	The lower subsistence rate will be claimed in the future for US cities visited outside of New York and Washington.	M	[redacted] 30 April 2015

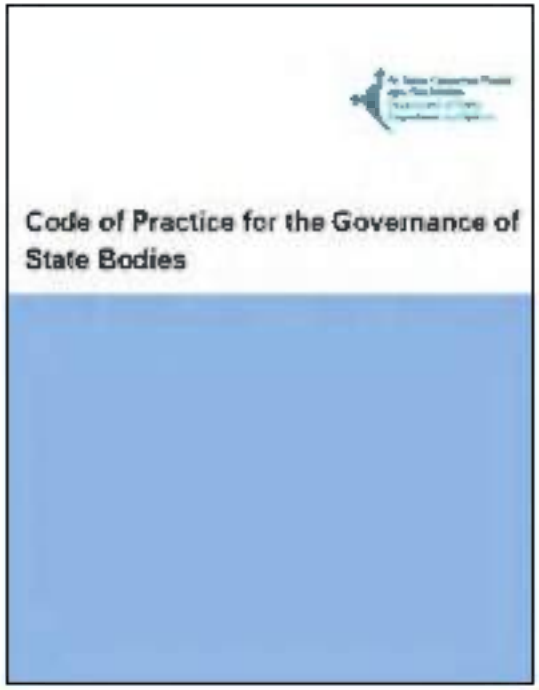
	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
8.	**<u>Use of [redacted] for costs of non-employees</u>** ***Background*** There is a facility in place on [redacted] whereby expenses can be paid in advance to employees where the need arises. Advance payments to cover expenses, or "Per Diems", are not uncommon in the music/orchestra business. In certain instances, agencies may insist on Per Diem payments upfront in advance of the concert, prior to payment of the performance fee. However as Soloists / Composers are not RTÉ staff there is no facility to claim for Per Diem expenses of non-employees in advance. ***Finding*** To facilitate Per Diem payments to a Soloist in advance of a concert, costs were covered personally by the Orchestra Manager and then later claimed via [redacted]. We noted one instance in our sample. Although requests for advance payments such as these are not common, claiming Per Diems for non-employees via [redacted] is not an ideal solution as it is not what the system was intended for. In addition, this may pose problems in reporting personal claims in the event of an FOI request. The preferred treatment is for the Soloist to include the expenses / Per Diems on the invoice / fee payment.	Agreed. I am not particularly comfortable with either my team or myself having to do this on occasion. *(Anthony Long)*	The Orchestra Manager will liaise with Finance to explore and consider alternative approaches for the payment of Per Diems to Soloists.	L	[redacted] 30 April 2015

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

[redacted]

RTÉ

Background

Background

Introduction

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

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

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

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

Reporting

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

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

Code of Practice (2016)

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

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

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

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

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

Background and Governance Framework

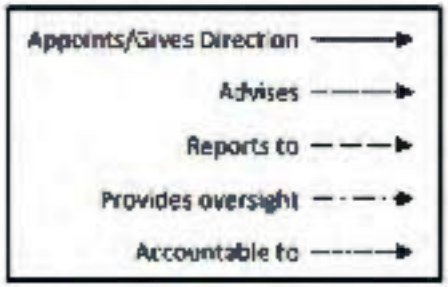
The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

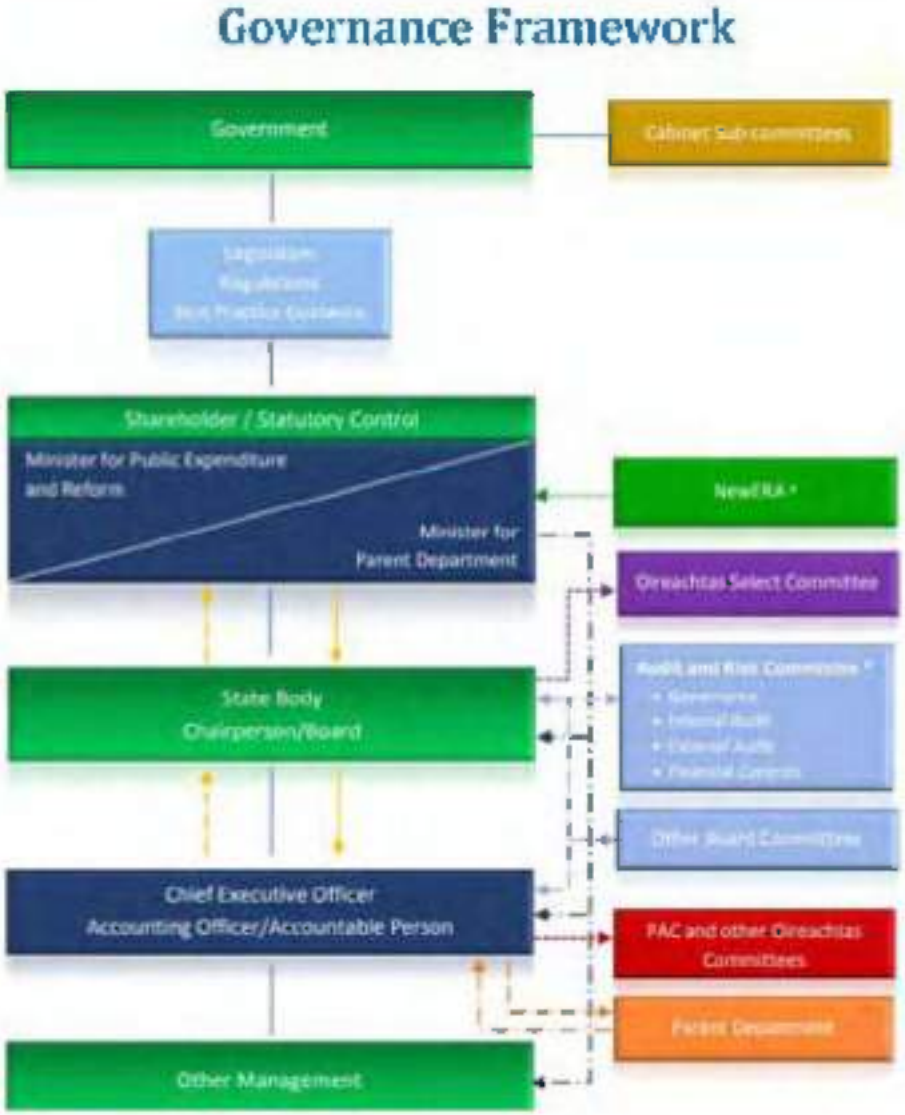
Governance Framework

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

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

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





Objective and Scope

Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2018.

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

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

DCCAE Checklist

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAE in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2018. The Checklist addresses 134 items.

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

Risk

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

Risk # 6 – Managing of Finances and Business Planning
Risk # 10 – Changes in Legislation / Regulation & Compliance

Findings

Findings - YE 31/12/2018

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2018. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2018, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DCCAE's Code of Practice compliance checklist.

Results

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

Audit Exception – Procurement

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

- The April 2019 Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details. However, we note the improvements from prior-year in the issues highlighted
- The exceptions relates to 37 suppliers, or 1.9% of the cumulative 2018 payments to suppliers contracted through [redacted]
- Some historic factors are relevant to the exceptions:
  - The limited functionality of [redacted] increases the difficulty of tracking tendering arrangements and the system is at end of useful life
  - The fact that managerial responsibility for supplier relationships and purchasing was traditionally fragmented across Divisions in RTÉ, which increased the difficulty of centralised monitoring of procurement and understanding historic tendering arrangements

Actions

- Actions have been agreed to address the above matters including:
  - A significant capital project to implement a new ERP system in 2019 is in progress. This will replace a number of legacy Finance and HR systems;
  - With the ongoing implementation of the 'One RTÉ' organisation structures, oversight of key supplier relationships is being consolidated, resulting in better centralised managerial responsibility;
  - Additional resources are now in place for the Procurement Department, with Managers overseeing procurement activity by expenditure category;
  - New processes and policy implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland; and
  - Tenders will be carried out as necessary for any items highlighted as an exception.

Findings

Findings (Cont'd)

Conclusion

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

While some procurement exceptions were identified in respect of 2018, we noted an improvement in the position from prior year and the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2019 to monitor the implementation of the actions.

Rating: **Compliant with Code of Practice**

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

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
1 - 5	The Board and Directors	• 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	*Board* • Matters reserved to the Board for consideration and decision • Delegated Authority Limits – *both updated in 2018* • 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 *Other compliance documents* • 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	• Annual Report and Financial Statements • Additional Reporting Requirements	• 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	• Internal Control • Review of Effectiveness of Internal Control • Internal Audit Function	• RTÉ Journalism Guidelines • RTÉ Content Standard Guidelines • RTÉ Social Media Guidelines

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
		• Risk Management • Audit and Risk Committee	• 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	• 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	• Oversight Agreement between RTÉ and DCCAE • 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	• Remuneration and Superannuation • Travel and Official Entertainment	• 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	• Customer Charter • Customer Action Plan • Display and Content of Charter and Action Plan	• Complaints Process • ASPC • Competition Voting Terms & Conditions

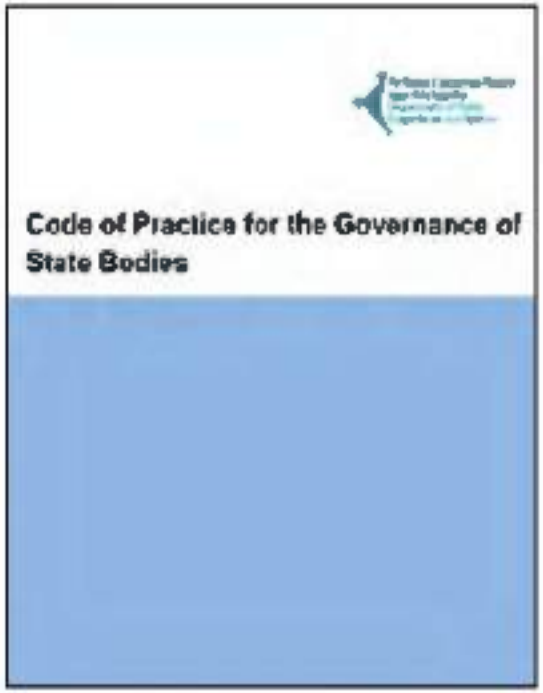
	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
-	Guidance Documents	• Business and Financial Reporting Requirements	• Chair's annual report to the Minister in accordance with Paragraph 2.6 of the 2016 Code of Practice for the Governance of State Bodies • RTÉ Annual Report and Group Financial Statements • RTÉ Subsidiary Company Annual Reports • Monthly Management Accounts • Interim unaudited accounts (six months) • Delegated Authority Limits • Annual Budget
		• Audit and Risk Committee Guidance	• Audit & Risk Committee Terms of Reference • Audit & Risk Committee Self-Assessment Questionnaire
		• Remuneration and Superannuation	• Remuneration & Management Development Sub-Committee • Remuneration Disclosures in Annual Report
		• Board-Self Assessment Evaluation Questionnaire	N/A

RTÉ Internal Audit

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

Year-ended 31 December 2021

14 April 2022



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

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

RTÉ

Background

Background

Introduction

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

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

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

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

Reporting

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

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

Code of Practice (2016)

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

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

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

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

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

Background and Governance Framework

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

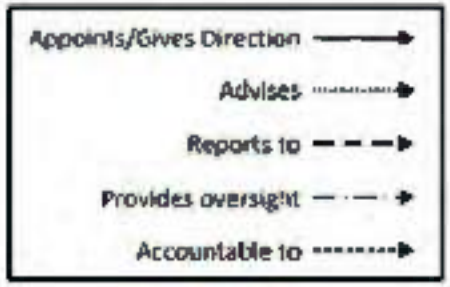
An additional Annex on Gender Balance, Diversity, and Inclusion to supplement the existing Code of Practice was published in September 2020.

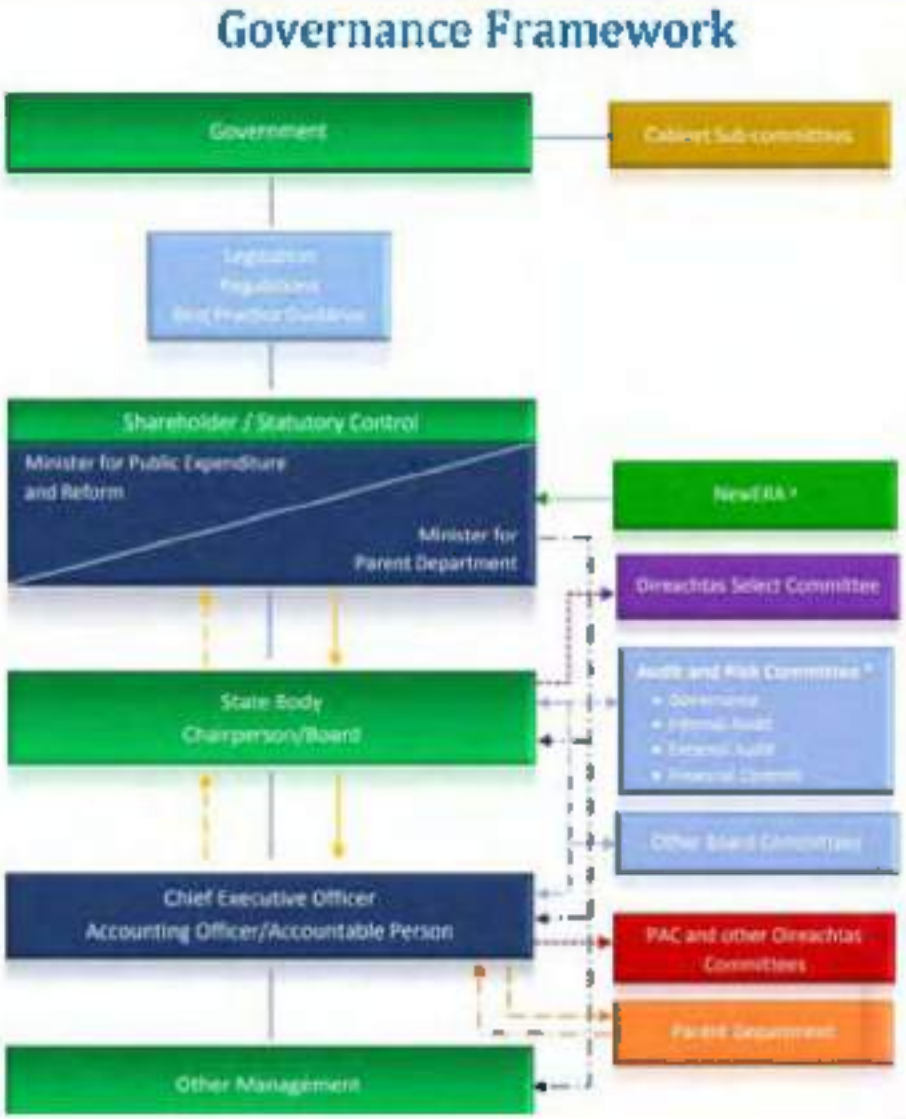
Governance Framework

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

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

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





Objective and Scope

Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2021.

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

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

Checklist

A comprehensive Code of Practice Checklist was submitted by RTÉ to the Department for Tourism, Culture, Arts, Gaeltacht, Sport and Media ('DTCAGSM') in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2021. The Checklist addresses 137 items and requires the attachment of relevant back-up information.

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

Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows (Q4 2021 update):

Risk # 8 – Management of Finances and Business Planning
Risk # 10 – Legislation / Regulation & Compliance

Findings

Findings - YE 31/12/2021

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2021. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2021, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DTCAGSM's Code of Practice compliance checklist.

Results

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

Audit Exception – Procurement

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

- The Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details.
- The exceptions relate to 21 suppliers *(2020 – 31)*, or 1.1% *(2020 – 1.6%)* of the cumulative 2021 payments to suppliers contracted through [redacted]. A third of the exceptions are suppliers with a low level of expenditure, <€50k.
- As outlined in the report, some historic factors are relevant to the exceptions, especially the limited functionality of [redacted] increases the difficulty of tracking tendering arrangements and the system is at end of useful life.

Actions

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

Findings

Findings (Cont'd)

Conclusion

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

While some procurement exceptions were identified in respect of 2021, the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2022 to monitor the implementation of the actions. The aggregate value of the exceptions (*'non tendered' and 'tender status unknown' categories*) has decreased since the equivalent 31/12/2020 year-end audit.

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

RTÉ Internal Audit

Review of Cost Allocation Process

28 March 2018

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

RTÉ:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background

Background

Introduction

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

Background

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

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

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

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

Allocation Methodology

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

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

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

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

[redacted]

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

Restructuring

From 1 January 2018, RTÉ is operating under the *One-RTÉ* structure which involves the transition of all financial records and budgets from IBDs to Divisions.

The Group Finance team is currently reviewing the allocations process (to be applied for the year-ended 31/12/2018) in order to identify opportunities to streamline the process and, secondly, to increase transparency. In addition, the review will consider the extent of restatement of the 2017 comparatives in the 31/12/2018 Annual Report (Note 2).

Objective, Scope and Risk

Objective and Scope

The scope of this audit was the cost allocation process, as outlined in the Cost Allocation Process Overview manual. This audit was undertaken in accordance with an Internal Audit work-programme and involved audit work in each of the following areas:

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

The audit sample size is set-out in Appendix 1, selected from the output of "Run 2" of the allocations model. (From an operational point of view, audit testing was carried out in the "Allocations 2017" [redacted] Database, in period 201807).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the year-ended 31 December 2017;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

Risks

The key RTÉ corporate risk addressed by the report is Risk # 6 – management of finances and business planning.

The audit is also relevant as it addresses an area which is important to RTÉ's legal and regulatory compliance (Risk # 4 – reputation and compliance).

Findings, Conclusion and Rating

Findings

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

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

Overall Conclusion

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

Internal Audit has carried out a review of the cost allocation process for the year-ended 31/12/2017. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

The Group Finance team is currently reviewing the allocations process to be applied for the year-ended 31/12/2018 given the new *One-RTÉ* structure.

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

Rating

SATISFACTORY

Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1	[redacted]	Allocate Corporate Human Resources costpools	[redacted]	[redacted]
2		Allocate Property and Service costpools		[redacted]
3		Various broadcasting costs in Television	channels	[redacted]
4		Allocate Studio 3 News costs to programmes		[redacted]
5		Allocate Radio broadcast costs to programmes		[redacted]
6		Audio Services and Archive costs	*wnloads, discs*	[redacted]
7		Various support / back-office costs		[redacted]
8		Allocate digital transmission costs *		[redacted]

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

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

RTÉ Internal Audit

Review of Cost Allocation Process

23 March 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

RTÉ:

[redacted]

KPMG:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

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

Background

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

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

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

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

Allocation Methodology

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

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

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

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

[redacted]

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

Objective and Scope

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

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

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

Scope and Risk

Objective and Scope *(Continued)*

2016 Allocations

The audit sample size is set-out in Appendix 1, selected from the output of "Run 2" of the allocations model. (From an operational point of view, audit testing was carried out in the "Allocations 2016" [redacted] Database, in period 201706).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the year-ended 31 December 2016;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

2015 Allocation Restatement

With effect from 1 January 2016 RTÉ established a new Commercial IBD to manage all commercial activities other than: those carried out by 2rn; the provision of multiplexing services; and sales of archive and library managed services by the Digital IBD. The new IBD was established further to the publication of RTÉ's updated Fair Trading Policy and Procedures to more clearly demonstrate the separation of RTÉ's public service and commercial activities. This resulted in the restatement of 2015 allocations, from originally reported in the 2015 Annual Report, to reflect a new Commercial IBD in note 2 (d). The scope of our audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the reclassification journals posted, with reference to the costpools impacted; and
- ✓ Verifying a sample of the journals to the 2015 Allocations Database and back-up documentation.

(From an operational point of view, audit testing was carried out in the "Allocations 2015" [redacted] Database, in period 201605 for original postings and period 201610 for reclassifications).

The scope did not include:

- X IT aspects of the [redacted] Allocations database.

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

Risks

The key RTÉ corporate risk addressed by the report is Risk # 3 – management and prioritisation of financial resources.

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

Findings, Conclusion and Rating

Findings

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

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

The journals to restate the 2015 allocation comparatives to reflect the establishment of a new Commercial IBD are appropriate and consistent with the underlying organisational restructuring.

Overall Conclusion

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

Internal Audit has carried out a review of the 2016 cost allocation process and the 2015 restatement. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

The establishment of a new Commercial IBD in 2016 increased the complexity of the allocations process in the current year, due to the restatement of 2015 comparatives. This involved the posting of reclassification journals and entailed some manual rework. While not a consideration of this audit, in light of the Director-General's recent announcement of further significant changes to RTÉ's organisational structure, detailed pre-planning will be required in advance of next year's allocation runs given the anticipated significant impact on the 2017 allocations run and the need to restate 2016 comparatives. This is likely to require amendment to the existing processes.

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

Rating

SATISFACTORY

Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1	[redacted]	Empty central Shared Services costs	[redacted]	[redacted]
2		Allocate Property and Service costpools		[redacted]
3		Apportion Rent and Rates	ty	[redacted]
4		Various broadcasting costs in Television	nnels	[redacted]
5		Allocate Technology Related costs in Television	ions	[redacted]
6		RTÉ Radio 1 Researchers	show	[redacted]
7		Various support / back-office costs		[redacted]
8		RTÉ Player Manpower related Costs		[redacted]
9		Allocate Commercial Sales Costs*		[redacted]

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

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

Internal Memorandum

To: [redacted]

Cc: [redacted]

From: [redacted], Head of Internal Audit

Date: 14 March 2014

Re: Cost Allocation Process

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

1. Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards (IFRS 8), the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Energy and Natural Resources.

The cost allocation process comprises a set of financial procedures carried out annually by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 1). The cost allocation process facilitates the presentation of revenues and costs as follows:

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

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

2. Scope

The scope of this audit was the cost allocation process, as outlined in the *Cost Allocation Process Overview* manual dated November 2012.

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

- Process documentation;
- Process review;
- Accuracy and appropriateness of trigger rationale;
- Accuracy and appropriateness of trigger rules;

- Operational of model.

The audit sample size is set-out in *Appendix 1*, selected from the output of "run 2" of the allocations model.

The scope of the audit included the following:

✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the financial year-ended 31 December 2013;
✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
✓ Verifying the operation of a sample of the monitoring controls.

The scope did not include:

✗ IT aspects of the [redacted] Allocations database.

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

Subsequent to the completion of the audit fieldwork and the processing of "run 2" of the allocations model, Finance posted a manual journal, in the amount of €18k. This journal impacted the allocation of the pension related costs and arose due to a late change in the IAS 19 calculation. We reviewed the posting of the reallocation journal, having regard for the original allocation rules.

3. Findings

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

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit.

We reviewed the journal posted to process a late change impacting pension costs. The journal is appropriate and our findings are unaltered.

We recommend the following:

a) The *Cost Allocation Process Overview* manual (November 2012) is a comprehensive document and considerable time and effort was used to prepare the manual in late 2012. In order to ensure that this investment is not wasted, we recommend that Appendix A of the manual (i.e. listing of cost allocation triggers) is updated to reflect the changes to the trigger rationale and allocation basis which arose as part of the 31 December 2013 year-end allocations process.

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

4. Conclusion and Rating

The RTÉ Annual Report presents important segmental information by division and channel in Note 1 d) and Note 1 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of Note 1.

Internal Audit has carried out a review of the cost allocation process. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

We would like to thank staff in Group Finance for their assistance during the course of this assignment.

Rating: **Satisfactory**

Appendix 1 – Audit Sample Size

No.	Trigger Ref.	Trigger Rationale
Selected for end-to-end testing		
1	C03	Average 2013 headcount
2	C05	Square foot of the Donnybrook site
3	C16	Management estimate of work allocation
4	C27	Number of PCs in use
5	T12	Broadcast related cost split between channels
6	T16	Advertising revenue per channel
7	T59	Studio hours
8	R96	Programme hours across the schedule
9	R102	Sport programme hours
10	P15	Budgeted cost of the four output areas
11	N100*	Broadcast hours
New Triggers in 2014		
12	C70	Average 2013 headcount
13	C71	Average 2013 headcount
14	C74	Management estimate of work allocation

* Not automated – calculated via an SQL query and posted as a journal

RTÉ Internal Audit

Audit of Merchandising Inventory, Digital

8 October 2013

Circulation:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Background and Scope

Background

Introduction

As part of its role in promoting the commercial exploitation of RTÉ content, RTÉ Digital manages the merchandising sales function in RTÉ. The merchandising sales function consists of the sale of RTÉ Television and RTÉ Radio products (CDs, DVDs, programme box-sets, etc.) to customers via retail outlets throughout Ireland and online through the RTÉ Shop on RTÉ.ie.

The existing product catalogue consists of circa 100 titles. A number are specialist and slow moving lines. The *Love/Hate* individual series DVDs and three series box set has been the key produce in the past twelve months, with strong sales across all lines.

Manufacture and Distribution

RTÉ is responsible for the production, manufacture, design and packaging of the product. RMG Chart Entertainment Limited, trading as Indi Entertainment ("Indi"), a company based in an Industrial Estate on the Naas Road, Dublin 12 is RTÉ's sole distributor of RTÉ Television and RTÉ Radio merchandising. Indi is also responsible for fulfilling orders placed via the RTÉ Shop.

Stock

RTÉ does not hold any material stock of merchandising product. The product is shipped directly by RTÉ's appointed manufacturers to the Indi Entertainment warehouse, where it is retained in stock pending orders (or consignment sales) from retailers throughout the country. Returns from retailers are also managed by Indi Entertainment and held in stock in its warehouse.

Indi uses a bespoke stock management system CRICODS to record the movement of stock and to maintain stock records at any point in time. Weekly stock sales report are submitted to RTÉ, which assists in planning the manufacture of product.

Financial Performance

Digital is budgeted to generate approximately [redacted] in merchandising income in 2013. At the end of August 2013, TV Merchandising sales were €555k up on budget, primarily due to strong DVD sales of *Love/Hate*. The sales target for the year had been achieved by the end of Q3 2013. This data relates to gross sales – royalties, distribution costs and production costs arise in the case of merchandising sales. Strong merchandising sales have been offset by slower than expected content / VOD sales, which is managed in the same directorate.

Scope of Audit

As RTÉ has fully outsourced the merchandising stock management function, the purpose of this audit was to carry out a physical stock-take of the RTÉ stock held on the premises of Indi Entertainment in order to:

- ✓ Compare physical quantities of stock to the records per the system;
- ✓ Review the location and condition of the stock;
- ✓ Review the accuracy and completeness of the stock reporting; and
- ✓ Report any other relevant observations.

The year end for RMG Chart Entertainment Limited is 30 September 2013 and the count took place on Friday 27 September 2013. We also carried out an interim count in mid-August 2013.

This assignment does not represent a full audit of the merchandising function and the scope did not include:

- ✗ The CD / DVD production and manufacture process (our review is focused on the product once it arrives in the Indi Entertainment warehouse);
- ✗ Marketing and sales strategy;
- ✗ Technical aspects of the CRICODS system.

This report is intended to summarise the key findings and to act as a briefing document to and will be used in discussions with management.

Summary Findings

Findings

1. The results of Internal Audit's **interim and final stock counts** are set-out in *Appendix 1*. The results of spot checks during the annual stock take are consistent with the count carried out by Indi management and, in total, highlight a shortfall of 0.66% in physical stock as compared to that recorded on the stock system (418 stock units). We noted the following:

   - The stock was held in good condition and we did not identify any evidence of physical obsolescence;
   - Access to the Industrial Estate and to the Indi premises is restricted and CCTV is in use throughout the premises;
   - A door to the warehouse is often open for deliveries and returns and increases the risk of theft. However, in mitigation, stock is not immediately visible from the entry point, staff are in attendance on the warehouse floor and there are now only three other tenants in the Industrial Estate;
   - The reason for the shortfall in stock is not clear at this point, although most of the difference is likely to relate to a processing or distribution error in the busy period immediately prior to Christmas 2012.

2. RTÉ Digital should establish a policy on the **frequency of undertaking stock takes** of product held by third parties. We were unable to establish the exact timing of the last full RTÉ stock count and, therefore, reliance is being placed on the stock data provided by Indi. Secondly, the differences identified at the time of Indi's last annual stock-count (late September 2012) were not formally signed off by RTÉ.

3. Indi entertainment is facing a tough trading environment and is experiencing **financial difficulties**:

   - RMG Chart Entertainment Limited reported a loss of €23k in its abridged accounts for the year-ended 30 September 2012 (an improvement from a loss of €241k in the prior period).
   - It has a deficit in equity shareholders funds of €289k at 30 September 2012.
   - The External Auditors raised some concerns over going concern by including an "emphasis of matter" paragraph in its audit opinion. However, the accounts are not qualified – by including an "emphasis of matter" paragraph the Auditors are drawing the reader's attention to the important matter of going concern, but do not disagree with the directors view that the accounts should continue to be prepared on a going concern basis.

   While not a cause for any immediate alarm, the area needs to be monitored, particular Indi's cash flow position in the event of a change in the pipeline of products targeted at the Christmas market. Since we completed our review, we note that RTÉ management met Indi's MD to discuss this, and other, matters and has also reviewed a recent set of Indi management accounts.

4. The MD of Indi indicated that he is considering his options under the **audit exemption rules** of the Companies Acts and may avail of audit exemption in respect of the accounts for 30 September 2013. This means that the accounts will not have to be audited by a Registered Auditor. RTÉ Digital needs to assess whether an annual audit should be a prerequisite to qualify as a supplier of distribution services to RTÉ.

Summary Findings (Cont'd)

Findings

5. RTÉ does not have an up to date signed **contract with RMG Chart Entertainment Limited**. During the audit we received copies of an unsigned Heads of Agreement between RMG and RTÉ Television dated 10 July 2008 and an unsigned, marked-up Sale and Distribution Agreement between Indi and RTÉ Radio, dated 4 August 2011. In both cases the agreement is brief and does not address a number of matters which we would expect to see in such a commercial contract – insurance, stock-count, responsibilities of parties, dispute resolution procedures, etc. Secondly, the absence of a signed contract increases the risk of a disagreement arising between the parties and potentially weakens RTÉ's position in the event that it seeks to enforce an existing contractual clause.

   We note that a formal tender for merchandising distribution services is now planned for early 2014, which will afford an opportunity to put a new contract in place.

6. Some of the products are **legacy slow moving lines**, with very low levels of sales. We estimate that only approximately 15% - 20% of the lines are actively traded at a point in time. Indi could potentially raise the issue of charging RTÉ a storage fee for excess stock, which is included in the draft Heads of Agreement, although not currently enforced. A long term plan for the utilisation of legacy stock therefore needs to be considered, including consideration of the use of this stock for on-air promotions, corporate events etc.

7. Indi submits a Weekly Stock Report to RTÉ digital on Thursday evening. The report lists the stock quantity on hand, the stock on consignment to retailers and analyses sales in the past week, month to date, last month and two months ago. During our testing we noted an **error in the reporting of weekly sales** per the report. Upon investigation the data was, in fact, weekly demand as opposed to weekly sales, which could potentially overstate reported sales. The matter has now been resolved. This was a stock reporting issue and did not have any impact on financial matters such as the reported revenue or sales for the month.

8. It is currently not possible to tie the sales units per the Sales Analysis Report submitted to Finance to the cumulative sales units per the Weekly Stock Reports submitted to Digital's Merchandising team. Such a check would act as an extra monitoring control. At the end of each month Indi submits a Sales Analysis Report to Digital's Finance team for the purpose of RTÉ raising an invoice to submit to Indi for the merchandising sales in the month. This report includes transactions processed up to the last working day of the month. However, the Weekly Stock Report is prepared in line with a different timetable and, due to timing differences, it is therefore not possible to compare both sets of data.

   Consideration should be given to amending the **timing of the production of the Weekly Sales Reports** (or, as a minimum, the production of the last report of the month) to better align with the timing of financial reporting data and, more importantly, to facilitate a cross-check between data sources by the Merchandising team. Secondly, on a periodic basis during the year, the Merchandising team should reconcile the units of product manufactured to the stock and sales records, for a sample of items, to ensure that stock records are complete.

Conclusion

Management Comment

The differences in the stock records are in line with expectation and will be followed-up with the distribution company.

The other observations in the report will be actioned. A formal tender is planned in early 2014 which will address the issue of the contract and will provide an opportunity to formalise matters relating to attendance at stock takes, to agree reporting procedures and to consider whether other tender qualifying criteria should be set for the distributor. We will also look at opportunities to improve monitoring controls.

In the short term, the focus of the Merchandising team is on finalising the Christmas catalogue and making arrangements for the distribution of merchandising product during what is the most important time period of the year for retail sales.
(Caoimhe Buckley)

Conclusion

The purpose of this audit was to carry out a physical stock-take of the RTÉ stock of merchandising products. The stock management function is outsourced to a third party – Indi Entertainment – which creates an additional element of risk and therefore merits review.

The audit did not highlight any material differences in the stock quantities physically inspected at the premises of Indi Entertainment as compared to the stock records. Secondly, the stock is maintained in good physical condition and we did not identify and evidence of damage.

We set out a number of other observations identified during the course of the review, which will be actioned by management in the period up to the end of Q1 2014, with a view to agreeing a new contract for the provision of merchandising distribution services.

Appendix 1

Results of Interim Stock Count

Testing from Stock Records to the Floor:

			Internal Audit Physical Inspection			CRICODS System			Difference	Stock Report	Difference
Article	ARTIST	TITLE	W/house	Pick area	Total	W/house	Pick area	Total	IA v System	15.8.13	IA v Stock Report
RTEDVD 160	LOVE/HATE	SERIES 3	5295	4	5299	5429	3	5432	-133	5436	-137
RTE 286CD	TOMMY FLEMING	GOING BACK	3262	108	3370	3312	108	3420	-50	3420	-50
RTEDVD 132	PODGE & RODGE	SERIES 4 (15)	0	259	259	0	259	259	0	259	0
RTEDVD 135	KILLINASKULLY	THE COMPLETE SERIES BOXSET(12)	1236	5	1241	1241	1	1242	-1	1242	-1
RTEDVD 128	IRELAND'S GRAND SLAM GLORY	IRELAND'S GRAND SLAM GLORY (3DVD) (E)	0	287	287	0	285	285	2	287	0
RTE 284CD	JOSEPH O'CONNOR	THE DRIVETIME DIARIES	2748	66	2814	2748	66	2814	0	2816	-2
RTECD 255	JAMES JOYCE	ULYSSES (LIMITED EDITION) x32CD	1270	1	1271	1273	1	1274	-3	1273	-2
RTE 266CD	KIERAN HANRAHAN	CEILI HOUSE	0	32	32	0	32	32	0	32	0

Testing from Floor to Stock Records:

Stock Location	ARTIST	TITLE	IA Pick area	System Pick area	Difference IA v System
G33F3	NAKED CAMERA SERIES 1-3 SLIMLINE BOXSET	NAKED CAMERA SERIES 1-3 SLIMLINE BOXSET	18	18	0
J26C	LOVE/HATE	SERIES 2	71	67	4
J36B	ISLAND - IRELAND FROM THE AIR	THE ISLAND - IRELAND FROM THE AIR	38	38	0
Warehouse	DRUID SYNGE	THE PLAYS OF DRUID SYNGE (15)	784	784	0

Date of count: 16 August 2013

Appendix 1 (Cont'd)

Results of Final Stock Count

Testing from Stock Records to the Floor:

			Internal Audit Physical Inspection			CRICODS System			Difference	Stock Report	Difference
Article	ARTIST	TITLE	W/house	Pick area	Total	W/house	Pick area	Total	IA v System	27.9.13	IA v Stock Report
RTEDVD 160	LOVE/HATE	SERIES 3	4800	206	5006	4939	255	5194	-188	5144	-138
RTEDVD 153	LOVE/HATE	SERIES 2	3000	222	3222	3052	222	3274	-52	3224	-2
RTE 286CD	TOMMY FLEMING	GOING BACK	3000	248	3248	3050	248	3298	-50	3298	-50
RTEDVD 112	PODGE & RODGE	SERIES 2	3300	28	3328	3300	28	3328	0	3328	0
RTEDVD 164	THE REPUBLIC OF TELLY	BEST OF	3100	110	3210	3120	110	3230	-20	3230	-20
RTEDVD 90	STRUMPET CITY	STRUMPET CITY	1135	0	1135	1129	0	1129	6	1129	6
RTEDVD 135	KILLINASKULLY	THE COMPLETE SERIES	768	140	908	774	140	914	-6	914	-6
RTE 1 MPC	JAMES JOYCE	ULYSSES (MP3)	1722	0	1722	1725	0	1725	-3	1726	-4
RTE 1 MPC	TOMMY POTTS	TRADITIONAL FIDDLE MUSIC	3600	174	3774	3597	174	3771	3	3771	3
RTEDVD159	LOVE/HATE	BOX SET	0	N/a	0	0	N/a	0	0	0	0

Testing from Floor to Stock Records:

Stock Location	ARTIST	TITLE	IA Pick area	System Pick area	Difference IA v System	
G38D2	Mattie	Mattie Series 1	12	12	0	
G38C1	Jedward	Documentary	9	9	0	
G38X0			175	175	0	
K38C0	Come West Along The Road	Come West Along The Road (3) RTE 148	175	175	0	
K35B0	Come West Along The Road Podge & Rodge	Come West Along The Road (3) RTE 148 Series 4	200	200	0	
PZZDVD	Gay Byrne	Gaybe Laughs Back TV (DVD 141)	534	532	2	*Note 1*

Note 1: Not sub-analysed by location on system. A further 979 on pallet in warehouse, giving 1513 versus 1511 as recorded on system

Date of count: 27 September 2013

RTÉ

RTÉ Internal Audit

Review of Purchase Receipting Process

28 January 2015

Circulation:
Noel Curran, Director-General
Executive
Members of the Audit and Risk Committee

IBD Finance:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

Background

Background

Introduction: Overview of Supplier Payment Processes
The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [redacted].

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via [redacted]. (Both these processes are outside the scope of this audit).

Purchase Orders
Purchases processed via Accounts Payable must have an approved purchase order (PO) before any purchase commitment is made. POs are raised and approved on [redacted] using a web based tool – [redacted]. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

Tiered delegated authority approval limits

Order Value	Approver
€0 - €10,000	Costpool Manager
€10,001 - €100,000	Costpool Manager / Central Purchasing / Senior Manager / FD of IBD
€100,001 - €250,000	Costpool Manager / Central Purchasing / Senior Manager / FD of IBD / MD of IBD
€250,001 - €750,000	Costpool Manager / Central Purchasing / Senior manager / FD of IBD / MD of IBD / CFO
€750,001	Costpool Manager / Central Purchasing / Senior manager / FD of IBD / MD of IBD / CFO / DG

Goods are receipted on [redacted] web, by the requisitioner, when delivered and services are receipted when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [redacted]

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, normally by EFT to the supplier's bank account, in line with credit terms.

Invoice Manager
A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [redacted] whereby invoices are approved by a member of Finance without an approved PO.

Purchase Cards
Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by Ulster Bank. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [redacted] web and reduces cost by eliminating the administration associated with low value orders.

Receipting of Goods / Services
[redacted] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for normal variances such as delivery charges etc.

Objectives and Scope

Inherent IT Risk

However, [redacted]

Staff in Accounts Payable are aware of this inherent systems weakness and manually compare all invoices to the approved PO value. However, by their nature, manual controls are weaker than automatic system controls.

While manual controls are in place, we carry out an annual review of POs, in order to identify any instances of inappropriate receipting in excess of the approved order amount.

Audit Objective

The objective of this audit was to review the POs raised in the year ended 31 December 2014 and to investigate any cases of goods/services receipted in excess of the approved order amount. KPMG place reliance on this work as part of their external audit.

The output of the audit will be a report, an electronic file and working papers.

Scope of Audit

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs) approved and processed during the period 1 January 2014 to 31 December 2014, across all IBDs. The audit involved:

- ✓ Extracting PO data from [redacted] and analysis of same
- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system
- ✓ Inspecting any invoices processed in excess of approved orders and investigating further as necessary
- ✓ Detecting any instances of missing PO numbers in the automatic number sequence on [redacted]

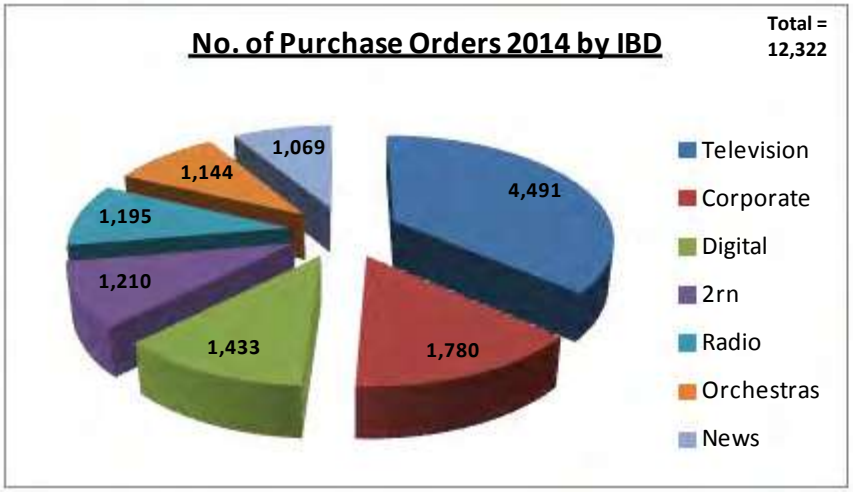
The scope did <u>not</u> include:

- ✗ Reviewing purchase card payments (a separate report on purchase card payments was completed late in 2014)
- ✗ A full review of all invoices posted on [redacted] to detect duplicate payments – indirectly covered as part of our Supplier and Employee Master Data Audit in 2014

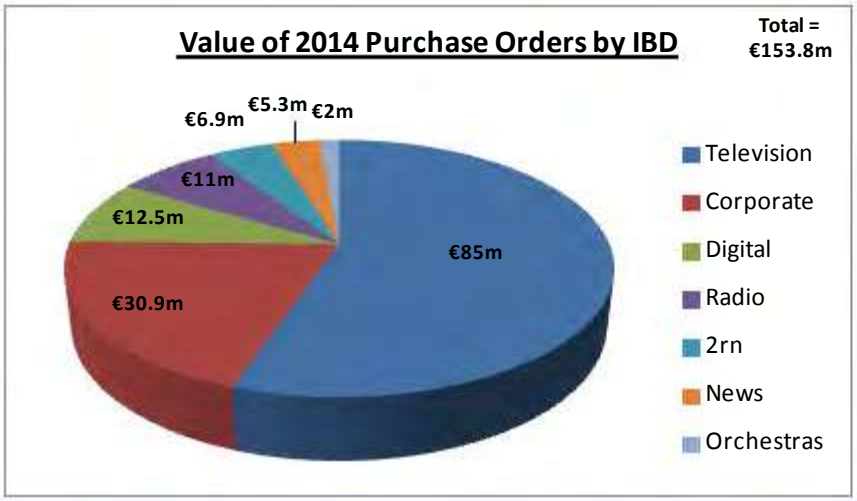
Data Analysis

Purchase Order Data

12,322 POs were raised in 2014, in comparison to 12,752 in 2013. (These totalled 19,426 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by IBD:



The graph below details the value, by IBD, of POs raised in 2014. The total value of POs raised in this period was €153.8m (€154.4m in 2013).



Stratification of Purchase Order Data

A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value	Number of Orders Processed in 2014
€0 - €5,000	9,919
€5,001 - €10,000	979
€10,001 - €100,000	1,213
€100,001 - €250,000	116
€250,001 - €750,000	61
€750,001	34
Total	**12,322**

Note:

1,097 of the POs raised in 2014 (2013 – 1,283) were less than €100 in value and just over one quarter of those related to ten suppliers, generally recurring consumable supplies. Of the 1,097 POs raised, 953 had invoices posted against them at the time of issuing this report.

(A further 1,114 POs raised in 2014 were for a value between €101 and €200.)

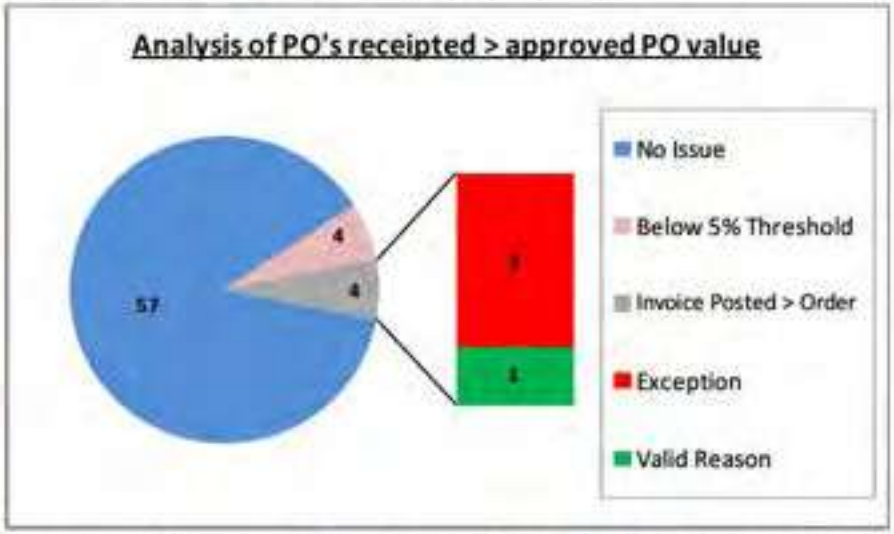
While not a matter within the scope of this audit, there may be an option to use a purchase card (or blanket orders) to further reduce the administration task of processing these low value orders. This matter will be investigated further locally.

Summary Findings

Summary Findings

Of the 12,322 POs raised during 2014, 65 POs (0.5%) were highlighted for further testing as the value of the goods receipted against the order exceeded the original approved order amount.

A summary of the review of the 65 orders is set-out below:



The excess of the receipting above the approved order amount was less than the acceptable 5% threshold in respect of **four** orders and these orders do not require further investigation.

For **57** of the orders, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting the goods (e.g. a mix up between the price and quantity fields).

Finally, in the case of **four** orders, both the goods receipted and the invoice processed were in excess of the original approved order. These orders were investigated further.

✓ In the case of one of the four exceptions, the invoice processed was less than the acceptable 5% threshold and did not require further investigation.

X In the case of the other three orders an invoice was processed, and paid, for an amount in excess of the original approved order. Details and explanations are set out below:

Service Provided	Approved PO Value	Invoice Paid	Comment
Extras for programmes	€52,000	€57,273	See 1 below
Cloud Computing Services	€18,000	€21,009	See 2 below
Payment to prizewinner	€1,000	€2,000	See 3 below

1) Timing Issue: Extras for programmes are used consistently and a PO is raised to cover each monthly period, but, as the amount is variable, on occasions the PO will be less or more than what is required. The total value of invoices paid and processed is €5,273 greater than the value of the PO originally approved. This excess was offset by a later, under-receipted, PO.

2) The total value of invoices paid and processed is €3,009 greater than the value of the order originally approved. The original PO was raised as a blanket PO to cover varying monthly charges from the supplier. However the actual charges exceeded the blanket PO and an amount was paid before further POs were raised and approved. This is a valid payment.

3) This is a duplicate payment of €1,000 to a competition winner, in error. Options to recoup this amount are currently being explored.

The audit did not identify any issues with the number sequencing of orders created on [redacted]. The identified gap in the sequencing of PO numbers was confirmed to be due to a known system-related issue.

The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

Conclusion

Conclusion

While an electronic check of the invoice value against the goods receipt value takes place at the point of processing an invoice in Accounts Payable, due to a system weakness within [redacted] there is no limit on the value of goods which can be receipted against the corresponding open order i.e. the goods receipted value can be in excess of the approved purchase order value. As a result, purchases could potentially be made in excess of the purchase order value originally approved in line with the Delegated Authority Limits. While manual controls are in place in Accounts Payable to address this risk, we carried out audit work to manually test the three-way match. The work will be relied upon as part of the external audit.

Internal Audit carried out a review of the processing of 12,322 purchase orders (representing a value of €153.8m). We noted three cases of an invoice processed in excess of the approved order amount. Two were valid payments, largely reflecting timing issues. However, one was a duplicate payment in the amount of €1,000. This is an isolated incident and reflects the administrative difficulties associated with processing a large number of POs for competition winners. 543 orders of similar values were processed for competition winners in 2014. (However, the administrative process will be reviewed locally following this audit.)

On the basis of the above, and having regard for the absence of issues with the remaining order processed during the year, we assess the standard of control as being "Satisfactory".

However, the underlying issue remains and a system of electronic three-way matching (invoice matched to open PO and to goods receipt) on [redacted] is the most preferred method of addressing this issue. This matter will be addressed as part of the next upgrade of [redacted] which was delayed due to resource constraints.

We appreciate the assistance of staff in Accounts Payable.

Rating

SATISFACTORY

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2019*

Report 2 of 2 (Procurement Register)

9 April 2020

Final

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted]

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

RTÉ

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Introduction and Background

Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

Background

National and EU Tendering Procedures
The Office of Government Procurement issued an updated version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were updated and applicable from 1 January 2020 (last revised on 18 December 2017).

Code of Practice for the Governance of State Bodies
The 2016 *Code of Practice for the Governance of State Bodies* ("the Code") contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

> *"The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff."*

Section 8.16 of the Code also states that the Board:

> *"should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson's comprehensive report to the Minister. "*

RTÉ has three key payment systems to pay individuals and companies supplying goods/services to RTÉ: Accounts Payable [redacted]), [redacted] Fees and Payroll [redacted]).

- **Accounts Payable ([redacted])** is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

- [redacted] **Fees** is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted] Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

- **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

Risk, Objective and Scope

Risk

The key corporate risks addressed by the report are as follows:

Risk # 8– Brand and Reputation;
Risk # 11 – Business Planning & Financial Prioritisation; and
Risk # 12 – Legal & Regulatory Changes/Compliance.

Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT ("NRV"));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2019 to 31 December 2019, across the [redacted] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as "tendered" in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did not include:

- ✗ Contributors paid via [redacted] Fees – separate review process currently underway: see further in report below;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

Overview and Context of Findings

[redacted]

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on the previous page, [redacted] is out of scope of our testing of the Procurement Register as a separate review process has been underway for the past two years.

New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also taken place. RTÉ has engaged with each Contractor, issuing contracts of employment as appropriate.

While procedures are in place in respect of payments via [redacted], there is no formal monitoring and reporting of tendering in respect of Contractors engaged via [redacted]

A significant capital project to implement a new ERP system is also currently in progress. This will replace legacy Finance and HR systems thereby improving the approval workflow, oversight and reporting functionality in respect of Contractor engagements.

Accounts Payable ([redacted])

Data Analysis

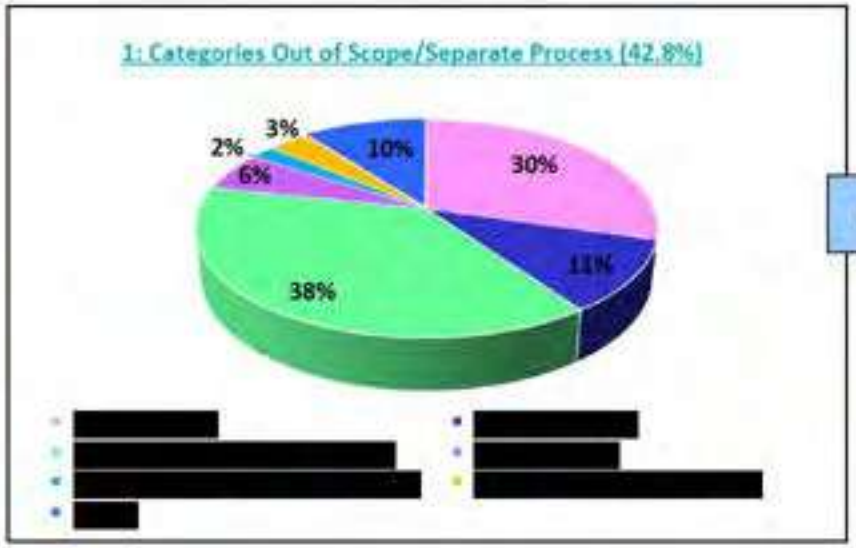
Payments were made to 1,875 suppliers on [redacted] from 1 January 2019 to 31 December 2019. The total value of payments made was €180.5 million and this is the scope for our audit testing.

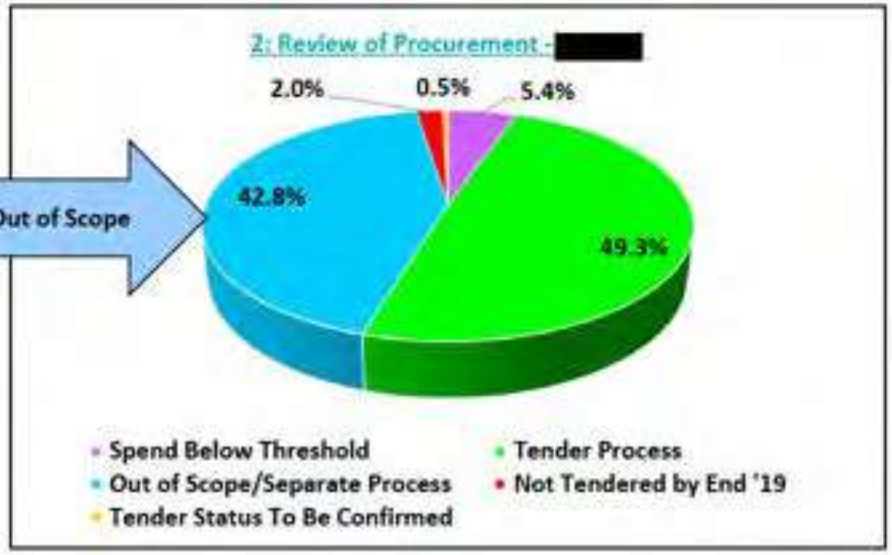
Categories Out of Scope:

Of the €180.5 million in payments, €77.3 million (42.8%) was excluded from testing as it fell into an out of scope category or another process. The graph overleaf provides a more detailed break-down of these items.

Overview and Context of Findings Continued

Accounts Payable ([redacted]) Continued





As illustrated in the above charts, 42.8% (€77.3 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and is procured via a bidding process organised by the rights holder. The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable. The categories that are out of scope/have a separate process are detailed in chart 1.

Of the remaining 57.2% (€103.3 million), a tender process occurred for 49.3% (€89.1 million) and 5.4% (€9.7 million) fell below the threshold which required a more formal process under Public Procurement Rules. This leaves 2.0% (€3.7 million) of total spend not tendered and 0.5% (€0.8 million) with the tender status unknown at the point of testing.

The findings of our review are summarised as follows:

Ref	Issue	Grading
1	Non compliant purchase spend	Medium

Findings

1: Non compliant purchase spend

The audit identified an absence of a formal procurement process at the point of testing, in the case of **2.0%** *(2018: 1.9%)* of the expenditure via [redacted] This represents **€3.7** (*2018: €3.3*) million in expenditure and **54** (*2018: 37*) suppliers. Please see table below for further details.

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[redacted] - 2019	180.5	1,875	3.7	2.0%	54	2.9%
[redacted] - 2018	174.2	1,934	3.3	1.9%	37	1.9%
Movement	6.3	-59	0.4	0.1%	17	1.0%

Expenditure Band	Suppliers	€'000
<€50k	25	987
€50k - €100k	22	1,581
€100k - €214k	6	733
>€214k (EU Threshold)	1	377
Total	54	3,678

Although the value and number of suppliers have increased, Internal Audit ("IA") notes that the average level of spend per supplier without a formal procurement process has reduced by 24% from an average of €89k for 2018 to €68k for 2019.

Further to the above, for **0.5%** *(2018 – 0.9%)* the tender status at the time of testing was unknown. This represents **€0.8** (*2018: €1.6*) million in value and **18** (*2018: 31*) suppliers. Please see table below for further details.

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[redacted] - 2019	180.5	1,875	0.8	0.5%	18	1.0%
[redacted] - 2018	174.2	1,934	1.6	0.9%	31	1.6%
Movement	6.3	-59	-0.79	-0.4%	-13	-0.6%

IA notes that the reduction in both the monetary value and the number of suppliers with an unknown tender status shows the continuous effort by the Procurement Team to reduce the levels of non compliance.

It is useful to also consider the consolidation of both exceptions highlighted above ('non tendered' and 'tender status unknown'). On that basis IA noted that the aggregate value of the exception decreased, in total, by €0.4m, illustrating a higher level of valid competitive tendering in 2019. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported.

Conclusion and Report Rating

Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, IA carried out a review of all payments made in excess of €28,000 during the period 1 January 2019 to 31 December 2019, on the [redacted] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2019. IA also carried out testing on the database, verifying random samples as necessary.

As per the finding raised it was noted that a formal procurement process did not take place for 2.0% of all [redacted] payments to suppliers in 2019. The tender status of a further 0.5% of the total population was deemed to be unknown at the time of testing.

IA is of the opinion that, as the average level of spend per supplier not tendered has reduced by 24%, combined with the reduction of both the values & number of suppliers with a tender status unknown, that this is evidence of the work performed by the Procurement Team in 2019. That work has focused on addressing exceptions in those suppliers with a higher spend, as a priority, and reflects good progress. Further work needs to continue focusing on the suppliers with a lower spend (e.g. 39 suppliers highlighted as an exception across the two categories had a spend which is less than €50k in 2019).

In addition, IA notes that there are a number open audit actions ongoing – please refer to ***Appendix 1*** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ ERP System;
- ✓ Organisational Restructure; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as "Improvement Needed".

Report Rating

IMPROVEMENT NEEDED

Auditor: [redacted]**, Internal Audit Manager**

Appendix 1 – Audit Recommendations

Recommendation	Owner	Due Date
1. ***Tender Process:*** Where required, a new/updated tender will be carried out.	[redacted] **(Head of Procurement)**	**31 December 2020**
2. ***Reporting of non compliant procurement spend:*** The non compliant tender spend and unknown tender spend as noted in the report should be reported as required and monitored accordingly.	[redacted] **(Head of Procurement)**	**31 May 2020**
3. ***Implementation of new ERP System(s):*** 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. This project will bring a number of benefits to the Payables modules including better visibility of data, better functionality and more efficient workflows. The new ERP system will assist in improving the monitoring controls and oversight of the procurement and tendering functions.	[redacted] **(Head of Procurement) and** [redacted] **(Group Financial Controller)**	**Q4 2020**

Appendix 1 - Audit Recommendations Continued

Recommendation	Owner	Due Date
4. ***Organisational Restructure (One RTÉ):*** The reorganisation of RTÉ, with the implementation of the 'One RTÉ' structure, has created new consolidated divisions and co-located teams. Oversight of key supplier relationships is now being consolidated, resulting in better centralised managerial responsibility. This is in place, but the process is ongoing. As teams continue to come together, especially in output areas, a better organisational view of expenditure should emerge, addressing the traditional fragmented nature of buying.	[redacted] **Director General)**	**Ongoing**
5. ***Oversight by Procurement department:*** Managers in the Procurement Department now oversee procurement activity by expenditure category. The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.	[redacted] **(Head of Procurement)**	**Ongoing**

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2022*

Report 1 of 2 (Procurement Register)

12 April 2023

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:

[redacted]

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

RTÉ

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Introduction and Background

Introduction

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

Background

National and EU Tendering Procedures

The Office of Government Procurement issued the most recent version of *Public Procurement Guidelines for Goods and Services*, issued in January 2019. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values are updated every two years and the thresholds from 1 January 2022 to 31 December 2023 are applicable for this review.

Code of Practice for the Governance of State Bodies

The 2016 *Code of Practice for the Governance of State Bodies* ("the Code") contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same.

Section 8.16 of the Code states the following, under Procedures for Procurement:

> *"The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff."*

Section 8.16 of the Code also states that the Board:

> *"should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson's comprehensive report to the Minister. "*

RTÉ currently has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable [redacted] Fees and Payroll ([redacted]).

- **Accounts Payable** [redacted] is used to pay suppliers of goods, professional services, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

The new ERP system, [redacted] [redacted] went live on 23 March 2023.

- [redacted] **Fees** is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted] Fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

- **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

Risk, Objective and Scope

Risk

The key corporate risks (Q3 '22 update) addressed by the report are as follows:

Risk # 6 – Brand and Reputation *(FOI requests etc)*;
Risk # 8 – Management of Finances and Business Planning; and
Risk # 10 – Legislation / Regulation & Compliance.

Objective

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments/contracts in excess of €28,000 (€25,000 threshold + non recoverable VAT ("NRV"));
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

Scope

The scope of our review covered all payments made in excess of €28,000 during the period 1 January 2022 to 31 December 2022, across the [redacted] system.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions/out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Filter the report by the various categories and perform a reasonableness check on the categorisation of the suppliers; and
- ✓ Testing a sample of items listed as "tendered" in the database to confirm that a tender process occurred for each and that it was the correct tender process (including alternative tendering procedures).

The scope of our audit did <u>not</u> include:

- ✗ Contributors paid via [redacted] Fees – separate processes – see page 5;
- ✗ Payments to employees;
- ✗ Payments made via Purchase Cards; and
- ✗ A review of payments/contract values below €28,000 in value.

Overview and Context of Findings

[redacted] Fees

RTÉ engages Contractors via a variety of contract types, as follows:

- Sole Trader;
- Limited Company;
- Actor;
- Writer;
- Special Guest; and
- On The Spot Contributor.

As outlined on page 4, [redacted] Fees is out of scope of our testing of the Procurement Register. In many cases these engagements involve editorial decision making, which is subject to the audio-visual media services exemption in procurement rules.

Secondly, in other cases, the engagement of Contractors was subject to the Eversheds review and the implementation of follow on actions was undertaken. Further follow-on work is still in progress. New processes and policy have been implemented for the engagement of Contractors in RTÉ, in the context of the examination of freelance/contractor contractual engagements, undertaken by Eversheds Sutherland. Training and briefings for Line Managers has also took place.

While procedures are in place in respect of payments via [redacted] there is less formal monitoring and reporting of tendering in respect of Contractors engaged via [redacted] fees.

Accounts Payable

Data Analysis

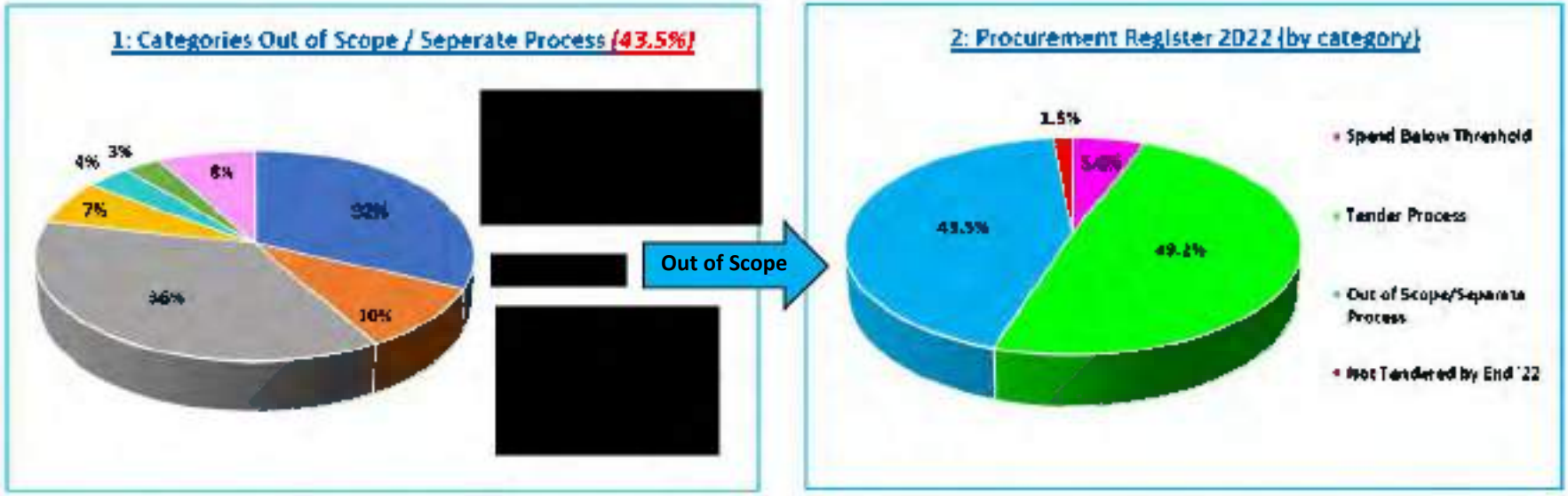
Payments were made to 1,839 suppliers on [redacted] from 1 January 2022 to 31 December 2022. The total value of payments made was €182 million and this is the scope for our audit testing.

Categories Out of Scope:

Of the €182 million in payments, €79.3 million (43.5%) was excluded from testing as it fell into an out-of-scope category or another process. The graph overleaf provides a more detailed break-down of these items.

Findings

Findings – Overview



As illustrated in the above charts, 43.5% (€79.3 million) of expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and are procured via a bidding process organised by the rights holder. Suppliers assigned to these categories have been examined to verify accuracy. The reason for their exemption from a formal tender process was investigated and deemed reasonable.

Of the remaining 56.5% (€102.8 million), a tender process occurred for 49.2% (€89.5 million) and 5.8% (€10.5 million) fell below the threshold which required a more formal process under Public Procurement Rules.

This leaves 1.5% (€2.7 million) of total spend not subject to a tender process by the end of 31 December 2022, analysed further overleaf.

Findings (Cont'd)

Review of Compliance

The audit identified an absence of a formal procurement process at the time of testing for **1.5%** *(2021: 1.4%)* of expenditure via [redacted] in 2022. This represents **€2.7** (*2021: €2.2*) million in expenditure and 11 (*2021: 31*) suppliers.

The level of exception increased from prior year but there was a reduction of 20 in the number of supplier exceptions. Please see table below for further details on the exceptions.

Absence of Formal Procurement Process	Audit Population		Exceptions Identified in Audit			
Payment System	**€m**	**# Suppliers**	**€m**	**% Value**	**# Suppliers**	**% Suppliers**
[redacted] - 2022	182.1	1,839	2.7	1.5%	11	0.6%
[redacted] - 2021	160.2	1,686	2.2	1.4%	31	1.8%
Movement	**21.9**	**153.0**	**0.5**	**0.1%**	**-20**	**-1.2%**

Expenditure Band	Suppliers	€'000
<€50k	0	0
€50k - €100k	3	198
€100k - €214k	7	2,253
>€214k (EU Threshold)	1	292
Total	**11**	**2,743**

As shown in the table above, the level of non-compliance has remained broadly consistent with the 2021 results, based on a small rise in **value** of €0.5m or 0.1% of expenditure, but a decrease in the **number** of suppliers of 20 or 1.2%.

Mitigating Factor:
Of the €2.7m where no tender had taken place, 62% (€1.7m) went through a formal tender process in late 2022 but the contract was only awarded in early 2023, and therefore not taken into account in 2022 results. In addition, the number of non-compliant suppliers has fallen, illustrating a higher level of valid competitive tendering in 2022 and the continuous effort by the Procurement Team to reduce the levels of non compliance over recent years. However, further work is necessary to reduce the level of non compliance.

Under the 2016 *Code of Practice for the Governance of State Bodies,* non-compliance must be monitored and reported at each year-end.

Conclusion and Rating

Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. In monitoring compliance with these rules, Internal Audit carried out a review of all payments made in excess of €28,000 during the period 1 January 2022 to 31 December 2022, on the [redacted] payment systems. We verified whether a valid contracts database was in place, listing all payments/contracts in 2022. IA also carried out testing on the database, verifying random samples as necessary.

Our finding highlights that a formal procurement process did not take place for 1.5% of payments to suppliers in 2022.

While exceptions exist, the position has remained relatively stable from prior year and reflects the continuous action by the Procurement Team to reduce the levels of non compliance over recent years. The action is illustrated by a reduction of 20 in the number of suppliers where a formal procurement process did not take place. In value terms, there was a slight deterioration of €0.5m but, as explained above, this was primarily due to a high-value contract tender not being awarded until early 2023.

In addition, IA notes that a number of open audit actions are ongoing – please refer to ***Appendix 1*** for full details of audit recommendations.

- ✓ Tender Process;
- ✓ Monitoring and reporting; and
- ✓ Oversight by Procurement department.

On the basis of the above findings, we assess the overall process as "Improvement Needed".

Rating

IMPROVEMENT NEEDED

Appendix 1 – Audit Actions

#	Actions	Owner / Comment	Due Date
1	**Tender Process:** Where required for the exceptions identified in the report, a new / updated tender will be carried out. Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.	[redacted]	31 December 2023
2	**Monitoring / Reporting of non compliant procurement spend:** The non compliant tender spend noted in the report should be reported to the relevant division and monitored accordingly.	[redacted] Comment: *A new "Non-Compliant Spend" form was rolled out in Jan 2023. If spend is >€25k and non compliant it will be flagged at requisition stage. A Non-Compliant form must then be completed and signed off by the CFO and Executive person from the relevant area.* *On a weekly basis spend >10k goes to the Procurement team meeting for review.*	30 April 2023 & ongoing
3	**Oversight by Procurement Department:** Managers in the Procurement Department now oversee procurement activity by expenditure category. The project to identify and manage the Top 10 suppliers of products/services to each Division and to the RTÉ group is ongoing. A named individual is identified as responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. Procurement will engage with the nominated individuals, with quarterly meetings taking place.	[redacted]	Ongoing

RTÉ

RTÉ Internal Audit

Reports to the Audit and Risk Committee on the System of Internal Control and Risk Management

Year-ended 31 December 2020

Part 1: Audit and Risk Committee Meeting 24 March 2021

Part 2: Audit and Risk Committee Meeting 21 April 2021

PART 1: AUDIT AND RISK COMMITTEE MEETING 24 MARCH 2021

RTÉ Internal Audit

Report to the Audit and Risk Committee

Meeting: 24 March 2021

Circulation:

Attending the Committee meeting:
Anne O'Leary (Chair)
Ian Kehoe
Robert Shortt

CC:
Dee Forbes (Director-General)
Richard Collins

Paula Mullooly (RTÉ Group Secretary)

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→ Internal Control in RTÉ subsidiaries ***(1A)***
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2. TECHNICAL UPDATES / RECENT DEVELOPMENTS

→ Operational Separation of 'Big Four' Audit Practices
→ Reporting against the UK Corporate Governance Code

RTÉ

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: Paula Mullooly, RTÉ Group Secretary

From: Peadar Faherty, Head of Internal Audit

Date: 19 March 2021

Re: Review of Effectiveness of Internal Control: Introduction and Agenda

---

1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 24 March 2021 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 14 April 2021. At that point, the members of the Committee will make a recommendation to the Board.

The purpose of this memorandum is to provide background context to the Committee's review of the effectiveness of internal control and to outline the agenda to be covered at this meeting.

2. Internal Control

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. Internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

The roles and duties of various parties in the internal control system are illustrated in this model:

The Board is responsible for ensuring that effective systems of internal control are implemented.

3. Why review the effectiveness of Internal Control?

Code of Practice for the Governance of State Bodies

A review of the effectiveness of the system of internal control is a requirement of the 2016 Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Public Expenditure and Reform, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 7.5 of the Code of Practice outlines that:

> *"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, the Code's 'Business and Financial Reporting Requirements', a supporting document to the main code, outlines that:

> *"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

The annual report of each State Body must include a statement on "internal control" (using a prescribed format). The statement will be contained in the Internal Control and Risk Management Section of the Corporate Governance Report in the draft Annual Report for the year-ended 31 December 2020.

The external auditors are required review this statement. RTÉ also reports on compliance with the Code of Practice in its annual report.

In addition to the above, the Chairperson's annual report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media must also include a statement on the system of internal control.

Companies Act 2014

Section 225 of the Companies Act 2014 introduced a requirement for directors of an in-scope Irish company to include an annual Compliance Statement in the directors' report accompanying the company's financial statements. Section 225 was applicable to two RTÉ subsidiaries for the financial year ended 31 December 2018, based on size criteria.

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken.

The relevant obligations cover Irish Tax law and various other Companies Act requirements such as the maintenance of proper books and records. In the majority of cases, the applicable controls are managed centrally through the RTÉ Group structure. Therefore, for the purpose of providing assurance to the directors of RTÉ Transmission Network DAC and RTÉ Commercial Enterprises DAC, Internal Audit's assurance activity in the area of Directors' compliance statements is carried out in the context of its broader work in the area of internal control.

Financial Transactions of Certain Companies and Other Bodies Act, 1992

The exercise of powers to enter into certain treasury contracts (as specified in the Financial Transactions of Certain Companies and Other Bodies Act, 1992) is subject to requirements specified by the Minister for Finance. These are documented in a formal *Requirements and Conditions* document issued to the organisation.

On 14 December 2020, the Department of Finance issued RTÉ with a new document. The updated requirements include that the Board shall certify annually that treasury procedures are in place and that RTÉ has acted fully in accordance with the Minister for Finance's Requirements and Conditions. The certification process is undertaken in the context of the broader review of internal control.

4. What should this review involve?

Guidance has been published to assist Audit Committees to discharge their duties in this area.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

Section 7.5 of the Code of Practice also references the Financial Reporting Council's guidance in this area.

5. Documents to facilitate the Committee's review

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ.

In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations. These items are highlighted as key steps in the annual review of the effectiveness of internal control as per section 7.5 of the Code of Practice.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle.

Please refer to the table overleaf for further details of the documents and the scheduling of presentations over the two Committee meetings.

At the end of the meeting on 14 April 2021 **the members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ**, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report.

Documents Presented to the ARC to Facilitate a Review of the Effectiveness of the System of Internal Control

No.	Topic / Agenda Item	Presented to the ARC:
1	Corporate Governance and Internal Control in the main operating subsidiary 2rn, comprising: Internal Audit report following a Review of Internal Control in 2rn.	24 March 2021
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.	24 March 2021
3	The Quarterly Risk Update for Q1 2021, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	24 March 2021 (memo) / 14 April 2021
4	The results of Internal Audit checks on compliance with the *Code of Practice for the Governance of State Bodies*.	14 April 2021
5	A comprehensive Code of Practice Checklist (addressing 134 compliance items, including internal control) will be submitted by RTÉ to Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media by end April 2021. This will be accompanied by supporting documentation and back-up.	14 April 2021
6	Directors' Compliance Statement: Details of the audit work carried out to enable the directors of the in-scope RTÉ subsidiaries to include a Directors' Compliance Statement in the annual directors' report. This is a requirement under the Companies Act 2014.	14 April 2021
7	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2020, addressing the following areas: • Purchase receipting and • Tendering aspects (RTÉ's compliance with Section 8.16 of the *Code of Practice for the Governance of State Bodies*)	14 April 2021

No.	Topic / Agenda Item	Presented to the ARC:
8	**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 2020, the matters specified in the Minister for Finance's *Requirements and Conditions* document.**	14 April 2021
9	**Review of the Cost Allocations Process[1] for the year-ended 31 December 2020, to the extent required by the External Auditors.** *[[1]Financial procedures carried out by Group Finance, after the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report]*	14 April 2021
10	**Committee's resolution on internal control and recommendation to the Board.**	14 April 2021

(1A) Internal Control in 2rn:

- Financial Control procedures

1A INTERNAL CONTROL IN 2rn

1.1 BACKGROUND

As a wholly-owned subsidiary, the financial results of 2rn are consolidated as part of the financial results of the RTÉ Group. Therefore, RTÉ retains a responsibility for ensuring that all subsidiaries are adequately managed and controlled and retains the legal authority to hold a subsidiary to account for their activities. The RTÉ Audit and Risk Committee is responsible for approving the financial statements of the RTÉ Group (including consolidated 2rn) and, in that context, the RTÉ Board is also responsible for reviewing the system of internal control for the entire group.

The directors of the Board of 2rn also have their own legal and fiduciary responsibilities under statute (Acts/EU Regulations) and common law, and need to be satisfied that appropriate governance arrangements are in place to meet their legal responsibilities.

Up to 2013, 2rn had been managed as an Integrated Business Division, in a manner similar to other RTÉ divisions, and it fell within the scope of the wider review of financial control in RTÉ. However, the relocation of 2rn from the Donnybrook campus to premises in Dublin 24, in addition to the migration of responsibility for key 2rn financial processes from the RTÉ Group's Central Shared Services functions to management locally, means that the 2rn financial processes are no longer managed centrally, other than some exceptions.

1.2 DOCUMENTS FOR REVIEW

In order to assist the Board to carry out its review of financial control in 2rn, this section of the report contains a number of documents in respect of 2rn:

- Internal Audit Report: Financial Control in 2rn (report overleaf).

RTÉ Internal Audit

Full Report included separately in list of reports - not repeated here

Review of 2rn Internal Financial Control

12 March 2021

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:
[redacted], Chairman RTÉ Transmission Network DAC (trading as 2rn)
[redacted], Executive Director 2rn
[redacted], Financial Controller 2rn

RTÉ:
[redacted], Group Financial Controller

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

(1B) Internal Financial Control Questionnaire

1B INTERNAL FINANCIAL CONTROL

1.1 BACKGROUND

Internal Financial Control

Each Division and, where applicable, central functions/shared services completed a self-assessment of the internal financial controls in the following areas:

	Process	Overview of control questions
A	Purchasing and Accounts Payable	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
B	Sales and Accounts Receivable	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
C	Cash and Treasury	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
D	Inventory	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
E	Fixed Assets	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
F	People Payments	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
G	Management Accounts/Financial Close	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
H	Tax Compliance	Preparation and submission of VAT; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

1.2 REPORTING REQUIREMENTS

Section 1.8 of the 2016 Code of Practice for the Governance of State Bodies ("the Code") states that:

"The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place."

As a result, we carry out specific work in the area of Internal Financial Control.

1.3 CONTROL EFFECTIVENESS

Management completed an assessment of the effectiveness of each financial control (47 questions) using a scale of 1-4, where 4 is the highest rating. This follows a similar approach to previous years.

Overleaf we have set-out, by Division, details of the effectiveness ratings assigned to the individual financial control questions in each of the process areas. As summarised overleaf, the output of this exercise highlights that a robust financial control environment exists in RTÉ, with strong control effectiveness ratings across the financial processes. In general, the ratings are broadly consistent with those reported last year with some areas showing marginally lower rating due to process changes.

Please refer to the ***Appendix 1*** at the back of this report for the financial control questionnaire in full, detailing the scores assigned to each of the 47 questions.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2020

Summary of Effectiveness Ratings

Section	Process Area	Finance Shared Services	Content	Operations	News & CA	Commercial	ACM	Technology	Average
A	Procurement and Accounts Payable	92%	Divisions implement Group Procurement Procedures						92%
B	Sales and Accounts Receivable	98%	*Immaterial*	N/a	N/a	70%	N/a	N/a	84%
C	Inventory	N/a	95%	N/a	98%	*Immaterial*	N/a	N/a	96%
D	Cash and Treasury*	98%	N/a	N/a	N/a	N/a	N/a	N/a	98%
E	Fixed Assets	99%	88%	88%	98%	89%	98%	99%	94%
F	People Payments	90%	81%	81%	81%	98%	96%	91%	88%
G	Management Accounts/Financial Close	96%	92%	92%	95%	90%	95%	98%	94%
H	Taxation Administration & Compliance*	97%	Taxation function in Group Finance						97%

*** Note:**
Taxation: also covered as part of audit work on the Director's Compliance Statement.

Treasury: additional audit work undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (ie: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

1.4 INTERNAL AUDIT PROCEDURES

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;

- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.

- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation/supporting evidence.

1.5 RESULT

The effectiveness ratings assigned to the financial control processes within scope are reasonable and, for the sample tested to date, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

Testing is at advanced stage at the date of this report, with a small number of areas to finalise. A further update will be provided on completion of testing, although we do not envisage any issues arising.

Please refer to ***Appendix 1*** for the consolidated internal financial control questionnaire which provides details of process effectiveness ratings.

2.
TECHNICAL

2 TECHNICAL UPDATES / RECENT DEVELOPMENTS

2.1 OPERATIONAL SEPARATION OF 'BIG FOUR' AUDIT PRACTICES

Overview
As previously reported, the Financial Reporting Council (FRC) published principles for operational separation of the audit practices of the 'Big 4' firms in July 2020 and asked the firms to submit their implementation plans by 23 October 2020.

The objectives of operational separation are to ensure that audit practices are focused on delivery of high-quality audits in the public interest, and do not rely on persistent cross subsidy from the rest of the firm.

Update
The Firms' plans have now been reviewed and discussed with the firms individually and the regulator has signalled it is now content for the firms to move to the next stage of implementation. The firms' progress will continue to be closely monitored against the milestones in their plans.

Some of the firms have reorganised their operations, for example Deloitte selling its restructuring business, which saw key partners and staff move to a new owner. The FRC has made some changes to the principles following analysis of the firms' implementation plans:

- to confirm that the audit practice should not receive fees for introducing business to other parts of the firm and that partners in the audit practice should not be incentivised for sales passed to other parts of the firm.
- to increase the minimum proportion of revenue within the ring-fence that must be derived from audit.
- to clarify that services provided to non-audited entities should be commissioned by those charged with governance at the entity or be assurance services for third party recipients.

Key Objectives
The FRC's key outcomes and objectives from this project are as follows:

- audit practice governance prioritises audit quality and protects auditors from influences from the rest of the firm that could divert their focus away from audit quality;
- the total amount of profits distributed to the partners in the audit practice does not persistently exceed the contribution to profits of the audit practice;
- the culture of the audit practice prioritises high-quality audit by encouraging ethical behaviour, openness, teamwork, challenge and professional scepticism/judgment; and
- auditors act in the public interest and work for the benefit of shareholders of audited entities and wider society.

2.2 REPORTING AGAINST THE UK CORPORATE GOVERNANCE CODE

The Financial Reporting Council recently issued advice for companies on how to report transparently and effectively when departing from certain provisions of the UK Corporate Governance Code ('the Code').

The Code applies to Irish-incorporated companies listed on the Main Securities Market of Euronext Dublin, as well as Irish companies with a premium listing on the London Stock Exchange. Other organisations choose to comply on a voluntary basis.

Background
The Code sets high standards for Corporate Governance. It recognises that companies have differing circumstances and so offers flexibility through its 'comply or explain' approach to reporting. The FRC encourages companies to embrace the flexibility offered by the Code so that investors and wider stakeholders benefit from reporting that clearly demonstrates a commitment to good governance, and clearly sets out a company's circumstances.

In November 2020, the FRC published a review of Corporate Governance Reporting. It found that 'tick-box compliance' continues to be preferred over high-quality reporting of good governance practice. A random sample of 100 companies, found that too many companies strive to declare strict compliance with the Code. The report found that such a formulaic approach leads to boilerplate language, and ineffective reporting that lacks substance and information about governance outcomes.

Recommendation
The FRC recommends that companies:

- Embrace the flexibility offered by the Code and develop bespoke governance processes and practices which raise standards.
- Make it easy for readers to find out which Provisions of the Code they have departed from in their annual report.
- Ensure that they provide full, clear and meaningful explanations for any such departures.

Focus Areas
There were some departures from Provisions of the Code for which the FRC's report noted a particular lack of transparency:

- Provision 5 – stakeholders' interests and workforce engagement
- Provision 19 – chair tenure

- Provision 38 – executive pensions aligned with the workforce
- Provision 36 – post-employment shareholding
- Provisions 40 and 41 – engagement with shareholders and workforce

Appendix 1 – Internal Financial Control Questionnaire

Section A: Purchasing and Accounts Payable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
1	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3.8	Divisions implement Group Procurement Procedures						3.8
2	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3.5							3.5
3	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	4							4.0
4	Score the effectiveness of the procedures and controls over the receipting of goods and services	3							3.0
5	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3							3.0
6	Score the effectiveness of the procedures for confirming balances with suppliers	4							4.0
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3.5							3.5
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	4							4.0
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4							4.0
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4							4.0
	Total Score for Purchasing and Accounts Payable Processes	36.8							
		92%							

Section B: Sales and Accounts Receivable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	4	*Immaterial*						4.0
12	Score the effectiveness of the procedures and controls over the processing of customer orders					2.75			2.8
13	Score the effectiveness of the procedures and controls over the invoicing of customers	3.8							3.8
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer					2.6			2.6
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.8							3.8
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	4							4.0
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4							4.0
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4							4.0
19	Score the effectiveness of reconciliation procedures and controls					3			3.0
	Total Score for Sales and Accounts Receivable Processes	23.6				8.35			
		98%				70%			

Section C: Inventory

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)		3.9		3.8	*Immaterial*			3.9
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.		3.7		4				3.9
22	Score the effectiveness of the procedures and controls over stock movements		3.8		3.8				3.8
23	Score the effectiveness of the month end inventory accounting procedures		3.8		4				3.9
	Total Score for Inventory Processes		15.2		15.6				
			95%		98%				

Section D: Cash and Treasury

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	4							4.0
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5							3.5
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4							4.0
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	4							4.0
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4							4.0
29	Score the effectiveness over the recording of borrowings	4							4.0
	Total Score for Cash and Treasury Processes	23.5							
		98%							

Note: additional audit work is also undertaken to check compliance with the Dept. of Finance's Requirements and Conditions document (re: *Financial Transactions of Certain Companies and Other Bodies Act, 1992*)

Section E: Fixed Assets

	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.8	3.5	3.5	3.75	3.5	3.8	3.8	3.7
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	4	4	3.9	4	3.8
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	4	3.5	3.5	4	4	4	4	3.9
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	4	3.5	3.5	4	2.75	4	4	3.7

Total Score for Fixed Assets Processes	15.8	14	14	15.75	14.25	15.7	15.8
	99%	88%	88%	98%	89%	98%	99%

Section F: People Payments

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	3.7							3.7
35	Score the effectiveness of the procedures and controls for over the processing of joiners and leavers' payroll (excluding the payment of Fees)	4							4.0
36	Score the effectiveness of the procedures and controls over the payment of Fees	3.7							3.7
37	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	3.7							3.7
38	Score the effectiveness of the procedures and controls over the processing of personal expenses on Transfare	3.5	3.5	3.5	3	4	3.9	3.8	3.6
39	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	3	3	3.5	3.8	3.8	3.5	3.4

Total Score for People Payments Processes	21.6	6.5	6.5	6.5	7.8	7.7	7.3
	90%	81%	81%	81%	98%	96%	91%

Section G: Management Accounts/Financial Close

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
40	Score the effectiveness of the monthly management accounts preparation process	4	3.8	3.8	4	4	4	4	3.9
41	Score the effectiveness of the monthly management accounts review and clearance process	4	3.8	3.8	3.5	3.5	3.75	4	3.8
42	Score the effectiveness of the financial close procedures and controls	3.85	3.7	3.7	4	3.5	3.95	4	3.8
43	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	3.5	3.5	4	3.5	3.5	3.5	3.6
44	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.8	3.5	3.5	3.5	3.5	3.8	4	3.7

Total Score for Management Accounts / Financial Close Processes	19.15	18.3	18.3	19	18	19	19.3
	96%	92%	92%	95%	90%	95%	98%

Section H: Taxation Compliance

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
45	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	3.8	Taxation function in Group Finance**						3.8
46	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	4							4.0
47	Score the effectiveness of the procedures and controls over compliance with Professional Services Withholding Tax (PWST), Dividend Withholding Tax (DWT) and Relevant Contracts Tax (RCT).	3.8							3.8

Total Score for Taxation Processes	11.6						
	97%						

**Note: Taxation is also covered as part of audit work on the Director's Compliance Statement.

PART 2: AUDIT AND RISK COMMITTEE MEETING 21 APRIL 2021

RTÉ

RTÉ Internal Audit

Report to the Audit and Risk Committee

Meeting: 21 April 2021

Circulation:

Attending the Committee meeting:
Anne O'Leary (Chair)
Ian Kehoe
Robert Shortt

Paula Mullooly (Director Legal Affairs)

CC:
Dee Forbes (Director-General)
Richard Collins (Chief Financial Officer)
Deloitte Audit Team

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1. OBJECTIVE AND EXECUTIVE SUMMARY

1.1 OBJECTIVE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to complete its review of the effectiveness of the internal control system, on behalf of the Board. (The Committee's review process commenced at the 24 March 2021 Audit and Risk Committee meeting); and
- Outline the work performed by Internal Audit to assist the Committee and report the results of the audit testing undertaken.

The members of the Committee will be required to make a recommendation to the Board following the meeting.

1.2 REVIEW OF INTERNAL CONTROL: BACKGROUND

Section 7.5 of the 2016 *Code of Practice for the Governance of State Bodies* ("the Code") outlines that:

> *"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, Appendix C of the Code's Business and Financial Reporting Requirements outlines that:

> *"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

As a result, we carry out specific work in the area of Internal Control.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

1.3 METHODOLOGY FOR THE COMMITTEE'S REVIEW OF INTERNAL CONTROL

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control.

The Committee considered Corporate Governance in subsidiaries and reviewed the internal control self-assessment questionnaires at its meeting on 24 March 2021. Today, the Committee will consider:

1) Compliance Statement in the directors' report accompanying the financial statements of certain in-scope RTÉ subsidiaries – see **Section 2**
2) Treasury Policies / compliance with the Department of Finance *Requirements and Conditions document* – see **Section 3**
3) Compliance with the *Code of Practice for the Governance of State Bodies* – see **Section 5**
4) Specific year-end internal audit reports which are relevant to internal control – see 1.4 below

Finally, at the end of this meeting:

5) The members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report – see **Section 6**.

1.4 INTERNAL AUDIT REPORTS

Section 4 contains a report issued by Internal Audit since the last meeting, which is relevant to the review of internal control:

- ***Procurement Compliance: Review of Procurement Register***

  The 2016 *Code of Practice for the Governance of State Bodies* contains specific requirements regarding the monitoring of compliance with Public Procurement rules in the area of tendering. The purpose of this audit was to assess, verify and report on RTÉ's compliance with the provisions of the Code.

1.5 CHAIR'S ANNUAL REPORT TO THE MINISTER FOR TOURISM, CULTURE, ARTS, GAELTACHT, SPORT AND MEDIA

Section 2.6 of the *2016 Code of Practice for the Governance of State Bodies* states the following:

> *"The Chairperson of each State body should furnish to the relevant Minister…… in conjunction with the annual report and financial statements of the State body, a comprehensive report to the relevant Minister covering the State body."*

A first draft of the Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media is included in **Section 7**. A final draft will be issued to the Board in advance of its next meeting.

Note that the Chair's report makes reference to some exceptions in the Procurement area (see page 4). Group Finance provides tables of selected financial data (Appendix 1 of the report) which RTÉ is permitted to report in this manner, as opposed to in the RTÉ Annual Report, on grounds of commercial sensitivity / data protection.

1.6 TECHNICAL DEVELOPMENTS

In addition to the topic of internal control, in **Section 8** we include a short update on technical developments.

2.
DIRECTORS' COMPLIANCE STATEMENT

- *Compliance Policy Statement*
- *Structures & Processes Document*
- *Steps in the Annual Review Process*

2. DIRECTORS' COMPLIANCE STATEMENT

2.1 *Background*

The Companies Act 2014 ("the Act"), section 225, includes a requirement on directors of an in-scope Irish company to provide an annual Compliance Statement in the directors' report accompanying the company's financial statements.

Two RTÉ subsidiaries have fallen within scope (based on the size criteria in sub-section 7 of section 225 of the Act) on different occasions since enactment:

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken. Three assurance measures are identified in the Act:

- Drawing up a Compliance Policy Statement;
- Putting in place appropriate structures and processes to secure material compliance; and
- Carrying out an annual review of compliance processes.

The documents to facilitate those three steps are <u>set-out overleaf</u>.

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

RTÉ Compliance Policy Statement, in accordance with Section 225 of the Companies Act 2014

RTÉ Group Finance

March 2018

This document sets out the policies in place to ensure material compliance by RTÉ subsidiary entities with "relevant obligations" as defined in Section 225 of the Companies Act 2014.

Background

The Companies Act 2014 ("the Act"), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors' report accompanying the company's financial statements.

Two RTÉ subsidiaries are determined to fall within scope of this section of the Act (based on the size criteria in sub-section 7 of section 225 of the Act):

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken.

One of the assurance measures identified in the Act refers to drawing up a Compliance Policy Statement, which is the scope of this document.

Definition of Relevant Obligations

Relevant obligations include all obligations under Irish tax law and certain obligations under Companies Act 2014, a breach of which could give rise to serious criminal sanctions.

Obligations under Irish tax law

These obligations relate to the:

- Customs Acts;
- Statutes relating to excise duties and the management of those duties;
- Tax Acts;
- Capital Gains Tax Acts;
- VAT Acts;
- Capital Acquisitions Tax Consolidation Act; and
- Stamp Duties Consolidation Act 1999.

Other Companies Act 2014 obligations

The relevant other obligations under the Act are those where a failure to comply would amount to:

a) A category 1 or category 2 offence under the Act, which mainly relate to:

i. failure to maintain proper accounts *(requirements in relation to accounting records, audits, and financial statements)*;
ii. unlawful financial assistance;
iii. unlawful acquisition of a company's own shares;
iv. a subsidiary holding shares in its parent company;
v. provision of information to an expert for their report on a statutory merger or division;
vi. certain obligations on a winding up or dissolution; and
vii. acting in contravention of a restriction notice from the Director of Corporate Enforcement.

b) A serious market abuse offence.
c) A serious prospectus offence under Irish prospectus law.

RTÉ Compliance Policy Statement

Taxation

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Comply with the tax rules in the territories in which the company operates
2. Submit all taxation returns by the deadline in line with tax law and pay tax liabilities on or before the relevant due date
3. Follow the recommendations of the *Code of Practice for the Governance of State Bodies* (Tax Compliance, section 8.44 to 8.47 inclusive). In particular, the company will:
   a. Not engage in unacceptable aggressive tax avoidance* transactions; and
   b. Carry out any proposed corporate restructuring plans for bona fide commercial reasons and not as part of any tax avoidance scheme. The company will not use artificial structures unrelated to the Company's business

   However, this will not preclude the company from availing of all legitimate taxation arrangements in the normal course of business.

   **In broad terms, tax avoidance is offensive if it involves the use of the tax code for a purpose other than that intended by the Oireachtas (including an unintended use of a tax incentive) with a view to reducing the amount of tax to be paid by the company or some other party to a transaction in which the company participates.*

4. Cooperate with the Tax Authorities and provide tax-related information and documents that may be requested by the Tax Authorities as soon as practicable and with the required scope
5. Engage professional taxation advisors on a timely basis, particularly in the case of the tax treatment of complex areas, or in the case of unique / non-standard contracts
6. Carry out prudent financial provisioning where an item is uncertain

7. Monitor changes in relevant tax law and practice and arrange training and briefing sessions as necessary

Internal Financial Control

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Maintain accounting books and records, in line with legal and regulatory requirements, which disclose the assets, liabilities and financial position of the Group and RTÉ
2. Maintain financial reporting systems, with actual results reported against budget and considered by the Board of the applicable company on a regular basis
3. Document comprehensive policies & procedures and authority limits relating to operational and financial controls and update these regularly
4. Identify, control and report on key risks impacting the business, as part of a dedicated Risk Management function
5. Engage professional advisors on a timely basis, particularly in the case of non routine business transactions or complex areas

The company will not engage in any activities which would give rise to a category 1 or category 2 offence under the Companies Act 2014.

Structures and controls

Structures, processes and controls are in place to implement the above policy objectives. These are documented and maintained under regular review.

Refer to the document titled “structures, processes and controls in place to ensure compliance with “relevant obligations”, as defined in Section 225 of the Companies Act 2014”

Structures, processes and controls in place to ensure compliance with "relevant obligations", as defined in Section 225 of the Companies Act 2014

April 2021

Background

The Companies Act 2014 ("the Act"), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors' report accompanying the company's financial statements.

The directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken.

One of the assurance measures involves putting in place appropriate structures and processes to secure material compliance, which are explained in this document.

Structures, processes and controls in place to ensure compliance with relevant obligations, as defined in Section 225 of the Companies Act 2014

1. Clearly defined roles and responsibilities, with authority limits and reporting mechanisms to higher levels of management:
- Qualified Accountants, with appropriate skills and knowledge, in Group Finance and the Divisional Finance Teams
- Finance training and briefing sessions arranged as required
- Review and sign-off procedures, by a more senior official, at various points in the financial and operational controls
- Succession planning and work shadowing to ensure the process of preparing tax returns, monthly management accounts, etc. continues even in the non-availability of staff
- Restricted access to network folders and financial systems based on job roles

2. Established procedures to identify, control and report on key risks impacting the business:
- Key corporate risks identified by members of the Executive
- Local risk registers
- An Executive Sponsor and Risk Owner is assigned to all key corporate risks
- Key Risk Indicators identified and measured to track movements in the likelihood and significance of risks
- Actions to further mitigate risks, including responsibility and timeline to complete, are agreed with Risk Owners and monitored on a regular basis
- Quarterly risk reports presented to the Audit and Risk sub-Committee of the Board

3. Comprehensive financial policies and procedures in place to ensure adequate books and account are maintained and regularly reviewed:
- Annual Budgeting process in place *(see # 4 below)*
- A statement of decisions reserved to the Board for consideration and decision, including financial authority limits

- Ongoing monitoring of revenues and costs against budget, via the monthly Group Management Accounts; discussed at Executive and Board level *(see # 5 below)*
- A financial highlights document is submitted to members of the Executive, on at least a monthly basis
- Capital budgeting process and meetings of the Capital Committee, with the capital budget approved by the Executive:
    - A196 capital forms (above a €100k threshold) submitted to the members of the Executive
    - Board approval for the capital investment strategy using the land sale proceeds
- Formal business cases are evaluated by the Executive in respect of all new strategic initiatives
- Periodic financial forecasting, as part of the broader system of internal financial control
- Forecasts discussed at the Executive and timely action to address forecast variances identified
- Divisional Finance teams in place to exercise financial control at a local level across the organisation
- Ongoing cash management, supported by monthly rolling cash forecasts, in order to prudently manage cash reserves
- Multi-year medium term financial projections prepared, periodically
- Various value for money and cost reduction initiatives undertaken throughout the organisation

4. Comprehensive budgeting systems

- A final agreed budget submitted to the Board for approval
- Competing demands on the existing scarce financial resources are managed and prioritised by the members of the Executive in line with RTÉ's stated strategy

5. Financial reporting systems, with actual results reported against budget and considered by the Board on a monthly basis

- Formal month end close procedures
- Month-end timetable (including due dates, responsibilities and disclosure requirements)
- The management accounts preparation process is automated directly from the nominal ledger
- Significant variances between actual and budget (and, where applicable, between actual and forecast) are investigated prior to submission of the accounts to group financial control
- The divisional financials are reviewed by a senior member of the finance team (independent of the preparer) and any outstanding matters resolved
- The accounts are submitted to Central Finance in the standard monthly group reporting format

- Intercompany balances *(inter IBD and inter legal entity, both for income statement and balance sheet)* are reconciled prior to closing the books
- Journal entry input is restricted to authorised personnel
- Nominal ledger and bank account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary

6. Financial procedures are in place governing the preparation of taxation returns by the deadline:

- Taxation returns are reconciled to the balance on the relevant general ledger account
- Source information used to compile the returns is gathered from the accounting records, with financial procedures in place within the relevant departments *(e.g. People Payments in respect of payroll taxes and Accounts Payable in respect of VAT, PSWT and RCT)*

- The Corporation Tax return is submitted via KPMG
- An appropriate Finance official carries out a review of the Taxation return for completeness and accuracy prior to submission
- Professional taxation advice (KPMG) is taken on complex taxation matters, including assessing RTÉ's non-recoverable VAT rate
- Taxation compliance meetings with KPMG
- Prudent taxation provisioning for uncertain items. Specific tax provisions are signed-off by Tax Advisors to ensure they are still valid
- Ongoing advice and engagement with professional advisors in relation to specific matters and transactions during 2020, such as:
    - The tax treatment of Independent Contractors
    - Revenue audits

  This is in addition to general advice from professional advisors on non-standard matters which arise during the course of normal business

- Briefings from taxation advisors on the tax implications of developments e.g. post the publication of the Finance Bill
- A defined pre-planning and review process in place in the event of notification of any Revenue audit

7. Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business

8. A Good Faith Reporting (Whistleblowing) Policy is in place to provide staff with a confidential and, if required, anonymous means to report a matter of concern in a financial or business area

Outline of the Audit and Risk Committee's Annual Review of the Compliance Processes, in accordance with Section 225 3(c) of the Companies Act 2014

14 April 2021

Annual Review of the Compliance Processes

The process adopted by the Audit and Risk Committee to undertake an annual review of the compliance processes, in accordance with Section 225 3 (c) of the Companies Act 2014, is as follows:

1. Review of the RTÉ Compliance Policy Statement prepared in accordance with Section 225 (2) of the Companies Act 2014;

2. Consideration of the structures, processes and controls in place to ensure material compliance "relevant obligations", as defined in Section 225 (1) of the Companies Act 2014;

3. As part of point #2 above, consideration of the authority, resources and co-ordination of those involved in financial control functions and in the preparation of taxation returns;

4. Review of the programme of internal audit and consideration of major findings, in particular the existence of any control weaknesses or findings in areas which impact "relevant obligations" as defined in Section 225 (1) of the Companies Act 2014, whether relating to tax obligations or other financial matters;

5. Considering the papers presented to the Committee by Internal Audit in order to facilitate the Committee's review, on behalf of the Board, of the effectiveness of the internal control system, as required under the Code of Practice for the Governance of State Bodies. The papers cover:
    a. Results of the Internal Audit internal control self-assessment questionnaires
    b. Report on compliance with the *Code of Practice for the Governance of State Bodies*
    c. Report on Corporate Governance and Internal Control in the main operating subsidiary 2rn
    d. Conclusion following a review of Effectiveness of Internal Control

6. Consideration of the results of Internal Audit's spot checks of the controls in place to ensure compliance with "relevant obligations";

7. Monitoring of quarterly risk reports from management and considering briefings from the Executive Sponsors of corporate risks;

8. Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

3.
Financial Transactions of Certain Companies and Other Bodies Act, 1992
(Treasury Policies)

Financial Transactions of Certain Companies and Other Bodies Act, 1992: Requirements and Conditions of the Minister for Finance

1. Background

The Financial Transactions of Certain Companies and Other Bodies Act, 1992 ("the Act") is applicable to companies and State Bodies whose power to borrow money is subject to the consent of the Minister for Finance. RTÉ is therefore within the scope of the Act.

The exercise of powers to enter into certain contracts* referred to in subsection 2 (1) of the Act shall be subject to, and in compliance with, requirements specified by the Minister for Finance as to the type(s) of contracts, and any further conditions specified by the Minister. These are documented in a formal *Requirements and Conditions document* issued by the Department of Finance (also referred to as the Minister for Finance Specification).

* The contracts referred to in the Act are those whose purpose(s) is:

(i) to eliminate or reduce the risk of loss arising from changes in interest rates, currency exchange rates, commodity prices or from other factors of a similar nature affecting the business;

(ii) to eliminate or reduce the cost of borrowing or the cost of other transactions carried out in the course of that business; or

(iii) to increase the return on an investment including a loan.

RTÉ's Specification from the Minister for Finance was due to expire on 31 December 2020. On 14 December 2020, RTÉ received confirmation from the Department of Finance that consent had been granted by the Minister to issue a new Specification document. This document does not have an expiry date (but the Minister for Finance reserves the right to alter or withdraw these Requirements and Conditions at any time).

2. Purpose

The purpose of this document is to outline the results of Internal Audit's check on RTÉ's compliance with the conditions set-out in the *Requirements and Conditions document*, dated 14 December 2020.

The RTÉ Treasury Policy (November 2020) and the Treasury Policy Statement: Management & Investment of Land Sale Proceeds (November 2020) are relevant in this regard.

3. The Board's Responsibilities

3.1 Establish Written Policies

	Board Responsibility	*Audit of Compliance*
A)	It shall be the responsibility of the Board to draw up written policies in respect of the use of each type of instrument *[FX Forwards, Interest Rate Swaps]* specified by the Minister in respect of it. *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*	See ***Table 1*** for the specific items to be included in the Policies and a check of compliance. • RTÉ Treasury Policy • Management & Investment of Land Sale Proceeds Policy Statement

	Board Responsibility	*Audit of Compliance*
	borrowings and the currency distribution of debt and foreign currency transaction exposures.	
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:	
	– Entered into only for the purposes set out in Section 2(1) of the Act and	See ***Table 2*** for a check of compliance.
	– subject to, and in compliance with: o the Minister for Finance's *Requirements and Conditions document* and o the policies established by the Board.	See ***Table 3*** for a check of compliance with the document. – Review of RTÉ Treasury Policy and Land Sale Policy Statement – Review of position at year-end / discussion with relevant personnel
	The Board shall take whatever steps and put in place whatever procedures are necessary for the purposes of discharging its obligations in this regard.	As above
B)	The Board shall certify annually that: • Such procedures are in place and • RTÉ has acted fully in accordance with the Minister for Finance's *Requirements and Conditions document*.	This review, and the associated checks of compliance by Internal Audit, represent the annual certification process. Policies are approved by the Board. See our conclusion and the audit recommendation in ***Section 5*** below.

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 5.3.3 - 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 *(e.g. contracts which have embedded options, which comprise a combination of derivatives or which are leveraged)* without the separate express consent of the Minister.	✓	Limited range of Permitted Instruments in Schedule 3 of the Treasury Policy. None are exotic derivatives.
2)	RTÉ shall not enter into a contract which is speculative in nature. RTÉ may only enter into contracts which are specifically designed to hedge transactions carried out, or exposures incurred or reasonably expected to be incurred, in the normal course of their business.	✓	S. 1.2 Treasury Policy – "All treasury transactions will have an underlying business basis and the

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		**Where addressed in RTÉ Policies**	
			taking of speculative positions is strictly prohibited"
3)	Contracts specified by the Minister shall be construed in accordance with the definitions set out in Annex 1 of these Requirements and Conditions as these may be further detailed or clarified by the International Swaps and Derivatives Association Inc in its officially published documentation.	✓	S. 3.8 – Derivatives, see Policy Issue 'Documentation'
4)	A contract entered into by RTÉ for the purposes of hedging an exposure must have an identifiable and related asset, liability, or commitment which may include such assets, liabilities or commitments as RTÉ may reasonably expect to arise in the future.	✓	Yes, all with an underlying business basis and treasury accounting undertaken in line with S. 3.10
5)	A hedging instrument must not exceed the amount or maturity of the underlying asset, liability or commitment, save where such excess is required by virtue of non-standard maturities or amounts and is limited to the absolute minimum required to achieve the requisite hedge.	-	No applicable contracts
6)	If a hedging instrument has been purchased or sold in anticipation of an asset, liability or commitment expected by RTÉ to arise in the future, and RTÉ ceases to expect such asset, liability or commitment to arise, then RTÉ must immediately commence putting in place orderly arrangements for the unwinding of the exposure taking into account the circumstances of each case.		N/a
7)	Authority to engage in such contracts included in RTÉ's Conditions cannot be delegated to any third party, other than an authorised subsidiary, without the separate express consent of the Minister for Finance.	✓	Yes, for example covered in the 'Legal Ownership of Investments' Policy Issue within S. 3.5, Operational Cash Reserve Management
8)	RTÉ shall not act as an intermediary for any other body (with the exception of its own Authorised Subsidiaries) in respect of the contracts to which the Act refers.	-	No applicable contracts
9)	RTÉ shall not enter into a contract with any counterparty unless, in the first instance, it has supplied such counterparty with a copy of this document.	→	The document is an appendix to the Treasury Policy.

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		**Where addressed in RTÉ Policies**	
10)	RTÉ should not rely on the advice of a counterparty or a trader in derivatives unless the counterparty or trader gives an enforceable undertaking that s/he is acting as an advisor rather than as a trader.	✓	All counterparties must be approved by the Board of RTÉ (S. 3.1), selected in line with the risk mgt. approach in 3.6.
11)	Contracts may not be entered into with any person or body which does not at a minimum satisfy one of the following criteria, without the express consent of the Minister:		Seven counterparties are listed in RTÉ policies, of which two are FX execution only.
a)	Banks or corporations with a long-term credit rating of at least AA- (Standard and Poor) or Aa3 (Moody's) or equivalent	n/a	Refer b) below for banking licences: x 4 counterparties. FEXCO and Investec Europe Limited are approved counterparties for FX execution only. Both authorised by Central Bank of Ireland: • FEXCO: Regulation 18 of the European Union (Payment Services) Regulations 2018 • Investec: 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 United Bank (US) A1 is one ranking below Aa3 (long term rating). However, no long-term open positions at year with this party. United Bank compliant with short term rating.

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		**Where addressed in RTÉ Policies**	
b)	Any of the following:		
	i. a person or body who is a holder of a banking licence issued under Section 9 of the Central Bank Act, 1971;	✓	Per a Central Bank financial service provider search the following are banks licensed pursuant to Section 9 of the Central Bank Act, 1971: • Ulster Bank Ireland DAC, • Barclays Bank Ireland plc., • The Governor and Company of the Bank of Ireland, • Allied Irish Banks plc.
	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	✓	United Bank (US) 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 *(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)* using a standard form of contract employed by financial institutions generally for such contracts.	✓	S. 3.8, documentation "All derivative contracts will be properly documented under an ISDA or other appropriate agreements."
13)	Swap documentation should be based on one of the standard forms published by the International Swaps and Derivatives Association Inc.	✓	S. 3.8, documentation "All derivative contracts will be properly documented under an ISDA or other appropriate agreements." S. 3.1 "Bank Account Opening, Documentation and Mandates"
14)	Futures contracts must be transacted on an internationally recognised futures exchange.	*N/a*	Not a permitted product for RTÉ
15)	As far as is practicable, no contract or its associated documentation, should involve RTÉ making representations, entering into covenants, agreeing to events of default, or assuming any other conditions or obligations which are more onerous or less favourable than those being agreed by the counterparty.	-	No applicable contract
16)	No contracts may be entered into which would have the effect of altering any term, condition or covenant of an original loan agreement or, where applicable, any Ministerial guarantee thereunder without the consent of the Minister, and of the relevant Minister, where appropriate.	*N/a*	

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		**Where addressed in RTÉ Policies**	
17)	Derivative contracts entered into by RTÉ are to be reported in the annual accounts of the relevant person in accordance with international accounting standards.	✓	Reported in Annual Report Note 23
18)	Default by any counterparty or the enforced unwinding of any particular contract, irrespective of whether it is replaced with another contract, shall be reported to the Department of Finance immediately such an event occurs.	N/a	Not applicable in the period under review
19)	RTÉ shall comply with any other request for information which may be made by the Minister from time to time.	✓	As required. Updated Specification document dated 14 December 2020

5. Conclusion

The Financial Transactions of Certain Companies and Other Bodies Act, 1992 is applicable to companies and State Bodies whose power to borrow money is subject to the consent of the Minister for Finance.

An organisation's entry into certain contracts specified in the Act shall be subject to, and in compliance with, requirements specified by the Minister for Finance as to the type(s) of contracts, and any further conditions specified by the Minister. These are documented in a formal *Requirements and Conditions document* issued by the Department of Finance.

Internal Audit carried out a check on RTÉ's compliance with the *Requirements and Conditions document* issued by the Department of Finance on 14 December 2020. The requirements and audit steps are summarised in Section 3 above. We have carried out testing on a sample of the processes and controls identified as being in place to secure compliance. The objective of the testing was to confirm that the processes and controls exist and that they are operating effectively in the period under review.

The financial disclosures in Note 23 (*Financial Instruments and Financial Risk Management*) of the draft Annual Report & Group Financial Statements 2020 are also relevant, in particular sub-section (g) (*Derivative financial instruments*) on page 147.

We conclude that it is in order for the Board to confirm that:

- Procedures are in place as mandated under the Department of Finance *Requirements and Conditions document;* and

- RTÉ has acted in accordance with document.

[redacted]
14 April 2021

4.
INTERNAL
AUDIT REPORT

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2020*

Report 2 of 2 (Procurement Register)

16 April 2021

Full Report included separately in
list of reports - not repeated here

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted] Head of Procurement
[redacted], Group Financial Controller
[redacted], Financial Director, Content, Operations & Production Services
[redacted], Financial Controller, News and Current Affairs
[redacted], Financial Controller, Commercial
[redacted], Financial Controller, 2rn

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

5.
CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

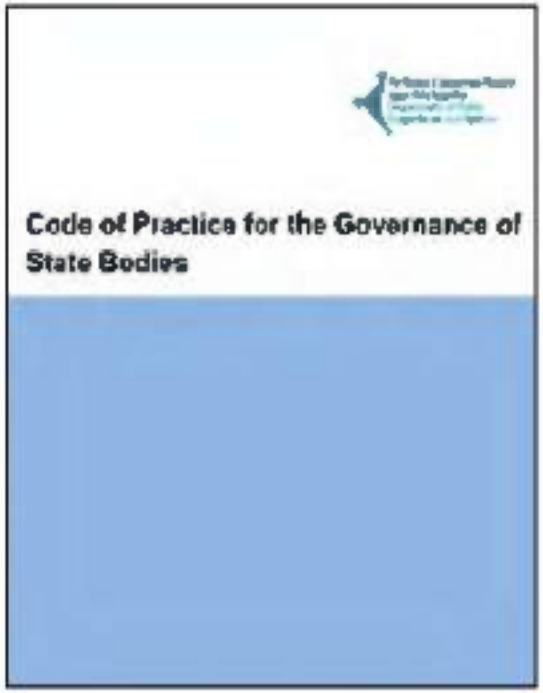
RTÉ Internal Audit

Review of Compliance with the Code of Practice for the Governance of State Bodies

Year-ended 31 December 2020

15 April 2021

Full Report included separately in list of reports - not repeated here



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ

6.
COMMITTEE RESOLUTION ON INTERNAL CONTROL

6. COMMITTEE'S RESOLUTION ON INTERNAL CONTROL

The members of the Audit and Risk Committee are required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board and recommend a statement to that effect in the Corporate Governance section of the Annual Report. Our conclusions are set-out below.

After reviewing the documents presented at the committee meetings of 24 March 2021 and 21 April 2021, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and

b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2020. *(No material control weaknesses or other matters of concern need to be reported in this statement)*.

It is also appropriate to include a paragraph in the Board Members' Report in the RTÉ Group Annual Report confirming that actions have been implemented in subsidiary companies to meet the requirements for Directors' Compliance Statements.

The Chair's report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media, in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies, will refer to the exceptions noted in relation to procurement.

Page 88 of the Annual Report contains a section on Internal Control and Risk Management. Furthermore, on page 90 (mid-page, below risk table), the report includes the following statement, which satisfies the requirements under the Code of Practice for the Governance of State Bodies:

> *"The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to an including the date of approval of the financial statements".*

The Annual Report then outlines the process to review the effectiveness of internal control.

7.
DRAFT CHAIR'S REPORT TO THE MINISTER

Raidió Teilifís Éireann

Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies

Year ended 31 December 2020

Draft dated 16 April 2021

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ATTACHMENTS

- RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2020
- Checklist for the Code of Practice for the Governance of State Bodies

Foreword

This report fulfils RTÉ's reporting requirements to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media, as prescribed by paragraph 2.6 of the 2016 *Code of Practice for the Governance of State Bodies* ("Code of Practice"). The sub-requirements of paragraph 1.9 (i – xvi) of the Code of Practice's Business and Financial Reporting Requirements are cross-referenced below.

1. Commercially significant developments - paragraph 13.1 i)

The Chair's Statement, the Director-General's Review and the Financial Review, as contained in the annual report for the year ended 31st December 2020, consider the commercially sensitive developments affecting RTÉ during 2020.

A brief summary of the contents of the key reports is set-out below.

- The Chair's Statement reflects on the media's vital role as a source of information during a difficult year and highlights how RTÉ was at the heart of successive national moments throughout 2020.

  The statement explains how the pandemic encouraged RTÉ to examine its operating structures and to design new and crisis-efficient modes of delivery. During the year, RTÉ continued in its plan to stabilise the organisation's finances and to assess its remit, seeking to maintain the best possible portfolio of services and content for audiences in the context of declining funding and revenues.

- The Director-General's report on page 18 of the annual report outlines the growth in audience as individuals of all ages turned to RTÉ in times of crisis. The report summarises RTÉ's services to the audience during 2020, including a selection of the content highlights as it supported the nation during the pandemic.

  The report explains the financial impact as a direct result of Covid-19. While RTÉ managed its finances well and remained resolute in its drive to remove €60m from the operating cost-base by the end of 2023, the report also explains that the underlying issues around funding remain acute and unresolved. It is important to ensure that the funding of public media is put on a firm footing into the future.

- The Financial Review on page 20 of the annual report presents the financial results for the year ended 31 December 2020 and sets-out the financial highlights for the key components of performance including commercial revenue, television licence revenue, operating costs, cash flow & borrowings and pensions. The report also explains the capital expenditure projects in 2020 and regulatory matters.

  The Financial Review outlines the financial outlook for 2021 and provides an update on the implementation of the savings targets in the Revised Strategy 2020-2024.

In addition, further business developments during the year are contained in the business review sections: What We Made (page 30), What We Did (page 52) and Distribution, Digital and Delivery (page 64).

2. Statement on the system of internal control - paragraph 1.9 iv)

Scope of Responsibility
The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that an ongoing process for identifying, evaluating and managing RTÉ's significant risks has operated throughout the year and up to the date of approval of the financial statements.

Risk and Control Framework
RTÉ has established a risk-management framework which consists of structures; the assignment of risk responsibilities; procedures and systems for risk identification, assessment and reporting; and monitoring of the effectiveness of mitigation actions.

The key components of the system of internal control currently in place are:

- A clearly defined organisation structure, with formally defined authority limits and reporting mechanisms to higher levels of management and to the Board;
- A statement of decisions reserved to the Board for consideration and decision;
- Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business;
- Established procedures to identify, control and report on key risks impacting the business;
- Comprehensive budgeting systems, with annual financial budgets approved by the Board;
- A planning process for each division, with long-term strategic plans approved by the Board;
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis;
- A Good Faith Reporting Policy to provide staff with a confidential and, if required, anonymous means to report a matter of concern; and
- Comprehensive policies and procedures relating to operational and financial controls, including commitments and capital expenditure. Large capital projects require the approval of the Board.

Throughout the year, RTÉ operated a risk-management process designed to identify the key risks facing the business and to report to the Audit and Risk Committee and the Board on how these risks are being managed. The Board focuses primarily on those risks capable of undermining the RTÉ strategy, or risks which could adversely affect the long-term viability or reputation of RTÉ. The risk-management process comprises two phases – a strategic risk assessment undertaken by the Executive and a local risk assessment exercise carried out by line management in the divisions.

The members of the RTÉ Executive determine the risks impacting the successful delivery of the RTÉ strategy. Risks designated as key risks are assigned an Executive Sponsor and Risk Owner and are subject to ongoing review and monitoring during the year. The Risk Owners track the drivers of each risk and document the controls in place to mitigate the risk. In addition, risk indicators are identified to assist in monitoring changes in the likelihood of the occurrence of a risk. This exercise is summarised in a consolidated strategic risks document. This work is overseen and reviewed by a risk function and is linked to the broader strategic planning process. The Audit and

Risk Committee also receives quarterly updates on the status of risks, changes in risk indicators and updates on mitigating actions.

Aligned with the strategic risk-assessment process explained above, local risk registers are maintained to consider key risks, evaluate the probability of those risks occurring and assess the likely impact should the risks materialise. The actions taken to manage each risk are recorded.

As part of the risk identification process explained above, the principal areas of risk which could materially adversely affect the Group's business, financial condition, or results, have been identified. The risks are set-out in the table on pages 88 – 90 of the 2020 annual report.

Ongoing Monitoring and Review
Formal procedures are in place for monitoring the control processes and the following monitoring systems are in place:

- As outlined above, key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies. Movement in risk is tracked quarterly;
- The system of internal control is reviewed systematically by Internal Audit, on a risk based approach. (Any control deficiencies identified via the Internal Audit programme of work are communicated to management responsible for taking corrective action and to the Audit and Risk Committee. The status of implementation of improvements is tracked);
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis. Periodic financial forecasting takes place; and
- Other reporting and monitoring arrangements have been established at all levels throughout the business where responsibility for financial management has been assigned.

Procurement
RTÉ has procedures in place to ensure compliance with EU and national procurement rules and guidelines. A procurement policy, procedures and associated documents are posted prominently on RTÉ's intranet site and communicated to staff. Training takes place at appropriate intervals.

A contracts database and monitoring system is also in place to identify instances of non-competitive procurement for expenditure above €25,000, which is monitored by the Procurement Department.

A recent Internal Audit Report highlighted some instances of non-compliant procurement during the year ended 31 December 2020.

The audit findings highlight non-compliant procurement relating to 1.6% *(2019 – 2.0%)* of purchases in value terms, which represents 31 out of 1,700 suppliers of goods and services in 2020.

In considering the non-compliance outlined above, the following historic factors are relevant:

- As a result of constrained capital investment, RTÉ's financial systems are old and at the end of useful life. There is limited monitoring functionality in the purchasing system which increases the difficulty of tracking tendering arrangements;
- Different payment systems exist for different categories of purchases. The purchase of goods and services are managed separately to the engagement of individuals under 'contract for services' arrangements;

- There is a high volume of diverse suppliers of products and services necessary to support the breadth and variety of RTÉ's remit and services; and
- Managerial responsibility for supplier relationships and purchasing was traditionally fragmented across six divisions in RTÉ, which increased the difficulty of centralised monitoring of procurement and tracking data on historic tendering arrangements.

The Board considered the impact of the audit findings on RTÉ's overall compliance with the Code of Practice. The Board also took account of the actions agreed to address the findings, noting that these actions (overleaf) are now in progress.

The key actions include:

- A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems.
- Managers in the Procurement Department are overseeing procurement activity by expenditure category.
- Following reorganisation the oversight of many key supplier relationships is now consolidated, resulting in better centralised managerial responsibility.
- New processes and policy implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds.

Over the course of time, competitive processes will be carried out to address the instances of non-compliant procurement.

Finally, a follow-on review of procurement procedures will be carried out by Internal Audit in 2021 in order to monitor the implementation of the actions. The results will be reported to the Audit and Risk Committee.

Taking the above factors and improvements into account, the Board therefore considers the non-compliance to be reflective of historic issues being addressed by actions, as opposed to being reflective of a broader control weakness in the internal control environment.

Review of Effectiveness
The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements.

The process adopted by the Board to undertake the review of the effectiveness of the system of internal controls included:

- Consideration of the authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by RTÉ;
- Review and consideration of the output of the risk assessment and management process;
- Monitoring of risk reports from management – the strategic risks document is presented to the Audit and Risk Committee and to the Board as part of its review of the effectiveness of the system of internal control;
- Review of the programme of internal audit and consideration of major findings; and
- Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

For further details, please refer to the internal control and risk management section of the corporate governance report contained in the 2020 annual report (page 88).

3. Statement of compliance

RTÉ and its subsidiary undertakings have complied with the other requirements of paragraph 1.9 of the Code of Practice (Business and Financial Reporting Requirements) during 2020 and up to the date of this report. More specifically:

- Paragraph 1.9 i): A summary of commercially significant developments during the year is set-out in the annual report and cross-referenced in Section 1, above.

- Paragraph 1.9 ii): There are no off-balance sheet financial transactions to disclose;

- Paragraph 1.9 iii): All appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out;

- Paragraph 1.9 iv): See Section 2 above for the statement on the system of internal control;

- Paragraph 1.9 v): Codes of Business Conduct for Board Members and Employees have been put in place and adhered to;

- Paragraph 1.9 vi): Government policy on the pay of the Director-General and all State body employees is being complied with;

- Paragraph 1.9 vii): Government guidelines on the payment of Directors' fees are being complied with (see emoluments and expenses disclosure – page 91 – in the corporate governance report in the 2020 annual report);

- Paragraph 1.9 viii): not applicable – no matters in the year under review;

- Paragraph 1.9 ix): subsequent events – the following matters, subsequent to the year-end, merit reference:

  There were no other significant post balance sheet events affecting RTÉ between the year-end date of 31st December 2020 and the date of the approval of the group financial statements.

- Paragraph 1.9 x): the requirements of the Department of Public Expenditure and Reform Public Spending Code are complied with via: RTÉ's capital budgeting process; Capital Committee; financial procedures and Capital Approval Form; financial reporting systems and project management processes;

- Paragraph 1.9 xi): procedures are in place for the making of protected disclosures, supported by the RTÉ Good Faith Reporting Policy (2016) and an independent confidential reporting line for staff. See page 163 of the 2020 annual report for the report required under Section 21(1) of the Protected Disclosures Act 2014;

- Paragraph 1.9 xii): Government travel policy requirements are being complied with;

- Paragraph 1.9 xiii): RTÉ complied with its obligation under tax laws. In the case of in-scope subsidiaries, a Compliance Statement is included in the directors' report accompanying the company's financial statements;

- Paragraph 1.9 xiv): there are no applicable, active, legal disputes with other State bodies;

- Paragraph 1.9 xv): The Board of RTÉ has adopted the Code of Practice and it is being complied with; and

- Paragraph 1.9 xvi): RTÉ subsidiary entities continue to operate for the purpose of which they were established.

The Board has also adopted the corporate governance and other obligations imposed by the *Ethics in Public Office Act, 1995* and the *Standards in Public Office Act, 2001*.

4. Additional Disclosures in Relation to Certain Categories of Expenditure

Section 1.3 (Business and Financial Reporting Requirements) of the Code of Practice outlines additional disclosure requirements in respect of certain expenditure.

The document "Guidance on the application of Code of Practice for the Governance of State Bodies", issued by the Corporate Governance Division of the then Department of Communications, Climate Action and Environment in late 2017, provides guidance regarding the format of disclosure of information which may have commercial sensitivity or data protection implications under the new Code of Practice. As agreed with Departmental Officials, RTÉ is making a number of the additional disclosures via this report, as opposed to the RTÉ Annual Report on grounds of commercial sensitivity / data protection. Please refer to Appendix 1.

This report should be read in conjunction with the annual report and group financial statements for the year ended 31st December 2020. The Code of Practice Checklist is included with this document.

[redacted]
Chair

On behalf of the Board
XX April 2021

8.
TECHNICAL UPDATES / RECENT DEVELOPMENTS

8 TECHNICAL UPDATES / RECENT DEVELOPMENTS

8.1 UK GOVERNMENT CONSULTATION ON RESTORING TRUST IN AUDIT AND CORPORATE GOVERNANCE

A) Overview

On 18 March 2021, the UK's Department for Business, Energy and Industrial Strategy (BEIS) launched its much-anticipated White Paper and a consultation process to reform the UK's audit, corporate reporting and corporate governance system.

The Paper addresses over 150 recommendations arising from three independent reviews undertaken to address high profile corporate failures *(e.g. BHS in 2016 and of Carillion in 2018)* and other perceived weaknesses in the audit market:

- Independent Review of the Financial Reporting Council – 18 December 2018 report
- Statutory audit market services study – Final report 18 April 2019 report
- The quality and effectiveness of audit: independent review – 18 December 2019 report

In addition, the proposals include new measures in relation to directors, auditors and audit firms, shareholders and the audit regulator.

B) Reform

The paper includes measures to enhance the quality of corporate governance, corporate reporting and audit and proposes the establishment of a new independent regulator. It is proposed that the Audit, Reporting and Governance Authority (ARGA) will replace the Financial Report Council (FRC).

The consultation paper is long (over 200 pages) and covers recommendations which impact the following:

- the responsibilities of, and reporting by, directors
- the work of audit committees
- the future of audit
- the future of the FRC
- Proposals for the investor community

The reforms are focused on the largest companies as this is where there is greatest public interest in ensuring that audit and corporate reporting are functioning effectively.

C) Proposals impacting the work of Audit Committees

Topic	Regulatory framework for audit committees
Original recommendation	Robust regulatory oversight of the committees that run the selection for audited companies, and oversee the audit, to make them more accountable and ensure that they prioritise audit quality.
Proposal in White Paper (Section 7.1)	The Government proposes to require ARGA to impose additional requirements on audit committees in relation to the appointment and oversight of auditors.
Topic	**The Audit & Assurance Policy**
Original recommendation	"I recommend that the audit committee publish a three-year rolling Audit and Assurance Policy which would be put to an annual advisory vote by shareholders for approval at the Annual General Meeting." (Source: Brydon 10.0.3)
Proposal in White Paper (Section 3.2)	The Government proposes to introduce a statutory requirement on public interest entities to publish an annual Audit and Assurance Policy that describes the company's approach to seeking assurance of its reported information over the next three years. In the case of quoted public listed entities, the Policy would be subject to an advisory shareholder vote at the time of its publication. The Government invites views on whether the Policy should include the following at a minimum: o An explanation of what independent assurance, if any, the company intends to obtain in the next three years in relation to the annual report and other company disclosures beyond required by statutory audit. o A description of the company's internal auditing and assurance processes. o A description of what policies the company may have in relation to the tendering of external audit services. o An explanation of whether, and if so how, shareholder and employee views have been taken into account in the formulation of the Audit and Assurance Policy.

D) Timetable

BEIS has allowed a sixteen-week consultation period; responses should be submitted to BEIS by 8 July 2021. The UK FRC is planning an extensive series of engagement activities on the matters covered in the consultation paper.

RTÉ INTERNAL AUDIT

REPORTS TO THE AUDIT AND RISK COMMITTEE ON THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

YEAR-ENDED 31 DECEMBER 2015

Part 1: Audit and Risk Committee Meeting of 14 March 2016

Part 2: Audit and Risk Committee Meeting of 13 April 2016

Audit and Risk Committee Meeting of 14th March 2016

RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 14 MARCH 2016

Circulation

Attending the Committee meeting:
Anne O'Leary (Chair)
Frank Hannigan
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:
Noel Curran (Director-General)
Breda O'Keeffe (Chief Financial Officer)

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Section

1. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

2. TECHNICAL UPDATES / RECENT DEVELOPMENTS

3. WHISTLEBLOWING POLICY *(circulated as a separate document)*

1.
REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

RTÉ

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: [redacted], RTÉ Group Secretary

From: [redacted], Head of Internal Audit

Date: 10 March 2016

Re: Review of Effectiveness of Internal Control: Introduction and Agenda

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1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 14 March 2016 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 13 April 2016. At that point, the members of the Committee will make a recommendation to the Board.

The purpose of this memorandum is to provide background information on the Committee's review of the effectiveness of the internal control system and to outline the agenda to be covered at the 14 March Audit and Risk Committee meeting.

2. Internal Control

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. Internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

3. Why review the effectiveness of Internal Control?

A review of the effectiveness of the system of internal control is a requirement of the Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Finance in June 2009, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 10.1 requires that:

> *"The Board is responsible for the body's system of internal control and should review annually the effectiveness of the body's system of internal controls, including financial, operations and compliance controls and risk management".*

The annual report of each State Body must include a statement on "internal financial control" (using a prescribed format) and the external auditors are required review this statement.

Your attention is drawn to the Internal Control and Risk Management Section of the Corporate Governance Report in the draft Annual Report for the year-ended 31 December 2015, which outlines RTÉ's disclosures in this area. In particular, please note the new section summarising the Principal Risks and Uncertainties impacting RTÉ.

In addition to the above, the Chairperson's annual report to the Minister for Communications, Energy and Natural Resources must also include a statement on the system of internal financial control.

4. What should this review involve?

Guidance has been published to assist Audit Committees to discharge their duties in this area.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (updated "Turnbull Guidance") outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

5. Documents to facilitate the Committee's review

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Please refer to the table overleaf for further details.

At the end of the meeting on 13 April 2016 the members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report.

Documents Presented to the ARC to Facilitate a Review of the Effectiveness of the System of Internal Control

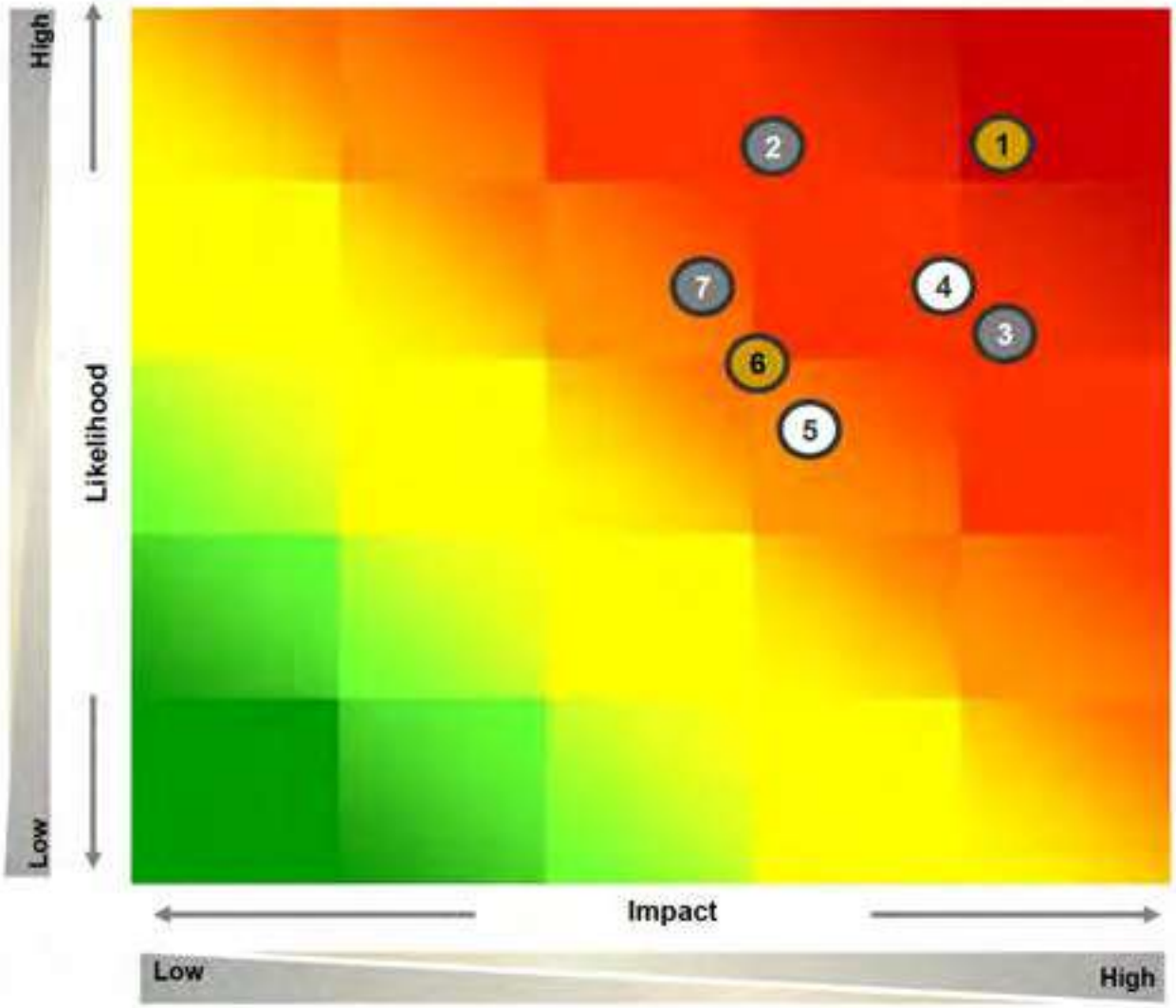
No.	Topic / Agenda Item	Presented to the ARC:
1	Corporate Governance and Internal Control in the main operating subsidiary 2rn, comprising: • Risk map; • Listing of top risks; • Internal Audit report following a Review of Internal Control in 2rn.	**14 March 2016**
2	The results of the internal control self-assessment questionnaires, used by the divisions to assess the financial control environment, and Internal Audit testing thereon.	**14 March 2016**
3	The Quarterly Risk Update for Q1 2016, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	13 April 2016
4	The results of Internal Audit checks on compliance with the *Code of Practice for the Governance of State Bodies.*	13 April 2016
5	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2015.	13 April 2016*
6	Internal Audit report on a review of the Cost Allocations Process[1] for the year-ended 31 December 2015 *([1]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)*	13 April 2016*

* Present the key findings and the audit rating to the Committee, as a minimum; Agenda pressure may not allow for a full discussion of the report – Agenda TBC.

Internal Control in 2rn:

- **Riskmap**
- **Top Risks listing**
- **Internal Audit Report: Financial Control in 2rn**

2RN Risks Map



	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

The colour of the risk bubbles reflects the category of risk.

- INTERNAL Risk
- EXTERNAL Risk
- HYBRID Risk (Internal & External)

Movements in Risk (since last Board Review)

Risks Falling out of the Top Risks

- Economic Downturn Risk: The national economic situation has stabilised and is improving.
- *Reduction in Prices Risk*: Pressure on price has eased; the Telcos. have moved to a phase of consolidation and technological improvement
- *People and Skills Risk*: reorganisation of engineering division; other staffing and training initiatives.

New / Increasing Risk:

- Risk #2 (Govt. Broadband) and #7 (mobile phone signal technology) are new to the top risks

Top Risks 2rn - 2015

	Business Risk	Ref.	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	Responsibility	Versus Previous Rank
1	Loss of a major customer and/or merger of major customers (2RN is reliant on a small number of large customers)	*3.1*	Telecoms Indurtry Manager	High	High	Negligible	16	a) Regular meetings with major customers to review b) Maintain contracts with large customers c) Regular meetings and follow-up with potential targets to explain service offering	a) Register of c) Database of leads & contacts	a) Telecoms Industry Manager b) Telecoms Industry Manager c) Telecoms Industry Manager	↑ (3)
2	Government Broadband Intervention Strategy resulting in a loss of customers for 2RN	*2.2*	Executive Director	High	Moderate	Low	12	a) Ongoing review of market developments b) Regular attendance industry seminars		a) Telecoms Industry Manager b) Telecoms Industry Manager	↑ *(New to Top Risks)*
3	Failure to retain sufficient suitable spectrum to economically provide terrestrial television and radio services	*2.3*	Executive Director	Moderate	High	Moderate	12	a) Ongoing review of market developments b) Actively engage with Department, ComReg and Industry to identify and influence long term developments c) Attendance by staff and management at appropriate industry seminars, conferences and exhibitions d) Participation in spectrum Planning		a) Executive Director b) Head of Frequency Planning c) Head of Frequency Planning d) Head of Frequency Planning	↓ (1)
4	Failure to invest in new telecommunication technologies and infrastructure	*2.1/ 3.2*	Executive Director	Moderate	High	Low	12	a) Ongoing review of market developments b) Regular attendance by staff and management at appropriate industry seminars and exhibitions		a) Executive Director b) Telecoms Industry Manager	↓ (2)
5	Failure to understand emerging technologies resulting in a loss of customers	*2.4*	Executive Director	Moderate	Moderate	Low	9	a) Ongoing review of market developments b) Regular attendance by staff and management at appropriate industry seminars and exhibitions c) Ongoing education and training in the division		a) Chief Engineering Officer b) Chief Engineering Officer c) HR Executive	↓ (4)
6	Substantial mobile phone signal technology development resulting in mobile phone operators no longer needing 2RN's structures.	*3.3*	Telecoms Indurtry Manager	Moderate	Moderate	Negligible	9	a) 2RN actively persuing new business in broadband and Broadcast areas.		a) Telecoms Industry Manager	↑ *(New to Top Risks)*
7	Poor weather conditions resulting in additional cost incurred to fix faults / replace damaged equipment	*3.10*	Executive Director / Head of Operations	Moderate	Moderate	Negligible	9	a) Insurance cover for all equipment b) Maintenance program ensures equipment is weater-proofed insofar as is practical c) Building / Structure / Equipment design caters for bad weather insofar as is practical	a) Group Insurance c) Project plans	a) Financial Controller b) Head of Operations / Infrastructure Manager c) Executive Director / Head of Projects	↑ (8)

Footnote:
Falling out of the Top 2rn Risks in 2015 - 'Ongoing economic turbulence' (last year - #5), 'Significant reduction in prices chargeable to major customers ' (last year - #6) and 'People and skills risks arising from organisational change' (last year - #7)

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

26 February 2016

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:
Eoin McGettigan, Chairman 2rn
Mick Kehoe, Executive Director 2rn
Padraig Leahy, Financial Controller 2rn
John Sutcliffe, Financial Accountant 2rn

RTÉ:
Fiona O'Shea, Group Financial Controller

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

RTÉ Transmission Network Limited is a wholly owned subsidiary of RTÉ and trades as 2rn.

The purpose of this report is to set-out the findings of an Internal Audit review of the financial processes in 2rn and the financial control self-assessment questionnaire. This report should be considered in conjunction with the recently updated 2rn Risk Register.

Background

Section 2.4 of the Code of Practice for the Governance of State Bodies ("the Code") outlines that:

"*The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place*".

Furthermore, in line with Section 10.1 of the Code, the Board is required to conduct an annual review of:

"The body's system of internal controls, including financial, operational and compliance controls and risk management".

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board of RTÉ is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and shared functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

In the Annual Report for the year-ended 31 December 2015, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control. This report forms part of the Audit & Risk Committee's consideration.

Objective and Scope

The scope of this review were the financial controls in place in 2rn at 31 December 2015. This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes and control activities set-out in *Appendix A*.

The scope of the review included the following:

✓ Verifying the existence and operation of the key controls in place in respect of the following financial processes in 2rn:
- Purchasing and Accounts Payable
- Sales and Accounts Receivable
- Cash and Treasury
- Fixed Assets
- Inventory
- People Payments
- Management Accounts
- Taxation

✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place; and

✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating.

The scope did not include:

X IT audit of the financial systems.

This review was focused on verification and testing of the operation of controls – via inspection, review of process flows and substantive testing – and did not represent a full financial audit of each process.

Risk and Summary Findings

Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources
- Risk # 4 – Commercial Revenue

Other specific RTÉ corporate risks relevant to this report are as follows:

- Fraud
- Proper books of account not being maintained

The audit has also taken into account the 2rn Risk Register, especially the various risks underpinning the objective of "effectively managing 2rn's finances into the future through optimising funding sources and controlling costs".

Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating in the range 81% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ IBDs.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No exceptions were identified during the course of testing. No issues were identified in this audit which merit classification as "key management issues".

Please refer to *Appendix A* overleaf for details of the specific controls tested and the audit activities undertaken by Internal Audit.

Conclusion and Rating

Overall Conclusion

Each year, as part of a broader review of compliance with the *Code of Practice for the Governance of State Bodies*, Internal Audit carries out specific work in the area of internal financial control in each RTÉ division.

Specific audit work has been undertaken in relation to financial control in 2rn for the year ended 31 December 2015, focusing on reviewing the key financial controls. In the context of the repositioning of 2rn in 2013, responsibility for certain financial processes resides with local Finance in 2rn as opposed to Central Shared Services in RTÉ Group Finance.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, as summarised in Appendix A, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

Rating

SATISFACTORY

	Key Control Activity	Summary of Test of Control	Testing Approach
A	**Purchasing and Accounts Payable**		
	Risk Summary: Inappropriate, fictitious, or late payments to Suppliers.		
A.1	***Purchasing and Tendering***		
1)	Competitive tendering procedures exist, underpinned by Purchasing Procedures and Guidelines	• Examine one 2rn tender in 2015 and examine documentation, evaluation sheet, award letter, etenders notification, etc.	Observation and inspection
A.2	***Payment Procedures***		
2)	Segregation of Duties: the staff members responsible for ordering/ receipting goods are not also responsible for processing payment of invoices	• Assess the design of Segregation of Duties procedures.	Walkthrough Testing
3)	All invoice payments and payment runs are authorised by appropriate personnel	• Test a 2rn EFT payment run (for both Domestic and non-domestic) and review for authorisation. Trace the payment through to the bank statement and General Ledger.	Substantive testing
		• Review a sample of invoices from the payment run for proof of prior approval before payment.	Observation and inspection
4)	Invoices are paid by their due date and in accordance with Late Payment Regulations	• Check a sample of the invoices on [redacted] to verify that they were paid by due date.	Observation and inspection
A.3	***Creditor Reconciliations***		
5)	Creditor reconciliations of key supplier statements are performed on a monthly basis and reconciling items are properly followed up and cleared	• Examine a sample of creditor reconciliations in different months and check all reconciling items have been followed up and cleared the following month.	Substantive testing
6)	The creditors' listing in the creditor's ledger is reconciled to the creditor's balance per the GL control account on a monthly basis	• Audit a reconciliation of the creditors' listing in the Creditor's ledger to the creditors' control account in the GL for one month.	Substantive testing
A.4	***Purchase Card***		
7)	RTÉ Purchasing Card Guidelines 2015	• Select a 2rn Purchase Card envelope for one month and confirm that supporting documentation is in place with appropriate approval.	Observation and inspection
		• Inspect files generally for existence, approval and retention.	Observation and inspection
B	**Sales and Accounts Receivable**		
	Risk Summary: Bad Debts, credit risk and / or inaccurate accounting treatment.		
B.1	***Customer Sales***		
8)	Credit control procedures are carried out prior to granting credit status to new customers	• Review set-up procedures and checks undertaken for one new customer (credit checks, credit limits, payment in advance etc).	Walkthrough Testing
9)	Procedures are in place for processing customer orders and formal	• Inspect contract / Accommodation Request Form (ARF) with	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	contracts or supporting documentation are filed	supporting documentation for one order.	
10)	All discounts from rate card are approved by an appropriate official in advance	• Verify sign-off and prior approval in one instance where there was a deviation from the rate card	Observation and inspection
B.2	***Debtor Reconciliations***		
11)	Reconciliations of the debtors listing to the Debtor's control account in the GL are performed and reconciling items are properly investigated.	• Examine a reconciliation of the debtors' listing / ledger to the debtors' control account in the GL for one month and review reconciling items	Substantive testing
12)	A review of the aged debtors report is performed each month with particular emphasis on overdue balances	• Analyse aged debtor listing for one month	Substantive testing
B.3	***Credit Notes***		
13)	Credit notes are approved by a senior official after considering the reasons for the credit note	• Verify approval of, and reason for, a sample of credit notes selected from [redacted] Consider the appropriateness of the Approver.	Observation and inspection
C	**Cash and Treasury**		
	Risk Summary: Incomplete, unauthorised or incorrectly accounted for cash transactions due to either fraud or error.		
C.1	***Banking of Lodgements***		
14)	There are appropriate segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	• Assess the design of Segregation of Duties procedures – post opening procedures, banking lodgements, posting to the debtors account, etc.	Walkthrough Testing
15)	There are financial procedures in place for handling and recording of receipts in a timely manner	• Obtain backup for a sample of lodgements through the 2rn bank account and check timeliness of recording in books	Substantive testing
16)	Cheque receipts are banked on the date of receipt, logged and reconciled. All cheques are pre-numbered and sequentially controlled	• Verify, through observation, that cheque receipts are logged, reconciled and sequentially controlled upon opening post.	Observation and inspection
C.2	***Bank Reconciliations***		
17)	Monthly reconciliations are prepared for each bank account and all reconciliations are reviewed and initialled by a senior official	• Audit the bank reconciliation for each bank account for one month and check for review by a senior person.	Substantive testing
18)	All reconciling items are investigated and cleared before the following month end	• Verify that reconciling items were cleared by the next month end.	Substantive testing
C.3	***Payments to Suppliers***		
19)	There are formal cheque signing procedures, including dual signatories and authority limits. There is also formal procedures	• Confirm that formal procedures are in place for cheque signing and for non-cheque payments (EFT etc) and verify dual signatories based	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
	and authority limits for non-cheque payments (direct debit, EFT, BACS, etc)	on authority limits	
C.4	***Loan Covenants***		
20)	Procedures for the recording of borrowings, interest and loan repayments exist.	• Review one quarterly compliance certificate to Barclays outlining compliance with covenants. Review the calculation of the formulae / financial data.	Substantive testing
D	**Fixed Assets**		
	Risk Summary: Misappropriation or incorrect recording accounting treatment of assets.		
21)	Fixed Asset additions are approved in accordance with group procedures and authorisation limits	• Request the signed A196 form for one recent 2rn capital expenditure project and check that the A196 was completed properly and signed off in advance of the project.	Observation and inspection
22)	There are procedures in place for the recording and valuation of fixed assets (Fixed Asset Register) and the Fixed Asset Register is reconciled to the General Ledger on a monthly basis	• Request a copy of the Fixed Asset Register and review reconciliation to the GL for one month.	Substantive testing
23)	Additions and disposals are approved in accordance with group procedures and authorisation limits	• Select a sample of additions / disposals and verify they are appropriately authorised in writing by a senior person	Observation and inspection
E	**Inventory**		
	Risk Summary: Inventory listings are misstated.		
24)	There are accurate and complete stock listings, recording volumes and values of stock by individual stock item	• Request the most recent inventory listing and review the reconciliation between the stock listing and general ledger.	Substantive testing
25)	There are effective procedures to identify obsolete stock items and all stock right-offs are approved by appropriate officials	• Verify that any stock right-off has been approved by an appropriate person.	Observation and inspection
F	**People Payments**		
	Risk Summary: Payments to fictitious employees, unauthorised amendments to data and incorrect records.		
26)	There is effective segregation between payroll preparation, verification of payroll data processed, authorisation of amendments, authorisation of payroll payments and posting to the books of account.	• Assess the design of the Segregation of Duties procedures	Observation and inspection
27)	Personal expenses are approved in line with group procedures and guidelines and all claims are checked for: authorisation, arithmetic accuracy, legitimacy and supporting documentation/receipts	• Select a sample of T&S claims and check to see if they are supported by receipts and filed as appropriate	Observation and inspection

	Key Control Activity	Summary of Test of Control	Testing Approach
28)	Payroll data on [redacted] is reconciled to [redacted] payroll records	• Audit the reconciliation between [redacted] and [redacted] payroll records for one month.	Substantive testing
29)	The PAYE/PRSI return to the Revenue is reconciled to [redacted] and NortgateArinso payroll records on a monthly basis.	• Review the reconciliation between PAYE/PRSI return to the revenue to [redacted] and [redacted] records for one month	Substantive testing
G	**Management Accounts**		
	Risk Summary: Proper books of account not being maintained.		
30)	There are formal month end close procedures and monthly management accounts are prepared and submitted to Central Finance in the standard monthly group reporting format by the reporting deadline.	• View the management accounts for one month	Observation and inspection
31)	All account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary	• Examine that reconciling items have been closed off	Substantive testing
32)	All intercompany balances (inter IBD and inter legal entity, both for Income Statement and Balance Sheet) are reconciled prior to closing the books, including confirming that the balances agree with the relevant parties. Reconciling differences are investigated and cleared before the following month end.	• Request evidence that intercompany balances have been reconciled for one month and confirmation of agreement from the relevant parties.	Substantive testing
33)	Manual journal entries have adequate supporting documentation and are approved by a senior member of the finance team	• Verify that supporting documentation is on file for a manual journal entry and was approved by a senior member.	Observation and inspection
34)	A procedure detailing the calculation of specific accruals exists and is consistently applied	• Assess and review the monthly accruals process	Observation and inspection
H	**Taxation**		
	Risk Summary: Non compliance with tax regulations		
35)	There are procedures in place to ensure compliance with VAT regulations and the VAT return is reconciled to the balance on the VAT general ledger account	• Request the back-up of a VAT return for one month and verify that it has been reconciled to the VAT balance on the GL. • Verify that the VAT returned has been filed by the due date	Substantive testing
36)	There are procedures in place to ensure compliance with PAYE/PRSI Regulations (filing of P30, P35, P60)	• Check that the PAYE/PRSI return has been filed on time for one month.	Substantive testing

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE - YEAR-ENDED 31 DECEMBER 2015
SUMMARY OF SCORES

Section	Process Area	Score	Maximum Score	Percentage	*Please list any questions to be completed by RTÉ Shared Service functions.*
A	Purchasing and Accounts Payable	34	40	85%	
B	Sales and Accounts Receivable	32.5	36	90%	
C	Inventory	13	16	81%	
D	Cash and Treasury	22.5	24	94%	*Q27*
E	Fixed Assets	15.5	16	97%	
F	People Payments	14.5	16	91%	*Q35 not applicable*
G	Management Accounts / Financial Close	19.25	20	96%	
H	Tax Compliance	8	8	100%	

Internal Financial Control Questionnaire

2 INTERNAL FINANCIAL CONTROL

1.1 BACKGROUND

Internal Financial Control

Each IBD and, where applicable, central functions / shared services completed a self-assessment of the internal financial controls in the following areas:

	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

1.2 REPORTING REQUIREMENTS

In line with Section 2.4 of the Code of Practice for the Governance of State Bodies:

"The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place".

Furthermore, as outlined in Section 10.1 of the Code of Practice, the Board's consideration of internal control should include "*the body's system of internal controls, including financial control"*

As a result, we carry out specific work in the area of Internal Financial Control.

1.3 CONTROL EFFECTIVENESS

Management completed an assessment of the effectiveness of each financial control (45 questions) using a scale of 1-4, where 4 is the highest rating.

Overleaf we have set-out, by IBD, details of the effectiveness ratings assigned to the individual financial control questions in each of the process areas. In summary, the output of this exercise highlights that a strong financial control environment exists in RTÉ, with the average control effectiveness rating in the range 85% - 100% across the financial processes. In general, the ratings are broadly consistent with those reported last year with some processes showing marginal rating improvements (from an already high base).

Please refer to the Appendix at the back of this report for the financial control questionnaire in full, detailing the scores assigned to each of the 45 questions.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE

Year Ending 31 December 2015

Summary of Effectiveness Ratings

Section	Process Area	TV	Radio	News	Digital	Orchestras	Average
A	Purchasing and Accounts Payable	85%	85%	85%	85%	85%	85%
B	Sales and Accounts Receivable	94%	97%	N/A	92%	96%	95%
C	Inventory	94%	81%	97%	Immaterial	N/A	91%
D	Cash and Treasury	96%	96%	96%	96%	96%	96%
E	Fixed Assets	91%	94%	97%	88%	83%	91%
F	People Payments	92%	93%	98%	98%	90%	94%
G	Management Accounts / Financial Close	94%	98%	93%	99%	98%	96%
H	Tax Compliance - VAT / Employment Taxes	100%	100%	100%	100%	100%	100%

1.4 INTERNAL AUDIT PROCEDURES

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;
- Discussions, where necessary, with relevant personnel regarding:
  - ⇒ The reasons for differences in the ratings assigned to the same control question by different IBDs;
  - ⇒ The operation of a sample of controls;
  - ⇒ The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  - ⇒ The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.
- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation / supporting evidence

1.5 RESULT

The effectiveness ratings assigned to the financial control processes within scope are reasonable and, for the sample tested, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

2.
TECHNICAL UPDATES / RECENT DEVELOPMENTS

2 TECHNICAL UPDATES / RECENT DEVELOPMENTS

2.1 ON THE 2016 AUDIT COMMITTEE AGENDA

The KPMG Audit Committee Institute publication titled: "*On the 2016 Audit Committee Agenda*" is set-out overleaf. The publication highlights ten matters which Audit Committee members should keep in mind as they carry out their 2016 agendas.

This is based on interactions with audit committees and business leaders over the past year and includes matters relating to financial reporting, external audit, management and the Board.

2.2 FINANCIAL REPORTING COUNCIL: GUIDANCE ON VOLATILITY AND UNCERTAINTY FOR CORPORATE REPORTING SEASON

In our papers to the 27 January 2016 Audit and Risk Committee meeting we included a letter from the Financial Reporting Council ("FRC") providing guidance on corporate reporting in advance of the financial reporting season.

On 8 March 2016, in response to queries, the FRC issued a further (one-page) letter offering pointers for the 2016 corporate reporting season against a backdrop of increased uncertainty and/or volatility. The FRC has responded to requests for guidance on how matters such as volatile asset prices and uncertainty over interest rates in certain jurisdictions should be dealt with in annual reports and accounts. A copy of the letter is included for information.

KPMG

Audit Committee Institute

On the 2016 Audit Committee Agenda

Prioritising a heavy audit committee agenda is never easy, and 2016 will be particularly challenging given the level of global volatility and uncertainty – e.g. the geopolitical environment, commodity prices, interest rates, currency fluctuations, slowing growth in emerging markets – as well as technology advances disrupting established industries and business models. Drawing on insights from interactions with audit committees and business leaders over the past year, ten items have been flagged for audit committees to keep in mind as they consider and carry out their 2016 agendas:

Maintain control of the audit committee's agenda.

This number-one priority from last year holds true for 2016:

Overseeing the major risks on the audit committee's agenda in addition to its core responsibilities (financial reporting and auditor oversight) remains a challenge. Even in the absence of any new agenda items, the risks that many audit committees have had on their plates for some time – cyber and IT, supply chain and other operational risks, legal and regulatory compliance – have become more complex, as have the audit committee's core responsibilities. Keeping the committee's agenda focused and its eye on the ball – will require an agenda that is manageable (what risk oversight responsibilities are realistic?); a sharp focus on what's most important (starting with financial reporting and audit quality); allocating time for robust discussion while taking care of 'must do' compliance activities; maximising the value of internal audit (as the committee's 'eyes and ears'); and ensuring the committee has the right composition and leadership.

Monitor and scrutinise critical accounting estimates.

Fair values, impairments, and judgments of key assumptions underlying critical accounting estimates, together with loss contingencies and pension funding shortfalls should continue to be a major area of focus for the audit committee. Recognise that the company's greatest financial reporting risks are often in those areas where there is a range of possible outcomes and management has to make difficult judgments and estimates. Regulators globally continue to express concern about adverse inspection findings pertaining to critical accounting estimates. The message: quality financial reporting requires a disciplined, robust, and unbiased process to develop accounting judgments and estimates. To that end, understand management's framework, help ensure that management has appropriate controls in place, and ask for the external auditor's views.

Stay apprised of the audit reform initiatives.

The EU Audit Reforms – and the implications for auditor rotation, non-audit services and the role of the audit Committee – will become a reality. Also, new International Standards on Auditing (ISA) requirements will impact the reports your auditors provide. Companies Act 2014 introduces a requirement for the directors of a company over a particular size to either establish an audit committee or to explain in the directors' report why they have not decided to establish an audit committee. Companies Act 2014 also presents choices for directors in terms of re-registering their company as a Designated Activity Company ("DAC") or a Private Company Limited by shares ("LTD"). A DAC more closely resembles a Limited company prior to the introduction of Companies Act 2014. Stay apprised of these initiatives and consider how they will impact the audit process and the audit committee's oversight.

Reinforce audit quality and set clear expectations for the external auditor.

Audit quality is enhanced by a fully engaged audit committee. Set the tone and clear expectations for the external auditor, and monitor auditor performance through frequent, quality communications and a robust performance assessment. Do the audit committee, management, and the external auditor have a clear understanding of audit quality and how it can be improved (or at least maintained)? Remember that audit quality is a team effort, requiring the commitment and engagement of everyone in the process - the auditor, audit committee, and management.

Consider how the company's disclosures can better tell the company's story – and that of the audit committee.

Think about providing a fuller picture not only of the company's recent performance, but also where it is headed, the key risks it faces and how those risks are both mitigated and factored into the group's viability statement. In addition to traditional financial metrics, can the company provide greater insight into the drivers of long-term growth, such as customer satisfaction, talent, or innovation? Many companies are experimenting with new ways to present clearer and more concise annual reports. Also, consider ways to enhance the audit committee's disclosures to provide greater insight into how the audit committee carries out its oversight responsibilities – focusing on what the committee did, what it concluded and how and why it came to those conclusions.

Maintain a sharp focus on finance leadership and bench strength.

Quality financial reporting starts with the CFO and finance department. Given the critical role the CFO plays in maintaining financial reporting quality, it is essential that the company has succession plans in place not only for the CFO, but for other key finance executives – the controller, chief accountant and treasurer (and perhaps the chief compliance and chief risk officers). How does the audit committee assess the finance department's talent pipeline? Do they have the training and resources they need to succeed? How are they incentivised to stay focused on the company's long-term performance?

Spend more time outside the boardroom.

Recognise that effectiveness inside the boardroom hinges on spending quality time outside of the boardroom – visiting company facilities, interacting with employees and customers, and hearing outside perspectives – to understand the tone, culture, and rhythm of the organisation.

Assess the company's readiness for country-by-country tax reporting.

The obligation to report country-by-country tax information to all jurisdictions is on the immediate horizon – with significant implications for tax compliance and reporting functions, transfer pricing policies, tax audits and controversies, and reputational risk for multinational companies. Under the OECD's Base Erosion and Profit Shifting (BEPS) project, multinationals with more than €750 million in revenue will be required to provide, in a single country-by-country (CbyC) report, detailed information about every jurisdiction in which they operate. The first CbyC reports will relate to fiscal years beginning on or after 1 January 2016, with the report due one year later. Audit committees of multinationals will want to assess their company's readiness. What systems and process changes will be needed to comply with the requirements? Have they assessed their transfer pricing strategies and identified those that are likely to be challenged? Do they have an effective communications plan to explain and interpret the CbyC data?

Assess the company's readiness for the new revenue recognition standard.

The IASB has finalised the deferral of the effective date of the new revenue standard by one year – until 1 January 2018 for calendar year-end companies. The new standard, which will change the way many companies recognise revenue from customer contracts, will have a significant impact across the company – from systems, data, and accounting processes, to controls and business contracting processes. Companies should use the additional transition time to finalise implementation plans, identify areas that require close attention, and implement the necessary changes to processes, systems, and controls.

Be prepared for data and analytical procedures.

Audits are changing significantly. The core goals remain, but audit tools, execution and results are being transformed and expanded by new capabilities in data and analytics (D&A). This is more than a trend. This is the way audits will be conducted by virtually all the major audit firms, and it is critical that audit committees and auditors begin working together now so audit committees understand where the process is heading, what the broad benefits are and how to work effectively with management to enable a smooth and effective shift within their organisations.

Also see KPMG's "On the 2016 Audit Committee Agenda" at kpmg.ie/aci.

Contact the ACI

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Stephen Haddrill
Chief Executive Officer

Dear Audit Committee Chair,

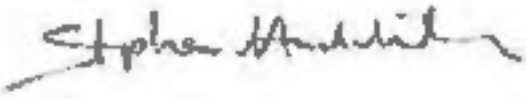
I wrote in the latter part of 2015 to provide some pointers for the 2016 corporate reporting season which is now in train against a backdrop of increased uncertainty and/or volatility. For example, asset prices have been volatile, oil prices have moved further, in certain jurisdictions interest rates have fallen and the UK's referendum on EU membership has been announced.

Recognising that not all businesses are affected by the same uncertainties nor to the same degree, we have been asked if we could give further guidance on how such matters should be dealt with in the annual report and accounts. We highlight that:

- The Strategic Report in particular provides an opportunity to provide the most current view of prospects. Your business may be very close to reporting and so the Strategic Report may need careful review by the board before it is issued to ensure that statements which may have been drafted some time ago in preparation for the reporting season remain pertinent.;
- Key to an understanding of the company's prospects will be disclosure of the directors' judgements as to the principal risks and their potential impact. It is for directors to determine which are the principal risks and why. In some cases the range of potential outcomes may be wider than previously and accordingly you may need to provide more disclosure as to sensitivities to aid understanding;
- Accounts should be drawn up on the basis of the conditions existing at the balance sheet date. Events or information coming to light at a later date which affect valuations need careful consideration and may need to be disclosed. The range of outcomes you have considered to be reasonably possible may need to be revisited;
- Financial Reporting Standards require companies to disclose material post balance sheet events including the nature of each event and its estimated financial impact or a statement that such an estimate cannot be made; and
- You may also need to consider whether the events have a material effect on the preparation of the accounts on a going concern basis of accounting and/ or whether there are material uncertainties relating to that assessment requiring disclosure.

I would welcome your feedback as to whether my writing to you in this way is helpful in promoting high quality corporate reporting.

Yours sincerely



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3.
WHISTLEBLOWING POLICY

(Uploaded as a separate doc. onto Google Drive)

Appendix to Section 1 – Internal Financial Control

Section A: Purchasing and Accounts Payable
(Completed by: Central Purchasing and Central Accounts Payable. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
1	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3	3	3	3	3	3
2	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3	3	3	3	3	3
3	Score the effectiveness of the procedures and controls over the receipting of goods and services	3	3	3	3	3	3
4	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3	3	3	3	3	3
5	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	4	4	4	4	4	4
6	Score the effectiveness of the procedures for confirming balances with suppliers	4	4	4	4	4	4
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3	3	3	3	3	3
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	3	3	3	3	3	3
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4	4	4	4	4	4
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4	4	4	4	4	4

	TV	Radio	News	Digital	Orchestras
Total Score for Purchasing and Accounts Payable Processes	34	34	34	34	34
	85%	85%	85%	85%	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	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	4	4	n/a	4	4	4
12	Score the effectiveness of the procedures and controls over the processing of customer orders	3.5	4	n/a	3	n/a	4
13	Score the effectiveness of the procedures and controls over the invoicing of customers	4	4	n/a	4	4	4
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer	3.5	4	n/a	3	n/a	4
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.5	3.5	n/a	3.5	3.5	4
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3.5	3.5	n/a	3.5	3.5	4
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4	4	n/a	4	4	4
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4	4	n/a	4	4	4
19	Score the effectiveness of reconciliation procedures and controls	4	4	n/a	4	4	4

Total Score for Sales and Accounts Receivable Processes	34	35	N/A	33	27
	94%	97%	N/A	92%	96%

Section C: INVENTORY
(Completed by: Each IBD)

No.	Question		Radio	News	Digital	Orchestras	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)	3.9	3	4	4	n/a	3.7
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.	3.5	3	3.5	n/a	n/a	3.3
22	Score the effectiveness of the procedures and controls over stock movements	3.8	n/a	4	n/a	n/a	3.9
23	Score the effectiveness of the month end inventory accounting procedures	3.8	3.75	4	n/a	n/a	3.9

Total Score for Inventory Processes	15	9.75	15.5	4	N/A
	94%	81%	97%	100%	N/A

Section D: Cash and Treasury
(Completed by: Central Banking and Treasury. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3.5	3.5	3.5	3.5	3.5	4
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5	3.5	3.5	3.5	3.5	4
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	4	4	4	4	4	4
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	4	4	4	4	4	4
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4	4	4	4	4	4
29	Score the effectiveness over the recording of borrowings	4	4	4	4	4	4

Total Score for Cash and Treasury Processes	23	23	23	23	23
	96%	96%	96%	96%	96%

Section E: Fixed Assets
(Completed by: Each IBD)

	Question	TV	Radio	News	Digital	Orchestras	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.5	3.5	3.5	3	3	3.3
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	3.5	3.5	4	4	3.5	3.7
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	3.8	4	4	4	3.5	3.9
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.8	4	4	3	n/a	3.7

Total Score for Fixed Assets Processes	14.6	15	15.5	14	10
	91%	94%	97%	88%	83%

Section F: People Payments
(Completed by: People Payments: questions 33, 34 & 37. Each IBD: questions 35 & 36. 2rn: completed seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	4	4	4	4	4	4.0
35	Score the effectiveness of the procedures and controls over the payment of Fees	3.5	3.5	3.5	3.5	3.5	3.5
36	Score the effectiveness of the procedures and controls over the processing of personal expenses	3.8	3	4	4	3	3.6
37	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3	4	4	4	3.5	3.7
38	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	4	4	4	4	4	4.0

	TV	Radio	News	Digital	Orchestras
Total Score for People Payments Processes	18.3	18.5	19.5	19.5	18
	92%	93%	98%	98%	90%

Section G: Management Accounts / Financial Close
(Completed by: Each IBD)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
39	Score the effectiveness of the monthly management accounts preparation process	3.9	4	4	4	4	4.0
40	Score the effectiveness of the monthly management accounts review and clearance process	3.9	3.5	3.5	4	4	3.8
41	Score the effectiveness of the financial close procedures and controls	3.8	4	3.5	4	4	3.9
42	Score the effectiveness of the procedures and controls over intercompany accounts	3.5	4	4	3.8	3.5	3.8
43	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	3.6	4	3.5	4	4	3.8

Total Score for Management Accounts / Financial Close Processes	18.7	19.5	18.5	19.8	19.5
	94%	98%	93%	99%	98%

Section H: Tax Compliance - VAT / Employment Taxes
(Completed by: Group Finance)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
44	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations	4	4	4	4	4	4.0
45	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations	4	4	4	4	4	4.0

Total Score for Tax Compliance Processes	8	8	8	8	8
	100%	100%	100%	100%	100%

Audit and Risk Committee Meeting of 13th April 2016

RTÉ INTERNAL AUDIT

REPORT TO THE AUDIT AND RISK COMMITTEE

MEETING: 13 APRIL 2016

Circulation

Attending the Committee meeting:
Anne O'Leary (Chair)
Frank Hannigan
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:
Noel Curran (Director-General)
Breda O'Keeffe (Chief Financial Officer)

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1 EXECUTIVE SUMMARY

2 CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

3 COST ALLOCATION PROCESS

4 COMMITTEE RESOLUTION ON INTERNAL CONTROL

5 TECHNICAL UPDATES / RECENT DEVELOPMENTS

1. OBJECTIVE AND EXECUTIVE SUMMARY

1.1 OBJECTIVE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to complete its review of the effectiveness of the internal control system, on behalf of the Board. (The Committee's review process commenced at the 14 March 2016 Audit and Risk Committee meeting); and
- Outline the work performed by Internal Audit to assist the Committee and report the results of the audit testing undertaken.

The members of the Committee will be required to make a recommendation to the Board following the meeting.

1.2 REVIEW OF INTERNAL CONTROL: BACKGROUND

A review of the effectiveness of the system of internal control is a requirement of the Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Finance in June 2009, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 10.1 requires that:

> *"The Board is responsible for the body's system of internal control and should review annually the effectiveness of the body's system of internal controls, including financial, operations and compliance controls and risk management".*

The annual report of each State Body must include a statement on "internal financial control" (using a prescribed format) and the external auditors are required review this statement.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" (updated "Turnbull Guidance") outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

1.3 METHODOLOGY FACILITATING THE COMMITTEE'S REVIEW

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control.

The Committee considered Corporate Governance in subsidiaries and reviewed the internal control self-assessment questionnaires at its meeting on 14 March 2016. Today, the Committee will consider:

1) Compliance with the *Code of Practice for the Governance of State Bodies* – see **Section 2**
2) The Quarterly Risk Update for Q1 2016 – see separate papers
3) The Cost Allocation Process – see **Section 3**

Finally, at the end of this meeting:

4) The members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report – see **Section 4**.

1.4 TECHNICAL DEVELOPMENTS

In addition to the topic of internal control, in **Section 5** we include a short update on technical developments.

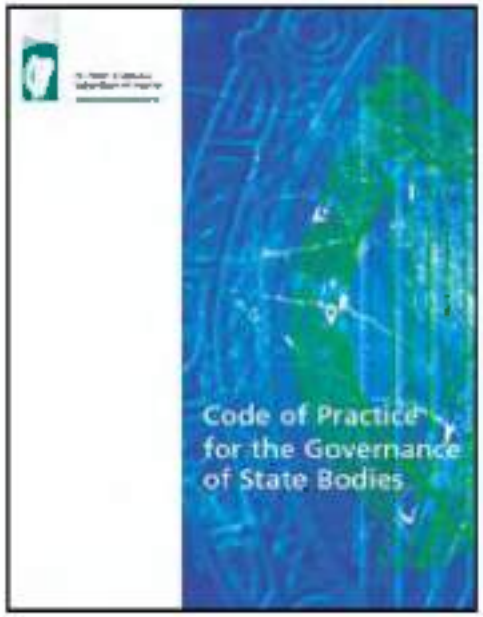
2.
CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

RTÉ Internal Audit

Review of Compliance with the Code of Practice for the Governance of State Bodies

Year-ended 31 December 2015

31 March 2016



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Cillian De Paor, RTÉ Group Secretary and Director of Compliance
Fiona O'Shea, Group Financial Controller
Paul Doyle, Finance Director Regulatory
Anne O'Connor, Head of Statutory Compliance

RTÉ

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	• The Board • Directors • Codes of Conduct, Disclosure and Ethics
B. Remuneration	• Remuneration of Senior Management and Director's Fees
C. Risk management, accountability, internal controls and Internal Audit	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function
D. Relations with the Oireachtas and the Minister	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements
E. Other specific procedures	• 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	• 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	• The Board • Directors • Codes of Conduct, Disclosure and Ethics	• 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	• Remuneration of Senior Management and Director's Fees	• 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	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function	• 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
			• 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	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements	• 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	• 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	• 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

3.
COST ALLOCATION PROCESS

RTÉ Internal Audit

Review of Cost Allocation Process

14 March 2016

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

RTÉ:
Paul Doyle, Finance Director Regulatory
Fiona O'Shea, Group Financial Controller
Pauline Annett, Group Financial Accountant
Cliodhna Norton, Financial Accountant

KPMG:
Niamh Donnelly, KPMG Audit Manager

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Background and Scope

Background

Introduction

The purpose of this memorandum is to set-out the findings of an Internal Audit review of the year-end cost allocation process.

Background

In 2003 RTÉ introduced a cost allocation process to meet a range of reporting requirements under broadcasting legislation, accounting standards, the EU Transparency Directive and other national reporting requirements set-out by the Department of Communications, Energy and Natural Resources.

The cost allocation process comprises a set of financial procedures carried out by Group Finance, subsequent to the year-end accounting close, in order to facilitate the preparation of the segmental information note in the Annual Report (Note 2). The cost allocation process facilitates the presentation of revenues and costs as follows:

- Segmental analysis of revenues and costs by Integrated Business Division ("IBD") in line with RTÉ's organisation structure;
- Segmental analysis of revenue and costs by channel, service and broadcasting genre and between public service and non-public service activities.

The process is carried out within a standalone General Ledger Cost Allocations Database of the [redacted] financial system, with Microsoft Excel used as the reporting tool.

Allocation Methodology

Direct costs are charged in the first instance to the IBD, activity or programme to which they relate, or through which they are controlled.

Indirect costs at an IBD level are allocated to specific activities or programmes using consistently applied principles. For example, payroll related operating costs associated with particular programmes are allocated based on the staff assigned to the programme and / or the number of hours spent by staff members on the programme activity.

Other indirect / shared service costs are allocated to the IBD consuming the service using appropriate full cost absorption costing methods. Centrally provided shared services encompass activities which are carried out centrally on behalf of IBDs. These services include HR Shared Services, Technology, Corporate Communications and Group Finance.

The cost of the corporate HQ is not allocated to IBDs and is reported as an "other" segment.

[redacted]

The allocations process takes place after the year-end financial close, utilising a copy of the live [redacted] database. The process is performed by RTÉ Group Finance using the allocations functionality of [redacted]

Objective and Scope

The scope of this audit was the cost allocation process, as outlined in the Cost Allocation Process Overview manual.

This audit was undertaken in accordance with an Internal Audit work-programme and involved audit work in each of the following areas:

- Process documentation;
- Process review;
- Accuracy and appropriateness of the cost apportionment rationale;
- Accuracy and appropriateness of the rules allocating costs to 'receiving' costpools;
- Operational of model.

Scope and Risk

Objective and Scope *(Continued)*

The audit sample size is set-out in Appendix 1, selected from the output of "Run 2" of the allocations model. (From an operational point of view, audit testing was carried out in the "Allocations 2015" [redacted] Database, in period 201605).

The scope of the audit was as follows:

- ✓ Reviewing the reasonableness and appropriateness of the methodology underpinning the cost allocation process in place in respect of the financial year-ended 31 December 2015;
- ✓ Verifying the accuracy of the operation of the allocations model for a sample of triggers by tracing the process, end-to-end, through the model;
- ✓ Checking a sample of the output of the model to the disclosure note in the Annual Report; and
- ✓ Verifying the operation of the monitoring controls.

The scope did not include:

X IT aspects of the [redacted] Allocations database.

KPMG will place reliance on this audit as part of the year-end statutory audit.

Risks

The key RTÉ corporate risks addressed by the report are as follows:

- Risk # 3 – Management and prioritisation of financial resources

The audit is relevant as it addresses an area which is important to RTÉ's legal and regulatory compliance.

Findings, Conclusion and Rating

Findings & Recommendation

We conclude that the cost allocations model is operating effectively and, having regard for the sample set-out in Appendix 1, is based upon consistently applied and objectively justified principles.

The basis used to allocate direct, inter-divisional and central shared service costs is reasonable and, for the sample tested, consistent with the supporting documentation verified as part of this audit. The Microsoft Excel based reports used for financial reporting are consistent with the underlying [redacted] records. The [redacted] Allocations Database used for the allocations process is consistent with the "live" [redacted] General Ledger Database.

We recommend that the Cost Allocation Process Overview Manual is updated to reflect the changes to the trigger rationale and allocation basis which arose as part of the 31 December 2015 year-end allocations process. This will ensure that the manual continues to remain relevant and provides an up to date written record of the allocations process.

Overall Conclusion

The RTÉ Annual Report presents important segmental information by division and channel in Note 2 d) and Note 2 e). This disclosure fulfils an important legal and regulatory requirement and promotes transparency in the reporting of the RTÉ revenue and cost base. A cost allocation process, which is undertaken by Group Finance at year-end, facilitates the preparation of the notes.

Internal Audit has carried out a review of the cost allocation process. Based on the samples tested as part of this audit, we conclude that the cost allocations model is operating effectively. We noted no issues of concern as part of this audit and the standard of control is assessed satisfactory.

We would like to thank staff in Group Finance for their assistance during the course of this assignment.

Rating

SATISFACTORY

Appendix 1 – Audit Sample Size

No.	Trigger	Summary of Allocation	Trigger Rationale	Amount Allocated € **
1	C03	Empty Corporate Human Resources costpools	Average headcount	[redacted]
2	C05	Allocate Property and Service costpools	Square foot of campus	[redacted]
3	C27	Empty Technology costpools	Number of computers	[redacted]
4	CS4	Audience research contracts	Split based on usage of the service	[redacted]
5	T12	Various broadcasting costs in Television	Split between Television channels	[redacted]
6	T16	Commercial Sales costs allocated to Channels	Based on advertising revenue per channel	[redacted]
7	T59	Allocate Studio 3 News costs to programmes	Hours of programmes	[redacted]
8	R96	Allocate Radio broadcast costs to programmes	Programme hours	[redacted]
9	R31	Outside Broadcast costs	Management judgment based on usage	[redacted]
10	N02	Various support / back-office costs	Actual headcount	[redacted]
11	D07	Capital Expenditure allocation	Based on actual capital approval forms (A196 forms) across functional areas	[redacted]
12	C92	Central Training costs*	Based on usage by personnel	[redacted]

* This is a new trigger in the current financial year.

** Financial Data is redacted in circulation to non Group Finance recipients of the report.

4.
COMMITTEE RESOLUTION ON INTERNAL CONTROL

4. COMMITTEE'S RESOLUTION ON INTERNAL CONTROL

The members of the Audit and Risk Committee are required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board and recommend a statement to that effect in the Corporate Governance section of the Annual Report. Our conclusions are set-out below.

After reviewing the documents presented at the committee meetings of 14 March 2016 and the 13 April 2016, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and

b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2015. *(No material control weaknesses or other matters of concern need to be reported in this statement)*.

Page 89 of the Annual Report contains a paragraph on Internal Control and Risk Management. Furthermore, on page 91, the report includes the following statement, which satisfies the requirements under the Code of Practice for the Governance of State Bodies:

> *"The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to an including the date of approval of the financial statements".*

DCENR officials recently submitted a comprehensive Code of Practice Checklist to RTÉ which is required to be submitted to DCENR with the Annual Report and the Chair's Annual Report to the Minister in accordance with Paragraph 13.1 of the Code of Practice. Internal Audit will complete the checklist based on its programme of work in this area. In turn, DCENR officials will verify a sample of the responses and seek further evidence of compliance activities.

5.
TECHNICAL UPDATES / RECENT DEVELOPMENTS

5. TECHNICAL UPDATES / RECENT DEVELOPMENTS

5.1 INTRODUCTION

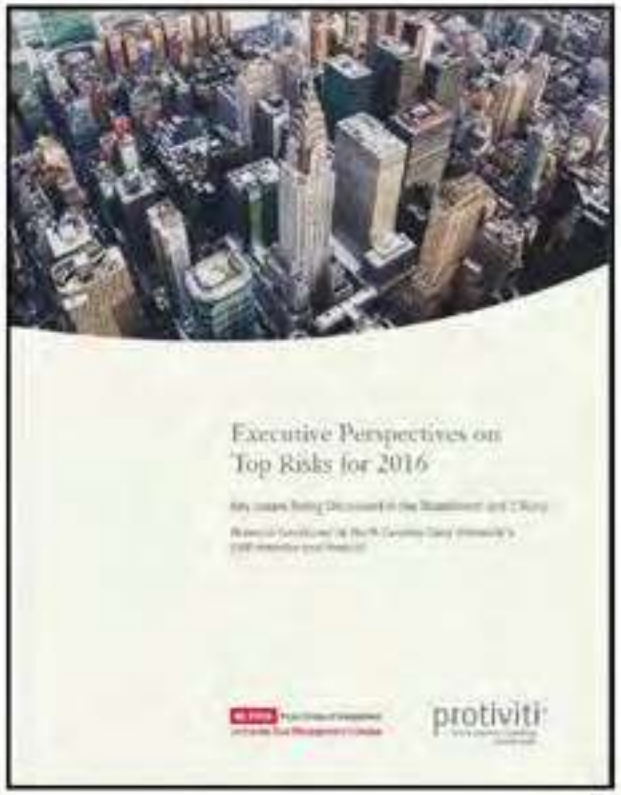
Protiviti and North Carolina State University's Enterprise Risk Management Initiative recently issued a report focusing on the top risks currently on the minds of global boards of directors and executives.

This report contains the results from the fourth annual risk survey of directors and executives to obtain their views on the extent to which a broad collection of risks are likely to affect their organisations over the next year.

The respondents answered questions on 27 specific risks across three dimensions:

- Macroeconomic risks likely to affect their organisation's growth opportunities;
- Strategic risks the organisation faces that may affect the validity of its strategy for the pursuit of growth opportunities; and
- Operational risks that might affect key operations of the organisation in executing its strategy

535 board members and executives across a number of industries participated in the survey.



5.2 TOP RISKS

The top 10 risks vary in nature. There continues to be concerns about operational risk issues, with five of the top 10 risks representing operational concerns. Three of the top 10 risks relate to strategic risk concerns, with two related to concerns about macroeconomic issues. The emphasis on operational risks is consistent with the 2015 results.

A summary of the top five risks is set-out below and the list of the top 10 risks is set-out in the table overleaf.

- For the majority of organisations, regulatory change risk continues to represent the top risk for the fourth consecutive year. Sixty percent of respondents rated this as a "Significant Impact" risk.

- Economic conditions in domestic and international markets are slightly elevated when compared to the two prior years. Similar to concerns about regulatory scrutiny, 60 precent of respondents rated this as a "Significant Impact".

- Concerns about cyberthreats disrupting core operations is again a top five concern for 2016, as well as the top operational risk overall and for the largest organisations.

- Succession challenges and the ability to attract and retain talent was raised. It is likely triggered by a tightening labour market (though the decline in unemployment rates has been relatively modest) and the respondents' perception that significant operational challenges may arise if organisations are unable to sustain a workforce with the skills and expertise needed for growth.

- Privacy and identity protection – respondents ranked this risk as a top five risk concern for the first time in 2016. The inclusion of this risk into the top five is consistent with the increasing number of reports of hacking scandals and growing concerns over protecting personally identifiable information.

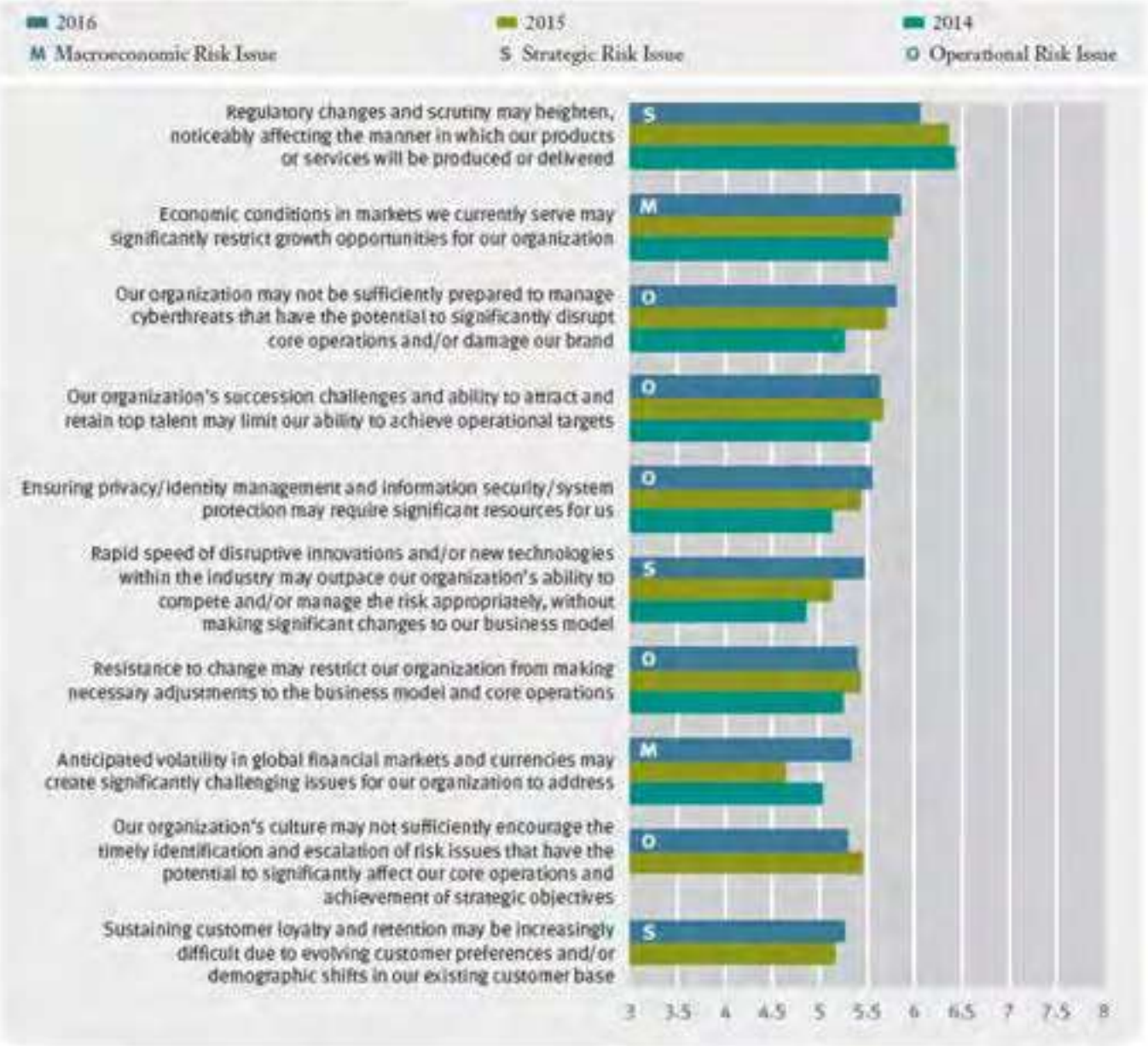
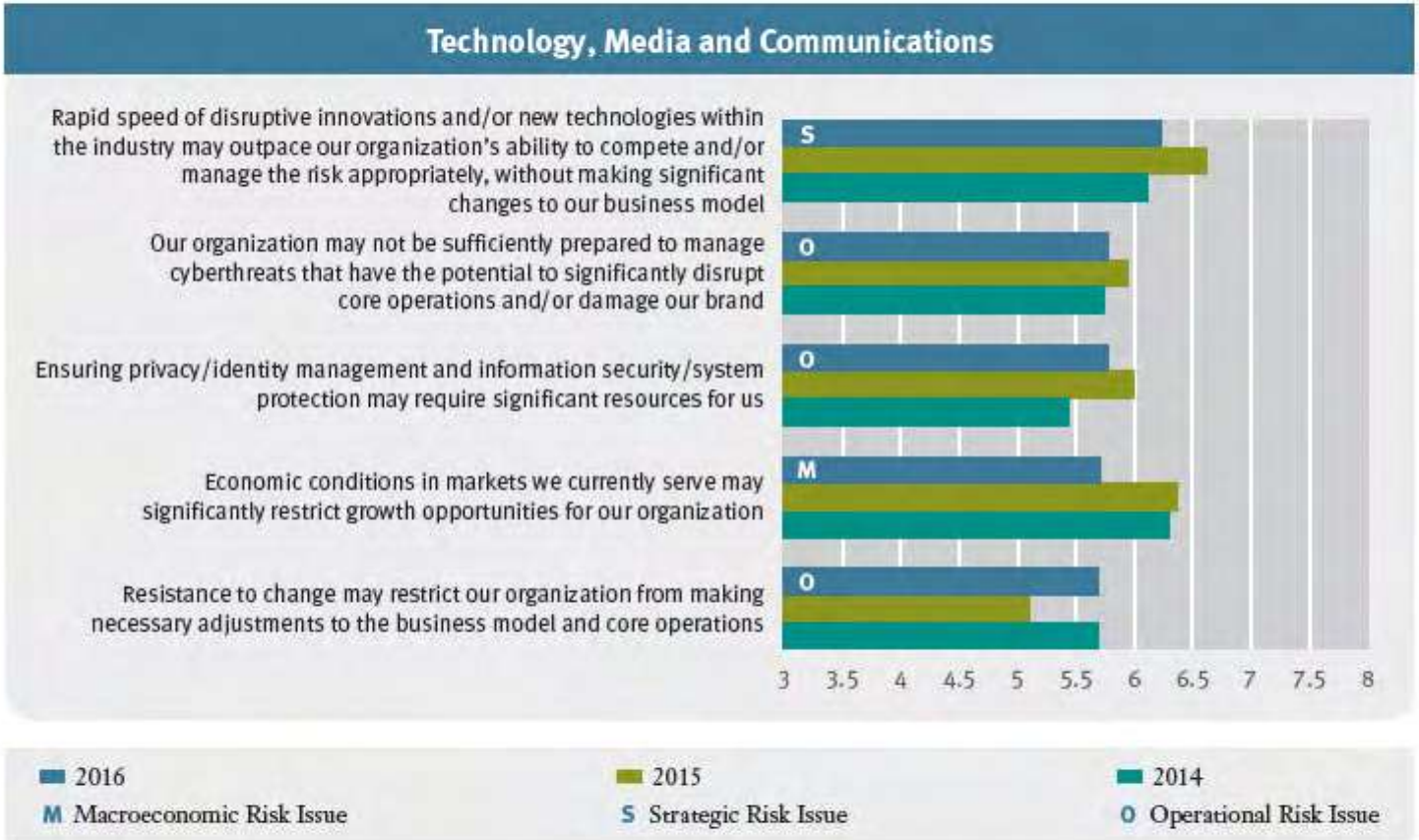


Figure 1: Top 10 Risks for 2016

5.3 TECHNOLOGY, MEDIA AND COMMUNICATIONS RISKS

The chart below sets-out the top five risks identified by respondents working in the Technology Media and Communications sector.



For four of the top five risks, the current year risk ratings are somewhat lower relative to last year and more consistent with 2014. Regarding the top three risk issues – rapid speed of disruptive innovations, cyberthreats and a privacy / identity management – the lower results this year is a likely result from an intense focus by companies in this industry on proactively addressing these areas.

It is surprising that respondents indicated that resistance to change is among the top risks for the technology, communications and media industry group, given that change is a consistent factor. Perceptions of this risk may result from concerns that current business models are becoming outdated. The authors highlight that core operations must be able to make changes and adjust rapidly to the market, particularly if the business model is becoming outdated.

5.4 Report

The full report can be accessed at the following link:

http://www.protiviti.com/en-US/Documents/Surveys/NC-State-Protiviti-Survey-Top-Risks-2016.pdf

Executive Perspectives on Top Risks for 2016

What do board members and C-suite executives view to be the top risks for their organizations this year? Not surprisingly, according to an annual survey from North Carolina State University's ERM Initiative and Protiviti, regulatory changes, the economy and cyberthreats top their lists of concerns.

Risk Issue	*Percentage of "Significant Impact" Responses**
Regulatory changes and scrutiny	60%
Economic conditions	60%
Cyberthreats	57%
Privacy/identity management and information security	53%
Succession challenges and ability to attract and retain top talent	52%
Rapid speed of disruptive innovations and new technologies	51%
Volatility in global financial markets and currencies	50%
Resistance to change operations	49%
Sustaining customer loyalty and retention	46%
Organization's culture may not encourage timely identification and escalation of risk issues	45%

* Each respondent was asked to rate 27 individual risk issues using a 10-point scale, where a score of 1 reflects "No Impact at All" and a score of 10 reflects "Extensive Impact" to their organization over the next year. A score of 6.0 or higher is perceived to be a risk issue that will have a "Significant Impact" on the organization.

The full survey report, *Executive Perspectives on Top Risks for 2016*, may be accessed at **erm.ncsu.edu** or **protiviti.com/toprisks.** It includes detailed breakdowns of the results by respondent role, organization size, industry and other categories.

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NC STATE Poole College of Management
Enterprise Risk Management Initiative

protiviti®
Risk & Business Consulting.
Internal Audit.

Internal Memorandum

To: [redacted]

Cc: [redacted]

From: [redacted]

Date: 24 February 2015

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 2rn and the controls self-assessment questionnaire. This memorandum should be read in conjunction with the recently updated 2rn Risk Register.

1. Background

Section 2.4 of the Code of Practice for the Governance of State Bodies ("the Code") outlines that:

> *"The Board is required to confirm annually to the relevant Minister that the State Body has a system of internal financial control in place".*

Furthermore, in line with Section 10.1 of the Code, the Board is required to conduct an annual review of:

> *"The body's system of internal controls, including financial, operational and compliance controls and risk management"*

Each year, as part of the year-end cycle, Internal Audit carries out specific work in this area to ensure that the Board is in a position to sign-off on its responsibilities under the Code. In addition to updating the Risk Registers, each IBD and shared functions complete a self-assessment questionnaire which forms the basis of Internal Audit testing of financial controls.

For many years, the internal financial control environment of 2rn was assessed in a manner similar to the other RTÉ IBDs, having regard for the shared functions completed by Group Finance on behalf of the IBDs. However, this approach has changed in the context of the repositioning and rebranding of 2rn, and the migration of responsibility for key 2rn financial processes from the RTÉ Group's Central Shared Services functions to management locally.

As a result, since the 31 December 2013 year-end, we have modified the audit approach and carried out a specific review of financial control in 2rn.

In the Annual Report for the year-ended 31 December 2014, the Board of RTÉ is required to confirm that, through the Audit & Risk Committee, it has conducted a review of the effectiveness of the system of Internal Control. This memorandum forms part of the Audit & Risk Committee's consideration.

2. Scope

The scope of this review was the financial controls in place in 2rn at 31 December 2014.

This review was undertaken in line with an Internal Audit work-programme and covered the verification and testing of the financial processes set-out in *Appendix 1*.

The scope of the review included the following:

- ✓ Verifying the existence and operation of the key controls in place in respect of the financial processes in 2rn. (In many cases, these controls were formerly the responsibility of RTÉ's Central Shared Services);

- ✓ Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place and having regard for the ratings evident in other RTÉ IBDs; and

- ✓ Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating by reviewing documentation / supporting evidence and a walkthrough of the operation of controls.

The scope did not include:

- ✗ IT audit of the financial systems.

This review was focused on verification and testing of the operation of controls – via inspecting documentation and the review of process flows – and did not represent a full financial audit.

3. Findings

We verified the existence and operation of the 2rn financial controls within the scope of this review.

The ratings assigned to the financial control questions in each of the process areas highlights that a strong control environment exists, with the average control effectiveness rating in the range 81% - 98% across the financial processes. In general, the ratings are broadly consistent with those reported last year and are consistent with those reported by other RTÉ IBDs.

The effectiveness ratings assigned to the financial controls in the Internal Financial Control Questionnaire are reasonable and, for the sample tested, consistent with the underlying controls in place. No exceptions were identified during the course of testing.

Appendix 2 sets-out a summary of the financial control ratings.

4. Conclusion and Rating

Each year, as part of a broader review of compliance with the Code of Practice for the Governance of State Bodies, Internal Audit carries out specific work in the area of internal financial control in each of the IBDs.

In the context of the repositioning of 2rn, responsibility for certain financial processes resides with local Finance in 2rn. Therefore, for the year-ended 31 December 2014, specific audit work has been undertaken in relation to financial control in 2rn.

Internal Audit has verified and tested the operation of a sample of financial controls in 2rn. Based on the samples tested as part of this review, we conclude that the controls are in existence and operating effectively.

We would like to thank staff in 2rn for their assistance during the course of this assignment.

Rating: **Satisfactory**

Appendix 1 – Financial Processes within Scope

The audit programme involved a review of the following processes. The review focused on verifying the operation of the control through the inspection of paperwork and did not represent a full audit of each process. Further detailed testing of specific processes will be addressed, in the usual way, via the Internal Audit Plan.

1. Purchasing and Accounts Payable
- 1.1. Purchasing and Tendering
- 1.2. Payment Procedures
- 1.3. Creditor Reconciliations
- 1.4. Purchase Cards

2. Sales and Accounts Receivable
- 2.1. Customer Sales
- 2.2. Debtor reconciliations
- 2.3. Credit notes

3. Cash and Treasury
- 3.1. Banking of lodgements
- 3.2. Bank reconciliations
- 3.3. Payment to suppliers
- 3.4. Covenants

4. Fixed Assets

5. Inventory

6. People Payments

7. Management Accounts

8. Tax Administration*

[Focusing on VAT and payroll taxes; Group Finance is also involved in aspects of the process]*

Appendix 2 - Summary of Financial Control Ratings

Section	Finance Process Area	Score
A	Purchasing and Accounts Payable	85%
B	Sales and Accounts Receivable	90%
C	Inventory	81%
D	Cash and Treasury	93%
E	Fixed Assets	97%
F	People Payments	97%
G	Management Accounts / Financial Close	96%
H	Tax Compliance	98%

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%

Section B: Sales and Accounts Receivable

No.	Financial Controls	Score
11	Granting credit status to new customers	3.5
12	Processing of customer orders	3
13	Invoicing of customers	3.5
14	Issuing credit notes to customer	4
15	Handling and recording of cheque/CAPS/BAC receipts	4
16	Collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3.5
17	Establishment of provisions against, and write-off of, debtor balances	4
18	Segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	3
19	Reconciliation procedures and controls	4

Total Score for Sales and Accounts Receivable Processes	**32.5**
	90%

* All financial controls are ranked on a scale of 1-4, where 4 is the maximum score.

Section C: Inventory

No.	Financial Controls	Score
20	Recording of inventories (quantity, value etc.)	3
21	Calculating the provisions required against the carrying values of stocks	4
22	Controls over stock movements	3
23	Effectiveness of the month end inventory accounting procedures	3

Total Score for Inventory Processes **13** 81%

Section D: Cash and Treasury

No.	Financial Controls	Score
24	Maintenance of bank accounts and the recording of cash transactions	3.5
25	Reconciliation of cash book and bank account records	4
26	Payments to suppliers and other parties	4
27	Transactions denominated in foreign currencies *	3.5
28	Segregation of duties in the cashiers department	3
29	Recording of borrowings	4

Total Score for Cash and Treasury Processes **18** 90%

* Question 27 completed by Central Finance

Section E: Fixed Assets

No.	Financial Controls	Score
30	Recording of fixed assets	3.5
31	Valuation of fixed assets	4
32	Fixed asset additions and disposals	4
33	Major capital expenditure projects	4

Total Score for Fixed Assets Processes **15.5** 97%

Section F: People Payments

No.	Financial Controls	Score
34	Payroll system procedures and controls	4
35	Payment of Fees	N/A
36	Processing of personal expenses	3.75
37	Recording of annual leave/TOIL	3.75
38	Reconciliations to the general ledger	4

Total Score for People Payments Processes **15.5** 97%

Section G: Management Accounts / Financial Close

No.	Financial Controls	Score
39	Monthly management accounts preparation process	4
40	Monthly management accounts review and clearance process	4
41	Financial close procedures and controls	3.5
42	Procedures and controls over intercompany accounts	3.75
43	Journals and the use of suspense accounts	4

Total Score for Management Accounts / Financial Close Processes	**19.25**
	96%

Section H: Tax Compliance *

No.	Financial Controls	Score
44	Compliance with Value Added Tax regulations	3.8
45	Compliance with PAYE/PRSI regulations	4

Total Score for Tax Compliance Processes	**7.8**
	98%

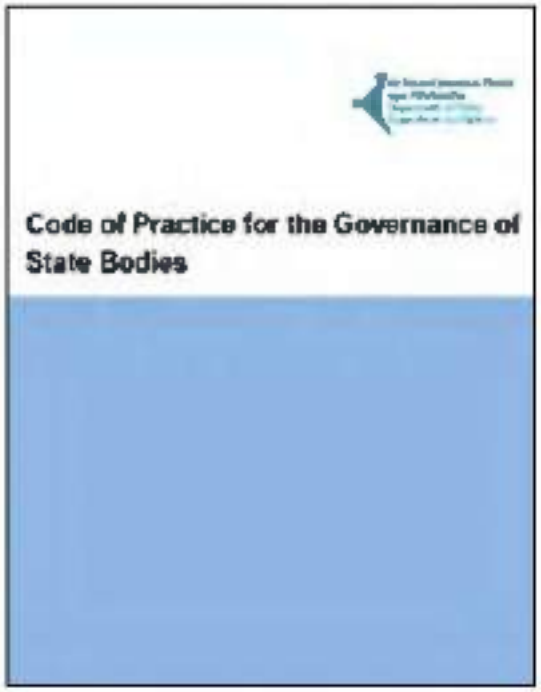
* Central Finance is also involved in this process. The 2rn Finance team calculates the tax return amount for submission to Central Finance, which is responsible for filing by the due dates.

RTÉ Internal Audit

Review of Compliance with the Code of Practice for the Governance of State Bodies

Year-ended 31 December 2016

5 April 2017



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ

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 ("DCCAE") on RTÉ's compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ's compliance with the Code of Practice.

The External Auditors are required to review RTÉ's compliance with certain aspects of the Code of Practice and, if applicable, to report any adverse findings in the Independent Auditor's Report in the Annual Report.

Update of Code of Practice

The Department of Public Expenditure and Reform published an updated version of the Code of Practice in August 2016. That version is not in scope for the year ended 31 December 2016.

The updated Code replaces the 2009 version, published by the Department of Finance, and is applicable to financial reporting periods commencing on or after 1 September 2016 (with voluntary early adoption permitted). The update version is a longer, more detailed document and is accompanied by four new "associated Code requirement and guidance documents".

Contents – Overview of the 2009 Code

The Code of Practice is organised into five sections, as set out in the table below:

Section	Topic
A. The Board and Directors	• The Board • Directors • Codes of Conduct, Disclosure and Ethics
B. Remuneration	• Remuneration of Senior Management and Director's Fees
C. Risk management, accountability, internal controls and Internal Audit	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function
D. Relations with the Oireachtas and the Minister	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements
E. Other specific procedures	• 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	• I - VI

Overview, Scope and Risk

Objective and Scope

The purpose of this memorandum is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2016. This assessment was carried out having due regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2009 Code of Practice is within scope of this review. We will report on compliance with the August 2016 updated version at the next year-end.

DCCAE Checklist

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAE in the prior year, along with the Annual Report and the Chair's Annual Report to the Minister, in accordance with Paragraph 13.1 of the Code of Practice. RTÉ is awaiting communication from the department on this matter for this year. If received, Internal Audit will complete the checklist based on its programme of work in this area.

Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows:

Risk # 1 – Reputation Risk (non-compliance with regulatory requirements)
Risk # 3 – Management and prioritisation of financial resources

Findings and Rating

Findings

General – YE 31/12/2016

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2016. A high-level summary of the key compliance activities and the applicable RTÉ Policies is set-out in Appendix A, overleaf, for reference.

In addition to relying on the results of Internal Audit's programme of work for 2016 and the annual review of the system of internal control, we carried out checks on compliance with the Code of Practice by assessing RTÉ's performance against the DCCAE's own Code of Practice compliance checklist. We noted no exceptions as part of this testing.

- ✓ The checks carried out by Internal Audit indicate that RTÉ remains compliant with the 2009 Code of Practice for the Governance of State Bodies.
- ✓ Our other audit work during the year did not highlight any other issues of non compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Corporate Governance section of the Annual Report and Group Financial Statements.

Rating

SATISFACTORY

Updated Code of Practice (August 2016)

RTÉ Group Finance is currently reviewing the implication of the new financial disclosure requirements contained in the August 2016 update, in particular any modifications needed to existing financial processes, data capture procedures or the chart of accounts on [redacted] Work is ongoing in this regard; however there are no immediate issues of concern which would highlight issues of non-compliance at 31/12/2017.

Section 8.16 of the Code of Practice *(Procedures for Procurement)* introduces expanded requirements in the area of procurement. This includes the requirement that entities have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. This requirement poses particular challenges given the manner in which RTÉ contracts suppliers.

While most procurement is handled via the purchase order system and processed via [redacted], a significant level of purchasing is transacted under 'contracts for services'. These are handled by the HR systems as "non-employee" contracts. The reporting and tracking function may vary across systems and a centralised reporting function will be needed to track compliance. In addition, the level of compliance activity will also have to be coordinated and monitored. This has been prioritised as a key action area in Finance. Internal Audit has completed a separate Internal Audit report on Purchasing Compliance and this area will receive further attention in 2017 in advance of the full implementation of the updated Code of Practice.

The Code of Practice for the Governance of State Bodies sets-out a large number of requirements, too detailed to cover in this appendix. However, the table below sets-out a high-level summary of the key compliance activities and RTÉ Policies applicable to the main sections in the Code of Practice.

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
A	The Board and Directors	• The Board • Directors • Codes of Conduct, Disclosure and Ethics	• 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	• Remuneration of Senior Management and Director's Fees	• 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	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function	• 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

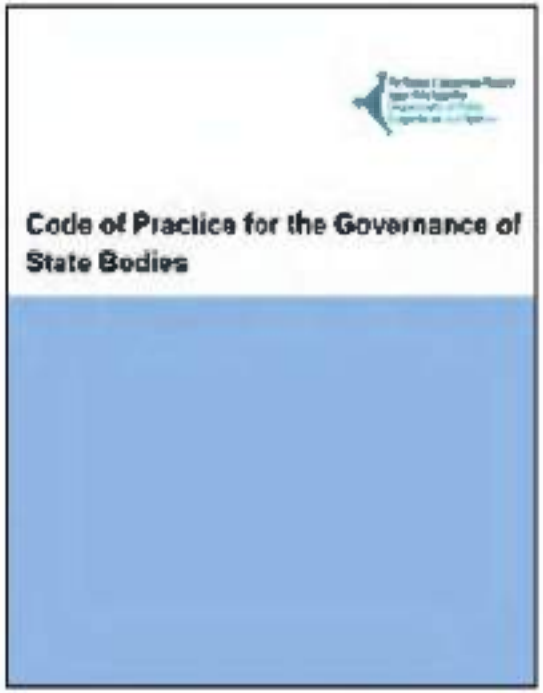
	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
			• Divisional Risk Registers • The Board's annual review of internal control and risk management • Audit and Risk Committee's oversight of risk and Internal Control • Independent Auditor's Report • RTÉ Annual Report and disclosures • Internal Audit Charter • RTÉ Fair Trading Policy and Procedures • RTÉ Fair Trading Complaints Procedures
D	Relations with the Oireachtas and The Minister	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements	• Annual Statement of Performance Commitments • RTÉ Statement of Strategy 2015 – 2019 • RTÉ Public Service Statement 2015 • RTÉ Annual Report and Group Financial Statements • RTÉ Su8bsidiary Company Annual Reports • 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)
E	Other specific procedures	• 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	• 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

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:
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RTÉ

Background

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"a framework for the application of best practice in corporate governance by both commercial and non-commercial State Bodies."

The governance relationship between the Government and a State Body is outlined overleaf. Compliance with the Code of Practice is mandatory for all State Bodies and trading subsidiaries. The Code makes provision for certain requirements to be applied proportionately to smaller Bodies.

The provisions of the Code of Practice do not override existing statutory requirements and other obligations imposed by the Companies Act, Ethics in Public Office Act, Standard in Public Office Act, statutory provisions relating to the State body itself (i.e. Broadcasting Acts) and any other relevant legislation.

Reporting

On an annual basis, the Chair of the Board is required to report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media on RTÉ's compliance with the Code of Practice. Secondly, the Corporate Governance section of the Annual Report contains a statement on the extent of RTÉ's compliance with the Code of Practice.

The External Auditors are required to review RTÉ's disclosures and note any inconsistencies identified in the Independent Auditor's Report in the Annual Report.

Code of Practice (2016)

The most recent version of the Code of Practice was issued by the Department of Public Expenditure and Reform in 2016, and came into effect for the first time for the year ending 31 December 2017.

The 2016 Code of Practice is accompanied by four "associated Code requirement and guidance documents". The four additional documents are listed below:

- Business and Financial Reporting Requirements
- Audit and Risk Committee Guidance
- Remuneration and Superannuation
- Board-Self Assessment Evaluation Questionnaire

The Code comprises ten sections, as below. (See *Appendix 1* for full details).

Contents of Code of Practice	
1.	Role of the Board
2.	Role of the Chairperson
3.	Role of Board Members
4.	Board Effectiveness
5.	Codes of Conduct, Ethics in Public Office, Additional Disclosure of Interests by Board Members and Protected Disclosures
6.	Business and Financial Reporting
7.	Risk Management, Internal Control, Internal Audit and Audit and Risk Committees
8.	Relations with the Oireachtas, Minister and Parent Department
9.	Remuneration and Superannuation
10.	Quality Customer Service

Background and Governance Framework

The 2016 update included key additional business and finance disclosures in the areas of hospitality expenditure, travel & subsistence, and details of termination / severance payments.

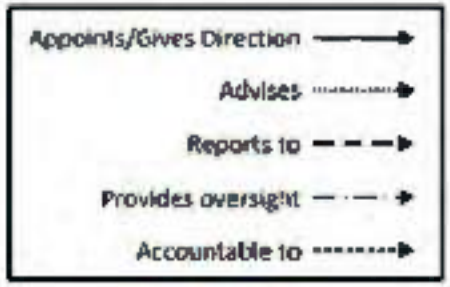
An additional Annex on Gender Balance, Diversity, and Inclusion to supplement the existing Code of Practice was published in September 2020.

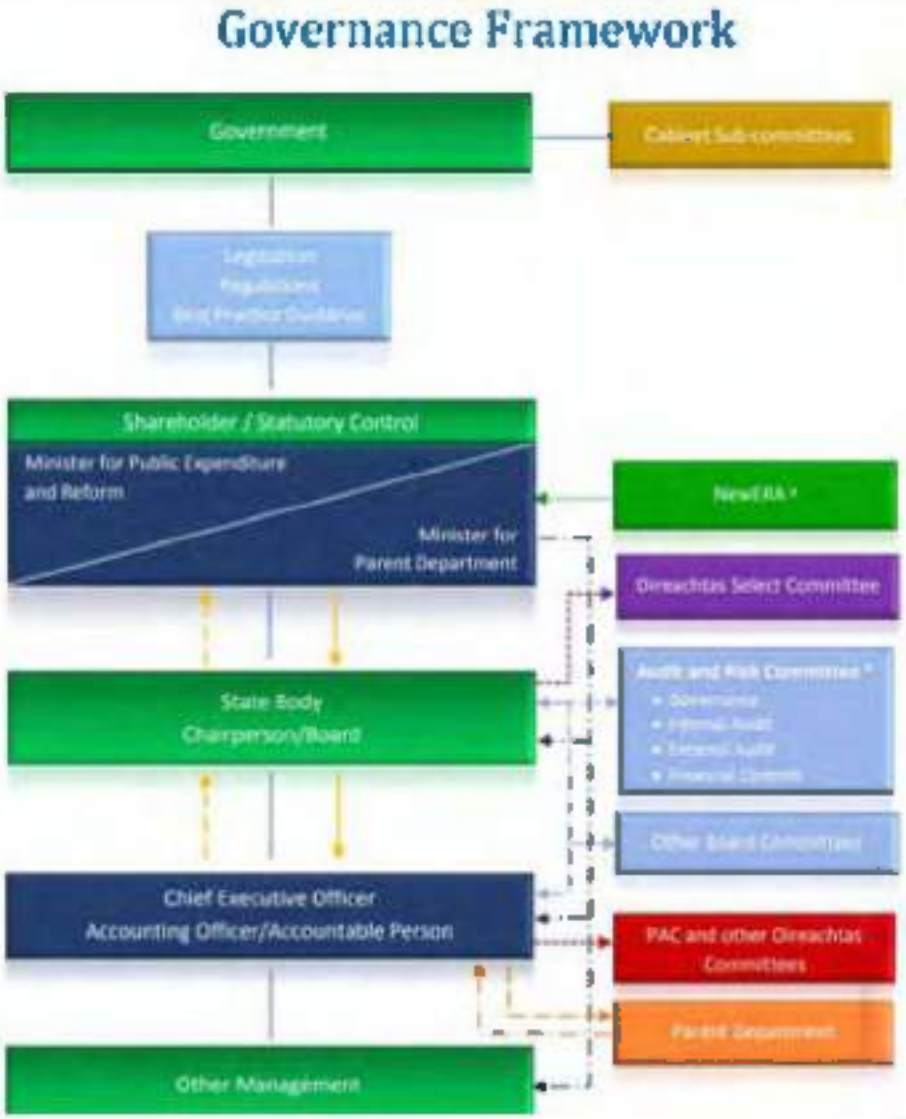
Governance Framework

The Governance Framework diagram (across) outlines the main features of the governance framework relationship between Government and State bodies.

The diagram does not purport to cover all aspects of this relationship which will vary depending on the differing nature, scale and responsibilities of the State body and the governing legislation establishing the State body.

For example, the Broadcasting Authority of Ireland (BAI) is a regulatory / monitoring body, specific to RTÉ.





Objective and Scope

Objective and Scope

The purpose of this report is to set-out our findings following an assessment of RTÉ's compliance with the Code of Practice for the Governance of State Bodies, for the year ended 31 December 2022.

This assessment was carried out having regard for the nature of RTÉ's business, the governance obligations arising from the Broadcasting Act 2009 and other related matters. Each paragraph in the Code of Practice was evaluated by Internal Audit.

✓ The 2016 Code of Practice is within scope of this review.

Checklist

A comprehensive Code of Practice Checklist was submitted by RTÉ to the Department for Tourism, Culture, Arts, Gaeltacht, Sport and Media ('DTCAGSM') in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 2022. The Checklist addresses 156 items and requires the attachment of relevant back-up information.

A new 'Business and Financial Reporting Requirements' checklist has been introduced for 2023, covering an additional 25 items which are required to be disclosed in the Annual Report.

DTCAGSM Officials carry out a verification exercise on the contents of the checklist, normally in a late summer / early autumn timeframe.

Risk

The Code of Practice impacts all aspects of the business and has relevance to all risk and compliance activities. The key corporate risks addressed by the report are as follows (*Q3 2023 update*):

Risk # 8 – Management of Finances and Business Planning
Risk # 10 – Legislation / Regulation & Compliance

Findings

Findings - YE 31/12/2022

Internal Audit has carried out a review of RTÉ's compliance with the Code of Practice for the Governance of State Bodies for the year ended 31 December 2022. The key findings are below.

In considering compliance, we also consider the results of Internal Audit's programme of work for 2022, the risk management activities and the annual review of the system of internal control. We also checked RTÉ's compliance against the DTCAGSM's Code of Practice compliance checklist.

Results

- ✓ The checks carried out by Internal Audit indicate that RTÉ is broadly compliant with the 2016 Code of Practice for the Governance of State Bodies. We noted one exception in relation to procurement – see below.
- ✓ Variations from the Code are for valid reasons, such as reflecting the nature of RTÉ as a Statutory Corporation entity, or were approved by DTCAGSM (and confirmed in the document *"Guidance on the application of Code of Practice for the Governance of State Bodies"*, issued by the DTCAGSM).
- ✓ Our other audit work during the year did not highlight any other material issues of non-compliance with the Code of Practice.
- ✓ Appropriate disclosures have been made in the Annual Report and Group Financial Statements and in the Chair's Report to the Minister.

Audit Exception – Procurement

✗ We noted one exception, in relation to compliance with the Public Procurement Guidelines

- The Procurement Compliance Internal Audit report highlights some instances of non-compliant procurement - see report for full details.
- The exceptions relate to 1.5% *(2021 – 1.4%)* of the cumulative 2022 payments to suppliers contracted through [redacted] and represent 11 suppliers *(2021 – 31)*.
- Some historic factors are relevant to the exceptions, including the limited functionality of financial systems which increases the difficulty of tracking tendering arrangements.

Actions

- Actions have been agreed to address the above matters including:
  - Tenders will be carried out for exceptions highlighted in the review
  - Improved monitoring / reporting of non-compliant procurement spend
  - Procurement activity is now overseen by Procurement Managers, by expenditure category

Findings

Findings (Cont'd)

Conclusion

It is appropriate for the Chair's Report to the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media (in accordance with Paragraph 2.6 of the Code of Practice) to confirm that RTÉ is compliant with the Code of Practice for the Governance of State Bodies, subject to a reference to the procurement exception and the actions in progress.

While some procurement exceptions were identified in respect of 2022, the exceptions are not at such a level as to merit a disclosure of non-compliance with the Code of Practice on the grounds of non-compliant procurement. Actions are in progress and a follow-on review by Internal Audit will take place in 2023 to monitor the implementation of the actions.

The disclosures required under the Code of Practice are being made and the Checklist will be submitted to the DTCAGSM with the Annual Report.

RTÉ Internal Audit

Review of Purchase Cards

13 May 2021

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted] and Operations Division

The contents of this document are commercially sensitive and for internal RTÉ use only

Background, Objectives and Scope

Background

Overview
This report outlines the results following a review of purchase transactions using RTÉ's procurement cards ("purchase cards").

Purchase cards were introduced in RTÉ to make it easier and more cost effective for RTÉ personnel to make low value purchases of goods and services. This, in turn, reduces the number of low-value orders processed via Agresso web. For some purchases, a credit card payment is the only payment method accepted.

Purchase cards operate in a manner similar to a personal credit card. RTÉ's purchase cards are [redacted] provided by [redacted]. The administration of issuing cards and the management of card master data is the responsibility of Procurement, who also perform additional daily controls by monitoring movements in spend and the number of transactions *(using* [redacted].

All new purchase card applications must be approved by the Chief Financial Officer and the Group Financial Controller.

Process for the use of RTÉ Purchase Cards
Guidelines for the use of purchase cards are documented in the Purchasing Card Guidelines 2019, which form part of the overall RTÉ Procurement Policy, Procedures and Guidelines. The process is summarised in the points below:

- Each month cardholders record the transactions made using their purchase card on a pre-printed purchase card envelope and the receipts / invoices for the transactions are placed in the envelope.
- Each cardholder's transactions are recorded on an online system ([redacted].
- At the end of each monthly billing period, the cardholder must log into the system and allocate each transaction an account code, costpool and allocate the VAT in line with the invoice/receipt.
- Once the cardholder has reviewed the transactions and cross-checked the purchase card envelope against the online system the envelope is then forwarded to the relevant Line Manger for approval.
- The use of each purchase card is restricted by an individual transaction limit and a monthly cumulative transaction limit.
- Purchase card transactions are recorded in Agresso via a monthly batch upload of data from the [redacted] on line system to Agresso.
- Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

Objectives

The objective of this audit was to carry out a review of purchase card transactions during the period 1 January 2020 to 31 December 2020, and to report on whether cardholders / responsible individuals are adhering to the RTÉ Purchasing Card Guidelines, published in 2019.

Scope of Audit

Sample Selection Process
The full data set was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample (see c) overleaf).

Using the results of the tests above, a sample of 25 purchase card holders was selected from across the organisation. In addition, a number of other purchase card holders were selected randomly from the full population of purchase card transactions.

In total, approximately 2/3 of our sample was based on the "focused audit tests" and a further 1/3 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

We also carried out some high level data and financial analysis of the full population of transactions, covered in more detail in the pages overleaf.

Scope *(continued)* & Risks

Audit Testing Completed

1) Survey / Questionnaire

Prior to performing any detailed testing, a survey was circulated to the 25 cardholders, representing 51% of the total purchase card spend in 2020.

The objective of the survey was to gather information from cardholders on whether there had been any changes to the monthly filing procedures (purchase card receipts) and to their approval by Line Managers, in cases where the staff member is predominantly working from home.

2) Detailed Testing

For 15 cardholders (60% of sample), the following work was completed:

a) Authorisation & Approval Testing
For the 15 envelopes selected the following work was performed on each:

- ✓ Verified a Purchase card envelope was used;
- ✓ Checked Purchase card envelope for approver sign-off;
- ✓ Checked total transactions for the month were within individual's limit;
- ✓ Verified that receipts were retained and filed in the envelope.

b) Completeness & Accuracy Testing
- ✓ Verify that a till / VAT receipt was retained for each transaction and review same. Any instances of missing receipts are categorised as follows:

Category	Description of missing receipts per category
A	**Major**: > €500, or numerous higher value receipts.
B	**Intermediate**: > €100 but < €500, or a number of missing low value receipts.
C	**Moderate**: < €100, or where the number / value of missing receipts was low in the context of the number of transactions.

c) Testing on Full Population
The full population of purchase card data was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. The range of tests performed on the sample included:

- ✓ Analysis of Entertainment and Subsistence related transactions
- ✓ Analysis of transactions by employee/costpool/division/account
- ✓ Transactions exceeding the individual's normal block limit
- ✓ Analysis of payments to people which should be processed through PeopleSoft fees or excessive
- ✓ Review for large round sums
- ✓ Review for any disallowed expenses e.g. petrol
- ✓ Review for duplicate amounts by Name & Supplier
- ✓ Review for use of PayPal as method of payment

The scope of our audit did not include:

- ✗ Transfare claims

Risks

The key corporate risks addressed by the report are as follows:
- Risk # 10 – Brand and Reputation *(a common subject of FOI requests)*
- Risk # 11 – Business Planning & Financial Prioritisation

By their nature, purchase cards are a higher risk profile than Purchase Orders and the risk of fraud is higher. In mitigation, the procedures for being granted a purchase cards are stringent. In the absence of purchase cards, it is difficult to know how certain high frequency buying activities would operate efficiently, for example, wardrobe, make-up, etc.

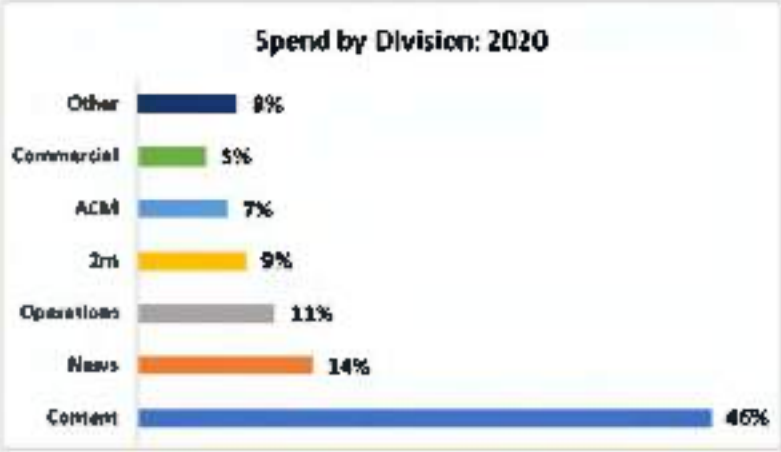
Data Analysis - 2020

A Purchase Card Expenditure by Month

€1.8m of transactions were processed through RTÉ's purchase cards in the period from 1 January 2020 to 31 December 2020, down 38% from the previous year (2019: €2.9m).

B Purchase Card Spend by Division

As shown below, the largest spend is in Content (46%), followed by News & CA (14%) and Operations (10%). The total number of transactions for the period was 14,350.



The analysis in B is based on where the expenditure is charged. The cardholder may be in a different division, e.g., Operations charging programme teams in Content.

C Purchase Card Spend by Account Code

An analysis of spend by account code is illustrated below. Production costs represent the highest expenditure for the period at 32%. This consists of various programme cost categories such as set construction, graphics, props, animation, make-up, flowers, venue hire and other direct programme costs.

'Other Accounts' of 13% related to costs such as: catering, transport, copyright, professional fees, subscriptions and insurance, IT costs and premises.

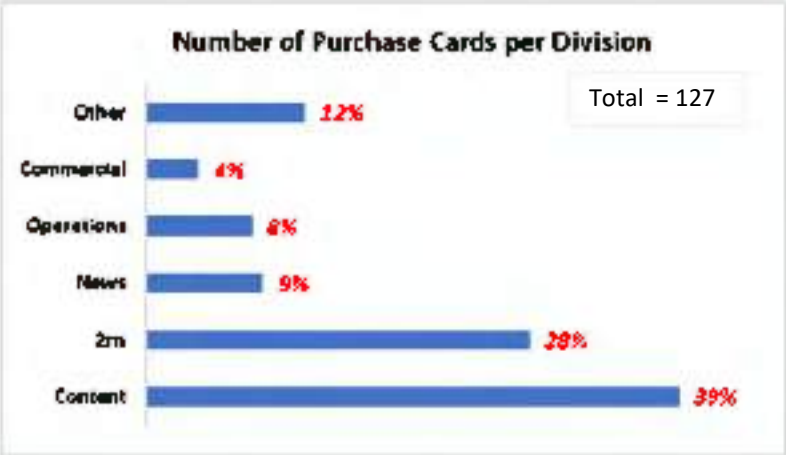
Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

Data Analysis *(continued)*

D Number of Purchase Cards by Division

There were 127 purchase cards in use by RTÉ staff at the time the data was compiled, with the largest number of cards assigned to individuals in Content (39%), followed by 2rn* (28%). 'Other' comprises Technology, central, ACM, Finance and HR.

The 127 cards in issue represents a reduction of 21% on the number of cards in issue at the time of the previous audit (2018).



*Given its size, 2rn has a disproportionately high number of cards which reflects the fact that Engineers and Riggers based at various remote regional locations throughout Ireland are assigned a card for local purchasing of supplies for engineering and maintenance works etc.

Key Findings

Area / Theme	*Summary (Full details on pages 6 to 10)*
A: Process Observations	
1. Manual Process & Absence of Electronic Approval	The monthly compilation of purchase card envelopes and the administration of receipts is a very manual process and there is an absence of electronic approval by Line Managers.
2. Addressing the impact of greater WFH on card processes	The process implications of working from home have not yet been fully addressed, and there has been no consistent direction given to cardholders regarding the preferred approach to filing and approval. Results from our survey show that there is currently a mixed approach to both the monthly purchase card receipts filing procedures and to their approval by Line Managers.
B: Structural Observations	
3. Appropriateness of Card Approvers	The Line Manager responsible for signing off and approving expenditure on the card is sometimes not close enough to the day to day requirements of the programme being made and, therefore, is not best positioned to approve that the item being bought is a legitimate RTÉ purchase.
4. Wide Managerial Span of Control	In certain areas, the number of individual cards to be manually reviewed by a Line Manager each month is too high, resulting in either: approval at a high level without thoroughly checking transactions; delayed approval; or an absence of approval occurring.
C: Compliance with Policy	
5. Authorisation / approval of envelopes	Of the envelopes tested, 67% were not appropriately approved. The reasons were: an absence of approval evident on seven envelopes (70%), while self-authorisation *(where the envelope is approved by the cardholder)* took place on the remaining three. These represent a breach of policy.
6. Evidence of Receipts	We noted issues with receipting in the case of six of the 15 (40%) purchase card envelopes where more detailed testing was undertaken. These were split across the three categories of missing receipt.
7. PayPal as a form of payment	32k (2%) of purchase card payments in 2020 were made via PayPal, accounting for 195 transactions by 48 different cardholders. The existing Policy has strict conditions regarding the use of PayPal accounts.

Detailed Findings

A: Process Observations

1) Manual Process & Absence of Electronic Approval

The monthly compilation of purchase card envelopes and the administration of receipts is a very manual process and there is an absence of electronic approval by Line Managers. While this has become particularly relevant in the past year where staff are now working from home, this has been an underling weakness in the process and highlighted in previous Internal Audit reports.

The monthly process sets-out that cardholders manually record the purchase card transactions on the face of a pre-printed purchase card envelope. The receipts / invoices for the transactions are placed in the envelope. The cardholder reviews the transactions, and each transaction is assigned an account code and costpool in the online system [redacted] The physical envelope is then forwarded to the relevant Line Manger for approval.

The Line Manager must then review each line item on the face of the purchase card envelope and manually inspect the contents of the envelope to verify whether a valid receipt is available before signing the envelope indicating their approval.

Secondly, there is no link between the Manager's physical review and sign-off process and the online [redacted] process, meaning that each transaction and receipt must be inspected manually. Due to the time-consuming and manual nature of this exercise, and the fact that certain Line Managers have numerous cards to approve each month, approval and sign-off sometimes gets neglected, as evidenced by the other findings in this report.

Therefore, by issuing a purchase card, the cardholder effectively has authority to spend up to their limit irrespective of whether the envelope is reviewed by the Line Manager. The cards are paid every month regardless of whether receipts are on file or approved, thereby increasing risk. This reflects the nature of any credit card.

2) Impact of greater WFH

The process implications of working from home have not yet been fully addressed, and there has been no consistent direction given to cardholders regarding the preferred approach to filing and approval. A survey was circulated to 25 large cardholders to gather information on whether there had been any changes to the monthly filing procedures (purchase card receipts) and to their approval by Line Managers.

Results from our survey show that there is currently a mixed approach to both the monthly purchase card receipts filing procedures and to approval by Line Managers, in cases where the staff member is predominantly working from home.

This is explained in more detail in the charts overleaf.

Findings *(continued)*

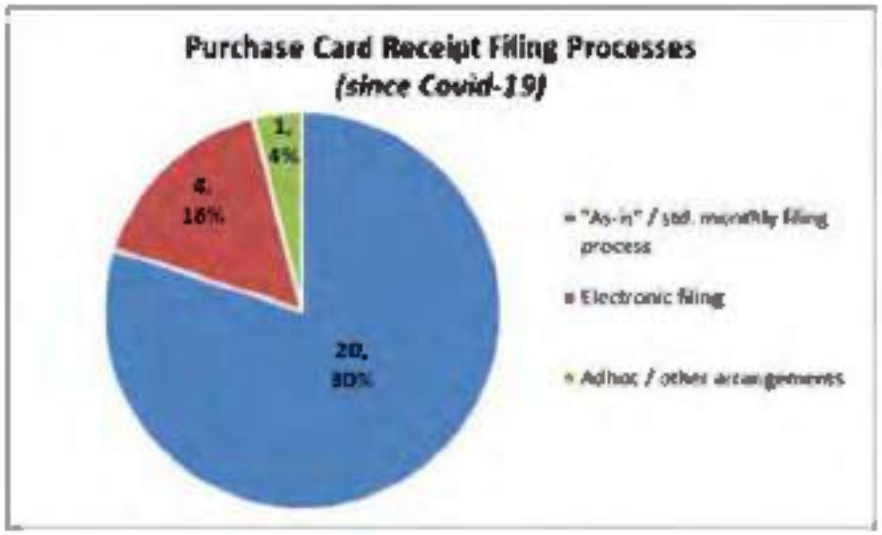
2) Impact of greater WFH *(Continued)*

Survey Q1: Changes in monthly filing procedures

As shown, 80% of cardholders (20) responded stating that there was no change in their monthly filing procedures, and that purchase card envelopes were being prepared and filed as normal.

16% (4) had moved to electronic filing *(using email, folders on One Drive/Teams, or filing on to the* [redacted] *system)*, while the remaining 4% (1) was a combination of the two approaches, depending on whether based in the office or working from home ('WFH').

However, the Purchasing Card Guidelines 2019 only provide for monthly filing procedures using the pre-printed purchase card envelopes.



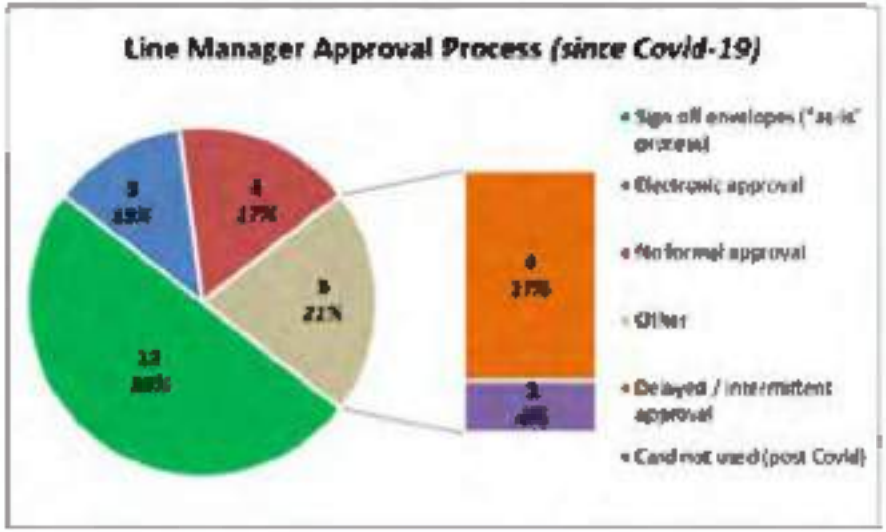
Survey Q2: Method of Line Manager Approval

Cardholders were asked to best describe, from a list of options, how their Line Managers have approved expenditure since WFH commenced. The chart on the right illustrates the results.

50% (12) of cardholders stated that there was no change in their Line Manager approval process, and that the written sign-off of physical envelopes was still occurring, as normal. This is the only method provided for in the Purchasing Card Guidelines 2019. *(Audit checks on the occurrence of approval is considered in Section C, page 9).*

13% (3) of cardholders surveyed received electronic approval from Line Managers, usually over email. No formal Line Manager approval was occurring for 17% (4).

The remaining 21% (5), fell into an "Other" category, primarily representing those receiving delayed or intermittent approval.



Findings *(continued)*

B: Structural Observations

3) Appropriateness of Approvers:

The Line Manager responsible for signing off and approving expenditure on the card is sometimes not close enough to the day to day requirements of the programme being made and, therefore, is not best positioned to approve that the item being bought is a legitimate RTÉ purchase.

Expenditure for programmes which sit functionally in the Content division often fall under a card with managerial responsibility in the Operations division. The relevant Operations Line Manager is therefore responsible for approval of receipts, but would have would have little oversight over the programme being made and what was requested to be purchased.

A specific example of this are the Buyers who are responsible for purchasing various props / equipment based on the requirements of in-house programme Producers. The Buyers' Line Manager in Operations *(Head of Production Services)* reviews and signs off their purchase card expenditure. However, the Line Manager would often not have knowledge of whether, for example, a lawnmower was a legitimate purchase based on the production needs of a specific programme / scene. Checking of the receipt alone does not satisfy whether the purchase was actually required for RTÉ.

This is a risk and leaves RTÉ more exposed in terms of inappropriate transactions. In mitigation, both the Finance and Procurement teams perform a secondary review of transactions. This is often sporadic and at a high level, however, so there is a residual risk that irregularities may still be missed. In addition, a comparison of expenditure to budget takes place as part of month end procedures.

4) Wide Managerial Span of Control

In certain areas, the number of individual cards to be manually reviewed by a Line Manager each month is too high, resulting in either: approval at a high level without thoroughly checking transactions; delayed approval; or an absence of approval occurring.

Due to the nature of the organisation, certain areas require heavy usage of purchase cards, and consequently more purchase cards are in operation within these areas (e.g. Content and Operations) in order to process low value purchases. Examples of such areas include Make-up and Wardrobe.

The span of managerial control in these areas is a lot wider. This means that it may be difficult for Line Mangers to be close enough to the detail when approving, due to the volume of envelopes and receipts to review on a monthly basis. One such Line Manager has greater than 10 cardholders to review each month, all of which are high volume cards with numerous transactions (>50) each month.

In some instances where there are numerous cardholders falling under the responsibility of one Line Manager, envelopes are only being reviewed quarterly, and there is therefore a time lag or delayed approval. This is not in line with the Purchasing Card Guidelines 2019 and increases the risk.

Summary of Key Findings – *See Action Plan for more details*

C: Compliance with Policy

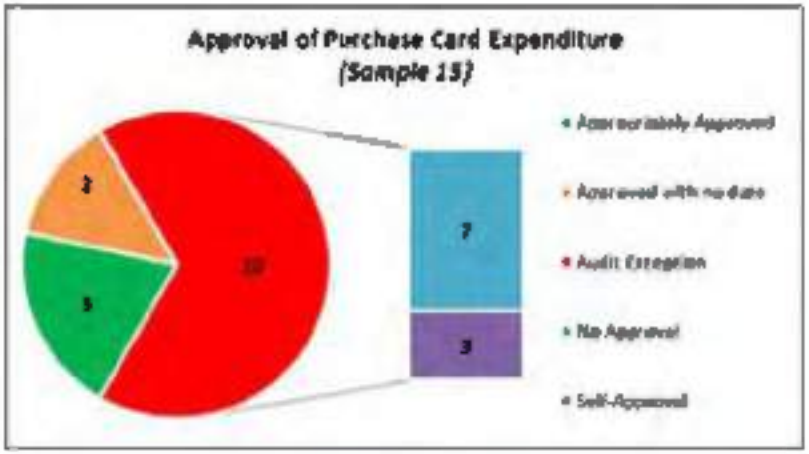
For 15 of the 25 cardholders selected *(27% of total purchase card spend in 2020)*, detailed testing was completed in the following areas:

5) Authorisation / Approval of envelopes

✓ 3 (20%) envelopes were approved appropriately as evidenced by an authorising signature from appropriate Line Manger and relevant date. Given the nature of the test, it is possible that some of those reported as validly approved may have been done so in arrears prior to inspection during the audit.

x 10 (67%) envelopes were inappropriately approved. The reasons were: an absence of approval evident on seven envelopes, while self-authorisation took place on the remaining three. These represent a breach of policy as per the Purchasing Card Guidelines 2019.

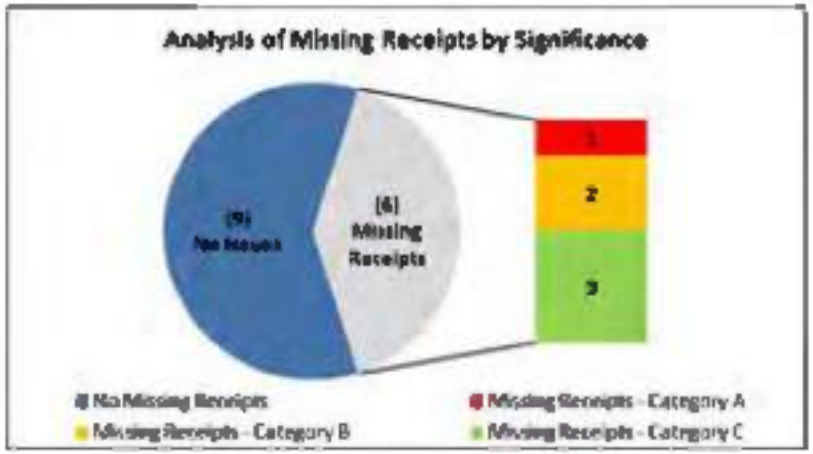
→ Two envelopes were approved with no date evident.



6) Evidence of Receipts

We noted issues with receipting in the case of six of the 15 (40%) envelopes. These were equally split across the three categories.

- A: No receipts were provided for all 12 transactions during the month (approximately €3k).
- B: Seven missing receipts across two cards (Both cards in high use and used to make purchases by a number of individuals in the wider department).
- C: Five missing receipts across three cards, all low in value (under €85).



Summary of Key Findings *(Continued)*

7) PayPal as a Form of Payment

32k (2%) of purchase card payments in 2020 were made via PayPal, representing a reduction of 33% on the use of this method of payment since prior year (2019: 48k). In 2020, 195 PayPal transactions were made by 48 different cardholders from across the organisation. 10 cardholders represent two thirds of the transactions. By its nature, this form of payment has a higher risk profile.

Per the Purchasing Card Guidelines 2019 it is “not permitted to create PayPal accounts linked to the RTÉ purchase card” without the support of the relevant Line and Cost Pool Manager, and “written authorisation from the appropriate Financial Controller or Finance Director”.

On review of the 195 transactions, many relate to purchases which could have been made directly without the use of a PayPal account. As a result, it is timely to review the use in these cases, focusing initially on the top 10 cards making purchases via PayPal.

Conclusion

Conclusion

The objective of this audit was to carry out a review of purchase card transactions during 2020.

Expenditure incurred using a purchase card was €1.8m for the year, a reduction of 38% on the prior year (2019: €2.9m). The number of cards in issue has also fallen from 160 at the time of the previous audit in 2018 to 127 for 2020 (a reduction of 21%). In addition, we noted that the Procurement team has implemented additional monitoring control procedures via use of the Power Bi system, involving daily monitoring of both the spend and the number of transactions. These controls are in addition to those in place locally. Consolidated data is also circulated to the local Finance teams for review.

The audit highlighted weaknesses, including:

- The monthly preparation of purchase card envelopes and the collection of receipts is a very manual process and there is an absence of electronic approval.
- Line Managers are sometimes not close enough to the day to day requirements of the programme being made and are, therefore, not best positioned to approve that the item being bought is a legitimate RTÉ purchase.
- The number of individual cards to be manually reviewed by a single Line Manager each month is too high in certain areas.
- The process implications of working from home have not yet been fully addressed, and there has been no consistent direction given to cardholders regarding the preferred approach to filing and approval.

10 of 25 envelopes reviewed were not approved appropriately. (Given the nature of the test, it is possible that some of those reported as validly approved may have been done so in arrears prior to inspection during the audit). In addition, we identified some instances of missing receipts.

Audit Recommendations and actions have been agreed to address these points, as outlined in the Appendix overleaf. The audit rating of "improvement needed" represents an improvement on the rating ("unsatisfactory") at the time of the last audit. The rating recognises the stronger monitoring controls implemented by Procurement and the fall in the number of cards issued, following a review.

We appreciate the co-operation received from Procurement and the relevant staff members during the course of this audit.

Rating

IMPROVEMENT NEEDED

Appendix 1 – Action Plan

Recommendation	Owner	Due Date
1 – Manual Process & Absence of Electronic Approval: The Chief Financial Officer and the Head of Procurement will examine improvements that can be made to the current process for the use of purchase cards, exploring in particular the use of electronic approval of expenditure and automating the filing of receipts. The implementation of a new ERP system may provide new opportunities in this regard.	[redacted]	**Q1 2022**
2 – Impact of greater WFH Consistent communication and direction regarding the preferred approach to the filing of receipts and approval of expenditure will be provide to cardholders to address the issue of those working at home. This is an interim step pending the broader consideration of the process as per # 1.	[redacted]	**Q4 2021**
3 – Appropriateness of Approvers A review will be carried out of the cardholders and their approvers in the Production Resource areas in Operations to identify opportunities for better alignment of approver between the cardholder and the person primarily responsible for requesting the purchase to be made (Producers). Modifications to the existing process will be considered (in the short term, pending the review at #1), such as two approvers for certain large volume cards.	[redacted]	**Q4 2021**
4 – Wide Managerial Span of Control In areas where there are a large numbers of Purchase Card holders reporting into one Line Manger, consideration will be given to appointing one individual within the team (e.g. an existing Post of Special Responsibility) to assist in the approval process or other options to reduce the span of control. This could be explored in conjunction with finding #1 above via a wider working group.	**As per #3.**	**Q4 2021**

Appendix 1 – Audit Recommendations *(Continued)*

Recommendation	Owner	Due Date
5 – Authorisation / Approval of Envelopes Purchase card approvers will be reminded of the importance of ensuring that purchase card envelopes are all signed off on a timely basis and dated as evidence of review.	[redacted]	**Q3 2021**
6 – Evidence of Receipts **6.1** The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, to ensure that they are addressed with the relevant cardholder. **6.2** The FDs / FCs will remind all approving Line Managers of their responsibility to ensure that receipts are retained on file and checked prior to signing-off on the expenditure.	[redacted] [redacted]	**6.1 Q3 2021** **6.2 Q3 2021**
7 – PayPal as a form of payment An up to date *(May 2021)* list of purchase card transactions processed via PayPal will be compiled for review, in order to identify the extent of further Policy change needed. The imposition of additional restrictions on the use of this payment method will be considered.	[redacted]	**Q3 2021**

RTÉ Internal Audit

Review of Visa Procurement Cards

14 March 2014

Circulation:
Tom Savage, Chairman (Summary)
Noel Curran, Director-General
Executive
Members of the Audit & Risk Committee

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

This report outlines the results following a review of purchase transactions using RTÉ's Visa procurement cards ("purchase cards").

1. Background

Purchase cards were introduced in RTÉ to make it simpler and more cost effective for RTÉ personnel to make low value purchases of goods and services. This, in turn, reduces the number of low-value orders processed via [redacted] web.

RTÉ's purchase cards are Visa cards provided by [redacted]. The administration of issuing cards and the management of card master data is the responsibility of Central Purchasing. All new purchase card applications must be approved by the Chief Financial Officer and the Group Financial Controller. There are currently 133 purchase cards issued to RTÉ staff and more details of the Purchase Card process can be found in the *Appendix 1* to this document.

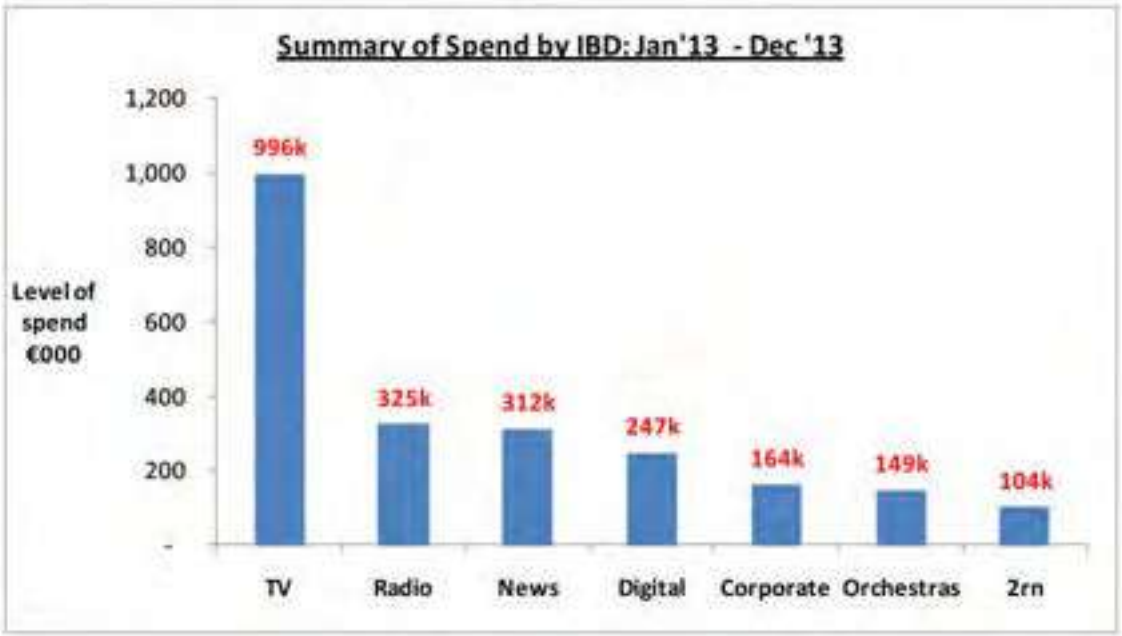
2. Purchase Card Spend Statistics

Spend by IBD

€2.3m of transactions were processed through RTÉ's purchase cards in the twelve month period from 1 January 2013 to 31 December 2013, down from €2.5m for the same period in the previous year. This represents a decrease of 8% as compared to prior-year.

The total number of transactions for the twelve month period was 16,540, a broadly in line with prior year.

The chart below presents an IBD analysis of purchases made using a purchase card during 2013:



- Circa 43% of the purchase card spend (€996k in the period covered by this review) was for the Television IBD. This is consistent with the fact that 40% of the cards are assigned to individuals in Television.

- Between them, News and Current Affairs and Radio make up approximately 28% of the total spend in the period.

- These three divisions require a large number of frequent ad hoc purchases (particularly for production costs, travel related costs, etc.)

- The average number of monthly purchase card transactions was 10 transactions per card, with an average monthly spend of €1,439 per card.

Spend by Account Code

* *Reallocated by Journal entry post month-end, broadly in line with the allocations above.*

- Production costs represents the highest expenditure for the period, approximately 21% of the total spend. This consists of various cost categories such as set construction, graphics, props, animation, make-up, flowers, venue hire and other direct programme costs.

- 'Other Accounts' of 17% related to costs such as: catering, transport, copyright, professional fees, subscriptions and insurance, IT costs and premises.

- Equipment and stationary costs were 9% and contributors' travel costs (e.g. hotel accommodation for guests and programme panellists) were 11% of the total purchase card spend for the period. Staff travel and subsistence accounting for a further 12%.

3. Methodology and Scope

- The scope of our audit was purchase card transactions across five divisions and the Corporate Centre during the period 1 January 2013 to 31 December 2013.

- 2rn purchase cards have been excluded from our sample as this is covered as part of a separate audit undertaken in the context of the 2rn Internal Financial Control Questionnaire.

- We selected a sample of 20 purchase card holders and requested the relevant monthly purchase card envelopes.

- Due to the manner in which the sample is selected, caution should be exercised when extrapolating results to the full population and each issue should therefore be considered on its own merits

- Transactions via personal credit cards, subsequently reclaimed through the Transfare travel and subsistence system, are out of scope of this audit.

3.1 Sample Selection

3.1.1 "Focused audit tests"

The full population of purchase card transactions for the period within scope was downloaded from [redacted] This data was interrogated based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. The range of tests performed on the sample included, but was not limited to, a review of:

- Analysis of Entertainment and Subsistence related transactions
- Transactions by employee / costpool / division / account etc.
- Transactions exceeding the individual's normal block limit
- Sum of daily transactions exceeding block limit (i.e. to identify splitting of purchases)

Each of these tests produced a filtered listing of employees / transactions. Each listing was reviewed and items were investigated in conjunction with the transaction information on [redacted] (the online system provided by [redacted] A sample of unusual items not within the norm, or which appeared unusual, were chosen for further investigation as part of our audit sample.

3.1.2 Random Sample

In addition to the sample outlined in 3.1.1 above, a number of other purchase card holders were selected randomly from the full population of purchase card transactions.

In total, 2/3 of our sample was based on the "focused audit tests" and a further 1/3 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

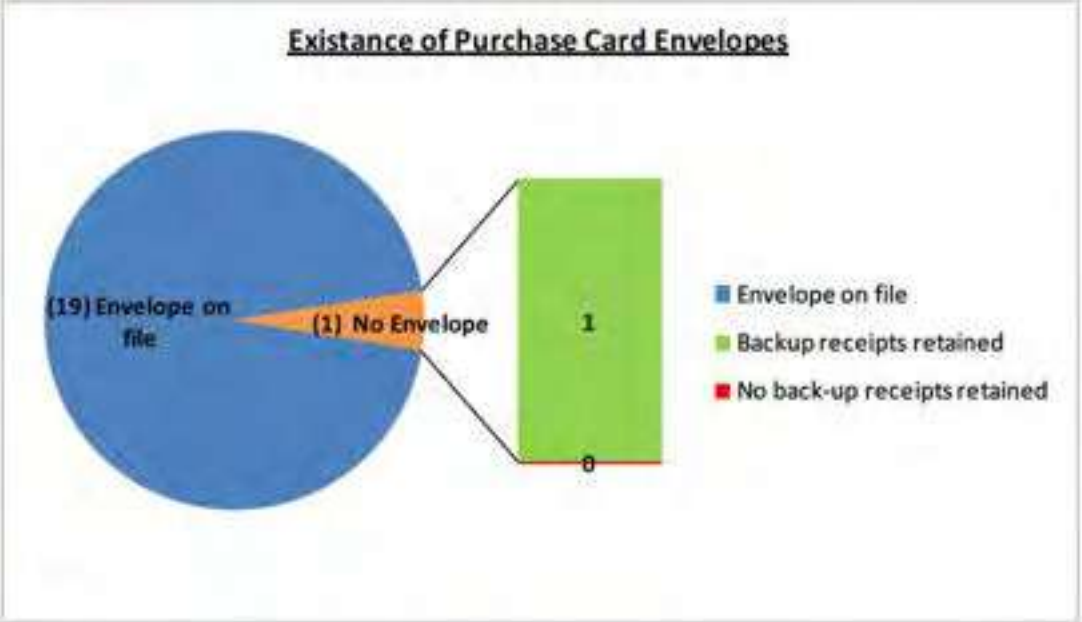
3.2 Testing methodology

The purchase cards in our sample were checked against the Visa procurement card guidelines, with a particular focus on the retention of receipts.

4. Observations

4.1 Existence of envelopes

A Purchase Card envelope was on file for all 19 (95%) of the 20 card-holders selected for testing. An envelope was not located in one instance. In mitigation, a [redacted] statement with all accompanying receipts was on file.



4.2Manager sign-off

We identified some issues with the approval of the purchase card envelopes tested:

- Of the envelopes tested, seven (35%) were not evidenced as approved by an approver / costpool manager. The seven cards were assigned to individuals in the following divisions – Television (3), News & Current Affairs (2), Radio (1), and Corporate (1).

- A further three of the envelopes tested were approved an excessive period of time after the month of the transactions. It is desirable that the envelope is signed off close to the month end period.

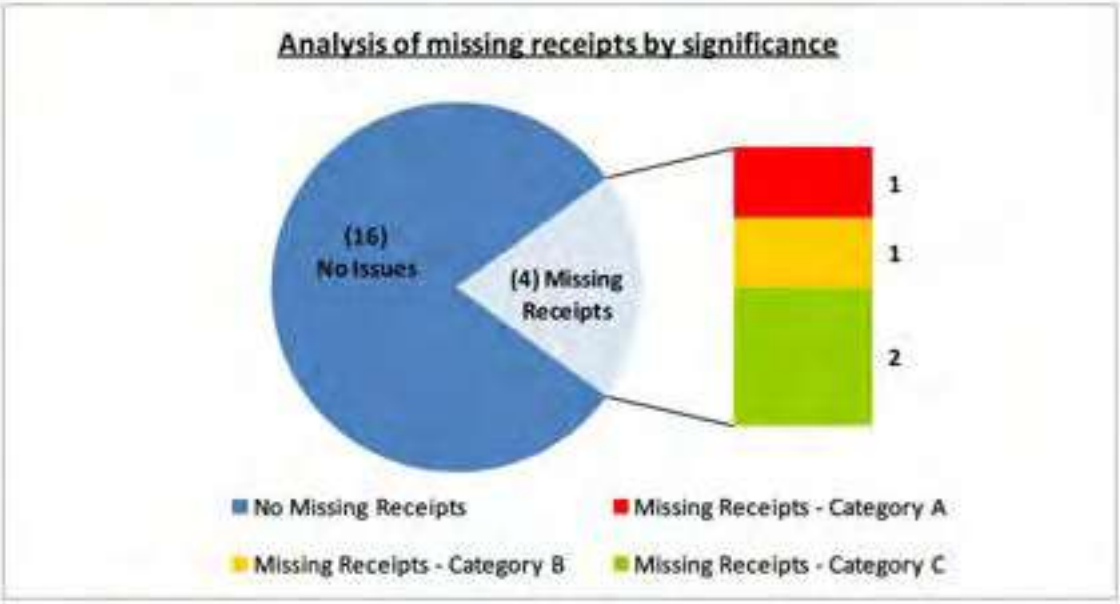
- In four cases, the date of approval was not evidenced on the envelope.

4.3 Missing receipts

We noted issues with receipting in the case of 4 of the 20 purchase card envelopes tested.

In order to put instances of missing receipts in context, taking into account the total number and value of transactions, we have chosen to categorise the instances of missing receipts as follows:

Category	Description
A	Major cases involve a missing receipt for a purchase in excess of €500, or numerous higher value receipts.
B	Intermediate cases where the missing receipts related to amounts greater than €100 but less than €500, or related to a number of missing low value receipts.
C	Moderate cases where the missing receipts related to individual amounts of less than €100, or where the number of missing receipts was low in the context of the total number of transactions for the month.



We noted no issues with receipting for 16 of the purchase cards selected for testing, analysed as follows – Television: 7 cards, Radio: 3 cards, News & Current Affairs: 2 cards, Corporate: 2 cards, Digital: 1 card and Orchestras: 1 card.

Four envelopes had instances of missing receipts:

4.3.1 Card assigned to *Radio*: 20 missing receipts, ranging in values up to €411, out of 62 transactions in the month of testing. The missing receipts totalled €2.3k, 11% of the cardholder's expenditure in the month of review.

In mitigation, half of the transactions with missing receipts had an e-mail on file from the purchaser informing the cardholder of the purchase. However, the original receipt(s) was not subsequently forwarded to the cardholder by the purchaser. The large transactions were verified as valid purchases and assigned to the correct costpool.

The reason for the missing receipts is that this card operates as a "departmental card" and is used to make purchases on behalf of an individual other than the named cardholder:

- This type of dispersed ordering increases the risk of missing receipts as a number of individuals, other than the named cardholder, make purchases. The receipts then have to be retained and consolidated in one envelope at the end of each month.
- These cards are also more difficult to manage as purchasers with knowledge of the card number from a previous purchase sometimes make purchases without informing the cardholder in advance that they plan to make a purchase. When the unexpected transaction appears on their [redacted] statement, the cardholder has to firstly identify the likely purchaser and then follow-up with them to request an original receipt for the purchase. This is a time consuming process and receipts can easily be misplaced.

4.3.2 Card assigned to the *Orchestras*: Three minor missing receipts out of 19 transactions in the month, in total under €50 in value. However, in the case of one other transaction, representing €1.3k (30%) of the spend in the month for the cardholder, only a VISA receipt was filed as opposed to an invoice or till receipt. This appears to be an isolated incident.

4.3.3 Two further cards contained relatively minor instances of missing receipts, classified as category C.

4.4 Purchase card Transaction and Credit limits

A single transaction limit and a monthly cumulative transaction limit (credit limit) are set for each cardholder when originally set up. These limits may be temporarily adjusted until the end of the month with authorisation from the Costpool Manager and the relevant Finance Manager. Central Purchasing must be notified in order to activate temporary increases in credit limits. All permanent changes to limits must be approved by the Group Financial Controller. There are three designated RTÉ personnel that the bank will accept requests from before amending limits.

We noted during testing that one cardholder did not follow this standard procedure and circumvented their card transaction limit by splitting the transaction over two purchases:

In settling a €2,138 purchase transaction for clothes, two separate transactions on the same day (€1,138 & €1,000) were processed by the cardholder to circumvent an individual transaction limit.

While it must be noted that these transactions were valid purchases, this approach is not appropriate and may indicate a need to increase the transaction limit for the card further or to

clarify (to the cardholder) the procedures for granting a temporary increase in the card limit to enable 'non-standard' transactions to be processed.

5. Actions

We outline below the actions to address the issues identified during the course of this review:

1) *Breaches of Policy*

The FDs / FCs will be informed of the specific breaches of policy in their respective divisions.

<u>1.A) Approval of purchase card</u>
Within each division, purchase card approvers will be contacted by the FDs / FCs to remind them of the importance of ensuring that purchase card envelopes are all signed off on a timely basis and dated as evidence of review. This is especially relevant for the seven cases of unapproved envelopes highlighted in Section 4.3.

Responsibility: FDs / FCs: 15 April 2014

<u>1.B) Receipting</u>
The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, to ensure that they are addressed with the relevant cardholder. Secondly, the FDs / FCs will remind all approving Line Managers of their responsibility to ensure that they are comfortable with the purchase card spend on a monthly basis and sign-off the purchase card envelope, in a timely manner, to evidence their review of receipts.

Responsibility: Relevant FDs / FCs: 15 April 2014

2) *Policy Updates*

The "Purchasing Procurement Card Guidelines" have not been updated since September 2004. An update of the guidelines is therefore now overdue. This matter was also raised in the previous year's Internal Audit report on Visa Procurement Cards, but has yet to be addressed.

Responsibility: [redacted]: 30 September 2014

3) *Filing of envelopes – all RTÉ*

After the 2011 Revenue audit of RTÉ it was agreed that, where practicable, all purchase card envelopes would be sent to Central Purchasing for filing for ease of access in the event of a future audit. However, this occurs on an ad-hoc basis, in some cases only once a year. In some cases we noted a lack of clarity as regards the location of the envelope.

A policy for sending envelopes to Central Purchasing needs to be documented by Central Purchasing and communicated to the cardholders / Finance teams. This document will outline the frequency of returning envelopes to Central Purchasing and the responsibility for same.

Responsibility: [redacted]: 30 April 2014

4) *Filing of Envelopes - Central Purchasing*

When envelopes are sent to Central Purchasing for filing, they will be filed in order by card-holder. This will facilitate their retrieval at a later date of necessary. At present the filing system is ad-hoc.

Responsibility: [redacted] *: 30 April 2014*

6. Conclusion

Visa purchase cards were originally introduced to make it simpler and more cost effective for RTÉ personnel to make low value purchases of goods and services.

This objective is being met by the use of purchase cards in RTÉ with the vast majority of transactions being low value, ad-hoc purchases. In addition, purchase cards are being used to purchase the types of goods and services as originally intended when the purchase cards were introduced.

We identified no deliberate fraudulent purchases as part of our review.

The audit tests highlighted instances of non-compliance with the procurement card guidelines, particularly in the area of approval of purchase card envelopes at the retention of receipts. Seven out of twenty envelopes tested were not signed off to evidence approval. Secondly, we noted some issues with receipting in the case of four out of twenty envelopes tested, of which one was categorised as a *"major case"*.

Two of the four instances of missing receipt related to high volume purchase cards. These cards are difficult to manage from an administrative point of view, containing many receipts. In addition we noted instances of missing receipts where the card is shared among a number of staff in the department and these cards are more difficult to manage as a result. Furthermore, two cards were categorised as *"moderate cases"*.

The results of the audit are broadly consistent with prior year. However, deterioration in the approval of purchase card envelopes since the previous audit is worth noting. Further communication and action is needed at a local level in order to ensure that approval is evidenced by the relevant manager.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

Rating: **Improvement Needed**

Appendix 1:

Purchase Card Process

Guidelines for the use of purchase cards are documented in the Visa Procurement Card Guidelines, dated August 2004, which form part of the overall Purchasing Procedures and Guidelines. A high-level summary of the process, which is a part paper and part electronic process, is presented below:

- Cardholders, or individuals nominated by them, use their card to make small business related purchases, whether online or in retail outlets.

- Each month cardholders manually record the transactions made using their purchase card on a pre-printed purchase card envelope. The receipts for the transactions are placed in the envelope

- Each cardholder's transactions are also recorded by Visa on an online system ([redacted] which is accessible by the cardholder via the internet. On a monthly basis, the cardholders review the transactions listed on [redacted] and assign the correct account code and costpool to the transaction. VAT details are also checked at this time and the transactions should be cross-checked against the receipts in the envelope

- Once all transactions have been matched and assigned an account code on [redacted] the cardholder signs off his or her monthly envelope. The envelope is then forwarded to the relevant costpool manager for approval and signoff. A photocopy of the completed envelope is also forwarded to Central Purchasing and the original envelope is filed locally by the cardholder or manager. Some envelopes are filed centrally

- Purchase Card transactions are recorded in [redacted] via a monthly batch upload of data from the [redacted] on line system to [redacted] Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code

Card Usage

Although every purchase card has a unique named cardholder, there are a number of ways in which purchase cards are currently used by RTÉ staff:

- In many cases the cards are used solely by the individual named on the card.

- While assigned to a named individual, some cards are used by a number of individuals in the department. Generally the administration of the card is the responsibility of the named cardholder, who shares the card number with selected individuals on a case by case basis.

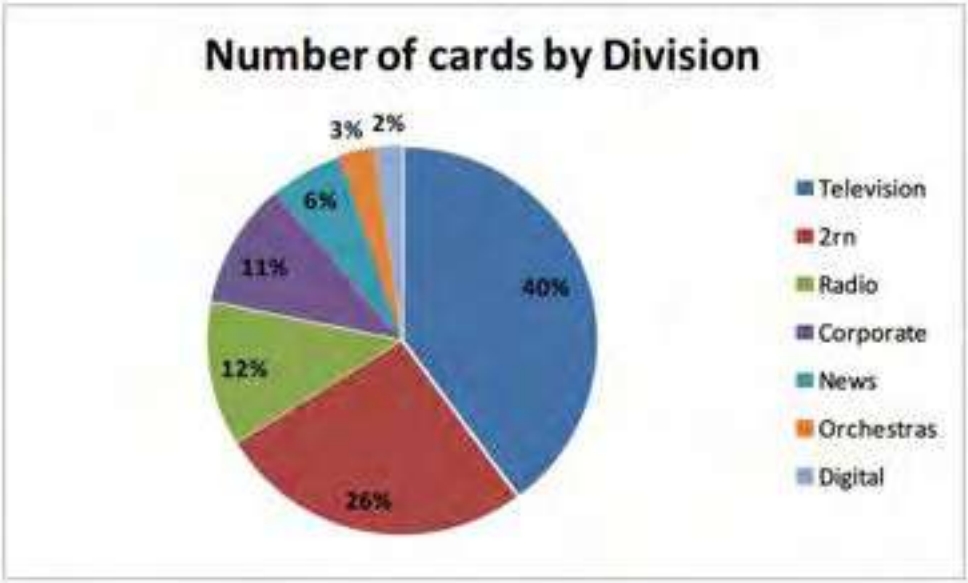
- A number of cards are held by members of Central Purchasing / Accounts Payable Shared Services are used to carry out purchase transactions for individuals across the organisation that would not otherwise have access to a purchase card and to pay for corporate goods/services.

The use of each purchase card is restricted by an individual transaction limit and a monthly cumulative transaction limit, which is set for each cardholder at the initial card application stage. These limits are automatically enforced at the time of each transaction. Both limits may be increased, through a temporary monthly increase or a permanent increase, if necessary.

In addition, restrictions may be made on the type of purchases by disallowing certain categories of retailer e.g. petrol and travel related purchases (hotels, flights, car hire etc.).

Cards issued to RTÉ staff

There are 133 purchase cards issued to RTÉ staff. As illustrated below, the largest numbers of cards are assigned to individuals in Television (40%), 2rn (26%) and Radio (12%). Given its size, 2rn has a disproportionately high number of cards which reflects the fact that engineers and riggers based at various remote regional locations throughout Ireland are assigned a card for local purchasing purchases.



RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2017*

Report 2 of 2 *(Procurement Register)*

11 April 2018

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background – Public Procurement

Introduction
It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity.

National and EU Tendering Procedures
In July 2017 the National Public Procurement Policy Unit of the Department of Finance issued an updated version of *Public Procurement Guidelines for Goods and Services*. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were last revised on 18 December 2017 and are applicable from 1 January 2018.

Code of Practice for the Governance of State Bodies
The 2016 *Code of Practice for the Governance of State Bodies* ("the Code") contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. This procurement provision is in force for the first time for the year-ended 31 December 2017.

Section 8.16 of the Code states the following, under Procedures for Procurement:

> *"The Board should satisfy itself that procurement policies and procedures have been developed and published to all staff."*

Section 8.16 of the Code also states that the Board:

> *"should also ensure that procedures are in place to detect non-compliance with procurement procedures. Entities should have a contracts database/listing for all contracts/payments in excess of €25,000 with monitoring systems in place to flag non-competitive procurement. Non-competitive procurement should be reported in the Chairperson's comprehensive report to the Minister."*

Background – RTÉ Process

RTÉ has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable ([redacted] Payroll (NorthgateArinso) and [redacted] Fees.

- **Accounts Payable** ([redacted] is used to pay suppliers of goods, professional fees, corporate services etc. All purchases, irrespective of value, are firstly approved by the relevant costpool manager. The level of additional approval, up to Director-General and Board level, varies depending on the contract value (Delegated Authority Limits).

A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place for orders >€10,000. In addition, Procurement carry out follow-up monitoring checks to assess compliance.

- [redacted] **Fees** is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted] fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

- **Payroll** is used to pay for the services of all other RTÉ employees and is not used to make payments to suppliers or third parties.

Objectives, Scope and Risks

Audit Objectives

The objectives of this audit are as follows:

- Determine if there is a valid contracts database in place listing all payments / contracts in excess of €25,000 (Ex-VAT);
- Verify the accuracy of entries into the database, with reference to source documentation and contracts;
- Understand the procurement monitoring systems in place; and
- Investigate and report on instances of non-compliance with procurement procedures, if any.

Audit Scope

The scope of our review covered all payments made in excess of €25,000 during the period 1 January 2017 to 31 December 2017, across the [redacted] and [redacted] payment systems.

The audit involved testing the contracts database as follows:

- ✓ Agreeing the total spend per the database to the accounting system;
- ✓ Selecting a sample of suppliers and checking the accuracy of spend listed on the database to that recorded on the accounting system;
- ✓ Reviewing the database and spot-checking mathematical accuracy (percentages, totals, formulas, etc.);
- ✓ Checking the database for unusual items;
- ✓ Reviewing the list of exemptions / out of scope items for reasonableness (exempt from complying with procurement procedures);
- ✓ Reviewing the database for completeness via two-way testing; and
- ✓ Testing a sample of items listed as "tendered" in the database to confirm that a tender process occurred for each.

The scope of our audit did <u>not</u> include:

- ✗ Payments to employees via [redacted] Fees, or the Payroll system
- ✗ Payments made via Purchase Cards
- ✗ A review of payments / contract values below €25,000 in value
- ✗ A full review of the exempt categories

For the purpose of reporting, we split our findings initially by payment system, with a separate section for [redacted] (A) and [redacted] (B), over-leaf. The results are combined in Section C.

Risks

The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Reputation and Compliance

Data Analysis & Summary Findings ([redacted]

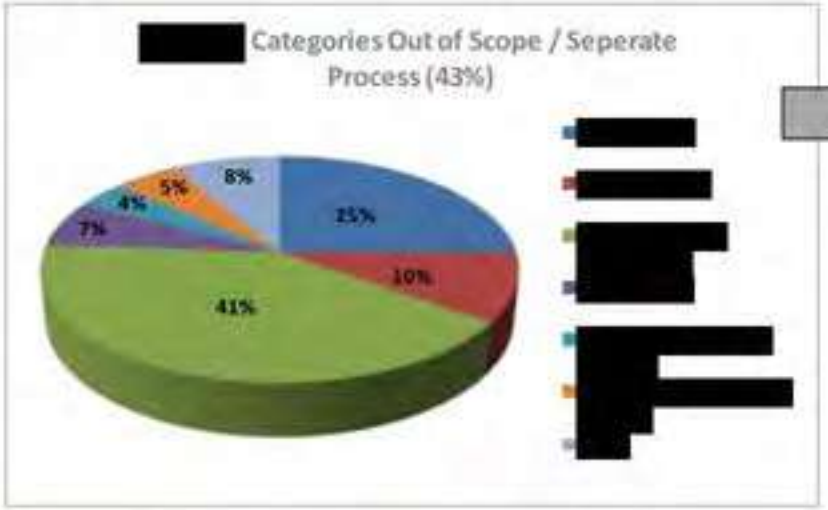
A) [redacted] Payments

Data Analysis

Payments were made to 2,006 suppliers on [redacted] from 1 January 2017 to 31 December 2017. The total value of payments made was €179.8 million and this is the scope for our audit testing.

Categories Out of Scope:

Of the €179.8 million in payments, €[redacted] million [redacted] was excluded from testing as it fell into an out of scope category, or another process. The graph below provides a more detailed break-down of the items:

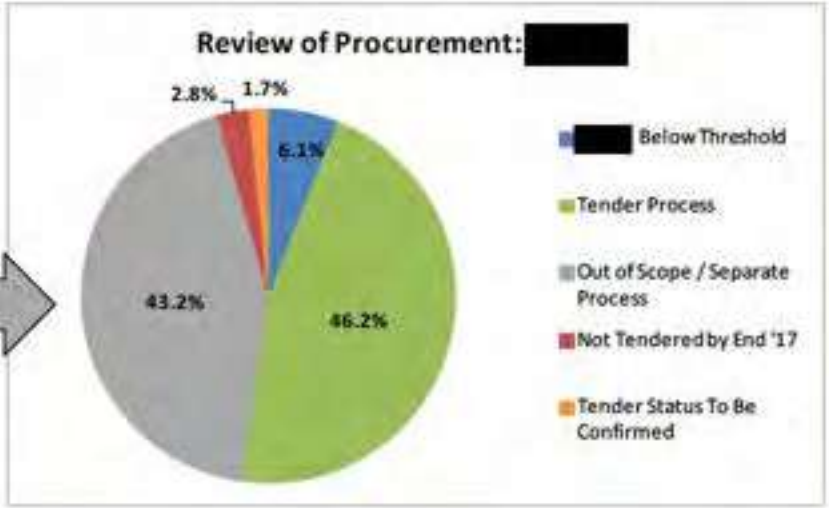


As illustrated in the chart above, some expenditure is out of scope or has a separate process in place. For example, sports rights for a sporting event are held by a single rights holder and is procured via a bidding process organised by the rights holder.

The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable.

Audit Results

As illustrated in the chart below, 6% (€10.8 million) of the €179.8m spend fell below the threshold which required a more formal process under Public Procurement Rules. Of the remaining expenditure above the tender threshold, a tender process occurred for 46% (€83 million). The categories that are out of scope / have a separate process [redacted] are explained across.



The audit identified an absence of a formal procurement process, by the end of 2017, in the case of 2.8% of the expenditure via [redacted] This represents €5 million expenditure and 52 suppliers.

In approximately 30% of these cases, a tender process is already in progress in 2018 to address the issue, although not complete by the date of issuing this report.

For a further 1.7%, the tender status at the time of testing is to be confirmed. This represents €3 million in value. These suppliers are currently being reviewed.

Data Analysis & Summary Findings ([redacted] Fees)

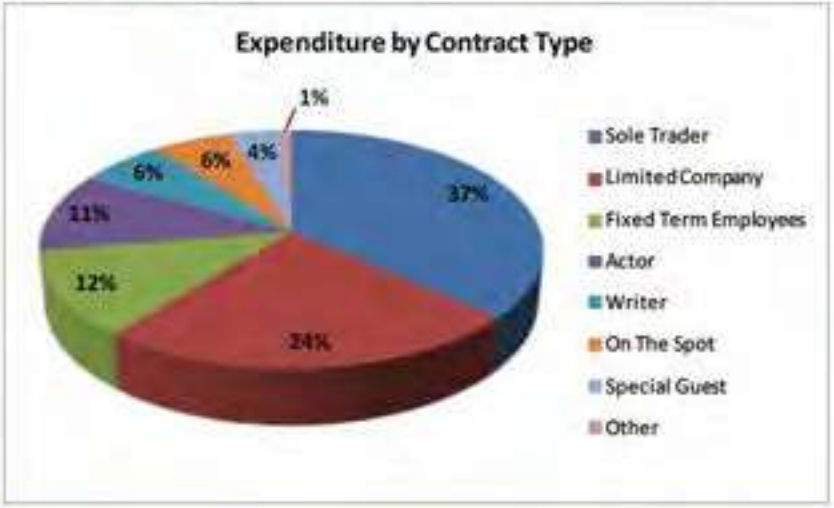
B) [redacted] Fee Payments

Data Analysis

In excess of 48k payments were made to 5,612 individuals and companies via [redacted] Fees in the period 1 January 2017 to 31 December 2017. The total value of payments made was €27.1 million. See chart below for break-down by division.

Per Division	Total Spend €m	# of Payments	# of Individuals
Television	[redacted]	[redacted]	[redacted]
Radio	[redacted]	[redacted]	[redacted]
News	[redacted]	[redacted]	[redacted]
Orchestras	[redacted]	[redacted]	[redacted]
Corporate	[redacted]	[redacted]	[redacted]
Commercial	[redacted]	[redacted]	[redacted]
Digital	[redacted]	[redacted]	[redacted]
Total	27.1	48,225	6,280

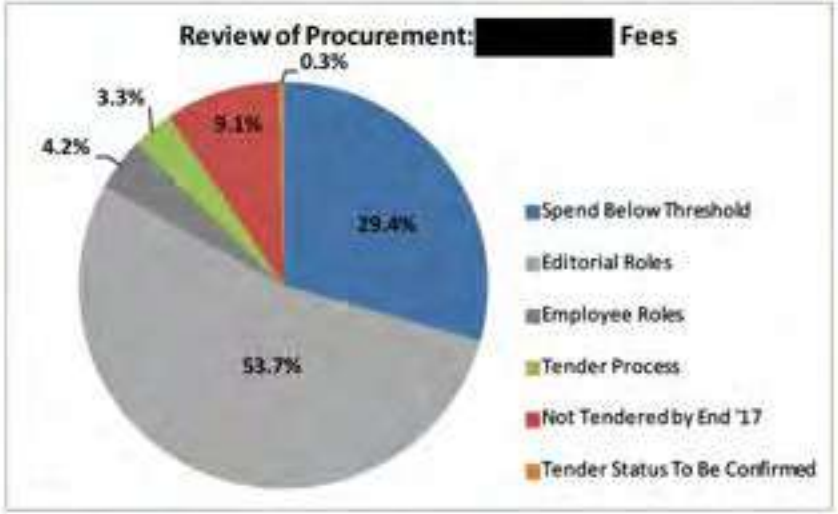
The payments are sub-analysed by contract type in the chart below:



Audit Results

As illustrated in the chart below, some expenditure is out of scope for further testing for the following reasons:

- The expenditure is below the threshold which requires a more formal process under Public Procurement Rules (29.4%)
- The engagement of certain individuals involves editorial decision making, subject to the audio-visual media services exemption (53.7%), or relates to employees (4.2%)



The audit identified an absence of a formal procurement process in the case of 9.1% of expenditure via [redacted] Fees. This represents €2.47 million expenditure and comprises 49 individuals / companies.

By their nature, 'Contracts for Services' refer to the engagement of individuals and are different to the procurement of goods and business services. In some cases there is a limited pool of suppliers and the services can be specialised. Contracts for services have traditionally been managed separately to purchases of goods and services.

Overall Summary & Key Finding

C) All Payments (Both Systems)

The chart below combines the results from the two payment systems covered earlier and reports RTÉ's overall procurement compliance.

Total payments across both systems amounted to €206.9 million in 2017.

As illustrated above, 9% of total payments and a value of €18.8 million fell below the procurement threshold. A further 47.8% (€98.7 million in value) were omitted due to the editorial nature of the spend and the fact that they fell into exempt categories for procurement purposes.

- ✓ A formal procurement process occurred for 38% of all payments (€78.6 million).
- ✗ The audit identified an absence of a formal procurement process by the end of 2017 in the case of 3.6% of total expenditure (€7.5 million). However, a tender is currently in progress in some cases.
- ? The current tender status is yet to be confirmed for a further 1.5% of payments across both systems (€3 million).

The table below gives an overall summary of the total population on each payment system and the audit exceptions identified.

Payment System	Audit Population		Exceptions Identified in Audit			
	€m	# Suppliers	€m	% Value	# Suppliers	% Suppliers
[redacted]					52	2.6%
[redacted]					49	0.9%
Total	206.9	7,618	7.5	3.6%	101	1.3%

Key Management Issue

We identified instances of non-compliant procurement across both payment systems during our review, as follows:

- By the end of 2017, a tender process was not completed for 3.6% of payments on the contracts database (1.3% of over 7,600 suppliers)
- The tender status is yet to be confirmed for a further 1.5%, at the date of this audit report

Under the 2016 *Code of Practice for the Governance of State Bodies*, non-compliance must be monitored and reported. While procedures are in place in respect of payments via [redacted] there is no formal monitoring and reporting of tendering in respect of Contractors engaged via [redacted] fees.

Conclusion

Conclusion

The 2016 Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. This is effective for the first time for the year-ended 31 December 2017.

In monitoring compliance with these new rules, Internal Audit carried out a review of all payments made in excess of €25,000 during the period 1 January 2017 to 31 December 2017, across the [redacted] and [redacted] payment systems. We verified whether a valid contracts database was in place for each payment system, listing all payments / contracts in 2017. Internal Audit also carried out testing on the database, verifying random samples as necessary.

It was noted that a formal procurement process did not take place for 3.6% of all payments made in 2017, when analysed in total across both payments systems ([redacted] and [redacted] This represents 1.3% of suppliers.

When looked at individually, a valid tender process did not occur for 9.1% of payments on [redacted] Fees and for 2.8% of payments made on [redacted] A further 1.5% of the total population across both systems was deemed to be inconclusive as the tender status was yet to be confirmed at the time of testing.

Work is necessary to reduce these instances of non-competitive procurement and to ensure compliance with the Code. A number of actions are set-out in the action plan. It is also necessary to investigate and conclude upon the instances where the tender status is unknown.

The findings reflect the limitations of the financial system and the traditional dispersed buying structure across the six divisions. On the basis of the actions in progress, the report merits a rating at the mid-point on the audit scale. In addition, the services engaged via [redacted] Fees are not standard suppliers of goods and business services and, by their nature, are managed in a different way to other supplies. Finally, the rating takes into account that this is the first full year of implementing the Contracts Database requirement contained in the new Code of Practice for the Governance of State Bodies.

On the basis of the above findings, we assess the overall standard of control as “Improvement Needed”.

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	**Tender Process for Payments via** [redacted] ***Background*** Payments were made to 2,006 suppliers on [redacted] and the total value of payments made was €179.8 million. [redacted] was excluded from testing as it fell into one of the out of scope categories, or followed another process. The amounts per each category have been examined to verify accuracy. The reason for their exemption was investigated and deemed reasonable. These out of scope items are explained in more detail via the chart in the executive summary. ***Findings – General*** • Over recent years, the managerial responsibility for supplier relationships was fragmented across six IBDs, which increased the difficulty of centralised monitoring of procurement. As a result, it is sometimes difficult to get a consolidated view of the historic tendering arrangements with the supplier. • Due to the limited functionality of [redacted] and the system being at end of useful life, the Contracts Database is largely Excel based. The limited functionality of [redacted] also increases the difficulty of tracking tendering arrangements. Excel is manual, increasing the risk of errors. Version control and difficulty in tracking data input to the Contracts Database may arise. ***Findings – Financial Matters*** • 6% (€10.8 million) fell below the threshold which required a more formal process under Public Procurement Rules and	Agreed	***1) Tender Process*** Where necessary, a new / updated tender will be carried out. In the case of approximately 30% of the exceptions, the tender is already in progress in 2018. ***2) Organisational Restructure (One RTÉ)*** The reorganisation of RTÉ and the creation of new divisions is expected to drive the creation of more agile and co-located teams. This will result in additional benefits for Procurement as oversight of key supplier relationships will be consolidated into better centralised managerial responsibility. As teams come together, especially in output areas, a better organisational view of expenditure should emerge, addressing the traditional IBD / view of buying. ***3) Procurement Department: Resources / Structure*** The Procurement department is restructuring to oversee procurement activity by expenditure category. The Head of Procurement is currently in the process of recruiting two Procurement Category Managers. The role will manage procurement across a number of procurement categories and develop / implement procurement strategies for each category. This	H	[redacted] Q1 2019 [redacted] Ongoing [redacted] Q4 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	43% was out of scope. • Of the remaining 94% falling above the tender threshold, a tender process occurred for 46% (€83 million). • The audit identified an absence of a formal procurement process in the case of 2.8% of the expenditure via [redacted] This represents €5 million expenditure and 52 suppliers. A tender is currently in progress for 30% of the exceptions, in value terms. However, it is not complete at the date of issuing this report. • For a further 1.7%, the tender status at the time of testing was unknown and is yet to be confirmed. This represents €3 million in value. ***Implication*** This review highlighted instances of non-competitive procurement within 2017 payments via [redacted] In other cases there is limited information available on the tender status.		will also involve the development of supplier performance improvement plans for key suppliers. ***4) Purchase Order ('PO') – Finance Oversight*** All POs over €2,500 now have oversight and approval by a member of Finance to improve budgetary oversight. This review will be extended to include monitoring of tendering. ***5) Monitoring & Oversight by Procurement department: Top 10 Suppliers*** Procurement has identified the Top 10 suppliers of products / services to each Division and to the RTÉ group. A named individual will be responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers. This project is at an advanced stage of being rolled out and will continue. Procurement will engage with the nominated individuals, with quarterly meetings taking place. This is linked to organisational restructuring. ***6) Implementation of new ERP System(s)*** A strategic project to implement a new ERP system(s) for Finance and HR is currently in procurement with final business case to be		[redacted] Done [redacted] Q4 2018 [redacted] Ongoing to Q4 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
			prepared by mid-year. This project will bring a number of benefits including better visibility of data, better functionality and more efficient workflows. The new ERP system(s) will assist in improving the monitoring controls and oversight of the procurement and tendering functions.		
2.	**Tender Process for Payments via [redacted] Fees** *Background* In excess of 48k payments were made to 5,612 individuals and companies via [redacted] Fees in the period 1 January 2017 to 31 December 2017. The total value of payments made was €27.1 million. These are "contracts for services" processed through [redacted] Fees, although in some cases similar services are engaged and processed through the Purchase Order System on [redacted] Some expenditure is out of scope for further testing for the following reasons: ▪ The expenditure is below the threshold which requires a more formal process under Public Procurement Rules (29.4%) ▪ The engagement of certain individuals involves editorial decision making, subject to the audio-visual media services exemption (53.7%), or relates to employee roles (4.2%).		***1) Review of Engagement Process*** A review of the process for the engagement of Contractors in RTÉ is currently underway. This review will consider how best to integrate tendering / procurement procedures into any new Contractor engagement process. ***2) Implementation of new ERP System*** See action #6 above	H	[redacted] Q3 2018 [redacted] 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Findings - Financial The main audit findings are summarised below: • A valid tender process occurred for **3.3%** of the expenditure. • The audit identified an absence of a formal procurement process in the case of **9.1%** of the expenditure via [redacted] Fees. This represents €2.47 million expenditure and comprises 49 individuals / companies. In a small number of the cases we noted during sample testing, individuals listed as exceptions are no longer engaged by RTÉ in 2018. The scope of the audit did not involve a case by case review of each contract to identify the status of engagement at the date of this audit report. • For a further **0.3%**, the tender status at the time of testing is yet to be confirmed. *Implication* This review highlighted instances of non-competitive procurement within 2017 payments via [redacted] Fees.				
3.	**Implementation of Monitoring Process for engagements via [redacted] Fees** As outlined in #2 above, we carried out a review of the engagement of contractors via [redacted] fees. In addition to the finding above, we noted the following: • No formal process exists to monitor if a competitive tender has taken place for engagements via [redacted] fees. While		***1) Review of Engagement Process*** See action #1 above (finding 2). ***2) Implementation of new ERP System*** See action #6 for finding 1.	M to H	[redacted] Q3 2018 [redacted] Ongoing to Q4 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	taxation and employment classification matters are considered throughout the process, tendering is delegated to the contracting Line Manager with limited central monitoring. This increases the risk that tendering is not carried out when required. • There is a difference in the tendering monitoring controls in place for Contractors engaged via [redacted] fees and Contractors engaged via Accounts Payable. A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place. Procurement carry out follow-up monitoring checks for orders >€10,000 to assess compliance. In addition, all orders over €2,500 have oversight by Finance. This is accompanied by Delegated Authority Limits for the approval of POs.				

RTÉ Internal Audit

Review of Purchasing Compliance *Year-ended 31 December 2018*

Report 1 of 2 (Purchase Receipting)

12 February 2019

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Division Finance:

[redacted]

Extracts:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background

Introduction: Overview of Supplier Payment Processes
The Accounts Payable department is responsible for the payment of suppliers of goods, professional fees, corporate services, etc. The RTÉ Purchasing Procedures and Guidelines govern practice in this area, with payment processed via the Accounts Payable module in [redacted]

Certain low value purchases are processed by corporate purchase cards. The personal services of named individuals / independent contractors are paid via [redacted] (Both these processes are outside the scope of this audit).

Purchase Orders
Purchases processed via Accounts Payable must have an approved purchase order ("PO") before any purchase commitment is made. POs are raised and approved on [redacted] using a web based tool – [redacted] Web. Approvers are determined by the costpool and the value of the PO. Tiered approval is provided for in line with RTÉ's delegated authority limits, as follows:

Tiered delegated authority approval limits

Order Value	Approver
€0 - €2,500	Costpool Manager
€2,501 - €10,000	Costpool Manager / Finance
€10,001 – €100,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division
€100,001 - €250,000	Costpool Manager / Central Procurement / Senior Manager / FD of Division / MD of Division
€250,001 - €750,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO
€750,001 - €2,000,000	Costpool Manager / Central Procurement / Senior manager / FD of Division / MD of Division / CFO / DG

Goods are receipted on [redacted] web, by the requisitioner, when delivered and services are receipted when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [redacted]

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, generally by EFT to the supplier's bank account.

Invoice Manager
A small number of purchases are processed each month via invoice manager. This is an alternative approval tool on [redacted] whereby invoices are approved by a member of Finance without an approved PO.

Purchase Cards
Goods and services may also be paid by purchase card. Purchase cards are visa cards provided by Ulster Bank. They are used by a restricted number of RTÉ personnel to make low value purchases of goods and services. All receipts are retained by the purchaser and approved on a monthly basis by the relevant costpool manager.

This, in turn, reduces the number of low value orders processed via [redacted] web and reduces administration costs.

Receipting of Goods / Services
The system controls within [redacted] do not allow an invoice to be processed for payment unless it matches the goods receipt value on the relevant open PO. There is a 5% tolerance limit to allow for variances such as delivery costs etc.

Payment
RTÉ is required to comply with the provisions of the *European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012*. Procedures have been implemented to identify the dates upon which invoices fall due for payment to ensure that payments are made by such dates.

Objective and Scope

Risk

The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Reputation and Compliance

Other specific risks relevant to this report are as follows:

- Fraud
- Duplicate Payments
- Compliance with Regulation
- Purchase commitments being made prior to managerial approval
- Inherent IT Risk / System Functionality:

[redacted] 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 2018 and to investigate any cases of goods/services receipted in excess of the approved order amount. We also review the timeliness of invoice payments and the extent to which orders are raised, and approved, in advance of invoices.

The output of the audit is a report, an electronic file and working papers.

Scope

The scope of our review covered all POs (including Capital WIP and Commissioned programme POs input) approved and processed during the period 1 January 2018 to 31 December 2018, across all Divisions. The audit involved three main areas of work:

- ✓ Comparing the value of goods receipted to the value of the approved PO to identify any deliberate by-passing of the purchase approval system and inspecting any invoices processed in excess of approved orders;
- ✓ Reviewing the number and appropriateness of Approvers and Requisitioners per Division; and
- ✓ Identifying the number of POs that were raised after the invoice date.

The scope did <u>not</u> include:

- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate 2019 audit report to follow).
- ✗ Reviewing purchase card payments
- ✗ A full review of all invoices posted on [redacted] to detect duplicate payments – indirectly covered as part of a separate audit.

Data Analysis

A Purchase Order Data

11,299 POs were raised in 2018, in comparison to 11,695 in 2017. (These totalled 15,944 lines of orders, as some POs contained multiple order lines). The graph below provides an analysis of the number of POs raised by Division:

The graph below details the value, by Division, of POs raised in 2018. The total value of POs raised in this period was €224m (€196m in 2017).

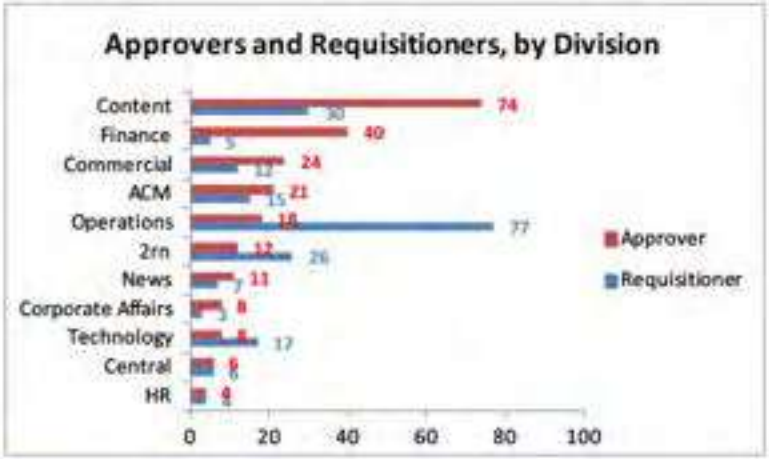
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

Value of PO	Number of Orders Processed in 2018
€0 - €5,000	8,653
€5,001 - €10,000	1,085
€10,001 - €100,000	1,269
€100,001 - €250,000	153
€250,001 - €750,000	89
€750,001 upwards	50
Total	**11,299**

Note:
794 of the POs raised in 2018 were less than €100 in value and 49% of those related to ten suppliers, generally recurring consumable supplies. 161 of the 794 POs under €100 in value have no invoice posted against them.

B Requisitioners and Approvers

At the end of 2018, there were a total of 226 Approvers and 202 Requisitioners on [redacted] The graph below shows the breakdown by Division.

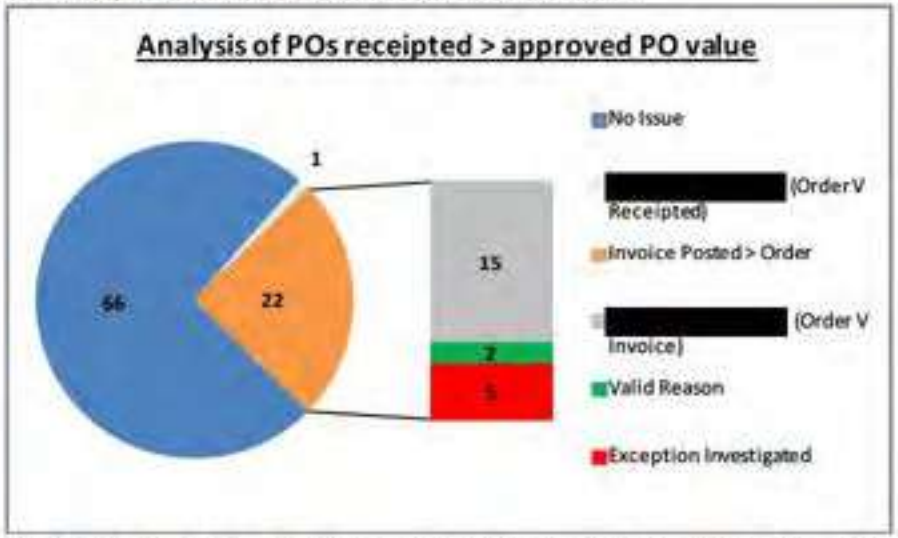


Summary Findings

1) Purchase Receipting Process

Of the 11,299 POs raised during 2018, 89 POs (0.8%) were highlighted for further testing as the value of the goods receipted against the order exceeded the original approved order amount.

A summary of the review of the 89 orders is set-out below:



For **66** of the orders, the amount invoiced was equal to, or less than, the approved PO and no further action was therefore necessary. In these cases, the excess receipting above the order value occurred due to a manual error on receipting (e.g. a mix up between the price and quantity fields). A further **one** was [redacted].

In the case of **22** further orders, both the goods receipted and the invoice processed were in excess of the original approved order. These orders were investigated further. Of the 22, 15 were [redacted]. In the remaining seven cases, there were simple explanations in two instances. Audit exceptions warranting investigation arose in five cases. See the Action Plan (#1) for full details. All were valid payments.

2) Requisitioners and Approvers

We reviewed the list of PO Requisitioners and Approvers, concluding that the number and job roles of the individuals is appropriate. We identified some minor house-keeping issues which are explained in more detail in action # 4.

3) Raising POs before Invoice

In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

POs are sometimes raised after the invoice is received, contrary to Policy. This also has an impact on the year-end accruals process for Finance teams, and increases the level of manual investigation needed.

As highlighted in the prior year audit report (year ending 31 December 2017), there is an ongoing project / working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams.

Internal Audit has carried out regular reviews of the timeliness of raising POs. The most recent result from the last quarter of 2018 are outlined in the table below:

Month	Order date prior to invoice date	Order date after Invoice date	[redacted]
Oct-18	65%	31%	4%
Nov-18	60%	34%	6%
Dec-18	63%	32%	5%

It should be noted that the introduction of the new organisational structure in early 2018 created challenges and distorted the results, having an impact on the full year results for 2018.

Conclusion

Conclusion

Internal Audit carried out a review of the processing of all POs in 2018. The audit did not highlight any deliberate fraudulent attempts to circumvent the Delegated Authority Limits by inappropriately receipting, and paying for, goods with a value in excess of the approved order amount.

We reviewed the list of PO Requisitioners and Approvers by Division, concluding that the number and job roles of the individuals is appropriate. Actions to address some matters are set-out in the action plan, in particular the existence of departed Approvers still having active accounts on [redacted]

We noted that approximately one third of purchase commitments are being made prior to managerial approval of the order, contrary to RTÉ Policy. As highlighted in the prior year audit report (year ending 31 December 2017), an ongoing Finance Working Group has been working to address this. The work of the group will continue and we expect that the positive impact of the action will be continued into 2019.

The standard of control is satisfactory in terms of the purchase receipting process. However, on the basis of the above findings, we assess the overall standard of control as "Improvement Needed". We appreciate the assistance of staff in Accounts Payable and Central Purchasing.

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Purchase Receipting Process				
1.	**Invoices processed in excess of Approved Order Value** *Background* 89 of the POs (0.8%) raised in 2018 were highlighted for review as the value of the goods receipted exceeded the original approved order amount. For **66**, the amount invoiced was equal to, or less than, the approved ordered amount and no further action was therefore necessary. A further **one** was within the [redacted]. *Finding* In the case of the remaining **22** orders, the invoice processed was in excess of the original approved order. These orders were investigated further, as follows: ✓ In **15** of the 22 exceptions, the invoice processed was less [redacted] and did not require further investigation. ➢ For **two** of the exceptions, there was a valid reason for the invoice being processed, and paid, for an amount in excess of the original approved order. See explanations below: 1) This is a once off payment for cancellation fees and the final bill in respect of a phone line. This was a once off exception and not anticipated in the original order. 2) An additional invoice to the amount of €200 (amount by which the Invoice > PO) was entered onto the system under the incorrect supplier in error and subsequently	N/A	Production teams need to be reminded by local Finance teams to try to be as accurate as possible at the costing stage to minimise instances of invoices being greater than PO amounts. This point will also be communicated during the communication to Line Managers regarding the Late POs in Finding #2 below.	H	[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date

removed prior to any payment. Therefore the Order amount was equal to the invoice amount and no issue was noted.

X For the other **five** orders an invoice was processed, and paid, for an amount in excess of the original approved order, warranting further investigation. Details are set out in the table below:

Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	AP Verification	Valid Payment	Analysis Below
Marketing	€1,396	€1,949	-€553	✔	✔	1
Furniture Manufacturers	€2,000	€2,500	-€500	✔	✔	2
Specialised Lighting	€3,105	€3,865	-€760	✔	✔	3
Professional Camera equipment	€1,800	€2,646	-€846	✔	✔	4
Set Design	€9,669	€10,829	-€1,160	✔	✔	5

A valid purchase / payment was made in each of these instances and no instances of fraud was detected. See below for a more detailed explanation of each exception.

1) ***Marketing Services required during National Ploughing Championships:***
This payment was in relation to the National Ploughing Championships event. Additional charges occurred due to weather delays over the course of the event. This additional payment was checked for approval with relevant Line Manager by Accounts Payable prior to payment.

2) ***Furniture Manufacturers for launch of new RTÉ Player:***
This payment was in relation to additional promotional costs in excess of the original order for the launch of the new

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Player. Additional fees were checked for local Line Manager approval prior to making payment. ***3) Dancing With The Stars Promo - Specialised Lighting*** This payment was in relation to the production of the Dancing With The Stars (DWTS) promo - specialised light boxes were required resulting in additional charges on the original ordered amount. **4) *DWTS Promo - Professional Camera Equipment*** This payment was in relation to the production of the DWTS promo - on the day of the shoot, an additional camera was required. **5) *DWTS Promo - Set Design*** This payment was in relation to the production of the DWTS promo – late changes to the original set design were requested resulting in additional charges. The surplus amounts for all invoices were checked with the relevant Producers and team prior to making any payment. In mitigation, the [redacted] promo was a very large production with shoot costings being done while already in production. Due to changes in both timelines and the original production idea at a very late stage, variances between costings that were agreed and what was actually paid, are reasonable. There is a requirement that the promo is to a certain editorial standard.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	PO Management				
2.	**Purchase Orders raised after the Invoice** *Background* A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data-set used to examine receipting. In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy. *Findings* The findings highlighted that approximately one third of purchase commitments are continually being made prior to managerial approval of the order, contrary to Policy. As highlighted in the prior year audit report (year ending 31 December 2017), there is an ongoing project or working group in place responsible for monitoring compliance levels in this area and liaising with Finance teams. Internal Audit carry out regular reviews of the timeliness of raising POs while circulating the results to the wider Finance teams. The most recent results from the last quarter of 2018 are outlined in the table below:		***Local Finance teams*** The level of compliance (of POs raised before the invoice date) will be monitored locally by Finance teams and actioned accordingly based on the report. This will involve liaising with Requisitioners and Appprovers, as required, e.g. where issues of persistent After-the-Fact POs are identified. ***Data and Reporting*** Reports detailing the number of After-the-Fact POs will be prepared monthly for review at the monthly Finance Meeting.	M	[redacted] Ongoing Internal Audit Ongoing

Month	Order date prior to invoice date	Order date after Invoice date	[redacted]
Oct-18	65%	31%	4%
Nov-18	60%	34%	6%
Dec-18	63%	32%	5%

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Impact It should be noted that the introduction of the new organisational structure in the initial part of 2018 created challenges in reporting these results, distorting the data. This finding also has an impact on the year-end accruals process for Finance teams, and increases the level of manual investigation needed. In mitigation, some of the expenditure would have already been approved as part of another process, prior to the PO stage e.g. capital approval form, business case, or purchase of a programme / rights. Direct Communication to Line Managers, communicating instances of PO raised after invoice date, has begun in early 2019. This will have a desired knock-on effect over the coming months and will be monitored monthly.				
	Requisitioners & Approvers of POs				
3.	**Departed Employees** *Background* The number and appropriateness of Approvers and Requisitioners on [redacted] at 31 December 2018 was reviewed. These listings were compared with recent staff lists from HR to ensure that all Approvers / Requisitioners were employees of RTÉ and reviewed for other unusual features. *Findings*		*Departed Approvers / Requisitioners* IT Finance will review the listing of Approvers and ensure that work-lists have been transferred and their accounts deactivated. *Employee set up under incorrect ID Number* This employee will be set up on [redacted] under their correct staff ID number. The	M	[redacted] 31 March 2019 [redacted] 31 March 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• At the end of 2018, there were a total of 226 Approvers (220 in 2017) and 202 Requisitioners (184 in 2017) on [redacted] • *Departed Approvers / Requisitioners:* a) Three Approvers on the listing (as at 31 December 2018) are former employees who departed from the organisation in 2018, and should not still be listed as active Approvers. These departed either under the Voluntary Exit Programme or retirement. In mitigation, in order for the 'work lists' of these departed approvers to be transferred temporarily to other current employees, their accounts still need to remain active. Once the work lists have a finalised designated approver, the accounts of the departed employees will be made inactive. b) We did not identify any Requisitioners on the listing that are former employees. This is an improvement on prior year results. • *Employee set up under incorrect ID Number:* a) We identified one Approver that was set up on [redacted] under an incorrect Employee ID number due to an administrative error. In order to avoid confusion, this will need to be amended in some way as there is a risk that a future staff member will be assigned this staff number. This is a recurring finding from this audit in 2018.		incorrect Approver number will be made inactive on [redacted] and all previous transactions will be given a note so that the trail of transactions will not be lost.		

RTÉ

RTÉ Internal Audit

Reports to the Audit and Risk Committee on the System of Internal Control and Risk Management

Year-ended 31 December 2019

Part 1: Audit and Risk Committee Meeting 18 March 2020

Part 2: Audit and Risk Committee Meeting 15 April 2020

Part 1: Audit and Risk Committee Meeting 18 March 2020

RTÉ Internal Audit

Report to the Audit and Risk Committee

Meeting: 18 March 2020

Circulation:

Attending the Committee meeting:
Anne O'Leary (Chair)
Ian Kehoe
Robert Shortt

CC:
Dee Forbes (Director-General)
Richard Collins
Breda O'Keeffe

Paula Mullooly (RTÉ Group Secretary)

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2. TECHNICAL UPDATES / RECENT DEVELOPMENTS

Protiviti Enterprise Risk Management Survey 2020
Presentation of Financial Statements/*IAS 1* Changes

1. REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

RTÉ

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: Paula Mullooly, RTÉ Group Secretary

From: [redacted], Head of Internal Audit

Date: 13 March 2020

Re: Review of Effectiveness of Internal Control: Introduction and Agenda

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1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 18 March 2020 Audit and Risk Committee meeting, facilitated by the documents attached, and will continue at the Committee meeting scheduled to take place on 15 April 2020. At that point, the members of the Committee will make a recommendation to the Board.

The purpose of this memorandum is to provide background context to the Committee's review of the effectiveness of internal control and to outline the agenda to be covered at this meeting.

2. Internal Control

Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. Internal control encompasses a broad range of processes and activities throughout the organisation including policies and procedures, approvals, authorisation limits, reconciliations and supporting financial management information systems.

The roles and duties of various parties in the internal control system are illustrated in this model:

3. Why review the effectiveness of Internal Control?

Code of Practice for the Governance of State Bodies

A review of the effectiveness of the system of internal control is a requirement of the 2016 Code of Practice for the Governance of State Bodies ("the Code of Practice"). Published by the Department of Public Expenditure and Reform, compliance with the Code of Practice is mandatory for RTÉ and each of its subsidiaries. Section 7.5 of the Code of Practice outlines that:

> *"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, the Code's 'Business and Financial Reporting Requirements', a supporting document to the main code, outlines that:

> *"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

The annual report of each State Body must include a statement on "internal control" (using a prescribed format) and the external auditors are required review this statement.

The statement will be contained in the Internal Control and Risk Management Section of the Corporate Governance Report in the draft Annual Report for the year-ended 31 December 2019.

In addition to the above, the Chairperson's annual report to the Minister for Communications, Climate Action and Environment must also include a statement on the system of internal control.

RTÉ will report on compliance with the updated Code of Practice for the Governance of State Bodies in the 31 December 2019 Annual Report.

Companies Act 2014

Section 225 of the Companies Act 2014 introduced a requirement for directors of an in-scope Irish company to include an annual Compliance Statement in the directors' report accompanying the company's financial statements. Section 225 was applicable to two RTÉ subsidiaries for the financial year ended 31 December 2018, based on size criteria.

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken.

The relevant obligations cover Irish Tax law and various other Companies Act requirements such as the maintenance of proper books and records. In the majority of cases, the applicable controls are managed centrally through the RTÉ Group structure. Therefore, for the purpose of providing assurance to the directors of RTÉ Transmission Network DAC and RTÉ Commercial Enterprises DAC, Internal Audit's assurance activity in the area of Directors' compliance statements is carried out in the context of its broader work in the area of internal control.

4. What should this review involve?

Guidance has been published to assist Audit Committees to discharge their duties in this area.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

Section 7.5 of the Code of Practice also references the Financial Reporting Council's guidance in this area.

5. Documents to facilitate the Committee's review

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ.

In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations. These items are highlighted as key steps in the annual review of the effectiveness of internal control as per section 7.5 of the Code of Practice.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle.

Please refer to the table overleaf for further details of the documents and the scheduling of presentations over the two Committee meetings.

At the end of the meeting on 15 April 2020 **the members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ**, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report.

Documents Presented to the ARC to Facilitate a Review of the Effectiveness of the System of Internal Control

No.	Topic / Agenda Item	Presented to the ARC:
1	Corporate Governance and Internal Control in the main operating subsidiary 2rn, comprising: Listing of top risks and Internal Audit report following a Review of Internal Control in 2rn.	**18 March 2020**
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.	**18 March 2020**
3	The Quarterly Risk Update for Q1 2020, comprising an updated Group Risk Map and updated key risk indicators and actions to further mitigate.	**18 March 2020**
4	The results of Internal Audit checks on compliance with the *Code of Practice for the Governance of State Bodies.*	15 April 2020
5	Directors' Compliance Statement: Details of the audit work carried out to enable the directors of the in-scope RTÉ subsidiaries to include a Directors' Compliance Statement in the annual directors' report. This is a requirement under the Companies Act 2014.	15 April 2020
6	Internal Audit Report on Purchase Compliance for the year-ended 31 December 2019, addressing both purchase receipting and tendering aspects.	15 April 2020
7	Review of the Cost Allocations Process[1] for the year-ended 31 December 2019 *([1]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)*	15 April 2020*
8	Committee's resolution on internal control and recommendation to the Board.	15 April 2020

* The scope of the work is determined by the requirements of the External Auditors and the extent of audit work in this area.

(1A) Internal Control in 2rn:

- Financial Control in 2rn
- Summary of Risks

1A INTERNAL CONTROL IN 2rn

1.1 BACKGROUND

As a wholly-owned subsidiary, the financial results of 2rn are consolidated as part of the financial results of the RTÉ Group. Therefore, RTÉ retains a responsibility for ensuring that all subsidiaries are adequately managed and controlled and retains the legal authority to hold a subsidiary to account for their activities. The RTÉ Audit and Risk Committee is responsible for approving the financial statements of the RTÉ Group (including consolidated 2rn) and, in that context, the RTÉ Board is also responsible for reviewing the system of internal control for the entire group.

The directors of the Board of 2rn also have their own legal and fiduciary responsibilities under statute (Acts/EU Regulations) and common law, and need to be satisfied that appropriate governance arrangements are in place to meet their legal responsibilities.

Up to 2013, 2rn had been managed as an Integrated Business Division, in a manner similar to other RTÉ divisions, and it fell within the scope of the wider review of financial control in RTÉ. However, the relocation of 2rn from the Donnybrook campus to premises in Dublin 24, in addition to the migration of responsibility for key 2rn financial processes from the RTÉ Group's Central Shared Services functions to management locally, means that the 2rn financial processes are no longer managed centrally.

1.2 DOCUMENTS FOR REVIEW

In order to assist the Board to carry out its review of financial control in 2rn, this section of the report contains a number of documents in respect of 2rn:

- Internal Audit Report: Financial Control in 2rn (report overleaf); and
- Summary of Risks (Section 1.3).

RTÉ Internal Audit

Review of 2rn Internal Financial Control

12 March 2020

Final

Full Report included separately in list of reports - not repeated here

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[redacted]

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RTÉ

(1B) Internal Financial Control Questionnaire

1B INTERNAL FINANCIAL CONTROL

1.1 BACKGROUND

Internal Financial Control

Each Division and, where applicable, central functions/shared services completed a self-assessment of the internal financial controls in the following areas:

	Process	Overview of control questions
A	Purchasing and Accounts Payable	Raising and processing of Purchase Orders (POs); receipting; processing of supplier invoices; compliance with Purchasing Procedures and Guidelines including tendering and the use of purchase cards; amendments to masterfiles; and payment procedures.
B	Sales and Accounts Receivable	Reviewing procedures for set-up of new customers and credit status; invoicing customers; cash collection procedures and account management; credit notes; segregation of duties; and reconciliations.
C	Cash and Treasury	Maintenance of bank accounts; recording of cash transactions; payments to suppliers and other parties; reconciliations; segregation of duties and authorisation sign-off.
D	Inventory	Recording of inventories, stock movement; provisions against carrying value; and authorisation of write-offs.
E	Fixed Assets	Recording assets; valuation; additions and disposals; capital expenditure projects; sign-off and approval.
F	People Payments	Payroll payments; personal expenses; recording of annual leave; reconciliation to General Ledger; segregation of duties; and filing of returns.
G	Management Accounts/Financial Close	Preparation; review and clearance; financial close; intercompany accounts; manual journals and suspense accounts.
H	Tax Compliance	Preparation and submission of VAT; PAYE/PRSI; Professional Services Withholding Tax; DWT and CT.

1.2 REPORTING REQUIREMENTS

Section 1.8 of the 2016 Code of Practice for the Governance of State Bodies ("the Code") states that:

"The Board has responsibility for ensuring that effective systems of internal control are instituted and implemented. The Board is required to confirm annually to the relevant Minister that the State body has an appropriate system of internal and financial control in place."

As a result, we carry out specific work in the area of Internal Financial Control.

1.3 CONTROL EFFECTIVENESS

Management completed an assessment of the effectiveness of each financial control (47 questions) using a scale of 1-4, where 4 is the highest rating. This follows a similar approach to previous years.

Overleaf we have set-out, by Division, details of the effectiveness ratings assigned to the individual financial control questions in each of the process areas. As summarised overleaf, the output of this exercise highlights that a robust financial control environment exists in RTÉ, with strong control effectiveness ratings across the financial processes. In general, the ratings are broadly consistent with those reported last year with some areas showing marginally lower rating due to process changes.

Please refer to the ***Appendix 1*** at the back of this report for the financial control questionnaire in full, detailing the scores assigned to each of the 47 questions.

INTERNAL FINANCIAL CONTROL SELF-ASSESSMENT QUESTIONNAIRE
Year Ending 31 December 2019

Summary of Effectiveness Ratings									
Section	Process Area	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
A	Procurement and Accounts Payable	89%	Divisions implement Group Procurement Procedures. AP managed centrally.						89%
B	Sales and Accounts Receivable	98%	Immaterial	N/a	N/a	71%	N/a	N/a	84%
C	Inventory	N/a	94%	N/a	98%	N/a	N/a	N/a	96%
D	Cash and Treasury	96%	N/a	N/a	N/a	N/a	N/a	N/a	96%
E	Fixed Assets	97%	88%	88%	95%	88%	95%	97%	92%
F	People Payments	78%	79%	79%	85%	91%	83%	83%	82%
G	Management Accounts/Financial Close	91%	90%	90%	90%	90%	93%	93%	91%
H	Taxation	88%	Taxation function in Group Finance.						88%

Note: Taxation is also covered as part of audit work on the Director's Compliance Statement.

1.4 INTERNAL AUDIT PROCEDURES

Our procedures in this area included:

- Reviewing the reasonableness of the ratings assigned to the financial control questions, based on the documented controls in place;

- Discussions, where necessary, with relevant personnel regarding:
  The operation of a sample of controls;
  The reasonableness of a sample of ratings, based on the controls represented as being in operation; and
  The reasonableness of a sample of ratings, having regard for recent audit results and our understanding of the area.

- Testing the operation of a sample of controls which management has taken into account in arriving at the effectiveness rating and review of documentation/supporting evidence.

1.5 RESULT

The effectiveness ratings assigned to the financial control processes within scope are reasonable and, for the sample tested to date, consistent with the underlying controls in place and our findings during planned audit assignments in the past year.

Testing is at advanced stage at the date of this report, with a small number of areas to finalise. A further update will be provided on completion of testing, although we do not envisage any issues arising.

Please refer to ***Appendix 1*** for the consolidated internal financial control questionnaire which provides details of process effectiveness ratings.

2.
TECHNICAL UPDATES / RECENT DEVELOPMENTS

2 TECHNICAL UPDATES / RECENT DEVELOPMENTS

2.1 PROTIVITI ENTERPRISE RISK MANAGEMENT SURVEY

2.1.1 Background and Introduction

Protiviti and North Carolina State University's Enterprise Risk Management Initiative recently issued a report focusing on the top risks currently on the minds of global boards of directors and executives.

This report contains the results from the eighth annual risk survey on the extent to which a broad collection of risks are likely to affect their organisations over the next year.

The respondents answered questions on 30 specific risks across three dimensions:

- Macroeconomic risks likely to affect their organisation's growth opportunities;
- Strategic risks the organisation faces that may affect the validity of its strategy for the pursuit of growth opportunities; and
- Operational risks that might affect key operations of the organisation in executing its strategy.

2.1.2 Top Risks

A summary of the top five risks is set-out below and the list of the top 10 risks is in the tables overleaf.

- **Regulatory challenges** continue to represent a major source of uncertainty among the majority of organisations. The overarching issue relates to perceived concerns about how regulatory oversight seems to be expanding in multiple areas that may lead to even greater disruptions in business models and constrict companies' ability to innovate in certain areas. The regulatory climate adds uncertainty to an already disruptive business environment.

- Concerns relating to **economic issues** in domestic and international markets have significantly escalated for 2020, relative to the past two years. Concerns about the overall strength of the global economy, particularly in light of the ongoing Brexit debate, perceived volatility in global trade discussions, declines in certain manufacturing sectors, and a general reduction in growth rates in major economies, have heightened this risk.

- The risk of **succession** challenges and the ability to attract and retain talent is the third risk. This reflects the continued record low unemployment in many regions of the world and an increasing need for specialised digital knowledge and subject-matter expertise.

- The ability of organisations – relative to their competitors – to adjust existing operations to meet challenges and competition, especially **"born digital" competitors**. The concern may be a composite of several significant uncertainties:

  - the company's digital readiness;
  - its lack of resilience and agility in keeping pace with changing market realities;
  - the lack of "out-of-the-box" thinking about the business model and fundamental assumptions underlying the strategy; and
  - the existence or threat of more nimble competitors.

- **Enabling change** continues to be a significant priority for every organisation. As major business model disruptors emerge, respondents are growing even more focused on the organisation's potential unwillingness, or inability, to make necessary timely adjustments to the business model and core operations. Executives continue to be concerned about their ability to enable change, despite the reality that change has become a way of life for most companies.

The list of the top ten risks is set out overleaf, initially in summary format followed by a more detailed description of the risks and the movement over three years.

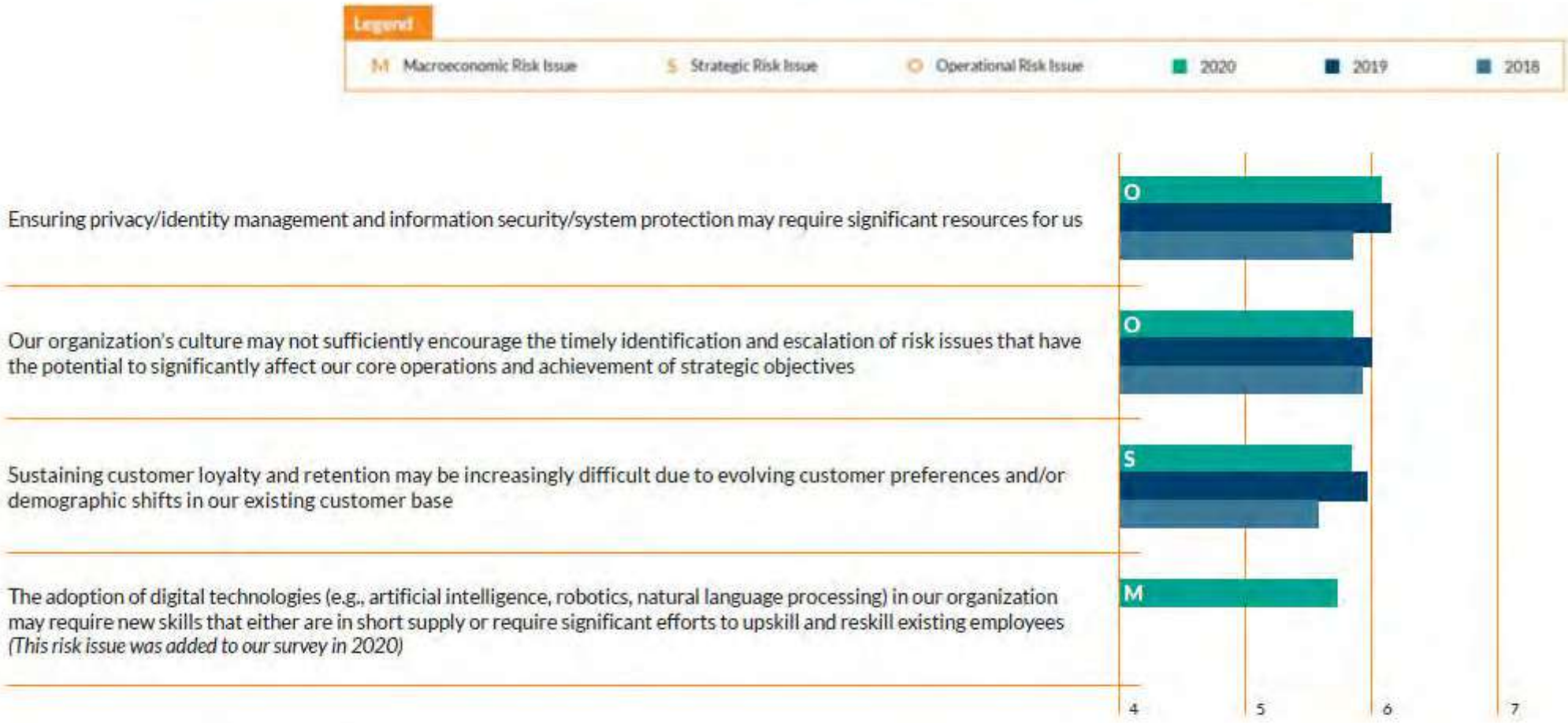
TOP 10 RISKS FOR 2020

	RISK ISSUE	2020*	2019 (rank)*
1.	Impact of regulatory change and scrutiny on operational resilience, products and services	6.38	6.24 *(3)*
2.	Economic conditions impacting growth	6.34	5.93 *(11)*
3.	Succession challenges; ability to attract and retain top talent	6.27	6.34 *(2)*
4.	Ability to compete with "born digital" and other competitors	6.23	6.35 *(1)*
5.	Resistance to change operations	6.15	6.17 *(5)*
6.	Cyber threats	6.09	6.18 *(4)*
7.	Privacy/identity management and information security	6.06	6.13 *(7)*
8.	Organization's culture may not sufficiently encourage timely identification and escalation of risk issues	5.83	5.99 *(9)*
9.	Sustaining customer loyalty and retention	5.82	5.95 *(10)*
10.	Adoption of digital technologies may require new skills or significant efforts to upskill/reskill existing employees *(new in 2020)*	5.71	N/A *(new)*

Legend

M Macroeconomic Risk Issue S Strategic Risk Issue O Operational Risk Issue 2020 2019 2018

Top 10 Risks for 2020


Legend
M Macroeconomic Risk Issue
S Strategic Risk Issue
O Operational Risk Issue
2020
2019
2018
Ensuring privacy/identity management and information security/system protection may require significant resources for us
O
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives
O
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base
S
The adoption of digital technologies (e.g., artificial intelligence, robotics, natural language processing) in our organization may require new skills that either are in short supply or require significant efforts to upskill and reskill existing employees
(This risk issue was added to our survey in 2020)
M
4
5
6
7

2.1.3 Technology, Media and Communications Risks

There are a number of notable changes in top risks for organisations in the Technology, Media and Telecommunications (TMT) industry group for 2020. Perhaps most noteworthy, economic conditions are the top global risk for the sector, after not ranking among the top five issues in 2019. There is substantial uncertainty regarding the trajectory of market conditions in 2020, with the potential for economic downturn and changing trade policies among numerous contributing factors.

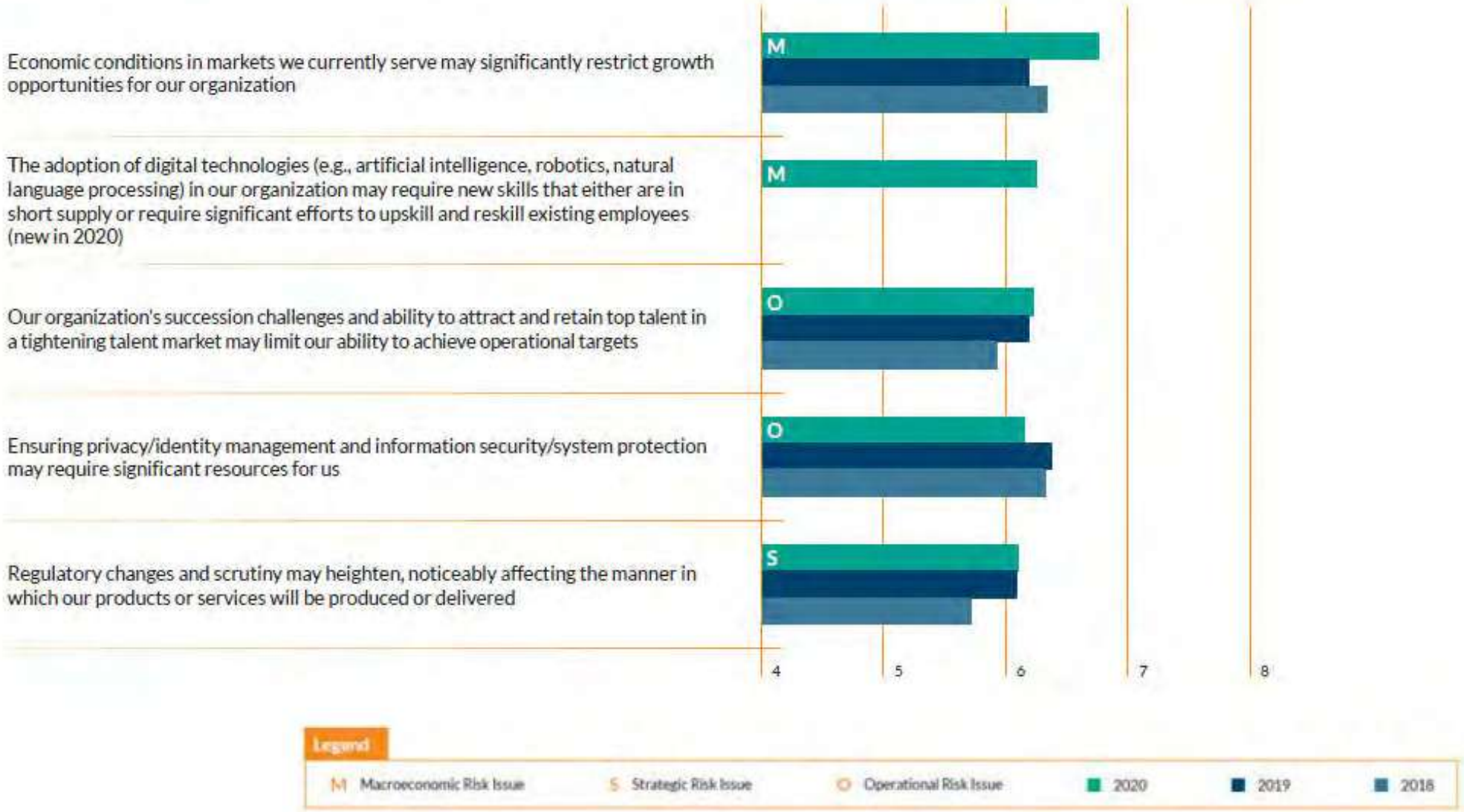
The adoption of digital technologies and the resulting requirement for new skills is a new risk issue in the survey and underscores the rapid pace at which emerging technologies are being introduced in organisations.

There is also a risk in relation to access to new and changing skills, as well as up-skilling and re-skilling existing employees. Similar to the risk of changing economic conditions, there is a great deal of uncertainty in what is required for skills development to ensure successful adoption of digital technologies.

Consistent with prior years, ensuring privacy and the protection of data remains a critical issue for organisations in this industry group. Privacy dropped slightly for 2020 to the fourth position in the top five risks, perhaps reflecting the extensive investment of resources following GDPR.

The impact of regulatory changes and increasing legislative scrutiny is another new addition to the top five risk issues for the industry group. There has been extensive media coverage globally of the potential impact of increased regulation on large technology companies, and even some speculation of breaking up some of the largest organisations. There also have been a number of well-publicised regulatory actions and significant fines — largely in the European Union and the United States – levied against these same organisations

Technology, Media and Telecommunications



2.1.4 Report

A full printed report is available on request, or may be accessed at the following link:

https://www.protiviti.com/US-en/2020-top-risks

2.2 Proposed Changes to Presentation of Financial Statements

In December 2019 the International Accounting Standards Board (IASB) published an Exposure Draft 'General Presentation and Disclosures'. The Exposure Draft proposes to replace *IAS 1 'Presentation of Financial Statements'* with a new IFRS and amend several other IFRS Standards.

The impact of the proposals would include:

- Changes to the structure of the Statement of Profit and Loss;
- More minimum subtotals, including a subtotal for Operating Profit;
- New requirements on disaggregating information in the financial statements;
- New disclosures about unusual items, management performance measures and the analysis of expenses; and
- Limited changes to the Statement of Cash Flows and Statement of Financial Position.

See a briefing note from Grant Thornton overleaf. This has the potential to significantly alter the presentation of financial statements, although it will be some time before fully operational.

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IFRS Alert

IASB proposes major changes to the primary statements and notes

Executive summary

In December 2019 the International Accounting Standards Board (IASB) published an Exposure Draft 'General Presentation and Disclosures' (General Presentation ED). The General Presentation ED proposes to replace IAS 1 'Presentation of Financial Statements' with a new IFRS and amend several other IFRS Standards. The impact of the proposals would include:

- Changes to the structure of the Statement of Profit and Loss
- More minimum subtotals, including a subtotal for Operating Profit
- New requirements on disaggregating information in the financial statements
- New disclosures about unusual items, management performance measures and the analysis of expenses
- Limited changes to the Statement of Cash Flows and Statement of Financial Position

The ED is open for comment until 30 June 2020.

Background

The General Presentation ED is an important milestone in the IASB's 'Better Communication' initiative. The IASB undertook this project in response to concerns from investors about the current comparability and transparency of companies' performance reporting.

The proposals

The proposals aim to address the identified concerns by introducing new requirements in three main areas:

- The structure of the statement of profit or loss
- Disaggregation of information in the financial statements
- Disclosures concerning financial performance.

While the main focus is on reporting financial performance, the General Presentation ED also proposes limited changes to the Statement of Cash Flows and Statement of Financial Position.

The proposals would replace IAS 1 and amend some other IFRS Standards. While the proposals are extensive, many aspects of IAS 1 would be retained. For example, IAS 1's requirements on the components of a complete set of financial statements and the option to present single statement of comprehensive income or separate sections for profit or loss and other comprehensive income would be carried forward unchanged. The structure below the profit before tax subtotal, including the presentation of results of discontinued operations, would also be unaffected.

The main changes proposed are summarised below.

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Statement of profit or loss

The main proposals affecting the Statement of Profit or Loss are:

Area	Summary
Basic structure	The Statement of Profit or Loss, above the existing profit before tax subtotal, would be organised into four sections: • Operating • Integral associates and joint ventures (see below) • Investing • Financing The types of income and expense included in each section are prescribed, with adaptations for particular entities (see below).
New subtotals	The following new, minimum subtotals would be required: • Operating profit • Operating profit and income and expenses from integral associates and joint ventures • Profit before financing and income tax
Operating profit or loss	Income and expenses would be included in arriving at operating profit or loss unless they are specifically classified in another category (i.e. operating, investing, financing, integral associates and joint ventures, income tax or discontinued operations). In other words, operating profit or loss is the 'default category'. As a result, it would not be permissible to present an operating profit or loss subtotal that excludes 'unusual' items such as restructuring costs and impairments of non-financial assets. The proposals would also restrict the use of columns to present management performance measures in the statement(s) of financial performance.
Associates and joint ventures	The ED defines 'integral associates and joint ventures' and 'non-integral associates and joint ventures', and proposes to require an entity to provide information about integral associates and joint ventures separately from that for non-integral associates and joint ventures.
Expenses by nature or by function	In presenting its expenses within the operating section an entity would select whichever of the 'by nature' or 'by function' that provides the most useful information to users. A mixed approach would not be permitted. Entities applying the 'by function' method would (i) present cost of sales separately from other expenses; and (ii) disclose an analysis of total operating expenses by function in the notes.
Adaptations for particular entities	The requirements on what is included/excluded in the categories and subtotals would be adapted for certain entities. Adaptations would apply to insurers and to entities that provide financing to customers (e.g. banks) and/or make investments as a main business activity.

Disaggregation

The General Presentation ED contains several proposals aimed at improving how entities disaggregate information both in the primary financial statements and in the notes. These include the proposals of the presentation of expenses 'by nature' or by 'function' (see above) and on disclosing unusual items (see below). In addition, the ED proposes more general guidance on when to combine or separate items of income or expense. This includes a description of the purpose of the primary statements and the notes and a three-step approach to aggregation and disaggregation. The three steps are:

- identify assets, liabilities, equity, income and expenses that arise from individual transactions or other events
- classify those items into groups based on shared characteristics, so that line items in the primary financial statements comprise items that share at least one characteristic; and
- separate those line items based on further characteristics, resulting in the separate disclosure of material items in the notes.

New guidance is also proposed on the aggregation of individually immaterial items.

Disclosures

Management performance measures

The IASB has observed that many companies provide performance measures defined by management (sometimes referred to as 'non-GAAP' or 'alternative performance' measures) in communications with investors outside the financial statements. The IASB believes that such measures can be useful but have heard concerns about the quality of disclosures provided about them.

In response the ED includes proposals to define 'management performance measures' (MPMs) and require entities to disclose information about them. The proposals are summarised below:

Area	Summary
Definition	MPMs would be defined as measure that are: • are used in public communications outside financial statements • complement totals or subtotals specified by IFRS Standards • communicate management's view of an aspect of a company's financial performance
Scope	The proposals focus on MPMs that are subtotals of income and expenses (e.g. adjusted operating profit). Other measures such as free cash flow, adjusted revenue and growth rates are not affected.
Requirements	The following information about MPMs would be provided in a single note: • a reconciliation between each measure and the most directly comparable subtotal or total specified by IFRS Standards • the effect on tax and non-controlling interests for each reconciling item • a description of why each measure communicates management's view of performance and how it is calculated • an explanation of any changes in how a company calculates its management performance measures or which measures it provides

Unusual items

The IASB believes that information about income and expenses that are not expected to recur in the near future is useful to investors. However, IFRS Standards do not explicitly require entities to provide such information and the IASB has observed inconsistency in current disclosure practices.

In response the ED includes proposals to define 'unusual' income and expenses and require entities to disclose them. The proposals are summarised below:

Area	Summary
Definition	'Unusual' income and expenses would be defined as those with a with limited predictive value. Income and expenses have limited predictive value when it is reasonable to expect that income or expenses that are similar in type and amount will not arise for several future annual reporting periods.
Requirements	For each unusual item, entities would be required to disclose, in a single note: • a narrative description of how it arose and why it meets the definition of an unusual item • in which line item(s) in the statement of profit or loss it is included • an analysis by nature, if the company presents operating expenses by function in the statement of profit or loss.

Other primary statements

Although the main focus is on the statement of profit and loss, the General Presentation ED also include proposals for more limited improvements to cash flow reporting, which would amend IAS 7 'Statement of Cash Flows'. The key proposals:

- require operating profit as the single starting point for the indirect method for reporting cash flows from operating activities
- require a split between cash flows from investments in integral and non-integral associates and joint ventures, consistent with its proposed approach for the statement of profit or loss
- remove the classification choice for interest and dividend cash flows for most entities.

The proposals would also expand the list of minimum line items in the Statement of Financial Position to include goodwill and to present 'integral' and 'non-integral' associates and joint ventures separately.

What will it look like?

Structure of the statement of profit and loss

Under the proposals in the General Presentation ED, the basic structure of a statement of profit or loss (for entities other than banks, insurers and those that make investments in the course of their main activities), down to the profit before tax subtotal, would be organised as follows:

Revenue	x	Operating
Operating expenses	(x)	
Operating profit or loss	x	
Share of profit of integral associates and joint ventures	x	Integral associates and joint ventures
Operating profit or loss and income and expenses from integral associates and joint ventures	x	
Share of profit or loss of non-integral associates and joint ventures	x	Investing
Income from investments	x	
Profit or loss before financing and income tax	x	
Interest revenue from cash and cash equivalents	x	Financing
Expenses from financing activities	(x)	
Unwinding of discount on pension liabilities and provisions	(x)	
Profit or loss before tax	x	

It should be noted that:

- Additional line items, headings and subtotals would be required when relevant (consistent with IAS 1 today)
- The above illustration does not include various line items that are required in accordance with other IFRS Standards such as IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'
- Different presentations apply to the particular types of entities referred to in the table on page 2.

Next steps

The ED is open for comment until 30 June 2020.

Grant Thornton International Ltd comment

The IASB's proposals in the General Presentation and Disclosure ED are not a complete reinvention of the primary financial statements but would still bring about substantial changes to current practices. The more notable impacts include changes to the reporting of operating profit, a prohibition on the use of columns to report adjusted profit measures, new disclosures about unusual income and expense and a distinction between integral and non integral associates and joint ventures. The proposals on management performance measures (MPMs) are similar to existing regulatory requirements in some jurisdictions but represent a first attempt by the IASB to anchor MPMs in the financial statements.

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Appendix 1 – Internal Financial Control Questionnaire

Section A: Purchasing and Accounts Payable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
1	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3.3	Divisons implement Group Procurement Procedures						3.3
2	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3							3.0
3	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	3.7							3.7
4	Score the effectiveness of the procedures and controls over the receipting of goods and services	3							3.0
5	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3.4							3.4
6	Score the effectiveness of the procedures for confirming balances with suppliers	3.7							3.7
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	3.5							3.5
8	Score the effectiveness of the controls over the processing of amendments to the purchase ledger masterfile	3.8							3.8
9	Score the effectiveness of the controls over the segregation of duties between the order of, receipt of, and payment for goods and services	4							4.0
10	Score the effectiveness of the procedures and controls over the reconciliation of the sum of the balances on the creditors' listing in the creditor's ledger and the creditor's balance per the GL control account	4							4.0

Total Score for Purchasing and Accounts Payable Processes	35.4						
	89%						

Section B: Sales and Accounts Receivable

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
11	Score the effectiveness of the procedures and controls carried out prior to granting credit status to new customers	3.8	Immaterial						3.8
12	Score the effectiveness of the procedures and controls over the processing of customer orders					2			2.0
13	Score the effectiveness of the procedures and controls over the invoicing of customers	4							4.0
14	Score the effectiveness of the procedures and controls over the the issue of credit notes to customer					3.5			3.5
15	Score the effectiveness of the procedures and controls over the handling and recording of cheque/CAPS/BAC receipts	3.8							3.8
16	Score the effectiveness of the procedures and controls over the collection of amounts due from customers and the follow-up procedures for collecting overdue amounts	3.9							3.9
17	Score the effectiveness of the procedures and controls over the establishment of provisions against, and write-off of, debtor balances	4							4.0
18	Score the effectiveness of the controls over the segregation of duties between receipts of orders, invoicing, receipts of cash and follow-up of overdue accounts	4							4.0
19	Score the effectiveness of reconciliation procedures and controls					3			3.0

Total Score for Sales and Accounts Receivable Processes	23.5				8.5		
	98%				71%		

Section C: Inventory

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
20	Score the effectiveness of the procedures and controls over the recording of inventories (quantity, value etc.)		3.8		3.8				3.8
21	Score the effectiveness of the procedures for calculating the provisions required against the carrying values of stocks.		3.7		4				3.9
22	Score the effectiveness of the procedures and controls over stock movements		3.8		3.8				3.8
23	Score the effectiveness of the month end inventory accounting procedures		3.8		4				3.9
	Total Score for Inventory Processes		15.1		15.6				
			94%		98%				

Section D: Cash and Treasury

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3.7							3.7
25	Score the effectiveness of the procedures and controls over the reconciliation of cash book and bank account records	3.5							3.5
26	Score the effectiveness of the procedures and controls over payments to suppliers and other parties	3.9							3.9
27	Score the effectiveness of the procedures and controls over transactions denominated in foreign currencies	4							4.0
28	Score the effectiveness of the controls over the segregation of duties in the cashiers department	4							4.0
29	Score the effectiveness over the recording of borrowings	4							4.0

Total Score for Cash and Treasury Processes	23.1						
	96%						

Section E: Fixed Assets

	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
30	Score the effectiveness of the procedures and controls over the recording of fixed assets	3.7	3.5	3.5	3.5	3.5	3.8	3.7	3.6
31	Score the effectiveness of the procedures and controls over the valuation of fixed assets	4	3.5	3.5	3.7	3.5	3.8	4	3.7
32	Score the effectiveness of the procedures and controls over fixed asset additions and disposals	4	3.5	3.5	4	4	3.8	4	3.8
33	Score the effectiveness of the procedures and controls over major capital expenditure projects	3.8	3.5	3.5	4	3	3.8	3.8	3.6

Total Score for Fixed Assets Processes	15.5	14	14	15.2	14	15.2	15.5
	97%	88%	88%	95%	88%	95%	97%

Section F: People Payments

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
34	Score the effectiveness of the procedures and controls over the payroll system (excluding the payment of Fees)	2.5							2.5
35	Score the effectiveness of the procedures and controls for over the processing of joiners and leavers' payroll (excluding the payment of Fees)	4							4.0
36	Score the effectiveness of the procedures and controls over the payment of Fees	3							3.0
37	Score the effectiveness of the procedures and controls over reconciliations to the general ledger	2.5							2.5
38	Score the effectiveness of the procedures and controls over the processing of personal expenses on Transfare	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
39	Score the effectiveness of the procedures and controls over the recording of annual leave/TOIL	3.3	3	3	3.5	4	3.3	3.3	3.3

Total Score for People Payments Processes	18.6	6.3	6.3	6.8	7.3	6.6	6.6
	78%	79%	79%	85%	91%	83%	83%

Section G: Management Accounts/Financial Close

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
40	Score the effectiveness of the monthly management accounts preparation process	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.9
41	Score the effectiveness of the monthly management accounts review and clearance process	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.6
42	Score the effectiveness of the financial close procedures and controls	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.5
43	Score the effectiveness of the procedures and controls over intercompany accounts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.5
44	Score the effectiveness of the procedures and controls over journals and the use of suspense accounts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.6

Total Score for Management Accounts / Financial Close Processes	18.2	17.9	17.9	18	18	18.5	18.5
	91%	90%	90%	90%	90%	93%	93%

Section H: Taxation

No.	Question	Finance Shared Services	Content	Operations	News	Commercial	ACM	Technology	Average
45	Score the effectiveness of the procedures and controls over compliance with Value Added Tax regulations		Taxation function in Group Finance						3.5
46	Score the effectiveness of the procedures and controls over compliance with PAYE/PRSI regulations								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).								4.0

Total Score for Taxation Processes	10.5						
	88%						

Part 2: Audit and Risk Committee Meeting 15 April 2020

RTÉ Internal Audit

Report to the Audit and Risk Committee

Meeting: 15 April 2020

Circulation:

Attending the Committee meeting:
Anne O'Leary (Chair)
Ian Kehoe
Robert Shortt

Paula Mullooly (Director Legal Affairs)

CC:
Dee Forbes (Director-General)
Richard Collins (Chief Financial Officer)

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1. OBJECTIVE AND EXECUTIVE SUMMARY

1.1 OBJECTIVE OF MEETING

The purpose of this meeting is to:

- Facilitate the Audit and Risk Committee to complete its review of the effectiveness of the internal control system, on behalf of the Board. (The Committee's review process commenced at the 18 March 2020 Audit and Risk Committee meeting); and
- Outline the work performed by Internal Audit to assist the Committee and report the results of the audit testing undertaken.

The members of the Committee will be required to make a recommendation to the Board following the meeting.

1.2 REVIEW OF INTERNAL CONTROL: BACKGROUND

Section 7.5 of the 2016 *Code of Practice for the Governance of State Bodies* ("the Code") outlines that:

> *"The Board should undertake an annual review of the effectiveness of internal control systems to ensure that it has considered all aspects of risk management and internal control"*

Furthermore, Appendix C of the Code's Business and Financial Reporting Requirements outlines that:

> *"The Chairperson's report to the relevant Minister regarding the system of internal control should be included in the annual report of the State body."*

As a result, we carry out specific work in the area of Internal Control.

The Financial Reporting Council's September 2014 publication "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" outlines the procedures which should be performed during a review of the effectiveness of a system of internal control. While applicable to listed companies, this document is the key reference point for all Boards.

This guidance has been taken into account in determining the nature and scope of the work undertaken as part of reviewing the system of internal control in RTÉ.

1.3 METHODOLOGY FOR THE COMMITTEE'S REVIEW OF INTERNAL CONTROL

The result of the Internal Audit programme of work during the year and the quarterly risk management updates are important considerations of the Audit and Risk Committee as part of its broader review of the effectiveness of the internal control system in RTÉ. In addition, the Committee's oversight of financial reports during the year – budgeting, monthly accounts, periodic financial forecasts, etc. is also relevant to its considerations.

However, in addition to the above, a number of standalone documents are presented to the members of the Committee – over the course of two meetings – to assist the Committee as it reviews the effectiveness of the system of internal control as part of the year end reporting cycle. Internal Audit has undertaken audit work in order to provide assistance to the Audit and Risk Committee as it reviews the effectiveness of the system of internal control.

The Committee considered Corporate Governance in subsidiaries and reviewed the internal control self-assessment questionnaires at its meeting on 18 March 2020. Today, the Committee will consider:

1) Compliance Statement in the directors' report accompanying the financial statements of certain in-scope RTÉ subsidiaries – see **Section 2**
2) Compliance with the *Code of Practice for the Governance of State Bodies* – see **Section 4**
3) Specific year-end internal audit reports which are relevant to internal control – see 1.4 below

Finally, at the end of this meeting:

4) The members of the Committee will be required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board, and recommend a statement to that effect in the Corporate Governance section of the Annual Report – see **Section 5**.

1.4 INTERNAL AUDIT REPORTS

Section 3 contains a report issued by Internal Audit since the last meeting, which is relevant to the review of internal control:

- ***Procurement Compliance: Review of Procurement Register***

  The 2016 *Code of Practice for the Governance of State Bodies* contains specific requirements regarding the monitoring of compliance with Public Procurement rules in the area of tendering. The purpose of this audit was to assess, verify and report on RTÉ's compliance with the provisions of the Code.

1.5 CHAIR'S ANNUAL REPORT TO THE MINISTER

Section 2.6 of the *2016 Code of Practice for the Governance of State Bodies* states the following:

> *"The Chairperson of each State body should furnish to the relevant Minister…… in conjunction with the annual report and financial statements of the State body, a comprehensive report to the relevant Minister covering the State body."*

A first draft of the Chair's Report to the Minister is included in **Section 6**. A final draft will be issued to the Board in advance of its next meeting.

Note that the Chair's report makes reference to some exceptions in the Procurement area (see page 4). Tables of selected financial data (Appendix 1 of the report) will follow separately, in a similar format to prior-year.

1.6 TECHNICAL DEVELOPMENTS

In addition to the topic of internal control, in **Section 7** we include a short update on technical developments.

2.
DIRECTORS' COMPLIANCE STATEMENT

- *Compliance Policy Statement*
- *Structures & Processes Document*
- *Steps in the Annual Review Process*

2. DIRECTORS' COMPLIANCE STATEMENT

2.1 *Background*

The Companies Act 2014 ("the Act"), section 225, includes a requirement on directors of an in-scope Irish company to provide an annual Compliance Statement in the directors' report accompanying the company's financial statements.

Two RTÉ subsidiaries are determined to fall within scope (based on the size criteria in sub-section 7 of section 225 of the Act):

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken. Three assurance measures are identified in the Act:

- Drawing up a Compliance Policy Statement;
- Putting in place appropriate structures and processes to secure material compliance; and
- Carrying out an annual review of compliance processes.

The documents to facilitate those three steps are <u>set-out overleaf</u>.

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

RTÉ Compliance Policy Statement, in accordance with Section 225 of the Companies Act 2014

RTÉ Group Finance

March 2018

This document sets out the policies in place to ensure material compliance by RTÉ subsidiary entities with "relevant obligations" as defined in Section 225 of the Companies Act 2014.

Background

The Companies Act 2014 ("the Act"), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors' report accompanying the company's financial statements.

Two RTÉ subsidiaries are determined to fall within scope of this section of the Act (based on the size criteria in sub-section 7 of section 225 of the Act):

- RTÉ Transmission Network DAC (trading as 2rn)
- RTÉ Commercial Enterprises DAC

In the Compliance Statement the directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken.

One of the assurance measures identified in the Act refers to drawing up a Compliance Policy Statement, which is the scope of this document.

Definition of Relevant Obligations

Relevant obligations include all obligations under Irish tax law and certain obligations under Companies Act 2014, a breach of which could give rise to serious criminal sanctions.

Obligations under Irish tax law

These obligations relate to the:

- Customs Acts;
- Statutes relating to excise duties and the management of those duties;
- Tax Acts;
- Capital Gains Tax Acts;
- VAT Acts;
- Capital Acquisitions Tax Consolidation Act; and
- Stamp Duties Consolidation Act 1999.

Other Companies Act 2014 obligations

The relevant other obligations under the Act are those where a failure to comply would amount to:

a) A category 1 or category 2 offence under the Act, which mainly relate to:

i. failure to maintain proper accounts *(requirements in relation to accounting records, audits, and financial statements)*;
ii. unlawful financial assistance;
iii. unlawful acquisition of a company's own shares;
iv. a subsidiary holding shares in its parent company;
v. provision of information to an expert for their report on a statutory merger or division;
vi. certain obligations on a winding up or dissolution; and
vii. acting in contravention of a restriction notice from the Director of Corporate Enforcement.

b) A serious market abuse offence.
c) A serious prospectus offence under Irish prospectus law.

RTÉ Compliance Policy Statement

Taxation

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Comply with the tax rules in the territories in which the company operates
2. Submit all taxation returns by the deadline in line with tax law and pay tax liabilities on or before the relevant due date
3. Follow the recommendations of the *Code of Practice for the Governance of State Bodies* (Tax Compliance, section 8.44 to 8.47 inclusive). In particular, the company will:
   a. Not engage in unacceptable aggressive tax avoidance* transactions; and
   b. Carry out any proposed corporate restructuring plans for bona fide commercial reasons and not as part of any tax avoidance scheme. The company will not use artificial structures unrelated to the Company's business

   However, this will not preclude the company from availing of all legitimate taxation arrangements in the normal course of business.

   **In broad terms, tax avoidance is offensive if it involves the use of the tax code for a purpose other than that intended by the Oireachtas (including an unintended use of a tax incentive) with a view to reducing the amount of tax to be paid by the company or some other party to a transaction in which the company participates.*

4. Cooperate with the Tax Authorities and provide tax-related information and documents that may be requested by the Tax Authorities as soon as practicable and with the required scope
5. Engage professional taxation advisors on a timely basis, particularly in the case of the tax treatment of complex areas, or in the case of unique / non-standard contracts
6. Carry out prudent financial provisioning where an item is uncertain

7. Monitor changes in relevant tax law and practice and arrange training and briefing sessions as necessary

Internal Financial Control

RTÉ Transmission Network DAC (trading as 2rn) and RTÉ Commercial Enterprises DAC will:

1. Maintain accounting books and records, in line with legal and regulatory requirements, which disclose the assets, liabilities and financial position of the Group and RTÉ
2. Maintain financial reporting systems, with actual results reported against budget and considered by the Board of the applicable company on a regular basis
3. Document comprehensive policies & procedures and authority limits relating to operational and financial controls and update these regularly
4. Identify, control and report on key risks impacting the business, as part of a dedicated Risk Management function
5. Engage professional advisors on a timely basis, particularly in the case of non routine business transactions or complex areas

The company will not engage in any activities which would give rise to a category 1 or category 2 offence under the Companies Act 2014.

Structures and controls

Structures, processes and controls are in place to implement the above policy objectives. These are documented and maintained under regular review.

Refer to the document titled “structures, processes and controls in place to ensure compliance with “relevant obligations”, as defined in Section 225 of the Companies Act 2014”

Structures, processes and controls in place to ensure compliance with "relevant obligations", as defined in Section 225 of the Companies Act 2014

April 2020

Background

The Companies Act 2014 ("the Act"), section 225, introduces a requirement on directors of an in-scope Irish company to include an annual Compliance Statement in the directors' report accompanying the company's financial statements.

The directors must (i) acknowledge their responsibility for securing the Company's compliance with its "relevant obligations", as defined in the Act; and (ii) confirm, on a "comply or explain" basis, that certain assurance measures have been undertaken.

One of the assurance measures involves putting in place appropriate structures and processes to secure material compliance, which are explained in this document.

Structures, processes and controls in place to ensure compliance with relevant obligations, as defined in Section 225 of the Companies Act 2014

1. Clearly defined roles and responsibilities, with authority limits and reporting mechanisms to higher levels of management:
    - Qualified Accountants, with appropriate skills and knowledge, in Group Finance and the IBD Finance Teams
    - Finance training and briefing sessions arranged as required
    - Review and sign-off procedures, by a more senior official, at various points in the financial and operational controls
    - Succession planning and work shadowing to ensure the process of preparing tax returns, monthly management accounts, etc. continues even in the non-availability of staff
    - Restricted access to network folders (G:) and financial systems based on job roles

2. Established procedures to identify, control and report on key risks impacting the business:
    - Key corporate risks identified by members of the Executive
    - Risk registers maintained locally
    - An Executive Sponsor and Risk Owner is assigned to all key corporate risks
    - Key Risk Indicators identified and measured to track movements in the likelihood and significance of risks
    - Actions to further mitigate risks, including responsibility and timeline to complete, are agreed with Risk Owners and monitored on a regular basis
    - Quarterly risk reports presented to the Audit and Risk sub-Committee of the Board

3. Comprehensive financial policies and procedures in place to ensure adequate books and account are maintained and regularly reviewed:
    - Annual Budgeting process in place *(see # 4 below)*
    - A statement of decisions reserved to the Board for consideration and decision, including financial authority limits

- Ongoing monitoring of revenues and costs against budget, via the monthly Group Management Accounts; discussed at Executive and Board level *(see # 5 below)*
- A financial highlights document is submitted to members of the Executive, on at least a monthly basis
- Capital budgeting process and meetings of the Capital Committee, with the capital budget approved by the Executive:
    - A196 capital forms (above a €100k threshold) submitted to the members of the Executive
    - Board approval for the capital investment strategy using the land sale proceeds
- Formal business cases are evaluated by the Executive in respect of all new strategic initiatives
- Periodic financial forecasting, as part of the broader system of internal financial control
- Forecasts discussed at the Executive and timely action to address forecast variances identified
- Divisional Finance teams in place to exercise financial control at a local level across the organisation
- Ongoing cash management, supported by monthly rolling cash forecasts, in order to prudently manage cash reserves
- Multi-year medium term financial projections prepared, periodically
- Various value for money and cost reduction initiatives undertaken throughout the organisation

4. Comprehensive budgeting systems

- A final agreed budget submitted to the Board for approval
- Competing demands on the existing scarce financial resources are managed and prioritised by the members of the Executive in line with RTÉ's stated strategy

5. Financial reporting systems, with actual results reported against budget and considered by the Board on a monthly basis

- Formal month end close procedures
- Month-end timetable (including due dates, responsibilities and disclosure requirements)
- The management accounts preparation process is automated directly from the nominal ledger
- Significant variances between actual and budget (and, where applicable, between actual and forecast) are investigated prior to submission of the accounts to group financial control
- The divisional financials are reviewed by a senior member of the finance team (independent of the preparer) and any outstanding matters resolved
- The accounts are submitted to Central Finance in the standard monthly group reporting format

- Intercompany balances *(inter IBD and inter legal entity, both for income statement and balance sheet)* are reconciled prior to closing the books
- Journal entry input is restricted to authorised personnel
- Nominal ledger and bank account balances are reconciled monthly prior to closing the books. Reconciling items are investigated, as necessary

6. Financial procedures are in place governing the preparation of taxation returns by the deadline:

- Taxation returns are reconciled to the balance on the relevant general ledger account
- Source information used to compile the returns is gathered from the accounting records, with financial procedures in place within the relevant departments *(e.g. People Payments in respect of payroll taxes and Accounts Payable in respect of VAT, PSWT and RCT)*

- The Corporation Tax return is submitted via KPMG
- An appropriate Finance official carries out a review of the Taxation return for completeness and accuracy prior to submission
- Professional taxation advice (KPMG) is taken on complex taxation matters, including assessing RTÉ's non-recoverable VAT rate
- Taxation compliance meetings with KPMG
- Prudent taxation provisioning for uncertain items. Specific tax provisions are signed-off by KPMG to ensure they are still valid
- Ongoing advice and engagement with professional advisors in relation to specific matters and transactions during 2019, such as:
    - The Eversheds Review / the tax treatment of Independent Contractors
    - Revenue's 'aspect query' regarding the taxation of the land sale proceeds
    - The tax treatment of the art sale proceeds

  This is in addition to general advice from professional advisors on non-standard matters such as the overseas secondment of employees, etc.

- Briefings from taxation advisors on the tax implications of developments e.g. post the publication of the Finance Bill
- A defined pre-planning and review process in place in the event of notification of any Revenue audit

7. Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business

8. A Good Faith Reporting (Whistleblowing) Policy is in place to provide staff with a confidential and, if required, anonymous means to report a matter of concern in a financial or business area

Outline of the Audit and Risk Committee's Annual Review of the Compliance Processes, in accordance with Section 225 3(c) of the Companies Act 2014

15 April 2020

Annual Review of the Compliance Processes

The process adopted by the Audit and Risk Committee to undertake an annual review of the compliance processes, in accordance with Section 225 3 (c) of the Companies Act 2014, is as follows:

1. Review of the RTÉ Compliance Policy Statement prepared in accordance with Section 225 (2) of the Companies Act 2014;

2. Consideration of the structures, processes and controls in place to ensure material compliance "relevant obligations", as defined in Section 225 (1) of the Companies Act 2014;

3. As part of point #2 above, consideration of the authority, resources and co-ordination of those involved in financial control functions and in the preparation of taxation returns;

4. Review of the programme of internal audit and consideration of major findings, in particular the existence of any control weaknesses or findings in areas which impact "relevant obligations" as defined in Section 225 (1) of the Companies Act 2014, whether relating to tax obligations or other financial matters;

5. Considering the papers presented to the Committee by Internal Audit in order to facilitate the Committee's review, on behalf of the Board, of the effectiveness of the internal control system, as required under the Code of Practice for the Governance of State Bodies. The papers cover:
    a. Results of the Internal Audit internal control self-assessment questionnaires
    b. Report on compliance with the *Code of Practice for the Governance of State Bodies*
    c. Report on Corporate Governance and Internal Control in the main operating subsidiary 2rn
    d. Conclusion following a review of Effectiveness of Internal Control

6. Consideration of the results of Internal Audit's spot checks of the controls in place to ensure compliance with "relevant obligations";

7. Monitoring of quarterly risk reports from management and considering briefings from the Executive Sponsors of corporate risks;

8. Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

3.
INTERNAL
AUDIT REPORT

RTÉ Internal Audit

Review of Procurement Compliance *Year-ended 31 December 2019*

Report 2 of 2 (Procurement Register)

9 April 2020

Final

Full Report included separately in list of reports - not repeated here

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:

[redacted]

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

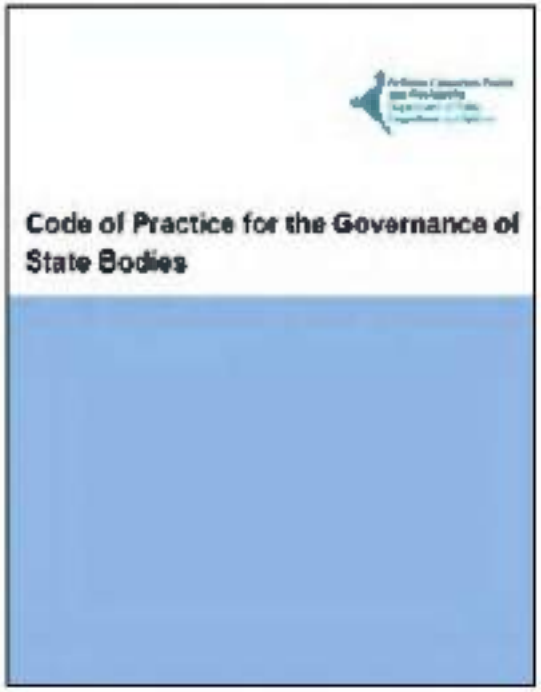
Year-ended 31 December 2019

9 April 2020

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Paula Mullooly, Director of Legal Affairs
[redacted]

Full Report included separately in list of reports - not repeated here



RTÉ

5.
COMMITTEE RESOLUTION ON INTERNAL CONTROL

5. COMMITTEE'S RESOLUTION ON INTERNAL CONTROL

The members of the Audit and Risk Committee are required to pass a resolution that they have reviewed the effectiveness of the internal control system in RTÉ, on behalf of the Board and recommend a statement to that effect in the Corporate Governance section of the Annual Report. Our conclusions are set-out below.

After reviewing the documents presented at the committee meetings of 18 March 2020 and 15 April 2020, and having regard for Internal Audit's programme of work during the year, in our opinion it is appropriate for the members of the Audit and Risk Committee to:

a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and

b) Include a statement to that effect in the Corporate Governance section of the Annual Report and Group Financial Statements for the year-ended 31 December 2019. *(No material control weaknesses or other matters of concern need to be reported in this statement)*.

It is also appropriate to include a paragraph in the Board Members' Report in the RTÉ Group Annual Report confirming that actions have been implemented in subsidiary companies to meet the requirements for Directors' Compliance Statements.

The Chair's report to the Minister, in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies, will refer to the exceptions noted in relation to procurement.

Page 85 of the Annual Report contains a section on Internal Control and Risk Management. Furthermore, on page 86 (mid-page, below risk table), the report includes the following statement, which satisfies the requirements under the Code of Practice for the Governance of State Bodies:

> *"The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to an 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

RTÉ

Raidió Teilifís Éireann

Chair's Report to the Minister for Communications, Climate Action and Environment in accordance with Paragraph 2.6 of the Code of Practice for the Governance of State Bodies

Year ended 31 December 2019

Draft: Audit and Risk Committee 15.4.2020

DRAFT

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ATTACHMENTS

- RTÉ Annual Report and Group Financial Statements – Year Ended 31 December 2019
- Checklist for the Code of Practice for the Governance of State Bodies (2016)

DRAFT

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 2019, consider the commercially sensitive developments affecting RTÉ during 2019.

A brief summary of the contents of the key reports is set-out below.

- The Chair's Statement considers the role of public media in a changing media landscape and outlines the work of the Board in promoting public awareness of the challenges faced by RTÉ. The Statement explains the development of a revised strategy aimed at sustaining RTÉ's role at the centre of Irish life and culture, while stabilising the organisation's finances.

- The Director-General's report on page 20 of the annual report summarises RTÉ's services to the audience during 2019, including a selection of the content highlights. The report also outlines the financial challenges experienced during the year and the comprehensive change programme underway, aligned with the updated strategy.

- The Financial Review on page 22 of the annual report presents the financial results for the year ended 31 December 2019 and sets-out the financial highlights for the key components of performance including commercial revenue, television licence revenue, operating costs, cash flow & borrowings and pensions. The report also explains the capital expenditure projects in 2019 and pension matters.

  The Financial Review outlines the financial outlook for 2019, including the impact of inadequate levels of operational funding from both licence fee and commercial revenue needed to fund the organisation's obligations.

In addition, further business developments during the year are contained in the business review sections: What We Made (page 34), What We Did (page 52) and What We Do (page 64).

2. Statement on the system of internal control - paragraph 1.9 iv)

Scope of Responsibility

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that an ongoing process for identifying, evaluating and managing RTÉ's significant risks has operated throughout the year and up to the date of approval of the financial statements.

Risk and Control Framework

RTÉ has established a risk-management framework which consists of structures; the assignment of risk responsibilities; procedures and systems for risk identification, assessment and reporting; and monitoring of the effectiveness of mitigation actions.

The key components of the system of internal control currently in place are:

- A clearly defined organisation structure, with formally defined authority limits and reporting mechanisms to higher levels of management and to the Board;
- A statement of decisions reserved to the Board for consideration and decision;
- Codes of Business Conduct for Board members and employees, setting out the ethical standards expected in the conduct of business;
- Established procedures to identify, control and report on key risks impacting the business;
- Comprehensive budgeting systems, with annual financial budgets approved by the Board;
- A planning process for each division, with long-term strategic plans approved by the Board;
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis;
- A Good Faith Reporting Policy to provide staff with a confidential and, if required, anonymous means to report a matter of concern;
- Comprehensive policies and procedures relating to operational and financial controls, including commitments and capital expenditure. Large capital projects require the approval of the Board.

Throughout the year, RTÉ operated a risk-management process designed to identify the key risks facing the business and to report to the Audit and Risk Committee and the Board on how these risks are being managed. The Board focuses primarily on those risks capable of undermining the RTÉ strategy, or risks which could adversely affect the long-term viability or reputation of RTÉ. The risk-management process comprises two phases – a strategic risk assessment undertaken by the Executive and a local risk assessment exercise carried out by line management in the divisions.

The members of the RTÉ Executive determine the risks impacting the successful delivery of the RTÉ strategy. Risks designated as key risks are assigned an Executive Sponsor and Risk Owner and are subject to ongoing review and monitoring during the year. The Risk Owners track the drivers of each risk and document the controls in place to mitigate the risk. In addition, risk indicators are identified to assist in monitoring changes in the likelihood of the occurrence of a risk. This exercise is summarised in a consolidated strategic risks document. This work is overseen and reviewed by a risk function and is linked to the broader strategic planning process. The Audit and Risk Committee also receives quarterly updates on the status of risks, changes in risk indicators and updates on mitigating actions.

Aligned with the strategic risk-assessment process explained above, local risk registers are maintained to consider key risks, evaluate the probability of those risks occurring and assess the likely impact should the risks materialise. The actions taken to manage each risk are recorded.

As part of the risk identification process explained above, the principal areas of risk which could materially adversely affect the Group's business, financial condition, or results, have been identified. The risks are set-out in the table on pages 84 – 86 of the 2019 annual report.

Ongoing Monitoring and Review

Formal procedures are in place for monitoring the control processes and the following monitoring systems are in place:

- As outlined above, key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies. Movement in risk is tracked quarterly;
- The system of internal control is reviewed systematically by Internal Audit, on a risk based approach. (Any control deficiencies identified via the Internal Audit programme of work are communicated to management responsible for taking corrective action and to the Audit and Risk Committee. The status of implementation of improvements is tracked);
- Timely monthly reporting, with actual results reported against budget and considered by the Board on a monthly basis. Periodic financial forecasting takes place; and
- Other reporting and monitoring arrangements have been established at all levels throughout the business where responsibility for financial management has been assigned.

Procurement

RTÉ has procedures in place to ensure compliance with EU and national procurement rules and guidelines. A procurement policy, procedures and associated documents are posted prominently on RTÉ's intranet site and communicated to staff. Training takes place at appropriate intervals.

A contracts database and monitoring system is also in place to identify instances of non-competitive procurement for expenditure above €25,000, which is monitored by the Procurement Department.

A recent Internal Audit Report highlighted some instances of non-compliant procurement during the year ended 31 December 2019.

The audit findings highlight non-compliant procurement relating to 2.0% *(2018 – 1.9%)* of purchases in value terms, which represents 54 out of 1,875 suppliers of goods and services in 2019.

In considering the non-compliance outlined above, the following historic factors are relevant:

- As a result of constrained capital investment, RTÉ's financial systems are old and at the end of useful life. There is limited monitoring functionality in the purchasing system which increases the difficulty of tracking tendering arrangements;
- Different payment systems exist for different categories of purchases. The purchase of goods and services are managed separately to the engagement of individuals under 'contract for services' arrangements;
- There is a high volume of diverse suppliers of products and services necessary to support the breadth and variety of RTÉ's remit and services; and
- Managerial responsibility for supplier relationships and purchasing was traditionally fragmented across six divisions in RTÉ, which increased the difficulty of centralised monitoring of procurement and tracking data on historic tendering arrangements.

The Board considered the impact of the audit findings on RTÉ's overall compliance with the Code of Practice. The Board also took account of the actions agreed to address the findings, noting that these actions (overleaf) are now in progress.

The key actions include:

- A major capital project to implement a new ERP system is currently in progress. This will replace a number of legacy Finance and HR systems;
- New processes and policy implemented for the engagement of Contractors in RTÉ, in the context of a wider examination of freelance/contractor contractual engagements, undertaken by Eversheds;
- The reorganisation of RTÉ has created new consolidated divisions and co-located teams. Oversight of many key supplier relationships is now consolidated, resulting in better centralised managerial responsibility; and
- Managers in the Procurement Department are overseeing procurement activity by expenditure category.

Over the course of time, competitive processes will be carried out to address the instances of non-compliant procurement.

Finally, a follow-on review of procurement procedures will be carried out by Internal Audit in 2020 in order to monitor the implementation of the actions. The results will be reported to the Audit and Risk Committee.

Taking the above factors and improvements into account, the Board therefore considers the non-compliance to be reflective of historic issues being addressed by actions, as opposed to being reflective of a broader control weakness in the internal control environment.

Review of Effectiveness

The Board confirms that, through the Audit and Risk Committee, it has conducted a review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements.

The process adopted by the Board to undertake the review of the effectiveness of the system of internal controls included:

- Consideration of the authority, resources and co-ordination of those involved in the identification, assessment and management of significant risks faced by RTÉ;
- Review and consideration of the output of the risk assessment and management process;
- Monitoring of risk reports from management – the strategic risks document is presented to the Audit and Risk Committee and to the Board as part of its review of the effectiveness of the system of internal control;
- Review of the programme of internal audit and consideration of major findings; and
- Review of the report of the external auditors, who, as part of their normal procedures, test aspects of the systems of internal control and report any significant weaknesses to the Audit and Risk Committee.

For further details, please refer to the internal control and risk management section of the corporate governance report contained in the 2019 annual report (page 86).

3. Statement of compliance

RTÉ and its subsidiary undertakings have complied with the other requirements of paragraph 1.9 of the Code of Practice (Business and Financial Reporting Requirements) during 2019 and up to the date of this report. More specifically:

- Paragraph 1.9 i): A summary of commercially significant developments during the year is set-out in the annual report and cross-referenced in Section 1, above.

- Paragraph 1.9 ii): There are no off-balance sheet financial transactions to disclose;

- Paragraph 1.9 iii): All appropriate procedures for financial reporting, internal audit, travel, procurement and asset disposals are being carried out;

- Paragraph 1.9 iv): See Section 2 above for the statement on the system of internal control;

- Paragraph 1.9 v): Codes of Business Conduct for Board Members and Employees have been put in place and adhered to;

- Paragraph 1.9 vi): Government policy on the pay of the Director-General and all State body employees is being complied with;

- Paragraph 1.9 vii): Government guidelines on the payment of Directors' fees are being complied with (see emoluments and expenses disclosure – page 87 – in the corporate governance report in the 2019 annual report);

- Paragraph 1.9 viii): not applicable – no matters in the year under review;

- Paragraph 1.9 ix): subsequent events – the following matters, subsequent to the year-end, merit reference:

  - Four Board members completed their term of office on 16 February 2020: Eoin McVey, Shane Naughton, Fionnuala Sheehan and Margaret E. Ward
  - Connor Murphy was appointed to the Board in March 2020, replacing Frank Hannigan who stepped down in June 2019
  - In common with other organisations, RTÉ has implemented various measures to deal with the impact of the Covid-19 pandemic. These include changes to operations, programme schedules and work arrangements. Work is ongoing at the date of this report, which includes updated plans to mitigate the significant financial consequences of the pandemic.

  There were no other significant post balance sheet events affecting RTÉ between the year-end date of 31st December 2019 and the date of the approval of the group financial statements.

- Paragraph 1.9 x): the requirements of the Department of Public Expenditure and Reform Public Spending Code are complied with via: RTÉ's capital budgeting process; Capital Committee; financial procedures and Capital Approval Form; financial reporting systems and project management processes;

- Paragraph 1.9 xi): procedures are in place for the making of protected disclosures, supported by the RTÉ Good Faith Reporting Policy (2016) and an independent confidential reporting line for staff. See page 158 of the 2019 annual report for the report required under Section 21(1) of the Protected Disclosures Act 2014;

- Paragraph 1.9 xii): Government travel policy requirements are being complied with;

- Paragraph 1.9 xiii): RTÉ complied with its obligation under tax laws. In the case of in-scope subsidiaries, a Compliance Statement is included in the directors' report accompanying the company's financial statements;

- Paragraph 1.9 xiv): there are no applicable, active, legal disputes with other State bodies;

- Paragraph 1.9 xv): The Board of RTÉ has adopted the Code of Practice and it is being complied with; and

- Paragraph 1.9 xvi): RTÉ subsidiary entities continue to operate for the purpose of which they were established.

The Board has also adopted the corporate governance and other obligations imposed by the *Ethics in Public Office Act, 1995* and the *Standards in Public Office Act, 2001*.

4. Additional Disclosures in Relation to Certain Categories of Expenditure

Section 1.3 (Business and Financial Reporting Requirements) of the Code of Practice outlines additional disclosure requirements in respect of certain expenditure.

The document "Guidance on the application of Code of Practice for the Governance of State Bodies", issued by the Corporate Governance Division of the Department of Communications, Climate Action and Environment in late 2017, provides guidance regarding the format of disclosure of information which may have commercial sensitivity or data protection implications under the new Code of Practice. As agreed with Departmental Officials, RTÉ is making a number of the additional disclosures via this report, as opposed to the RTÉ Annual Report on grounds of commercial sensitivity / data protection. Please refer to Appendix 1.

This report should be read in conjunction with the annual report and group financial statements for the year ended 31st December 2019, which is attached. The Code of Practice Checklist is included with this document.

[redacted]
Chair

On behalf of the Board
XX April 2020

Appendix 1 – Additional Disclosures in Relation to Certain Categories of Expenditure

Selected financial disclosures, required by Section 1.3 of the Code of Practice (Business and Financial Reporting Requirements), are set-out below. As explained in Section 4 above, some disclosures are contained in the RTÉ Annual Report and Group Financial Statements.

Travel and Subsistence - €2,874k
XX

Hospitality Expenditure
XX

Legal costs / settlements
XX

Consultancy Costs
XX

Employee Benefits / Pay bands
XX

Termination/Severance Pay Agreements
XX

DRAFT

7.
TECHNICAL UPDATES / RECENT DEVELOPMENTS

7 TECHNICAL UPDATES / RECENT DEVELOPMENTS

7.1 FRC GUIDANCE FOR COMPANIES AND AUDITORS DURING COVID-19 CRISIS

On 26 March 2020 the Financial Conduct Authority (FCA), the Financial Reporting Council (FRC) and the Prudential Regulation Authority (PRA) announced a series of actions to ensure that information continues to flow to investors and to support the continued functioning of capital markets. These actions are not directly relevant to RTÉ, as a State Body, but are indicative of the views of comparable regulators.

The actions include:

- A statement allowing listed companies an extra two months to **publish** their audited annual financial reports.

  Timetables will likely have been set before the full implications of Covid-19 and that may need to be revised in some cases. The FRC recommends that listed companies review all elements of their timetables for publication of financial information in order to make appropriate use of the time available within regulatory deadlines to ensure accurate and carefully prepared disclosures.

- **Guidance** from the FRC **for companies** preparing financial statements in the current uncertain environment.

  Many companies preparing financial statements are facing unprecedented uncertainty about their immediate prospects in an environment that may challenge, or disrupt, their usual management and governance processes. The FRC encourages Boards to:

  - Pay attention to capital maintenance (including considerations regarding dividends, reserves etc) and cash flow management.

  - Consider how they will secure reliable and relevant information, on a continuing basis, in order to manage their future operations and those of their workforce and suppliers, including the flow of financial information from significant subsidiary, joint venture and associate group entities.

  - Develop and implement mitigating actions and processes to ensure that they continue to operate an effective control environment: in particular, addressing any key reporting and other controls on which they have placed reliance historically, but which may not prove effective in the current environment.

  Making forward-looking assessments and estimates is particularly difficult. The FRC has prepared guidance for companies to help them make key forward-looking judgements as consistently as possible.

- Guidance from the FRC for **audit firms** seeking to overcome challenges in obtaining audit evidence.

  In order to be able to give an audit opinion, the auditor must obtain sufficient, appropriate audit evidence. However, the current circumstances create obstacles to carrying out audit procedures arising from restrictions over accessing information, as one example. The FRC provides a list of factors auditors should be considering when carrying out audit engagements, including guidance on auditing management's assessment of going concern.

RTÉ

RTÉ Internal Audit

Reports to the Audit and Risk Committee on the System of Internal Control and Risk Management

Year-ended 31 December 2021

Part 1: Audit and Risk Committee Meeting 16 March 2022

Part 2: Audit and Risk Committee Meeting 21 April 2022

PART 1: AUDIT AND RISK COMMITTEE MEETING 16 MARCH 2022

RTÉ Internal Audit

Report to the Audit and Risk Committee

Meeting: 16 March 2022

Circulation:

Anne O'Leary (Chair)
Susan Ahern
Moya Doherty
Ian Kehoe
Robert Shortt

Paula Mullooly (Director Legal Affairs)

CC:
Dee Forbes (Director-General)
Richard Collins

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1. Overview of Internal Control

RTÉ

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

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1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 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

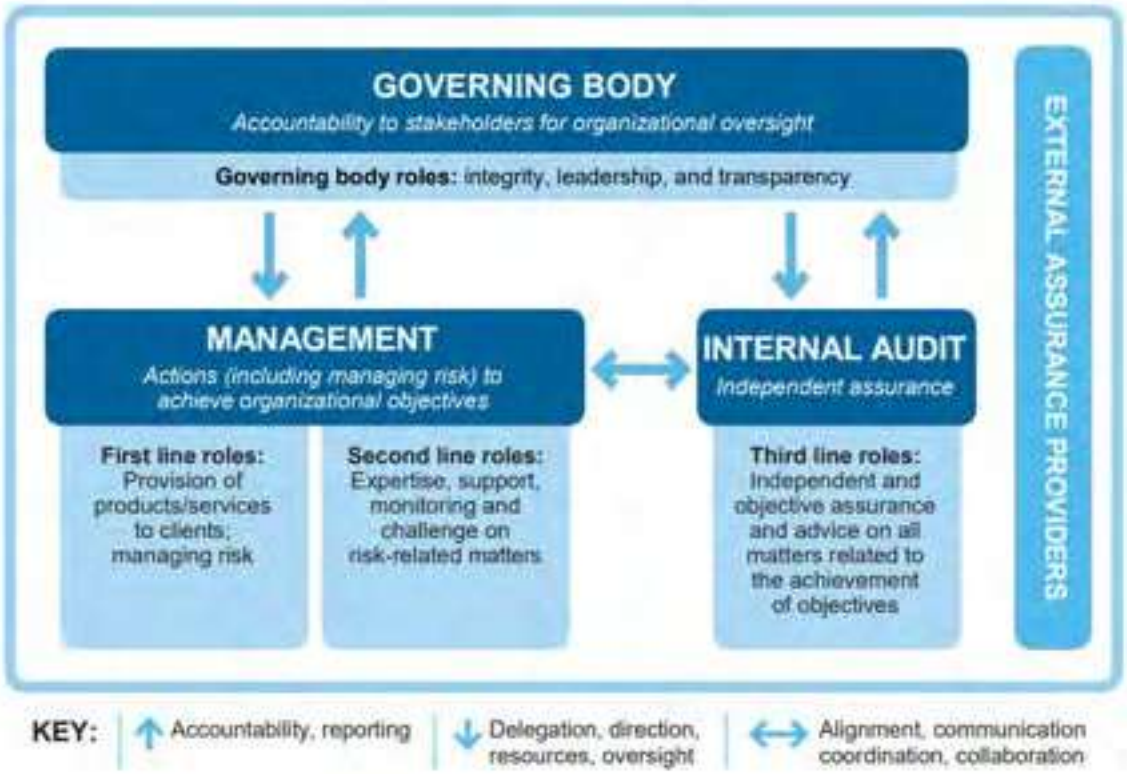
Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. The roles and duties of various parties in the internal control system are illustrated 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 *Code of Practice for the Governance of State Bodies*.	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: • Purchase receipting and • Tendering aspects (RTÉ's compliance with Section 8.16 of the *Code of Practice for the Governance of State Bodies*)	21 April 2022

No.	Topic / Agenda Item	Presented to the ARC
8	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 2020, the matters specified in the Minister for Finance's *Requirements and Conditions* document.	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 *Requirements and Conditions 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

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 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%	*Immaterial*	N/a	N/a	71%	N/a	N/a	83%
C	Inventory	N/a	95%	N/a	100%	*Immaterial*	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

	Board Responsibility	*Audit of Compliance*
A)	It shall be the responsibility of the Board to draw up written policies in respect of the use of each type of instrument *[FX Forwards, Interest Rate Swaps]* specified by the Minister in respect of it. *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*	See ***Table 1*** for the specific items to be included in the Policies and a check of compliance. • RTÉ Treasury Policy • Management & Investment of Land Sale Proceeds Policy Statement

	Board Responsibility	*Audit of Compliance*
	borrowings and the currency distribution of debt and foreign currency transaction exposures.	
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:	
	– Entered into only for the purposes set out in Section 2(1) of the Act and	See ***Table 2*** for a check of compliance.
	– subject to, and in compliance with: o the Minister for Finance's *Requirements and Conditions document* and o the policies established by the Board.	See ***Table 3*** for a check of compliance with the document. – Review of RTÉ Treasury Policy and Land Sale Policy Statement – Review of position at year-end / discussion with relevant personnel
	The Board shall take whatever steps and put in place whatever procedures are necessary for the purposes of discharging its obligations in this regard.	As above
B)	The Board shall certify annually that: • Such procedures are in place and • RTÉ has acted fully in accordance with the Minister for Finance's *Requirements and Conditions document*.	This review, and the associated checks of compliance by Internal Audit, represent the annual certification process. Policies are approved by the Board. See our conclusion and the audit recommendation in ***Section 5*** below.

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 *(e.g. contracts which have embedded options, which comprise a combination of derivatives or which are leveraged)* 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		Refer b) below for banking licences: x 4 counterparties.
		n/a	FEXCO and Investec Europe Limited are approved counterparties for FX execution only. Both authorised by Central Bank of Ireland: • FEXCO: Regulation 18 of the European Union (Payment Services) Regulations 2018 • Investec: 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
		✓	United Bank (US) A1 is one ranking below Aa3 (long term rating). There is a small balance in United Bank for the Washington correspondent role

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		**Where addressed in RTÉ Policies**	
			and misc. outgoings. United Bank 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: • Ulster Bank Ireland DAC, • Barclays Bank Ireland plc., • The Governor and Company of the Bank of Ireland, • Allied Irish Banks plc.
	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	✓	United Bank (US) 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 *(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)* 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%	*Immaterial*	N/a	N/a	71%	N/a	N/a	83%
C	Inventory	N/a	95%	N/a	100%	*Immaterial*	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	*Immaterial*						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	*Immaterial*			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	19.3
	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
Ian Kehoe
Robert Shortt

Paula Mullooly (Director Legal Affairs)

CC:
Dee Forbes (Director-General)
Richard Collins

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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

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:
[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

4.
CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

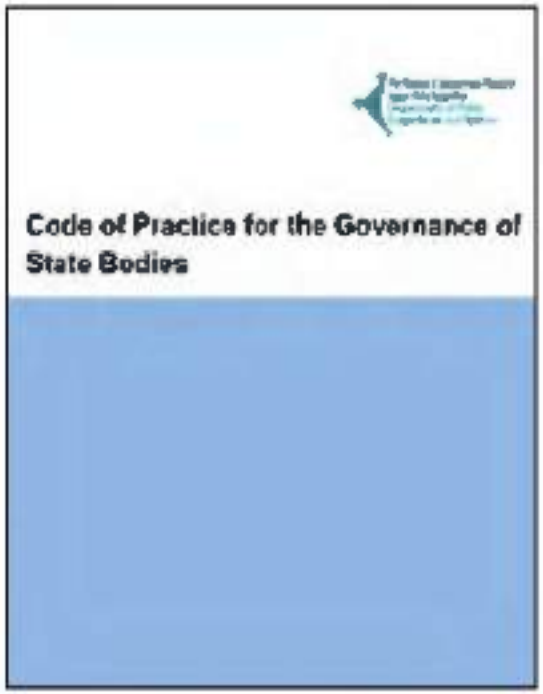
RTÉ Internal Audit

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

[redacted]r

RTÉ

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 an 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.

[redacted]
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

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

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 RTÉ'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%
Broken Down by Revenue Type:				
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 RTÉ.

The deal sheet specifies the 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 TV 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.

Trading System

In October 2011, the Competition Authority entered into an Agreement and Undertakings with RTÉ following an investigation conducted by the Authority on the scheme operated by RTÉ 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 RTÉ.

From 1 July 2012, RTÉ 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 RTÉ 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.	**<u>Commercial Advertising Minutage</u>** ***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.e. an average of 6 minutes)* and must also adhere to maximum hourly limitations on minutage. ***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. ***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. *Result:* RTÉ's advertising minutage broadcast was not in excess of [redacted] of its' broadcast hours in any day. 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. ***Results of Testing***	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]	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. 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. 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.	H	[redacted] 31 December 2013 [redacted] 31 January 2014 *(Input from individuals outside TV Sales will also be required. The names will be determined upon establishment of the group)* [redacted] 28 February 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The following results were noted: **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: ◊ **Seven** occasions (*4% of total clock hours tested*) on RTÉ One; and ◊ **Four** instances (*3% of total clock hours tested*) on RTÉ Two. 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. 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: ◊ RTÉ One: One of the breaches***** ◊ RTÉ Two: None of the breaches 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. [***** *This appears to be an isolated incident driven by a weakness in the scheduling functionality in* [redacted] *New procedures are now in place]*				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
2.	**Access to [redacted] System / Review of User profiles** The "Authority Maintain" (AUTHMNT) user profile on [redacted] is a powerful administration user profile that allows the user to 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. During testing we noted the following: - 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. We noted there is no periodic review performed by management of the appropriateness of users' access on [redacted] The lack of formal review increases the risk that amendments made inappropriately could go unnoticed, increasing the risk of inappropriate use of data. A lack of review also increases the risk that users may have incorrect access within [redacted] 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. This is a re-occurring issue from the last audit. The delay in implementing may be partly attributed to organisational	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: • the general decrease in overall man power • The move of RTÉ Radio on to [redacted] resulted in different authorities being required to perform multi functions across two media. • The loss of dedicated Sales Support Manager to the IT Division. [redacted]	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. A formal quarterly review of user profiles will be undertaken by the [redacted] System Administrators for appropriateness.	H M	[redacted] 15 November 2013 [redacted] 31 December 2013

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	change and the transition of roles to the newly established Technology division.				
3.	**Functionality of [redacted] System** RTÉ is currently using an old version of the [redacted] 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. The implications are as follows: 1) RTÉ currently has access to reduced levels of customer support from [redacted] (3rd party supplier of [redacted]), 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 [redacted] since 2009 which provides that, by July 2014, RTÉ must be within two releases of the latest version. Non-compliance with this will result in [redacted] providing support in critical instances only and full system support may be lost. During the audit fieldwork it was confirmed that an upgrade has been approved for 2014 and the project has been assigned a project manager.	The Project to upgrade the [redacted]k system is underway. [redacted]	A new version of [redacted] will be implemented prior to expiration of support licence with [redacted] (July 2014).	M	[redacted] 30 June 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	**Formal Backup Restore Testing on** [redacted] 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. 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. 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.	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. 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. [redacted]	Backup restoration testing from tape to the UAT 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.	M	[redacted] 31 December 2013
5.	**Disaster Recovery Plan for** [redacted] A Disaster Recovery Plan for the [redacted] 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. 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 [redacted] 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.	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. [redacted]	The Disaster Recovery Plan will be formally tested upon introduction of the new [redacted] system in early 2014.	M	[redacted] 30 June 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales Bookings and Discounting Process - Sponsorship				
6.	**Lack of sign-off of Sponsorship campaigns** 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: 1) Contract with [redacted] on behalf of [redacted] for the sponsorship of the *The Voice*: 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. 2) Contract with [redacted] on behalf of K[redacted] for the sponsorship of *Masterchef Ireland*: 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. RTÉ has credit insurance with [redacted] Insurance and in the case of a dispute between RTÉ 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.	Both contracts refer to product placement initiatives undertaken in programmes which were already sponsored. 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. 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. [redacted]	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.	M	[redacted] 31 October 2013 and ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales bookings and Discounting Process - Advertising				
7.	**Lack of sign-off of discount forms in the UK and Northern Ireland** In selecting our sample of advertising campaigns we included two clients from the UK / Northern Ireland. In both campaigns it was noted that neither the "Run of Year" nor "Early Agreement" discount forms were signed by the agencies or RTÉ. We were informed that the UK based agencies refuse to sign any such agreement forms. 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 RTÉ. The lack of confirmation of the terms increases the potential for dispute and lack of clarity regarding the criteria to achieve a discount. We noted that the paper trail was less extensive for Northern Ireland / UK clients than in the Republic of Ireland.	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. [redacted]	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.	M	[redacted] 30 November 2013
8.	**Award of "Advance Booking" (AB) discount in error** We reviewed ten advertising campaigns from initial discounting stage to actual transmission: - 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	Pre AB discount is availed of by booking on [redacted] 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 [redacted], in this case the	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 [redacted]	M	[redacted] 15 November 2013

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	published AB deadline. 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. 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.	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])			
9.	**<u>"Top-up" discount reconciliation process</u>** There is currently no policy in place for post reconciliation of "top-up" campaigns. This matter is still under discussion among the Sales team. 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. 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.	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]	The TV Sales team will decide on and implement a policy for the post-reconciliation of "Top-up" campaigns.	L	Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	However, it has yet to be confirmed whether reconciliation will occur for "Top-up" campaigns in the same way as described above.				
10.	**Signing of Annual Advertising Deal Sheets** 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. 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. 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. In the case of the remaining nine campaigns we observed the following: 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.	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. [redacted])	Consideration will be given to including the following clause in the email sent to agencies or as a footnote in the deal sheets: *"The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ's Standard Terms and Conditions of Business".*	L	[redacted] 30 November 2013

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	In the event of a dispute between the parties regarding the agreed deal terms, the following act as mitigating factors: 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. 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: "*The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ's Standard Terms and Conditions of Business*". Consideration should be given to including this in deal sheets.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Accounting				
11.	**No formal recording of credit note approval** 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. 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. 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. 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.	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]	For credit notes: • above a monetary threshold of €5k (in net value), and • relating to a matter other than the routine [redacted] – [redacted] differences, 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. 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.	L	[redacted] 30 November 2013
12.	**Credit Limits exceeded** 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	[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	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.	L	[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	plus sales not invoiced to the credit limit per [redacted]. It relates to approximately 112 debtors in TV. €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. 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. This point is applicable to RTÉ as a whole, and is not a specific issue relevant to Television.	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. 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. 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. [redacted]			

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%

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%

* All financial controls are ranked on a scale of 1-4, where 4 is the maximum score.

Section C: Inventory

No.	Financial Controls	Score
20	Recording of inventories (quantity, value etc.)	3
21	Calculating the provisions required against the carrying values of stocks	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

Total Score for Management Accounts / Financial Close Processes **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

Total Score for Tax Compliance Processes **8** 100%

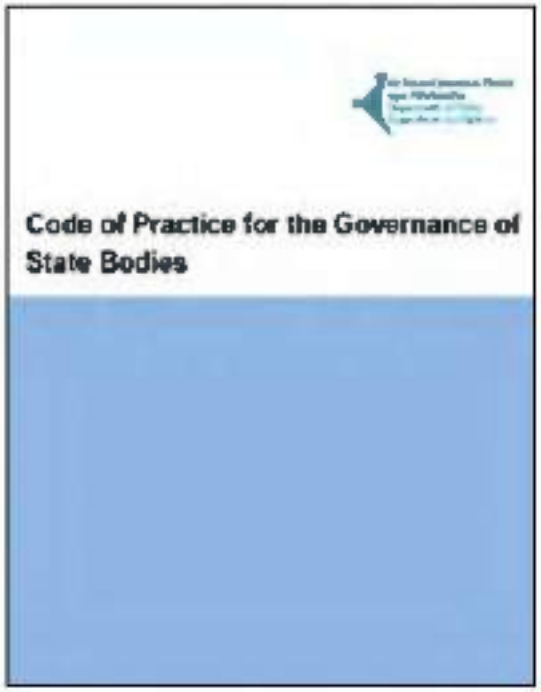
* Central Finance is also involved in this process. The 2rn Finance team calculates the tax return amount for submission to Central Finance, which is responsible for filing by the due dates.

RTÉ Internal Audit

Review of Compliance with the Code of Practice for the Governance of State Bodies

Year-ended 31 December 2017

12 April 2018



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ

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 ("DCCAE") 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.

DCCAE Checklist

A comprehensive Code of Practice Checklist was submitted by RTÉ to DCCAE in the prior year, accompanying the Annual Report and the Chair's Annual Report to the Minister. In accordance with Paragraph 2.6 of the 2016 Code of Practice, this checklist will also be completed by RTÉ for the year ending 31 December 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

✗ 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	• 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	*Board* • Matters reserved to the Board for consideration and decision • Delegated Authority Limits – *both updated in 2018* • 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 *Other compliance documents* • 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	• Annual Report and Financial Statements • Additional Reporting Requirements	• 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	• Internal Control • Review of Effectiveness of Internal Control • Internal Audit Function	• RTÉ Journalism Guidelines • RTÉ Content Standard Guidelines • RTÉ Social Media Guidelines

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
		• Risk Management • Audit and Risk Committee	• 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	• 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	• Oversight Agreement between RTÉ and DCCAE • 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	• Remuneration and Superannuation • Travel and Official Entertainment	• 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	• Customer Charter • Customer Action Plan • Display and Content of Charter and Action Plan	• Complaints Process • ASPC • Competition Voting Terms & Conditions

	Section	Topic	RTÉ Policies / Documents and Other Key Compliance Activities
-	Guidance Documents	• Business and Financial Reporting Requirements	• 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
		• Audit and Risk Committee Guidance	• Audit & Risk Committee Terms of Reference • Audit & Risk Committee Self-Assessment Questionnaire
		• Remuneration and Superannuation	• Remuneration & Management Development Sub-Committee • Remuneration Disclosures in Annual Report
		• 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.

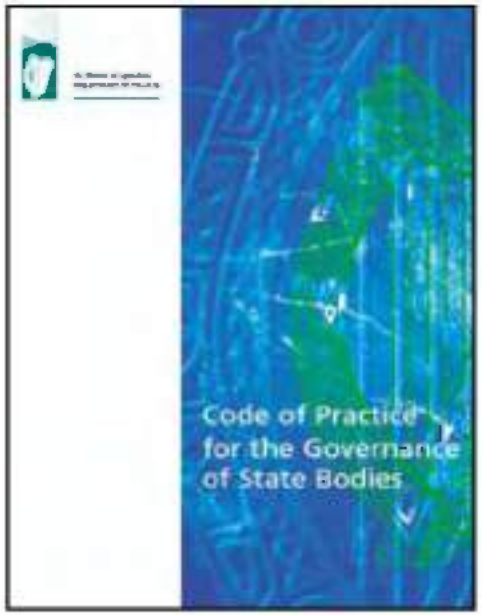
Given commercial sensitivity and the data protection implications, and as agreed with Departmental Officials, RTÉ is making a number of the additional disclosures via the Chair's Report to the Minister for Communications, Climate Action and Environment in accordance with Paragraph 2.6 of the Code of 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

[redacted]

RTÉ

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	• The Board • Directors • Codes of Conduct, Disclosure and Ethics
B. Remuneration	• Remuneration of Senior Management and Director's Fees
C. Risk management, accountability, internal controls and Internal Audit	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function
D. Relations with the Oireachtas and the Minister	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements
E. Other specific procedures	• 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	• 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	• The Board • Directors • Codes of Conduct, Disclosure and Ethics	• 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	• Remuneration of Senior Management and Director's Fees	• 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	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function	• 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
			• 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	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements	• 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	• 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	• 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]o 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]

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

RTÉ

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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] is no [redacted] on [redacted] of [redacted] be [redacted] an [redacted] on [redacted] is [redacted] PO [redacted] As [redacted] it is [redacted] to [redacted] an [redacted] in [redacted] of [redacted] PO [redacted] in [redacted] aware of [redacted] all [redacted] to [redacted] PO [redacted] by [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.

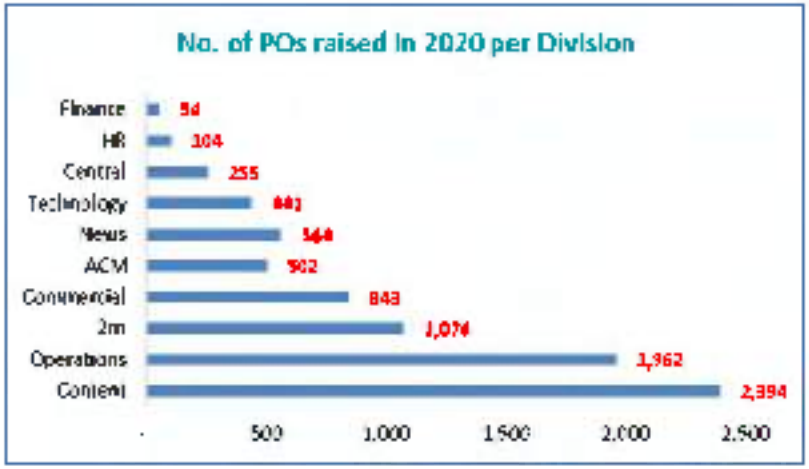
The scope of our audit did <u>not</u> include:

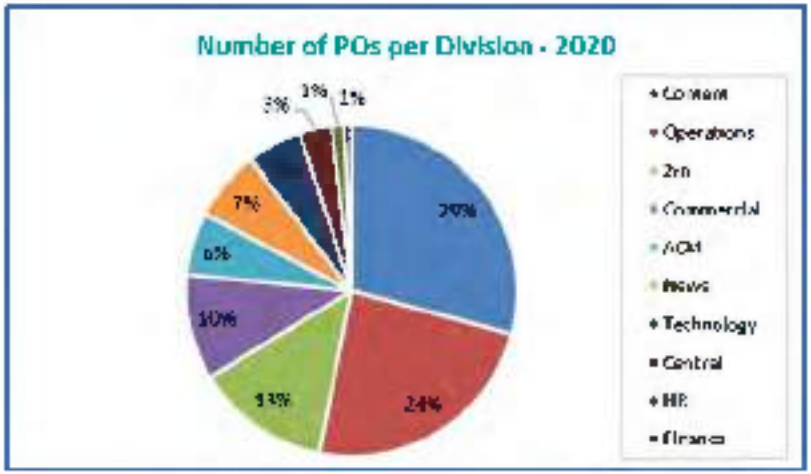
- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate audit report);
- ✗ Reviewing purchase card payments (covered in a separate audit report); and
- ✗ Compliance with payments in accordance with European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012.

Data Analysis – Purchase Order

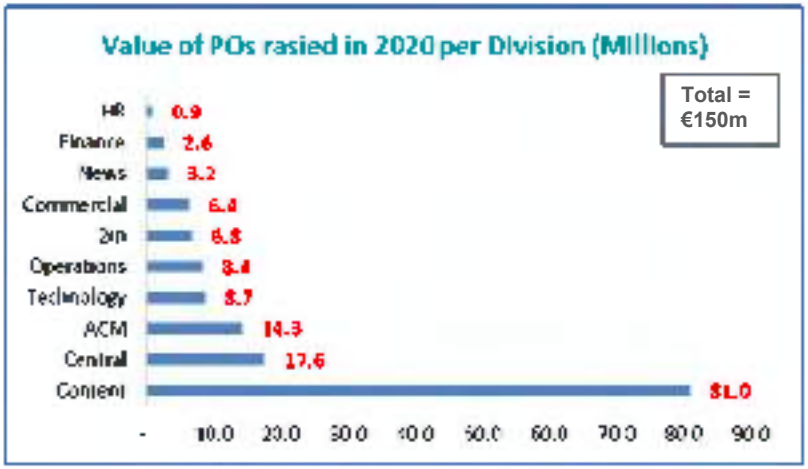
Purchase Order Data Analysis

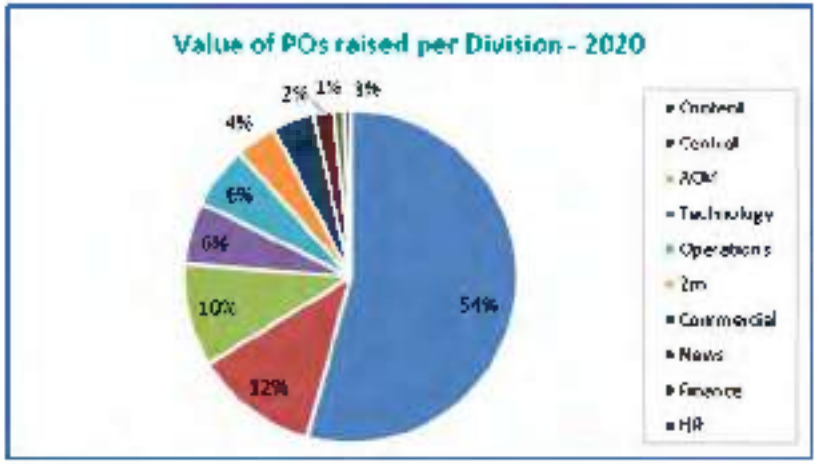
8,195 POs were raised in 2020 (2019: 10,267) which totalled 10,763 (2019: 13,312) lines of orders as some POs contained multiple order lines. The graphs below provides an analysis of the total number of POs raised by each Division and their percentage split.





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).





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.

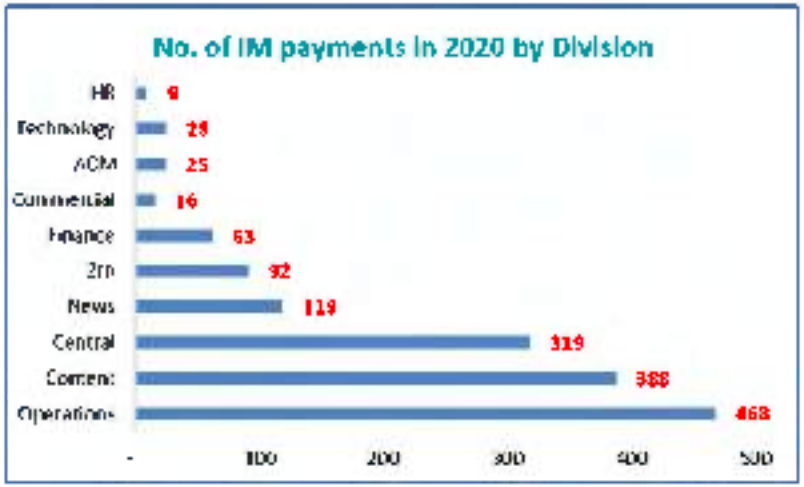
Requisitioners and Approvers

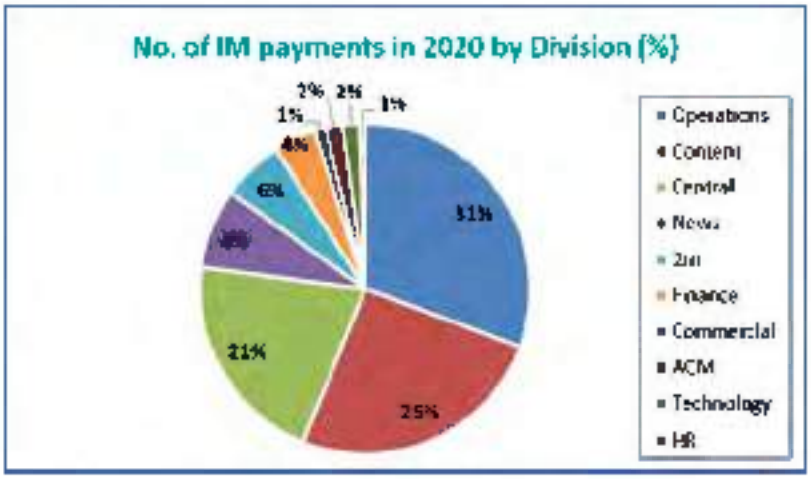
At the end of 2020, there were a total of 211 PO Approvers and 245 PO Requisitioners on [redacted] Of 211 approvers, 23 were also approvers on Invoice Manager. The graphs below shows the breakdowns by Division.

Data Analysis – Invoice Manager

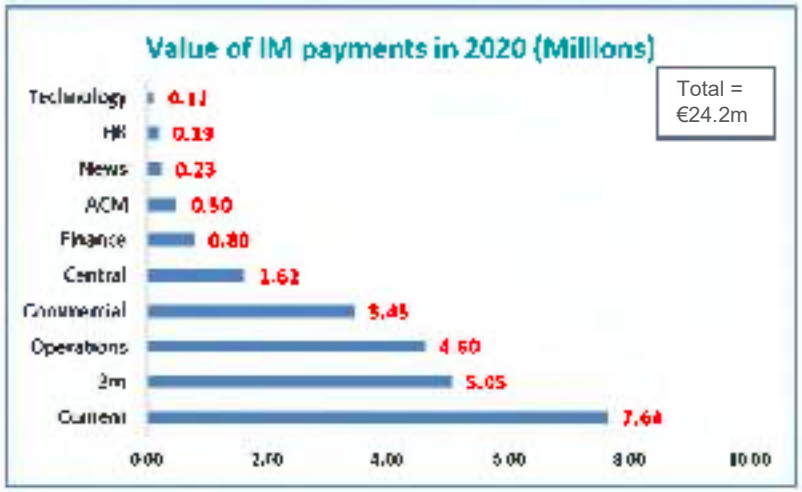
Invoice Manager

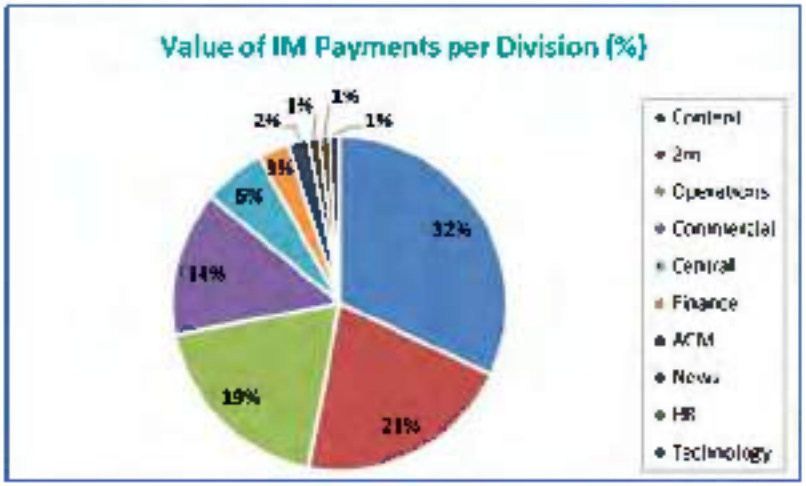
1,524 invoices were processed through invoice manager ('IM') during 2020 (2019: 1,827). The graphs below provides an analysis of the total number of invoices processed under Invoice Manager by each Division, along with their percentage split.





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).





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.

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").

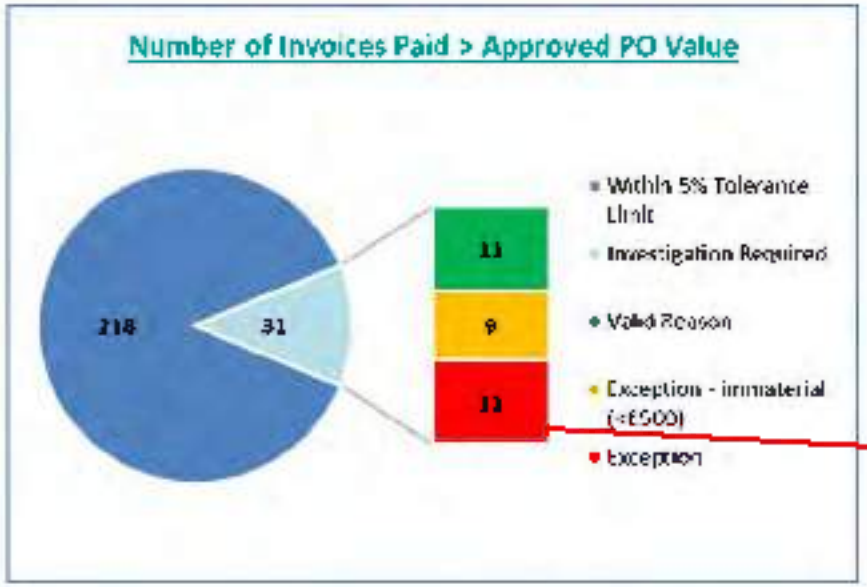
These **11** suppliers represent **€1.8m** or 7.5% of total value processed via IM. IA notes that five suppliers accounted for the **81%** of the of the exceptions as illustrated within the table above. An example includes professional service billings that are generally processed under the PO process 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%	90%
Supplier D	1	-7,904	9%	
Supplier E	1	-6,240	7%	
Other Suppliers	6	-8,621	10%	
	11	-83,782	100%	

For **218 (88%**) 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)*. **31 (12%)** 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.

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

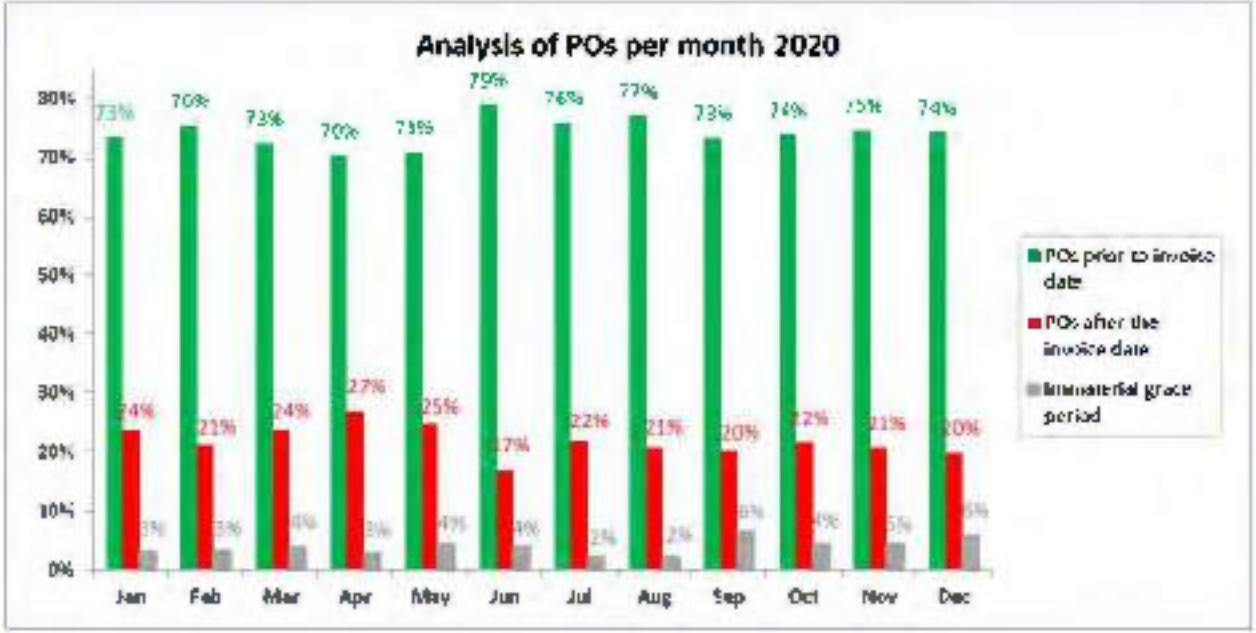
In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

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.

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
1 - Invoice Manager:		
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).	**Finance Directors/ Controllers**	**31 July 2021**
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.)	**CFO**	**30 June 2021**
2 - Purchase Invoice v Approved PO:		
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).	**Finance Directors/ Controllers**	**31 July 2021**
3 - Requisitioners and Approvers:		
3.1 Management should remove the PO (6) and Invoice Manager (3) approvers identified.	[redacted])	**30 June 2021**

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

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Background

Background

Financial

RTÉ transmitted in excess of [redacted] hours *(10,292 commercial hours)* of internationally and nationally acquired programmes on RTÉ One and RTÉ Two during 2012, representing [redacted] of total programming output (41% of all Peak Time transmission). The cost of transmitting acquired programmes was [redacted] 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 [redacted] were recorded in the year to September 2013, which is [redacted] higher than budget. The full year budget for 2013 is [redacted] million (excluding overheads), a reduction of [redacted] 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.	[redacted] – Support Contract The [redacted] system has not been fully upgraded since 2006 and we understand that RTÉ 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 [redacted] system. [redacted] the [redacted] software supplier, is still providing support. However, RTÉ's contract with [redacted] states that RTÉ must be within a predefined number of versions of the most recent version of the [redacted] system to receive consistent support. In addition, the compatibility of the current [redacted] version with Windows 7 was not signed off by [redacted] During the audit fieldwork it was confirmed that an upgrade is planned to be implemented in 2014 and RTÉ is awaiting a formal quote from [redacted] for the necessary works prior to submitting an A196 for approval.	RTÉ is still in the progress of finalising the project plan and associated costs with [redacted]. Currently we are awaiting a quotation from [redacted] to perform due diligence work such that a detailed plan and associated costings can be created. The tentative forecast for such an upgrade will be either in the 2nd or 3rd quarter of 2014. [redacted]	The [redacted] system will be upgraded in 2014.	M	[redacted] 31 August 2014
2.	[redacted] Functionality During audit testing we noted some issues with the functionality of the current version of the [redacted] system, as follows: • 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 [redacted]. This is rare and in a limited number of instances and relevant only to local currency revaluation. In mitigation,	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. [redacted] As per the response in point one above, these issues will be considered in the light of the planned upgrade	These issues will be considered in the context of the next upgrade of [redacted] (We understand that the system functionality will allow these matters to be addressed in a straightforward manner).	L	[redacted] 30 June 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	discrepancies are minor, monitored closely by the Acquisitions Contracts & Finance Manager and are tracked as reconciling items. • 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]			
	Acquisition Processes and Reporting				
3.	**Format of Financial Reporting** 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. 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	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. [redacted]	Financial reports will be prepared in a manner which allows for budgeted and actual acquisition costs to be split across the underlying channels.	L	[redacted] 31 December 2013

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	reporting formats for acquisition costs. 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.				
	Acceptance Viewing				
4.	**Acceptance Viewing** ***Background*** 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: • 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. ***Audit Testing – First Run*** 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. ***Audit Testing - Repeats*** 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	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. 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. ([redacted]	The risk is considered low and no further action is proposed. This issue will be resolved as the backlog of injested material is cleared.	L	N/a

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	at a similar audience, rather than full viewing. 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. 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. [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 injested into electronic files.]				

RTÉ Internal Audit

Review of Programme Acquisitions

17 May 2022

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted], Director of Acquisitions and Co-Productions
[redacted], Acquisitions Contracts & Finance Manager
[redacted], Finance Director of Content & Operations
[redacted] Deputy Head of Acquisitions

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RTÉ

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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 [redacted] of total broadcast hours. The cost of transmitting acquired programmes was [redacted] 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 €[redacted] 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 was 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 [redacted] (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
1[redacted] – Support Contract: *Background* [redacted] is the scheduling system and is used as a source of financial reporting data, and to record and track programme acquisitions. *Finding* 1) The [redacted] 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 [redacted], the [redacted] software supplier, to ensure ongoing use and support. It was agreed that these extensions will expire in November of this year. 2) The current [redacted] 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.	No new action is necessary here as a new system replacing [redacted], is currently being rolled out and it is expected to go live on August 23rd this year.	N/A	N/A

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:
[redacted]

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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 receipted on [redacted] 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 requsitioner/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 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 #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: [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 Requsitioners 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 Requsitioners per Division; and
- ✓ Reviewing the number and appropriateness of invoices and suppliers processed through Invoice Manager.

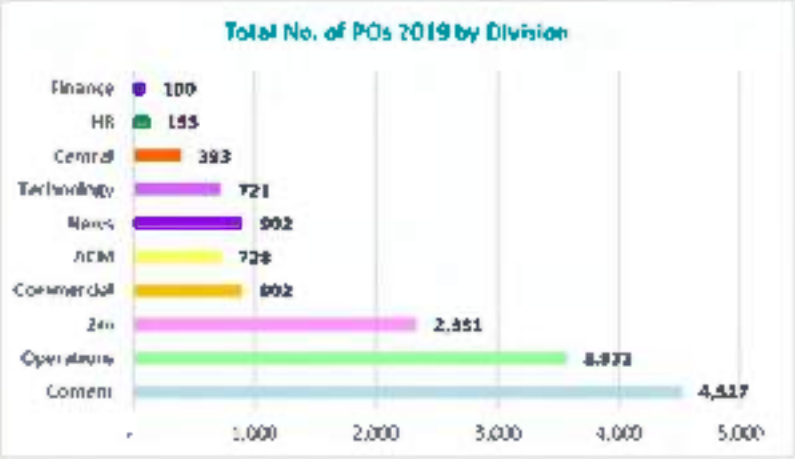
The scope of our audit did <u>not</u> include:

- ✗ 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.

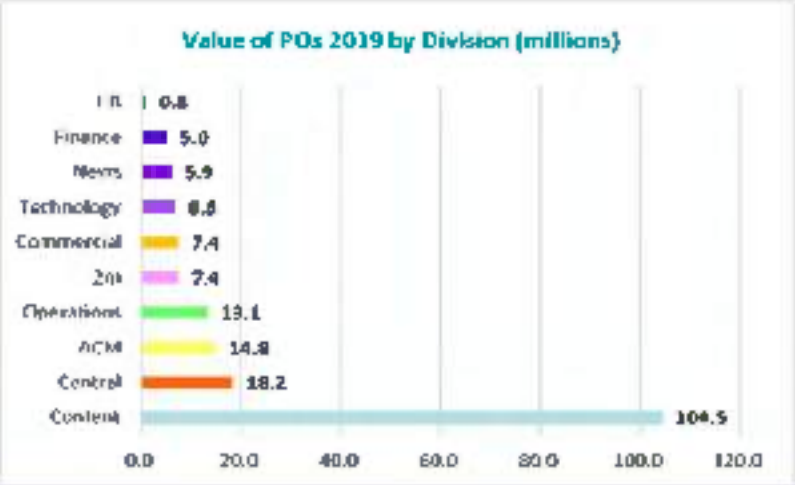
Overview and Context of Findings

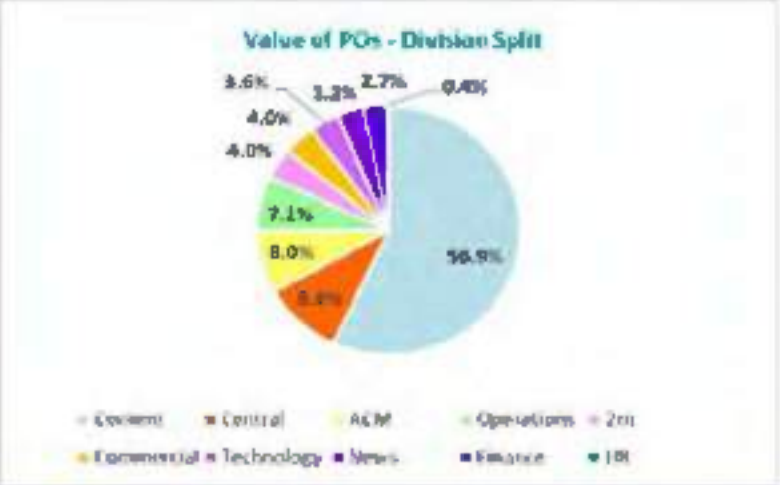
Purchase Order Data

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

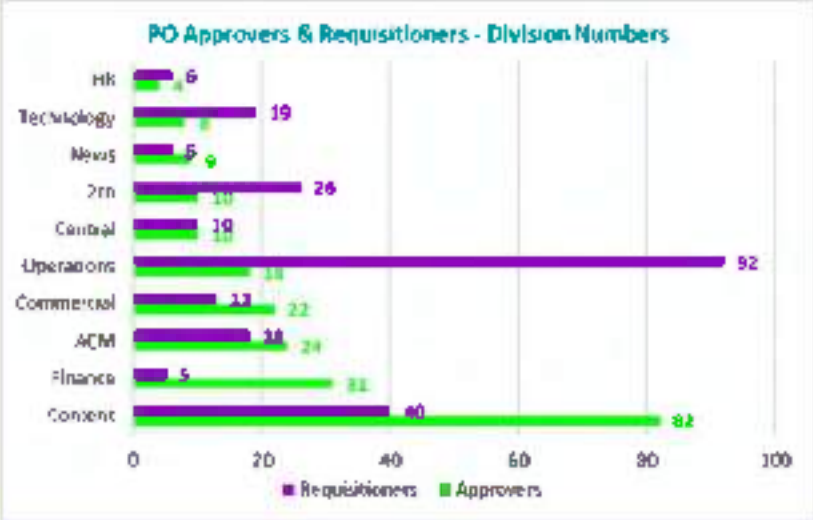
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

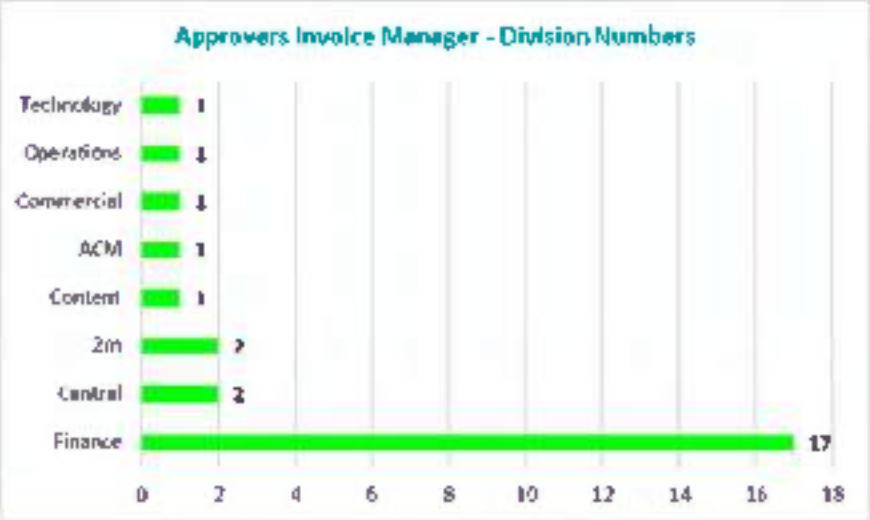
Value of PO	Number of POs Processed in 2019
€0 - €5,000	7,845
€5,001 - €10,000	1,040
€10,001 - €100,000	1,114
€100,001 - €250,000	140
€250,001 - €750,000	93
€750,001 upwards	35
Total	**10,267**

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.

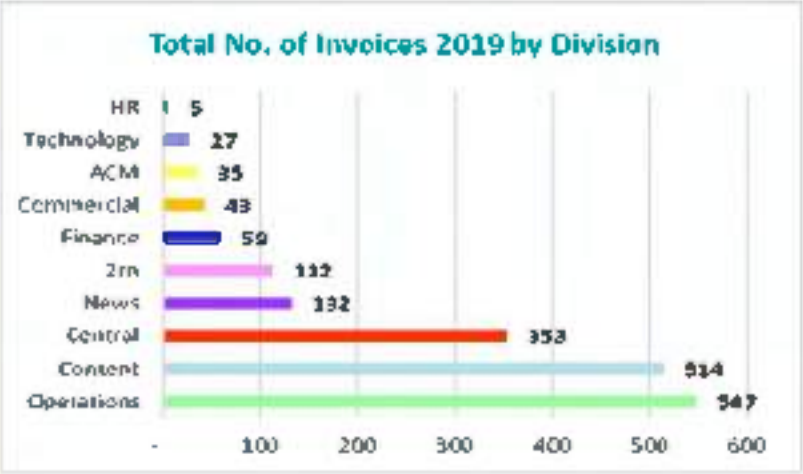




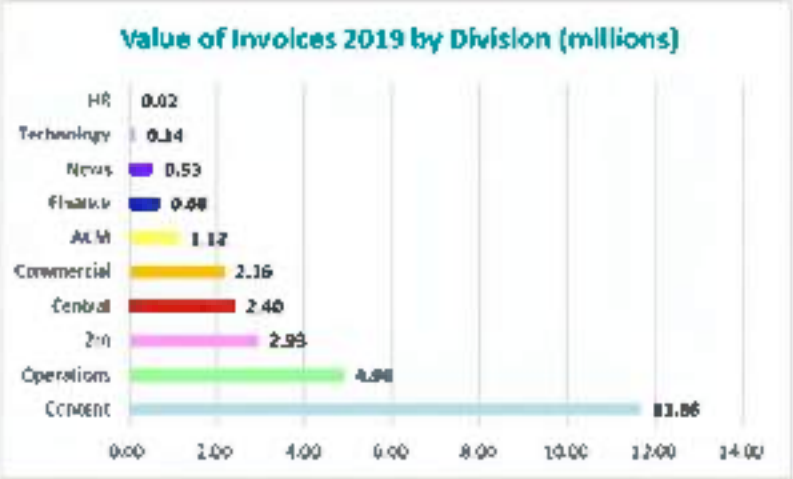
Overview and Context of Findings Continued

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	Requistioners 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.

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		
Analysis of invoices	Sep-19	Oct-19	Nov-19	Dec-19
# 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		
Analysis of number of invoices	Sep-19	Oct-19	Nov-19	Dec-19
POs prior to invoice date	74%	71%	67%	74%
POs after the invoice date	22%	25%	29%	22%
[redacted]	4%	4%	4%	4%
Total	100%	100%	100%	100%

PO Summary - Analysis of value of invoices > €1,000				
	Previously Reported	Current Period Under Review		
Analysis of value of invoices	Sep-19	Oct-19	Nov-19	Dec-19
POs prior to invoice date	87%	79%	83%	85%
POs after the invoice date	12%	16%	15%	13%
[redacted]	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:

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%

75%

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: Requistioners 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
1 - Invoice Manager:		
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).	**1.1 Finance Directors/ Controllers (RTÉ)**	**1.1 31 July 2020**
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.	**1.2 Nominees from the ERP Project Team - TBC**	**1.2 30 November 2020**
2 - Purchase Invoice v Approved PO:		
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).	**2.1 Finance Directors/ Controllers (RTÉ)**	**2.1 31 July 2020**
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 *(including % tolerance permitted)* and the operation of this functionality in the new ERP system.	**2.2 Nominees from the ERP Project Team - TBC**	**2.2 30 November 2020**
3 - Requistioners and Approvers:		
3.1 Management should remove the PO (6) and Invoice Manager (1) approvers identified.	**3.1 [redacted] Head of Applications)**	**3.1 Completed**

RTÉ

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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	→ Internal Financial Control Questionnaire ***(2B)***	*23*
3.	FINANCIAL TRANSACTIONS OF CERTAIN COMPANIES AND OTHER BODIES ACT, 1992 / TREASURY POLICIES	
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1. Overview of Internal Control

RTÉ

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

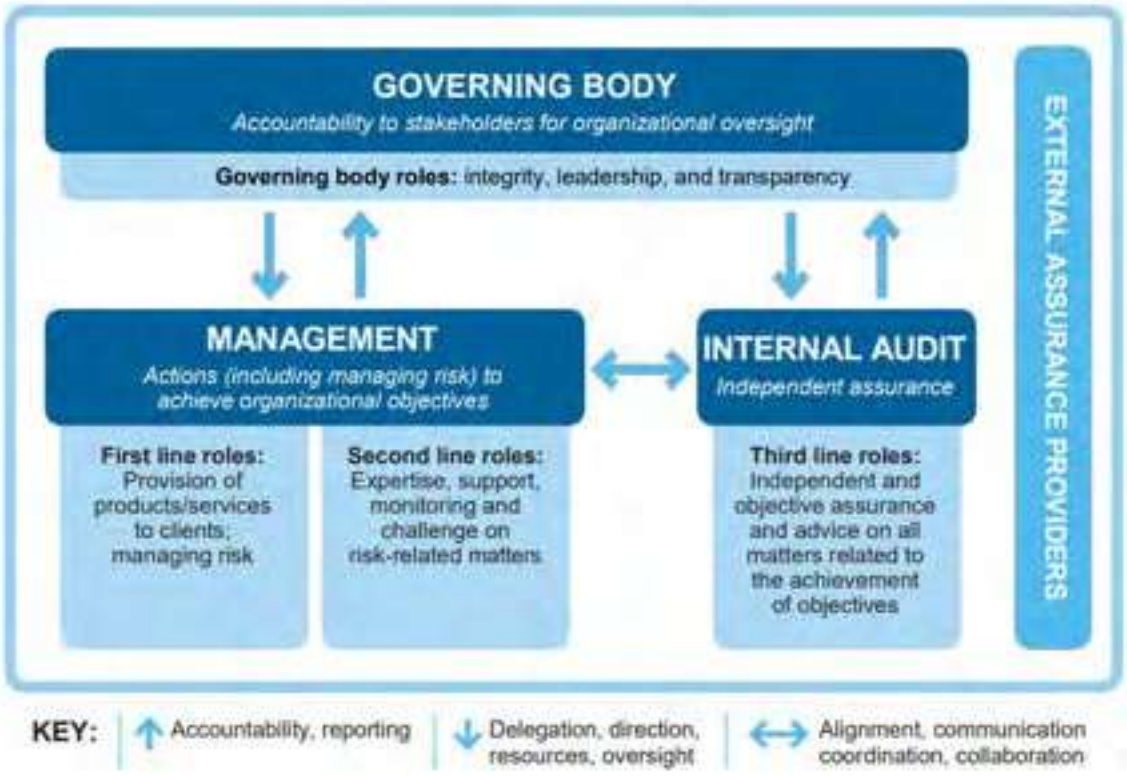
Internal control is a process, implemented by an organisation's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of business objectives and the management of risk. The roles and duties of various parties in the internal control system are illustrated 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 *Requirements and Conditions* document.	**21 March 2023**
5	The results of Internal Audit checks on compliance with the *Code of Practice for the Governance of State Bodies.*	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:
	• Purchase receipting and • Tendering aspects (RTÉ's compliance with Section 8.16 of the *Code of Practice for the Governance of State Bodies*)	
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 *Requirements and Conditions document*, 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:
[redacted]

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%	*Immaterial*	N/a	N/a	75%	N/a	N/a	85%
C	Inventory	N/a	95%	N/a	100%	*Immaterial*	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

	Board Responsibility	***Audit of Compliance***
A)	It shall be the responsibility of the Board to draw up written policies in respect of the use of each type of instrument *[FX Forwards, Interest Rate Swaps]* specified by the Minister in respect of it. *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*	See ***Table 1*** for the specific items to be included in the Policies and a check of compliance. • RTÉ Treasury Policy • Management & Investment of Land Sale Proceeds Policy Statement

	Board Responsibility	*Audit of Compliance*
	borrowings and the currency distribution of debt and foreign currency transaction exposures.	
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)	It shall also be the responsibility of the Board to ensure that the contracts of RTÉ are:	
	– Entered into only for the purposes set out in Section 2(1) of the Act and	See ***Table 2*** for a check of compliance.
	– subject to, and in compliance with: o the Minister for Finance's *Requirements and Conditions document* and o the policies established by the Board.	See ***Table 3*** for a check of compliance with the document. – Review of RTÉ Treasury Policy and Land Sale Policy Statement – Review of position at year-end / discussion with relevant personnel
	The Board shall take whatever steps and put in place whatever procedures are necessary for the purposes of discharging its obligations in this regard.	As above
B)	The Board shall certify annually that: • Such procedures are in place and • RTÉ has acted fully in accordance with the Minister for Finance's *Requirements and Conditions document.*	This review, and the associated checks of compliance by Internal Audit, represent the annual certification process. Policies are approved by the Board. See our conclusion and the audit recommendation in ***Section 5*** below.

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 as above. Disclosed in Annual Report
2)	Interest Rate Swaps	✓	

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 *(e.g. contracts which have embedded options, which comprise a combination of derivatives or which are leveraged)* 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.	✓	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		Refer b) below for banking licences: x 3 counterparties.
		n/a	FEXCO and Investec Europe Limited are approved counterparties for FX execution only. Both authorised by Central Bank of Ireland: • FEXCO: Regulation 18 of the European Union (Payment Services) Regulations 2018 • Investec: 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
		✓	United Bank (US) A1 is one ranking below Aa3 (long term rating). There is a small balance in United Bank for the Washington correspondent role

Table 3 – Other Specific Requirements Regarding Transactions			
Requirement		**Where addressed in RTÉ Policies**	
			and misc. outgoings. United Bank 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: • Barclays Bank Ireland plc. • The Governor and Company of the Bank of Ireland • Allied Irish Banks plc.
	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	✓	United Bank (US) 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 *(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)* 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%	*Immaterial*	N/a	N/a	75%	N/a	N/a	85%
C	Inventory	N/a	95%	N/a	100%	*Immaterial*	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	*Immaterial*						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	*Immaterial*			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	*Taxation function in Group Finance***						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)
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. 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

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

Full Report included separately in list of reports - not repeated here

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

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

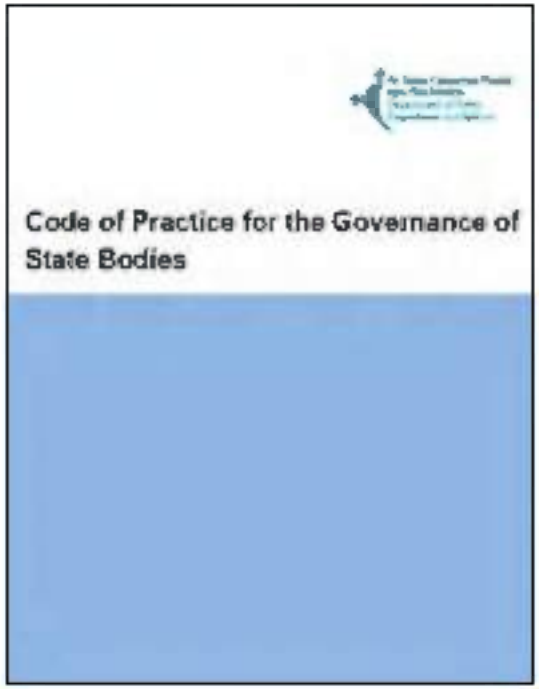
RTÉ Internal Audit

Review of Compliance with the Code of Practice for the Governance of State Bodies

Year-ended 31 December 2022

14 April 2023

Full Report included separately in list of reports - not repeated here


Code of Practice for the Governance of State Bodies

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Paula Mullooly, Director of Legal Affairs
Group Financial Controller
Head of Procurement

RTÉ

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 an 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

RTÉ

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 <u>mandatory</u> 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 *Code of Practice for the Governance of State Bodies.*	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 *([1]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)*	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.

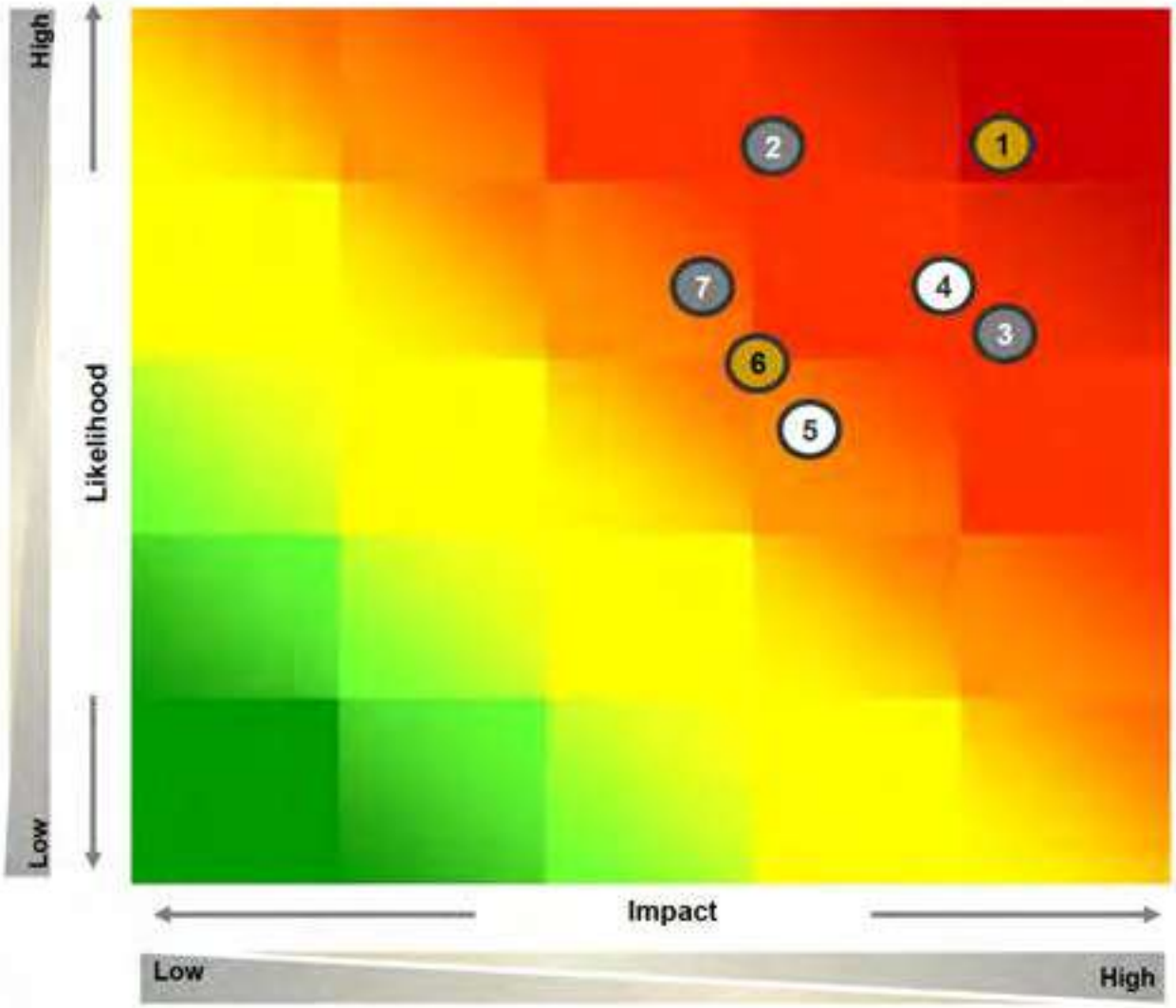
Up to 2013 2rn had been managed as an Integrated Business Division, in a manner similar to other RTÉ divisions, and it fell within the scope of the wider review of financial control in RTÉ. However, the relocation of 2rn from the Donnybrook campus to premises in Dublin 24, in addition to the migration 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 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*
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.

[redacted]

Full Report included separately in list of reports - not repeated here

RTÉ Internal Audit

Review of Internal Financial Control in 2rn

21 February 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

2rn:

[redacted]

RTÉ:

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

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

The overall global business context is perceived to be noticeably more risky in 2017.

Concerns about economic conditions top the list of risk issues for the coming year, followed closely by regulatory changes and scrutiny.

Cyberthreats, information security and privacy remain critical issues for organizations to address.

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.

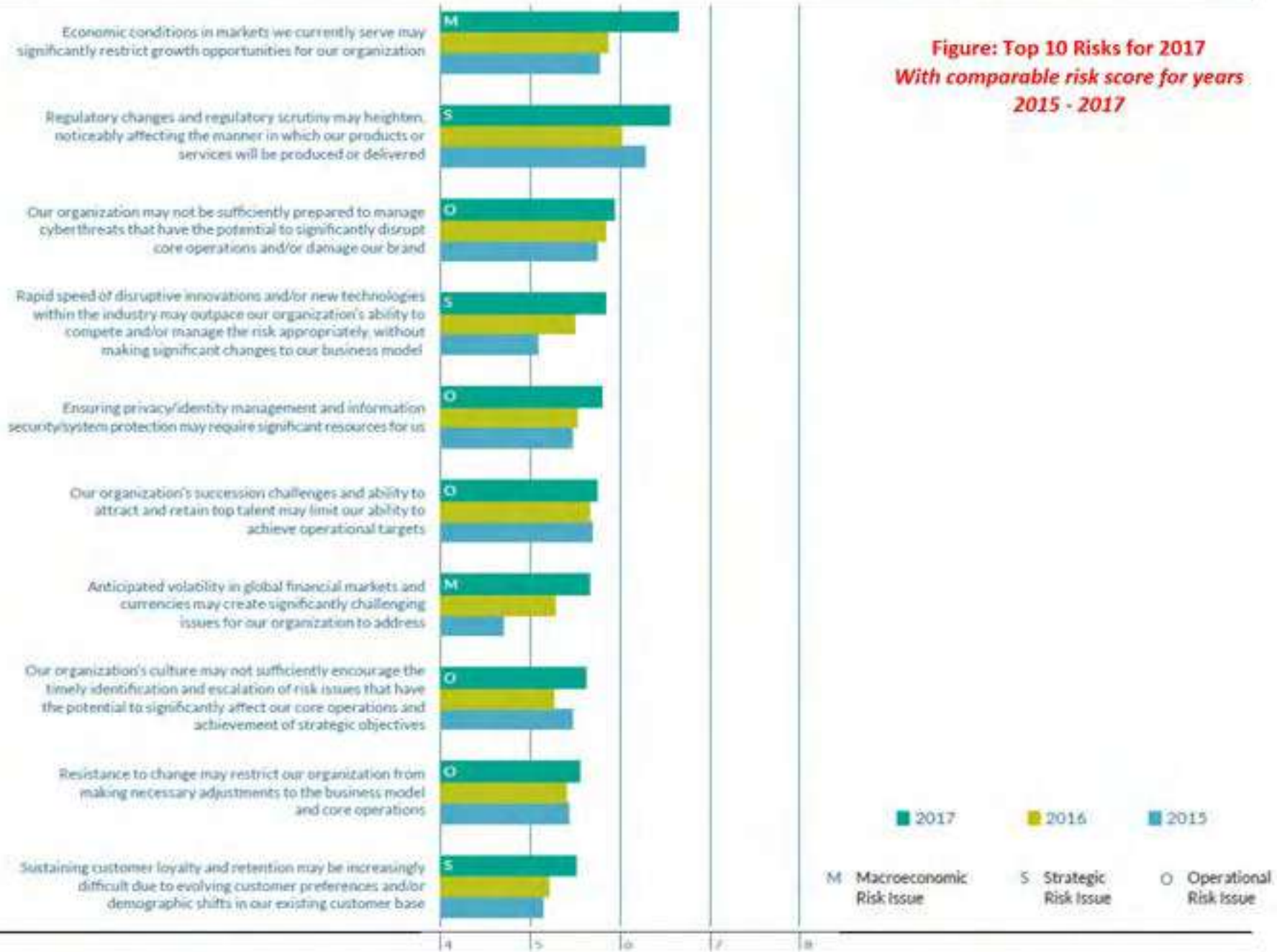
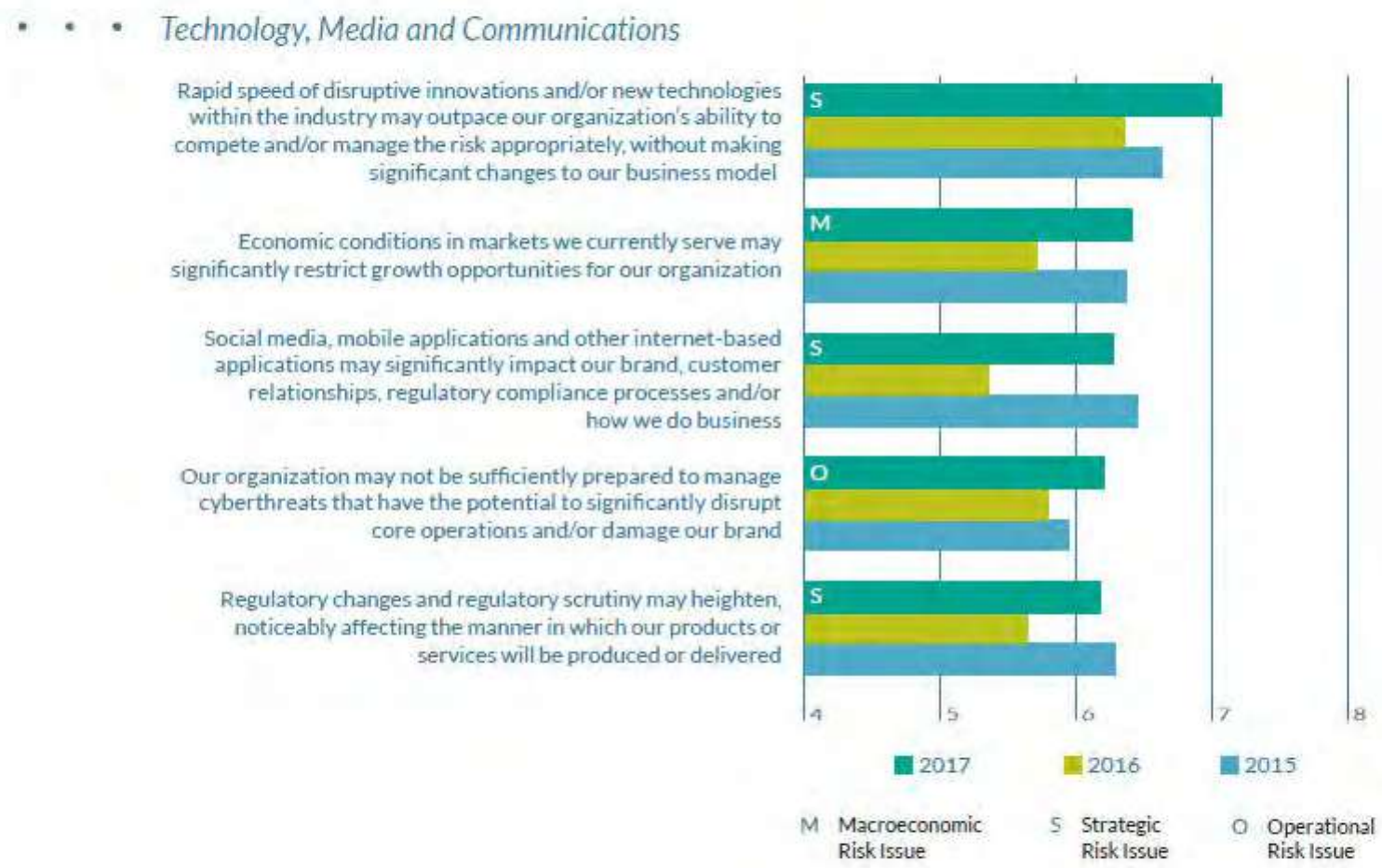


Figure: Top 10 Risks for 2017
With comparable risk score for years 2015 - 2017

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***.



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 seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	Average
1	Score the effectiveness of the procedures and controls over the raising and processing of purchase orders	3	3	3	3	3	3
2	Score the effectiveness of the control procedures over compliance with RTÉ's purchasing procedures	3	3	3	3	3	3
3	Score the effectiveness of the procedures and controls over the receipting of goods and services	3	3	3	3	3	3
4	Score the effectiveness of the procedures and controls over the processing and payment of supplier invoices	3	3	3	3	3	3
5	For invoices where a purchase order is not required (e.g. utility and rental charges), score the effectiveness of the approval procedures and authorisation limits	4	4	4	4	4	4
6	Score the effectiveness of the procedures for confirming balances with suppliers	4	4	4	4	4	4
7	Score the effectiveness of the procedures and controls for ensuring compliance with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 to ensure that invoices are paid by the due date	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

	TV	Radio	News	Digital	Orchestras
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 seperately)

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

	TV	Radio	News	Digital	Orchestras
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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5. COMMITTEE RESOLUTION ON INTERNAL CONTROL

6. TECHNICAL UPDATES / RECENT DEVELOPMENTS
- 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 <u>set-out overleaf</u>.

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

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

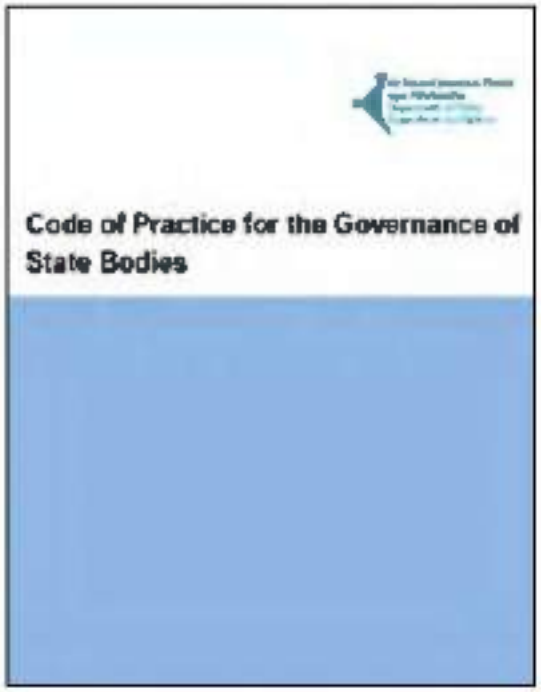
RTÉ Internal Audit

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

[redacted]

RTÉ

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]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

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 an 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.

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RTÉ

RTÉ Internal Audit

Reports to the Audit and Risk Committee on the System of Internal Control and Risk Management

Year-ended 31 December 2018

Part 1: Audit and Risk Committee Meeting of 13 March 2019

Part 2: Audit and Risk Committee Meeting of 17 April 2019

Audit and Risk Committee Meeting of 13th March 2019

RTÉ Internal Audit

Report to the Audit and Risk Committee

Meeting: 13 March 2019

Circulation:

Attending the Committee meeting:
Anne O'Leary (Chair)
Robert Shortt
Eoin McVey
Shane Naughton

Cillian DePaor (RTÉ Group Secretary)

CC:
Dee Forbes (Director-General)
Breda O'Keeffe (Chief Financial Officer)

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2. TECHNICAL UPDATES / RECENT DEVELOPMENTS

→ Protiviti Enterprise Risk Management Survey

1.
REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

RTÉ

Internal Memorandum

To: Members of the Audit and Risk Committee

CC: [redacted], RTÉ Group Secretary

From: [redacted]y, Head of Internal Audit

Date: 8 March 2019

Re: Review of Effectiveness of Internal Control: Introduction and Agenda

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1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 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:

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 *Code of Practice for the Governance of State Bodies.*	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]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)*	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

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

(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
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
Regulatory changes and scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered
Our organization may not be sufficiently prepared to manage cyber threats that have the potential to significantly disrupt core operations and/or damage our brand
Resistance to change may restrict our organization from making necessary adjustments to the business model and core operations
O
O
S
O
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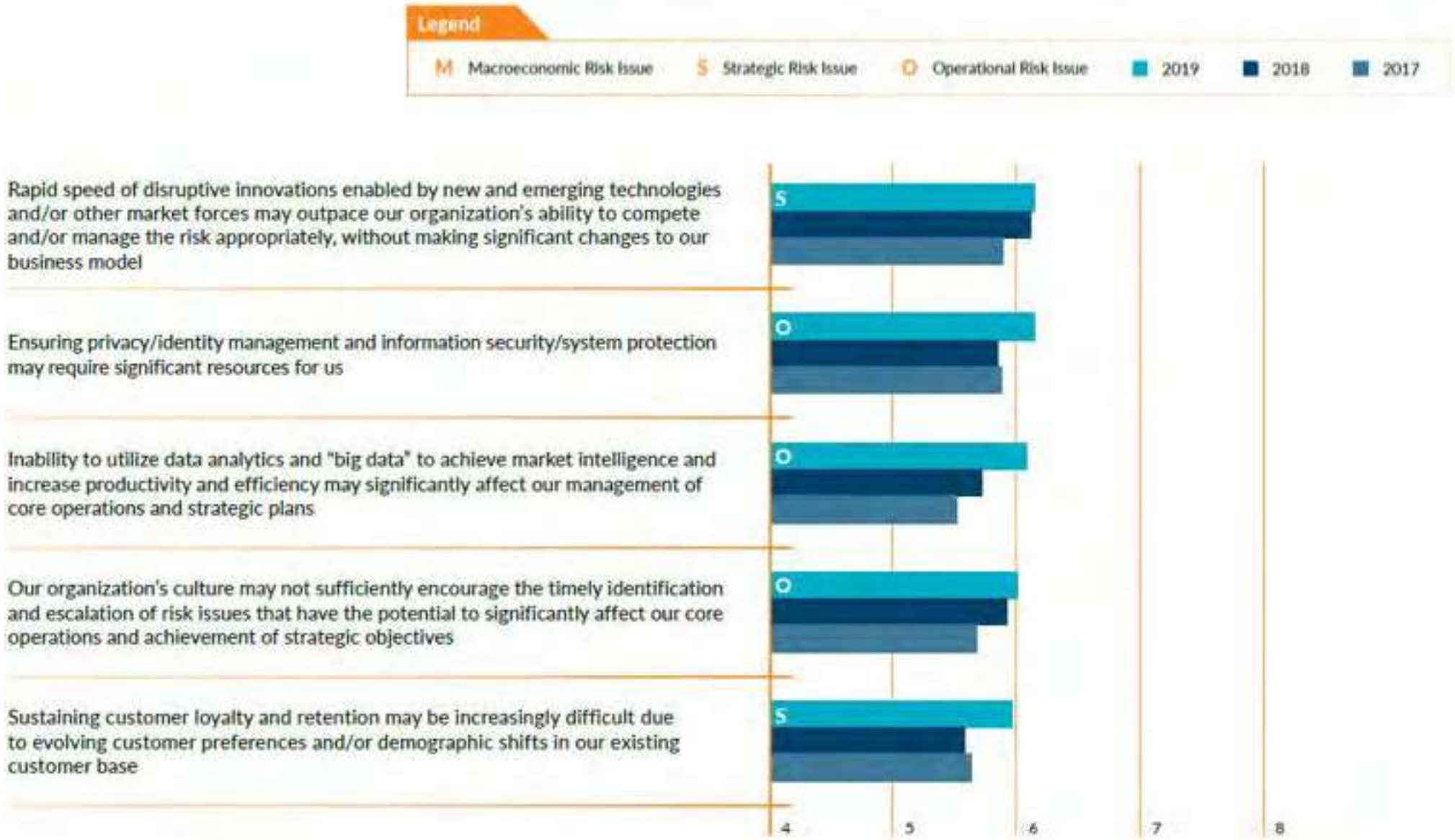
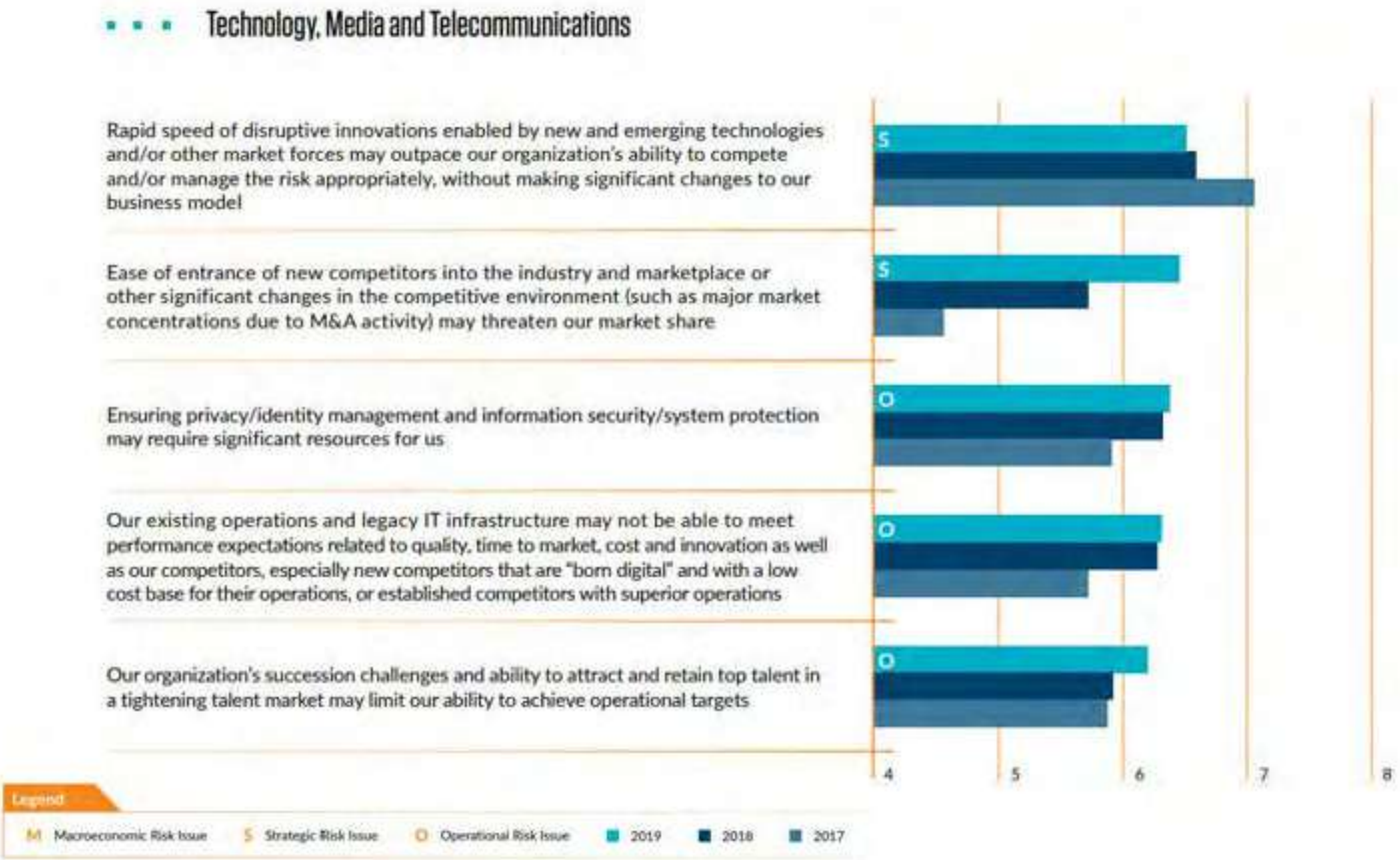

Legend
M Macroeconomic Risk Issue
S Strategic Risk Issue
O Operational Risk Issue
2019
2018
2017
Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces may outpace our organization's ability to compete and/or manage the risk appropriately, without making significant changes to our business model
S
Ensuring privacy/identity management and information security/system protection may require significant resources for us
O
Inability to utilize data analytics and "big data" to achieve market intelligence and increase productivity and efficiency may significantly affect our management of core operations and strategic plans
O
Our organization's culture may not sufficiently encourage the timely identification and escalation of risk issues that have the potential to significantly affect our core operations and achievement of strategic objectives
O
Sustaining customer loyalty and retention may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base
S
4
5
6
7
8

2.1.3 Technology, Media and Communications Risks



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	
		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 seperately)

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	
		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 seperately)

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

Paula Mullooly (Director Legal Affairs)

CC:
Dee Forbes (Director-General)
Breda O'Keeffe (Chief Financial Officer)

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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 <u>set-out overleaf</u>.

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

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:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

4.
CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

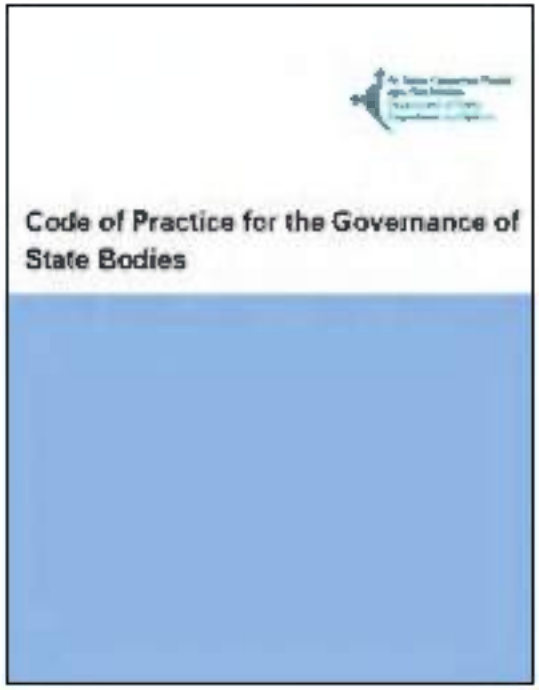
RTÉ Internal Audit

Review of Compliance with the Code of Practice for the Governance of State Bodies

Year-ended 31 December 2018

11 April 2019

Full Report included separately in list of reports - not repeated here



Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

RTÉ

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 an 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

RTÉ

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	**XXXX**

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
	X

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.

RTÉ

Internal Memorandum

To: [redacted]

From: Peadar Faherty, Head of Internal Audit

Date: 6 June 2019

Re: [redacted] partnership with RTÉ

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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 [redacted] 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 [redacted] will be finalised and signed.

Implementation status:

6. Conclusion

RTÉ commenced an academic partnership with [redacted] 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, [redacted] 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 [redacted] 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.

EY | 3

RTE ERP Business Systems Project: Lessons Identified

Detail and outcomes

Ref.	Scope Area	Question	Lesson Identified	Recommendation
LL1	**Project Governance**	**Were appropriate project governance structures in place and operating effectively at the design stage?** **Was there strong, visible, senior business sponsorship and leadership?**	▸ 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]	▸ 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**	**Did the overall approach to the project work for a project of this size, complexity, scope and cost?**	▸ 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	▸ 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**	**Were the business case and project plan grounded in reality and tightly managed?**	▸ 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	▸ 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**	**Were the project scope and business requirements clearly defined, understood and tightly managed?**	▸ 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	▸ 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?**	▸ 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	▸ 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?	▸ [redacted]	▸ [redacted]
LL7	**Project management practices**	Were project management practices such as communications, quality management, budget management, change control, and reporting operating as expected?	▸ 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	▸ [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?**	▸ 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	▸ 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?**	▸ 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	▸ 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?**	▸ 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]	▸ 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

Appendix A: EY Programme Confidence Wheel 8

Appendix B: Stakeholder Interviews 9

Appendix C: Key Documents Reviewed 10

Appendix A: EY Programme Confidence Wheel

[redacted]

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]

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3 INTERNAL AUDIT ASSIGNMENTS

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 thew 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.

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
RISK REGUSTER

No.	Description of risk	Vulnerabilities / weaknesses that increase exposure to risk	Consequences of risk occurring	Audit Response to Date
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

[redacted]r

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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.	**Incomplete records: accident log** Accidents will be logged by the Health and Safety function in Central Human Resources.	H	
2.	**Incomplete records: insurance claim files** Revised procedures have been agreed between Finance and Human Resources and the flow of information / accident reports is set-out in a revised *RTÉ Accident / Incident Reporting Flowchart*.	M	
3.	**Records maintained in different departments** Covered as part of the action for #2.	L	N/A
4.	**Reporting of statistics / KPIs** 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.	**Accident on Duty form** The Accident on Duty forms will be revised and updated on the intranet.	M	
6.	**Briefing to Line Managers** 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	
	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.		

Executive Summary: Status of Issues

	Issues raised in the previous audit report / action	Priority	Actions Undertaken
7.	**Accident management** 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.	H	
	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.		
8.	**Correspondent from the Personal Injuries Assessment Board** 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. In conjunction with the actions set-out in finding #10, an "owner" will be assigned to each active claim.	M	
9.	**Engineering reports** Addressed as part of the action for finding #7.	M to L	N/A
10.	**Record-keeping** 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.	M	
11.	**Responsibility for the management of insurance claims** 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. 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.	M	
12.	**Liability Claims Review meeting** 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).	L	

Executive Summary: Status of Issues

	Issues raised in the previous audit report / action	Priority	Actions Undertaken
13.	**Updating Liability Claims summary report** 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.	L	
14.	Historic issue for noting – not specific action in the report.	L	N/A
15.	**Checking insurance arrangements** 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	L	
	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.		
16.	**RTÉ Indemnity** 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.	L	
17.	**Use of vehicles for business purposes** The Finance Travel and Subsistence Group will prepare a paper examining this issue. The RTÉ Travel Policy will be updated to address the matter of reclaiming of petrol receipts.	M	
	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.		

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]

Finance:

[redacted]

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RTÉ

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 [redacted] 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 RTÉ*
- *The person is not subject to review by RTÉ*
- *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 [redacted] 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 [redacted]
b) The fee originator inputs the payment into [redacted] 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, [redacted] 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:

X 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.

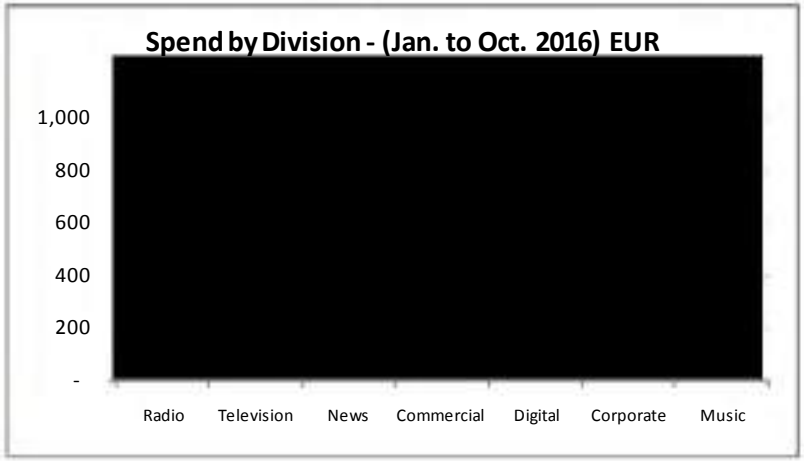
The full population for the period was analysed based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. The range of tests performed for sample selection included, but was not limited to, a review of:

- 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

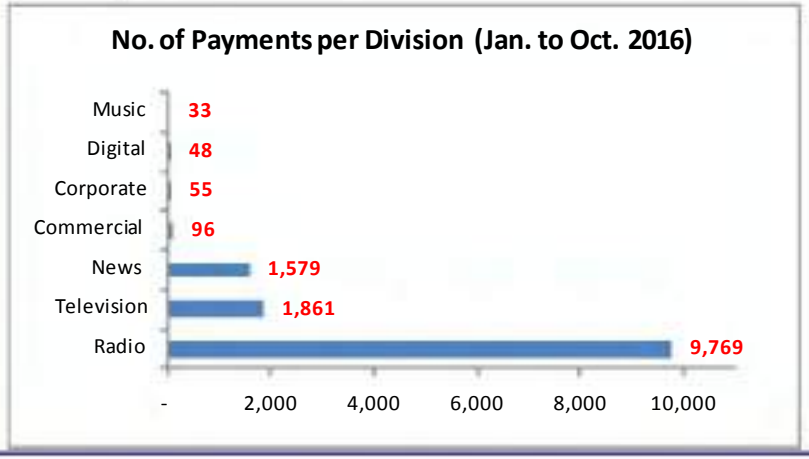
Data Analysis

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.

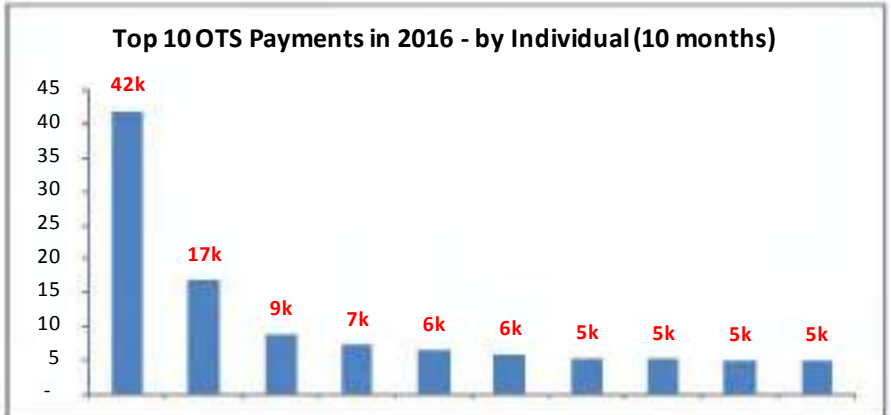
Per IBD	Total Spend €k	# of Payments	# of Individuals
Radio	[redacted]	9,769	3,255
Television	[redacted]	1,861	872
News	[redacted]	1,579	537
Commercial	[redacted]	96	37
Corporate	[redacted]	55	20
Digital	[redacted]	48	20
Music	[redacted]	33	23
Total	**1,578**	**13,441**	**4,764**

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.



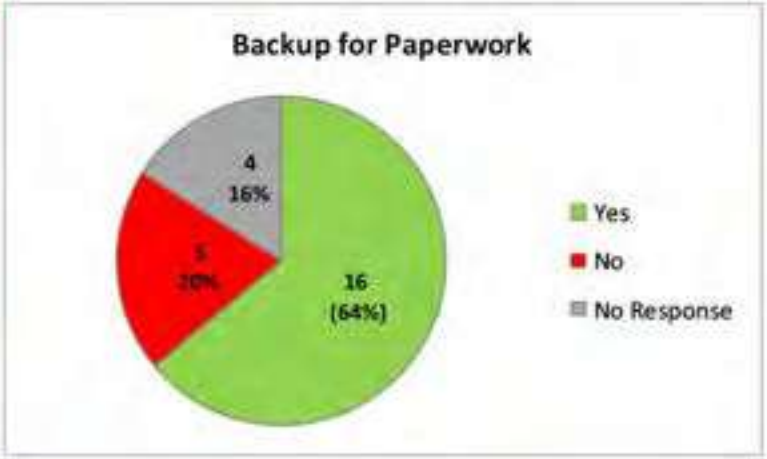
[redacted]

Summary of Key Findings – *See Action Plan for more details*

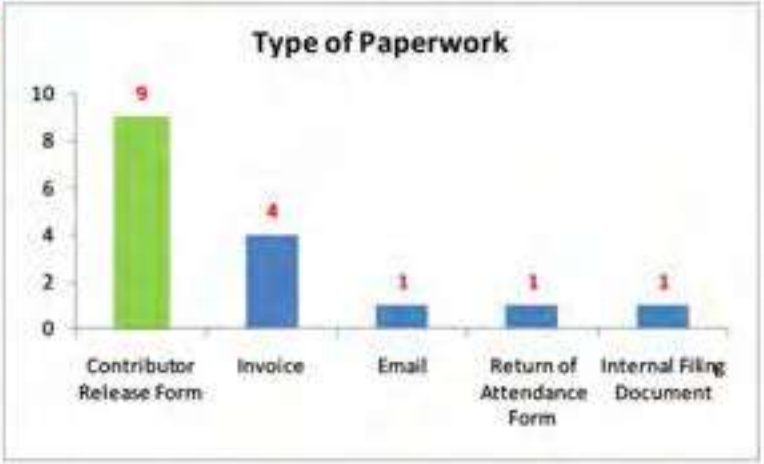
1) Documentation and Filing

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 [redacted] 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

RTÉ

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Specific Findings				
1.	**<u>Documentation and Filing</u>** *Background* 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. *Findings* The findings identified are summarised below: • 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	This is already being covered in localised training groups. [redacted]) See Management Comment in finding #2.	An email explaining the importance of retaining paperwork evidencing the OTS payment will be circulated to Requisitioners / Approvers. This will include guidance on the types of documentation which is acceptable for a valid OTS contract, and procedures for filing.	M	[redacted] IBD Finance Teams 31 May 2017, as part of wider training initiatives

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	departures of staff. *Implication* - 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.	**<u>Level of OTS Earnings</u>** *Summary Finding* 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. Specific sub-findings are detailed below: **2a) Regular Patterns of Engagement** • 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 ([redacted]) received 106 OTS payments ([redacted]) in a ten month period in 2016, with each payment covering multiple contributions. This individual, on his 98th OTS	Agreed. [redacted] 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. 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	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.e. regarding regular patterns of work and levels of reengagement)*. 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. 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).	H	[redacted] 30 June 2017 [redacted] 31 May 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	contract, was engaged on a very regular basis (sometimes seven days per week). • [redacted] received 64 OTS payments ([redacted]), 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: [redacted]	[redacted] ([redacted]	HRIS and People Payments will continue to carry out their reviews and circulate reports on the level of OTS earnings to divisional HR teams. 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.		[redacted] Done [redacted] / [redacted] 15 June 2017

No. of Payments	Value of Payments €	Tax Status	Comment
[redacted]			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	2b) High number of OTS batches / level of work • 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**. *Impact* 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. *Mitigation* 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.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	**<u>Use of OTS Contracts</u>** *Finding* 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. Specific findings are detailed below, as follows: **3a) OTS not the most appropriate contract based on work** • We identified examples of OTS contracts being used for work which is generally engaged via another type of contract. These include [redacted] • [redacted]. **3b) On-air engagements** • 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: *"on air contributions of an unexpected or unplanned*		See action in point #2 above.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	nature". • We noted the following examples of individuals paid via OTS contracts for roles which were not on-air roles: - [redacted] **3c) Individuals previously engaged under another contract type:** • We identified 71 individuals already engaged via another valid contract type in 2016 who were also in receipt of OTS payments 2016. See table below for breakdown of the total:				

Active Contract Type in 2016	# of Individuals
[redacted]	**28**
	10
	10
	8
	7
	5
	2
	1
Total	**71**

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• 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 *(e.g. an OTS may have been used temporarily while the other contract is under negotiation or has expired)* 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. • The following are some more detailed examples where the individuals were given an OTS contract for similar work to their previous contract: - [redacted] engaged under a Sole Trader contract was paid via an OTS for the same type of work for a Radio programme - [redacted] Company contract was engaged by [redacted] for the same type of work. - [redacted] engaged under a Sole Trader contract was paid via an OTS for the same type of work for a [redacted]. 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
	- A [redacted] received an OTS payment for the same work as covered in her Sole Trader contract for the same period.				
4.	**<u>Other Observations</u>** Other findings are summarised in the points below: 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. 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. 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. 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		See action in point #1 above. 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.	L	[redacted] [redacted] BD Finance Teams 31 May 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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.				
	General Process Observations				
5.	**<u>OTS Set-Up Process</u>** *Current Process* The creation, rehire and generation of a new OTS contract by the Fee Inputer 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. *Findings* 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. 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. c) This approach reflects the large volume of OTS contracts and		No action needed on the set-up process: HRIS and People Payments will continue to carry out their mitigating control activities. 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.	L	N/A [redacted] 30 June 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. 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. *Mitigation* 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: 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. *Residual Risk* 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				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	required to monitor this.				
6.	**Nature & Scope of Review of Relationship and Taxation Status** *Context: Taxation and OTS* RTÉ paid circa. 4.5k individuals via an OTS contract to November 2016, 7% of whom were classified as taxable in November: • 91% of those classified as taxable earned less than 2k • 98% of all OTS earned less than 2k *Background* People Payment is in the process of updating the taxation review process since the previous audit was undertaken in 2012. *Old Process* 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. *Proposed Process* The process proposed is as follows: - A review is preformed 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	A revised process is currently being finalised. [redacted]	Central Human Resources and People Payments will send a note to Finance and HR teams outlining the agreed process.	M	[redacted] 30 June 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	over €2k year to date, People Payments will check with local HR if it is ok to allow further OTS payment. *Potential Issue* The new process represents a strengthening of control and mitigates many of the risks highlighted in the earlier findings. 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. 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.				

Appendix B – Analysis of OTS Fees by Number of Contracts

[redacted]

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:
[redacted], Group Financial Controller
[redacted], Head of Procurement
[redacted], Content, Operations & Production Services
[redacted], Financial Controller, News and Current Affairs
[redacted], Financial Controller, Commercial
[redacted], Financial Controller, 2rn
[redacted], Business & Finance Manager, Content
[redacted], Business Executive, Finance Divisional Support
[redacted], Group Finance & Shared Service Accountant

Technology:
[redacted], Head of Applications and Systems, Technology

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

RTÉ

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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.

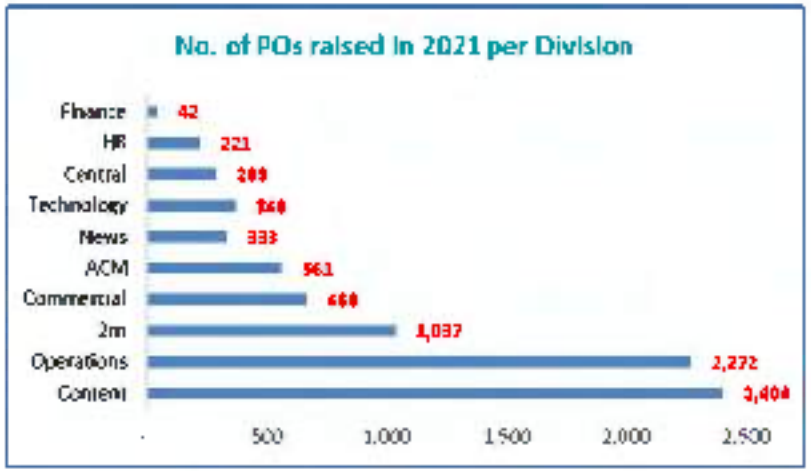
The scope of our audit did <u>not</u> include:

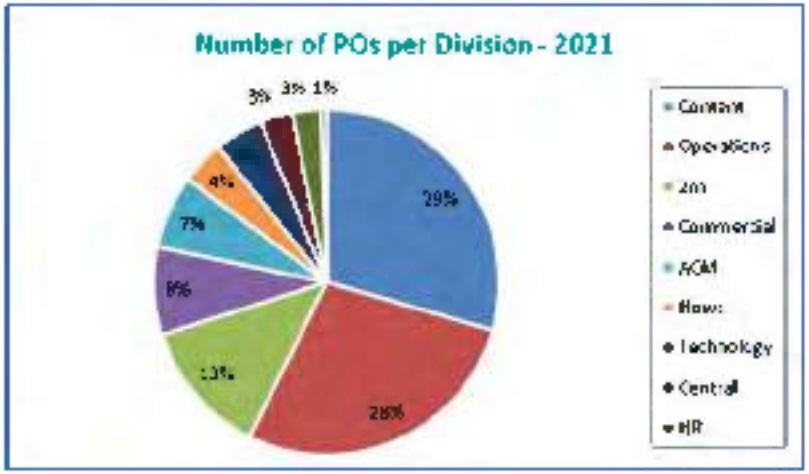
- ✗ Compliance with Tendering Rules in accordance with the 2016 Code of Practice for the Government of State Bodies (covered in a separate audit report);
- ✗ Reviewing purchase card payments (covered in a separate audit report); and
- ✗ Compliance with payments in accordance with European Communities (Late Payment in Commercial Transactions legislation) Regulations 2012.

Data Analysis – Purchase Orders

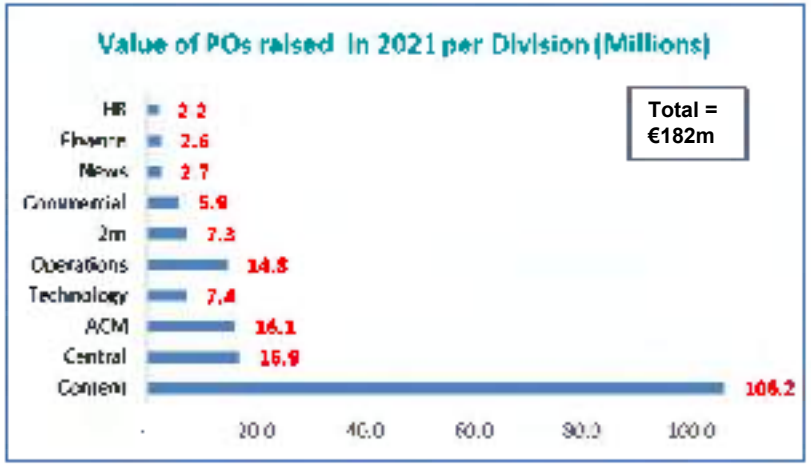
Purchase Order Data Analysis

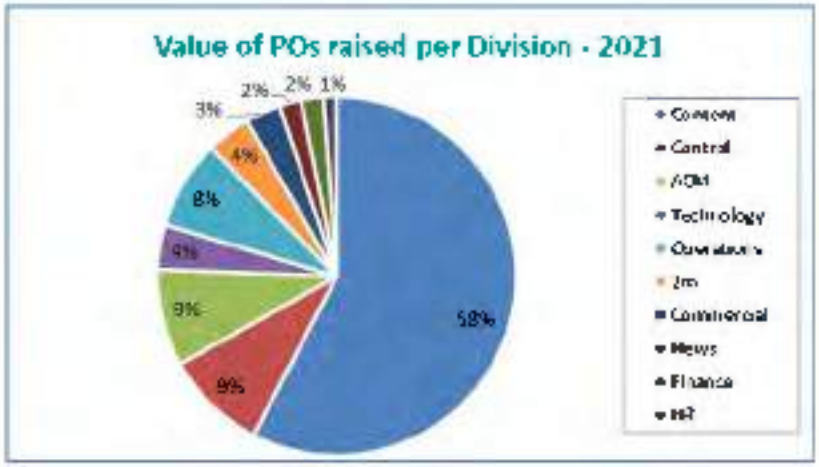
8,195 POs were raised in 2021 (2020: 8,195) which totalled 10,904 (2020: 10,763) lines of orders as some POs contained multiple order lines. The graphs below provides an analysis of the total number of POs raised by each Division and their percentage split.





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

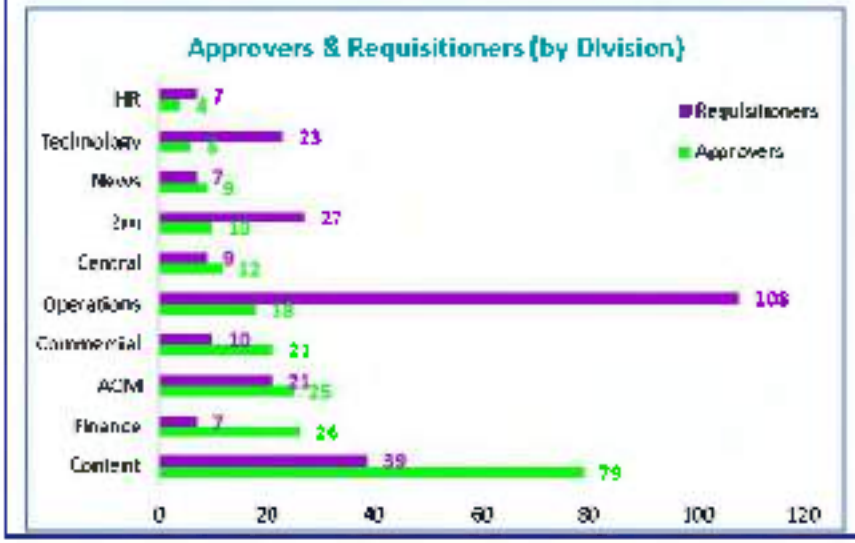
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

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

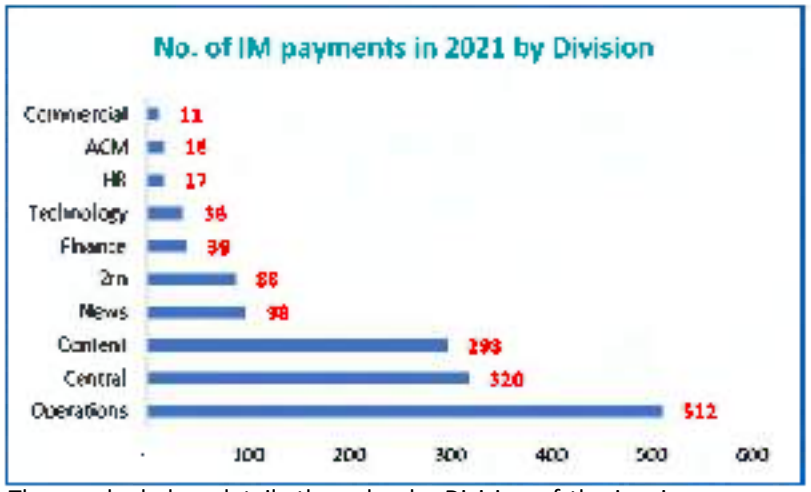
At the end of 2021, there were a total of 210 PO Approvers and 258 PO Requisitioners on [redacted] Of 210 approvers, 22 were also approvers on Invoice Manager. The graphs below shows the breakdowns by Division.

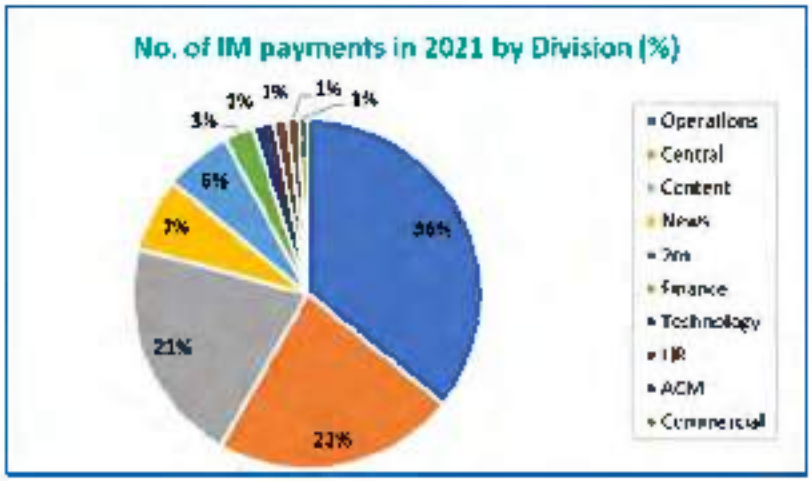


Data Analysis – Invoice Manager

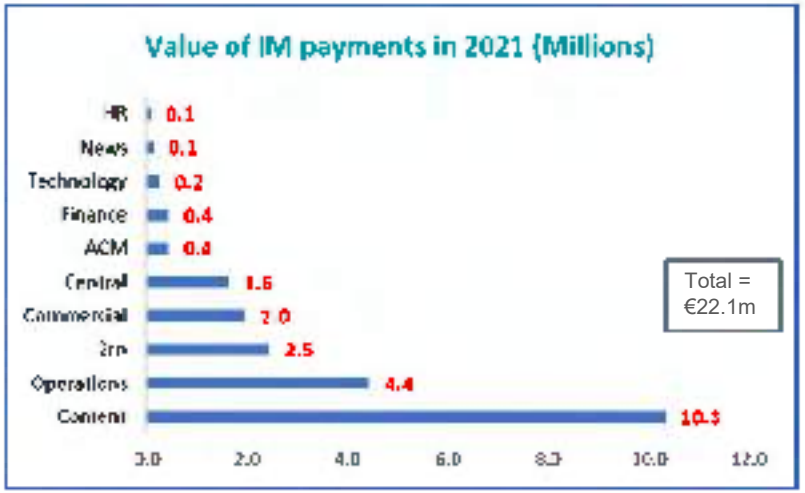
Invoice Manager

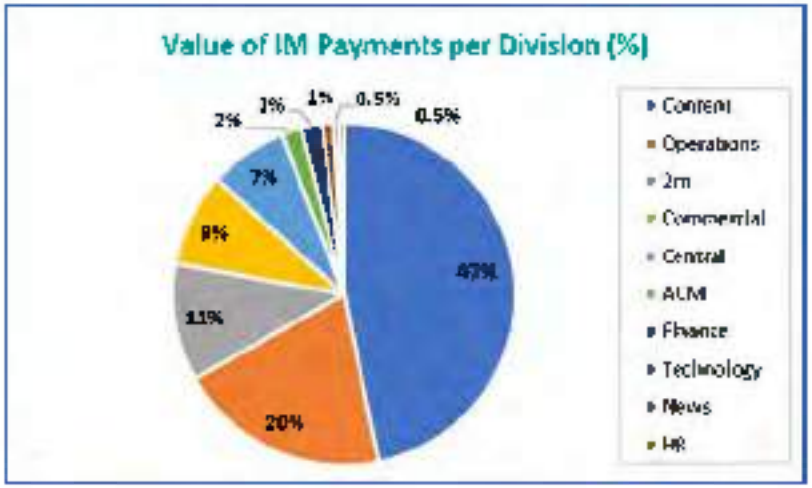
1,435 invoices were processed through invoice manager ('IM') during 2021 (2020: 1,524). The graphs below provides an analysis of the total number of invoices processed under Invoice Manager by each Division, along with their percentage split.





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%.

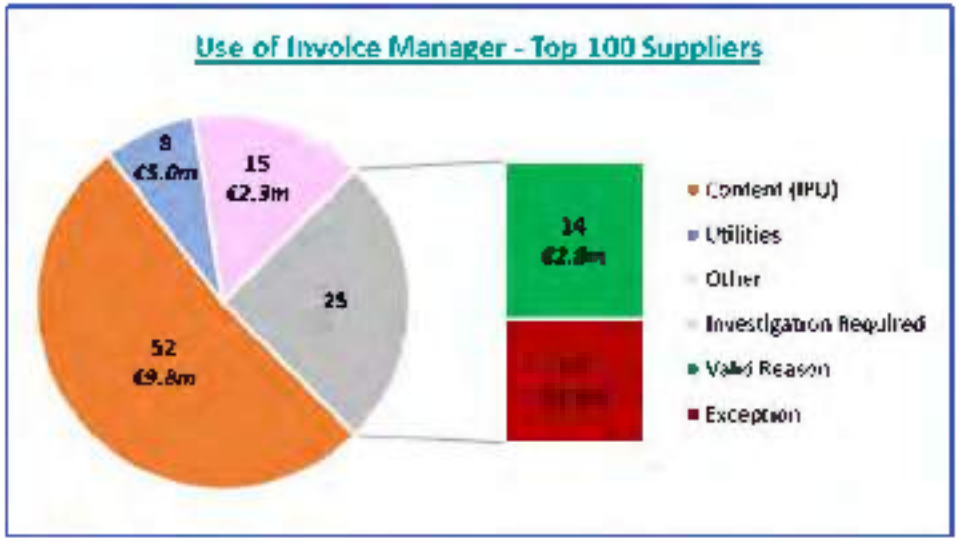
Top 100 Suppliers	Value of Invoices	%
Suppliers 1 - 20	14.3m	65%
Suppliers 21 - 40	3.4m	15%
Suppliers 41 - 100	3.5m	16%
Sub-total	**21.2m**	**96%**
Suppliers 101 - 249	0.9	4%
Total	**22.1m**	**100%**

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%
	-1,279,245	100%

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.

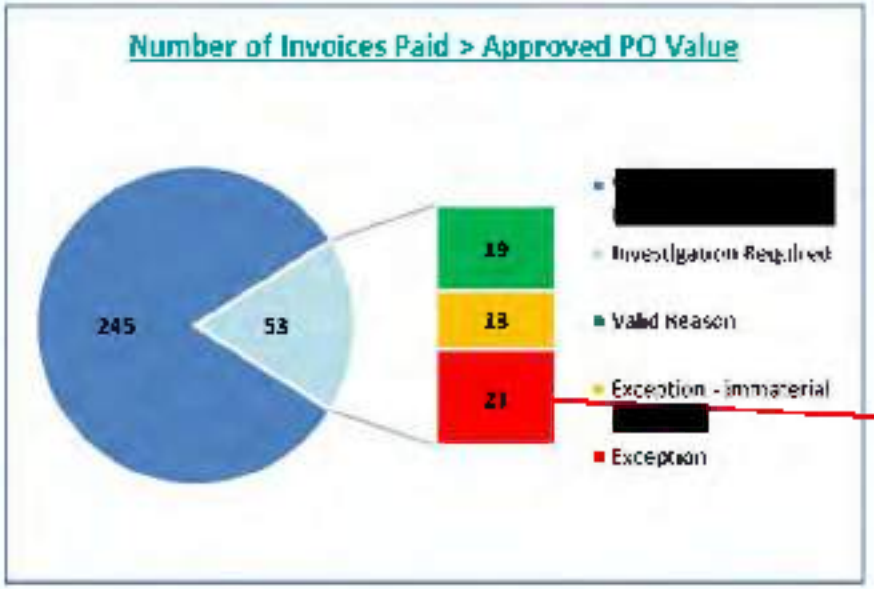
Please refer to Appendix 1 for audit actions.

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%	76%
Supplier D	1	-10,940	11%	
Supplier E	1	-4,500	4%	
Other Suppliers	16	-24,048	24%	
	21	-101,645	100%	

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

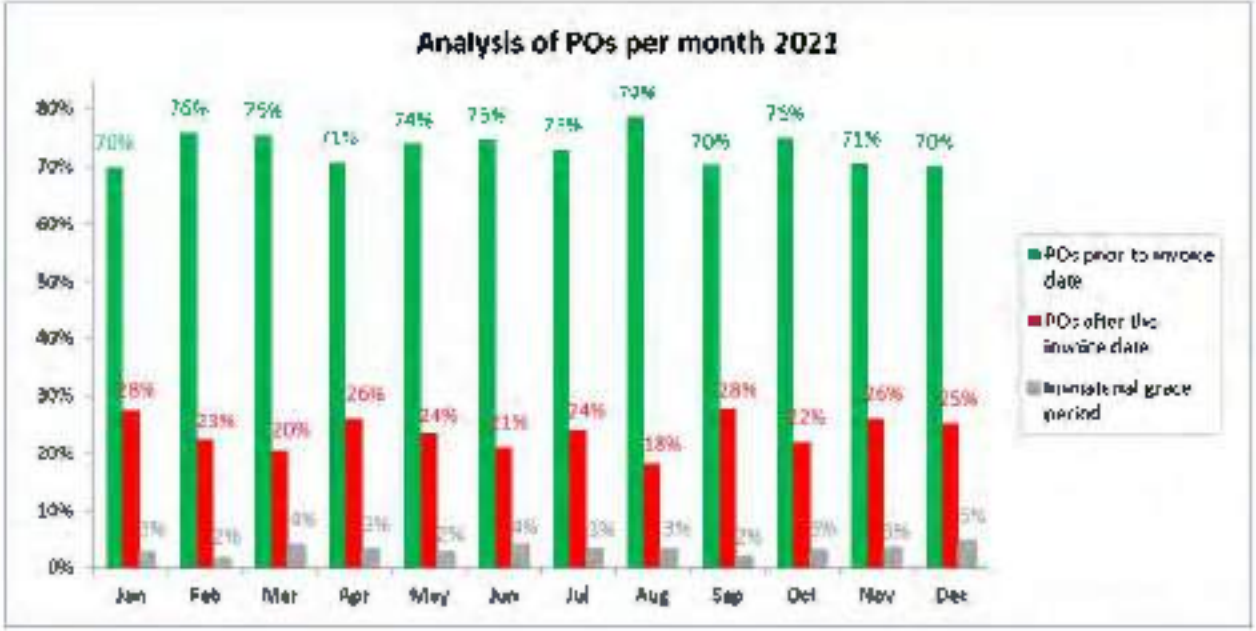
In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

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
1 – Use of Invoice Manager as the payment process for Commissioned Programmes: ***Background*** Commissioned programme invoices were processed to a value of approximately €41 million for the year 2021. 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. 52 of the Top 100 suppliers paid via Invoice Manager (representing 44% in value terms) were Production companies. *(The Top 100 represented 96% of the total population).* ***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. 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. ***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.	The number of IPU payments made via Invoice Manager will be tracked and monitored for the remainder of 2022. 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. Any further actions will be identified locally. Internal Audit will review this matter when reporting on FY 2022 data. [redacted]	31 December 2022

Appendix 1 – Audit Actions

Actions	Owner	Due Date
2 - Invoice Manager:		
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).	**Finance Directors/ Controllers**	**31 July 2022**
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.)	**CFO**	**31 July 2022**
3 - Purchase Invoice v Approved PO:		
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).	**Finance Directors/ Controllers**	**31 July 2022**
4 - Requisitioners and Approvers:		
3.1 Management should remove the PO (3) and Invoice Manager (2) approvers identified, when deemed appropriate to do so.	[redacted] **(Head of Applications)**	**30 June 2022**

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:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

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 receipted on [redacted] web, by the requisitioner, when delivered and services are receipted when the service is completed. Invoices are sent by the supplier to Accounts Payable for processing and payment. Any invoices sent directly to the costpool manager are forwarded to Accounts Payable. Upon receipt of invoices in Accounts Payable, they are firstly scanned and electronically copied onto the relevant supplier account on [redacted]

Before an invoice is processed, it is matched to the PO and to the goods receipt. Payment takes place, normally by EFT to the supplier's bank account.

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:

[redacted] 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 Requsitioners 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:

- X Reviewing purchase card payments
- X 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.

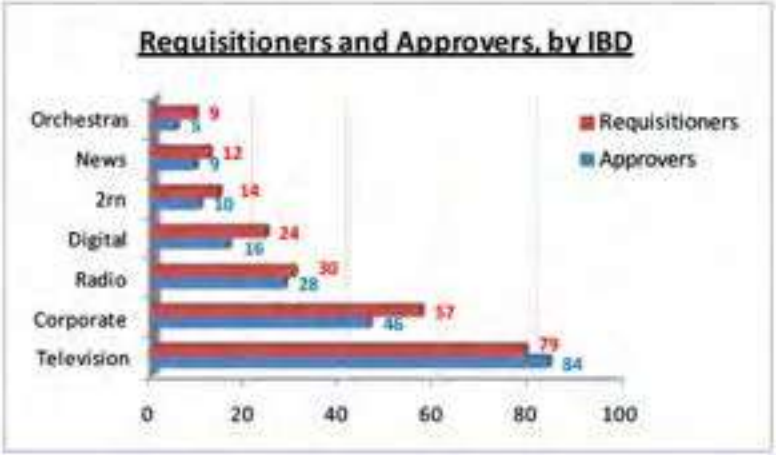
A further breakdown of the numbers of POs by value thresholds is displayed in the table below.

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.

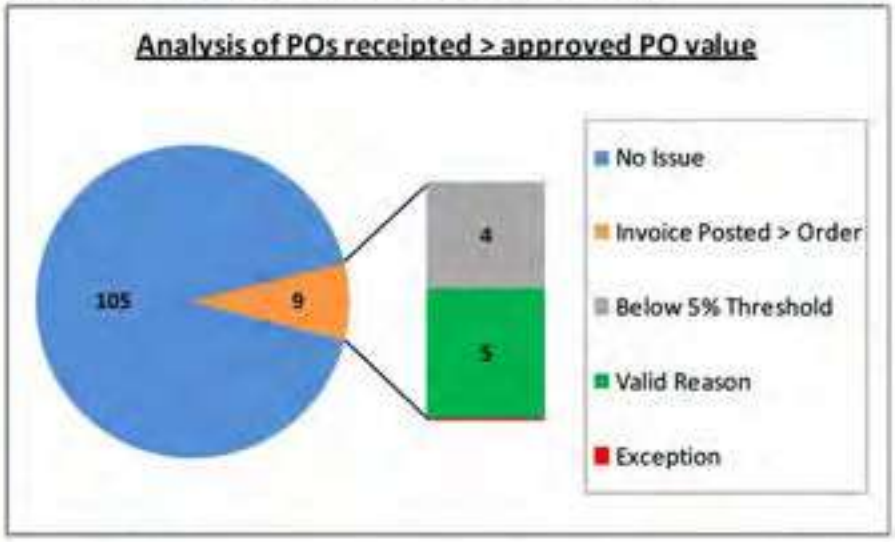


Summary Findings

1) Purchase Receipting Process

Of the 13,441 POs raised during 2015, 114 POs (0.8%) were highlighted for further testing as the value of the goods receipted 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.	**Invoices processed in excess of Approved Order Value** *Background* 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. *Finding* 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: • 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:	N/A	No action necessary – no inappropriate processing of invoices greater than the approved order amount.	N/A	N/A

Service Provided	Approved PO Value	Invoice Paid	Invoice > Order	Analysis Below
[redacted]	€7,640	€11,460	-€3,820	1
[redacted]	€38,782	€41,782	-€3,000	2
[redacted]	€10,800	€13,500	-€2,700	3
N[redacted]	€1,500	€1,727	-€227	3
[redacted]	€18,200	€19,376	-€1,176	4

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	A valid purchase / payment was made in each of the five instances. See below for a more detailed explanation of each exception. ***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. ***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. ***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. ***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.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	PO Management				
2.	**Purchase Orders raised after the Invoice** A comparison of the date the PO was approved as compared to the Invoice date was undertaken on the data used to examine receipting. We indentified 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). 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. 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.		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. 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 Appprovers, as required, e.g. where issues of persistent After-the-Fact POs are identified. 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). Central Purchasing will provide any guidance required to the local Finance	M	[redacted] 15 May 2016 [redacted] 15 May 2016 and Ongoing [redacted] 30 June 2016 and Ongoing [redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
			teams with running the relevant data reports on [redacted]		
3.	**Administration of POs less than €100** 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. A further 1,231 (9%) POs raised in 2015 were for a value between €101 and €200. 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.		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	[redacted] 31 May 2016
4.	**Legacy Open POs** 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. 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.		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. Any POs that are no longer required will be closed as necessary.	L	[redacted] 30 June 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Timeliness of Payments				
5.	**Compliance with Regulations** *Background* The *European Communities (Late Payment in Commercial Transactions) Regulations 2012* 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. *Findings* **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. **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:	Agreed. The Accounts Payable team will endeavour to perform a more refined analysis on the payments that are non-compliant for one month. The fact that current payment processing time is three days rather than a next-day payment system might have an impact on the results. Invoices submitted by suppliers without reference to a PO number is another common delay. [redacted]	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). This exercise will be repeated later in 2016. 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. KPIs / bi-monthly reporting mechanisms will be designed to monitor compliance with the Late Payment Regulation's payment deadline.	H M M M	[redacted] 30 April 2016 [redacted] 31 October 2016 [redacted] 31 May 2016 [redacted] 30 June 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• 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. *Further Considerations* In mitigation, the following factors are **valid reasons** why a payment might not need to be made by RTÉ in 30 days: - 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 The potential reasons, within RTÉ's control, which could contribute to **non-compliance** with the Late Payment Regulations: - Delays in the Line Managers forwarding invoices to Group				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Finance for processing - Administration delays in the processing of POs locally - Delays in Requisitioners receipting invoices locally, delaying the processing of the invoices centrally. 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).				

RTÉ Internal Audit

Review of Purchase Order Compliance

24 June 2021

Circulation:

Richard Collins, Chief Financial Officer

Division Finance:

[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

RTÉ

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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

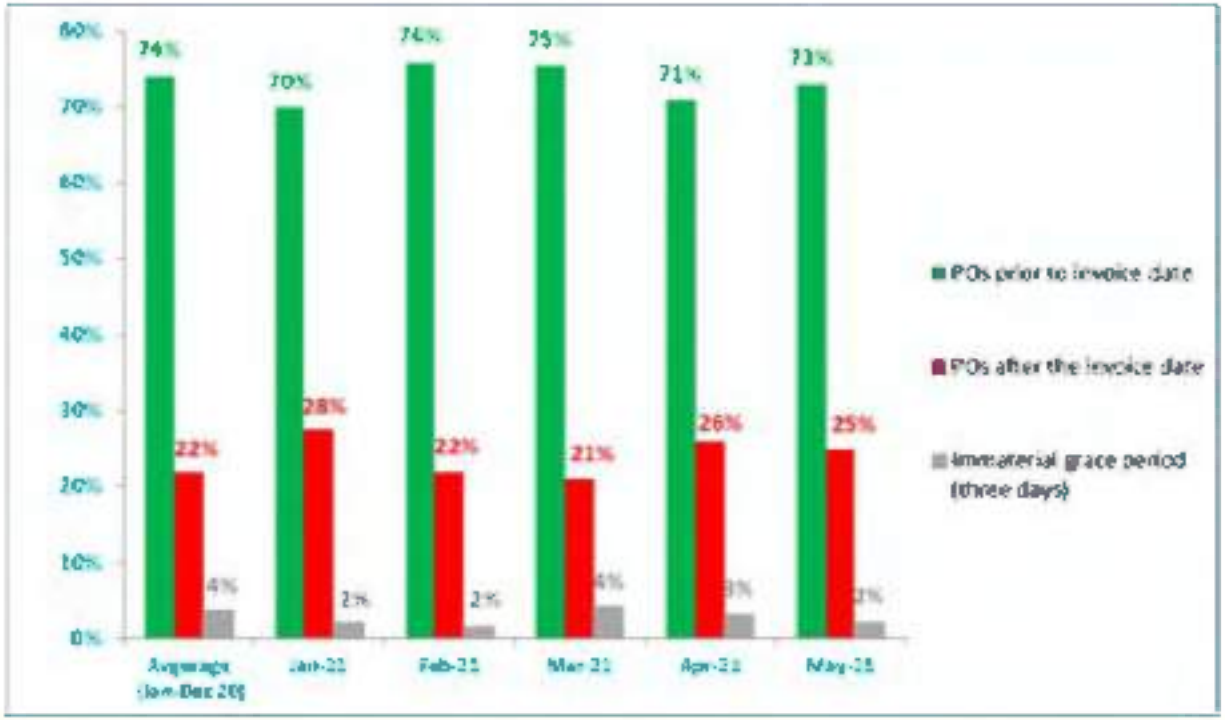
The scope of our review covered all POs (including Capital WIP and Commissioned Programmes) approved and processed for the five month period ended 31 May 2021, with the following considerations:

- 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

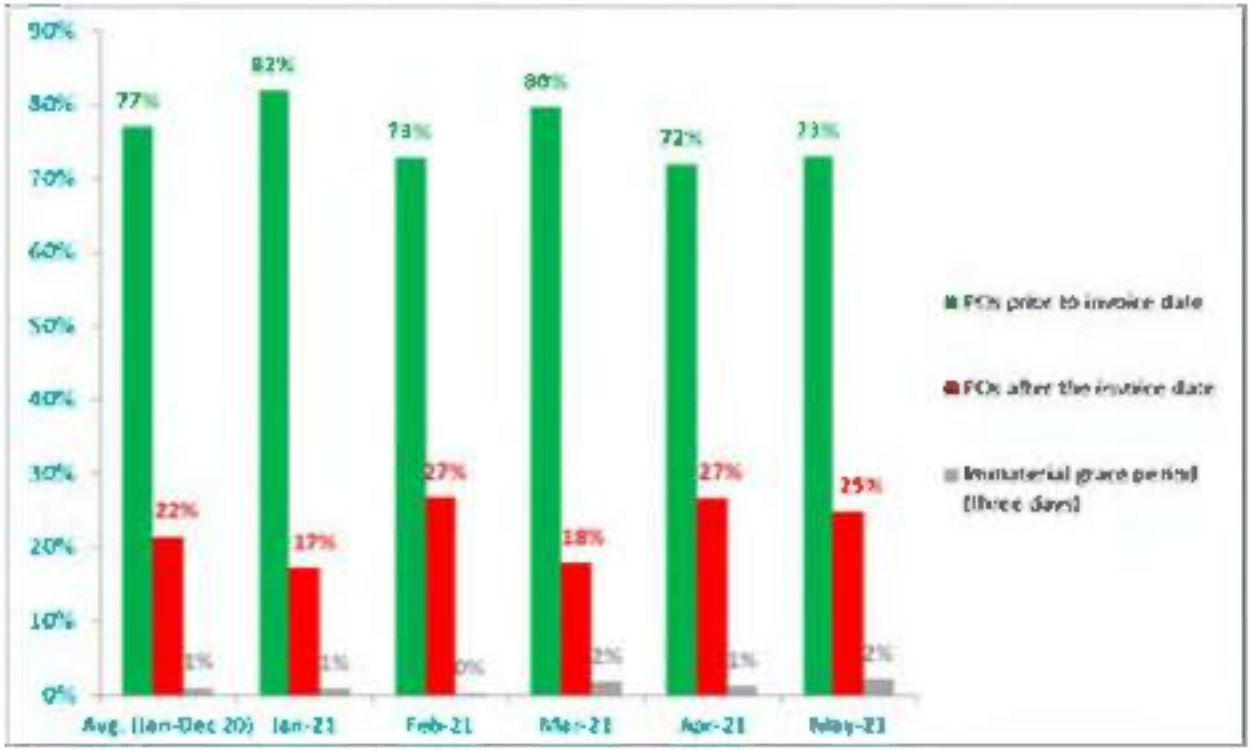
PO Summary - Analysis of number of invoices > €1,000							
	Previously Reported	Current Period Under Review					
Analysis of number of invoices	Avgerage (Jan-Dec 20)	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Average
POs prior to invoice date	74%	70%	76%	75%	71%	73%	73%
POs after the invoice date	22%	28%	22%	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						
	Current Period Under Review					
Responsible Manager (Top 10)	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Total for period
[redacted]	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.

RTÉ

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.

RTÉ

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

	Current Period Under Review					
Supplier (Top 15)	Jan	Feb	Mar	Apr	May	Total
[redacted]		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

RTÉ

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

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

RTÉ

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

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1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 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:

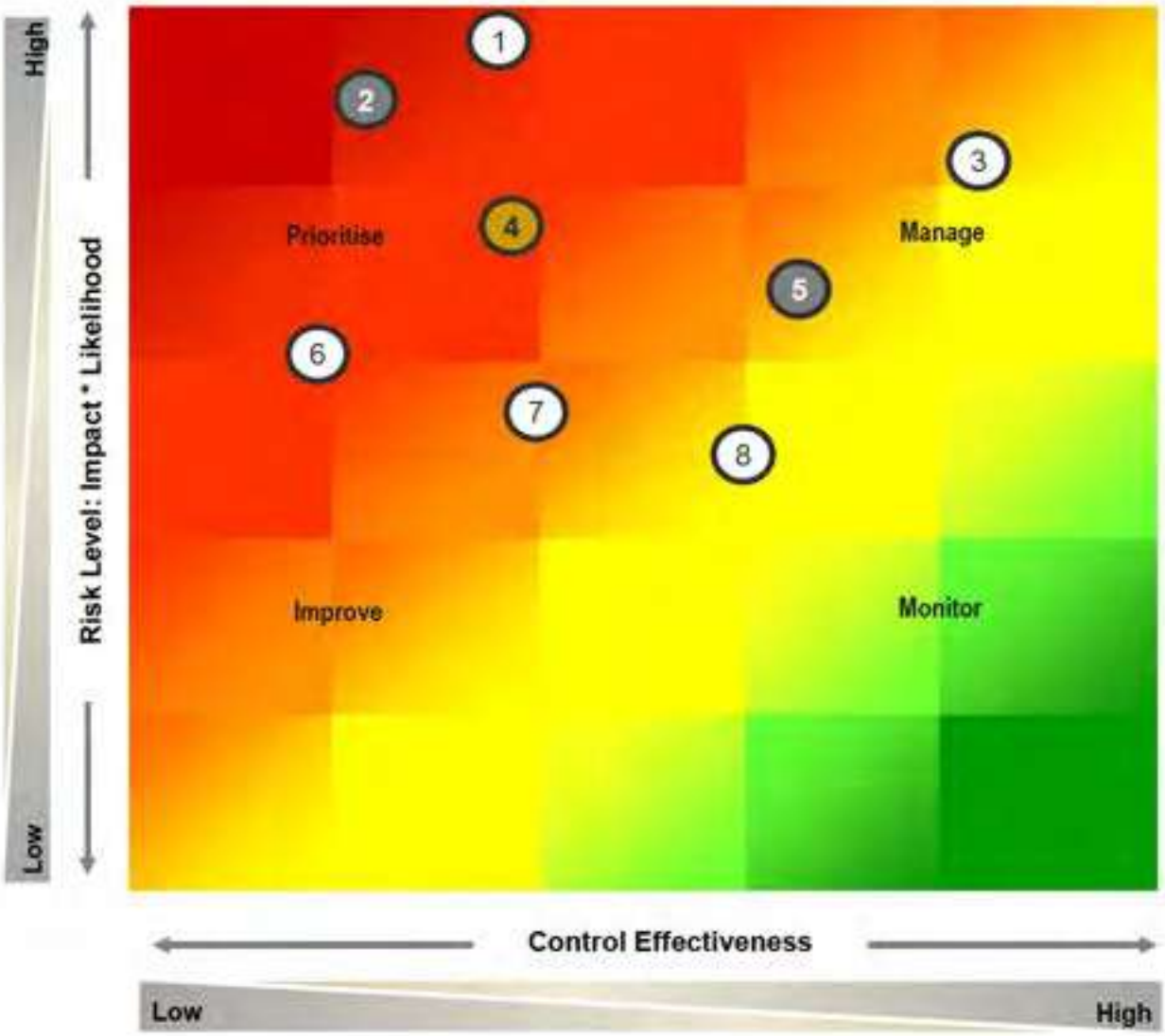
- Reviewing and validating the risk management plans and controls in place for each risk and monitoring changes in the significance of each risk;
- Updating divisional Risk Registers: this process is nearing completion;
- Considering the reporting format to deliver enhanced risk reporting to the Audit 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 *(due to market and competitive forces)*
5	Changes to Commercial Regulation
6	Business Continuity and Disaster Recovery
7	Content Relevance *(Risks associated with content decision making, impacting RTÉ's relevance to the audience and, ultimately, share, revenue and PSB value)*
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	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.	[redacted]	[redacted]
2	Adequacy of public funding, or continuing decline in the level of public funding advanced to RTÉ (having regard for the effects of inflation). [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.]	[redacted]	[redacted]
3	The management and prioritisation of financial resources in order to: – 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. This risk includes prudently managing cash reserves in order to provide sufficient financing for operational cash needs, while also investing in the business.	[redacted]	[redacted]
4	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.	[redacted]	[redacted]

	TOP RISKS IMPACTING RTÉ'S STRATEGIC OBJECTIVES	EXECUTIVE SPONSOR	RISK OWNER
5	Changes to regulation impacting advertising / sponsorship / other commercial revenue. [The risk drivers are the imposition of further trading restrictions; changes to alcohol, HFSS *(high fat, salt, sugary food)* and children's advertising; imposition of cap on RTÉ's commercial revenue; third party challenges to RTÉ's commercial revenue funding sources etc.]	[redacted]	[redacted]
6	Business continuity and disaster recovery risk: – 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	[redacted]	[redacted]
7	Risks associated with decision making in relation to content, impacting RTÉ's relevance to the audience: – 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.	[redacted]	[redacted]

	TOP RISKS IMPACTING RTÉ'S STRATEGIC OBJECTIVES	EXECUTIVE SPONSOR	RISK OWNER
8	Organisation and people: • People and skills risks: deficits in experience and skills following staff departures over recent years *(having enough staff in position with the right skills)*; 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: – create a more collaborative, innovative working culture, and – fill the gaps created by the departure of staff over recent years. 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.	[redacted]	[redacted]

RTÉ

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
[redacted]	[redacted]	• 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
[redacted]	[redacted]	• 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	• 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
[redacted]	[redacted]	• 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]	• 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]	• 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
[redacted]	[redacted]	• 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 [redacted] 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:

Failure to achieve the flexibilities agreed and hence the associated savings.

Flexibilities delivered in accornance with agreements and expectations and savings delivered.

Staff insufficiently trained to do required work.

Training delivered on time to ensure work is undertaken to best standards without hinderance and/or delay.

Insufficient internal talent to fill key roles.

Implement succession planning process for key roles and regularly revies .

Stagnation in reviewing organisational structures and make required changes to deliver efficiencies.

Continue to review structures and where it make sense to re-design proceed to implementation

Staff not aligned and engaged with organisation strategies and objectives.

IR challenges not managed appropriately.

Maintain and improve internal communications both ways and consider staff surveys when considered appropriate.

Meet reasonable objectives and manage IR processes effectively to avoid breakdowns

HR system operates with hitches.

HR system operates without overloads/breakdown and delivers accuratedata to support payroll and fees data and other MIS data as required.

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 – [redacted] (financials), [redacted] (payroll and fees) and [redacted] (employee expenses);
- The inventory management system – [redacted] and
- The sales booking systems – [redacted] (Television and Radio) and [redacted] (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. [redacted]), 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							
	Central IT Systems [redacted])	CENTRALISED						76%
	Sales Booking systems	83%	83%	N/A	61%	Outsourced	Manual	76%
	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 seperately)

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 seperately)

No.	Question	TV	Radio	News	Digital	Orchestras	2rn	Average
24	Score the effectiveness of the procedures and controls over the maintenance of bank accounts and the recording of cash transactions	3.5	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 seperately)

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
[redacted]							
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

Comments on Ratings
B: Lower score reflecting the frequency of testing - less frequent than best practice

[redacted]							
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

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
[redacted]							
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
	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

Section I: Information Technology (Cont'd)
Inventory Management System (IBMS)

		TV	Radio	News	2rn	Digital	Orchestras
		IBMS	Manual	N/A	N/A	N/A	N/A
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)

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- DIVISIONAL RISK REGISTERS

SECTION 1 – OBJECTIVE & EXECUTIVE SUMMARY

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.

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:

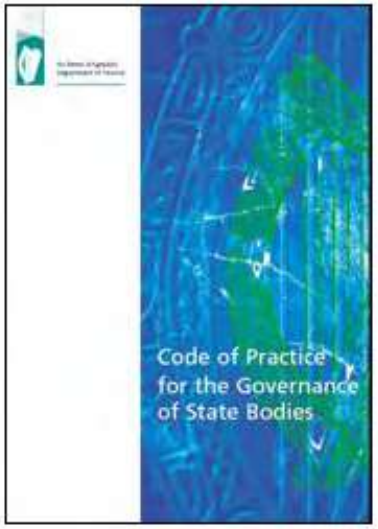
a) Confirm to the Board of RTÉ that the Committee has reviewed the effectiveness of the internal control system in RTÉ; and

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.

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	• Codes of Conduct, Disclosure and Ethics
2. Remuneration	• Senior Management and Director's Fees
3. Risk management, accountability, internal controls and internal audit	• Risk Management • Accountability and Audit • Audit Committee • Internal Audit Function
4. Relations with the Oireachtas and the Minister	• Departmental Oversight • Reports and Accounts of State Bodies • Additional Reporting Arrangements
5. Other specific procedures to be followed by State Bodies	• 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	• 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

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

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.

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

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

Per RTÉ Group Risk Map

Strategic Obj.	Reference to Divisional Business Risks: 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

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: - 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: - 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: - 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) *(Included with risk # 3 - Competition - last year)*

Rank	Strategic Theme	Business Risk	Rank Versus Previous Year
5	Content	**Loss of foreign acquisitions and sports rights** (e.g. exclusive first run on international series): - 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.	↓ (4)
6	Operations	**People and skills** risks arising from organisational change, including: - 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	Lack of **funding for marketing of content** limiting RTÉ 's ability to recruit and win back audiences for programmes: - 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	**Reputation damage** arising from editorial errors or inappropriate transmission, defamation / l bel claims or negative publicity surrounding the now more apparent cuts to programming output. - Large volume of social media operators across TV IBD; - Crisis management is challenging should issues arise and is a reputational risk.	→
9	Operations	Lack of **capital investment** in ageing equipment resulting in **obsolescence**, breakdowns in technical systems and studio equipment, possibly impacting output.	↓ (7)
10	Economy	Further **Economic Turbulence in Ireland and the Euro zone** adversely impacting commercial income and licence fee evasion.	↓ (6)

Rank	Strategic Theme	Business Risk	Rank Versus Previous Year

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 RTE 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 accoun d) Monthly report e) Monthly review with all manag f) Monthly management accoun and costpool reports	↓ (4)

[redacted]

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	[redacted]	ersus Rank Prior Year
6	Negative **Business Impact** due to people and skills issues: (a) Failure in succession planning and / or managing performance (b) Loss of key personnel (c) Inadequate resources arising from lower funding and headcount levels		Radio Board	Moderate to High	High	Moderate to High	16	a) Manpower plan, including age profile of all radio staff. b) Talent Development - plan and action c) Succession Plan in place for each Channel	a) Manpower plan c) Succession Plan	[redacted]	↓ (5)
7	Business disruption or disadvantage arising from **organisational restructuring**		Radio Board	High	High	Moderate	16	a) Internal communications processes to keep staff informed b) Regular meetings with employee representatives. c) Existence of dispute resolution process. d) Manpower planning group e) Changes in structures and operations as necessary to cope with staff departures		[redacted]	↓ (6)
8	**Credit Default** by an advertising agency or client on a debt owing to RTÉ		Radio FD / Group Financial Controller / Radio Sales	Moderate	High	Moderate	14	a) Credit Insurance in place b) Debtors listing: reviewed and monitored c) Credit references sought for new customers d) Monthly review of debtors by Radio FD with Central Finance and Radio Commercial Director	b) Top 20 debtors report d) Debtors ageing in monthly management accounts	[redacted]	→

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	[redacted]	Versus Rank in 2014
1	**Reputation / Editorial Risk**: Failure to maintain **editorial standards** and to comply with obligations to fairness, impartiality and privacy.	M.D. News & Current Affairs & Managing Editors	Moderate	Moderate to High	Extraordinary	16	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		a) b) c) d) e) f) g) H h) es or i) H j) k)	[redacted]	→
2	Lack of **availability of resources** (especially people and capital) to maintain editorial standards and to implement programme developments / enhancements.	M.D. News & Current Affairs	High	Moderate	High	16	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.	a) Monthly management accounts b) Rosters	a) C b) C H	[redacted]	→
3	**Loss of audience** to competing Television, Radio and Online news services, impacting audience share.	M.D. News & Current Affairs	High	High	High	16	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	i) Daily Nielsen report ii) Weekly Audience Research Report iii) JNLR	a) b) c) d)	[redacted]	→
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.	M.D. News and Current Affairs & Technology Manager	Moderate	Moderate	High	12	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		a) T b) T T c) d)	[redacted]	→

	Business Risk	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	R	[redacted]	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	[redacted]	Versus Rank in 2014
9	**Illegal or unethical acts** undertaken during the course of operations *(unauthorised secret filming or doorstepping ; unapproved use of drones; inappropriate gifts; etc.)*	M.D. News & Current Affairs	Moderate	Moderate	High	10	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			→
10	**Health and Safety** risks due to: - 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 imges (e g. ISIS videos) in the Newsroom.	M.D. News & Current Affairs / Head of HR	Moderate	Moderate	Moderate to High	10	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	[redacted]	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 Advertisin Agencies e) Weekly monitoring of agency an 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 documen 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 ior Year
5	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: - Support commercial activities; and - Maintain leadership position in the Irish market.	2.2/ 2.4	Muirne Laffan / Digital Management	High	High	High	16	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	a) RTÉ MAR/Digital Strategy 2015 b) ASPC for Digital c) RTÉ Executive Board Strategic docu d) Business case	(3)
6	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**. Talent shortage / staff retention risk in respect of highly marketable experienced technical staff.	2.3	All Senior Managers	High	Moderate	High	16	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	a) Organisational structure	(5)
7	Failure to adequately **conclude partner arrangements** with relevant external parties in the expanding internet/digital space to: (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	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	**Statutory and regulatory restrictions** delaying / hindering: - The expansion of Digital operations and services; - The freedom to commercially exploit its slate of products in new markets.	4.2	Múirne Laffan / Digital Management Team	High	High	Moderate	16	a) Ongoing review of changes in legislation, and ongoing operation in full compliance with all statutory provisions primarily in respect of Broadcasting Act 2009 b) Seeking all relevant regulatory permissions for new/expanded services c) Proactive defence of competitor/industry complaints including robust public defence of current on-line development position d) Proactive association with external competitors re content sharing	b) Departmental / IBA submissions	(4)

[redacted]

	Business Risk	Ref	Risk Owner	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	[redacted]	Versus Rank in Prior Year
9	**Failure of project delivery** 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; 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.	2.1	Tom Grealis / Michael Lisovski	High	Moderate	High	16	a) Creation of agreed schedule of Projects planned at Digital Executive level. b) Partnership contract with external Technology service provider c) Ongoing research of industry and consumer requirements d) Forge strategic alliances with key industry players e.g. Telco's, ISP's, Technology Vendors, TV Vendors and Development partners e) Budgets in place for approved capital expenditure projects with agreed timelines f) Close liaison with relevant experienced external internet platform hosts	a) Annual Projects Plan b) Version One contract in place e) BD Digital Projects schedule / Annual Capital Budget f) BD Digital Projects schedule / Annual Capital Budget		↓ (7)
10	**Inability to deliver on Online Advertising targets** 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.	3.2/3.3	Conor Mullen/Willie O'Reilly	High	High	Low	16	a) Introduction of innovative rich media formats b) Continue Research to differentiate RTÉ.ie/RTÉ Mobile/RTÉ Player in the marketplace c) Closely manage and reinforce Google relationship d) Establish Programmatic Trading function e) Weekly/monthly reports of Clients/Agency spends f) Production of Research showing the value of RTÉ.ie and its properties g) Deliver high quality after sales service to clients/agencies	b) Quarterly Mobile and VOD research c) Monthly planning and review meetings with Google d) Measure volume/rate of traffic via trading platforms e) Weekly Revenue Reports/Comparison Spends f) Regular search on Mobile/Web/Video g) Turnaround measurements for ad/report delivery		***New to Top Risks***

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	[redacted]	sus Rank n 2014
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			↑ *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			↑ *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
1	**Lack of funding** for Financial & Human Resources, resulting in: - Failure to meet **public service commitments** / RTÉ 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. This risk reflects the impact of the economic downturn and internal budget cuts.	2.1	High	High	High	20	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	a) Annual Budget book an iterations b) Minutes	→
2	Failure to **maintain / grow commercial income** due to market and competitive forces. Ongoing implications of the economic downturn contributing to the non-achievement of commercial revenue targets from: - Box office sales - Facilities hire due to a fall in 3rd party demand	3.2	High	High	High	20	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	a) i) Fortnightly, monthly IBD sales reports and ii)Venue advance sales reports b) Pricing reviews	↑ (3)
							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		
							a) IBD Board and Orchestra Manager maximise commercial opportunities b) Fortnightly, monthly and quarterly review of costs and output being implemented at Board level	a) Management Accounts/Fin Reports b) Annual IBD budget / Commitment	

[redacted]

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	[redacted]	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	a b c d	↑ (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	a b c d e f	↑ (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	a b	↑ (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	a b	↑ (7)

	Business Risk	Ref	Likelihood	Financial impact	Reputation impact	Significance rating (1-25)	Control	Report used, if applicable	[redacted]	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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2. TECHNICAL UPDATES / RECENT DEVELOPMENTS

→ Protiviti Enterprise Risk Management Survey

1.
REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

RTÉ

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

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1. Background

On an annual basis the Audit and Risk Committee is required to review, on behalf of the Board, the effectiveness of the internal control system. The review process commences at the 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 *Code of Practice for the Governance of State Bodies.*	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]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)*	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***

[redacted]

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

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

(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 too 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
Rapid speed of disruptive innovations and new technologies	6.10	5.88 (4)	↑
Resistance to change operations	6.00	5.63 (9)	↑
Cyber threats	5.96	5.91 (3)	↑
Regulatory changes and regulatory scrutiny	5.93	6.51 (2)	↓
Organization's culture may not encourage timely identification and escalation of risk issues	5.91	5.66 (8)	↑
Succession challenges and ability to attract and retain top talent	5.88	5.76 (6)	↑
Privacy/identity management and information security	5.83	5.87 (5)	↓
Economic conditions	5.72	6.61 (1)	↓
Analytics and big data	5.71	5.50 (13)	↑
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.*

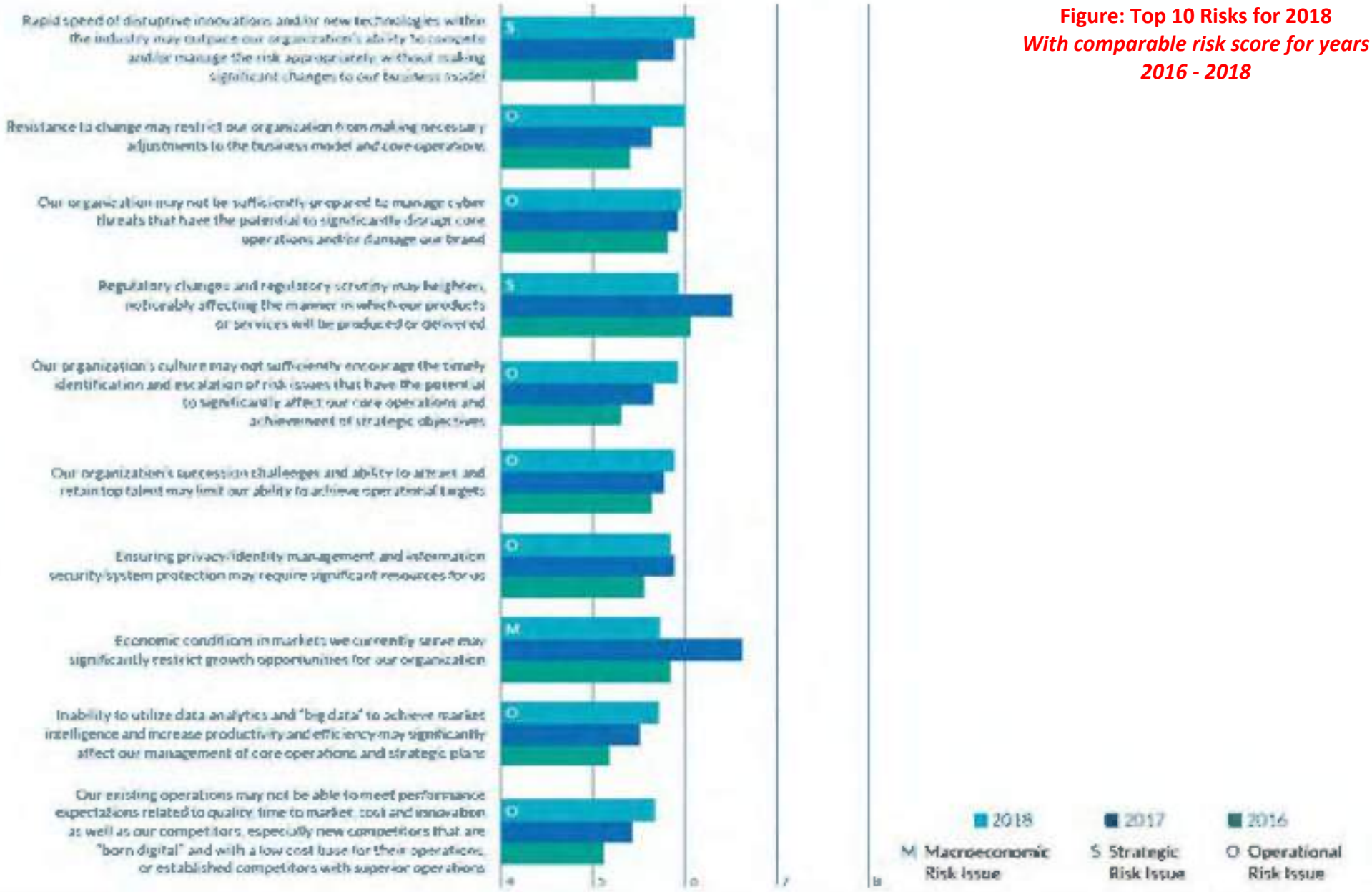

Figure: Top 10 Risks for 2018
With comparable risk score for years 2016 - 2018

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***.

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 seperately)

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 RTÉ'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

	TV	Radio	News	Digital	Orchestras	Commercial
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 seperately)

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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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 <u>set-out overleaf</u>.

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

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.

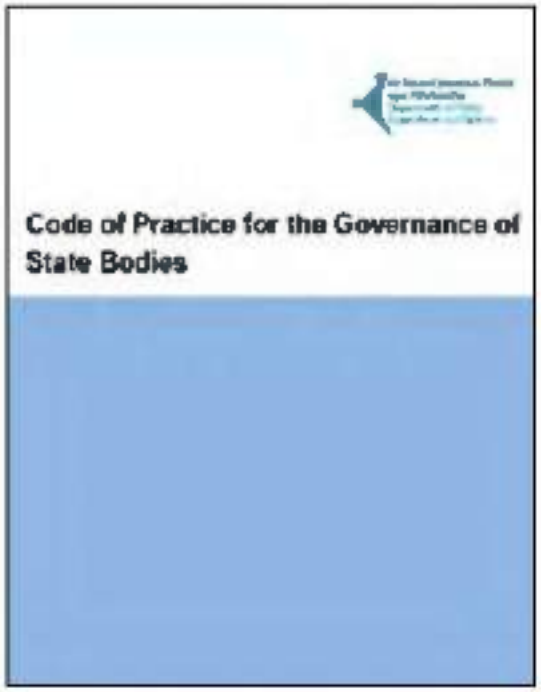
3.
CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

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

RTÉ

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

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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

The contents of this document are strictly confidential and for internal RTÉ use only

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 an 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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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.

[redacted]
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

[redacted], Commercial Director, Television
[redacted], Commercial Director, Sales Strategy – Insights
[redacted] Head of Trading
[redacted], Group Sales Manager
[redacted] Head of Commercial Operations
[redacted] Financial Controller, Commercial
[redacted], Commercial Finance Manager
[redacted], Commercial Systems and Support

The contents of this document are commercially sensitive and for internal RTÉ use only

Background

Background

Budgeted Commercial Revenue
The Commercial division is budgeted to generate [redacted] in revenue for the year ended 31 December 2022, of which [redacted] 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	[redacted]	-5.8	-9%
Broken Down by Revenue Type:				
Advertising	48.4	[redacted]	-4.2	-8%
Sponsorship	6.3	[redacted]	-0.6	-9%
Other	7.4	[redacted]	-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 [redacted], the airtime booking system. [redacted] schedules advertisements based on the bookings made by the customer and generates monthly invoices.

Background & Risks

[redacted] 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:

- [redacted] Airtime sales processing system
- [redacted] Reporting: pre-processed data extracts for reporting purposes
- Reconciliation Database: Monthly reporting of under / over delivery of campaigns and deals
- [redacted]: Online campaign ordering/confirming system
- [redacted] Main financial system
- Copy Clearance: [redacted] (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 <u>not</u> 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 [redacted] 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 [redacted] 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

RTÉ

Appendix – Action Plan

Finding	Agreed Action	Owner	Due Date
1 Monitoring of Super Users on [redacted] *Background* The "Authority Maintain" (AUTHMNT) user profile on [redacted] is a powerful administration super user profile that allows the user to 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. *Finding* 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. During testing we noted the following: ✓ All [redacted] users are monitored via bi-annual meetings and User Request Forms are completed by Management prior to access being granted. X 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. The lack of formal User Access review of this particular [redacted] 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). This also increases the risk of gaining unauthorised access to process transactions and manipulate data inappropriately.	A review of the powerful administration user profile, "Authority Maintain" (AUTHMNT), will be undertaken bi-annually, as part of the existing process. The report generated from [redacted] to monitor users will be amended slightly to illustrate the type of user profile per staff member.	[redacted]	31 December 2022

Appendix – Action Plan

Finding	Agreed Action	Owner	Due Date
1 Insufficient IT Support for [redacted] reports *Background* [redacted] Reports are pre-processed data extracts provided by the third party Imagine (System Support for [redacted]) and used widely by the Commercial team. Previously, there was sufficient knowledge in-house to address any technical problems generating reports within the [redacted] environment. However, there has been a knowledge gap since the departure of staff members over the years. *Finding* The following issues were identified: • The data extracts / [redacted] 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.	[redacted] reports will be replaced by Microsoft Power-BI reports and generated in-house. This process is already in train.	[redacted]	31 December 2022

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

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

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:

[redacted]

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
- Digital Sales Booking system
- Trafficking system for hosting of adverts on RTÉ.ie
- 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.	**Back-up procedures on [redacted] System** [redacted]	Agreed. (Technology co-operation required) Agreed. (Technology co-operation required) Agreed. (Technology co-operation required) ([redacted]	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. b) See action above. 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.	H	[redacted] 30 September 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	[redacted] **system limitations: campaigns with multiple products** *Testing* The accuracy and completeness of revenue was verified during "end-to-end" invoice testing of ten advertising campaigns in Digital. *Finding* 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. On investigation, we noted that [redacted] 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 [redacted] and then it must be transferred manually, via manual journal, by the [redacted] each month end. 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. *Impact* 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.	Agreed. [redacted]	This issue cannot be addressed under the current [redacted] system functionality. This will be considered in the functionality of any future system developments. No action necessary, unless there is a migration to [redacted] in the future. In the meantime, the manual checks by the Finance Team will continue.	M	[redacted] 31 December 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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.				
3.	**[redacted] not mapped for new Commercial Division** The [redacted] 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 [redacted]. The export file created from Origins therefore contains revenue booked to incorrect costpools. To address this weakness, the [redacted] 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 [redacted] by the IT Finance team. The risk arising from this issue is that revenue might be miscoded. This process is also manual and inefficient.	Agreed. [redacted]	The [redacted] will liaise with the software support company for the [redacted] Sales System in order to assess the feasibility of having [redacted] mapped for the new costpools.	M	[redacted] 30 September 2016
4.	**Recording price on the [redacted] sales system** Sales prices are not electronically enforced, within a predefined range, on [redacted] 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. We understand that the option to include this functionality was considered at the time of implementation, but did not progress due to cost reasons.	Agreed. ([redacted]	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.	L	See action for finding #2

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The risk is that members of the sales team could discount inappropriately in order to meet sales targets. 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. 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.				
	Sales Bookings and Discounting Process – Digital				
5.	**Lack of Formal Sign-Off of annual Deal Sheets** *Background* 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. 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. *Finding* We selected ten advertising campaigns for testing. Four out of	Agreed. [redacted]	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: *"The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ's Standard Terms and Conditions of Business".*	L	[redacted] 30 September 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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). ✓ Two of the three deal sheets were formally signed off in writing by the relevant agency. X In the case of the remaining deal sheet we observed the following: • 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. 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. 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". 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.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales Bookings and Discounting Process – RTÉ Guide				
6.	**RTÉ Guide – Lack of Long Term Agreements and Insufficient trail of agreed prices** *Background* 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. *General Findings* 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. *Testing Findings* Five advertising campaigns from the RTÉ Guide were selected for testing. - 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.	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. All bookings are sent via email and filed away. A request to prevent archiving of emails has been submitted to Central IT. A central filing system will be set up so that all campaign / deal information will be accessible. [redacted]	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). 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.	M	[redacted] 30 September 2016 [redacted] 31 December 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The lack of a trail or record of pricing history make if 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. 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.				
	General				
7.	**RTÉ Shop and Distribution** *Finding* 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: *"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"* *Background* 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. 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	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. 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. ([redacted]	RTÉ will go to tender for a new distribution service.	Done	[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	account. There is a payment plan in place for recouping this amount. 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. *Distribution* 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.				

RTÉ Internal Audit

Review of Health and Safety

14 July 2020

Final

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted], Health and Safety Manager
[redacted], Head of Property and Services
[redacted] Facility Engineering Manager

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

RTÉ

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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 <u>not</u> 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. RTÉ, 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, RTÉ'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.

Area	*Comment*
Protective & Preventive Measures	Non-compliance noted in areas such as: ➢ 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.
Safety Statements	Covers areas such as: ➢ 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.
Orchestra Noise Audits	➢ Bi-annual noise audits not completed since 2018 and audit recommendations not implemented.
Training	➢ Training is not always available and is not adequately tracked centrally.
Night Shift/Lone Workers	➢ No consideration across all H&S measures and requirements.
Regional Offices	➢ 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*
Completion of Risk Assessment for high-risk events	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: ➢ 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.
Health & Safety Oversight	Additional guidance from and oversight by Health & Safety is required as IA noted the following issues: ➢ 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.
Inadequate Information / Guidance to Managers	Covers areas such as: ➢ 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.

Area	*Comment*
H&S Monthly Reporting Procedures	➢ 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.
H&S Accident & Incident Logs	➢ H&S accident log for 2019 is incomplete in areas; and ➢ HSA reportable log for 2019 was also incomplete in areas and included inaccuracies.
Training	➢ 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).
Safety Statements	➢ 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*
No procedures in place to address certain risks	Covers areas such as the following where procedures are either not documented or in place: ➢ 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).
Inadequate procedures in place in the following areas	➢ 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
1 - Non Compliance with 2005 Act and Regulations: 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. IA in conjunction with the relevant mangers will track the individual items and their due dates.	**1. [redacted] (Director of HR) and [redacted] (Head of Property & Services)**	**1. 31 December 2020**
2 - Risk Assessments; Inaccurate or insufficient Health & Safety Information, Communication and Training; and Inadequate Health and Safety Procedures: 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. IA in conjunction with the relevant mangers will track the individual items and their due dates.	**2. [redacted] (Director of HR) and [redacted] (Head of Property & Services)**	**2. 30 June 2021**

RTÉ Internal Audit

Report on Commercial Revenue – Radio

16 June 2014

Circulation:

Noel Curran, Director-General
Executive
Members of the Audit and Risk Committee

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

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.	**Commercial Advertising Minutage Breaches** ***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 Radio may dedicate up to [redacted] ***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. Breaches also create additional reputation risk. ***Audit Testing*** 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. ***Results of Testing*** 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.	Agreed [redacted] Agreed ([redacted])	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. 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.	H	[redacted] 30 September 2014 [redacted] 1 August 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. **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. ***Reasons for breaches*** Of the nine breaches: • 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. 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.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	In conclusion, of the nine reported breaches, ***three (3.5% of total RTÉ Radio 1 clock hours tested)*** are assessed as valid material breaches of minutage rules.				
2.	**Monitoring of Commercial Advertising Minutage** We observed a weakening of advertising minutage monitoring controls. Unlike the position at the time of our last audit, there is no longer an individual assigned responsibility for monitoring compliance with the advertising minutage rules in Radio. Following the departure of personnel in recent years, the level of monitoring of compliance with minutage rules has therefore decreased. The impact of the absence of formal monitoring may be a contributing factor to the breaches observed during the audit. See finding #1 and #3.		Monitoring controls will be strengthened. Spot checks of a sample of transmission logs will be undertaken to check compliance with advertising minutage rules and to follow up breaches with the responsible parties. (Scope: bi-monthly)	H	[redacted] 31 August 2014
3.	**Integrity of the [redacted] Post Transmission Logs** As referred to in finding two above, we identified two instances of differences between what was actually transmitted on air and what was reported in the Post Transmission Logs generated from [redacted] as being transmitted. Certain scheduled commercial breaks were listed in duplicate on the [redacted] Transmission Logs, in error. The same advertising break was listed as being broadcast a few seconds after the first break. However, only one instance of each break was played to transmission and broadcast,	Logs generated by [redacted] are not technically transmission logs and should not be regarded as such. They are a log of what was played from [redacted] OnAir workstations. This log is sent to [redacted] to be reconciled. It is only after the [redacted] econciliation process that there is a true record of transmission of commercials in [redacted].	Radio I.T. Personnel will investigate whether this post transmission reporting duplication issue on [redacted] can be addressed via a change in the configuration / set-up of the report to ensure the report reflects what was actually transmitted on air rather than what was played from various sources. In the interim, in advance of providing any transmission log to the BAI as past part of a compliance check, a review of the log will be undertaken to identify and highlight any	H H	[redacted] 31 August 2014 [redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. 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.	There are two reasons why the logs generated by [redacted] should not be regarded as an exact record of transmission: 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. 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. [redacted] Agreed [redacted]	duplicate advertisements. From a programme production perspective, programme teams will be informed of the correct technical procedures for the play-out of Commercial breaks in studio.	M	[redacted] 15 August 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
4.	**Access to [redacted] System / Review of User profiles** The "Authority Maintain" (AUTHMNT) user profile on [redacted] is a powerful administration user profile that allows the user to 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. During testing we noted the following: 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 [redacted] Administrators. A lack of formal review increases the risk that users may have incorrect access within [redacted] 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. 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 [redacted]k system upgrade is currently in progress. This roll-out commenced in the first quarter of 2014, after the internal audit report was issued.	Agreed ([redacted]	Once the new [redacted] system upgrade is fully operational, the following will be carried out: - In the case of the duplicate sign-on, one sign-on will be disabled. - The [redacted] 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	[redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
5.	**Invoice Layout Functionality on [redacted]** 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. 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. 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. 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.		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.	L	[redacted] 30 September 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Sales bookings and Discounting Process – Sponsorship				
6.	**Sponsorship Campaigns** ***Testing*** Seven sponsorship campaigns were selected for testing of the following matters: ***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] ***Results:*** ***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: a) Contract for the sponsorship of RTÉ 2fm's *Breakfast Republic* : 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) Contract for the sponsorship of RTÉ Radio 1 *Traffic and Travel*: 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	Agreed. [redacted]	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. 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] The Sponsorship Manager will be reminded to exercise caution when making bookings ensuring that errors are captured before invoicing the client incorrectly.	L	[redacted] 31 August 2014 [redacted] 15 September 2014 [redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	throughout 2013. The signed contract has since been filed. ***2)*** All campaigns inspected were signed off as approved in accordance with contract approval tiers. ***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.				
	Sales Bookings and Discounting Process – Advertising				
7.	**Sign-off of client agreements** 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. 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. In mitigation, during 2013 the agreement operated in practice without any issues.	Agreed ([redacted]	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. Consideration will be given to including the following clause in the email sent to agencies: *"The placing of a booking with RTÉ by an Agency or Direct Advertiser constitutes acceptance of RTÉ's Standard Terms and Conditions of Business".*	M	[redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
8.	**Campaign Booking Error** We reviewed ten advertising campaigns end to end: from the initial discounting and booking stage to actual transmission. - 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. 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. 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.	Agreed [redacted]	[redacted] will be reminded to exercise caution and to check that the commencement date for each campaign per the booking email before entering into [redacted]	L	[redacted] 31 July 2014
9.	**Access to client packages and discounts** Media Sales Assistants ("MSAs") are responsible for entering campaigns on [redacted] The Radio Sales Account Managers are responsible for negotiating the discounts and bespoke package discounts underpinning those campaigns. When MSAs are booking packages on [redacted], 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.	Agreed [redacted]	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.	M	[redacted] 15 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. 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. Saving documentation of the client discount schemes to a shared drive would improve transparency and create operational efficiencies in booking campaigns onto [redacted].				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	RTÉ CEL				
10.	**CEL – Income and Pricing** ***Testing:*** Five RTÉ CEL adverts were selected for testing, with the sample selected from the accounting records and from the operational booking calendar. The following work was performed: - 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. ***Results:*** 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.	Agreed. [redacted]	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. All booking emails from clients will be stored in a manner in which they can be easily retrieved upon request. 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.	M	[redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
11.	**CEL – Voiceovers / Rights Management** ***Background*** 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: *"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 ".* ***Finding*** 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. 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.	Agreed. [redacted]	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.	M to H	[redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Promotional and Roadcaster Income				
12.	**Incorrect use of [redacted] account codes** ***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. ***Finding*** 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.	Agreed. [redacted]	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.	M	[redacted] 31 July 2014
13.	**Promotions and RTÉ 2fm Roadcaster sales not invoiced on a timely basis** 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. ***Uninvoiced sales*** 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: • These sales have not been recorded on the debtor's ledger on [redacted]	Agreed. [redacted]	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. Radio Promotions invoices will be issued promptly after the month-end during which the sale took place.	H	[redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• 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.	**Over reliance on Microsoft Excel Worksheets** 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: • 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. We estimate that approximately 4.7% of Radio commercial sales in the YTD are managed via Microsoft Excel worksheets.	Agreed. [redacted]/ 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. [redacted]/	An investigation will be carried out to determine the feasibility of booking [redacted] and RTÉ 2fm Roadcaster income on [redacted] than on excel spreadsheets.	L	[redacted] 31 October 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Accounting				
15.	**No formal recording of credit note approval** Five credit notes were selected for audit testing. 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. 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. 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.	Agreed. [redacted]	[redacted] will notify the Finance Manager of all credit notes via email. For credit notes: • above a monetary threshold of €5k (in net value), and • relating to a matter other than the routine booking email – [redacted] differences, the [redacted] will review and approve (by email) the credit note prior to the credit note being processed, and the details of it circulated.	L	[redacted] 31 July 2014
16.	**Contra Deals** 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. The number of contra deals is increasing from prior years.	Agreed. [redacted] This text accurately reflects the situation. We have moved to put better controls in place. [redacted]	The implications of contra deals on budget variances will be discussed and a policy will be agreed. Procedures to capture contra deals on the [redacted] system will be agreed and implemented.	H	[redacted] 31 July 2014 [redacted] 31 August 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	increasing the importance of robust procedures in the area. The following are examples of current contra deals: • provision of training services in return for airtime; • provision of catering / entertainment facilities in return for airtime. 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. 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.	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. ([redacted])	This area will be revisited by Internal Audit in due course.		

RTÉ Internal Audit

Review of Database Management System Controls for the [redacted] Application

21 May 2018

[redacted]
[redacted] Solicitor / Data Protection Officer
[redacted] Head of Applications & Systems

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1. Executive Summary

1.1 Background

[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 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.

Failure to properly configure Microsoft SQL server and the related database instances can increase exposure to key vulnerabilities and can impact on an organisation's ability to execute critical processes. In addition, due to the introduction of the General Data Protection Regulation and increased focus on data privacy initiatives generally, it is important to gain assurance on database security controls in order to provide confidence in how data is handled.

To this effect, [redacted] was engaged to perform a review of the database management system controls employed in relation to the [redacted] application.

1.2 Scope and Objectives

RTÉ identified the need for an independent review of the database security controls employed in [redacted] The audit has leveraged [redacted] proprietary SQL Database Controls Audit Program and ISACA's SQL Server Audit Assurance Programme during the completion of this review.

The internal audit considered control objectives focused on database security and design in the following areas:

- Database user management and access controls
- Security of databases and significant database objects
- Protection against database threats
- Application of patches
- Logging and monitoring
- Removal of redundant features and management of privileged access
- Control of transactions / procedures with system privileges
- Capacity management
- Change control
- Use of encryption

- Documentation of DBMS servers, security baselines / procedures

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 SQL 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 SQL Server and SQL databases through the use of SQL scripts as detailed in ***Appendix A***
- An analysis of the SQL 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

[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 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 [redacted] upgrade project has been ongoing since 2016, to move to [redacted] 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 [redacted] 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.

- [redacted]
  - [redacted]
- [redacted]
  - [redacted]
- [redacted]
  - [redacted]
- [redacted]
  - [redacted]
- [redacted]
  - [redacted]

[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

3. Detailed Findings and Recommendations

No.	Findings	Implications	Priority	Action / Recommendation	Responsibility / Date
1	[redacted]	[redacted]	[redacted]	[redacted]	30 September 2018, upon project handover [redacted]

No.	Findings	Implications	Priority	Action / Recommendation	Responsibility / Date
2	[redacted]	[redacted]	M	[redacted]	31 July 2018 [redacted]
3	[redacted]	[redacted]	H	[redacted]	30 September 2018, upon project handover [redacted]

No.	Findings	Implications	Priority	Action / Recommendation	Responsibility / Date
4	[redacted]	[redacted]	[redacted]	[redacted]	30 September 2018 [redacted]
5	[redacted]	[redacted]	[redacted]	[redacted]	31 July 2018 [redacted]
6	[redacted]	[redacted]	[redacted]	[redacted]	30 September 2018 [redacted]

No.	Findings	Implications	Priority	Action / Recommendation	Responsibility / Date
	[redacted]			[redacted]	
7	[redacted]	[redacted]	[redacted]	[redacted]	31 October 2018 [redacted] 30 September 2018 [redacted]
8	GDPR [redacted]	[redacted]	[redacted]	[redacted]	30 June 2018 and ongoing [redacted]

No.	Findings	Implications	Priority	Action / Recommendation	Responsibility / Date
	[redacted]			[redacted]	

Appendix A – Scripts Run

Server Queries	
Databases in use	[redacted]
Version installed	[redacted]
SQL Server Configuration	[redacted]
SQL Logins	[redacted]
Authenticated Users / roles	[redacted]
Server Role Members (links the above)	[redacted]
Permissions	[redacted]
Database Queries	
Database Principals	[redacted]
Database(s) Permissions	[redacted]

Database Role Members	[redacted]
List database objects	[redacted]
Passwords	
Login name = password	[redacted]
Password = 'password'	[redacted]
Password contains an iteration of password	[redacted]
Password is null	[redacted]
SQL Injection	
Examples	[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:
[redacted], Group Financial Controller
[redacted], Head of Procurement
[redacted], Financial Director, Content, Operations & Production Services
[redacted], Financial Controller, News and Current Affairs
[redacted], Financial Controller, Commercial
[redacted], Business Executive, Finance Divisional Support
[redacted], Group Finance & Shared Service Accountant

Technology:
[redacted], 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] 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.

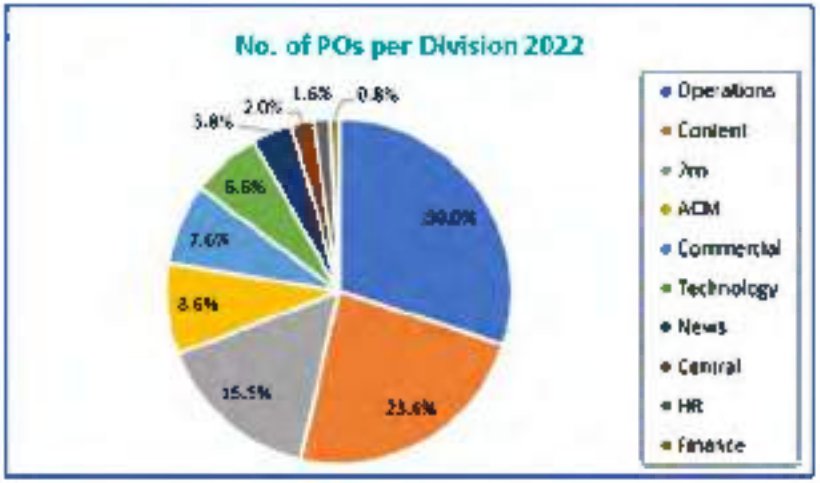
The scope of our audit did <u>not</u> include:

- ✗ 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.

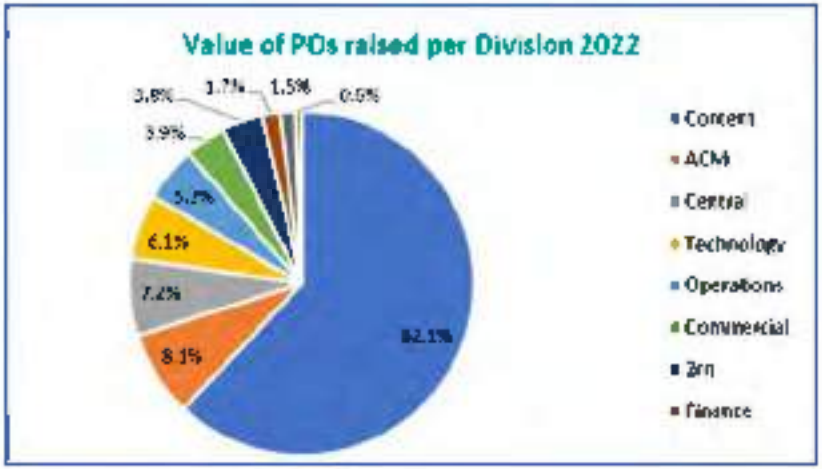
Data Analysis – Purchase Orders

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.

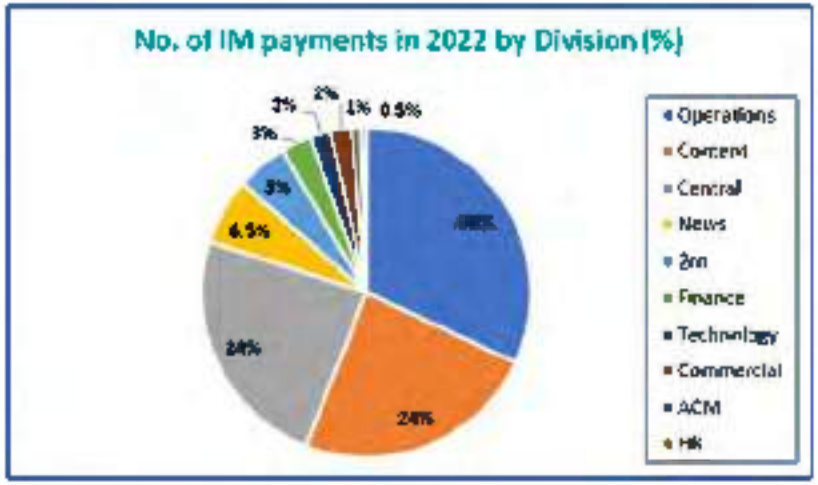
Requisitioners and Approvers

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.

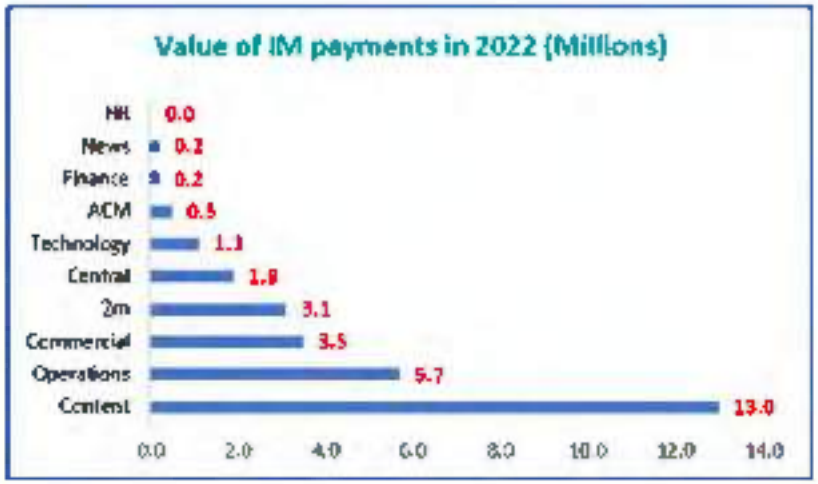
Data Analysis – Invoice Manager

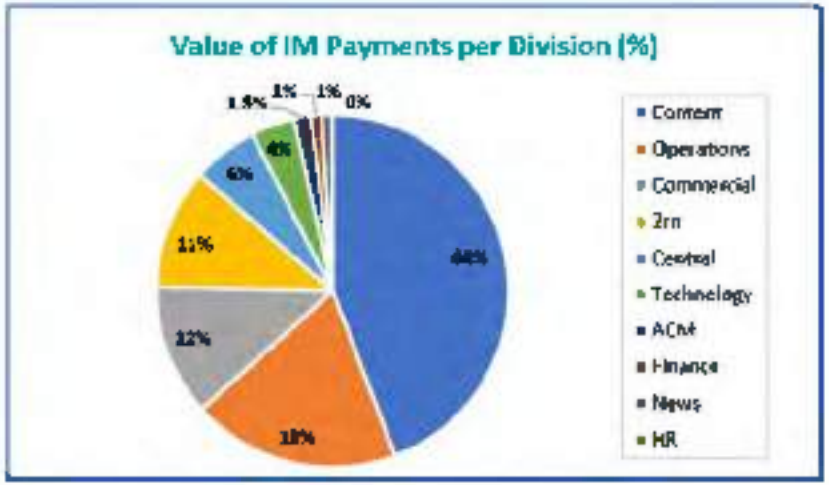
Invoice Manager

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%.

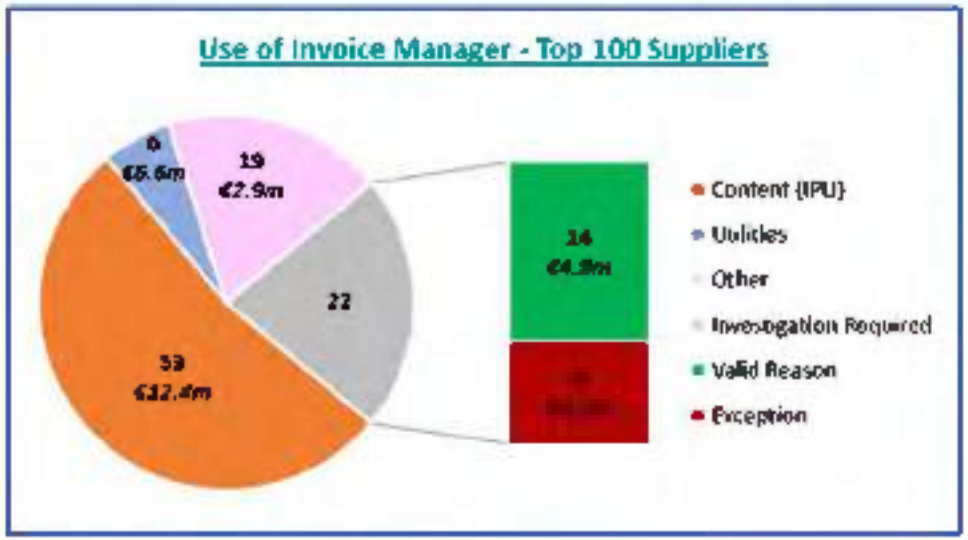
Top 100 Suppliers	Value of Invoices	%
Suppliers 1 - 20	20.1m	69%
Suppliers 21 - 40	3.8m	13%
Suppliers 41 - 100	4.0m	14%
Sub-total	**28.0m**	**96%**
Suppliers 101 - 249	1.2m	4%
Total	**29.3m**	**100%**

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.



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%
	-1,164,210	100%

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.

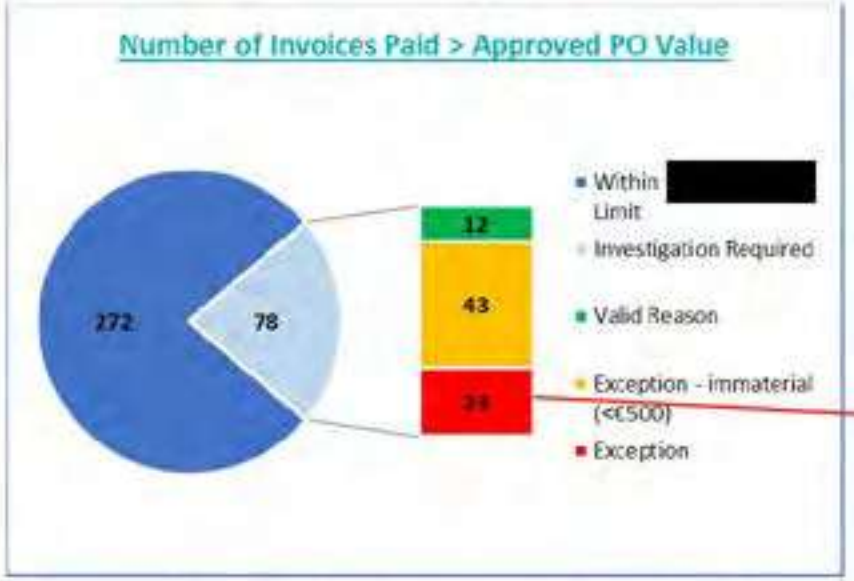
Please refer to Appendix 1 for audit actions.

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%	82%
Supplier D	1	-4,782	6%	
Supplier E	1	-2,730	3%	
Other Suppliers	18	-14,887	18%	
	23	-83,268	100%	

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

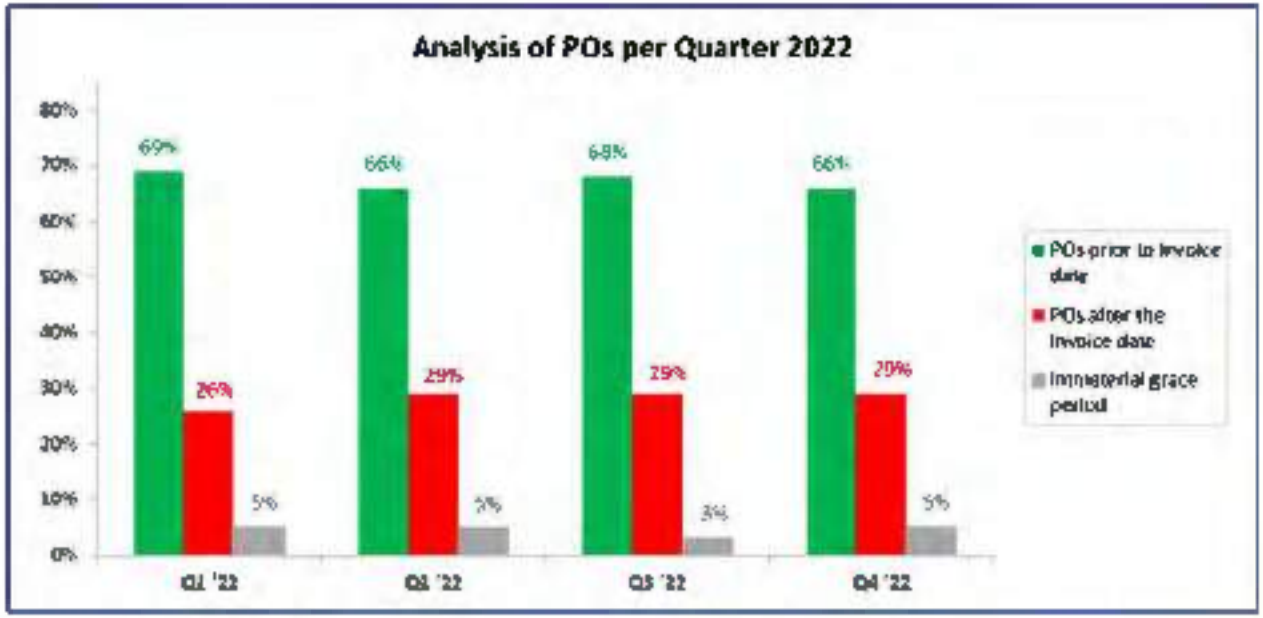
In line with the RTÉ Purchasing Policy, POs should be raised and approved prior to making any purchase commitment and before the invoice is received. This is a key aspect of purchasing policy.

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, increasingly 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.

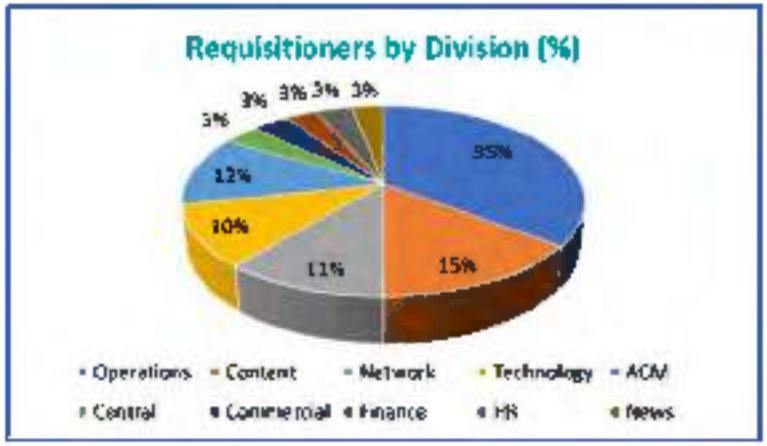


Finding – 4

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 requsitioners.



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
1 – Use of Invoice Manager as the payment process for Commissioned Programmes: ***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. 53 of the Top 100 suppliers paid via Invoice Manager (representing 44% in value terms) were Production companies. *(The Top 100 represented 96% of the total population).* ***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. ***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. 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.	**N/A**	**N/A**

Appendix 1 – Audit Actions

Actions	Owner	Due Date
2 - Purchase Invoice v Approved PO: ***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. ***Mitigation*** This issue has been addressed in the new accounting system, [redacted] which went live in March 2023. [redacted] has a small tolerance level to cover small overrun amounts such as delivery charges, etc. 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. 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.	**N/A**	**N/A**
3 - Requisitioners and Approvers: Management should remove the requisitioners (3) and approver (1) in cases of departed employees. 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.	[redacted]**Head of Applications)**	**30 June 2023**

RTÉ

Implementation of Actions in Internal Audit Reports: Status Update, Q2 2019

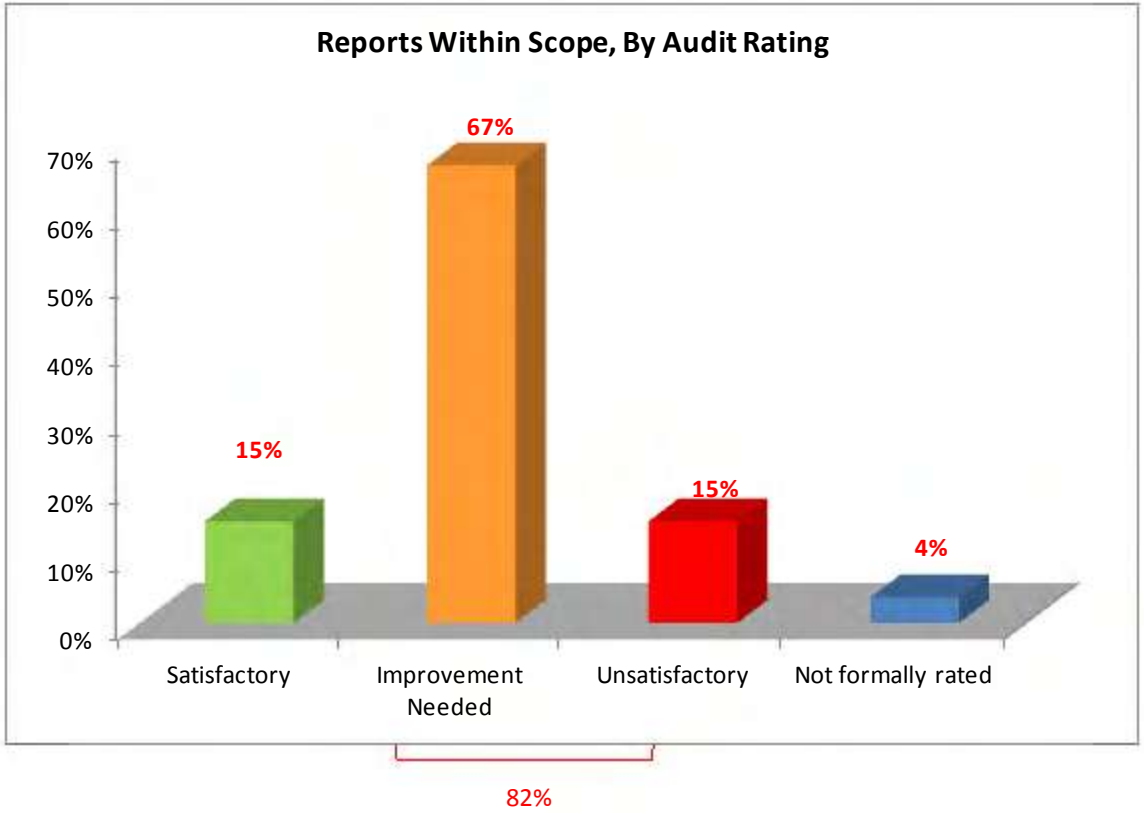
Peadar Faherty, 13 June 2019

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 patters 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.

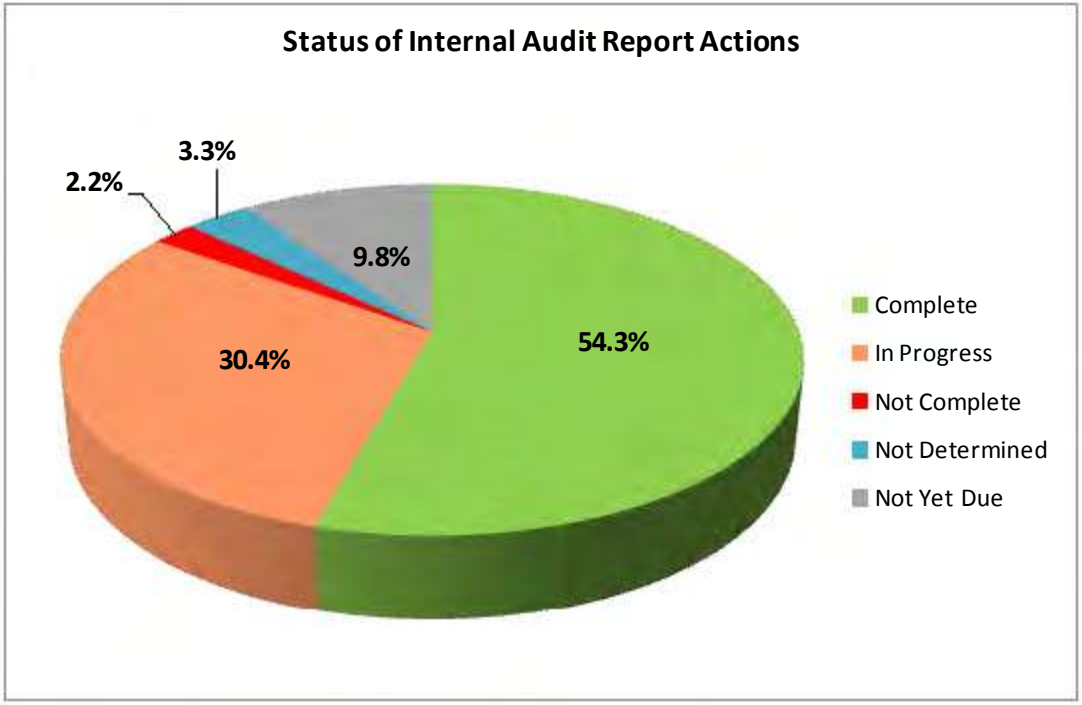
Improvement Needed: While some controls are functioning as intended, the overall control environment is lacking or has degraded since the last audit. Improvements in control are therefore necessary for one or more medium risk areas. The report contains a number of re-occurring findings / control weaknesses. 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).

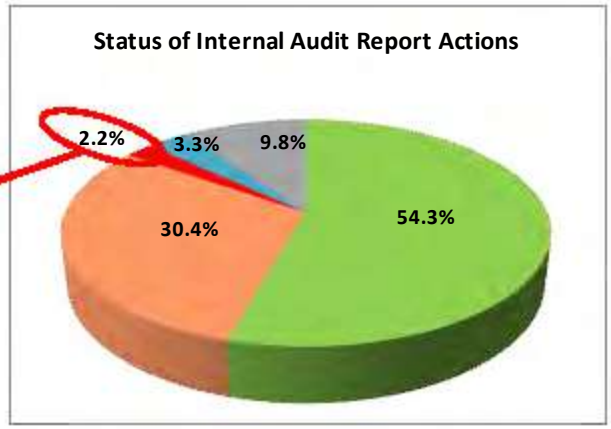
The general control environment requires an immediate improvement. Objectives are not being met, or are being met without achieving value for money.

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]

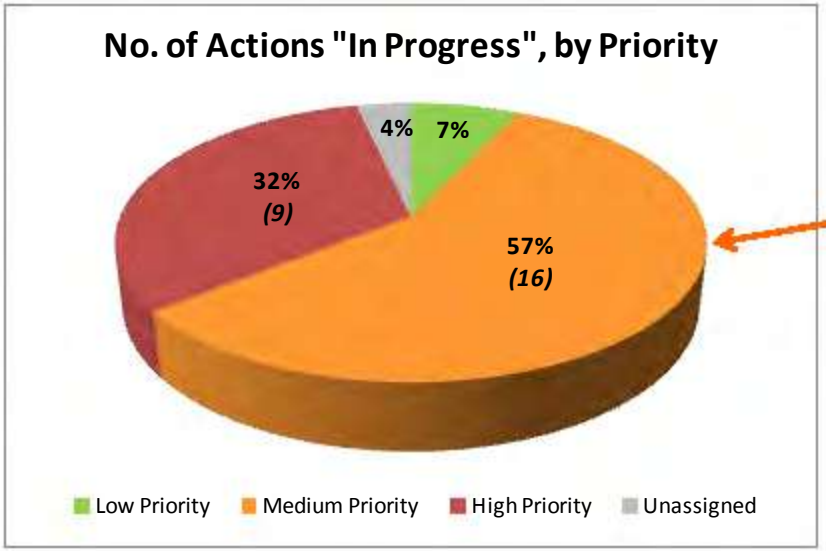
RTÉ

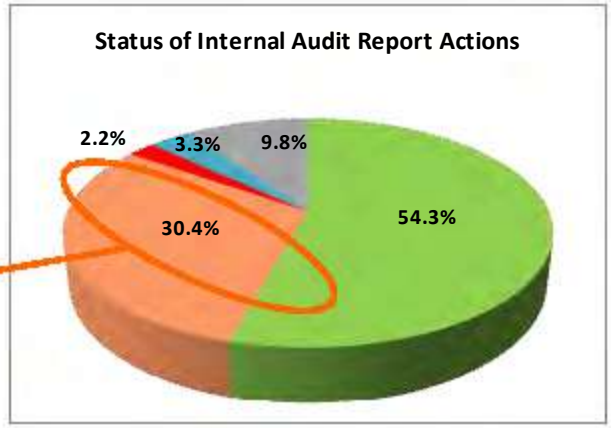
Analysis of Actions "Not Complete"

No. Actions	No. Reports	Area	Summary
1	1	Operations	Music reporting –TracklistApp functionality (reliant on 3rd Party developer to action) [M priority]
1	1	Finance / HR	RTÉ Travel Policy – update policy *[M priority]*
2	***2***		

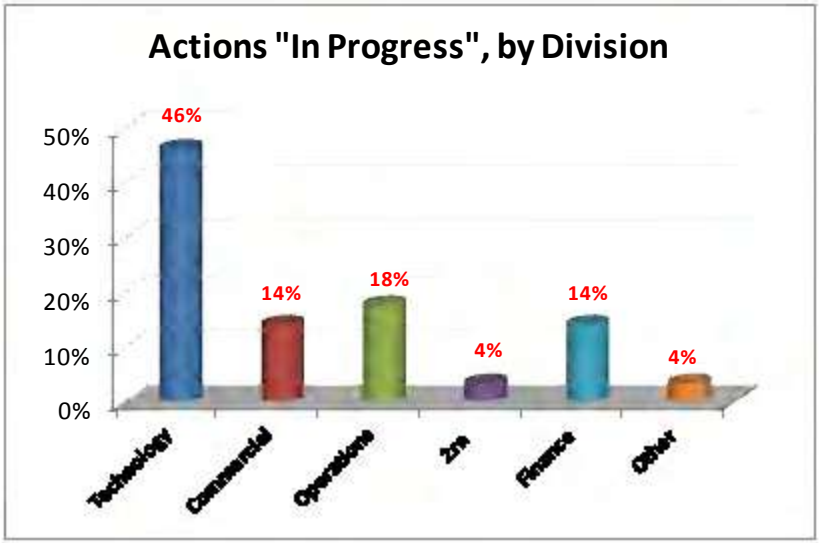
Analysis of Actions "In Progress"

Population = 28 action items, across 15 Internal Audit reports





[Priority is sub-analysed further in the blue text overleaf]

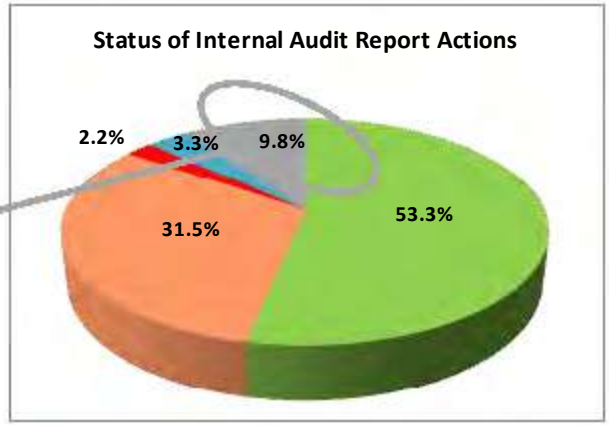


RTÉ

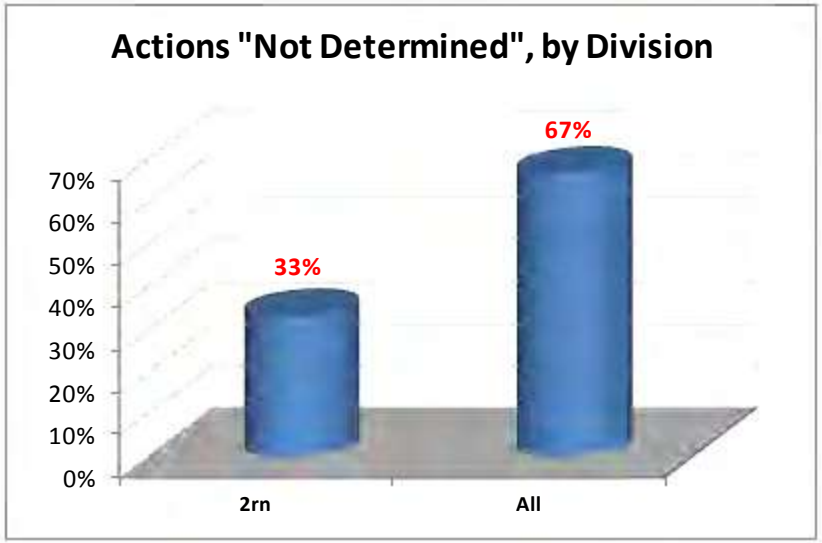
Analysis of Actions "In Progress"

No. Actions	No. Reports	Area	Summary
13	5	Technology	• 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	• Premium Rate Competitions *[1 x 'L']* • Advertising Minutage *[2 x 'H', 1 x 'M']*
4	4	Finance	• Various matters in progress *[3 x 'M']* • Mobile Devices *[1 x 'L']*
5	1	Operations	• Taxi voucher system and processes *[2 x 'H', 3 x 'M']*
2	2	Other	• 2rn x 1 – GDPR *[Unassigned]* • IT Finance *[1 x 'M']*
28	***15***		

Analysis of Actions "Not Determined"



[Priority is sub-analysed further in the blue text overleaf]



RTÉ

Analysis of Actions "Not Determined"

No. Actions	No. Reports	Area	Summary
2 1	1 1	ACM 2rn	• Marketing matters • 2rn GDPR
3	**2**		

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
[redacted]Connectivity and Security Team Lead
[redacted]rector of Production and Operations Digital
[redacted], Systems and Development Manager Digital
[redacted]nfrastructure Engineer Digital

The contents of this document are strictly confidential and for internal RTÉ use only

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.

[redacted]

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

[redacted] 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.

[redacted]

[redacted]

Summary Findings

1. Process Review	• [redacted] concluded that [redacted] s 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. • [redacted] 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 [redacted] Service against another tool	• No vulnerabilities were identified by the [redacted] ol that had not already been identified by the [redacted] ol. • Furthermore, [redacted] 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, [redacted] 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. • [redacted] ome minor scope to improve the range of issues detected, however [redacted] incremental enhancements as the use of the [redacted]

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.

[redacted]

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]	[redacted]	[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.				
[redacted]	[redacted]	[redacted]	[redacted]	M	***2A*** Done ***2B*** [redacted] 31 December 2015

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
[redacted]					
				M to L	[redacted] 31 December 2015
[redacted]				L	Done

	Finding	Management comment	Agreed Action for improvement	Priority	Completion Date / Manager responsible
[redacted]					
				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]
2rn

RTÉ:
[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

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 facilitates 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 [redacted]m for 2019. [redacted]% relates to Regulated customers. The financial position at 30 June 2019 is set out below:

2rn Commercial Revenue 30 June 2019	Actual YTD €m	Interim Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	13.7	[redacted]	0.14	1.1%
By Revenue Type:				
Regulated	8.3	[redacted]	-0.02	-0.2%
Unregulated	5.4	[redacted]	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]

[redacted]

[redacted]

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

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.

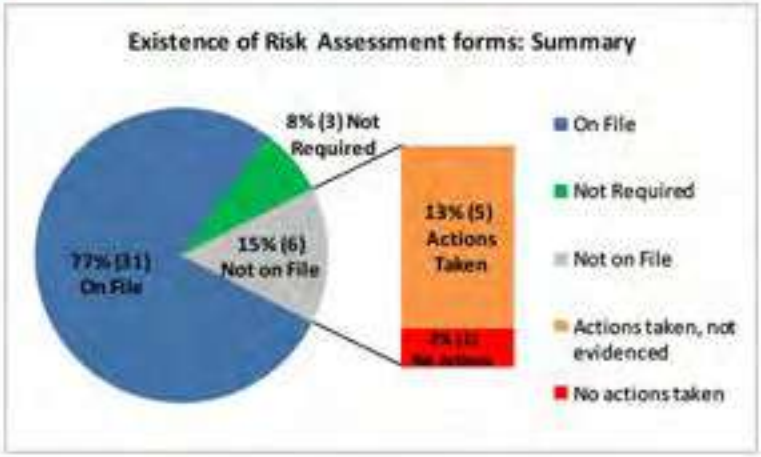
Methodology

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

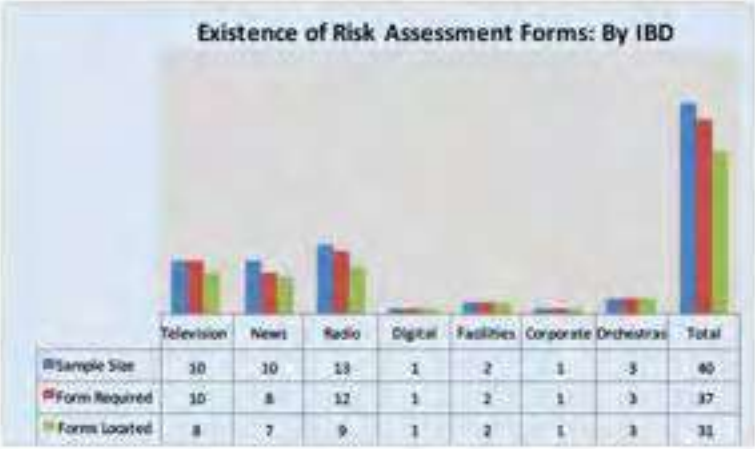
A



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.
- X 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.
- X In the **one** remaining instance, in Radio, there was no evidence of the mitigating actions.

B



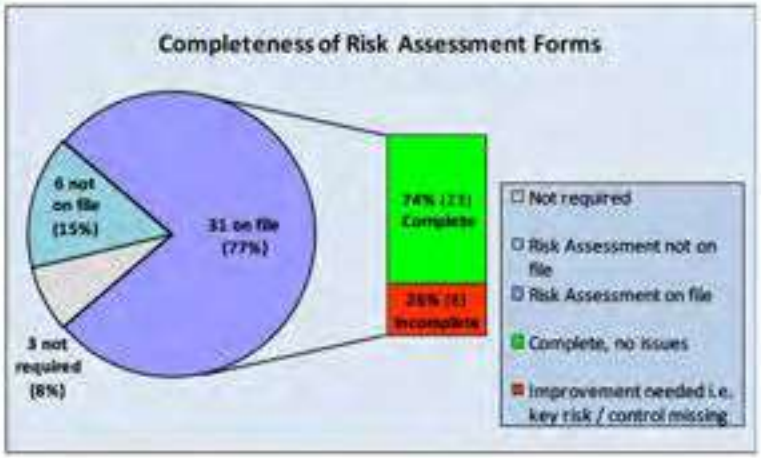
	Television	News	Radio	Digital	Facilities	Corporate	Orchestras	Total
Sample Size	10	10	13	1	2	1	3	40
Form Required	10	8	12	1	2	1	3	37
Forms Located	8	7	9	1	2	1	3	31

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.
- X 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.

X 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

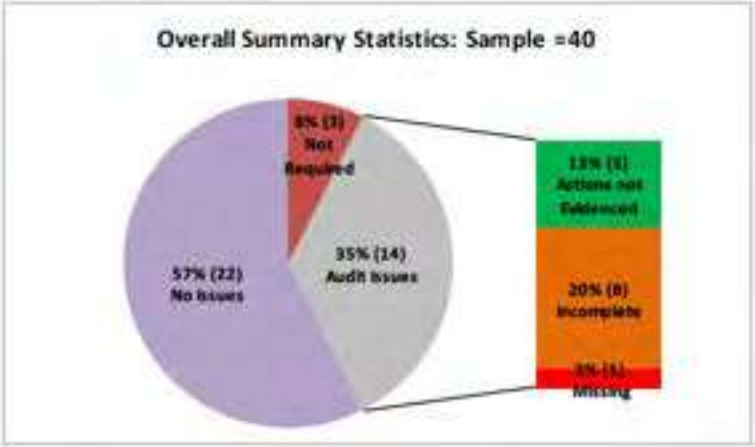
A risk assessment was not available for inspection for six (15%) of the events in our audit sample in circumstances where a specific risk assessment is considered necessary. In mitigation, controls had taken place, but were not documented, in five cases. These are matters to be addressed by training / 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



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.	**Existence of Risk Assessment Forms** 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. The results of testing were as follows: • 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: - 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.	Health and Safety are in agreement with the findings in this report and support the recommendations. 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. ([redacted], *Health and Safety Manager)*	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. 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. A standardised proforma risk assessment form will be drafted and implemented across the organisation.	M	[redacted] [redacted] [redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
2.	**Completeness of Risk Assessment Forms** The risk assessments forms received were then examined to test their quality and completeness. The results are as follows: • 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 *Guidelines on Risk Assessments and Safety Statements* issued by the Health and Safety Authority. The following is a summary of the main weaknesses in the eight forms: - **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). 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.	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
	Other Findings				
3.	**Safety Statements** Section 20 of the 2005 Act requires that employers prepare a written statement know as a "safety statement" which includes the general risks and hazards faced by the organisation and the protective and preventative measures in place to manage those risks. In RTÉ, each IBD is required to have its own separate safety statement. An overall Framework Safety Statement is posted on The Hub. We noted the following issues during testing: • **Out-of-date Safety Statements** The Safety Statements for News & Current Affairs (2006), Television (2008), Property & Services (2008), Orchestras (2010) and Technology (2009) are all out of date and require updating. While there is no statement for Corporate and Digital, these, by their nature, fall under the Health and Safety Framework (2014). • **Circulation and awareness of safety statements** The 2005 Act requires that all new employees are informed of the Health and Safety policies. The Act also requires that the safety statement is brought to the attention of all existing employees on an annual basis. The standard employee contract contains a Health and Safety clause. However, the Safety statements are not currently being brought to the attention of staff on an annual basis. Secondly, there are currently only three safety statements posted on the intranet (Radio OB Safety Statement, Framework Safety Statement 2014 and	Agreed. Work is already in progress and this will be addressed. This project is ongoing, for example, the Television Safety Statement is approximately 80% complete. ([redacted], *Former Health and Safety Manager)* Agreed. The Safety Statements for News & Current Affairs, Technology, Orchestras, 2rn and Property & Services are presently being sent to the divisions for feedback and it is Health and Safety's intention to have all Safety Statements uploaded to the Intranet within the next six to eight weeks. The revised Safety Statement for Television is nearly finalised.	Safety Statements not currently posted on the intranet will be uploaded onto the health and safety section of the Hub. Out-of-date safety statements will be reviewed and updated. Employees in each IBD will be issued with a reminder of the contents of, including the location on the Intranet, the safety statement on an annual basis.	H	[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Technology Safety Statement 2009). • **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.	A revision of out-of-date Safety Statements will be carried out by November of this year. ([redacted], *Health and Safety Manager)*			
4.	**<u>Communication</u>** 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: • **Insufficient information published on the Intranet** At the time of audit testing, only the 2011 Framework Safety Statement was available on the Intranet. 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 RTÉ safety statements (including the Framework) are currently published on the Intranet. • **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	Agreed. ([redacted], *Former Health and Safety Manager)* Agreed. ([redacted], *Health and Safety Manager)*	Publication of safety statements on the intranet: See finding #3. A short presentation will be developed outlining the steps in completing a Risk Assessment form and circumstances in which one is required. 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. 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.	M	[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. • **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.	**<u>Health and Safety Training</u>** The following points were noted: • 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: - Investigative Journalism training for News and Current Affairs journalists - Child Protection policy and training among TV Producers and Directors - In-house Manual Handling training	Agreed. ([redacted] *HR Manager, Radio)* 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	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. 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.	M	[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• However, it has been a number of years since any training was given in the following areas: - **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.	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. 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. [redacted], *HR Manager, News and Current Affairs)*			

RTÉ Internal Audit

Programme Classification & Compliance Review

6 September 2021

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted] Head of Broadcast & Media Services
[redacted], Manager, Schedule Management
[redacted] Channel & Products Manager (Online)

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RTÉ

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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 [redacted] 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
1 Outdated Programme Classification Code: 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: ➢ 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. 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.	Consideration will be given to reviewing and updating the existing programme classification process for all content broadcast on RTÉ Television. This will involve appropriate communication and promotion so that both internal teams and the public understand its meaning and are fully aware.	[redacted]	30 June 2022
2 No formal Acceptance Viewing for In-House content: ***Finding:*** ➢ Programmes made in-house do not go through a formal acceptance viewing process. – 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. *RTÉ Investigates*), but this only applies to certain higher-risk programmes).	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.	[redacted]	31 December 2022

Appendix 1 – Action Plan *(Continued)*

Finding	Agreed Action	Owner	Due Date
➢ Promos are also not subject to acceptance viewing. ***Implications:*** 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: *Late Late Show ('LLS')* 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. *Back to Barrytown* 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.			

Appendix 1 – Action Plan *(Continued)*

Finding	Agreed Action	Owner	Due Date
3 Lack of consistency between 'warnings' on Linear TV and Player: ***Background*** Pre-broadcast continuity announcements or helpline information can be added as additional controls to accompany the on-screen classification code. However, there is a lack of consistency between the application of these additional warnings on Player as compared to Linear TV. ***Findings:*** ➢ *Continuity Announcements* 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]. 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. 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. ➢ *Helplines* 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.	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. Actions implemented for finding 2 above will be relevant in this area. 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.	[redacted]	31 December 2022

Appendix 1 – Action Plan *(Continued)*

Finding	Agreed Action	Owner	Due Date
3 Lack of consistency between 'warnings' on Linear TV and Player: ***Findings (Cont'd):*** ➢ *Watershed* 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. ➢ *Impact of late programme deliveries* 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. ***Mitigation*** 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.			

Appendix 1 – Action Plan *(Continued)*

Finding	Agreed Action	Owner	Due Date
4 Current classification Code too rigid for Player: The current classification code is too restrictive for some types of programmes. Examples are listed below: ➢ **Difference between coding for on-air and on-demand:** *I'm Fine*, 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) *This is Me* – 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. ➢ **Cast are younger than the classification code assigned:** *Davy's Toughest Team* and *Why Girls Quit Sport* 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. ***Implications*** 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. As a result, manual changes to the classification code are sometimes made by the Player team, which impacts consistency and increased risk of error. With content now being generated for the Player and then moving to Linear in recent years *(as opposed to it ordinarily being first broadcast on Linear TV)*, it is important to have a consistent approach.	See action in finding #1. Consideration will be given to implementing more granular meta data warnings (suicide references, drug misuse, etc.).	[redacted]	30 June 2022

Appendix 1 – Action Plan *(Continued)*

Finding	Agreed Action	Owner	Due Date
5 Broadcasting repeat programmes (Elections / By-Elections): ***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. 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. ***Findings*** ➢ 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 *National Treasures,* which featured a politician and a candidate in an upcoming by-election, shortly after the repeat. ***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. 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.	Steps will be taken to ensure that programme broadcast during the election moratorium *(and a predetermined period of time in the election campaign prior to the moratorium),* do not contain material that would breach the moratorium or election rules: ▪ 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 *(excluding N&CA)* 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.	[redacted]	30 June 2022

Appendix 1 – Action Plan *(Continued)*

Finding	Agreed Action	Owner	Due Date
6 Classification code not currently in use: 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. This is being mitigated by a continuity warning announcement prior to the programme, as required.	The "Stay Safe" symbol will be removed when appropriate to do so in line with public health guidelines. The Business will review and agree on appropriate next steps once the "Stay Safe" symbol has been removed – see action in finding #1.	[redacted]	31 March 2022

RTÉ Internal Audit

Review of Purchase Order Compliance *(Q1, Q2 2022)*

19 October 2022

Circulation:

Richard Collins, Chief Financial Officer

Finance:

[redacted], Head of Procurement
[redacted], Procurement Category Manager
[redacted] Financial Controller

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Background, Risk, Objective and Scope

Background

[redacted]
Purchase Orders ('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. 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 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.

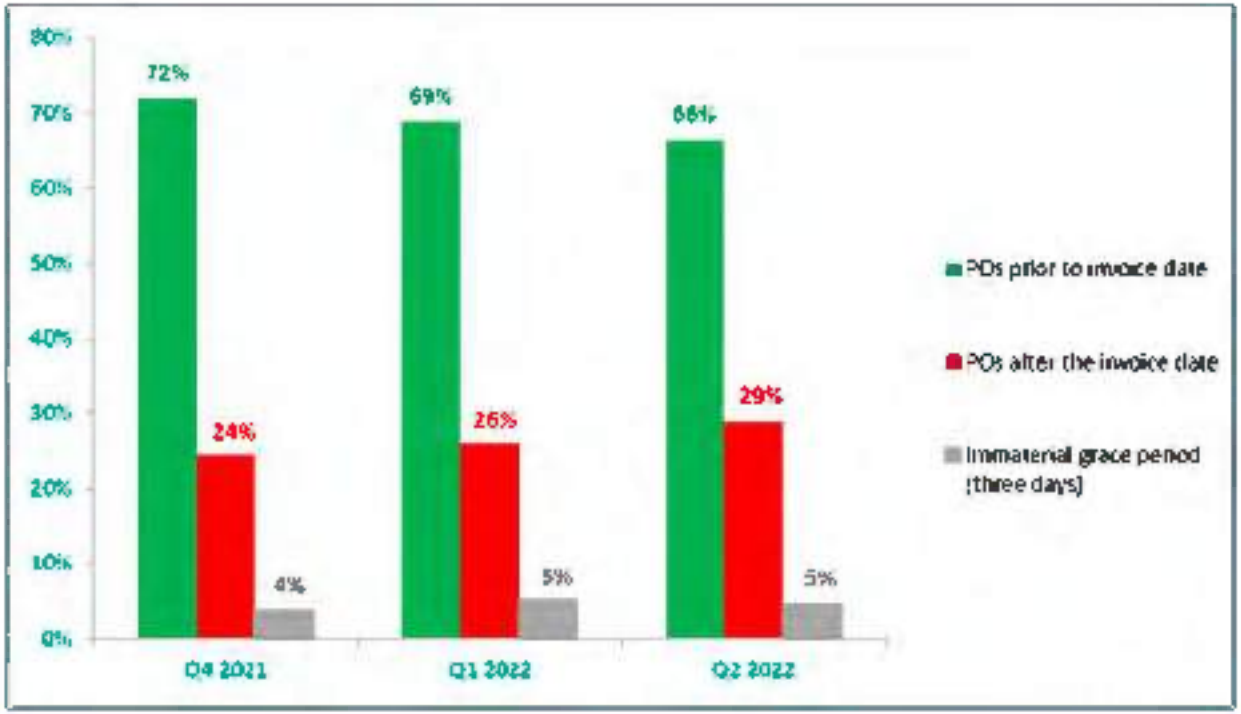
- Two divisions (***Content*** and ***Operations)*** are consistently higher in relation to the percentage share of late POs. Please see **"3) Late PO by Division Summary - % of All Late POs"** for further details.

- 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

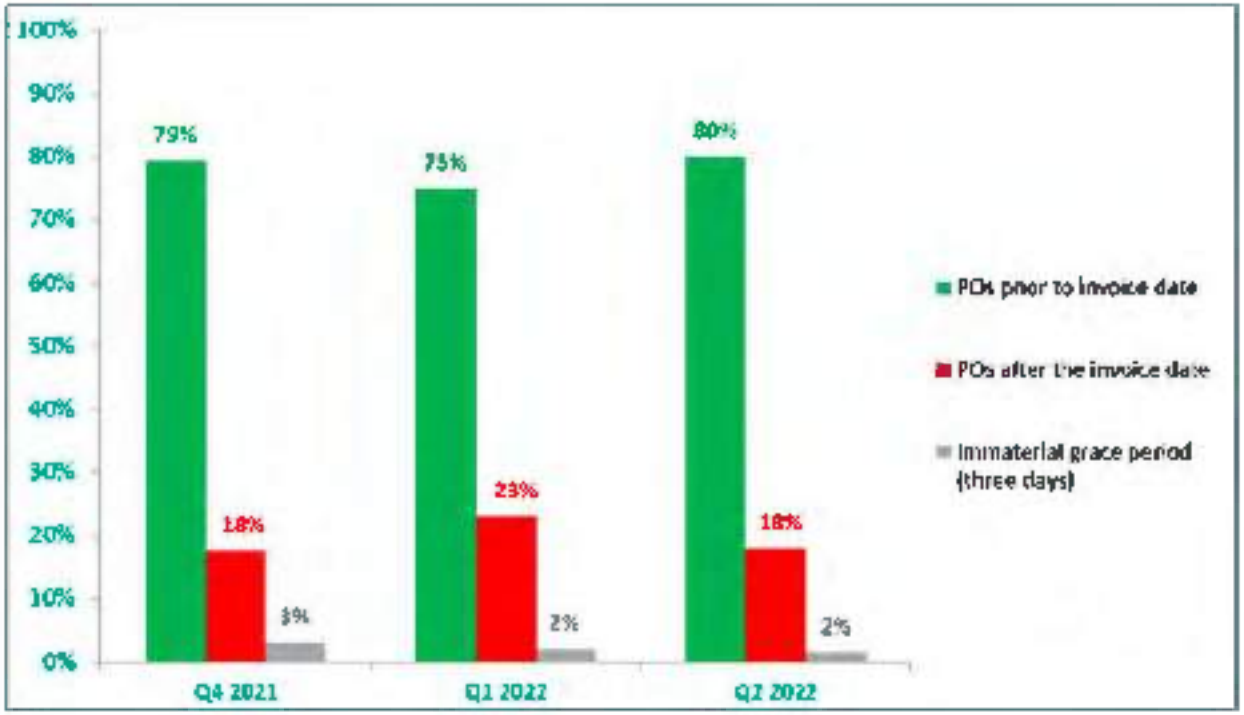
PO Summary - Analysis of number of invoices > €1,000				
	Previously Reported	Current Period Under Review		
Analysis of number of invoices	Q4 2021	Q1 2022	Q2 2022	Average
POs prior to invoice date	72%	69%	66%	68%
POs after the invoice date	24%	26%	29%	27%
Immaterial grace period (three days)	4%	5%	5%	5%
Total	100%	100%	100%	100%



Findings (Cont'd)

1b) PO Summary – VALUE of Invoices

PO Summary - Analysis of value of invoices > €1,000				
	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
[redacted]			
[redacted]	12	25	37
[redacted]	n/a	34	34
[redacted]	24	21	45
[redacted]	13	31	44
[redacted]	23	19	42
[redacted]	20	17	37
[redacted]	17	20	37
[redacted]	12	23	35
[redacted]	0	31	31
[redacted]	8	21	29
[redacted]	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

** see note below*

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.

[redacted] retired from RTÉ at end Q1 2022 and [redacted] was appointed as his replacement. 34 late POs in Q2 - in [redacted] former responsibilities - are now listed under [redacted] name in the table. As the replacement in [redacted] 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.

RTÉ

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			
	Period Under Review		
Supplier (TOP 15)	Q1	Q2	Total
[redacted]	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

RTÉ

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]

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RTÉ

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Conclusion and Report Rating 12

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:
  - X Competition Winners;
  - X Donations;
  - X Rates; and
  - X 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;

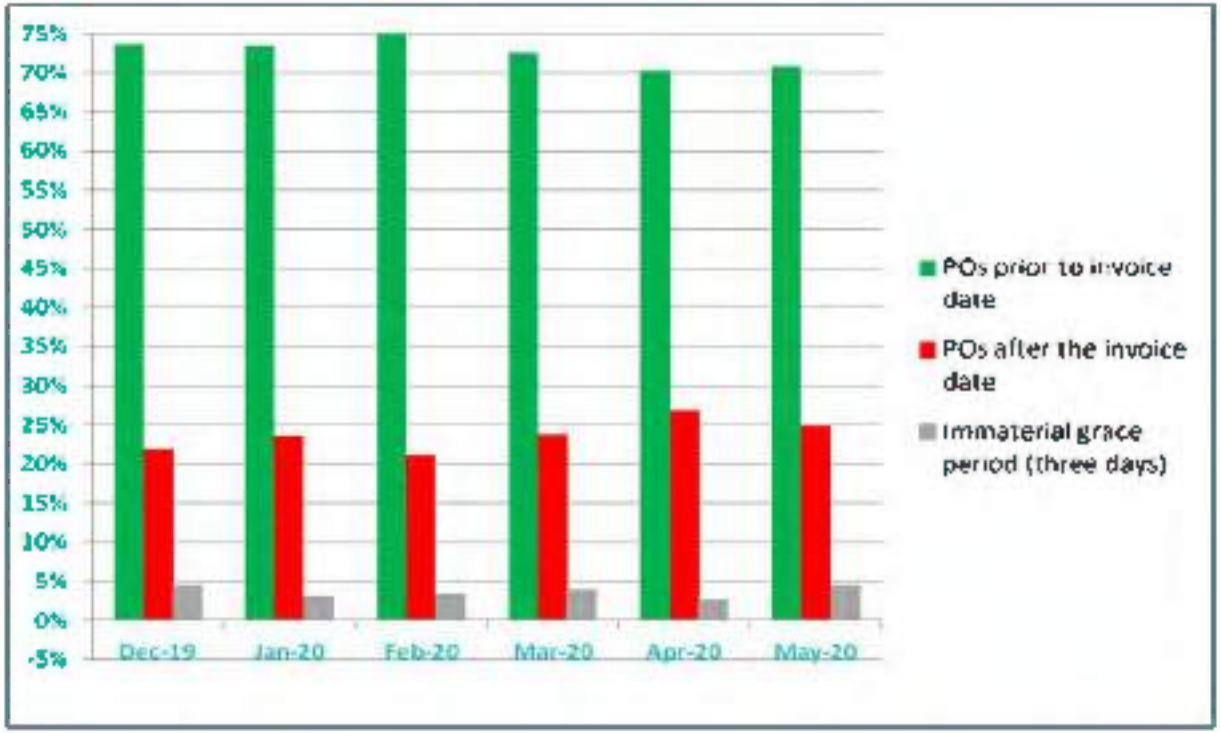
- Two divisions (***Content*** and ***Operations)*** are consistently and significantly higher than all other divisions in relation to the percentage share of late Pos. Please see **"3a) Late PO by Division Summary - % of All Late POs"** for further details, analysis and graphs; and

- 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

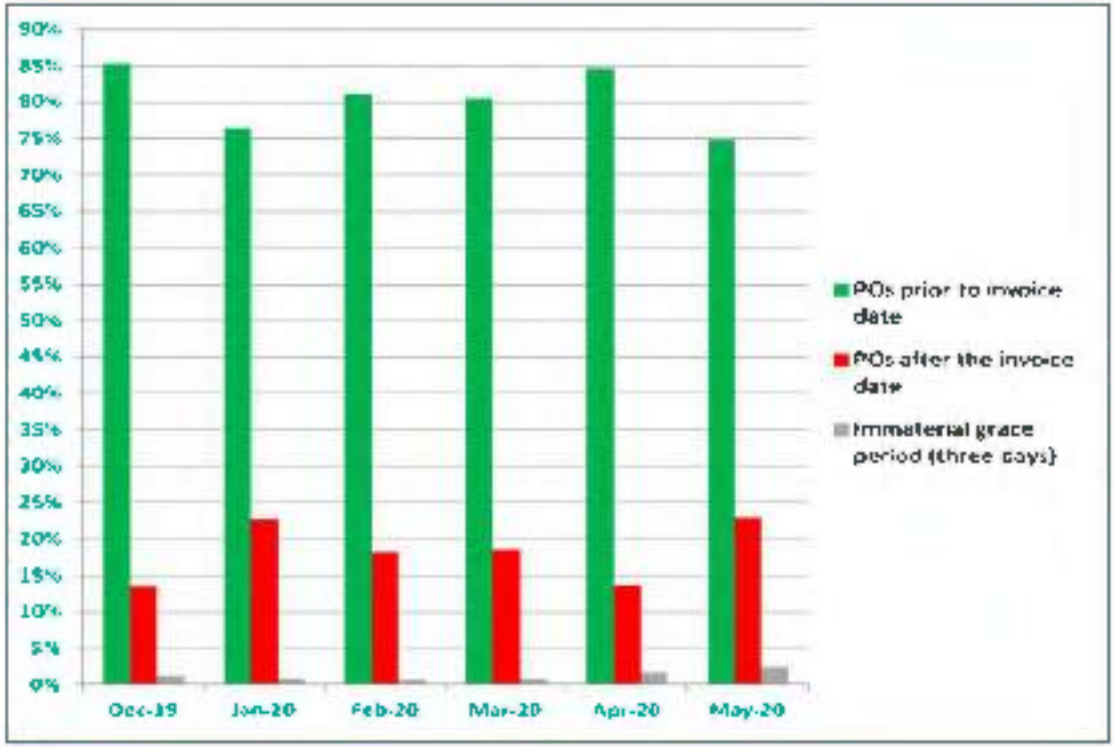
PO Summary - Analysis of number of invoices > €1,000						
	Previously Reported	Current Period Under Review				
Analysis of number of invoices	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
POs prior to invoice date	74%	73%	76%	73%	70%	71%
POs after the invoice date	22%	24%	21%	24%	27%	25%
Immaterial grace 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
[redacted]	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

RTÉ

Findings

3a) Late PO by Division Summary - % of All Late POs

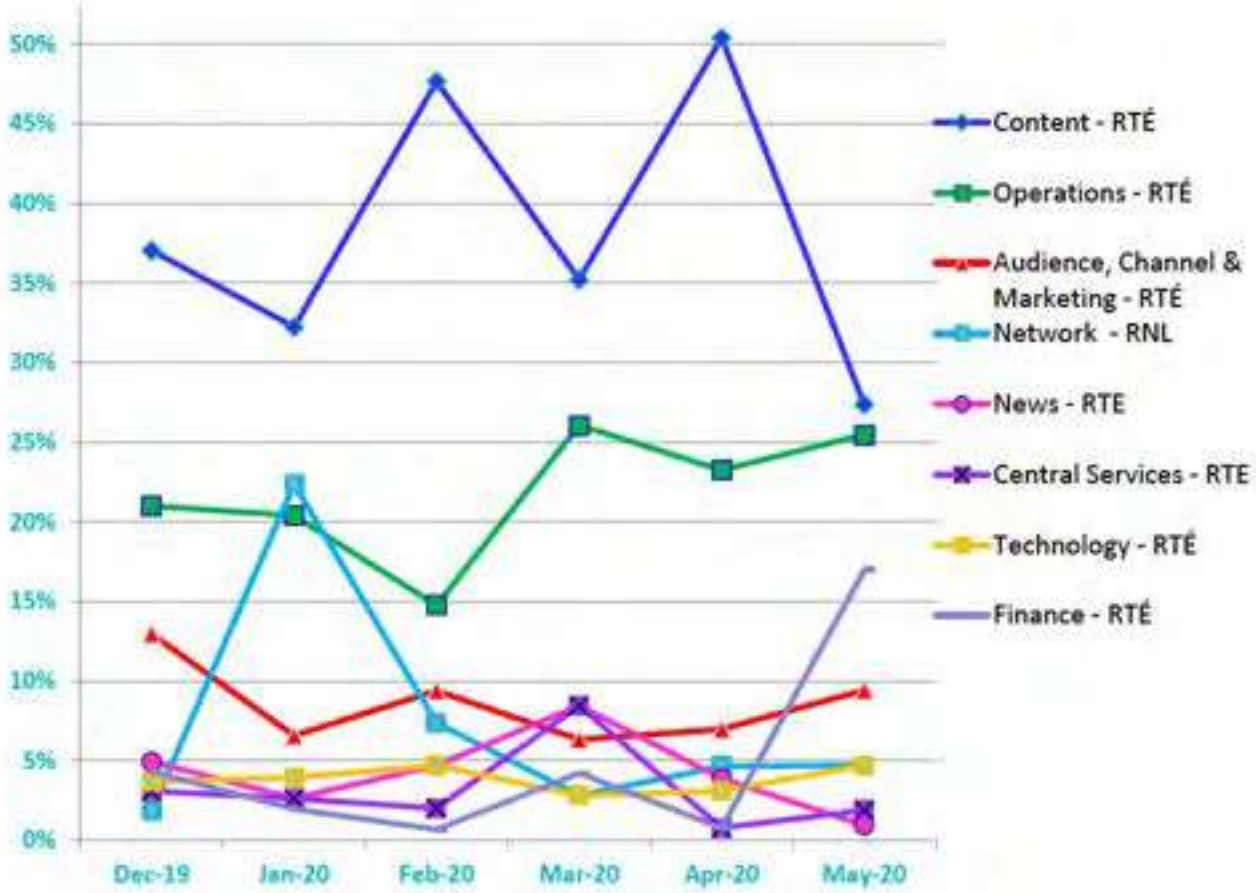
Late POs by Division Summary (% All Late POs)						
	Previously Reported	Current Period Under Review				
Division	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Content - RTÉ	37%	32%	48%	35%	50%	27%
Operations - RTÉ	21%	20%	15%	26%	23%	25%
Audience, Channel & Marketing - RTÉ	13%	7%	9%	6%	7%	9%
News - RTE	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.

RTÉ

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.

RTÉ

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

IT and Data Privacy Assessment of the RTÉ ID Database

4 August 2017

Circulation:
Members of the Audit and Risk Committee
Executive

Digital

[redacted]

Corporate

[redacted]

[redacted]

he contents of this document are commercially sensitive and for internal RTÉ use only

Background

Background

Overview of RTÉ ID
Over recent years RTÉ introduced a facility whereby users may voluntarily register to access RTÉ's range of online services. Registration involves a simple once-off signup process via email, Facebook or Google+. This is referred to as RTÉ ID or RTÉ sign-in.

There are certain features and functions across the range of RTÉ's digital services that are available only to signed in users. These enhanced services allow registered users to have a more personalised experience when accessing and interacting with RTÉ's digital services and content. Registered users also have access to exclusive rewards, competitions and newsletters. There is an opt-in facility for certain forms of communications.

Technical
A range of technical process exist in order to process and manage the RTÉ sign-in function, including the RTÉ ID database which holds the personal information of the registered users in order to authenticate the user's access to his / her account. The personal information collected upon registration includes name, email address, date of birth, gender and country.

It should be noted that the RTÉ ID database was not initially developed to be a database of significant scale. It was developed internally, as a bespoke application, with a limited scope purpose in mind. The database was not designed with the in-built controls of an off-the-shelf Identity Management System build for a database of a proposed scale of 4,000,000 or more users, which may now arise from developments outlined below.

Next Generation RTÉ Player
While the take-up of the sign-in function has been low to date, it is intended to introduce mandatory sign-in to access certain digital services as part of the development of the next generation RTÉ Player. This will substantially increase the registered user base, as users will be required to sign-in to access certain content. It will also increase the login demand at peak times.

Next Generation RTÉ Player (Cont'd)

Prior to the commencement of the audit, it was agreed by the Next Generation RTÉ Player Project Team to use the RTÉ ID as an interim solution for the login functionality and, in parallel, to procure and integrate a new third-party solution to manage the login functionality in the future.

Since the completion of the audit, the Project Team has reopened discussions on (a) the timing of the introduction of mandatory sign-in, vis–à–vis the launch of the next generation RTÉ Player and (b) the technology to facilitate the login functionality. The plans for the launch of the Next Generation RTÉ Player are being modified accordingly.

Security
A security audit of the RTÉ ID database is timely given the extent of personal information currently held within the database and to test whether it is fit for purpose given the proposed extension in scale and use.

Secondly, considerations arising from the introduction of the General Data Protection Regulation, which comes into force on the 25th May 2018, in addition to current Data Protection Acts, are also important.

Risk

The key corporate risks addressed by the report are as follows:

- Risk # 1 – Reputation Risk
- Risk # 6 – Business Continuity and Disaster Recovery

Objective and Scope

Objective & Scope

RTÉ Internal Audit engaged [redacted] to perform a Security Audit of the RTÉ ID Database and the environment it resides on, as part of an overall IT and Data Privacy Assessment of the RTÉ ID Database.

The audit was performed as part of a review of the data privacy and IT controls surrounding the RTÉ ID Database. The objectives of this security audit were to review:

- ✓ The content of the database, in particular to confirm the classification and Personally Identifiable Information ("PII") nature of the data
- ✓ The structure and location of where the database is stored
- ✓ Who has access to the database and its residing servers (test and production environment)
- ✓ The operational procedures and processes governing access to this type of data in the database
- ✓ That the controls in the database are appropriate for the classification of the data, and the volume of records
- ✓ That the database and residing servers are secure from access outside RTÉ
- ✓ The RTÉ incident response procedures from a data protection perspective, and where appropriate suggest areas of improvement

The objective was to make recommendations on any opportunities for improvement with regard to the processes and procedures observed.

- X This is not a full Data Protection Audit. A separate GDPR process is underway which may overlap the findings of this assessment.
- X Login to the database via social media accounts.

Audit procedures consisted of initials meetings to define the scope and objectives of the audit followed by more in-depth meetings with staff in relevant departments including Technology Infrastructure, Digital and Marketing.

Key Management Issues

Key Issues

The audit findings and a table of detailed recommendations for each finding is contained in *Appendix A* (page 5). The key points are summarised below. Actions have been agreed to address these matters, in some cases in progress or complete as indicated in the table.

Access Controls

No formal Access Control Policy is currently in place to grant or revoke access to the database or to the environment. No formal procedure exists for regular recertification of users accessing the database. The database login system is not behind Cloudflare or a Web Application Firewall. The audit highlighted the absence of encryption in some areas.

Password Maintenance and Control

A number of password weaknesses were highlighted during the audit including: the absence of forced password change or password complexity; common username and password for the Test and Live environments for the [redacted] Databases, and some use of shared login credentials.

Gathering of PII / Data Protection

The RTÉ ID database currently holds PII gathered at the point of the user's registration, including the individual's first name, surname and date of birth. It is timely to review whether all this data is required based on the current business objectives. Gathering less data from the user at the point of registration will dilute the information to a more anonymised form of data, which reduces risk in the event of a data breach.

Network Configuration

The RTÉ ID database is locally stored and has no shared storage, thereby reducing risk. The environment in which the database resides is also segregated from the wider network, however it is also used for other applications. The retention of PII in a standalone DMZ of its own is a stronger control and mitigates the risk of attack via another route in the environment.

Conclusion

Conclusion

RTÉ Internal Audit engaged an Information Security specialist, [redacted] to perform a Security Audit of the RTÉ ID Database, as part of an overall IT and Data Privacy Assessment.

A security audit of the RTÉ ID database is timely given the extent of PII currently held within the database and the associated legal requirements under existing Data Protection Acts. The introduction of GDPR in 2018 is also relevant. In addition, the proposed introduction of mandatory sign-in to access certain digital services as part of the development of the Next Generation RTÉ Player will substantially increase the registered user base and the volume of PII held on the database.

The audit was rated "unsatisfactory" based on a number of weaknesses, particularly in the areas of access control, password maintenance, administrator access rights and related matters. These findings are significant for any database, but magnified given that the database contains PII. In addition, based on its experience in the industry, [redacted] concludes that the retention of PII in a standalone DMZ of its own is a stronger control and merits investigation.

We are pleased to note that actions have been agreed to address the findings which, when fully implemented, will improve the security of the existing RTÉ ID Database in the short term and reduce the risk of data breaches from the current unacceptably high level.

Given the nature of the findings highlighted in the audit, and the time needed to rectify the issues and test technical changes, a strong argument can be made that the RTÉ ID Database is not the most suitable solution to (a) cope with the substantial increase in the registered user base which would arise under mandatory sign-in as part of the development of the Next Generation RTÉ Player, and (b) manage the more onerous Data Protection responsibilities under GDPR. It should be noted that the RTÉ ID database was developed internally with a limited scope purpose in mind. We note that an expression of Interest seeking market responses for a new identity-management system has recently issued via Digital.

We appreciate the assistance of staff during the course of the audit, especially Production and Operations in Digital and Technology Infrastructure.

Rating

UNSATISFACTORY

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
1.	**Network Security & Access Controls**				
Network Configuration					
	[redacted]	[redacted]	Medium to High	[redacted]	[redacted] / [redacted] 31 October 2017
Access Controls					
	[redacted]	[redacted]	High	[redacted]	[redacted] 15 October 2017
	[redacted]	[redacted]	High	[redacted]	See above

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
				[redacted]	
	[redacted]	[redacted]	High	[redacted]	[redacted] 31 August 2017
	[redacted]	[redacted]	High	[redacted]	[redacted] with input from Infrastructure 30 September 2017
	[redacted]	[redacted]	Medium	[redacted]	[redacted] 30 November 2017
	[redacted]	[redacted]	Medium	[redacted]	Done

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
	[redacted]	[redacted]	Medium	[redacted]	[redacted] 30 September 2017
2.	**Password Maintenance**				
	[redacted]	[redacted]	High	[redacted]	Refer to finding # 1 above
	[redacted]	[redacted]	High	[redacted]	[redacted] 31 August 2017
	[redacted]	[redacted]	High	Agreed – this recommendation will be addressed. Access to the [redacted] repository	[redacted] 30 September 2017

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
	[redacted]	[redacted]		[redacted].	
	[redacted]	[redacted]	Medium	[redacted]	[redacted] with input from [redacted] as needed 30 September 2017
	[redacted]	[redacted].	High / M - L when report issued	[redacted] Third parties have recently been notified of [redacted] ([redacted]	[redacted] / Infrastructure team 30 September 2017 and ongoing to Q1 2018

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
				[redacted]. ([redacted]	
	[redacted]	[redacted].	Medium to Low	[redacted].	[redacted] 31 August 2017
3.	**Administrator Privileges**				
	[redacted]	[redacted]	High	[redacted]	[redacted] 31 August 2017
	[redacted]	[redacted]	Low	[redacted] be	[redacted] 15 September 2017

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
	no live data on the test database this risk is low.	only required access.		[redacted]	
4.	**Management Issues**				
	[redacted]	[redacted].	High	[redacted]	[redacted] Done
	[redacted]	[redacted].	High	[redacted].	[redacted] 30 September 2017 [redacted] Ongoing
	[redacted]	[redacted]	Medium	[redacted] wide	[redacted] / [redacted] To 31 December 2017 and ongoing [redacted] Ongoing

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
		[redacted]		[redacted]	
5.	**Updating & Patching**				
	[redacted]	[redacted]	High	[redacted]	[redacted] 31 August 2017 [redacted] 30 September 2017

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
6.	Data Gathering and Retention				
	[redacted]	[redacted]	High	[redacted]	[redacted] 31 December 2017
	[redacted]	[redacted]	Medium	This is addressed by the action set-out above.	N/a
	[redacted]	[redacted]	Medium	[redacted].	[redacted] Done

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
		automated deletion to keep in line with current Data Protection Laws regarding data retention.			
	[redacted]	[redacted]	Medium	[redacted]	[redacted] 30 September 2017
7.	**System Logging**				
	[redacted]	[redacted]	High	[redacted]	Technology Infrastructure Done

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
8.	Policy & Procedures				
	[redacted]	[redacted]	Medium	[redacted]	N/a
	[redacted]	[redacted]	Medium	[redacted]	[redacted] 31 October 2017
	[redacted]	[redacted]	Medium	[redacted]	[redacted] Ongoing

	Finding	[redacted] Recommendations	Priority	Management Comment / Agreed Action	Manager responsible and Completion Date
9.	**Account Maintenance**				
	[redacted]	[redacted]	Medium	[redacted]	N/a

RTÉ Internal Audit

Report on Treasury

30 June 2014

Circulation:
Noel Curran, Director-General
Executive
Members of the Audit and Risk Committee

Finance:

[redacted]

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RTÉ

Executive Summary: Objectives and Scope

Background

Introduction

At 31 May 2014, RTÉ Group Treasury was responsible for managing cash and cash equivalents of [redacted] and open foreign exchange contracts of [redacted], of which €8.3m is due to mature during the remainder of 2014. Bank borrowings were [redacted] 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.	**Outstanding cheques** 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. 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. This finding is relevant to the No. 10 (Sterling) account and, in particular, the No. 4 (Artists Fees) account.	A bi-annual review process is already planned. The cheques referred to are generally low value fee payments to contributors. [redacted]	A bi-annual review of outstanding cheques will be carried out and old cheques addressed as part of the review.	M	[redacted] 31 August 2014
2.	**Electronic payments** 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. 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. 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	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. [redacted]	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.	L	[redacted] 31 December 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	will process a creditors' payment run. 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.				
3.	**Obtaining quotations** ***Bank deposits*** During testing of a sample of bank cash deposit deals we noted that: • 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. 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. ***Foreign exchange contracts*** 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.	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. As outlined in Section 3.7 of the Treasury Policy competitive quotes will be obtained for all FX deals. [redacted])	Counterparty exposure and maturity profile will be considered when placing funds on short term deposit, in line with the terms of the Treasury Policy. 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.	M	[redacted] 31 July 2014 [redacted] 31 July 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	**Approval procedures** 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.: • RTÉ foreign currency purchase authorisation letter; and • Contract confirmation from the bank. We observed that RTÉ authorised signatures were in place in all cases. 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. 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.	Agreed. [redacted]	Where applicable, e-mails evidencing approval of foreign currency orders, above the authorisation limits, will be retained on file.	L	[redacted] 31 August 2014

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]

The contents of this document are strictly confidential and for internal RTÉ use only

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 facilitates 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 measures 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.	**Engineering Activity Timesheets** ***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 competed 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. 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. ***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. ***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. The differences related to two main reasons: • 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	Agreed. 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. 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. This is now being addressed. [redacted])	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. 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.	M	[redacted] 31 October 2014 [redacted] 31 October 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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]. • 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] 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.				
2.	**Electronic Storage of Health and Safety Documentation** ***Background*** The [redacted]t 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). ***Finding*** We inspected a sample of health and safety documentation on [redacted], noting that the documentation existed and was up to date. 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	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. It will take some time to work though, but a Correct Action Report has been raised to track the action. *([redacted])*	Those using the system will be reminded of the correct procedures for updating documents. Duplicate or old versions of documents will be removed from [redacted]t.	L	[redacted] Done [redacted] 31 October 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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.				
3.	**Health and Safety Training Files** 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. 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.	From a HR Training capturing perspective, [redacted]t will be used as the official HR Training information tool. [redacted]	Health and Safety training events will be logged consistently on [redacted], including the expiry of the certification.	L	[redacted] Ongoing
4.	**Business Continuity / Disaster Recovery** 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. Secondly, there has been limited testing of the Business Continuity Plan over recent years.	N/a	This matter is relevant to all of RTÉ and an organisation wide Internal Audit Report – *Review of Business Continuity Planning* – was issued by Internal Audit 2013. 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.		See 2013 Internal Audit report

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
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[redacted], Manager, Schedule Management
Antony Whittall, TV Operations Compliance

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RTÉ

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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
[redacted]

	Finding	Agreed Action	Owner	Due Date
	Commercial Minutage – Compliance			
1.	**Minutage Breaches - Radio** ***Background*** There are rules with regards to minutage levels on Radio, as follows: [redacted] 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. ***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. ***Results of Testing*** ✓ Daily Minutage Limit: RTÉ Radio's advertising minutage was not in excess of [redacted] of its broadcast hours on any full day reviewed. ✓ RTÉ Lyric fm: Advertising minutage was not in excess of the permitted maximum hourly limit on either day. X RTÉ Radio 1: Advertising minutage was broadcast in excess of the permitted maximum hourly limit on **seven** occasions. The breaches occurred across the two days selected. X RTÉ 2fm: Advertising minutage was breached on **four** occasions for one of the two	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. See action 3.3.1 in finding #3 below as it is linked to this point.	[redacted]	31 December 2021

	Finding	Agreed Action	Owner	Due Date
	days selected. X Planned [redacted] Break Schedule: 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. On this day, **two** clock hours had scheduled breaches on RTÉ 2fm, while **four** clock hours had scheduled breaches on RTÉ Radio 1. ***Reasons for breaches / Mitigation*** ➢ 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. 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. In addition, the length of the government announcements proved to be longer than the scheduled 60 seconds, also affecting minutage. → Aside from the anomaly mentioned above, breaches are predominately driven by: - programme overruns; - programmes failing to take commercial breaks as scheduled; - late transmission changes or other unplanned events; and			

	Finding	Agreed Action	Owner	Due Date
	- programme underruns ***Implications*** • 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 loos 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.	**<u>Minutage Breaches - Television</u>** ***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. ***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: ✓ 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). X During the review of the July 2021 RTÉ minutage reports we noted advertising	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. Consideration will be given to undertaking the action in the context of action 3.3.1 below.	[redacted]	30 June 2022

	Finding	Agreed Action	Owner	Due Date
	minutage broadcast in excess of the permitted maximum limit, as follows: • 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. → 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] ***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.			
3.	**Monitoring, Tracking and Communication of Compliance** **3.1 RADIO** ***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.	**3.1 RADIO** **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. **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*	[redacted]	31 December 2021

	Finding	Agreed Action	Owner	Due Date
	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. No individual is assigned this responsibility for monitoring and communicating post-broadcast compliance with advertising minutage rules in Radio. ***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. **3.2 TELEVISION** ***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. ***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: • 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.	*below*), consideration will be given to performing spot checks of transmission logs for a pre-agreed number of days per month. 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. **3.2 TELEVISION** **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. **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. **3.3 TV & RADIO (QOS Group)** **3.3.1** The topic of commercial minutage breaches and overruns will be revisited by the Quality of Service ('QOS') Group via quarterly meetings.	[redacted] [redacted]	31 December 2021 31 December 2021

	Finding	Agreed Action	Owner	Due Date
	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. 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. **3.3 TELEVISION & RADIO (MONITORING COMMITTEE)** ***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. 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. 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. ***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.	While a halt in proceedings of the Group in the earlier months post-pandemic was expected, it is now timely to revisit this area. This action could happen in conjunction with the first action in findings #1 & #2 above, as the work is linked.		

	Finding	Agreed Action	Owner	Due Date
	Commercial Minutage – Technology			
4.	**Manual Nature of Calculating Breaches for Radio** ***Finding*** The process for calculating commercial advertising minutage per hour for one day is very manual and time-consuming using reports generated from [redacted] 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. ***Impact*** 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. The system used in Television ([redacted] is more adaptable in that minutage reports are system generated with breaches identified via observation of the reports.	This finding is just for noting pending any future IT system enhancements; no immediate action to be recommended. There was a previous action to address this point, as follows: *An investigation will be undertaken into researching the feasibility of using [redacted] to generate more user-friendly and accurate reports for calculating minutage compliance.* This is not possible, however.	N/A	N/A
5.	**Limitations of R[redacted] Reports** ***Background*** This is a recurring issue that was highlighted from the previous reviews (2014 & 2018). In order to calculate the minutage for each hour, reports from [redacted] are used to arrive at the required result. ***Finding*** 1) Limitations of [redacted] Reports a) In instances where commercials are played from two sources in studio – the	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. 2) See action #4 above	[redacted]	N/A

	Finding	Agreed Action	Owner	Due Date
	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. 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. b) [redacted] is unable to capture commercials that were played form any other source, for example, from CD. ***Impact & Mitigation*** This could have an impact on minutage calculations, with potential for ad breaks to be omitted from overall results. 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. 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.			

	Finding	Agreed Action	Owner	Due Date
	High Fat, Salt and Sugar ("HFSS")			
6.	**Compliance with HFSS Rules – Control Weakness** ***Background*** An extract from the regulation states the following: *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.* ***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. This was a finding and action from the previous audit, in 2017. ***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. 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.	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. This should be done twice yearly to ensure continuous compliance. 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. Having an automated will allow for its generation more frequently, thereby improving monitoring and compliance levels.	[redacted]	31 March 2022

	Finding	Agreed Action	Owner	Due Date
	Copy Clearance Procedures			
7.	**Unsupported Copy Clearance system** ***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: - 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. ***Finding*** The current system used for copy clearance only works using Outlook 2007, which is currently 14 years old, unsupported and almost obsolete. ***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. ***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.	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.	**<u>Copy Clearance: System Weakness</u>** This was a finding from the previous audit in 2017. ***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. 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). There is a risk of an un-cleared advert being aired due to this technical weakness. ***Mitigating Factors*** In order to counter-act this risk there are a number of manual controls in place: - 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. The team initial / date the ad / script in the Commercial Library once re-reviewed. The risk is assessed as low taking the measures into account.	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.	[redacted]	30 June 2022

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

[redacted]

Relevant extracts:

[redacted]

Background

Background

Budgeted Revenue

Commercial IBD is budgeted to generate [redacted] in Television revenue for the year ended 31 December 2017, of which [redacted] relates to advertising and sponsorship income. Approximately 56% of RTÉ'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	[redacted]	-1.2	-3%
Broken Down by Revenue Type:				
Advertising	[redacted]	[redacted]	-1.5	-4%
Sponsorship	[redacted]	[redacted]	0.5	17%
Other	[redacted]	[redacted]	-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 RTÉ.

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 TV 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.

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 RTÉ to achieve its planning and administrative efficiencies.

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 (effective 1 January 2016) 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.

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:

- [redacted] Airtime sales processing [redacted]
- [redacted] Reconciliation Database: Monthly reporting of under / over delivery of campaigns and deals
- [redacted] Online campaign ordering/confirming system
- [redacted] Main financial system
- [redacted]: 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 <u>not</u> 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 o [redacted]. 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.	**Accuracy and completeness of RTÉ Minutage Reports** ***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] 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. ***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.	Agreed. [redacted])	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.	L / M	[redacted] (to fit in with the timing of the [redacted] upgrade)

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Results The following results were noted: ✓ 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. X 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. ***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]				
2.	**<u>Compliance with Minutage Rules and Number of Breaches</u>** ***Background*** As explained in point #1 above, there are rules with regards to minutage levels, as follows:	Agreed. See comments in finding #3 below. [redacted]	Further communication of actual breaches is needed: See finding #3 for details of the action.	M	[redacted] 31 December 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Up to 10% of programme transmission hours may be devoted to advertising; • [redacted] • [redacted] Failure to comply with the above requirements poses a reputational risk to RTÉ and increases the risk of fines being imposed for such breaches. ***Audit Testing*** • 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
	days tested above to ascertain if the breaches arose due to unplanned transmission changes. ***Findings*** ✓ 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. X 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). X During the review of the March 2017 RTÉ minutage reports we noted advertising minutage broadcast in excess of the permitted maximum limit, as follows: • 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. 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				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	out of their scheduled slots, often resulting in breaches.				
3.	**Communication and Tracking of Results** ***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. ***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: • 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.	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. 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. [redacted])	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.	M	[redacted] 31 December 2017
4.	**Compliance with Alcohol Regulations** ***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.	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	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 [redacted] restrictions	M	[redacted] 31 December 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	An extract of the main rules relating to advertising on Television are as follows: 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. ***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. 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: • 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	viewing. For this reason, the RTÉ One+1 result is never included in the quarterly alcohol reports submitted to the AMCMB. 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. 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. [redacted] 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	can be put in place. b) The Commercial Sales team will ensure compliance with the following Alcohol rules and be able to provide evidence of compliance if required: - 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
	arrears. The quarters will be as per the annual calendar i.e. January to end March, April to end June etc. These reports are monitored by the AMCMB, as follows: 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%. b) 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. c) Thirdly, the independent reports are checked to ensure that there was no alcohol advertising in television breakfast time (6am – 10am). 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. **Testing and Findings** 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: ✓ The profile of under 18s watching did not exceed 25% on any day for one programme.	to date. 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. [redacted]			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	✓ There was a blanket restriction in place for one of the programmes selected so no issues noted. → 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%). 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 then occur. 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. 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. c) There is a blanket restriction on all adverts containing alcohol until 10am on both channels and before 7.30pm on RTÉ2.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
5.	**Circulation of Alcohol Audience Reports** **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. **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. 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. However, in mitigation, any major findings or necessary actions were communicated verbally by the Head of Operations in TV Commercial.	See management comment in finding #4 a) above.	See action in finding #4 a) above.	M	[redacted] 31 October 2017
6.	**Compliance with High Fat, Salt and Sugar ("HFSS") Rules** **Background** The Broadcasting Authority of Ireland (BAI) issued revised versions of its General and Children's Commercial	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
	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. 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: • 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. 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. The BAI have since launched a revised general Commercial		day on radio and television services. This should be done twice yearly to ensure continuous compliance.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Communications Code (effective 1st June 2017). There is no obligation as yet to submit quarterly reports as is the requirement with Alcohol restrictions. ***Testing*** a) A sample of three ads was selected for testing for compliance with HFSS rules. ✓ 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. 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. ***Finding*** 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.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
7.	**Copy Clearance: System Weakness** ***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. 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. 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. ***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. 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.	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. While the systems are different, the people involved in reviewing the product of each system, are the same, therefore reducing the risk. [redacted]	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. 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.	M	N/A

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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). There is therefore a risk of an un-cleared advert being aired due to this technical weakness. ***Mitigating Factors*** In order to counter-act this risk there are a number of manual controls in place: - 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. The team initial and date the ad / script in the Commercial Library once it has been re-reviewed. The risk is assessed as low taking the measures into account.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	IT Functionality				
8.	**Access to [redacted] System / Review of User profiles** ***Background*** The "Authority Maintain" (AUTHMNT) user profile on [redacted] is a powerful administration user profile that allows the user to 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. ***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. During testing we noted the following: ✓ 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. 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. X 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	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. [redacted]	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. 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.	M	[redacted] 30 November 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. 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] The lack of formal User Access review of this particular [redacted] functionality increases the risk that amendments made inappropriately could go unnoticed. 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.				

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

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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 <u>not</u> 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

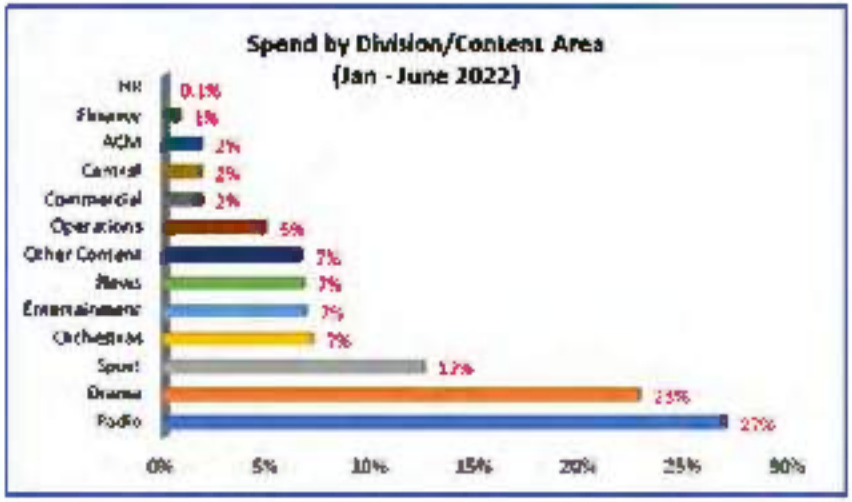
The key corporate risks addressed by the report are as follows:

- Risk # 8 – Management of Finances and Business Planning
- Risk # 6 – Brand & Reputation
- Risk # 3 – People/Skills

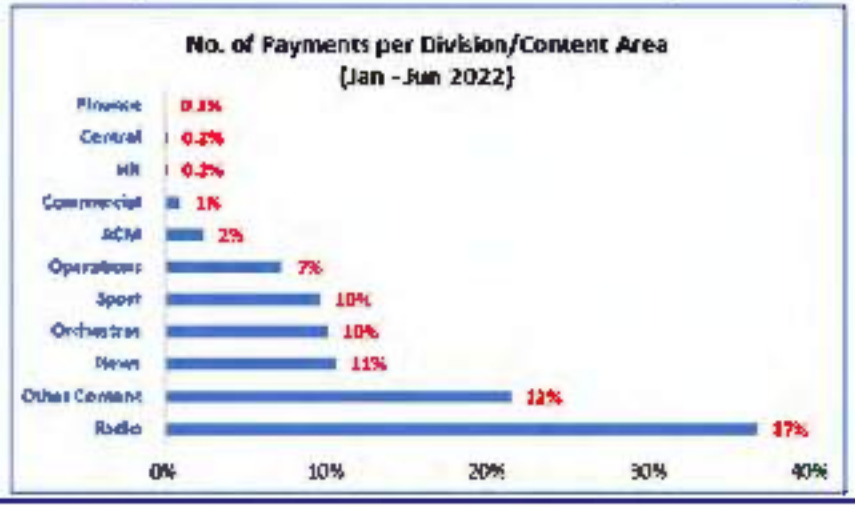
Data Analysis

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.

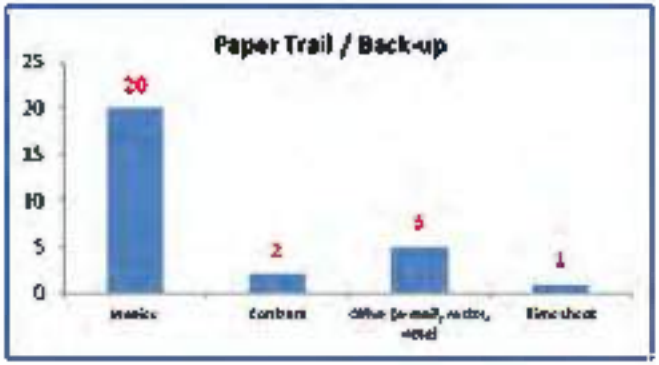
Per Division	Total Spend €m	# of Payments	# of Individuals
Content	[redacted]	[redacted]	[redacted]
News	[redacted]	[redacted]	[redacted]
Operations	[redacted]	[redacted]	[redacted]
Commercial	[redacted]	[redacted]	[redacted]
Central	[redacted]	[redacted]	[redacted]
ACM	[redacted]	[redacted]	[redacted]
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/fixed purpose 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.

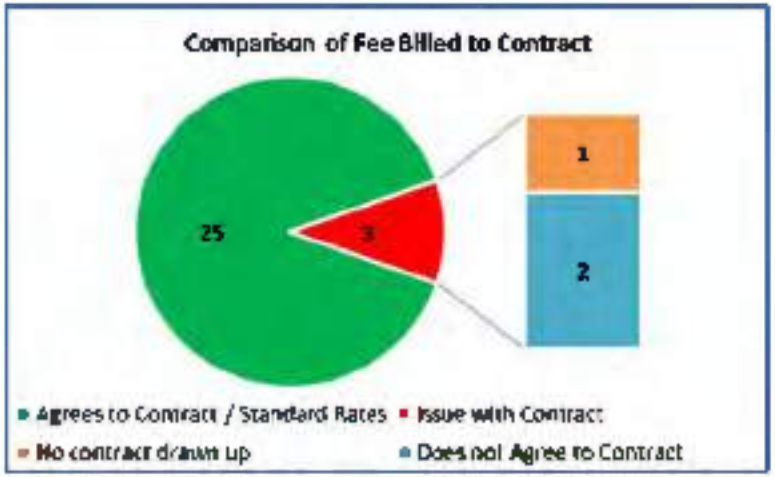
2) Contracts and Fee Rates

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.

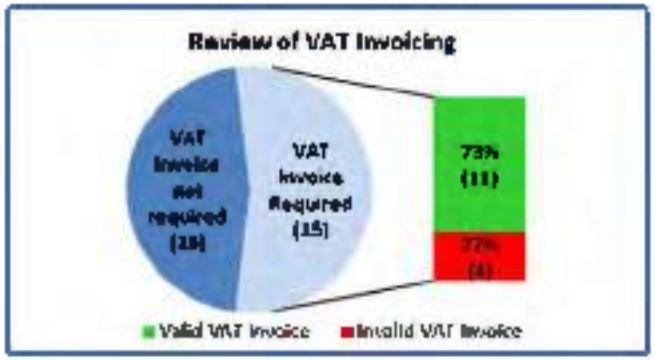
Two payments were made at different rates than specified in the contracts:

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



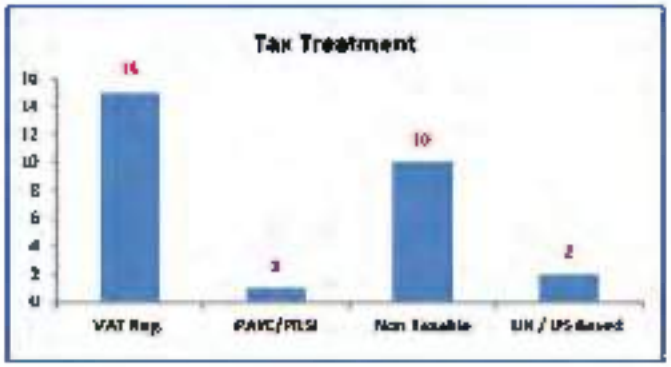
Valid VAT Invoice

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.

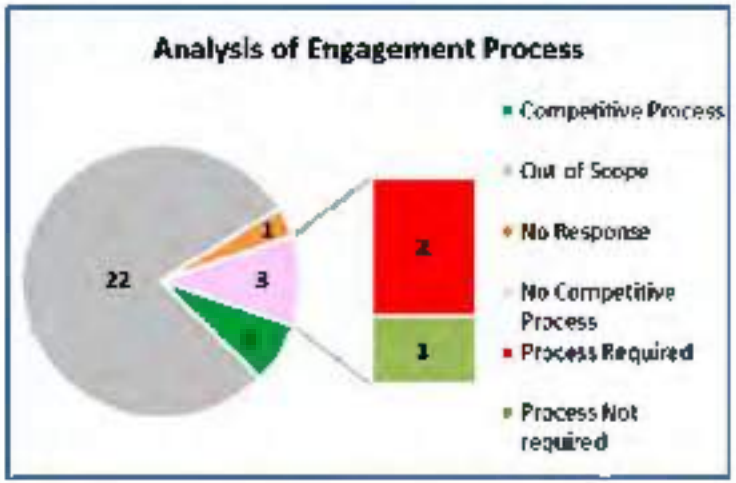
✓ Some form of competitive process occurred for 7% (two individuals) selected from our sample. However, this did not always involve an advertisement.

→ 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)

X A competitive process should have been completed for the remaining two individuals, based on levels of spend (as is done for suppliers on the [redacted] payment system). In these two cases, similar roles are currently being engaged via [redacted] *(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.

X 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	**Taxation: Valid VAT Invoice** Fee inputters will be provided with a document listing the components of a valid VAT invoice. 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.	FCs /FDs of each area, with advice and input from People Payments	31 January 2023
2	**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. 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. Alternatively, in cases where there is a different scope of work, a new separate contract will be drawn up.	Individual Line Managers (x3)	Ongoing
3	**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. Public procurement will continue to be carried out in line with the RTÉ Procurement Policy.	Contracting Line Managers (x2)	Ongoing

RTÉ Internal Audit

Review of "Lump Sum" Payments

19 September 2019

Circulation:
Executive

Human Resources:
[redacted], HR and IR Manager
[redacted], HR Service Delivery / Relationship Manager
[redacted], Head of HR ACM, Commercial, Technology & Transformation
[redacted], Finance Manager

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RTÉ

Background

Background

Two systems are used for processing payments to individuals – the payroll system and the [redacted] fees system.

Individuals paid via payroll are RTÉ employees working regular fortnightly hours. The [redacted] 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 [redacted] 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 <u>not</u> include:

- ✗ A review of the IT systems used by RTÉ or [redacted] to process payments;
- ✗ A full audit of the data provided by HR Operations.

Risk

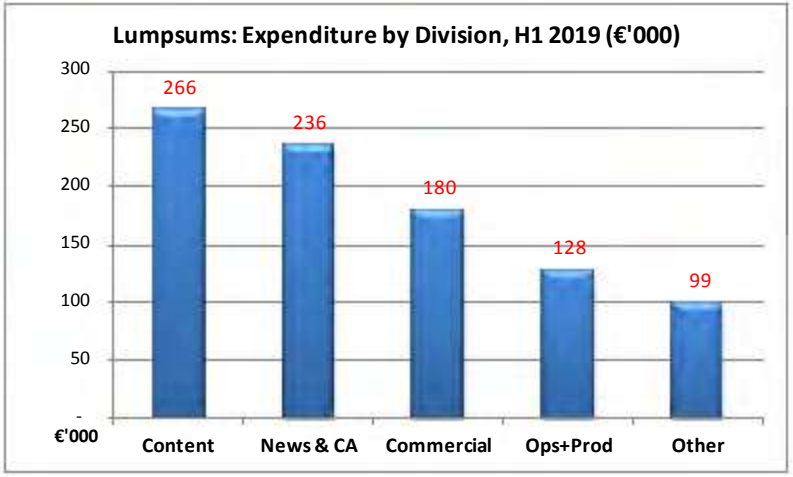
The key corporate risks addressed by the report are as follows:

- Risk # 6 – Management of Finances and Business Planning
- Risk # 4 – Achievement of Organisational Change

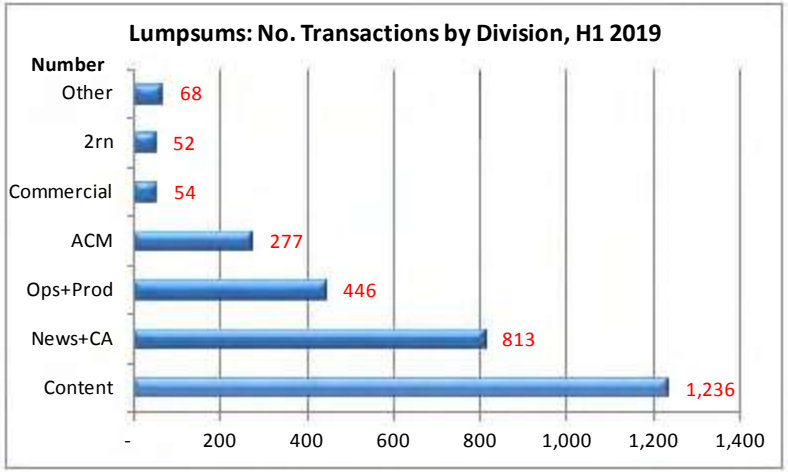
Data Analysis

Expenditure by Division A

In excess of €900k of lump sum payments were processed in the first half of 2019, analysed by division below.



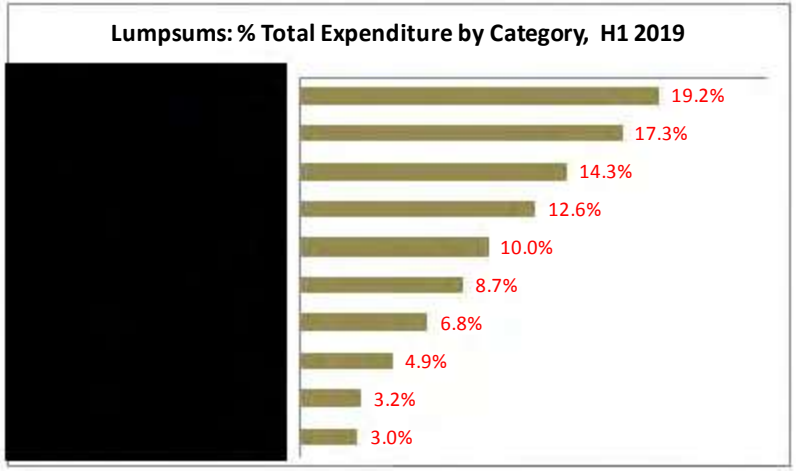
The two largest content / output divisions accounted for 55% of the expenditure. The average payment value was €309. However, individual payments ranged from €11.85 to €12,000.



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.

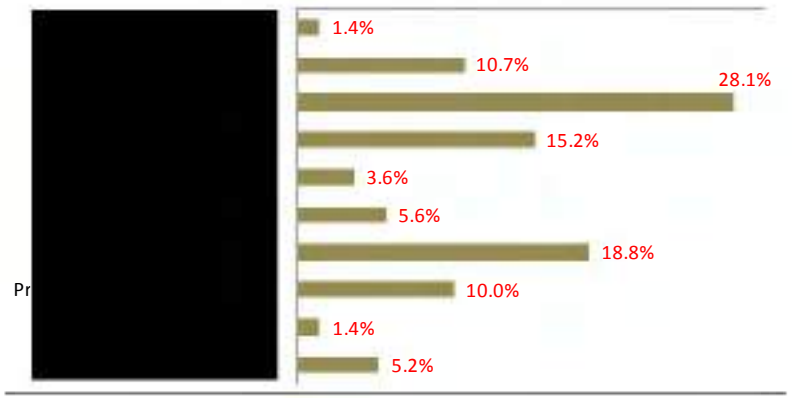
The category is determined by the inputter and there may be some differences in interpretation across different individuals as a result.

Data Analysis (Cont'd)

Expenditure by Category B

The chart below plots the number of transactions processed per category.

Lumpsums: % Transactions by Category, H1 2019



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	News	Ops + Prod	Commercial	2rn	Other
	€k	%	€k	€k	€k	€k	€k	€k
[redacted]	[redacted]							
- Secondary Job								
- Primary Job								
Allowance - Taxable								
n / Voiceover								
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]e 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.

Area / Theme	*Summary*
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)

Area / Theme	*Summary*
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 patters 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 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 know 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:
[redacted]

[redacted] RTÉ Multiplex Management

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RTÉ

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 facilitates 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 [redacted] for 2015. The financial position at 31 August 2015 is set out below:

2rn Commercial Revenue 31 August 2015	Actual YTD €m	Interim Budget YTD €m	Variance YTD €m	% Variance
Total Revenue	19.1	[redacted]	-0.3	-1.5%
Broken Down by Revenue Type:				
Regulated	11.2	[redacted]	-0.6	-4.9%
Unregulated	7.9	[redacted]	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:

- [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. The majority of 2rn business has been migrated to the [redacted] 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 [redacted])	Agreed Action	Priority	Manager responsible and Completion Date
1.	**Completeness and Accuracy of Invoicing** *Background* 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. *Finding* We noted one exception in the sample of 10 tested. This related to [redacted] installation of three panels at the Derrybeg site, with effect from 26 February 2015. 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 [redacted]s consolidated billing for the following quarter (16/7/2015 to 15/10/2015). This appears to be an isolated incident and has been addressed.	In relation to the omission of the charge for Derrbeg from [redacted] 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.	This item will be addressed and correctly billed.	H	[redacted] Done
2.	**Completeness of Revenue: Engineering Records** *Background*	The antennae listing and the invoice schedule are not expected be in agreement at all times. In this case there is an expected difference	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	M	[redacted] 30 June 2016

	Finding	Management Comment [redacted]	Agreed Action	Priority	Manager responsible and Completion Date
	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]t 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. *Finding* We noted no issues for nine of the 10 samples tested. 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. 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.	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. 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.	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.		
3.	**Accuracy of Data Recorded on SharePoint** *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	This will be addressed.	The record will be corrected on [redacted]	L	[redacted] Rigging Supervisor Done

	Finding	Management Comment ([redacted]	Agreed Action	Priority	Manager responsible and Completion Date
	engineers while they work at various sites throughout the country (in addition to being accessible at the main office locations). *Finding* 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. This is an isolated error – we tested many other items at various stages during the course of testing noting no issues.				
	<u>Signed Contracts</u> *Background* 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. *Finding* ***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.	Agreed.	A signed contract will be put in place with [redacted]	L	[redacted] 31 December 2015

	Finding	Management Comment ([redacted]	Agreed Action	Priority	Manager responsible and Completion Date
	While the absence of a signed, up-do-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. ***2.*** [redacted] has not yet signed up to the new Reference Offer Contract. Its existing commercial access contract is in place until September 2016 and [redacted] 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.				

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

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

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) 31 May 2018	Actual YTD €m	Interim Budget YTD €m	Variance YTD €m	% Variance
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 Commecial 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 [redacted]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.	**Commercial Advertising Minutage Breaches** ***Rules*** [redacted] ***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. Breaches also create additional reputation risk. ***Audit Testing*** 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. ***Results of Testing*** ✓ Daily Minutage Limit: RTÉ Radio's advertising minutage was not in excess of [redacted]. ✓ Planned [redacted] Break Schedule: For the three days where breaches arose, we compared the planned break schedule prepared by Radio Sales Traffic to the actual advertisements		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. 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.	H	[redacted] 15 September 2018 [redacted] 30 September 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. ✓ RTÉ Lyric fm: Advertising minutage was not in excess of the permitted maximum hourly limit for any hour on the day selected. X RTÉ Radio 1: 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. X RTÉ 2fm: Advertising minutage was breached on **one** occasion for the day selected on RTÉ 2fm. All **seven breaches** are analysed in further detail below ***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. 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. 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.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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: **Programme Name** / **Radio Station** / **Duration of breach** [redacted] *The underlying issue arose due to an advert not played on the previous programme: [redacted]				
2.	**<u>Monitoring of Commercial Advertising Minutage Compliance</u>** ***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. ***Finding*** During this audit we observed an absence of formal monitoring controls for advertising on Radio channels. Following the	Current structure will need review. For Television Channels, this monitoring is undertaken by scheduling with liaison with commercial. Radio channels and commercial will need to establish and plan needs analysis around this and a workflow to ensure compliance.	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.	H	[redacted] 31 October 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	departure of personnel in recent years, the level of monitoring of compliance with minutage rules and reporting of same has ceased. No individual is assigned this responsibility for monitoring and communicating post-broadcast compliance with advertising minutage rules in Radio. ***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. 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.	[redacted]			
3.	**<u>Limitations of the [redacted] Transmission Logs and Manual Nature of Minutage Recalculation</u>** ***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. ***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]	As listed above, a proper workflow management process will need to be established to monitor, measure and report on minutage compliance. *(Conor Mullen)* [redacted] is unable to determine whether a commercial is actually broadcast to air. It also is	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. 2) See Finding #2. 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.	H	[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. 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. b) [redacted] is unable to capture commercials that were played form 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. 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. 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]	unable to recognise or record commercials played from other sources, such as back-up CDs. In addition, [redacted] is unable to differentiate what types of airtime contribute to commercial minutage, or decipher the type of a particular commercial. 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. ([redacted]			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. ***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] However, now that the issue is known, duplications can be identified manually and eliminated from testing. 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. The system used in Television (IBMS) is more adaptable in that minutage reports are system generated with breaches identified via observation of the reports.				
	IT Functionality				
4.	**Access to [redacted] System / Review of User profiles** ***Background*** The "Authority Maintain" (AUTHMNT) user profile on [redacted] is a powerful administration user profile that allows the user to		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.	N/A	Completed [redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	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. ***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. During testing we noted the following: ✓ The role of Commercial Systems and Support Executive has been filled since the last review if 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. X 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.		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.	M	[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Impact The lack of formal User Access review of this particular [redacted] functionality increases the risk that amendments made inappropriately could go unnoticed. 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.				
	Promotional and Roadcaster Income				
5.	**Agency Commission not accounted for correctly** ***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. 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. ***Finding*** Of the five promotional / Roadcaster campaigns selected, the following was observed:	Agreed. 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. This is being explored as part of the [redacted] upgrade that is currently in train. [redacted]	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.		[redacted] 30 September 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• 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. ***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. However, this issue had no impact on the accuracy of the income recorded on [redacted]	Agreed. [redacted]			
6.	**<u>Incorrect use of [redacted] account codes</u>** ***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. ***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. 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	Agreed. [redacted]	The Financial Accountant in Commercial will ensure that income is recorded correctly to the correct account code in [redacted]	L	[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	to the incorrect accounting code was made by Finance, in error. ***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. 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.				
7.	**<u>Over reliance on Microsoft Excel Worksheets</u>** ***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. ***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: • 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;		Completion of the final stages in migrating the recording of Promotional and Roadcaster income over to the [redacted] Sales system will be undertaken.	L	[redacted] 31 December 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Information being inadvertently deleted (cells, columns, rows) without the user's knowledge; and • Loss of unsaved work in the event of IT problems. ***Impact*** We estimate that approximately 5.7% of commercial sales earned via Radio channels in the YTD are managed via Microsoft Excel worksheets. 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.				

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]

The contents of this document are confidential and commercially sensitive which should not be shared internally or externally without prior consent from Internal Audit

RTÉ

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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 [redacted]), [redacted] Fees and Payroll [redacted].

- **Accounts Payable** is used to pay suppliers of goods, professional fees, corporate services etc. There are tiered delegated authority approval limits in place via [redacted] 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.

- [redacted] **Fees** is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted] fees. Payments are approved by two approvers – generally a costpool manager and a second relevant approver (primarily a member of finance).

- **Payroll** is used to pay for the services of all other RTÉ employees. It is processed by an outsourced provider, [redacted] However, **employee master data** is also maintained on [redacted]

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.

[redacted] 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 & [redacted]	A.1		
[redacted] Fees & [redacted] Employees	A.2		
Accounts Payable & [redacted] Employees	A.3		
Outsourced Payroll & [redacted] Employees	A.4		
Within Systems:			
Accounts Payable data	B.1		
[redacted] Fees data	B.2		
[redacted] 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

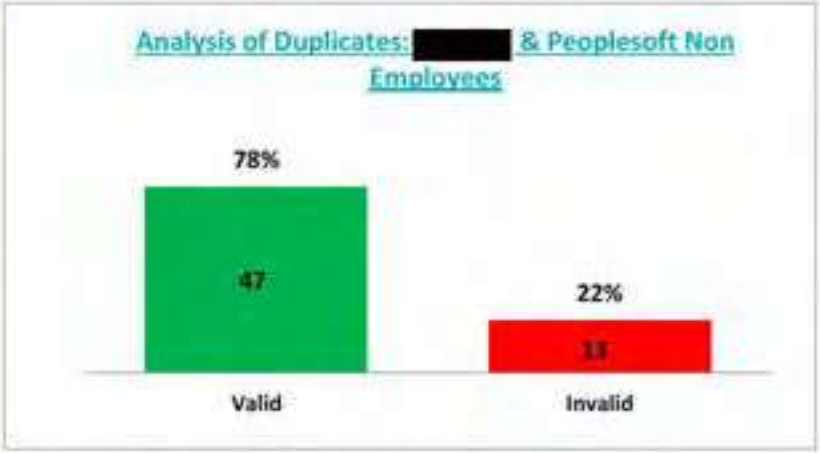
A.1 Accounts Payable and [redacted]

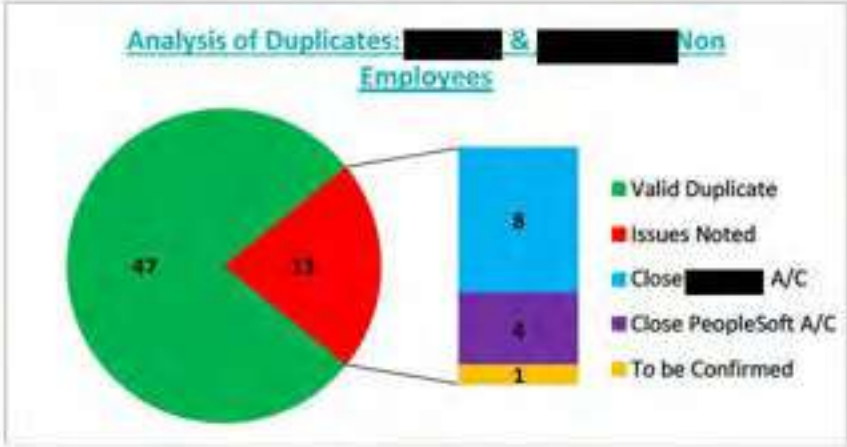
60 suppliers (1.2% of the 5,066 suppliers) on Accounts Payable have an account with matching master file data to an account(s) on [redacted] (0.8% of the 8,088 accounts on [redacted] There is a valid reason for the duplicate account in the case of 47 (78%) of these suppliers/accounts. This result is 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 [redacted] accounts should be closed and 8 [redacted] accounts. One further account is still being investigated to determine which duplicate account will be closed.

Please see charts below for further details.



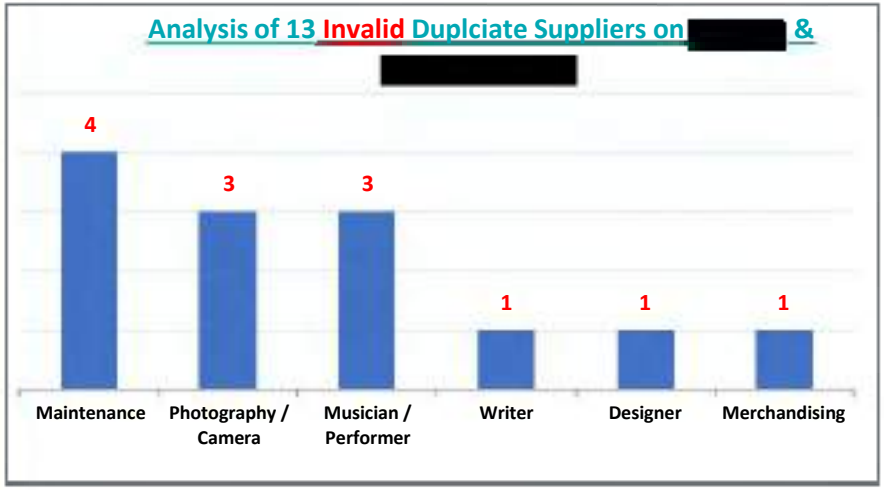


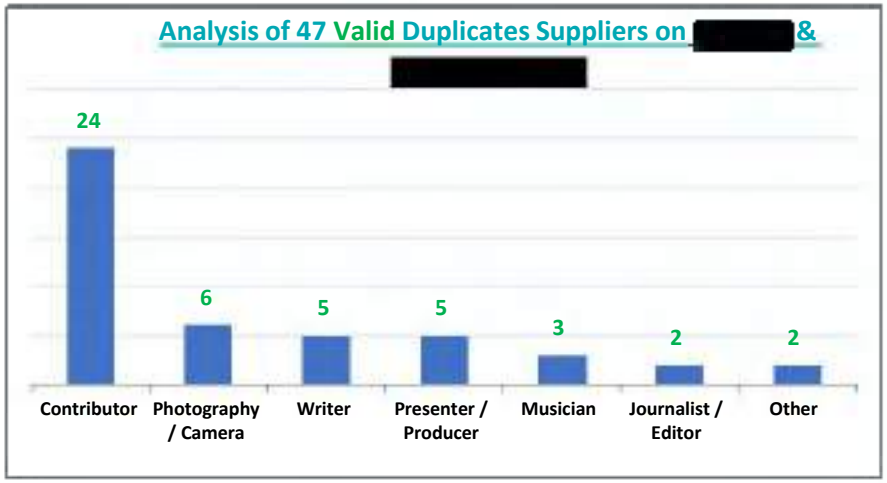
Findings

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.





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

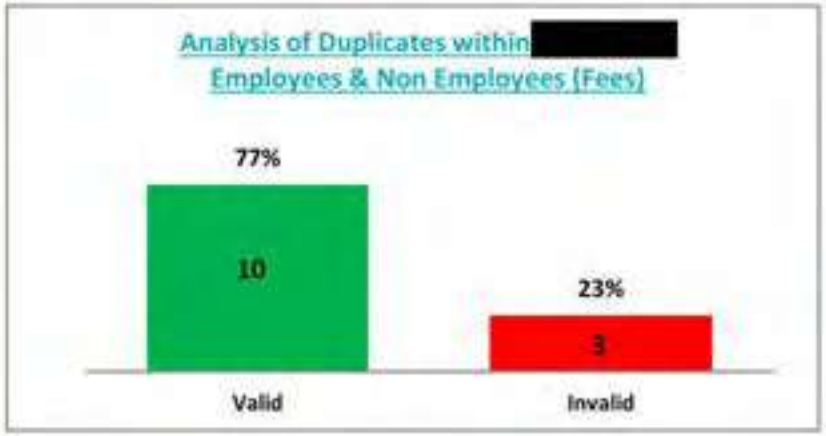
1: Duplicate Accounts Across Different Payment Systems Continued

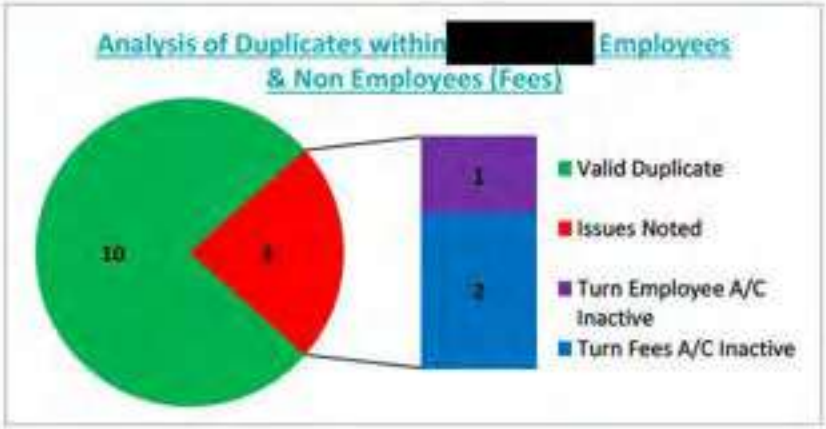
A.2 [redacted] and [redacted] Employees

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.





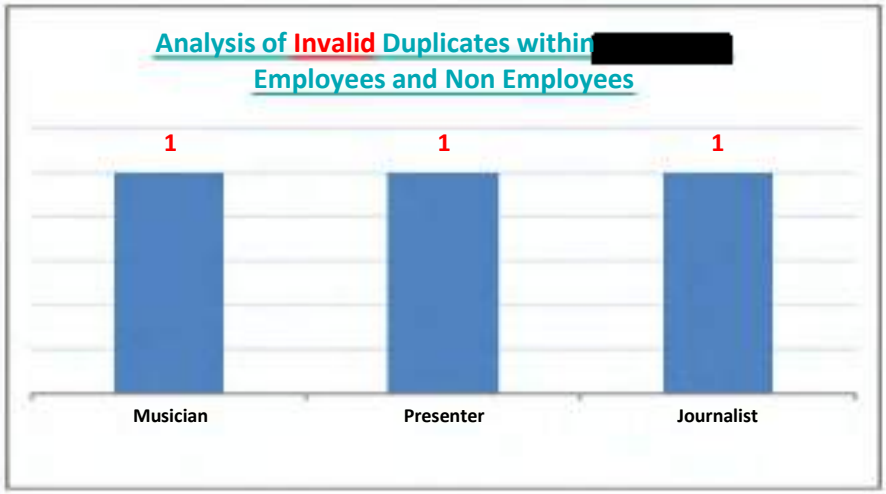
Findings

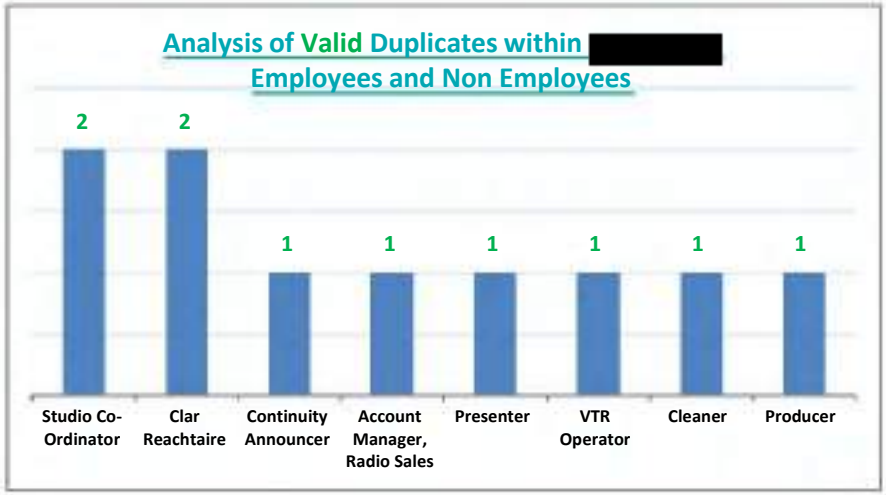
1: Duplicate Accounts Across Different Payment Systems Continued

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.





Findings

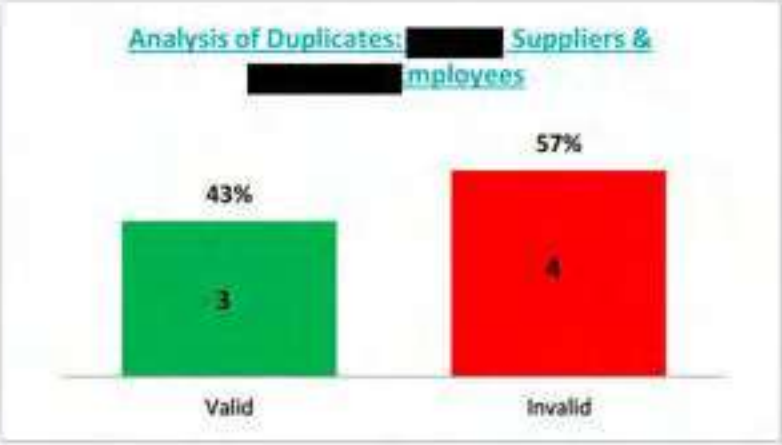
1: Duplicate Accounts Across Different Payment Systems Continued

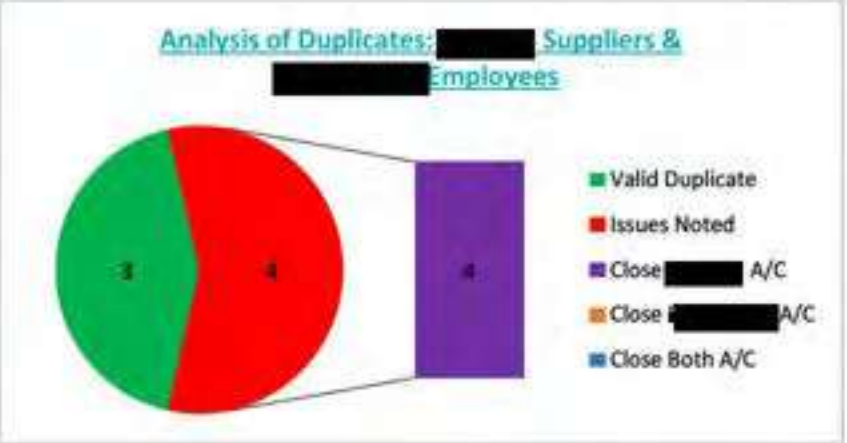
A.3 Accounts Payable and PeopleSoft Employees

Seven employees have an active account on Accounts Payable. There is a valid reason for the duplicate account in the case of 3 (43%) of these suppliers/employees with two relating to Petty Cash accounts and one related to the purchase of a licence fee in Television. The results have deteriorated since the last audit as there were no duplicate accounts noted.

The remaining 4 duplicates (57%) are not necessary and the supplier accounts are to be closed.

Please see charts below for further details.



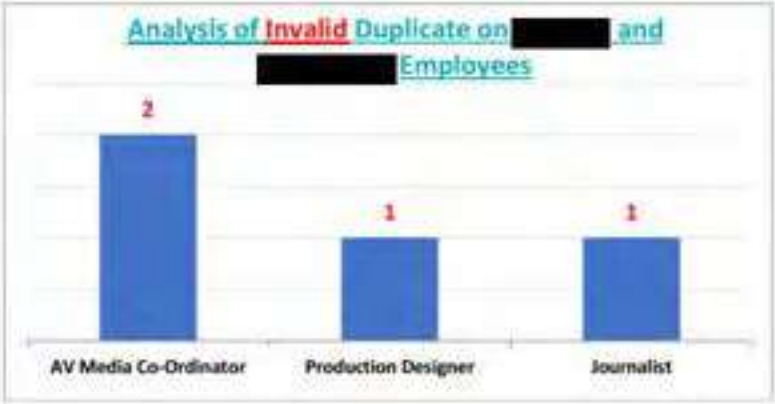


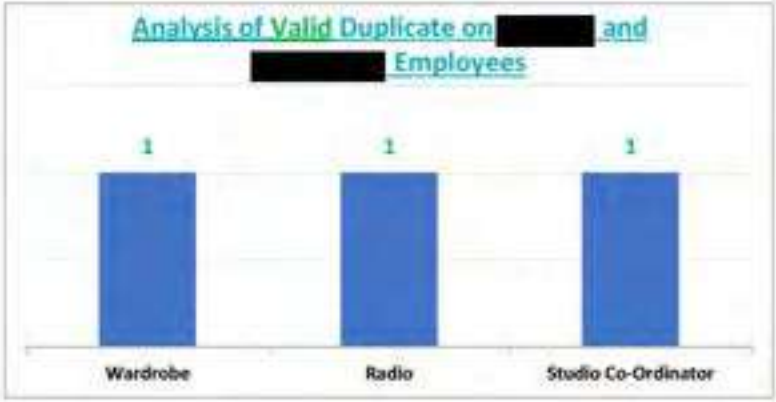
Findings

1: Duplicate Accounts Across Different Payment Systems Continued

A.3 Accounts Payable and [redacted] Employees Continued

The breakdown of duplicates between [redacted] and [redacted] Employees is analysed in the charts below, for both valid duplicates and invalid duplicates.





A.4 Payroll and [redacted] Employees

For the review of Payroll records as compared to [redacted] Employee records, IA analyses individuals paid via the outsourced payroll provider [redacted] that are not listed as active [redacted] Employees.

IA identified five individuals that were paid via payroll but not listed as an active employee. On review of same, IA noted that all five were for valid reasons. These included employees on long term ill health (3) and employees who left on schemes (2). The results are in line with the prior audit result.

Findings

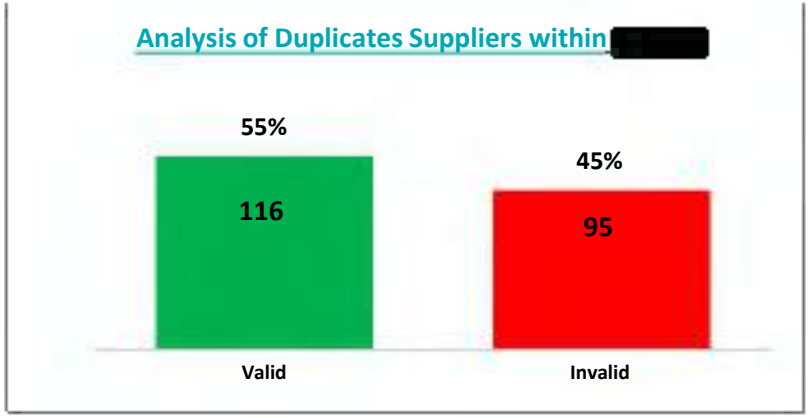
2: Duplicate Accounts Within a Payment System

B.1 Suppliers with more than one account on Accounts Payable

We identified 211 suppliers (4.1% of 5,066 suppliers) with more than one account on Accounts Payable. 116 (55%) of the duplicate accounts were required for valid reasons due to billing in different currencies, separate legal entities etc.

A further 95 (45%) of these suppliers did not require more than one account on [redacted] This is a circa 20% increase compared to the results of the previous audit. Please see the graph below for further details. However, it represents only 1.9% of all suppliers.

A review of the accounts in currently underway. Of the 95 duplicate suppliers, we anticipate that the majority will require one of the [redacted] accounts to close.



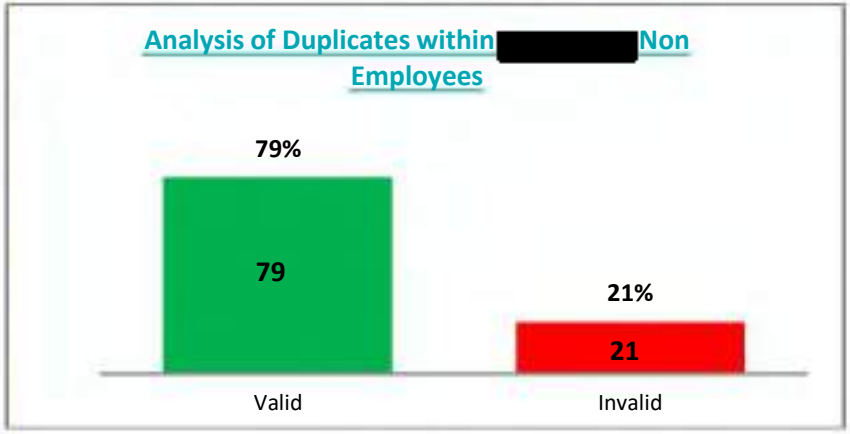
Findings

2: Duplicate Accounts Within a Payment System Continued

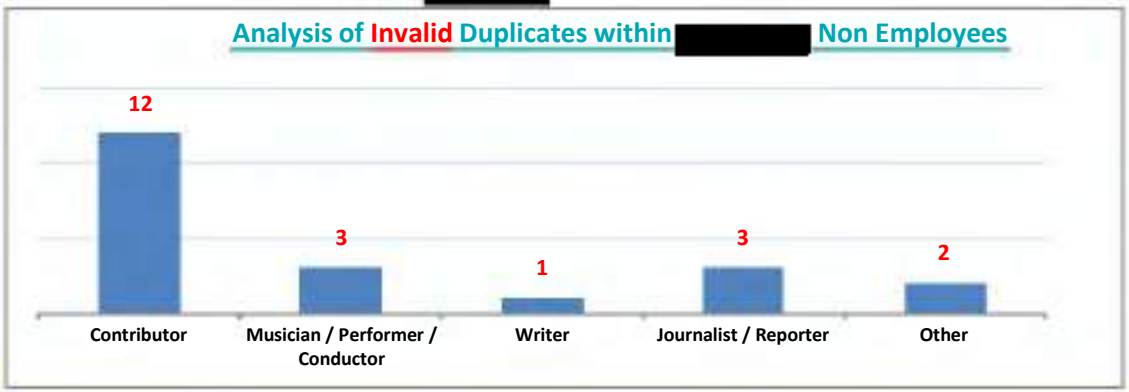
B.2 **Individuals with more than one account on** [redacted]

IA identified 100 individuals (1.2% of 8,088 [redacted] accounts) with matching data that indicated they had more than one active account. On review, IA noted that 79 (79%) of the matches were for valid reasons. However, the remaining 21 (21%) of the matches are invalid duplicates. The result represents an improvement on the last audit. When the large population size is considered, this is only 0.25% of all [redacted] accounts.

Please see the graphs below for further details. The 21 individuals require one of their active [redacted] account to close.



The breakdown of invalid duplicates of [redacted] Employees Fees is analysed in the chart below.



Findings

2: Duplicate Accounts Within a Payment System Continued

B.3 **Individuals with more than one account on [redacted] Employees**

IA identified 53 instances of possible duplicates of employee records on [redacted] Employees.

IA reviewed all the data fields and these potential duplicates were based on matching data in the bank account and addresses fields. However, these matches were for valid reasons (generally family members working in RTÉ) and we noted no invalid duplicate employee accounts.

There were no duplicate accounts noted in the previous audit also.

Conclusion and Report Rating

Conclusion

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 a payment system. In some cases, judgment needs to be exercised as regards the most appropriate payment system based on the nature of the engagement. This increases the duplicate risk. The key risk of a duplicate account is intentional or unintentional duplicate payments. In addition, this audit represents a check of the operational effectiveness of the masterfile and account set-up controls.

The findings are outlined in section A.1 to B.3 above. These findings should be considered in the context of the large number of accounts on both systems – 5,066 (2016: 3,623) supplier in the case of accounts payable and 8,088 (2016: 5,237) accounts on [redacted] fees - and the low percentage of duplicate accounts in the context of the overall number of accounts.

The results of this audit are similar to those from the 2016 audit, with the exception of the number of duplicate supplier accounts within Accounts Payable. The audit is rated at the mid-point in the scale, although at the lower end of that point when considered in the context of the low level of exceptions as a percentage of the full data population.

Actions have been agreed to address the key issues raised in this report. A review will be carried out to ensure that no duplicate payments have been processed on the duplicate accounts identified in this report.

On the basis of the above findings we assess the overall process as “Improvement Needed”.

Internal Audit would like to thank all staff for their time and assistance during this audit

Report Rating

IMPROVEMENT NEEDED

Appendix 1 – Audit Actions

Action Plan	Owner	Due Date
1* - Duplicate Accounts Across Different Payment Systems*:		
a) Accounts Payable and [redacted] Fees (A.1)		
Management should ensure that the relevant duplicate account(s) identified on [redacted] and [redacted] Fees are closed in line with the audit result. In addition, management should also complete a review to ensure no duplicate payments were made.	**a) [redacted] (People Payments Finance Manager)/ [redacted] (Financial Accountant - Shared Services)**	**a) 30 November 2020**
b) [redacted] Fees and [redacted] Employees (A.2)		
Management should ensure that the relevant account is closed are closed.	**b) Local HR Team**	**b) 30 November 2020**
c) Accounts Payable and [redacted] Employees (A.3)		
Management should ensure that the duplicate accounts identified on [redacted] are closed. In addition, management should also complete a review to ensure no duplicate payments were made.	**c) [redacted] (Financial Accountant – Shared Services)**	**c) 30 November 2020**

Appendix 1 – Audit Actions Continued

Action Plan	Owner	Due Date
2* - Duplicate Accounts Within a Payment System*: **a) Suppliers with more than one account on Accounts Payable (B.1)** Management should ensure that the duplicate accounts identified on [redacted] are closed. In addition, management should also complete a review to ensure no duplicate payments were made. **[redacted] Individuals with more than one account on [redacted] (B.2)** Management should ensure that the duplicate accounts identified on [redacted] Fees are closed.	**a) [redacted] (Head of Procurement) / [redacted] (Procurement/Category Manager) /** **b) Local HR teams [redacted] (HR Information Systems Manager)**	**a) 31 December 2020** **b) 31 December 2020**

RTÉ Internal Audit

Review of Rights Clearance for Content on Non-Linear Services

31 August 2016

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Full Report:

[redacted]

Relevant Extracts:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background

Introduction

RTÉ offers a wide range of content to users across a number of different services, with the range expanding in line with developments in the industry, technology advances and the growing popularity of on-demand services. The purpose of this audit is to review rights clearance for RTÉ content provided on non-linear services such as:

1. ***RTÉ Player on-demand:*** on desktop, or via mobile Apps for Android and iOS devices.
2. ***RTÉ Player via third party platforms:*** access to RTÉ content as a catch-up / replay service via on-demand functions on third party platforms (such as Sky and Virgin Media); via gaming consoles; or via selected Samsung Smart TVs.
3. ***RTÉ.ie website:*** A broad range of content is available on RTÉ.ie desktop (or m.rte.ie). Content is both created and curated for News, Business, Sport, Entertainment, Arts & Culture, LifeStyle and Weather. Selected programme web pages offer users programme content, clips, competitions etc.
4. ***RTÉ News Now App:*** A range of content similar to #3 above is available to mobile users via the Android / iOS News Now app, which may be customised by users based on their own personal preferences.
5. ***Social Media / Over-The-Top (OTT):*** Delivery of content over the Internet, or via RTÉ's presence on social media (Facebook, Twitter, Instagram, etc.)

Copyright

Copyright law in Ireland is governed by the Copyright and Related Act 2000 and copyright is a 'property right' under Irish law. Essentially, copyright grants the copyright holder the ability to exclude others from using a copyright protected work without the permission of the creator. Everything from a handwritten note to a live performance may give rise to a property right protected under the Copyright Act. As a result, RTÉ must ensure that content available to users on non-linear services has copyright clearance in place for such use.

RTÉ is at risk of reputational damage and possible financial liability if content is included on RTÉ services without copyright clearance.

Process

The following is a summary of the copyright clearance process in place prior to the use of content on a non-linear service provided by RTÉ, or a third party:

- **RTÉ Television/News & Current Affairs programmes** – acquired programme rights are cleared via acquired programme contracts. Indigenous programmes are cleared with via independent production contracts or with the programme producers (they, in turn, obtain clearance for use via contributor release forms, within engagement contracts etc.). Sports rights are agreed under contractual arrangements with right holders.
- **Third Party Platforms** – content cleared via contracts with third parties.
- **RTÉ Radio programmes** – On-line usage is agreed via contributor release forms or independent production contracts.
- **News wires/photographs** – content supplied by News Agencies (Press Association, Reuters and AFP), with contractual assignment of rights to RTÉ. Photographs are supplied by Getty and Inpho with contractual assignment of rights.
- **Music rights** – cleared via contracts with music rights organisations.

Risks

The key corporate risks addressed by the report are as follows:

- Risk # 1 – Reputation Risk
- Risk # 9 – Content / Service Distribution

Objectives of audit

The object of the audit was to assess whether appropriate rights clearance was secured for a sample of non-linear content available on RTÉ services.

Objective and Scope

Scope

Rights clearance documentation was inspected for a sample of content selected across the following services:

1. RTÉ Player on desktop and on Android / iOS mobile Apps

2. RTÉ Player on third party platforms / set-top box (Virgin Media, Sky, Vodafone)

3. RTÉ News Now App / RTÉ.ie website

4. RTÉ content via the internet (OTT) e.g. on social media platforms

The audit work included the following:

- ✓ Selecting a sample of content, identifying the source of the content and reviewing relevant rights clearance documentation;
- ✓ Selecting a sample of programmes on the RTÉ Player and Player International and checking rights to acquired and independent production contracts. For in-house programmes, content was checked to release forms, engagement contracts, etc.;
- ✓ Gaining an understanding of the process in place for posting to RTÉ's YouTube page / social channels;
- ✓ Checking rights clearance documentation for a sample of pictures, stories and videos on the RTÉ Ten, Fashion, Food, Life and Style pages;
- ✓ Reviewing whether valid, signed, contracts are in place with content providers and whether RTÉ is compliant with contract clauses;
- ✓ Meeting with the relevant people in each area to gain an understanding of the processes in place regarding rights clearance.

- The audit did <u>not</u> include:
  - × RTÉ Radio Player or RTÉ services on the Irish Radio Player
  - × Rights associated with International programme sales – audited separately in Q3 2016

Conclusion

Key Management Issues

The action plan overleaf presents our findings under four headings – rights management process; RTÉ Player; RTÉ News Now App / RTÉ.ie website and copyright clearance. The two key issues are as follows:

Manual Process for collating rights information

The rights clearance process is manual, time consuming and repetitive and would benefit from further automation, or an electronic database. Rights information is stored in paper files in each of the IBDs and changes to rights information must be updated and communicated manually. There is a lack of centralised reporting on rights and rights utilisation across divisions and services.

Filing and renewal of contracts

There is currently no contract in place with one of the News Agencies, despite the fact that RTÉ is still using their content. There is no central filing place for News Agency Contracts. In addition, contract expiration and renewal dates are not being tracked. There is scope to consolidate divisional purchasing decisions into a single contract in some cases.

Conclusion

With an increasing range of content being made available to users across a number of different services, in some cases internationally, and with the growing popularity of on-demand services, it is important to ensure that this content is appropriately rights cleared. The purpose of this audit was to review rights clearance for RTÉ content provided on non-linear services.

In general, we noted a good awareness of the importance of rights clearance and processes are in place to ensure compliance in this regard. We noted that the rights clearance process is manual, and would benefit from further automation, or an electronic database. We also noted that inconsistencies exist in the rights clearance process across divisions and services. In addition, a more streamlined approach to Agency contracts is needed. The other issues noted are addressed in section A.

We appreciate the co-operation and assistance received from the relevant personnel during the course of this audit.

Rating

Overall Rating IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Rights Management Process - General Findings				
1.	**Manual Process for Collating Rights Information** ***Finding*** The rights clearance process is manual, time consuming and repetitive and would benefit from further automation, or an electronic database. ***Background*** Rights information (i.e. contributor release forms, IPU contracts, etc.) is stored in paper files in each of the IBDs. Rights information is retrieved from these paper files on a regular basis to check rights in advance of: • Making programmes available via the RTÉ Player, third party services, programme web pages etc. • Re-transmission of programmes or its content on RTÉ Television, RTÉ Radio etc. • Programme sales The impact of having a manual paper based rights clearance system includes: • Manual retrieval of paper files and their content which is time consuming and repetitive. This is especially relevant, where there is multiple uses of programme content • Manual processes are more susceptible to error than automated processes • Potential permanent loss of data due to fire or flood • Risk of incomplete rights information as it is not feasible to have an electronically driven completeness check of	We are reviewing the possibility of incorporating a Rights Management module for Broadcast and Player only when renewing the Channel Management System [redacted] There will therefore be a separate Rights functionality on the channel management system. The current [redacted] licence expires at the end of October 2017. The aim is to go to tender on renewal of the Channel management System at the end of the Summer 2016. [redacted] Also, there would be a substantial capital cost involved in implementing such a system and a cost/benefit analysis would need to be done, with special reference to looking at the statement that the current system is leading to missed commercial opportunities. [redacted]	An investigation will be made into the feasibility of implementing an automated rights management functionality as a repository for contractual details and programme rights, to allow for the following: - Rights to be managed and queried centrally - An electronic document management system for storage, retrieval and searching of legal documents - Rights to be checked and enforced automatically by parameters / restrictions within the system prior to scheduling of content *(As outlined in the comment, this is likely to be part of an existing system rather than a standalone rights system)*	H	[redacted] 31 December 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	records ***Risks*** The risks associated with such a manual rights clearance process are as follows: • Reliance on the knowledge of key staff members resulting in a possible information gap in the event of their departure • Inaccurate information on rights could be recorded manually, due to error • Data integrity / back-up controls may not be as strong as a consolidated IT solution. In addition, an IT solution is available for remote access (BCP Planning) • Inefficiencies in process and duplication of work • Reputation risk in the event that inaccurate rights information is used in making content business decisions ***Rights clearance process for on-line usage of RTÉ programmes*** There is a great variety in the rights RTÉ has for programmes made available on the RTÉ Player. Some content providers will only license content for RTÉ Player live, whilst other content may be available as part of the catch up service for a specific period of time. Alternatively some content may only be available on some of the platforms supported by the RTÉ player, or be restricted in the territories it may be consumed in. Before programmes are made available on the RTÉ Player or made available for simulcast on-line, RTÉ Digital has to check programme rights directly with the relevant programme producer (in-house programmes), Acquired Administration Department (acquired programmes) or TV Legal Services (IPU).				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	In the absence of an electronic process, the retrieval of rights information is a time consuming manual process. All RTÉ Television content has to be cleared in advance of any simulcast of content. This involves contacting multiple individuals across the organisation on a daily basis. The clearance process is outlined below: <u>Acquired Programmes</u> An e-mail is sent by RTÉ Digital on a weekly basis to the Acquired Administration Department to verify rights clearance for acquired programmes to be made available for simulcast and on demand streaming. The contracts have to be physically reviewed by Acquired Administration before confirming the agreed programme rights. <u>In-House Programmes</u> RTÉ Digital confirms rights clearance with the programme producer before making content available on the RTÉ Player. In-house contributor release forms are filed centrally with RTÉ legal Services after the series is completed. <u>IPU</u> RTÉ Digital checks rights clearance with RTÉ Legal Services before making independently produced programmes available on the RTÉ Player, simulcast etc. RTÉ Legal Services, in-turn, checks the contract and, when necessary, contacts the production company via e-mail to reconfirm rights clearance, geographical nature of rights etc. Prior to the current Terms of Trade (2014) with independent producers, RTÉ's catch-up rights were limited to 21 days. In the				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	case of these legacy programmes, the Rights Negotiator must contact the production company and negotiate for the on-demand rights for third party platforms that now carry the RTÉ Player and for the RTÉ Player premium international service.				
2.	**<u>Sharing of rights information</u>** ***Summary Findings*** During testing and discussions with Line Management the following issues were noted: - Information on rights is held and managed in numerous places and may be duplicated. - Changes and updates in rights information must be updated and communicated manually. - The process for clearance of Rights varies in consistency across the various RTÉ divisions and services, increasing the risk of inaccuracies. See point number 7 below, which refers to inconsistencies between different areas of the organisation. - There is a lack of centralised reporting on rights and rights utilisation across all RTÉ divisions and services, in addition to limited cross-divisional planning on the exploitation of rights. For example, as part of the overall planning process, RTÉ.ie may not have full visibility on rights information from various IBDs (i.e. rights which could be used as part of a broader package of curated content on RTÉ.ie) ***Implications*** The lack of shared visibility of rights information across all departments and services may adversely impact the planning process locally, possible leading to missed utilisation	See action in finding #1.	See action in finding #1.	M	See # 1

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	opportunities and difficulties in easily identifying the rights we have to exploit. For example, in finding #3 we identified an example of an acquired programme which was incorrectly assumed not to be available to be used on the RTÉ Player. The risk is that the rights strategy may not be developed in a planned, coordinated manner for the business as a whole. Incomplete information may mean that the strategy is some times reactive and is not underpinned by timely electronic data and regular reporting.				
	RTÉ Player				
3.	**Omission of programme on RTÉ Player** ***Background*** The content on RTÉ Player is based on 3 key areas: 1) The linear TV schedules from RTÉ One and RTÉ2 2) Clips and extras of associated TV/Linear programmes 3) Player original content which is commissioned and developed with an online audience in mind The vast majority of programming currently on RTÉ Player is from the RTÉ One and RTÉ2 linear schedules. For this test, a sample of 14 programmes were selected for compliance testing of the RTÉ Player, covering Acquisitions, IPU and In-house. Programmes were selected from the Player schedules as well as being selected from viewing the RTÉ Player itself, for completeness (i.e. 2-way testing).	Agreed. Quarterly meetings between Player and Acquisitions will be established to ensure that the 'To Be Excluded' list is reviewed on an on-going' basis. Digital rights are becoming more advanced and complex and a central rights management system would greatly benefit the efficient management of digital rights for RTE Player. ([redacted]	A quarterly accuracy check of the "to-be-excluded" listing should be undertaken to ensure correct operation of the macro and ongoing verification of the programmes excluded. An automated Rights Management functionality would greatly reduce the chance of any errors as the information could be inputted directly by the relevant contracting team (Acquisitions / In-House / Legal / IPU / Player) and filtered automatically rather than having to be done manually. This system will then be accessible by all rights	M to L	[redacted] 31 October 2016 See # 1

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Process Content based on the linear TV schedules is extracted a few weeks in advance from [redacted] and imported into a spreadsheet. Programmes for which RTÉ do not have the catch up rights for are removed from the catch-up schedule to the "to-be excluded" listing. For the remaining programmes, the Digital Rights Co-ordinator is responsible for checking the rights with the relevant internal or external contacts. ***Finding*** One programme from our sample [redacted]*)* was originally part of the listing of programmes "to be excluded" from the RTÉ Player schedule. This was due to the fact that all previous series had live-rights only, with no catch-up / on demand rights. However, this particular series of the programme had catch-up as well as live rights, but it remained in the "to-be-excluded" listing. It was therefore excluded from the RTÉ Player catch-up schedule in error. Once checked, it was confirmed that RTÉ had rights for the latest series. The RTÉ Player team have since removed the series in question from the "to-be-excluded" parameters list and included it in the Player Schedule. ***Implication*** The manual nature of this process results in a greater risk of something being missed and not broadcast on the RTÉ Player. The spreadsheets operate on macros and some sorting and analysis is automatically undertaken, increasing the risk that an error might not be noted. While the example highlighted in this		stakeholders and could have in-built controls of data accuracy.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	audit is a relatively trivial one, the risk of the content being recorded incorrectly on the RTÉ Player schedule exists for any programme.				
4.	**Electronic Enforcement of catch-up window on RTÉ Player** ***Background*** The RTÉ Player is now available on a number of different formats and third party platforms. Originally available on computer browsers worldwide, there are also mobile versions of the RTÉ Player available to Android and iOS users in the Republic of Ireland. The RTÉ Player is available to Sky and Virgin Media subscribers, Xbox gaming consoles and on Samsung Smart TVs. Typically the RTÉ Player will have live streaming within a 7 to 30 day catch-up window. However some programmes / platforms may have additional restrictions, as follows: - Programmes on various third party platforms (Sky, Vodafone, Virgin Media) may have different catch-up windows - RTÉ may not have the right to the content as catch up on certain platforms, or in certain territories. - Some programme may only be streamed live. Others, in contrast, may only be available as catch up - Some third party platforms have Replay TV, where programmes are available to "replay" from the users' EPG, requiring a separate listing of terms and conditions. - Programme may be held-back after the live broadcast before becoming available as catch up on the RTÉ player or is only available on catch up for a shorter period of time.	It is also the case that a rights management computer system will not fully remove the risk of errors, as it still will involve ongoing manual and time consuming data checking/inputting which may also lead to errors, especially in situations where the person inputting the data is checking and interpreting a wide variety of contracts. [redacted]	Investigate whether a scheduling system is able to enforce Player rights automatically from the rights managements system, when scheduling content is feasible. This new system should have parameters in place automatically restricting the catch-up windows. This will reduce the manual nature of the process there will be less scope for error.	L	See finding # 1 above

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	- Programmes may have advertising restrictions. A decision has been taken that TV advertising is blacked-out from linear transmission of the RTÉ channels on the RTÉ Player. ***Finding*** The various catch-up windows for each individual platform and territorial restrictions must be entered manually into the Clipper system by the Player team. These rights parameters do not feed into the scheduling of content as they do in [redacted] We carried out testing of the controls, using a sample of 10, noting no exceptions. ***Impact*** While there were no exceptions noted, there is a risk that an incorrect catch-up window (i.e. number of days) will be input onto the Clipper system and the programme will not be removed in time, or will be removed too soon. Also, this is a very manual, time consuming and inefficient process. ***Mitigation*** In mitigation, there are manual checks preformed at various stages in the process. Once the final copy of the excel file to be published the following week is issued on Friday evening, the Player Team perform two audits of the templates in Clipper associated with that week: one on Friday evening and one on Saturday morning, performed by different team members. However, manual controls are weaker than system controls and are subject to error, especially in the absence of key staff members.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	RTÉ News Now App / RTÉ.ie website				
5.	**<u>Filing and renewal of News Contracts</u>** ***Background*** Each video news package may be composed of a number of different pieces of footage that come from a variety of sources including indigenous material produced by RTÉ, footage obtained from international news feeds and archive footage from the News, Sports and Television libraries. News Stories on RTÉ News Now App / RTÉ.ie are usually accompanied by a photo or may be sometimes sourced from a News Agency or other third party such as the EBU. It may be accompanied by audiovisual content. Contractual agreements with the likes of Reuters, AFP and Press Association for newsfeeds grants RTÉ the rights to use the footage for a limited time for a set annual fee. ***Findings*** **1) Expired Contracts identified during the Audit** There is currently no contract in place with Press Association (provider of news wires to RTÉ.ie). The contract with Press Association expired on 31 March 2016 with no renewal/rollover instigated. RTÉ is still using content provided by PA. The Reuters and AFP contracts expired on 31 December 2015 and 31 January 2016, respectively. Both of these contracts are in the process of being renewed and with the expired contracts "rolling on" until they are finalised.	Agreed. [redacted]	Contracts will be put in place where the existing contract has expired. Alternatively, News will cease to use the service. Signed hard copies of all News contracts will sent to the Financial Controller News and Current Affairs once finalised for central filing. The [redacted] will create a tracking spreadsheet for all News contracts detailing what they are for, who is responsible for them, their financial value and when they are due to be renewed.	H	[redacted] 30 November 2016 [redacted] 30 November 2016 [redacted] 30 November 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The contract with [redacted] was reviewed during the audit and is in line with guidelines and still in license. **2) Renewal and Storage of contracts** There is no central filing place for News wires Contracts. During testing. Contracts requested were not easily accessible within News and had to be requested from Legal. News Finance are not provided with copies of contracts. In addition, contract expiration and renewal dates are not being tracked. News Finance, for example, currently has no visibility of when contracts are expiring and where they are located causing problems when budgeting for the following year. ***Implication*** The absence of a signed agreement increases the risk of a misunderstanding arising between the parties regarding the specific terms of trade. Should any disagreement arise between the parties, RTÉ is exposed by not having a signed agreement in place which clearly confirms the rights purchased. Expired contracts increases the risk that content is used without the appropriate right of use.				
6.	**<u>On-screen credit for agency content used on RTÉ.ie</u>** ***Background*** [redacted]		[redacted]	M	[redacted] 30 November 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	[redacted]		[redacted]		
7.	**Entertainment / Life & Style Web Pages** ***Background*** Copyright clearance for a sample of content included in the entertainment (RTÉ Ten), Life & Style pages on RTÉ.ie (and RTÉ News Now App) was reviewed as part of this audit in order to understand the process in place to compile the content and to check that rights were appropriately cleared for use. The sample included articles, photographs, video clips and recipes included on these pages: - One recipe from a celebrity chef was selected for which rights clearance is necessary. - Two of the articles selected would have warranted release forms from contributors to have been completed - Two celebrity stories featuring "A-list" celebrities were also selected to ascertain the source and any news wires used for the text; the source of the photo, etc. ***Findings*** • Internal Audit was unable to verify the rights clearance for any of the sample selected.		Document the policy and approach for clearing rights for content on RTÉ Ten, Life & Style. Document an inventory of the third party sources of content and the date of expiry of the contract (wires, photos, other). Provide back-up for the sample selected in the audit to verify rights were appropriately cleared.	M to H	[redacted] 31 October 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• Internal Audit was also unable to identify responsibility for clearing the content for use. • There was limited engagement from the staff in the area in response to the audit queries on rights clearance and it is unclear whether staff locally are aware of the division of responsibility in this regard. • The process for rights clearance does not seem to be as formalised in this area as in other areas within scope, with no written policies available for inspection. ***Implication*** The result of testing on the sample picked was inconclusive as it was not possible to verify whether rights were cleared for the sample chosen. We were unable to obtain sufficient information on the process in place in order to conclude on whether the process is designed so as to mitigate the risks appropriately.				
	Copyright Clearance				
8.	**Accuracy and completeness of release forms** ***RTÉ Player*** A sample of six in-house productions available for on-demand streaming via the RTÉ Player was reviewed as part of this audit. The relevant copyright clearance documents were checked to ensure that on-demand streaming was permitted under the relevant contracts/contributor release forms etc. Release forms were applicable for four of the programmes selected. The testing results are noted below: • Rights documentation for two programmes in Young	For ongoing programming it has now been agreed that Young People's will keep the documentation until the end of the year or run and then send it to Legal Services. ([redacted] Agreed. [redacted])	A central repository will be created for filing of release forms in Young People's. All release forms for each programme will be sent to Legal Services for filing prior to the end of each season. Programme producers will be reminded to obtain signed release forms (in the most recent version) for all performances/footage in line with the current policy in RTÉ		[redacted] 30 November 2016 [redacted] 31 October 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	People's were selected (*Swipe TV* and *Twigín*). The following was noted: - Release forms for programmes in Young People's are not collected and stored in one central filing location, leading to difficulties and delays when collating them. - Rights documentation was requested during the Summer months when people who worked directly with the programme were on leave, contributing to some delay in retrieving documents. • The following programmes were largely compliant: - [redacted]: One release form was outstanding for the episode reviewed. The remaining 15 were on file, signed in the correct version. - [redacted]: Two of 11 release forms for the episode reviewed were older versions of previous release forms dating back to 2002. All forms were signed. • All release forms permitted on-demand streaming by stating the following clause: *"I agree that RTÉ may use my contribution in any medium and in any format, and license the said rights, as it sees fit for the full period of copyright throughout the world including (but not limited to) radio, television and internet."*		Television.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
9.	**<u>Unsigned contracts</u>** ***Background*** In addition to requesting release forms as part of our testing of copyright clearance, we selected a sample of Independent Contractor engagements and searched for paperwork to ensure rights were appropriately assigned to RTÉ. The standard practice is to address rights as part of the initial contract of engagement. ***Finding*** Two contracts reviewed during testing were unsigned as follows: - While there was a contract in place with one sports Presenter used on a recurring basis, it was not signed by the Presenter. - An RTÉ Cork in-house production ([redacted] selected as part of broader compliance testing on the RTÉ Player, was signed at the time but since misplaced by RTÉ. ***Implication*** The absence of a signed agreement increases the risk of a misunderstanding arising between the parties regarding the specific terms of engagement and rights. Should any disagreement arise between the parties, RTÉ is exposed by not having a signed agreement in place which clearly confirms the rights assigned by the Contractor / Producer.	Agreed. [redacted] Agreed. [redacted]	The contacts will be signed by the relevant third parties. Any misplaced contracts need to be requested by RTÉ and all signed copies will be retained in a central filing location.	M	[redacted] 30 November 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
10.	**<u>No formal contract in place with [redacted] for images used in Linear Television production</u>** ***Background*** While outside the scope of audit testing, it came to our attention that there is no formal contract in place between Television and [redacted] for the use of their images in the production of linear television. Images are purchased on a case-by-case basis, as required, by the programme teams and the rights are secured as part of that transaction. RTÉ Digital has a contract with [redacted] ***Implications*** • While images are appropriately rights cleared in Television, RTÉ may be able to negotiate more favourable terms by agreeing a blanket contract for all RTÉ services. • Individual purchase decisions by the programme teams may not take into account all the required rights clearances and may not include use in non-linear services in the future. A blanket contract provides a way of addressing all these matters in an efficient manner in a single contract. • The level of spend in the past two years in Television falls above tendering thresholds where a competition is required. In addition, a combined cross-divisional contract, including Television, may be more favourable when agreeing rates in the	Agreed. The procurement of stills and clips is driven by Editorial needs. One individual supplier may not be able to satisfy these needs; therefore a preferred list of suppliers is required. [redacted]	RTÉ will consider going to tender for the supply of International Sports images. The tender spec will be expanded to cover Television and News, as well as Digital.	M	[redacted] 31 December 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	contract renewal phase this year.				

RTÉ

RTÉ Internal Audit

Review of Management's Implementation of Actions in Internal Audit Reports

27 October 2017

Circulation:

Members of the Audit and Risk Committee
Executive

Introduction

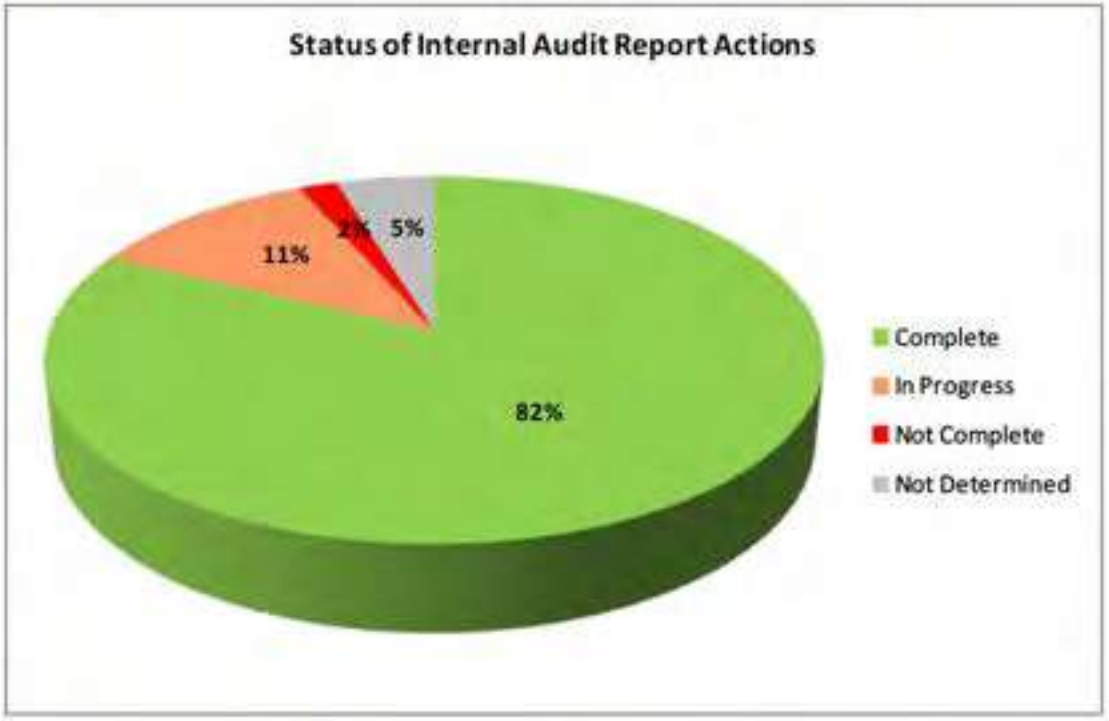
- As part of its scheduled audit plan, Internal Audit issues reports containing actions to address any control deficiencies identified during an audit
- The actions contain a responsible manager and a target completion date
- We have carried out a review of management's progress in implementing the actions and the findings are set-out in the charts over-leaf
- This review is 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
- The divisions referenced in the charts are based on the structures in place in RTÉ prior to the October 2017 organisational restructuring

[redacted]

Internal Audit Reports within scope, by audit rating: (*42 reports*)

See Appendix 1 for a definition of the ratings

Status of Internal Audit Report Actions



[redacted]

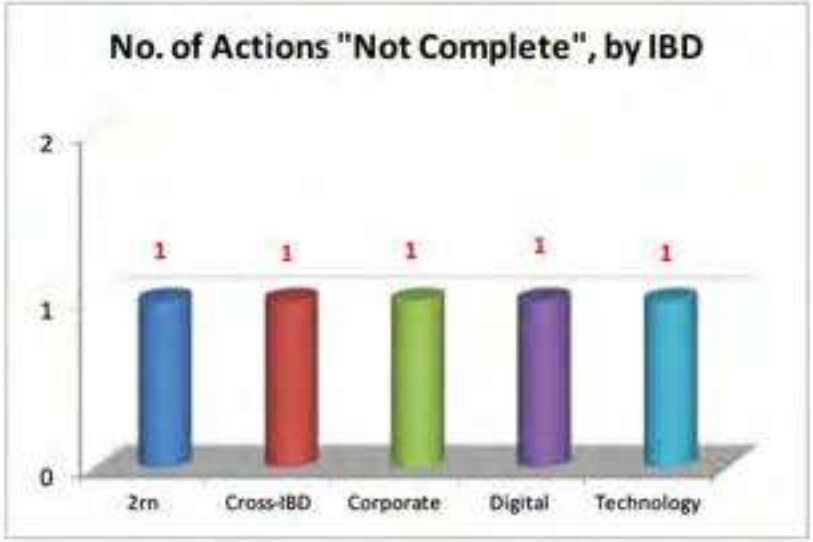
Based on meetings and discussions with owners; at least 1 in 3 re-audited and verified

Analysis of Actions "Not Complete"

*Population = **5** actions, across 5 reports*

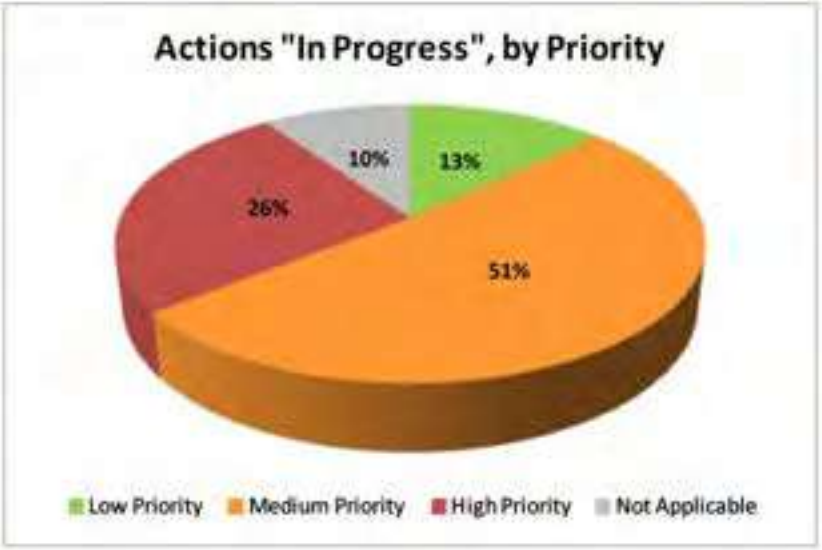
Ageing of Actions Overdue:	Number
0-3 months	0
5-6 months	1
7-12 months	1
> 1 year	3

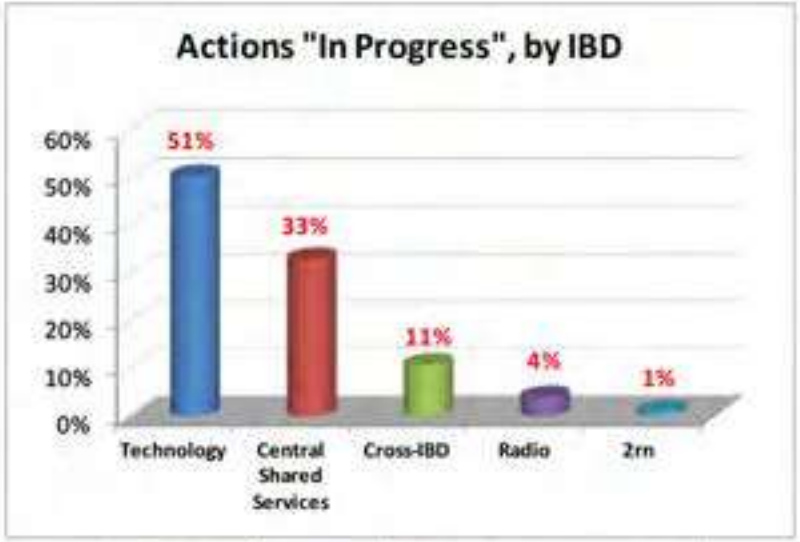
Of the 3 actions > 1 year overdue, one was of High Priority, one of Medium priority and one of Low Priority.



Analysis of Actions "In Progress"

Population = 31 action items, across 14 Internal Audit reports





Ageing of Actions Overdue:	
0-3 months	7%
5-6 months	29%
7-12 months	14%
> 1 year	50%

Of the 50% (14 actions) > 1 year overdue, one (7%) was of High Priority, 11 (79%) were of Medium priority and two (14%) were of Low Priority.

Central Shared Services: [redacted] Fees, On The Spot, Payroll, RTÉ Security, Insurance Arrangements
Other Cross-IBD: Tendering Procedures, Media Services Contract
Technology: Mobile Devices, Cyber Controls Assessment, Internet Facing Structure

Conclusion

- We have completed a review of management's implementation of actions in Internal Audit reports

- In summary, good progress has been made in implementing the actions, with most actions now complete.

- A sizeable portion of the actions “in progress” relate to Technology areas *(although a majority of actions are low – medium priority)*
  - There are specific valid reasons for these actions remaining in progress
  - The reasons include legacy servers; servers awaiting decommissioning; non-user / service accounts and the importance of not implementing changes which could negatively impact legacy production systems.

- We will map open actions to the new divisional structures. The open actions will be carried forward to our next scheduled review at approx. Q2 2018

- We appreciate the assistance and commitment of manage[redacted] in implementing the actions raised in the Internal Audit Reports

Appendix 1 – Audit Report Ratings

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.

RTÉ Internal Audit

Report on [redacted] Fee Payments

6 October 2014

Circulation:
Noel Curran, Director-General
Executive
Members of the Audit and Risk Committee

Fiona O'Shea, Group Financial Controller

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Objectives and Scope

Background

Overview

Two systems are used for processing payments to individuals - the payroll system and the [redacted] fees 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:

- Non-employees providing "people services" to RTÉ e.g. Presenters, Programme Contributors, Independent Camera Operators, Musicians, Actors, Writers etc.
- Employees who work irregular hours and employees on short-term contracts (as this payment system is flexible and allows for the payment of employees with irregular hours)

An average of approximately 275 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 IBD 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 payslips and reports and administer the actual payments to the individuals.

Objectives of audit

- Verify the accuracy of payments made via [redacted] fees by agreeing a sample of fee payments 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] Fees were approved by two appropriate approvers.

Scope of audit

The scope of our audit was organisation wide. We selected a targeted sample of 50 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 payments / regular payments to Contractors / etc.

We tested the following:

- ✓ Agreed the 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; and
- ✓ Agreed the hours worked to rosters, schedules and other backup.

In addition, we also selected a small sample of casual / irregular employees paid via [redacted] fees and agreed their payments on [redacted] to contracts, rosters etc. We recalculated the income tax deductions.

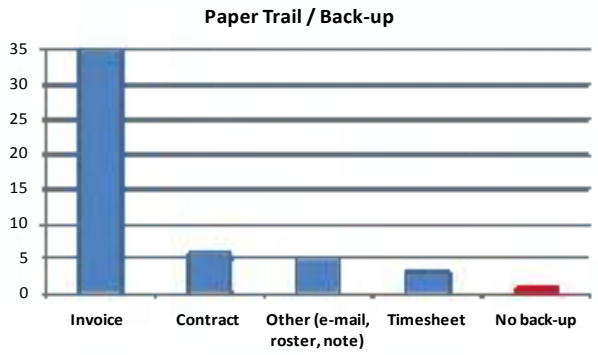
The scope of our audit did <u>not</u> include:

- ✗ A review of the IT systems used by RTÉ or [redacted] to process people payments;
- ✗ The payroll system; and
- ✗ A review of master files / standing data – to be covered in a separate audit in 2014.

Executive Summary: Summary Findings (Cont'd)

Summary Findings – Accounting for Fee Payments

A

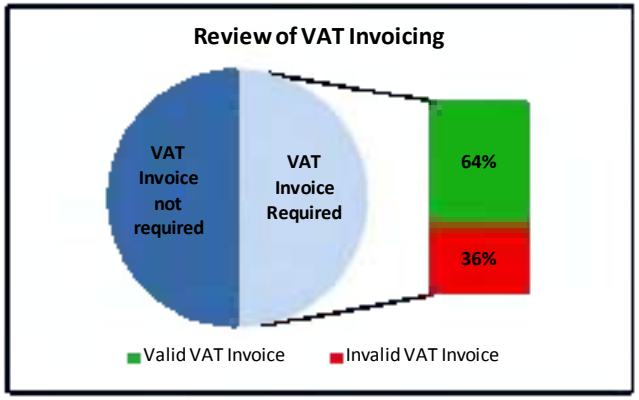


Paper Trail

The majority of individuals (70%) in our sample submitted invoices to RTÉ. The back-up for the remaining fee payments consisted of a variety of sources, with a signed-off timesheet or a contract of engagement being the most common back-up for casual employees.

No back-up was available in respect of one individual who provides content for the RTÉ Guide. This was a low value engagement.

B



Valid VAT Invoice

25 of the Independent Contractors in our sample were VAT registered in the period covered by the audit test. However, only 16 of the 25 VAT invoices reviewed as part of this audit (64%) 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.

Exceptions predominately related to administrative (name / address) matters, the absence of a VAT number for the supplier providing the service, or the absence of an invoice number / date.

Executive Summary: Summary Findings (Cont'd)

Summary Findings – Accounting for Fee Payments

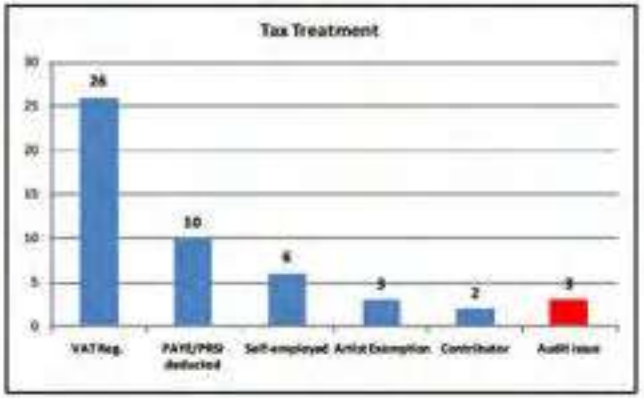
Ⓒ

Fee Rates

We carried out a comparison of the fee rate RTÉ has contracted with the supplier to the rate actually billed to RTÉ. 42 of the 50 individuals invoiced RTÉ at their contract rate.

- Six individuals have no formal contract setting out fees as they are on-the-spot Contributors, Stringers or Special Guests. While this test is therefore not applicable to these individuals in all cases, we confirmed that the billed rate was in accordance with that agreed with the Line Manager and / or in line with the normal rate for the engagement.
- Two individual billed RTÉ at a higher rate than the contract. The difference was not material and, most likely, reflects a lack of filing of paperwork evidencing of a contract change or an addition to the existing contract.

Ⓓ



Taxation

The taxation treatment of each individual in our sample is set-out in the graphic across.

The majority (94%) of individuals were treated correctly from a taxation perspective, either through the deduction of PAYE at source or by securing appropriate evidence from the individual of their tax status (e.g. VAT registration / self-employment, Exclusion Order, etc.).

However, we identified potential issues with RTÉ's taxation of **three** individuals. These issues are further explained and addressed in the action plan . In summary:

- Two relate to individuals with earnings above the VAT threshold, but not registered for VAT. These are know VAT issues, now resolved following the receipt of a valid VAT number
- The tax status of one individual is unclear and he has not responded to RTÉ's requests for evidence of his tax status. He is not VAT registered, does not have an Exclusion Order and PAYE is not currently being deducted

Executive Summary: Key Issues and Overall Conclusion

Key Management Issues

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 some cases this may be due to the manner in which temporary approvers are assigned to cover periods of leave

Secondly, we noted two instances of inappropriate sharing of [redacted] log-in IDs, which meant that the normal segregation of duties controls did not operate as intended.

Taxation Issues

Only 64% of the applicable Contractors in our audit sample issued invoices which fulfilled all of the Revenue's requirements for a valid VAT invoice. It is timely to issue a reminder to fee inputters and approvers of the components of a valid VAT invoice in order to better identify issues of non-compliance prior to processing the invoices for payment.

A number of taxation matters merit review such as seeking tax evidence and RTÉ's dealings with non-VAT Registered Sole Traders with earnings above the VAT registration threshold.

Overall Conclusion

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. We carried out a review of a sample of fee payments in 2014 and sought evidence supporting the payment.

We noted examples of good controls in place in relation to the processing of payments and associated compliance requirements, with the majority of fee payments in our sample supported by paperwork, billed at the correct rate and processed according to the correct tax treatment.

However, we also identified opportunities for improvement, where stronger control is needed. We have agreed actions to address weaknesses in segregation of duties in approval, issues relating to VAT invoicing and evidence of tax treatment. A review will also take place of the number of active fee inputters on the [redacted] system. Finally, a small number of other IT actions have been agreed in the report.

We appreciate the assistance and cooperation from the relevant HR and finance personnel during the course of the audit.

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Fee Approval Procedures				
1.	**Sharing of [redacted] Log-in ID** ***Background*** Each IBD has a number of fee administrators who raise fee payment requests on [redacted]. Fee requests must then be approved by two approvers – usually the costpool manager and a member of finance. We identified two instances of inappropriate sharing of log-in IDs, as set-out below. ***Finding 1A*** We identified that one fee payment request in our audit sample was actually input to [redacted] by the approver of the same fee, but using the log-in details of another individual. As a result, the normal segregation of duty controls did not operate as intended. We were informed that the issue arose because there was no inputter suitably trained in the area at the time. The log-in details used by the approver were those of an inputter who departed on maternity leave and did not resume the role of fee inputter upon return. A replacement fee inputter was subsequently trained in the area, but departed shortly afterwards due to long term illness. In mitigation, all payments in question were approved by a second approver in the normal way – a Finance approver – and the Head of Operations was made aware of this issue from the offset. A new fee inputter is now being trained and will be responsible for inputting all fees in this area. In addition, a policy is currently underway to ensure that all invoices will be submitted by contractors in a standardised format, thereby facilitating ease of	***1A*** This was an agreed solution to address a specific problem with a short-term shortage of resources in order to effect the smooth processing of important fee payments. A new long term solution is being put in place. A form is attached to the invoices prior to inputting to facilitate ease of input. [redacted] ***1B*** This issue arose due to the maternity leave of two staff members. A solution is now in place, with a new fee approver assigned within the team. [redacted]	***1A*** Fee approvers will refrain from inputting fees under different user log-ins. A fee inputter will be trained and responsible for inputting all fees in this area. ***1B*** The sharing of log-in will cease an alternative approval arrangements will be put in place.	H H	[redacted] Done [redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	input of the fee by the inputter. ***Finding 1B*** We noted that the [redacted] log-in details of a staff member on maternity leave was used by another individual – a non-employee contractor filling that job role on a temporary basis – to approve fee payments. 99 fee payment transactions were processed in this manner in the four week period after the commencement of the period of maternity leave. This was deemed necessary due to a shortage of resources at the time and to avoid any delays in the processing of payments. This issue is also relevant to finding #2 below, as some instances of duplicate approval of fee payments – i.e. first and second approval by the same individual – occurred in the period during which the log-in details was used by another individual. See below for details.				
2.	**Segregation of duties – fee approval** As outlined above, fee payment requests must be approved by two separate approvers – usually the costpool manager and a member of finance. ***Finding*** We noted an absence of segregation of duties in the approval of certain fee payments. In the period covered by this review: • The first and second approval step was carried out by the same individual in the case of **510** fee payments; • **12** individuals carried out the duplicate approval steps for these transactions. • Eight of the 12 individuals were Finance approvers,	Actions are being put in place locally to deal with the management of temporary approvals in the event of annual leave, leave of absence, etc. This is especially relevant for one IBD with specific issues due to maternity leave. ([redacted])	Reminders will be issues to all approvers as to the correct procedures for managing the transfer of worklists and approving fee requests. The same individual will not act as a first and second approver. An investigation will be carried out to determine in [redacted] has the technical functionality to restrict an approver from acting as a first and second approver.	H	IBD Finance Directors / Financial Controllers 31 October 2014 [redacted] 30 November 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	accounting for 472 (93%) of the transactions. Nearly two-thirds (63%) of the transactions were Finance approvers in one specific IBD (*For the avoidance of doubt, transaction processed by super-users – see #4 below – are not included in the above statistics.*) While a majority of [redacted] approvers do not have the functionality to carry out a first and second approval role, some users may be a designated first approver on some costpools and a second approver on other costpools. Therefore, the have access to both the approver 1 and approver 2 functionality on [redacted]. ***Causes*** The transferring of [redacted] approval worklists is a factor contributing to this issue. The first approver is absent and transfers his / her approval to an individual who is already the designated second approver for the same transaction, or already assigned a temporary second approver. This becomes a particular issue in the case of long term absence (ICB, career break, etc.) where worklists are transferred for an extended period. In other cases, while the worklist was not forwarded the transaction may have been manually approved by an approver at short notice to meet the Tuesday fee payment deadline. From a technical perspective, [redacted] does not currently prevent a user from acting as the first and second approver. The feasibility of introducing IT controls will be investigated.				
3.	**<u>Finance approver</u>** During our testing of a sample of 50 fee payments, we noted that a member of Finance was not one of the designated approvers in the case of three (6%) of the transactions tested. *(Contract types: one Limited Company, one Stringer and one ongoing casual*	In addition to the three specific examples highlighted in the audit, a review of approvers will be carried out to ascertain if finance approvers are in place for all	A review of fee approvers for all active costpools will be carried out to check if a finance approver is in place in all cases. Any exceptions will be addressed.	M	[redacted], in conjunction with local Finance team. 31 October 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	employee). Finance approval is important in order to have oversight of the appropriateness of taxation treatment and related matters.	costpools. [redacted]			
4.	**Segregation of duties – input and approval** [redacted] "super-users" have the authority to input, approve (both first and second approval) and processes a transaction. These payments are valid transactions, but are not subject to the normal segregation of duties controls on [redacted] Two "super-users" in People Payments process transactions in this manner relating to: • Top talent payments processed centrally by People Payments following manual approval by the CFO; • Fee requests which could not be processed locally, in the normal way for a variety of reasons – a written request is submitted to People Payments to process the transaction; • Corrections of errors identified before the payment run is processed. In the period covered by this audit 254 (0.8% of data) fee lines were input, approved (both first and second approval) and processed by the same individual. (A further 100 lines were processed in this manner to correct invalid Cara codes, VAT rates or other errors in input in the original fee request raised and approver in the IBD.) These were valid transactions. The input and approval of a transaction by the same individual should only happen in a small number of exceptions and merits regular monitoring. Therefore consideration should be given to introducing increased quarterly reporting to the Manager People	As outlined in the finding, these were valid transactions. In order to ensure the efficient processing of Fees and to avoid unnecessary delays in payments to individuals, it will always be necessary to have a number of super-users. A small number of transactions are processed in this manner. We will monitor the statistics to ensure this is not being used as an alternative to the normal approval procedures locally. [redacted]	Quarterly reporting of the number of transactions processed and approved in this way will be prepared for review by the People Payments Manager. This will list the number of transactions processed per IBD and separately analyse the number of low value transactions (e.g. OTS payments) processed by the super-users in the previous quarter.	L	[redacted] 15 November 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Payments outlining the number of transactions approved in this way, the IBDs impacted, transactions above predefined thresholds, etc. This is intended to introduce greater monitoring controls and to ensure that this approval method is not being used in an excessive number of cases, or to carry out inputting which should be done locally in the IBD.				
	Taxation Matters				
5.	**Valid VAT Invoice** We noted that 25 Independent Contractors in our sample of 50 were registered for VAT and, therefore, were required to issue a valid VAT invoice. However, our testing indicated that only 16 (64%) of these invoices fulfilled all of 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 audit issues related to matters such as the recording of name / address (of RTÉ and / or the supplier) or the absence of a VAT number for the supplier providing the service. A valid VAT invoice is required in order to claim a refund / input credit for the VAT amount paid.	By its nature this is a difficult area to monitor as the approver may not have sight of each invoice at the point of approval. This will be addressed via training and checklists. [redacted]	People Payments, in conjunction with the FDs/FCs of each IBD, will provide all fee inputters with a document listing the components of a valid VAT invoice. 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. Quarterly spot checks of invoices to ensure they meet the requirements of a valid VAT invoice will be introduced by the People Payments department, in conjunction with the local Finance teams. As the level of compliance increases, these checks will move to a twice yearly frequency.	H	[redacted] 15 December 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
6.	**<u>VAT thresholds</u>** We noted examples of non-VAT Registered Sole Traders with earnings above the VAT registration threshold, but which are not currently charging VAT on their billings. In our audit sample, we identified two relevant examples – one Sole Trader was subject to a PAYE / PRSI deduction and the other Sole Trader was not subject to any deduction. Neither charged VAT on the billing. The current VAT threshold for providing a service is €37,500 for a calendar year. Section 6.1 of the standard contract of engagement includes the following clause: *(Note: The Revenue Commissioners require that persons supplying taxable services in the course or furtherance of business <u>must</u> register and account for VAT if their total turnover exceeds or is likely to exceed €37,500 in any twelve month period.)* A review of the current tax treatment and the taxation clause(s) contained in the standard engagement contract merits examination, focusing in particular on any possible exposure in the event of a VAT audit.	The obligation is on the individual to ensure that their tax affairs are in order and a clause is included in the contract in this regard. A notification letter will be sent on a case by case basis to relevant individuals, where appropriate. [redacted]	On a case by case basis when issues are identified, letters will be sent to contractors <u>notifying</u> (as distinct from advising) them of their obligations to register for VAT if earnings exceed €37,500.	M	[redacted] Ongoing
7.	**<u>Taxation of Writers</u>** ***Background*** During 2014 RTÉ was informed of a personal taxation issue impacting certain Writers. This concerned the registration of Writers for VAT purposes, where earnings exceeded the VAT registration threshold. RTÉ engages a number such Writers for Fair City. In October 2013 the Writers Guild of Ireland ("the Guild") was	The Writers taxation issue is now resolved. We understand that a number of Writers are still awaiting final confirmation of VAT numbers from Revenue. [redacted]*)*	A check will be carried out to ensure that all Writers implement the Revenue agreement i.e. are registered for VAT and charge VAT on their billings to RTÉ.	M	[redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	contacted by a member following a decision by Revenue to register the Writer for VAT and to backdate the registration for a period of five years. The Writer had earnings from RTÉ in excess of the VAT registration threshold in the previous twelve months. This matter had relevance for other Writers with earnings above the VAT threshold, but not formally registered for VAT. The Guild identified a list of relevant Writers and approach Revenue on their behalf. A settlement was reached where the Writers would register for VAT with effect from 1 October 2012. While a personal issue for the Writers concerned, this matter has a financial implication for RTÉ – the Writers will bill RTÉ for the VAT arrears but a portion of the VAT is non-recoverable by RTÉ. ***Finding – Writers*** RTÉ has engaged with the Guild and its Taxation representative to resolve the matter and the issue is being addressed and managed effectively. However, we noted that two Writers are still not charging VAT on their billings. The Writers, both included in our audit sample, have earnings year to date (at period 24 2014) approaching the VAT threshold and are expected to exceed the threshold in the coming weeks. Both Writers were above the VAT threshold for 2013. The requirement to register for VAT does not appear to be communicated by the Guild to its members in all cases, or the advice is not being accepted by the Writers. This could give rise to a future issue for RTÉ. ***Implication for Actors*** Many Actors working for RTÉ receive Exclusion Orders from Revenue excluding the deduction of PAYE from earnings.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Therefore, RTÉ deducts PRSI only from their earnings. • One of the Actors in our audit sample had earnings above the VAT registration threshold in 2013 and has earnings approaching the threshold year to date. However, the Actor is not currently registered for VAT. PRSI is being deducted. • A second Actor in our audit sample also has earnings approaching the threshold year to date and is not registered for VAT. (PAYE and PRSI is being deducted) While sharing some characteristics with Writers, the Actors are not in the same category as they have Exclusion orders and PRSI is being deducted appropriately.				
8.	**VAT on expenses** Revenue guidance in relation to "VAT on expenses – mileage, accommodation, etc." outlines that: "*Expenses incurred by a person in the provision of a service and charged on are treated as ancillary to that service, and liable to VAT at the same rate.*" We noted an inconsistency in the treatment of expenses from a VAT perspective. • Two VAT registered Sole Traders in our audit sample did not charge VAT on the expenses (generally mileage and subsistence) element of their billing. • In contrast, we noted two other individuals in our sample charged VAT on the mileage element of their billing.	This is the responsibility of the individuals themselves. The Contractor's taxation responsibilities are included in clause 12 of the standard contract of engagement. [redacted]	No further proposed action. See #5 above for an action on carrying out spot checks of invoices, which is also relevant for this finding.	M	N/a

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The fee inputter (and approver) is best positioned to review the appropriateness of the VAT treatment when the invoice amount is being input to [redacted]				
	Fee Inputting				
9.	**Raising Fee requests of [redacted]** At the time of our audit, 199 individuals had the ability to raise fee payment requests on [redacted] This is broadly unchanged from the number at the time of our last audit in late 2011. The movement in the number of inputters may be analysed by IBD as follows: *IBD* — *2014 Audit* / *Late 2011 Audit* / *Change* Television: 82 / 71 / 11 Radio: 50 / 68 / (18) Corporate: 32 / 26 / 6 News & CA: 19 / 17 / 2 Orchestras: 9 / 10 / (1) Digital: 7 / 9 / (2) **199 / 201 / (2)** There is scope to review the list to ascertain if all the inputters are required, particularly those raising fee payments on an ad-hoc basis. As is evident from the table above this finding is only relevant to some IBDs – while some have reduced the numbers of inputters, others have not. At the date of the report, Radio and Television account for 34% and 29% of all fee payments, respectively. However, there Television has nearly 50% more fee inputters.	Agreed. However, it is important that the number of inputters is not too low and an appropriate balance needs to be struck. If a sufficient number of inputters are not available locally, managers may have to ask a fee inputter from another department, not involved in the day-to-day business, to raise the fee. That has the potential to create further problems. ([redacted])	Central HR will circulate a list of individuals with a fee input access profile on [redacted] to Central Finance. In addition the list will specify when the individual last input a fees invoice. The relevant finance teams, with input from HR if necessary, will co-ordinate the review of the list in conjunction with the local finance teams (above). The purpose of this review will be to identify any individuals no longer requiring the fee input access profile (either because of a change in role or if they have not raised a fee for a considerable period of time. The access will be removed as appropriate. A similar review will take place twice per year in the future (once per year after the first two reviews have taken place).	M	[redacted] 15 November 2014 IBD Finance Directors / Financial Controllers, coordinated by Group Finance 30 November 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The raising of fee payment requests on [redacted] requires a certain level of specialised knowledge of the [redacted] system, taxation, the components of a valid VAT invoice, exclusion orders etc. In addition, there is an element of basic administration required to ensure that: - Invoices agree to contracts; - The invoice has not already been paid; - Invoices are checked back to rosters as necessary; and - Invoices are correctly filed. The greater the number of individuals raising requests the more difficult it is to ensure that everyone is fully trained and, therefore, the greater the likelihood of error.				
10.	**Training** Taking into account the number of inputters highlighted in finding #10 above and other findings in this report, it is timely to carry-out training of fee inputters to ensure that they are fully aware of the various rules. This is also relevant as there are many new fee inputters in place following changes to organisational structures and the departure of staff over recent years. In addition, it is a lengthy period of time since formal training took place. Recent training has been ad-hoc based on requests. In mitigation, a [redacted] 'drop-in clinic' was held during the Technology Awareness month earlier in the year, involving input from Finance and Human Resources.	Agreed [redacted])	Training of fee inputters will be arranged. (This may involve a mix of formal training and the circulation of documents / checklists, in conjunction with the local Finance teams).	M	[redacted] 31 December 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Paperwork and documentation				
11.	**No paperwork** There was no paperwork or contract in place in respect of one of the fees in our audit sample, a €250 payment which is subject to PAYE/PRSI deduction. Arrangements need to be put in place to regularise or formalise dealings with this contractor.		Appropriate paperwork (release form, contract, etc.) will be put in place in respect of future engagements.	L	[redacted] 31 October 2014
12.	**Data accuracy on** [redacted] We noted some inconsistency in data between what was recorded on [redacted] and the actual tax position of the individual, as evident from the processing of fee payments. • Two individuals were recorded as Sole Trader Non VAT registered on [redacted] even though they were VAT registered and charged VAT on their invoices • One individual had two active contracts on [redacted] for the same period – one VAT registered contract and one non-VAT registered contract The contractor's record on [redacted] should be reviewed and updated based on the actual position.	From an employment classification point of view, the individual is a Sole Trader. Any further sub-designation for taxation purposes is a separate matter to the employment classification and should be captured in a separate data field. [redacted]	A review will be undertaken to ascertain the feasibility of: • amending the drop down menu on [redacted] to record a single classification of "Sole Trader" / "Independent Contractor" • recording the taxation information (VAT registration) in a separate field	M to L	[redacted] 30 November 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Engaging Contractors				
13.	**Gathering taxation evidence and RTÉ policy in the event that no evidence is received** Evidence of tax status is requested at the point of engaging a non-employee / contractor. In the case of existing contractors, this evidence is reviewed at the point of a contract renewal. ***Finding*** ***A)*** In a situation where no taxation evidence is gathered, the "default" working rule in People Payments is, in many cases, to deduct PAYE / PRSI. While this may be preferable than making no deduction, it is timely to revisit the taxation and legal implication of this approach to confirm that it is still appropriate. From a risk perspective, it is worth examining whether it is more appropriate to delay the engagement, or withhold payments, until such point that valid taxation evidence or a Tax Clearance Certificate has been provided, rather than adopting the default position of deducting PAYE / PRSI. ***B)*** The process for gathering taxation evidence in respect of (non-employee) Contractors paid through fees is not consistent with the process for gathering taxation evidence in respect of Contractors engaged and paid via Accounts Payable [redacted]). In the latter case, payment may be refused pending the receipt of a valid Tax Clearance Certificate. Irrespective of the payment system used, a consistent approach to seeking taxation evidence from Contractors should be applied, including a consistent application of a policy on	We are currently examining the processes for gathering taxation evidence. [redacted]*)*	A review will be carried out of the taxation evidence which Independent Contractors should be required to provide to RTÉ, upon engagement. This review will also determine the approach to be applied in the event that the taxation evidence is not received from the Contractor.	M	[redacted] 31 December 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	whether payment should be withheld pending receipt of evidence. ***C)*** During the audit we noted that numerous requests for evidence of tax status have been made to one contractor in our sample (*a non-VAT Registered Sole Trader*). However, no evidence has been received and the contractor continues to be engaged. Payments to the individual are processed without any PAYE deductions and no Exclusion Order is on file. We also noted two instances within our audit sample where the tax evidence (Tax Clearance Certificate) was out of date at the time of audit. Requests for updated evidence were being made. Based on the above examples, we observed that taxation evidence is not always received on a timely basis before an individual is engaged. In some cases, no taxation evidence is on file.				

Internal Memorandum

To: [redacted]

Cc: [redacted]

From: [redacted], Head of Internal Audit

Date: 30 August 2016

Re: Review of International Programme Sales Television

This memorandum sets-out the results of an Internal Audit review of International Programme Sales in Television.

1. Background

The International Programme Sales function offers content for broadcast on content platforms of all types worldwide. As well as selling directly to broadcasters, RTÉ works with 3rd Party Distributors (such as ITV Global, BBC Worldwide and Content Media Group) to place RTÉ content on a wide range of platforms.

The Programme Sales function represents many producers, both in-house and independent, who create content that strikes a chord with global audiences.

The diverse catalogue of content on offer internationally spans multiple genres including factual, lifestyle, comedy, drama, entertainment, arts and music.

The terms of a deal will vary on a case by case basis and, in the case of a commissioned programme, the financial arrangement may vary depending on factors such as RTÉ's contribution to the overall cost of production, the distributor appointed by the producer, etc.

In cases where RTÉ is appointed as distributor, the producer pays a programme distribution fee (*expressed as a percentage of the gross sale*) to RTÉ to access its contacts and experience of the international marketplace to sell the content. Any receipts remaining after the deduction of the distribution fee, distribution costs and (where applicable) music clearance / archive costs are divided between the producer and RTÉ in line with the terms of the original contract / distribution deal memo.

Revenue is also generated through the sale of cable re-transmission rights for RTÉ One and RTÉ2 in Northern Ireland.

2. Scope

The scope of the audit was International Programme Sales in Television, focusing on deals which entered into licence in 2016.

3. Objective

The objective of this audit was to assess the potential risks and test the operation of controls over the main risks, to include a review of the following:

- Contracting with copyright holders;
- Completeness of recording of sales;
- Accuracy of pricing of sales;
- Invoicing of customers and issue of credit notes;
- Follow up on overdue accounts;
- Completeness and accuracy of royalty accruals;
- Maintenance of appropriate books and records; and
- Compliance with relevant laws and regulations.

4. Risks

The specific Television financial risks addressed as part of the audit are set-out in Appendix A.

The key RTÉ 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

5. Findings

We selected a sample of deals and reviewed the sales contract with the third party, distribution deal memo, etc.

5.1 Key Management Issues

We noted no findings which merit classification as a 'key management issue' in line with the Internal Audit reporting matrix.

5.2 Other

We noted a small number of less significant matters, summarised below. These will be auctioned in line with the agreed actions set-out below.

a) Royalty Accruals

There are a number of legacy amounts being accrued in the royalty accruals account, some dating back as far as 2007. Some of these amounts are small unpaid balances on a larger contract value. With the passage of time, it now seems reasonable to write back some of these accruals to the Income Statement. It may also be the case that some of the copyright holders are no longer operational.

Action: Carry out a review of the royalty accruals prior to 31/12/2013 and make a line by line assessment of the appropriateness of continuing to carry the accrual.

[redacted]; 30 November 2016.

b) Revenue Recognition

We identified issues with the timing of revenue recognition for one of the deals included in our audit sample. The deal comprised the sale of three separate lifestyle programmes to [redacted]

The Licence for one programme commenced on 1 May 2016, but was not recognised in RTÉ Television income until June 2016. The RTÉ accounting policy provides that income is recognised in the month of the commencement of the licence period. The licence for the other two programmes commenced on 1 July 2016. However, the income was also recognised in June 2016, but should have been deferred for one month until the commencement of the licence period.

We noted no issues with the income recognition for the remainder of our sample. This finding appears to be an isolated incident arising from the differences in licence start dates.

Action: Continue the process of monthly meetings between the [redacted] Television and the International Programme Sales Executive in order to reconcile the sales records maintained within the sales function and the revenue being recognised in the Television management accounts.

[redacted] ongoing.

c) Royalties

Royalties due to a third party in respect of cable re-transmission rights for RTÉ One and RTÉ2 in Northern Ireland were correctly accrued as part of royalties. However, we noted a minor discrepancy between the rate (*% of contract value*) used in calculating the accrual and the rate set-out in the updated contractual agreement maintained by legal. The difference is not material but merits investigation.

Action: update the spreadsheet for the correct rate, as set-out in the contract.

[redacted]; done

6. Conclusion

Internal Audit carried out a review of International Programme Sales in Television, focusing on deals which entered into licence in 2016. The audit involved a review of sales contracts and relevant back-up documentation, including inspection of financial records.

There were no significant issues of note identified during the course of the audit. Actions have been agreed to address a small number of matters set-out in Section 5.2 above in order to ensure that RTÉ adequately addresses the risk areas set-out in Appendix A.

We appreciate the assistance of Programme Sales and Finance personnel during the audit.

Appendix A Financial Risks

We addressed the following financial risks as part of the audit, designing audit procedures to verify the operation and design effectiveness of the controls put in place by management to mitigate the risk.

No.	Risk
1	Incomplete revenue: ▪ A sale of a programme is not recorded in revenue in RTÉ's books ▪ An Independent Producer sells a programme internationally using a third party distributor but does not notify RTÉ that royalties are due, thereby understating revenue
2	Inaccurate revenue: ▪ Revenue is not recorded in line with the contract agreed with a Broadcaster (licence value, term, etc.) ▪ The share of income due to RTÉ is inaccurate as the Distribution Statement understates RTÉ's net share of distribution
3	Revenue recognition: ▪ The recognition of revenue is not accounted for in line with the commencement of the licence period as set-out in the terms of the contract (or is not accounted for in line with the receipt of the Distribution Statement from the Producer) ▪ Cut-off issues associated with deals coming into licence around the year-end period
4	Foreign exchange is not accounted for correctly in respect of non euro denominated sales
5	Deals are entered into at terms which will not generate a sufficient margin to be a commercial success i.e. after taking programme distribution costs and music clearance costs into account.
6	A pro-forma euro-denominated invoice is sent to the customer despite already being paid. *(Invoices are raised by the sales team in foreign currency. A pro-forma euro invoice is raised in* [redacted]*, for accounting purposes, when the euro denomination is received into the RTÉ bank account)*
7	Royalties due to another producer/rights holder are not correctly accrued for as a liability in the books of RTÉ
8	Programme distribution / music clearance / other costs are not correctly accrued for as a liability in the books of RTÉ

RTÉ Internal Audit

Review of Purchase Order Compliance *(to end Q3 '21)*

8 December 2021

Circulation:

[redacted], Chief Financial Officer

Division Finance:

[redacted] Head of Procurement
[redacted], Procurement Category Manager

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RTÉ

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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 #8 – Management of Finances and Business Planning; and
- Risk #10 – Legislation/Regulation & 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 four month period ended 30 September 2021 to ensure compliance with the Purchasing Policy.

Scope

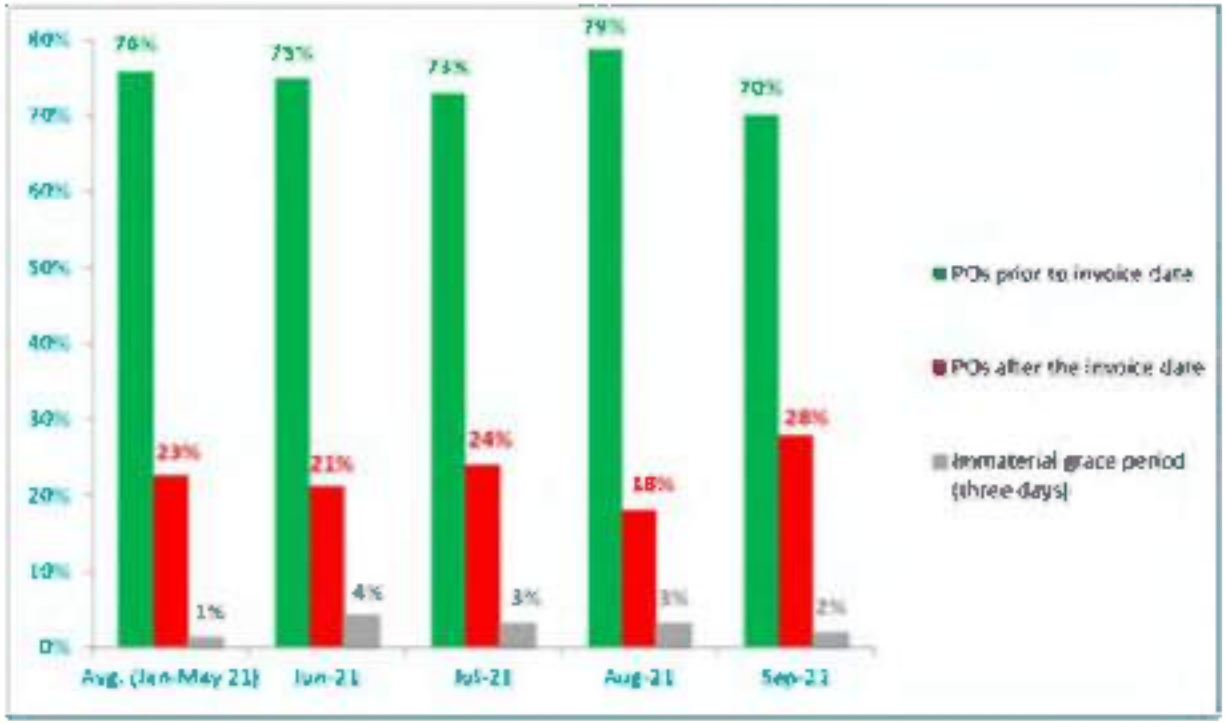
The scope of our review covered all POs (including Capital WIP and Commissioned Programmes) approved and processed for the five month period ended 30 September 2021, with the following considerations:

- 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

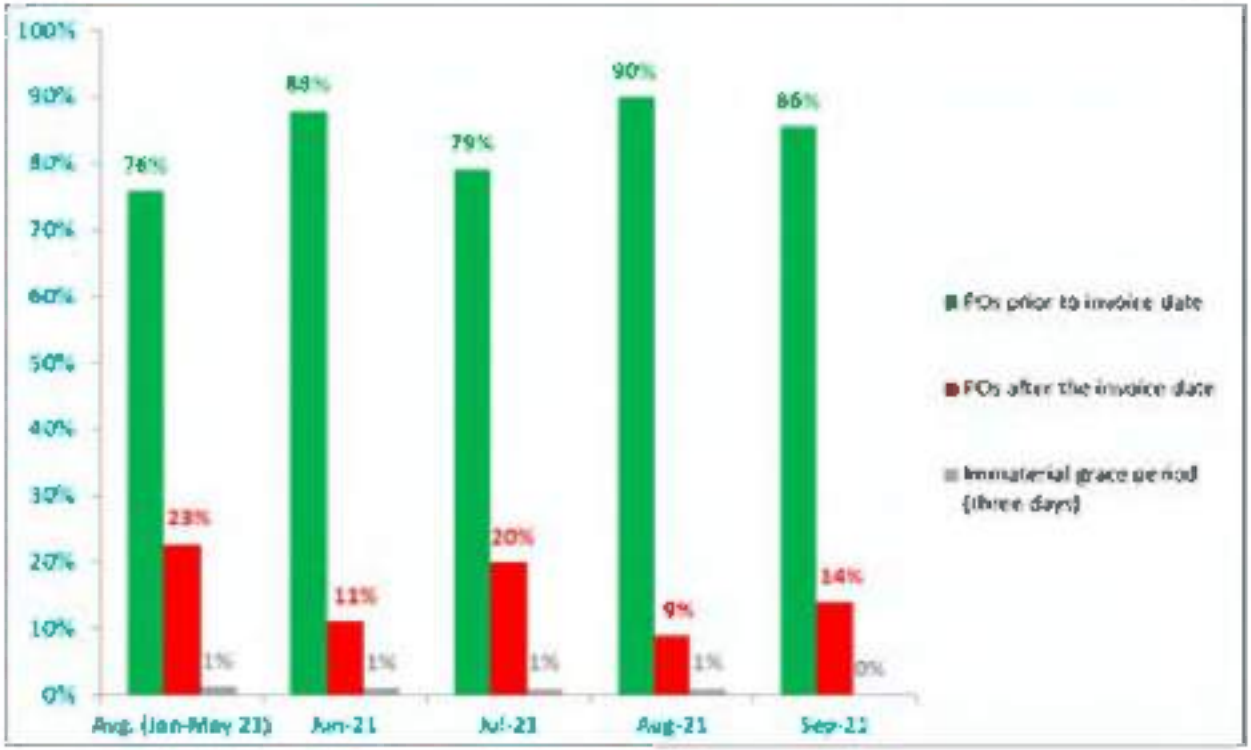
PO Summary - Analysis of number of invoices > €1,000						
	Previously Reported	Current Period Under Review				
Analysis of number of invoices	Avg. (Jan-May 21)	Jun-21	Jul-21	Aug-21	Sep-21	Average
POs prior to invoice date	76%	75%	73%	79%	70%	**74%**
POs after the invoice date	23%	21%	24%	18%	28%	**23%**
Immaterial grace period (three days)	1%	4%	3%	3%	2%	**3%**
Total	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-May 21)	Jun-21	Jul-21	Aug-21	Sep-21	Average
POs prior to invoice date	76%	88%	79%	90%	86%	86%
POs after the invoice date	23%	11%	20%	9%	14%	13%
Immaterial grace period (three days)	1%	1%	1%	1%	0%	1%
Total	100%	100%	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)	Jun-21	Jul-21	Aug-21	Sep-21	Total for period
[redacted]	6	11	10	18	45
	8	15	3	13	39
	8	4	14	9	35
	7	8	1	11	27
	4	11	3	3	21
	7	1	1	10	19
	9	1	3	5	18
	5	5	2	5	17
	5	5	1	2	13
	0	0	1	9	10
Top 10 Manager Total	59	61	39	85	244
Top 10 Manager % of Total Late POs	51%	53%	41%	54%	51%
Sum of POs from other managers	56	55	55	71	237
Total Late POs	115	116	94	156	481

RTÉ

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. (Jan - May 21)	Jun-21	Jul-21	Aug-21	Sep-21
Content - RTÉ	40%	37%	38%	45%	37%
Operations - RTÉ	20%	24%	27%	29%	31%
Audience, Channel & Marketing - RTÉ	8%	4%	8%	3%	9%
News - RTE	2%	2%	3%	2%	1%
Network - RNL	5%	3%	3%	7%	0%
Central Services - RTE	5%	4%	6%	0%	2%
Technology - RTÉ	4%	7%	3%	3%	8%
Finance - RTÉ	5%	2%	3%	2%	0%
Commercial - CEL	4%	8%	1%	3%	3%
Human Resources - RTÉ	4%	7%	5%	3%	5%
Content - IPU	1%	1%	2%	2%	1%
Commercial - RTÉ	2%	1%	1%	1%	3%
Total		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.

RTÉ

Findings (Cont'd)

4) Number of Late POs by Supplier – Top 15

250 RTÉ suppliers had a total of 481 late POs in the four 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

	Current Period Under Review				
Supplier (Top 15)	June	July	Aug	Sept	Total
[redacted]		7		10	17
	4	10	1		15
	2	1	8	2	13
	3	4	2	4	13
	1	5		4	10
	4			5	9
			4	3	7
	4			3	7
	4		2	1	7
	5		2		7
				6	6
	3			3	6
				5	5
	4		1		5
	1			4	5
Late POs - Top 15 Supplier	35	27	20	50	132
Top 15 Supplier % of Total Late POs	30%	23%	21%	32%	27%
Total Late POs per month	115	116	94	156	481

Total Number of Suppliers with late POs June to Sept (Cumulative)

Number of Late POs	# of Suppliers	% of total Late POs (540)
≥ 10	5	14%
5 - 9	12	15%
2 - 4	70	37%
1	163	34%
Total	250	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

RTÉ

Conclusion

Conclusion

The results of our Purchase Order compliance review have remained relatively stable since the last review (covering January to May 2021), with a deterioration noted only in September 2021 (an increase from 18% in August to 28% in September). This is most likely due to individuals raising POs in arrears for invoices received during the summer holiday period, possibly upon return to the office.

The level of late POs still requires attention, in particular given the exclusions we have applied to our scope. An average of ***23%*** of the invoices received, ***13%*** *in monetary value,* are being received prior to managerial approval of the corresponding purchase order, contrary to RTÉ Purchasing Policy. The average for the previous period reviewed was also 23%.

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

Review of Purchase Order Compliance

17 December 2020

Circulation:

[redacted]

[redacted]

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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 October 2020 to ensure compliance with the Purchasing Policy.

Scope

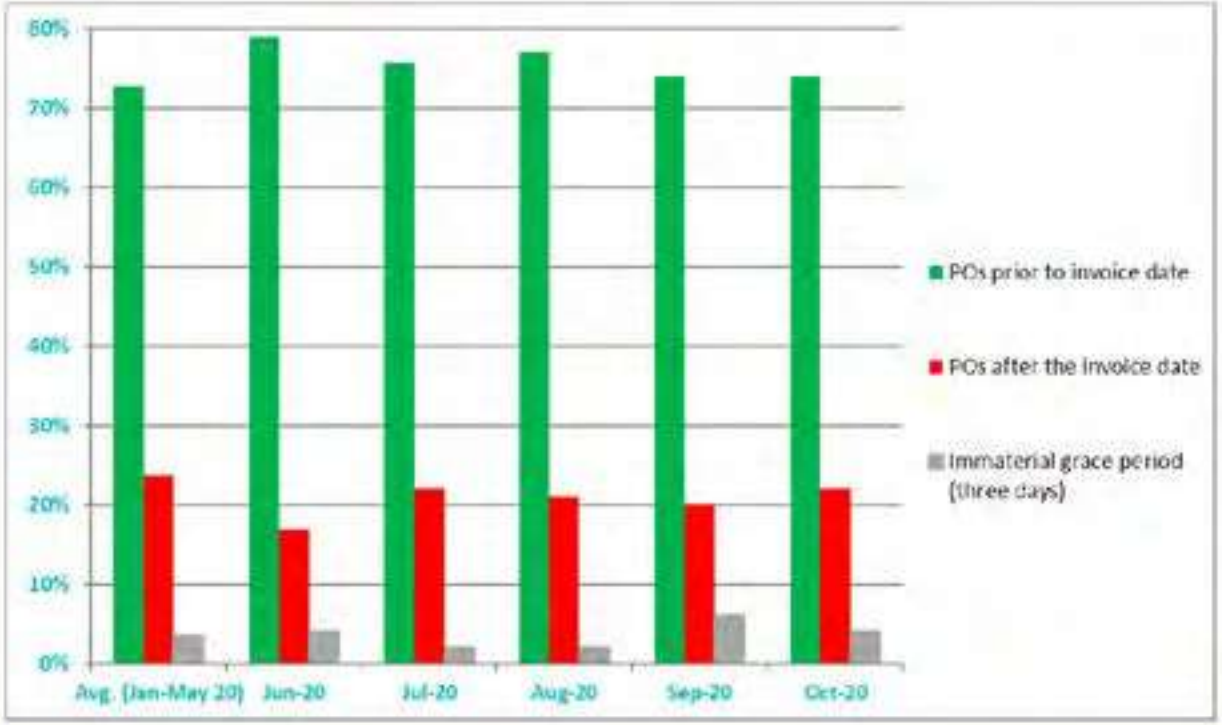
The scope of our review covered all POs (including Capital WIP and Commissioned Programmes) approved and processed for the five month period ended 31 October 2020, with the following considerations:

- 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:
  - X Competition Winners;
  - X Donations;
  - X Rates; and
  - X Department of Foreign Affairs (travel recharges).

Findings

1a) PO Summary – NUMBER of Invoices

PO Summary - Analysis of number of invoices > €1,000						
	Previously Reported	Current Period Under Review				
Analysis of number of invoices	Average (Jan-May 20)	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
POs prior to invoice date	73%	79%	76%	77%	74%	74%
POs after the invoice date	24%	17%	22%	21%	20%	22%
Immaterial grace period (three days)	4%	4%	2%	2%	6%	4%
Total	100%	100%	100%	100%	100%	100%

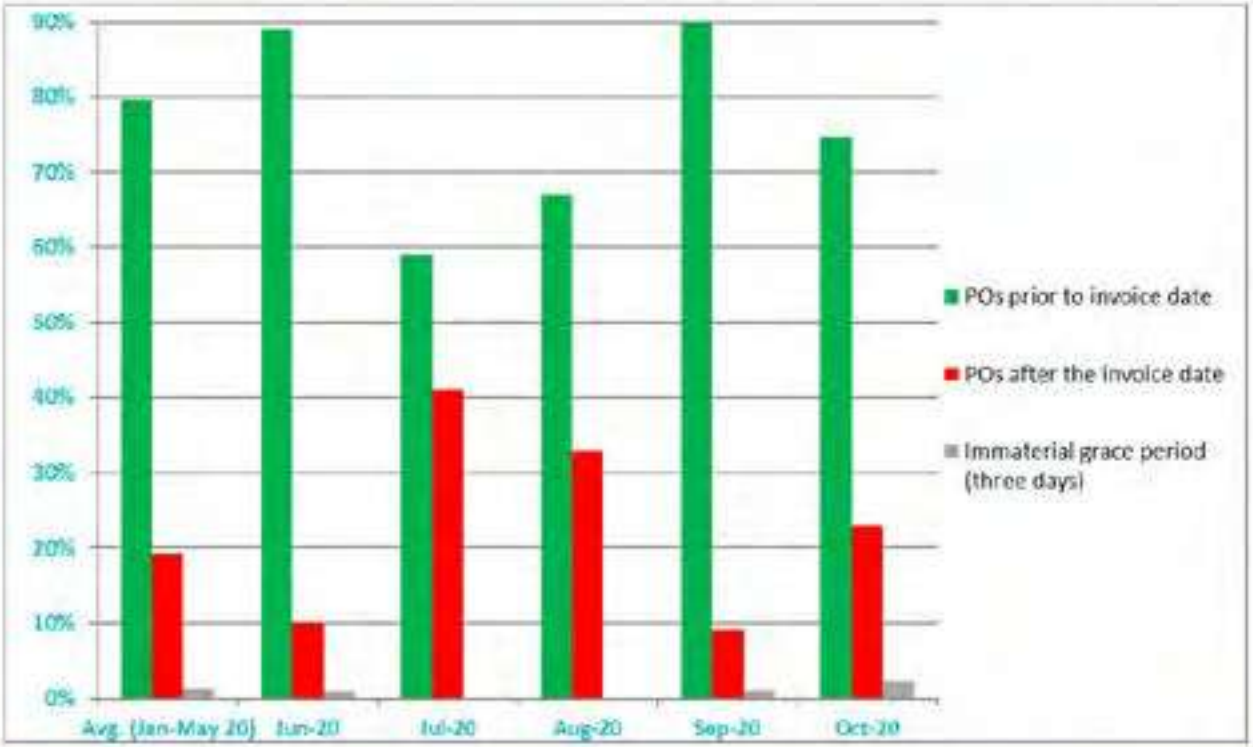


RTÉ

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	Aveage (Jan-May)	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
POs prior to invoice date	79%	89%	59%	67%	90%	75%
POs after the invoice date	19%	10%	41%	33%	9%	23%
Immaterial grace period (three days)	1%	1%	0%	0%	1%	2%
Total	100%	100%	100%	100%	100%	100%



Footnote: Fluctuations
Large fluctuations between months reflect situations where individually large value POs were processed in the month (music licences, BAI levy, large acquisitions etc.). As a result, these months are out of line with the analysis by number invoices at 1a above.

RTÉ

Findings (Cont'd)

2) No. of Late POs by Responsible Manager Summary – Top 10

No. of Late POs by Responsible Manager - Summary - Top 10					
	Current Period Under Review				
Responsible Manager (Top 10)	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
[redacted]	7	23	5	5	6
[redacted]k	9	4	3	5	4
[redacted]	1	6	4	4	9
[redacted]	1	7	2	6	7
[redacted]y, [redacted]	0	3	8	8	2
[redacted]	4	6	4	1	4
[redacted]	3	4	5	0	4
[redacted]	1	4	2	2	2
[redacted]	2	1	1	2	4
[redacted]	0	3	1	2	4
Top 10 Manager Total	28	61	35	35	46
Top 10 Manager % of Total Late POs	43%	66%	51%	38%	47%
Sum of POs from other managers	37	31	33	56	51
Total Late POs	65	92	68	91	97

RTÉ

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	Average (Jan-May 20)	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Content - RTÉ	39%	34%	51%	54%	43%	37%
Operations - RTÉ	22%	25%	16%	19%	29%	27%
Audience, Channel & Marketing - RTÉ	8%	11%	9%	7%	6%	6%
News - RTE	4%	0%	0%	0%	7%	6%
Network - RNL	8%	3%	9%	10%	3%	8%
Central Services - RTE	3%	6%	7%	3%	3%	4%
Technology - RTÉ	4%	9%	3%	0%	1%	3%
Finance - RTÉ	5%	3%	1%	2%	1%	3%
Commercial - CEL	3%	5%	0%	3%	3%	6%
Human Resources - RTÉ	2%	2%	2%	0%	1%	0%
Content - IPU	2%	2%	2%	0%	2%	0%
Commercial - RTÉ	1%	0%	0%	2%	1%	0%
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

241 RTÉ suppliers had a total of 413 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					
	June	July	Aug	Sept	Oct	Total
[redacted]	2	3	1	3	5	14
[redacted]	-	1	4	5	2	14
[redacted]	1	11	-	-	-	12
[redacted]	2	-	3	4	-	9
[redacted]	-	-	1	1	5	7
[redacted]	1	3	-	1	2	7
[redacted]	-	-	2	2	2	6
[redacted]	1	1	-	1	2	5
[redacted]	1	1	1	1	1	5
[redacted]	-	2	-	-	3	5
[redacted]	-	-	-	3	-	5
[redacted]	-	-	-	2	2	4
[redacted]	-	3	-	-	1	4
[redacted]	-	1	1	1	1	4
[redacted]	-	1	1	1	1	4
Late POs - Top 15 Supplier	8	27	16	27	27	105
Top 15 Supplier % of Total Late POs	12%	29%	24%	30%	28%	25%
Total Late POs per month	65	92	68	91	97	413

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

Total Number of Suppliers with late POs June to October (Cumulative)

Number of Late POs	# of Suppliers	%
≥ 10	3	1%
≥ 5	8	3%
2 - 4	70	29%
1	160	66%
Total	241	100%

Conclusion

Conclusion

There has been a slight improvement in the Purchase Order Process since the last review, as the number of late POs have decreased since then. The level of late POs still requires attention, in particular given the exclusions we have applied to our scope. Currently (October 2020 data) ***22%*** 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 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

Review of Purchase Order Compliance

25 October 2019

Final

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Division Finance:
[redacted]

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RTÉ

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 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.

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 #6 – Management of Finances and Business Planning
- Risk #10 – Changes in Legislation/Regulation 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 six month period ended 30 September 2019 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 six month period ended 30 September 2019, 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:
  - X Competition Winners;
  - X Donations;
  - X Rates; and
  - X Department of Foreign Affairs (travel recharges).

Findings

Summary Findings

On review of the POs tested during the six month period ended 30 September 2019, IA noted the following:

- The number of POs raised after receipt of an invoice fluctuated during the period, with a high of ***29%*** in ***August***, however the numbers decreased in ***September,*** to the level reported in ***March*** of this year, of ***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 ***30%*** in ***April***, however the number is down to ***12%*** in ***September,*** which is ***slightly lower*** than the level reported in ***March*** of this year of ***15%.*** Please see ***"1b) PO Summary – Value of Invoices"*** for further details, analysis and graphs;

- There is not always a direct correlation between the number of late POs raised and the value of same, which is evident during the period ***May to September***. 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 ***47%*** to ***65%*** of **all** late POs during the period. Please see ***"2) No. of Late POs by Responsible Manager Summary – Top 15"*** for further details and analysis;

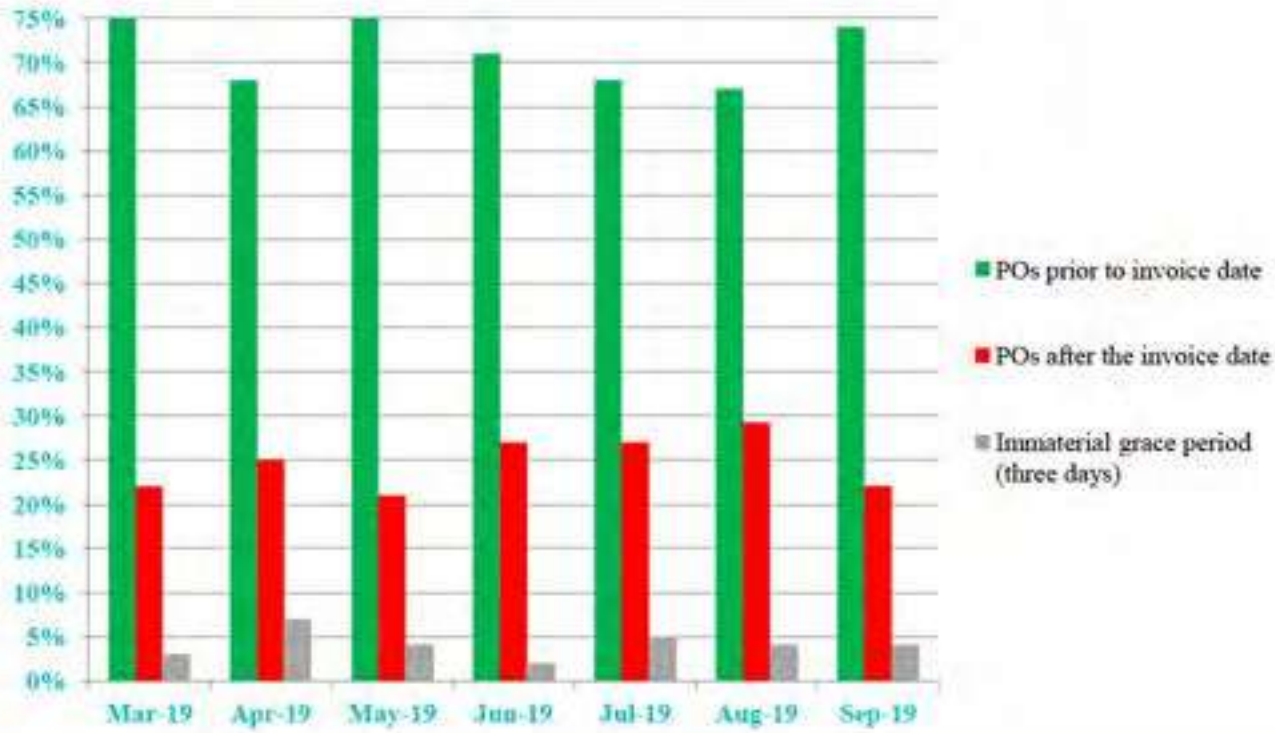
- In line with expectations from review of the managers responsible for POs, two divisions (***Content*** and ***Operations),*** are consistently and significantly higher than all other divisions in relation to the percentage share of late POs. Please see ***"3a) Late PO by Division Summary - % of All Late POs"*** for further details, analysis and graphs; and

- Four divisions (***Content, Operations, ACM,*** and ***Central Services),*** were consistently higher than the ***average*** of late POs across all divisions. These division's late POs as a % of their total POs range from ***25% (Content – May)*** to ***55% (Central Services – June)***. 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							
	Previously Reported	Current Period Under Review					
Analysis of number of invoices	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
POs prior to invoice date	75%	68%	75%	71%	68%	67%	74%
POs after the invoice date	22%	25%	21%	27%	27%	29%	22%
Immaterial grace period (three days)	3%	7%	4%	2%	5%	4%	4%
Total	100%	100%	100%	100%	100%	100%	100%

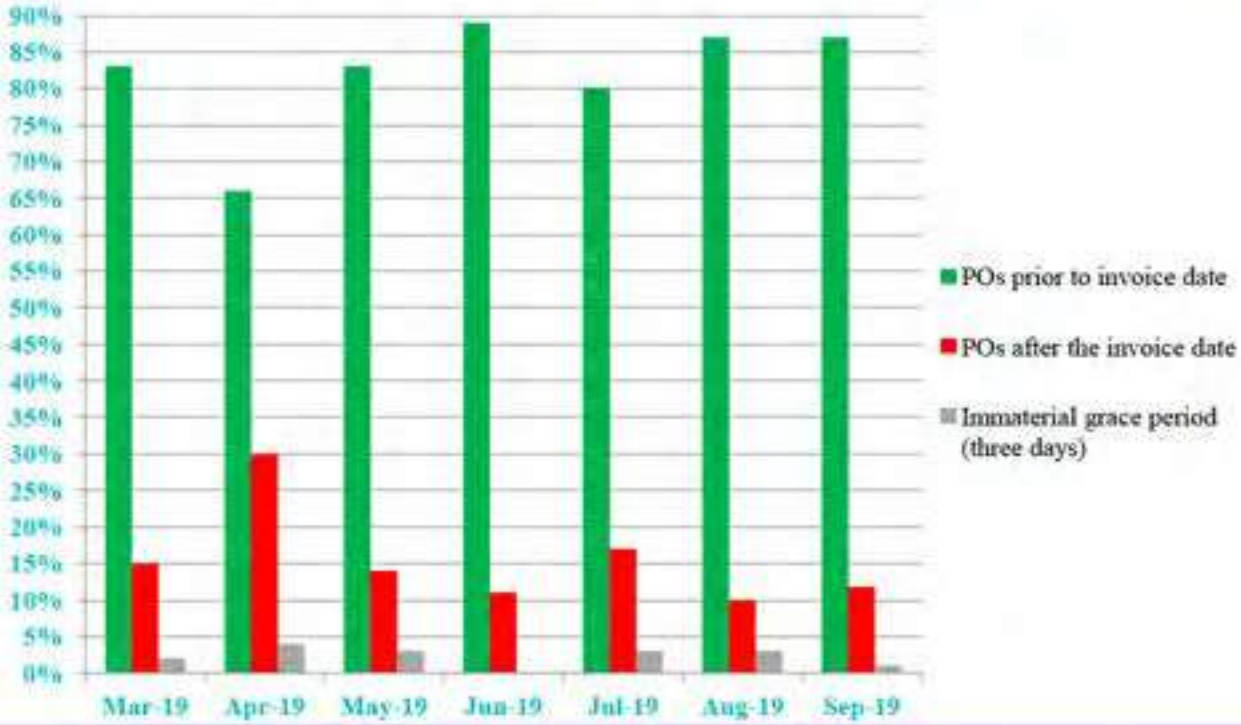


RTÉ

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	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
POs prior to invoice date	83%	66%	83%	89%	80%	87%	87%
POs after the invoice date	15%	30%	14%	11%	17%	10%	12%
Immaterial grace period (three days)	2%	4%	3%	0%	3%	3%	1%
Total	100%	100%	100%	100%	100%	100%	100%

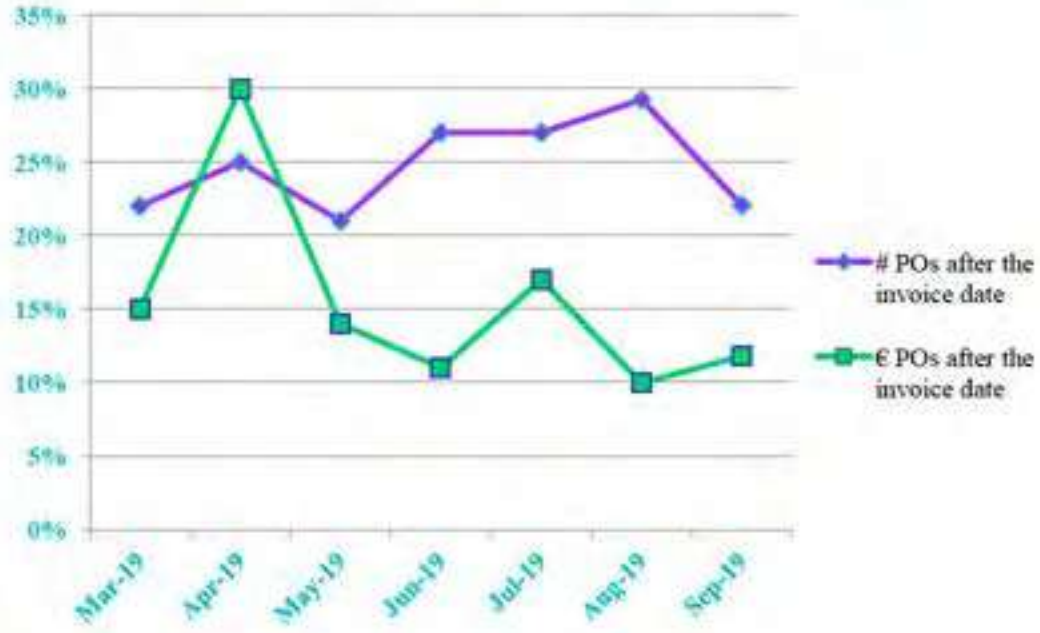


RTÉ

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	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
# POs after the invoice date	22%	25%	21%	27%	27%	29%	22%
€ POs after the invoice date	15%	30%	14%	11%	17%	10%	12%



RTÉ

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)	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
[redacted]	18	11	6	8	29	10	13
	9	16	7	11	7	4	12
	5	1	4	8	5	15	10
	6	1	10	10	5	5	7
	5	4	2	6	5	4	6
	4	2	5	2	3	2	6
	8	1	6	7	4	5	5
	1	1	3	1	6	2	5
	1	1	0	7	2	7	4
	5	4	10	8	1	7	3
	2	2	3	1	3	5	3
	8	7	6	1	6	4	2
	5	0	4	3	5	8	2
	0	2	4	3	2	9	0
	4	0	1	1	3	7	1
Top 15 Manager Total	81	53	71	77	86	94	79
Top 15 Manager % of Total Late POs	51%	47%	51%	48%	51%	61%	65%
Other Managers > 3 late POs	30	20	23	44	55	20	8
Managers with < 3 late POs	49	39	46	41	27	39	35
Total Late POs	160	112	140	162	168	153	122

RTÉ

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	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Content - RTÉ	33%	20%	26%	34%	29%	41%	35%
Operations - RTÉ	34%	39%	30%	27%	37%	27%	34%
Audience, Channel & Marketing - RTÉ	6%	11%	9%	10%	10%	9%	9%
Central Services - RTE	4%	3%	9%	7%	5%	7%	7%
Network - RNL	4%	7%	6%	4%	5%	3%	7%
News - RTE	3%	4%	4%	4%	4%	3%	4%
Commercial - CEL	6%	8%	3%	4%	4%	3%	3%
Technology - RTÉ	1%	3%	2%	1%	5%	1%	2%
Commercial - RTÉ	2%	2%	1%	1%	0%	1%	0%
Finance - RTÉ	3%	4%	9%	2%	1%	1%	0%
Human Resources - RTÉ	3%	1%	0%	2%	0%	5%	0%
Content - IPU	0%	0%	3%	3%	0%	0%	0%
Commercial - RTÉ Music	0%	0%	1%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%

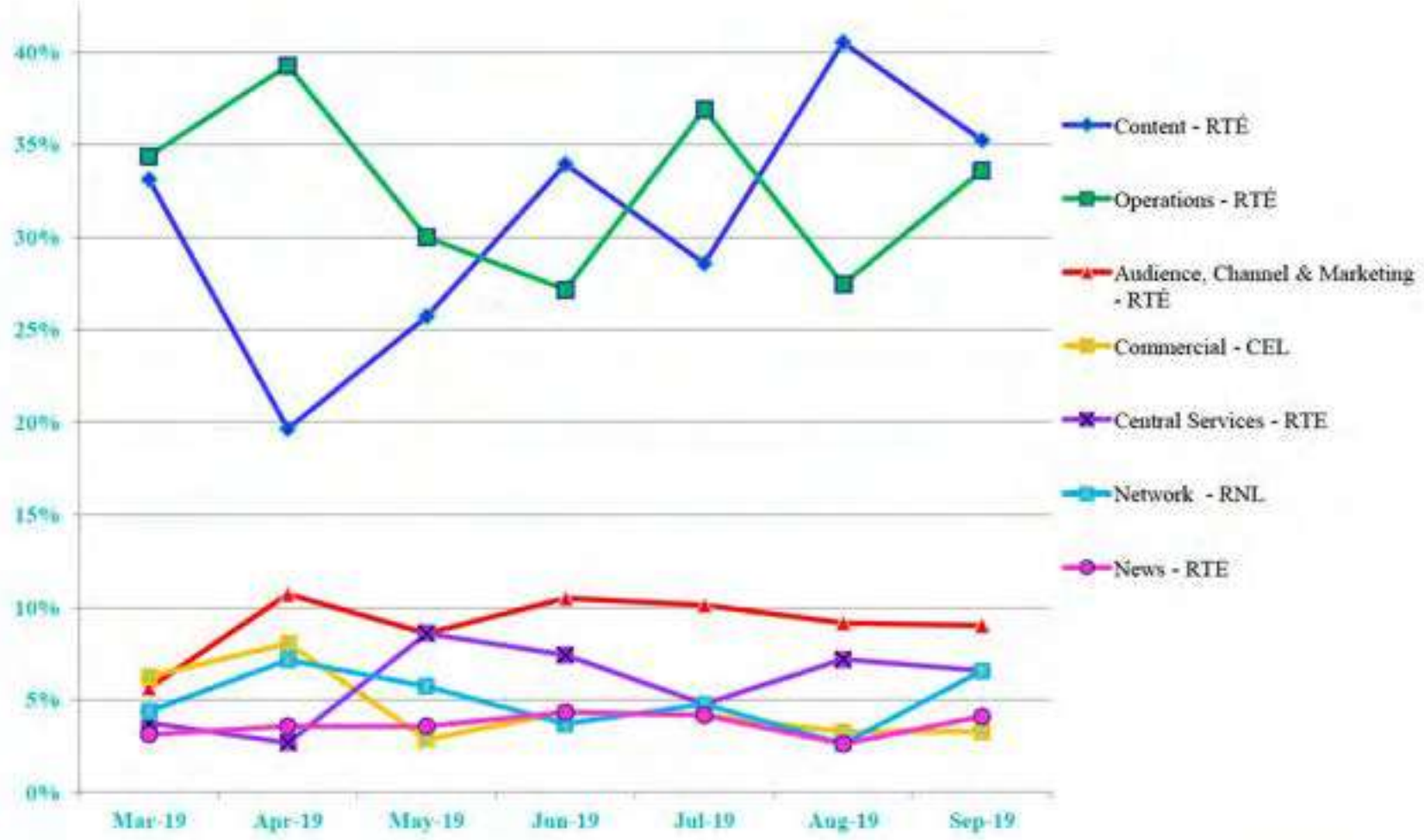
Audit Key

Red %	Denotes deterioration or static movement in the percentage of late POs from prior month.
Orange %	Denotes improvement in the percentage of late POs from prior month.
Green %	Denotes no late POs.

RTÉ

Findings

3a) Late PO by Division Summary - % of Late All POs Continued



RTÉ

Findings

3b) Late PO by Division Summary - % All POs Issued in that Division

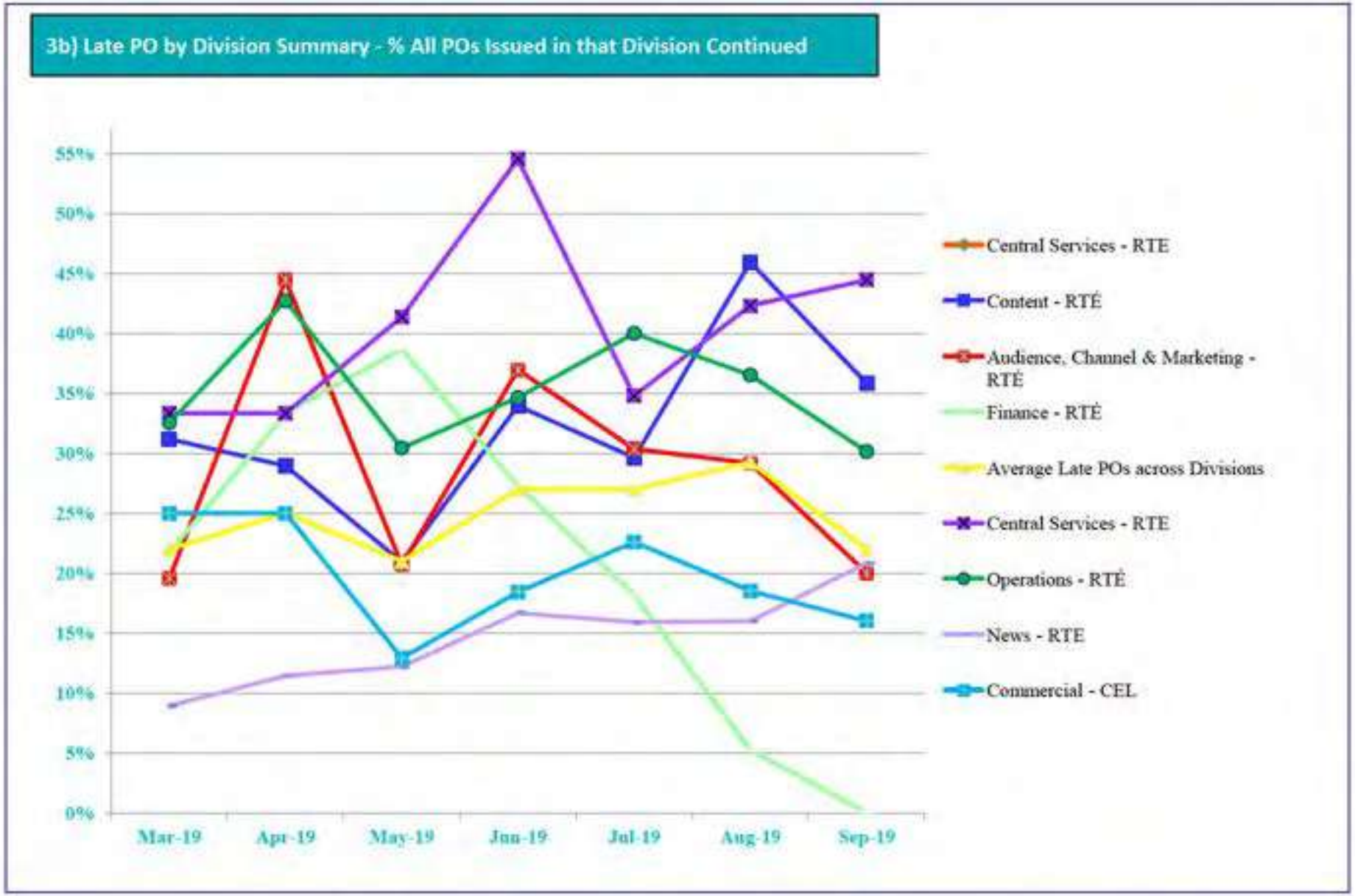
Late POs by Division Summary (% All POs Issued in that Division)							
	Previously Reported	Current Period Under Review					
Division	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Central Services - RTE	33%	33%	41%	55%	35%	42%	44%
Content - RTÉ	31%	29%	21%	34%	30%	46%	36%
Operations - RTÉ	33%	43%	30%	35%	40%	37%	30%
News - RTE	9%	11%	12%	17%	16%	16%	21%
Audience, Channel & Marketing - RTÉ	20%	44%	21%	37%	30%	29%	20%
Commercial - CEL	25%	25%	13%	18%	23%	19%	16%
Network - RNL	11%	14%	14%	10%	13%	11%	11%
Technology - RTÉ	7%	16%	12%	9%	32%	9%	8%
Finance - RTÉ	22%	33%	39%	27%	18%	5%	0%
Human Resources - RTÉ	45%	11%	0%	23%	0%	54%	0%
Commercial - RTÉ	13%	25%	10%	11%	0%	13%	0%
Content - IPU	0%	0%	6%	9%	0%	0%	0%
Average Late POs across Divisions	22%	25%	21%	27%	27%	29%	22%

Audit Key

Red %	Denotes deterioration or static movement in the percentage of late POs from prior month.
Orange %	Denotes improvement in the percentage of late POs from prior month.
Green %	Denotes no late POs.

RTÉ

Findings


3b) Late PO by Division Summary - % All POs Issued in that Division Continued
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Mar-19
Apr-19
May-19
Jun-19
Jul-19
Aug-19
Sep-19
Central Services - RTE
Content - RTÉ
Audience, Channel & Marketing - RTÉ
Finance - RTÉ
Average Late POs across Divisions
Central Services - RTE
Operations - RTÉ
News - RTE
Commercial - CEL

Conclusion

Conclusion

Improvements have been made to the Purchase Order Process since the last formal audit, as the late PO percentages have decreased since then (***32%: Dec 2018***). However, the level of late POs remains high, in particular given the exclusions we have applied to our scope. Currently ***over 20%*** of the total invoices received, representing ***over 10%*** 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 have been working to address the late PO issue. On a monthly basis, and in conjunction with IA, reviews are completed. Due to staff shortages, this review has not been completed since May 2019. Given this fact and that the results at the end of 30 September 2019 have not deteriorated, 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

Review of Tendering Procedures

9 September 2015

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

***Purchasing*:**

[redacted]

Objectives and Scope

Background

Introduction
It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. As a public body, RTÉ is obliged to comply with public procurement guidelines. This provides for formal tendering at national and EU level, depending on the threshold levels of spend and other circumstances of the purchase.

In addition, a competitive process carried out in an open, objective and transparent manner can achieve best value for money in public procurement. Compliance with National and EU procurement guidelines also assist in ensuring that procurement activity is undertaken honestly and fairly, while upholding high standards of integrity. These guidelines also set a standard for good business practice and financial control in the procurement function.

National and EU Tendering Procedures
In late 2010 the National Public Procurement Policy Unit of the Department of Finance issued an updated version of *Public Procurement Guidelines – Competitive Process*. This document sets out steps to be followed in conducting an appropriate competitive process under EU and national rules. The EU threshold values were last revised on 1 January 2014. Further explanatory guidance is posted on the eTenders website from time to time.

Three new Directives have been issued by the European Commission in respect of Public Procurement. These Directives have not yet been transposed into National Law in Ireland. Updated legislation is awaited and must be in place by 18 April 2016.

The *Code of Practice for the Governance of State Bodies* also identifies procurement as one of a number of activities requiring special attention in promoting good corporate governance.

Objective

The objective of the audit was to establish whether a competitive tender was undertaken for a sample of suppliers to RTÉ, in circumstances as required by Public Procurement Guidelines.

Scope

The scope of our review was organisation wide, based on an analysis of spend by supplier in the calendar year 2014. This time period allowed for a sufficient period of time after the completion of the audit to check if a tender was subsequently undertaken. The audit involved:

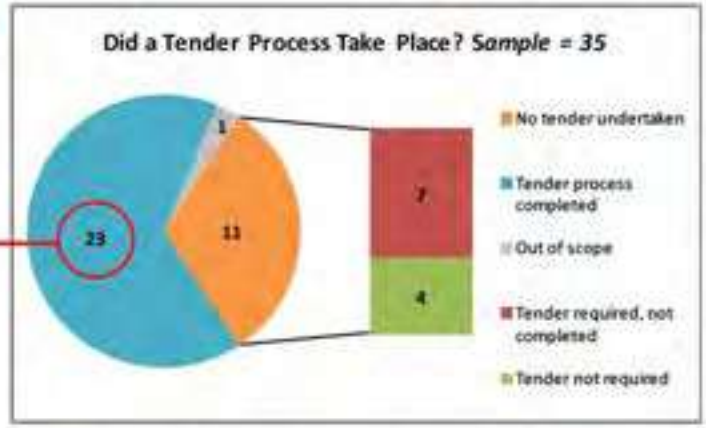
- ✓ Selecting a focused sample of 35 suppliers at different levels of spend, focusing in particular on spend just below threshold levels where different tendering procedures are applied;
- ✓ Contacting the contracting Line Manager to ascertain, for the 35 suppliers, if a tender was undertaken in circumstances where this was required;
- ✓ In instances where a tender took place, checking that the tender was carried out in an appropriate manner from the request for tender stage through to the evaluation process and, eventually, the contract award;
- ✓ Confirming the validity of not undertaking a tender, in those circumstances where a tender did not take place; and
- ✓ Reviewing the filing and documentation procedures.

The scope did <u>not</u> include:

- X IPU, sports rights, programme acquisitions and certain programme purchases covered under alternative tender arrangements. These are covered as part of separate audits.

Summary Findings

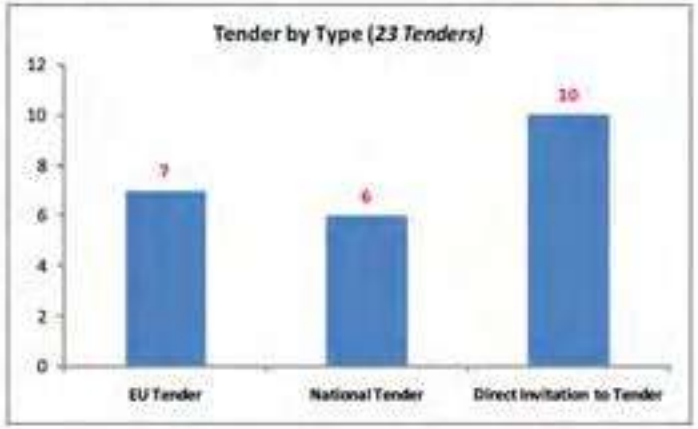
A



See Appendix B for the financial context to the above findings, analysed by full year spend.

B

To further analyse the 23 cases in which a tender process was completed, the chart below provides a summary of tenders by type:



Extent of Tendering undertaken:

Some form of competitive tender was carried out for 23 of the suppliers in the sample. (One of the sample, an Independent Radio Production, is out of scope and an alternative tendering approach is followed).

No tender process occurred in **11 cases** in our sample:

- A competitive tender should have taken place for **seven (64%)** of these suppliers.
- In many cases, these are legacy suppliers who continue to be used by RTÉ. As the level of spend has increased, a formal tendering process is needed. RTÉ is therefore exposed in that other suppliers could argue that they were not afforded the opportunity to tender for the work / service.
- There was a valid reason for not undertaking a competitive tender in the other **four (36%)** cases.

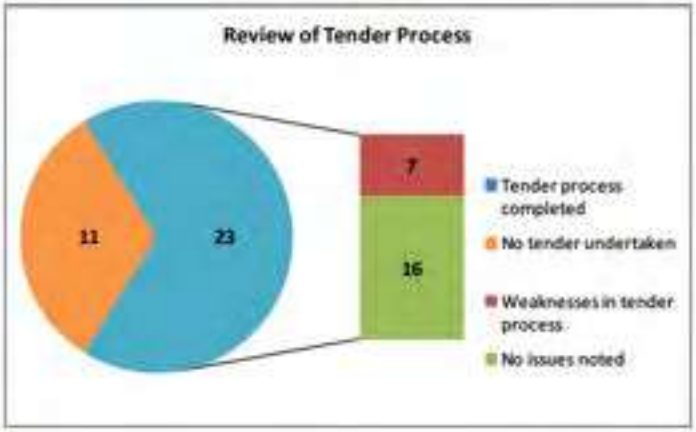
Tender by type:

In addition to a full National or EU tender, Public Procurement rules also provide that an alternative, more restricted, direct invitation to tender may be undertaken in certain circumstances.

Direct Invitation arises in circumstances such as a unique supply, preferred supplier in place, etc.

Summary Findings (Cont'd)

C



Review of Tender process:

Where competitive tendering took place, we reviewed the tender files in order to ascertain if the tender process was carried out and documented in an appropriate manner.

- We noted weaknesses in the tender process in the case of **seven (30%)** of the tenders.
- No issues were noted for **16 (70%)** of the sample.

The weaknesses relate to matters such as documentation and filing or, in two cases, the type of tender process followed. Weaknesses are more likely to arise in the case of a direct invitation to tender process.

D ***Other matters***

Reasons for Audit Exceptions:

We have attempted to identify possible reasons for the audit exceptions outlined in the charts above. In excess of a third of the reasons may be attributed to a lack of awareness and training matters. In a further 20% of cases, all documentation and filing exceptions, the issue may be directly traced to the departure/retirement of an individual, accompanied by poor handover procedures and / or filing.

In the remaining cases (43%) we can find no mitigating circumstances as to why the correct procedures were not followed. Convenience and familiarity with the existing approach may have been a factor in not initiating a new tender process, where required.

Audit Sample:

The audit sample was a focused random sample, determined after interrogation of the full population of data and focusing on specific categories of expenditure and risk areas. Caution should therefore be exercised in attempting to rigidly extrapolate these overall results to all RTÉ suppliers. However, the findings have relevance to the full population and it is prudent to conclude that the risk of similar issues occurring across the full population is high. Action is therefore necessary to address the findings.

Key Issues

Key Management Issues

Tenders not Undertaken

In seven cases, a competitive tender was not carried out in circumstances when one would be expected, given the level and the nature of the expenditure. The issue of particular concern is reputation risk: RTÉ is not in a position to demonstrate openness and transparency in the procurement process, in the event of a challenge by a third party. Actions had taken place to promote value for money in many of these cases. However, in the absence of a tender, it is difficult to verify that best value for money has been secured.

Weaknesses in Tender Process

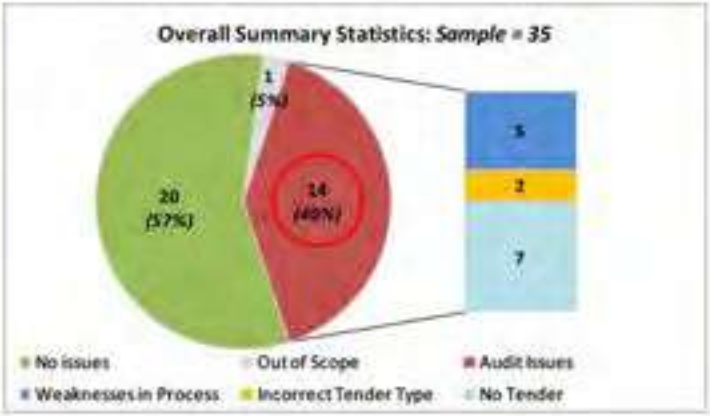
We identified a number of cases where a direct invitation to tender process continued to be followed when a national tender was required. Some tender documentation / files (e.g. score-sheets evidencing the tender evaluation process) were not available for inspection in a number of cases.

Training and Awareness

There is also scope to carry out "refresher" training focusing on the tender procedures at National and EU level. This is relevant given the organisational changes over recent years and individuals, not formerly involved in purchasing, moving to new job roles which involve responsibility for the purchasing of goods and services.

Overall Conclusion

Overall Conclusion



Summary Audit Result:

Consolidating all the weaknesses summarised in A and C earlier, we noted audit issues with **14 (40%)** of the sample of suppliers reviewed as part of this audit.

- 50% of these issues relate to circumstances where a tender did not take place. This represents a risk in terms of securing value for money, increases compliance risk and also creates a further risk of reputation damage.
- The remaining 50% of issues arose in cases where some form of tendering had occurred. This represents a compliance risk and, to a lesser extent, also increases the risk of reputation damage.

It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances for adopting a different approach. Public Procurement Guidelines set-out the approach to be followed for contracts of different threshold values, with contracts for purchases in excess of €207,000 subject to EU Public Procurement Directives.

A number of issues were identified during the course of the audit including a tender not being carried out in circumstances when one would be expected. We also identified a small number of circumstances where the incorrect type of tender was undertaken and other process / documentation weaknesses. Actions have been agreed to address these matters. The audit is rated "unsatisfactory" given the high potential reputation risk involved, and taking into account the number of issues identified. The audit rating has deteriorated since the last audit report in 2012. Given the relatively small sample size, and the lowering in the thresholds from €50k to €25k for a National Tender in the period since the last audit, we are cautious to draw any significant conclusions in the differences in the audit rating from one audit to the next. The fall in the threshold is a key factor giving rise to the difference in rating.

Ongoing vigilance is needed in this area, particularly given the extensive use of restricted tendering, which itself creates a higher risk. As a result, we propose to revisit this area again in our Audit Plan for 2016.

We appreciate the assistance received from purchasing and the relevant staff in the divisions during the course of this audit.

Rating

UNSATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Results of Audit				
1.	**No Tender Undertaken** A sample of 35 suppliers was selected as part of the audit. Of the 35 suppliers, a competitive tender was carried out for 23. One of our sample, an Independent Radio Production, is out of scope and an alternative tendering approach is followed. No tender process occurred in the remaining 11 (32%) cases in our sample. • A tender should have taken place for **seven (64%)** of the 11 suppliers. The spend for these suppliers ranged from €22k to €830k (excluding VAT) for the year ended 31 December 2014. These suppliers can be analysed, by type of service, as follows: Production Equipment 1 Hospitality 1 Painting & Design Services 4 Production Personnel 1 **7** • In many cases, these are legacy suppliers who continue to be used by RTÉ. As the level of spend has increased, a formal tendering process is needed. The suppliers also continue to be engaged on a recurring basis for a similar service. As a result, the total value of the contract is, or will be, above EU Threshold level in many cases. • RTÉ is therefore exposed in that other suppliers could argue that they were not afforded the opportunity to tender for	Agreed. [redacted] Agreed. Central Purchasing have already met with TV, News & Current Affairs and 2rn in reviewing the Top 10 suppliers. Further meetings are planned with other IBDs. A quarterly review meeting will take place between each IBD nominated individual and Purchasing once the initial set-up stages are complete. In some cases, this initiative will extend to covering the category of service (e.g. subtitling, set design) and not just the supplier in the Top 10. [redacted]	The relevant Purchasing Line Managers for the seven suppliers will be asked to liaise with Purchasing as regards the tendering options. The services outlined will be subject to the necessary competitive tender to ensure compliance with Public Procurement Guidelines. Purchasing is in the process of identifying the Top 10 suppliers of products / services to each IBD and to the RTÉ group. A named individual will be responsible for managing the supplier relationship and for all tendering and related matters. This initiative will help identify issues, especially with large legacy suppliers, and is expected to cover approximately 70% of spend via the procurement process. This project will be rolled out gradually and will continue into 2016. Purchasing will engage with the nominated individuals, with quarterly meetings taking place.	H M	[redacted] Line Managers 31 October 2015 [redacted] 31 March 2016

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	the work / service. The issue is one of reputation damage and compliance with Public Procurement Guidelines. In addition, there is a risk that full value for money is not being secured. We noted examples of lower price being negotiated and cost is a key consideration among Managers. However, the process underpinning the engagement is not formal in all cases. • There was a valid reason for not undertaking a competitive tender in the other **four (36%)** cases.				
2.	**<u>Tender Undertaken</u>** In the 23 cases where competitive tendering took place, the tender files were reviewed in order to ascertain if the tender process was carried out and documented in an appropriate manner. We noted weaknesses in the tender process in the case of **seven (30%)** of these tenders. • Three of the weaknesses relate to insufficient <u>documentation and filing</u> in place to evidence the tender process. Some paperwork requested as part of the audit (e.g. the criteria used in the evaluation and the scoring sheets) was not available for inspection. • Two of the weaknesses relate to the incorrect <u>tender type</u> being used. ➢ In one case a direct invitation to tender was not the most appropriate process to follow under the Public Procurement Guidelines, given the value of the contract	Agreed. The three cases where documentation and filing were not available are older tenders. ([redacted]	Where the finding relates to the scope or type of tender undertaken, the Purchasing Line Managers will be asked to liaise with Purchasing as regards the tendering options. To overcome the risk of poor filing locally, or the risk of files being mislaid following the departure of staff members, a copy of the scorecards / evaluation sheets and the names of the members of the evaluation team will be sent to Central Purchasing for filing in the central files maintained by purchasing. This will ensure that a copy is retained centrally in the event of any future inspection, in addition to the original tender files retained locally. The Procurement Manager will develop a training programme having regard for when training was last conducted in each	H	[redacted] Line Managers 31 October 2015 [redacted] Line Managers 31 October 2015 [redacted] 31 December and ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	and the nature of the service. ➢ In another case, a direct invitation was followed based on a legacy internal preferred supplier list. However, a new competitive process needs to take place, in the first instance, to establish a preferred supplier list. • An excessively restricted scope was followed in two further cases, in that not all potential spend was captured in the direct invitation process. For example, the maintenance aspect of a contract was not tendered even though the underlying equipment is subject to direct invitation. We estimate that the departure of staff and lack of awareness of the procurement rules account for nearly 60% of the audit issues. However, there are no mitigating circumstances for the remaining issues.		area – see finding #4. A reminder will be issued to relevant personnel of the importance of adhering to the thresholds and rules set out Public Procurement Guidelines.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	**Direct Invitation to Tender and involvement of Central Purchasing** *Background* A direct invitation to tender generally arises in the case of a specialised project, or unique broadcasting services, where there are a limited number of suppliers or service providers in the market. It could also occur where there is an existing preferred supplier arrangement in place or where the supply is linked to an existing contract (e.g. maintenance of an IT system). Finally, if the value of the contract is low, written quotes to a number of suppliers will suffice. 10 of the 23 tenders tested (43%) as part of this audit were completed by direct invitation to tender process, for the following reasons: 	Agreed – by engaging in a direct invitation to tender procedure and not liaising with Central Purchasing for guidance poses a higher risk. [redacted]	The relevant Line Managers will be reminded of the circumstances during which a direct invitation to tender is appropriately used and of the associated risks. See action # 4. Line Manager will be asked to seek more involvement and advice from Central Purchasing before engaging with suppliers in a direct invitation to tender arrangement.	H	[redacted] 31 October 2015 [redacted] 31 October 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Finding The following was noted during testing: • Use of a direct invitation to tender process is extensive across RTÉ divisions. • The decision on the appropriateness of a direct invitation to tender is often made locally by the Line Manager in question, without sufficient involvement / direction from Central Purchasing. The Central Purchasing team is reliant on the Line Managers to inform them of purchasing activity which may give rise to a tender. • Audit issues arose with **40%** of the direct invitation to tenders reviewed. In a further 20% of cases, the spend continued throughout 2015 and it will shortly be necessary to regularise the process via a more formal (National or EU) tender. • Preferred supplier lists are not being updated regularly. In addition, some of the audit exceptions arise in circumstances where "informal" preferred supplier lists have been established. The list should be established via a National Competition and re-run regularly to check on new entrants in the market. • By its nature, the direct invitation to tender process creates additional risk in terms of the following not being considered appropriately: - Insurance Cover - Terms and Conditions in the contract				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	- Payment terms • On occasions, the preferred supplier list operates in a manner such different types of work are allocated to the most appropriate supplier, rather than offering all work to all suppliers on the list as contracts arise. • While the tender process selected may have been compliant with purchasing regulations at that time, it may now be timely to explore alternative tendering options, given the change in regulation. It is important that ongoing vigilance is exercised to ensure that it remains appropriate to carry out a direct invitation to tender given the higher risk that buyers simply follow a direct invitation process for reasons of convenience and familiarity with the supplier. Direct invitations to tender have a higher risk profile and it is a cause of concern that such a large proportion of tendering takes place in this way.				
	Process / Other Observations				
4.	**Training and Awareness** It is important to ensure that buyers across RTÉ are aware of the circumstances when competitive tendering should take place and when Central Purchasing needs to be involved in the process. Consideration should be given to carrying out a training session for buyers to emphasise key aspects of the process such as: • tender procedures (open versus restricted) and current	Agreed. This was under consideration and planning by Central Purchasing but delayed due to resourcing issues. Training has taken place in some areas but more is required and to a wider audience. Training sessions have already been undertaken with Senior	Plans will be drawn up to carry out a number of internal briefing / training sessions for buyers to inform them of any changes to the Public Procurement Guidelines and to provide a reminder of RTÉ policy in this area. These sessions will also address the area of documentation and paperwork.	M	[redacted] Commence prior to 30 November 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	thresholds; • appropriate use of Direct Invitation to Tender; • evaluation process; and • documentation and paperwork. It is also important to emphasise to buyers that value for money is not the sole factor to consider when purchasing. The need for compliance with the fundamental principles of EU law, namely objectivity, transparency, fairness and equality of treatment are equally as important. Future training will also be an opportunity to provide an update on the new European Directives.	Managers in Digital. Also, the Procurement Manager meets with Technology via monthly meetings to discuss Tendering procedures. The organisation of External training sessions offered by Legal firms is also in train. One such session has taken place to date. ([redacted]			
5.	**<u>Review of Orders > €10,000</u>** *Background* Purchase Orders (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. *Central Purchasing* All POs above €10,000 are routed to Central Purchasing in addition to approval by the Costpool Manager, Senior Manager, IBD FD and IBD MD. (Other approval steps may also apply for larger POs.) The Central Purchasing approval step is intended to act as a check to ensure tendering procedures too place.	Agreed. A review of the overall existing procurement structure will be undertaken. [redacted]	A review of the Procurement structure will take place to identify the scope for improvements.	M	[redacted]d 31 December 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Finding 1,469 POs with a value greater than (or equal to) €10,000 were processed during 2014. In addition, the information to check if a tender has taken place is not held in a central repository. While Central Purchasing logs tenders undertaken centrally, a direct invitation to tender process is managed locally. Given the large number of POs involved, and the absence of centrally accessible records of tenders, the Central Purchasing control check of POs above €10,000 therefore has limited effectiveness, in practice, as a control check. The finance teams locally are in a good position to support Central Purchasing's oversight of compliance.				

RTÉ

Implementation of Actions in Internal Audit Reports: Status Update Report

Peadar Faherty, 14 September 2018

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

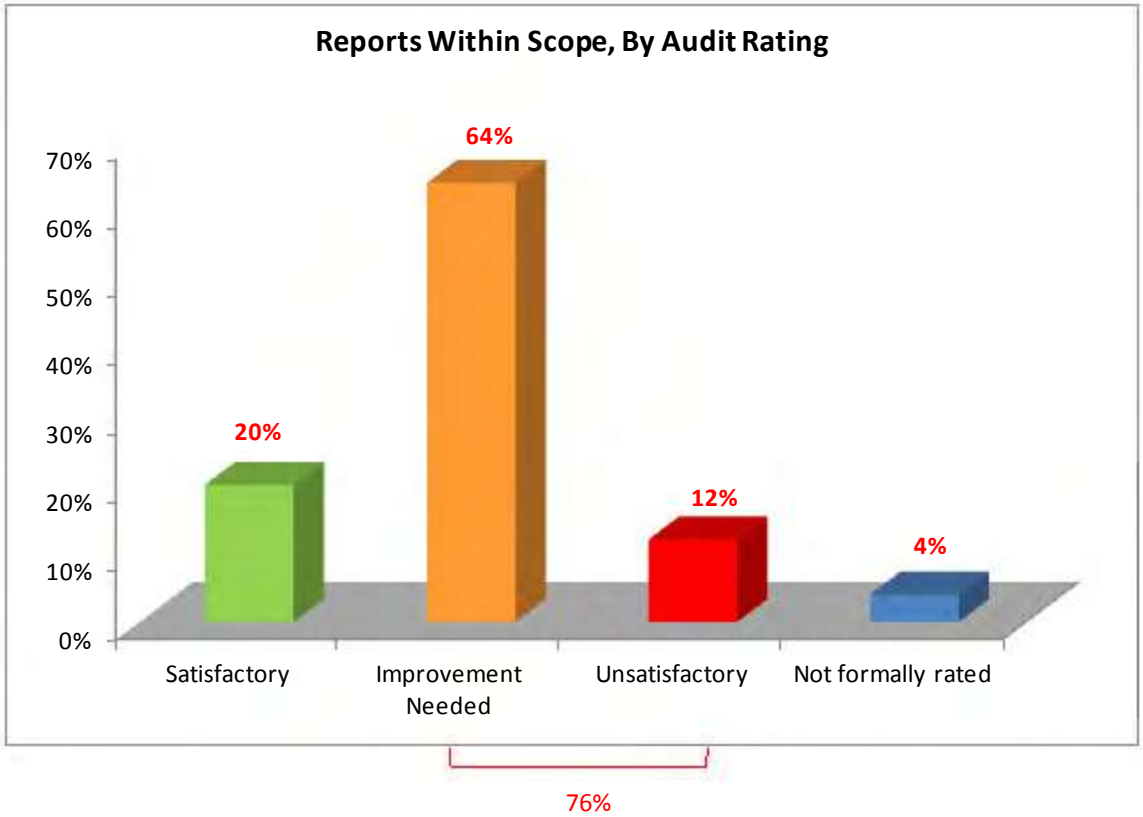
- We last checked on progress in implementing actions in early 2018. That review included many historic actions and was based on the organisation structures in place prior to the October 2017 restructuring.

- This is a follow-on from that 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 2018.

- 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:

(25 open reports, across circa three years)



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.

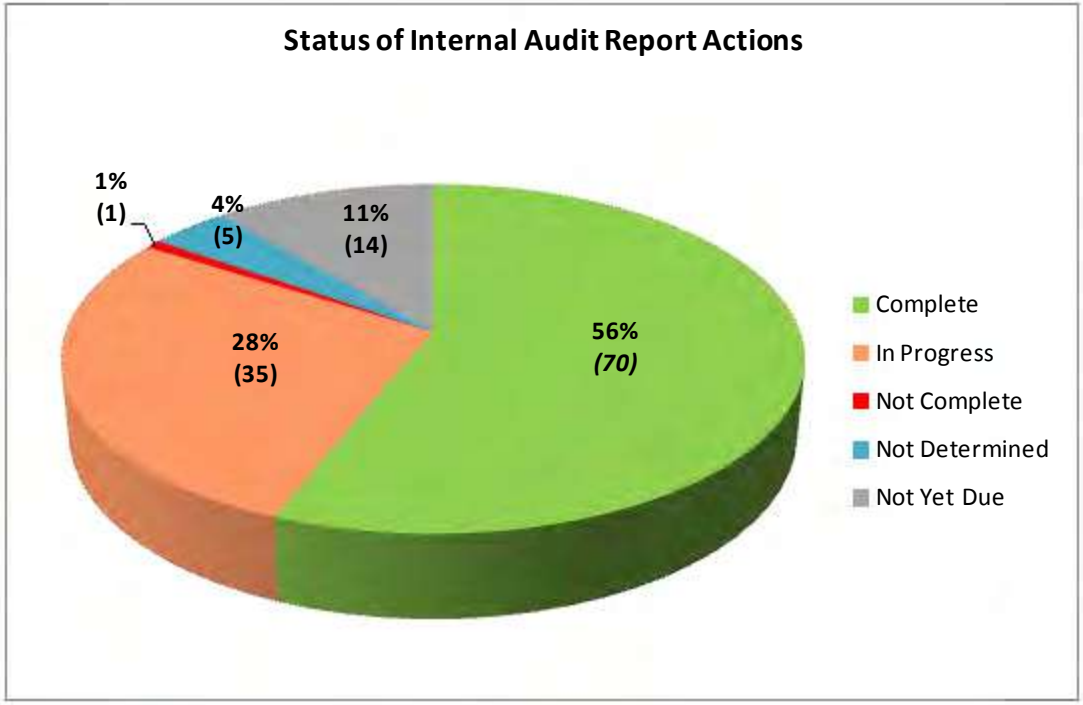
Improvement Needed: While some controls are functioning as intended, the overall control environment is lacking or has degraded since the last audit. Improvements in control are therefore necessary for one or more medium risk areas. The report contains a number of re-occurring findings / control weaknesses. 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).

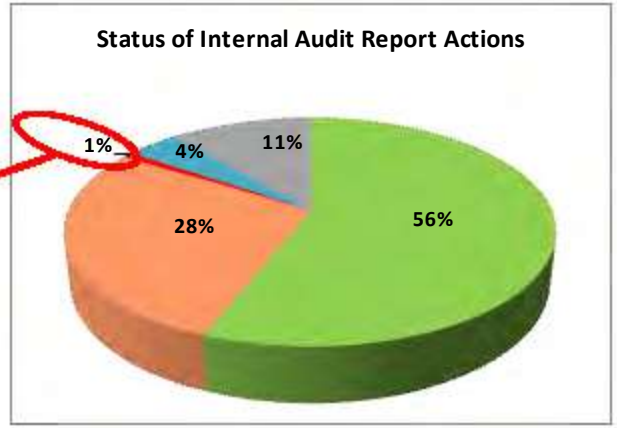
The general control environment requires an immediate improvement. Objectives are not being met, or are being met without achieving value for money.

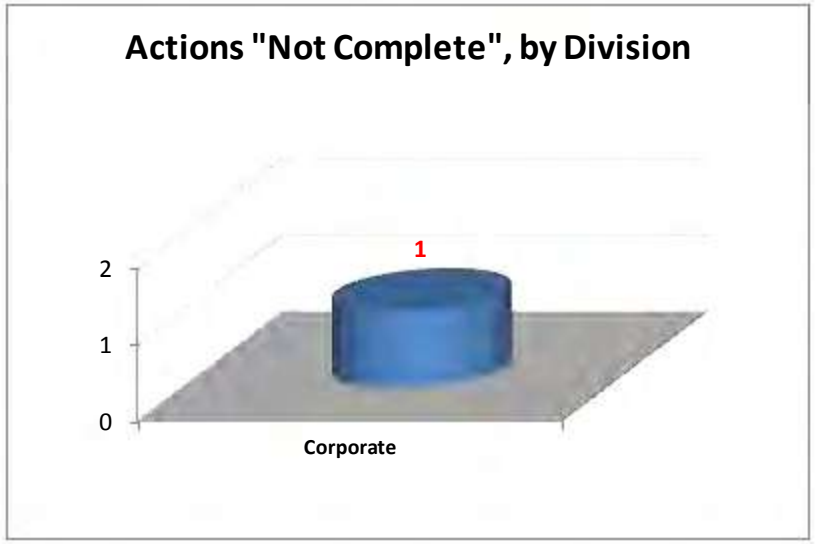
Status of Actions (Early September 2018)



Analysis of Actions "Not Complete"

*Population = **1** action, across 1 report*





[Priority is sub-analysed further in the blue text overleaf]

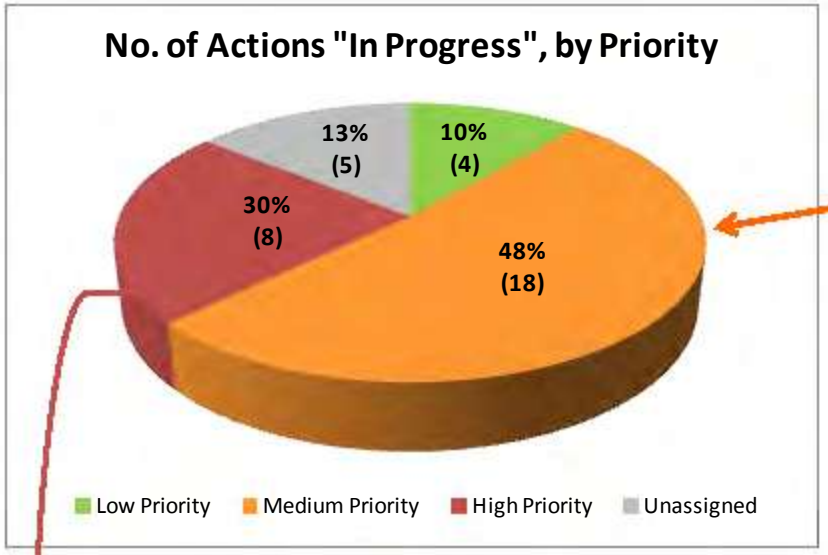
RTÉ

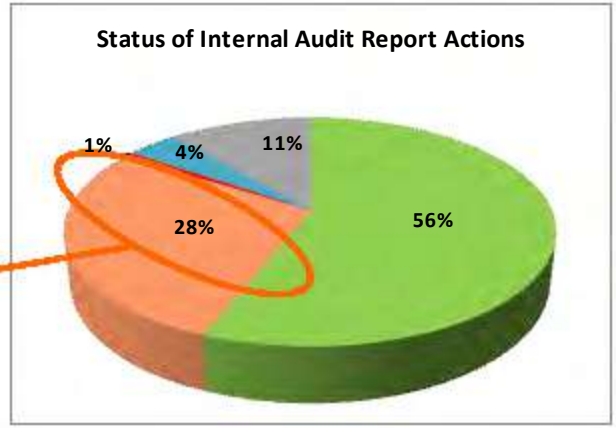
Analysis of Actions "Not Complete"

No. Actions	No. Reports	Area	Summary
1	1	Finance / HR	RTÉ Travel Policy – update policy *[M priority]*
1	***1***		

Analysis of Actions "In Progress"

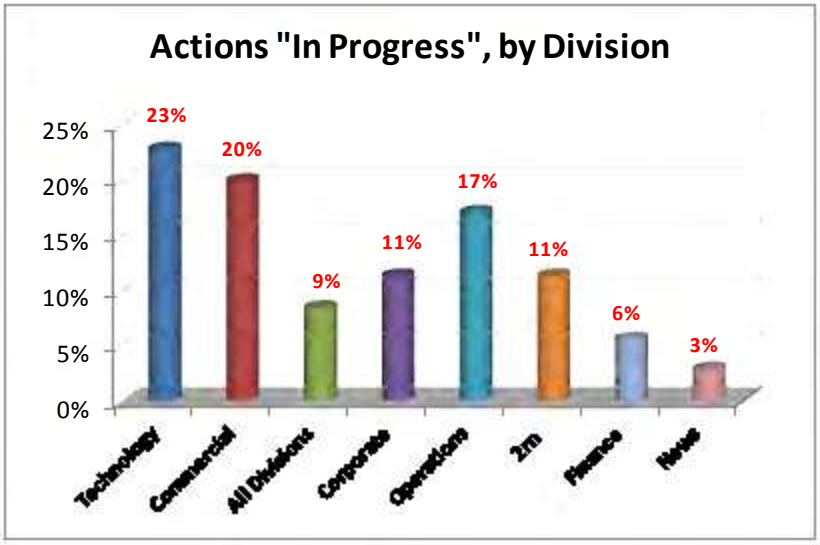
Population = 35 action items, across 18 Internal Audit reports





[Priority is sub-analysed further in the blue text overleaf]

8 'H' = 5 x tendering related actions, in progress; 3 x technology actions, linked to new system implementation

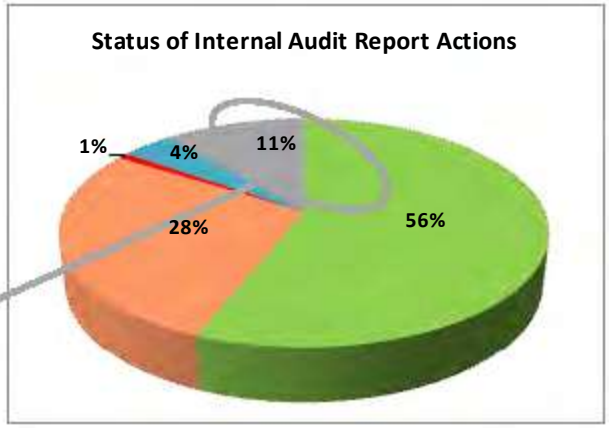


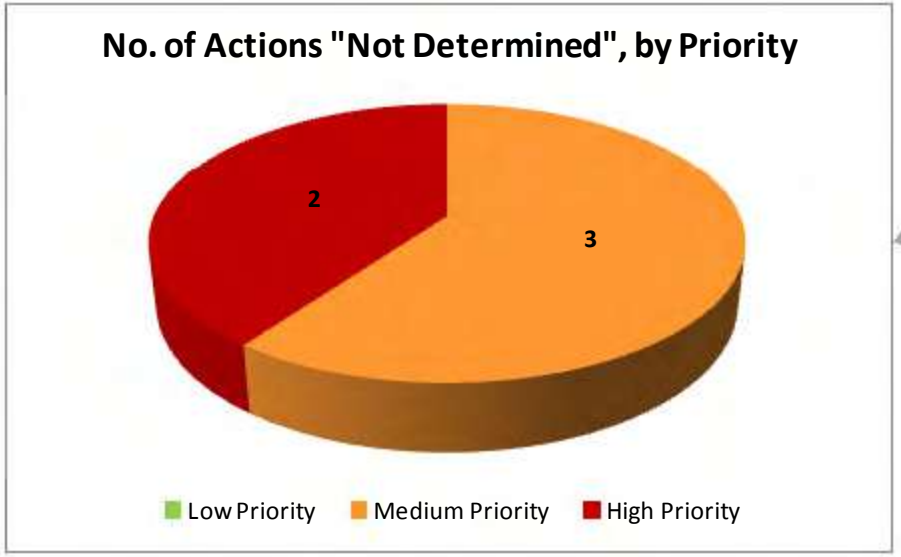
RTÉ

Analysis of Actions "In Progress"

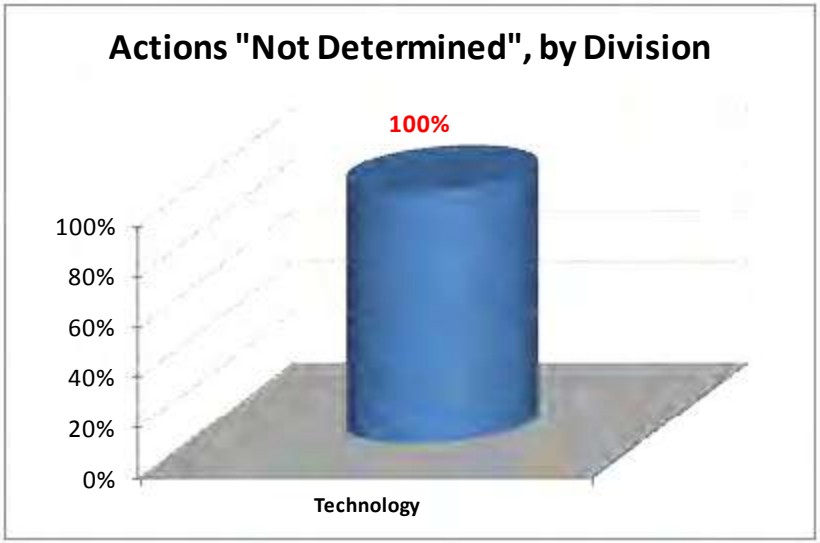
No. Actions	No. Reports	Area	Summary
8	4	Technology	• Cyber Controls Assessment *[1 x 'H']* • Backup Arrangements *[2 x 'M']* • IT & Data Privacy RTÉ ID database *[2 x 'H' & 2 x 'M']* • Purchasing Compliance (System Issue) *[1 x 'M']*
8	3	Commercial	• Commercial Revenue & Regulation *[5 x 'M']* • Music Reporting *[2 x 'M']* • Premium Rate Competitions *[1 x 'L']*
3	1	Cross-Divisional	• Media services contract (Vizeum): 3 actions *[N/A]*
4	4	Corporate	• Review of Payroll *[1 x 'M']* • Insurance Arrangements *[1 x 'M']* • Tendering Procedures *[1 x 'M']* • Mobile Devices *[1 x 'L']*
12	6	Other	• Tendering related actions *[4x 'H' & 1 x 'M']* • 2rn x 4 – Contract sign-off and GDPR *[1 x 'M' , 1 x 'L'& 2 x N/A]* • Finance *[1 x 'M' & 1 x 'L']* • News *[1 x 'H']*
35	***18***		

Analysis of Actions "Not Determined"





[Priority is sub-analysed further in the blue text overleaf]



RTÉ

Analysis of Actions "Not Determined"

No. Actions	No. Reports	Area	Summary
5	1	Technology	• Matters relating to back-up arrangements *[2 x 'H' & 3 x 'M']*
5	**1**		

Conclusion

- This review includes a number of recently issued audit reports. 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

- In summary, progress has been made in implementing the actions, with the 56% of actions now complete. A majority of the 28% actions in progress are at an advanced stage of completion
  - Eight high-priority actions in progress will be monitored, in particular, as part of the next review. A majority relate to tendering activities

- Themes – the open actions are spread across 19 report and there is no single reason for non-completion. A small number of general common themes are set-out overleaf

RTÉ

- Themes (continued)
  - Tendering: a number of tenders are in progress and the action remains open until the tender is complete. This accounts for in excess of a quarter of open items
  - 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
    - 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.
  - 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 in late 2018. They are in progress and assigned to a new owner
  - Various other matters

Next Steps

- The actions from Internal Audit reports to be issued later in 2018 will be added to the log.

- A further update report on the status of implementing actions will be prepared later in 2018.

Note: This was not delivered as a traditional internal audit report. The deliverable was the achievement of the Mark and the earlier preparation for the NSAI audit process. The two updates to the ARC are summarixed here.

2 INTERNAL AUDIT REPORTS

2.2 THE BUSINESS WORKING RESPONSIBLY MARK

Background

The Business Working Responsibly Mark ("the Mark") is the only independently audited standard for Corporate Social Responsibility ("CSR") and Sustainability in Ireland. The Mark is audited by the National Standards Authority of Ireland ("NSAI") and based on ISO26000 (Social Responsibility). It provides external recognition for organisations who are strong in responsible business practice.

RTÉ achieved the Mark in Spring 2017 and it is now due for renewal / recertification.

The Mark is accredited by Business in the Community Ireland ("BITC"). BITC is a leading adviser on Sustainability and CSR. Its purpose is to "inspire and enable businesses to bring about a sustainable, low carbon economy and a more inclusive society where everyone thrives". BITC provides access to best practices and supports businesses with practical management and monitoring systems.

Structure of the Mark

The Mark is a self-assessment questionnaire where the responses are independently verified by the NSAI. The questionnaire evaluates good practice of 22 Indicators across five CSR pillars covering:

- Governance;
- The Workplace;
- The Marketplace;
- The Environment; and
- The Community.

It is based on a comprehensive questionnaire which was developed with industry and stakeholder input. The structure of the questionnaire is set out overleaf. Each of the 22 indicators has approximately 12-15 questions.

Each of the 22 indicators noted above involve a detailed examination of Policy, Practice & Performance addressing the areas in the above image. For example, it is not sufficient to simply have a policy 'on the shelf'. It must be tracked with appropriate KPIs and implemented in practice. Please refer to the image below for further details on the evidence required.

Role of Internal Audit

Internal Audit has assisted management in compiling the questionnaire. The scope of the audit work involved:

- ✓ Reviewing and assessing all responses to the 22 indicators for completeness and accuracy and making amendments where required;
- ✓ Reviewing the feedback on RTÉ's 2017 submission to ensure that any areas identified as weaknesses in 2017 have been adequately covered;
- ✓ Checking the availability and suitability of source documents provided as evidence; and
- ✓ Reviewing and assessing the scoring provided to the 22 indicators for reasonableness and accuracy based on the scoring scheme used by BITC and making amendments where required.

This has also presented an opportunity for Internal Audit to evaluate controls in these areas and to identify any risk areas which need further attention.

Next Steps

RTÉ is submitting the evaluation questionnaire to BITC in the coming days. A formal audit by the NSAI will follow in due course. The Mark is awarded if organisations reach the 70% standard.

3.2 THE BUSINESS WORKING RESPONSIBLY MARK

Background

The Business Working Responsibly Mark ("the Mark") is the only independently audited standard for Corporate Social Responsibility ("CSR") and Sustainability in Ireland. The Mark is audited by the National Standards Authority of Ireland ("NSAI") and based on ISO26000 (Social Responsibility). The Mark is accredited by Business in the Community Ireland ("BITC").

It is based on a self-assessment questionnaire where the responses are independently verified by the NSAI. The questionnaire evaluates good practice in 22 processes (Indicators) across five CSR pillars covering:

Each of the 22 indicators has approximately 12-15 questions and involves a detailed examination of Policy, Practice & Performance.

RTÉ Recertification

RTÉ achieved the Mark in Spring 2017 and applied for mandatory recertification in 2020.

RTÉ was re-certified to the Business Working Responsibly Mark at a ceremony on 9 December 2020. An independent audit process took place a few months earlier.

Role of Internal Audit

As previously reported, Internal Audit assisted management in compiling the questionnaire prior to submission. This included reviewing and assessing the responses to the 22 indicators for completeness and accuracy and making amendments where required.

Subsequently, we provided further assistance to management in preparation for, and during, the NSAI external audit process. This included:

- ✓ Reviewing and assessing the scoring provided to the 22 indicators for reasonableness and accuracy based on the scoring scheme used by BITC.
- ✓ Identifying areas likely to generate queries or information requests.
- ✓ Attending meetings with the external auditor and dealing with queries.

3.3 [redacted]

[redacted]

[redacted]

[redacted]

RTÉ

Corporate Compliance and Fraud Framework Review

EY

Building a better working world

Agenda

1 Introduction

2 Context: Compliance and Integrity within an organisation

3 Overall assessment: current v target maturity

4 Detailed findings and recommendations

5 Next steps

6 Appendix A - Maturity ratings

1 Introduction

Introduction

At RTÉ, its reputation in the community, with the audience, with its regulators and with its employees is of paramount importance. In addition to the importance of maintaining a strong system of internal control, RTÉ also has reporting obligations under the *Code of Practice for the Governance of State Bodies*.

As part of the internal audit programme, this project has been commissioned to consider the current state of core compliance activities and opportunities for enhancement. The review has had a focus on fraud risk management.

Objectives and Scope of Review

- Assess the maturity of the corporate compliance framework in RTÉ by benchmarking against the EY maturity model (Appendix A)
- Identify a desired future state and activities to achieve this
- Identify actions and provide recommendations which would lead to this desired state, based on good practice in leading organisations

To undertake these objectives we:

- Held discussions with [redacted] based on their views on corporate compliance and fraud awareness in RTÉ.
- Reviewed relevant policies and procedures for appropriateness and suitability.

Assessing compliance and integrity - how?

- Each element in the framework above is measured against a maturity model; the ratings range from "Starting" to "Leading Practice"

- "Established" maturity is the minimum baseline to be aiming for
- The desired state depends on the risk profile of the area
- Moving up the scale is a work in progress; you should constantly be aiming for progression until you reach where you want to be

Summary of findings

- All management conversations demonstrated a high level of awareness and strong culture of integrity in RTÉ.
- The range and breadth of RTÉ's activities, including the broad variety of goods / services procured across the business, increases the inherent risk in this area
- In benchmarking RTÉ it is noted that:
  - Policies and procedures are closely adhered to where the area they address is externally regulated (fair trading, programme content standards, advertising, etc.)
  - Where there is no regulation, the risk of non-compliance is higher, as would be expected,

- Interviewees felt that "serious issues" would be raised, regardless of area of the business, however clarity over "acceptable" vs "unacceptable" could be enhanced in some areas
- The span of control is stretched in certain areas increasing the risk that the control does not operate effectively (e.g. monthly [redacted] review)
- Managers would benefit from training in fraud risk and the purpose of controls they execute
- Issues identified are taken seriously and are investigated. Formalisation of the response processes would be of benefit

2

Context: Compliance and Integrity within an organisation

EY

Willingness to act unethically to help a business survive in an economic downturn in Ireland

Which of the following can be justified?

48%

would use client entertainment

16%/19%

would give **personal** gifts

0%/17%

would make cash **payments**

2%/6%

Misstate financial **performance**

Actions justified to help survive/meet a target

Our 2017 survey found that a range of actions would be considered by employees

More flexible product returns

43%

Changing assumptions determining valuations or reserves

14%

Extend monthly periods

20%

Book revenues earlier than they should be

16%

Irish trends in operating environments

Whose responsibility is it for ensuring that employees behave with integrity

Desired Environment

The desired environment is one that encourages employees to think through the following questions when the 'right' course of conduct may not be clear:

How do we create the desired environment?

It is important that the whole business is actively involved in creating this environment and embedding integrity within the organisation. The tone from the top should be set primarily by the 'three lines of defence' which are as follows:

1

Business operations management

- Setting correct "tone from the top" by encouraging proactive engagement with teams on the topics of fraud awareness and compliance
- Providing the encouragement to employees to raise and discuss matters

2

Risk and compliance

- Oversee and challenge risk and compliance management throughout the organisation
- Provide guidance and direction to the organisation

3

Internal audit

- Review actions being undertaken by 1st and 2nd lines
- Provide an independent perspective and challenge the process
- Offer assurance and assistance where requested

3

Overall assessment - current v target maturity

EY

Overall Assessment: introduction

- In undertaking the benchmarking exercise and assessing maturity, as presented overleaf, this report differentiates between activities which are regulated and other business activities

- **Regulated activities**: Fair Trading, Editorial (*Journalism Guidelines and Programme Content Standards*), Annual Performance Commitments, Advertising standards, large procurement / capital projects, etc

- **Other activities**: 'Day to day' compliance with areas such as expenses, taxi vouchers, staff travel, procurement cards and technology policies, etc.

Overall Assessment: Current v Target maturity

Framework component	Current maturity rating	Target maturity rating	Headline actions *(See Section 4 for full details)*
Board oversight / management responsibility	Regulated: Established Other: Evolving	Regulated: Advanced Other: Established	· Include compliance / fraud risk discussions at team meetings to heighten awareness · Incorporate output of risk mapping into team meetings
Policies and Code of Conduct	Regulated: Advanced Other: Evolving	Regulated: Advanced Other: Established	· General tightening of policies e.g. monetary value for gifts and entertainment · Increased training; redesign the Intranet ("Hub")
Education and advice	Regulated: Advanced Other: Evolving	Regulated: Advanced Other: Established	· Offer organisation wide annual workshops/training on key areas, particularly with changes in legislation · Formal induction for all new employees, including general training on policies · Revisit presentation of documentation on the Hub
Speaking up and confidential reporting	Regulated: Established Other: Evolving	Regulated: Advanced Other: Established	· Promote the role of Designated Contact Persons · Training sessions to promote the Policy
Monitoring, reviews and auditing	Regulated: Advanced Other: Evolving	Regulated: Advanced Other: Established	· Develop exception reporting for key non-compliance risks
Investigation / corrective action / remediation	Regulated: Established Other: Evolving	Regulated: Advanced Other: Established	· Consolidate investigation procedures to produce one entity-wide investigation protocol document

4 Detailed findings and recommendations

Board oversight / management sponsorship

	Summary
Desired state: Regulated - Advanced Other - Established	▸ Integrity and compliance is regularly considered in business decisions ▸ Leaders encourage employees to raise issues, and address them promptly ▸ Board's selection and evaluation of senior management includes integrity and compliance leadership ▸ Senior management have governance structures in place to manage and respond to compliance and integrity concerns
Strengths	▸ Inherent tone from the top of a zero tolerance of fraud/non-compliance ▸ Strong set of values selected at executive level and included in Annual Report and Employee Handbook ▸ Board discuss compliance issues from both a reputational/commercial perspective and also financial perspective ▸ Where externally regulated, compliance is actively promoted and focused on by management
Areas of opportunity	▸ Perceived lack of defined roles/programs to promote / encourage compliance and integrity throughout the org. ▸ Less of a focus on compliance where procedures are not externally regulated & where reputation risk is perceived as lower ▸ Potential opportunity to ensure values are embedded in all levels of organisation
Current state	▸ Regulated: Established ▸ Other: Evolving
Recommendations to achieve desired state	▸ Management take responsibility to include compliance and fraud risk discussions at team meetings in order to heighten awareness of fraud, embed ethical decision making and help employees feel comfortable about speaking up ▸ Outputs of risk mapping from board meetings incorporated into team meetings to ensure a firmwide awareness of organisational risks

Policies and Code of Conduct

	Summary
Desired state: Regulated - Advanced Other - Advanced	▸ Established procedures for business unit implementation of policies and procedures and for implementation of controls adapted to local operations ▸ Compliance and integrity policy management and communication system integrated within general business policy management to facilitate translation, communication and training
Strengths	▸ A large suite of policies in place, many of which are supported by external regulation ▸ Editorial policies followed tightly as these are externally regulated. Reactive policy updates as a result of new legislation e.g. GDPR, bribery and corruption ▸ Proactive policy updates e.g. Dignity and Respect at the Workplace recently updated and training rolled out, update of grievance and disciplinary procedures ongoing, Journalism Guidelines currently undergoing update
Areas of opportunity	▸ Content of non-regulated policies could be tightened ▸ Certain interviewees felt there was a low awareness of content of some policies and where to find them ▸ Although policies are communicated well to senior management, it is unclear whether this is being passed down the line of command
Current state	▸ Regulated: Advanced ▸ Other: Evolving
Recommendations to achieve desired state	▸ Provide training on the policies available, where to find them and a high level overview of the content. Redesign the corporate intranet pages ▸ General tightening of policies, e.g. gifts and entertainment - implement a monetary value at which point approval is required ▸ Consideration be given to implementing a formal declaration process for certain individuals and key policies

Education and advice

	Summary
Desired state: Regulated – Advanced Other - Established	▸ Education provided to employees and new personnel on code of conduct, core policies and competencies. ▸ Key topics communicated regularly to employees and selected external stakeholders. ▸ Established system for reporting to the board and management teams at all organisation levels ▸ Catalogue of compliance requirements and process to track new and revised compliance requirements is in place for all compliance areas.
Strengths	▸ Training is delivered to employees on an ad hoc basis (e.g. Fair Trading Officer held workshops for relevant employees to promote awareness of Fair Trade policies; GDPR training delivered when legislation changed; dignity and respect training delivered after policy updated; editorial standards training; monthly procurement policy workshops)
Areas of opportunity	▸ Training is minimal on areas which are widely considered 'grey areas' e.g. expenses, corporate purchasing cards, taxi vouchers, with reliance on notices on the corporate intranet ▸ Lack of formalisation around training programs and the induction process
Current state	▸ Regulated: Advanced ▸ Other: Evolving
Recommendations to achieve desired state	▸ Offer organisation wide annual workshops/training on key areas, particularly when there are changes in legislation which impact business practices. Utilise electronic means to reach a wide audience ▸ Examine opportunities to improve presentation of and access to documentation on the corporate intranet ▸ Training on non regulated compliance requirements e.g. expense policy so that employees are aware of the risks, will recognise issues and reporting obligations ▸ Implementation of a formal induction for all new employees including general training on policies, key points of contact, expense claims, etc.

Speaking up and confidential reporting

	Summary
Desired state: Regulated - Advanced Other - Established	▸ Open formal and informal communication about integrity and compliance issues to managers and supervisors is established part of organisational culture ▸ Use of confidential and anonymous reporting systems is positioned as important resource for employees and customised for national operations
Strengths	▸ General consensus from interviews that management/HR/IA/DG are approachable ▸ Good Faith Reporting Policy in place which provides guidance on how to raise concerns. Posters on site ▸ 'Safecall' confidential reporting line allowing employees to raise concerns anonymously ▸ High confidence that regulatory issues will be raised
Areas of opportunity	▸ Low awareness around who the DCPs are ▸ General impression that management would be clear on who to go to, but this is perhaps not communicated clearly to employees below management level ▸ Where issue is not regulated, not clearly non compliant or immaterial, there is a lower confidence that the issue will be raised
Current state	▸ Regulated: Established ▸ Other: Evolving
Recommendations to achieve desired state	▸ Training sessions to include mention of Good Faith Reporting Policy so employees know where to get information on speaking up ▸ Inclusion of a clear line of command in Good Faith Reporting Policy / a list of DCPs (currently this information is included in footnotes to text)

Monitoring, reviews and auditing

	Summary
Desired state: Regulated - Advanced Other - Established	▸ Core work processes for highest compliance risks have been defined, core controls identified for monitoring and established protocols in place ▸ Internal audit department develops annual compliance auditing plan based on compliance organization's risk assessments regulators' audit priorities and program improvement priorities
Strengths	▸ Strong monitoring of externally regulated areas, e.g. 2/3 programmes selected each month and reviewed to check compliance with standards ▸ Implementation of new ERP system ▸ Head of Legal attends Audit and Risk Committee meetings to provide insight on relevant legislation updates
Areas of opportunity	▸ Interviewees indicated controls in may not be operating effectively outside regulated areas due to: ◦ workload and time pressure; or ◦ managers with large numbers of controls to execute (e.g. Procurement card approval, expense claim approvals, timesheets)
Current state	▸ Regulated: Advanced ▸ Other: Evolving
Recommendations to achieve desired state	▸ Inclusion of compliance and fraud risk discussions at team meetings to heighten awareness of fraud, embed ethical decision making and help employees feel comfortable about speaking up ▸ Develop exception reporting for key non-compliance risks

Investigation, Corrective Action and Remediation

	Summary
Desired state: Established	▸ Entity-wide internal investigation process is formally chartered ▸ Formally chartered corrective action procedure ▸ Standards, procedures and monitoring protocols for compliance remediation is established across the organisation and applied for key compliance risks
Strengths	▸ If an investigation proceeds to disciplinary hearing, a separate board is set up consisting of a diverse senior panel from across the business ▸ Various investigation procedural documents in place (HR, Finance, Security, Legal, Internal Audit) ▸ Corrective action been carried out as a result of previous incidents e.g. approval now require for purchases using PayPal
Areas of opportunity	▸ Multiple investigation procedural documents may mean there are inconsistencies when conducting investigations
Current state	▸ Established - maturity deemed sufficient
Potential enhancement	▸ Consolidate various investigation procedures to produce one entity-wide investigation protocol document ▸ Incorporate examples of previous frauds into fraud awareness training

5 Next steps

Next steps

1 Increasing engagement on the topic

Emphasising the correct 'tone from the top'; management proactively engaging with their teams on the anti-fraud messaging and thus creating an environment within each team where individuals are comfortable raising a legitimate concern/issue

2 Policies& Procedures

Tightening up of policies in place.

Signed annual declarations as a check staff are reading the relevant policies.

3 Training

Initial training sessions could include:

1) fraud risk awareness

2) perceived 'grey areas' e.g. expenses, corporate cards, taxi vouchers.

Annual training to raise awareness of the importance of compliance and integrity and to improve knowledge on various policies in place.

4 Control review

Consideration that controls are commensurate with the specific compliance/fraud risk and are designed and operating effectively.

5 Response

Develop an more formalised response process to issues requiring review or investigation.

Appendix A

Maturity model ratings

Maturity rating	Starting (1)	Evolving (2)	Established (3)	Advanced (4)	Leading practice (5)
Description	Almost nothing exists for this performance factor. Documentation does not exist or the relevant activity has not been performed.	Some parts of this performance factor exist, application on different levels is inconsistent. Board or Executive management has not approved documentation. Messaging and/or activities are ad hoc. Risks are identified and controls in place but there has been no testing of these controls.	Performance factor is pragmatically defined and consistently applied. Documents, policies and procedures are approved by the board but are boiler plate. There is a clear tone from the top with management demonstrating their commitment to strategy. Training and Risk assessment in place, testing of controls occurs.	Performance factor is defined in more detail and consistently applied on most levels involved. Documentation, policies and procedures are tailored to the organisation, actively promoting honest and ethical conduct. Guidance to navigate 'grey' areas is available.	Performance factor is defined in more detail and consistently applied on all levels involved. Anti-fraud is part of 'business as usual' activities. Communication to employees is tailored to the employees for both content and method. Standards applied the third parties.

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Internal Memorandum

To: [redacted].

CC: [redacted].

From: [redacted]

Date: 4 November 2014

Re: Review of Mobile Phone Devices

The purpose of this memorandum is to set-out our findings following a review of mobile phone devices in RTÉ.

1. Background

There are approximately 800 mobile phone handsets currently issued to RTÉ staff. Staff members are assigned a phone if a valid business reason exists and upon completion of a Mobile Device Authorisation Form. The form must be approved by the local Line Manager, divisional Finance and MD. Further approval to the CFO may be necessary, in certain circumstances, depending on the specification of the phone. The process of ordering and issuing new phones is overseen by Technology, with Group Finance managing matters all relating to billing.

The use of mobile phones is governed by the RTÉ Mobile Devices Policy (2013).

[redacted] was selected as the preferred supplier of mobile services following a competitive tender process in 2011. Users are assigned to a package based on business requirements. The majority (circa 80%) of RTÉ users are assigned to a package which provides all national fixed calls, national mobile calls and national texts for a cost of €14.50 (ex-VAT) per month. Most of those users avail of a further data bundle package, the most common being 1GB of domestic data for €8.26 (ex-VAT) per month. A small number of other arrangements are in place in specific business functions.

Staff members are required to refund RTÉ for personal calls / data outside the fixed cost. The reimbursement takes place via an online refund form with payments deducted from salary. Group Finance carries out a monthly review of expenditure and contacts the accountholders of the largest 80-100 bills in the month to ascertain if a refund is needed.

Given the number of mobile phone users throughout the organisation and the value of the contract, Internal Audit has carried out a review of the operation of the process. Separately, after the assignment was listed in our 2014 Plan, the CFO commissioned a review of the mobile phone process in the context of various cost saving initiatives. As a result, a number of actions were already in progress prior to the commencement of the audit. We have not sought to duplicate the review carried out by Finance, or repeat recommendations and actions already being implemented.

2. Scope and methodology

This audit consists of a review of mobile phone data provided to RTÉ Internal Audit by Technology and Group Finance.

The Finance data comprised data on mobile phone billings in the period covered by the review and also included the user‟s name, costpool, package description and other similar data. Data was also received from Technology listing all phones in use, the manufacturer and type of phone, the subscriber name among other details.

For ease of analysis we selected a six month period. The scope of the audit was therefore the mobile phone billings in the period January 2014 to June 2014 inclusive.

This review involved consideration of the following:

- ✓ The operation of the RTÉ Mobile Devices Policy
- ✓ Approval procedures for issuing new RTÉ mobile devices
- ✓ The management of physical assets following staff departure
- ✓ Reimbursement of the personal element of billings
- ✓ The management of phones generally

The review did not involve:

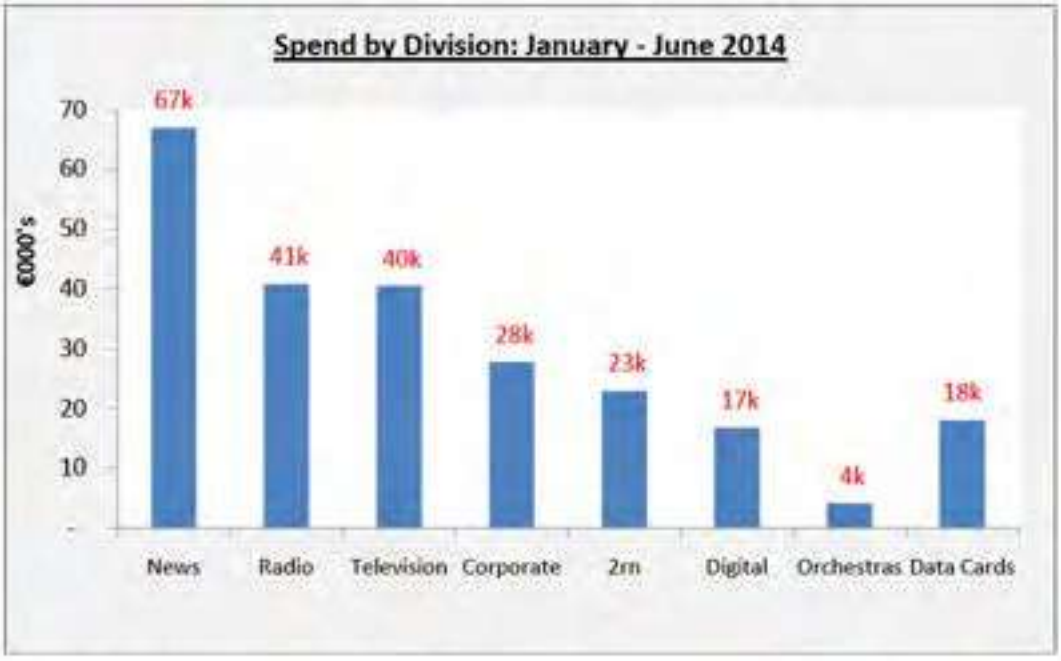
- ✗ Testing IT, technical and security aspects (other than confirming that controls were in place)

3. Financial analysis

This section presents background financial analysis of the existing mobile phone service and costs in order to provide a context of the scale and level of usage.

3.1 Expenditure by IBD

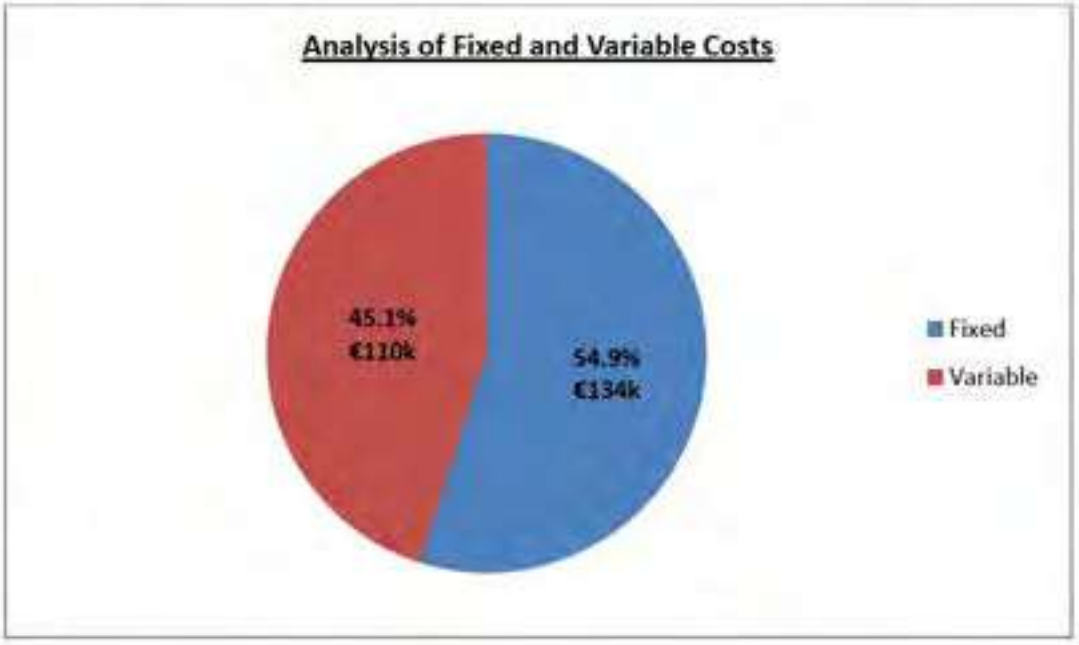
The expenditure on the mobile phone service was in the order of €250k in the six month period covered by this review. The expenditure varies across divisions as illustrated below.



Based on the pattern of spend in the first six months of the year, we envisage a forecast expenditure of approximately [redacted] on mobile phone costs in 2014 ([redacted] if the impact on non recoverable VAT is taken into account).

A further €19k of mobile phone costs were reclaimed through [redacted] in the first six months of the year (excluding any costs which may have been coded to the sundries account). The remainder of the analysis in this section does not include mobile costs reclaimed via [redacted].

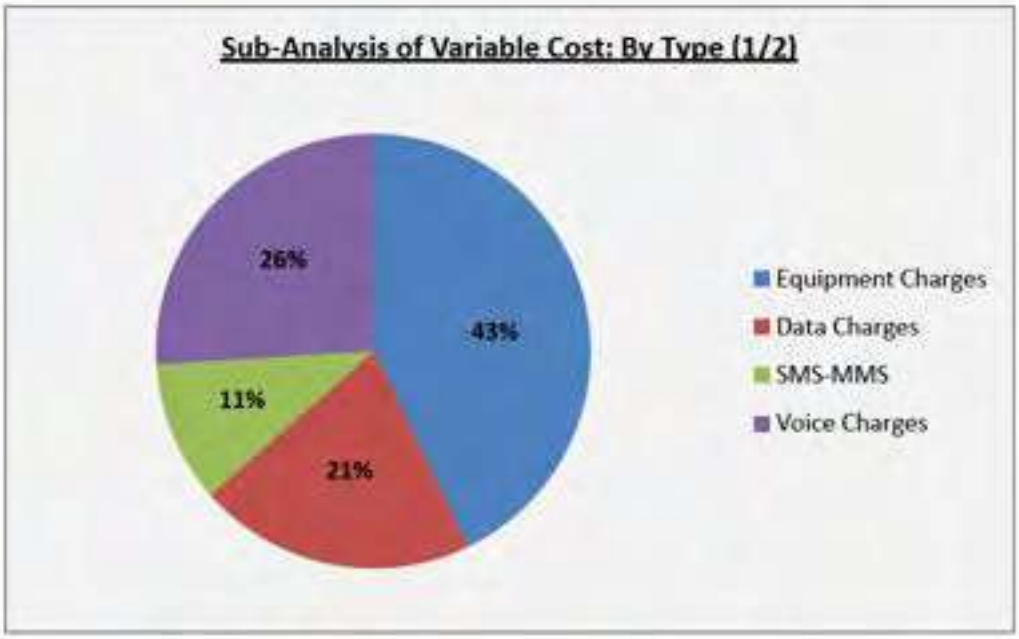
Approximately 45% of the monthly spend is considered variable in nature, representing calls or data outside the fixed rental cost and monthly bundle allocation. The components of variable costs are analysed in further detail in Section 3.2 below.



[For the avoidance of doubt, as new users are added the monthly "fixed" cost element increases. However, the cost of new rentals and data bundles is determined based on the fixed [redacted] tender price.]

3.2 Sub-analysis of variable expenditure

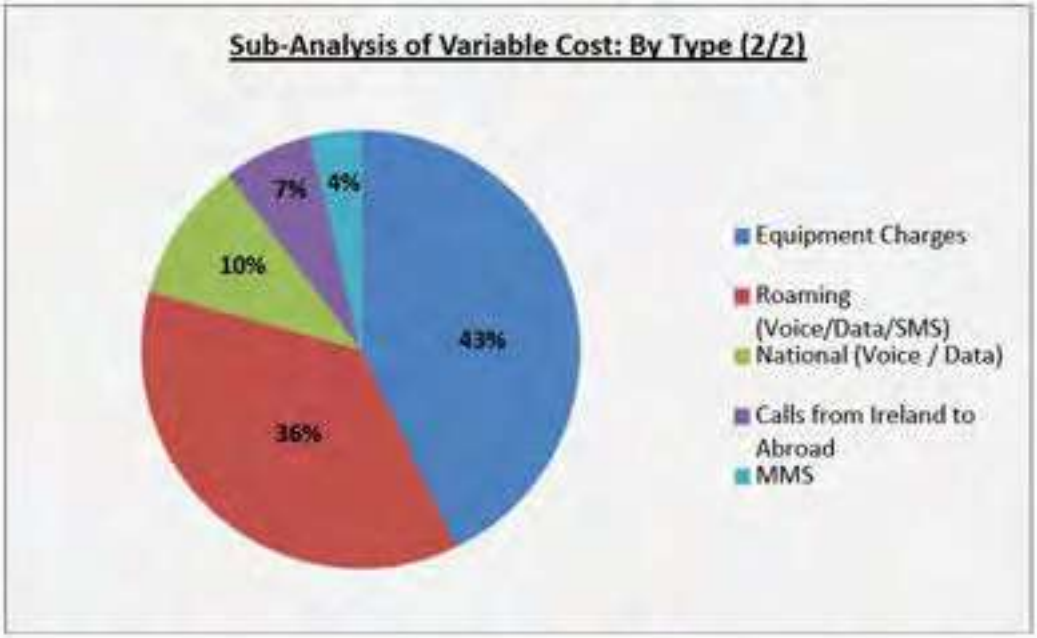
As outlined above, 45% of the cost is deemed to be variable. The variable cost may be analysed into a number of key components, by type of expenditure, as presented below:



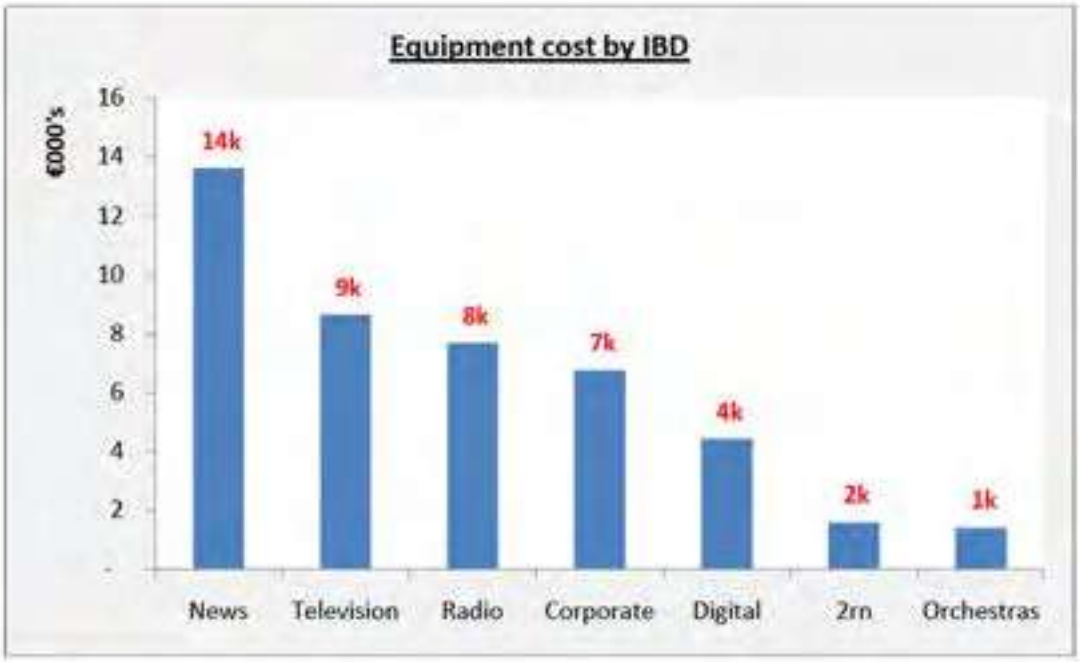
"Equipment" relates to the purchase and repair of new handsets / devices. This may be necessary due to the loss or damage of an existing device, the requirement for an upgrade to carry out additional functionality, or the replace of an existing legacy device.

The category "SMS-MMS" refers to the cost of transmitting messages which include multimedia content such as a photo and also includes the cost of roaming text messages.

The variable cost may also be analysed as set-out below to differentiate between costs incurred in Ireland and roaming charges.

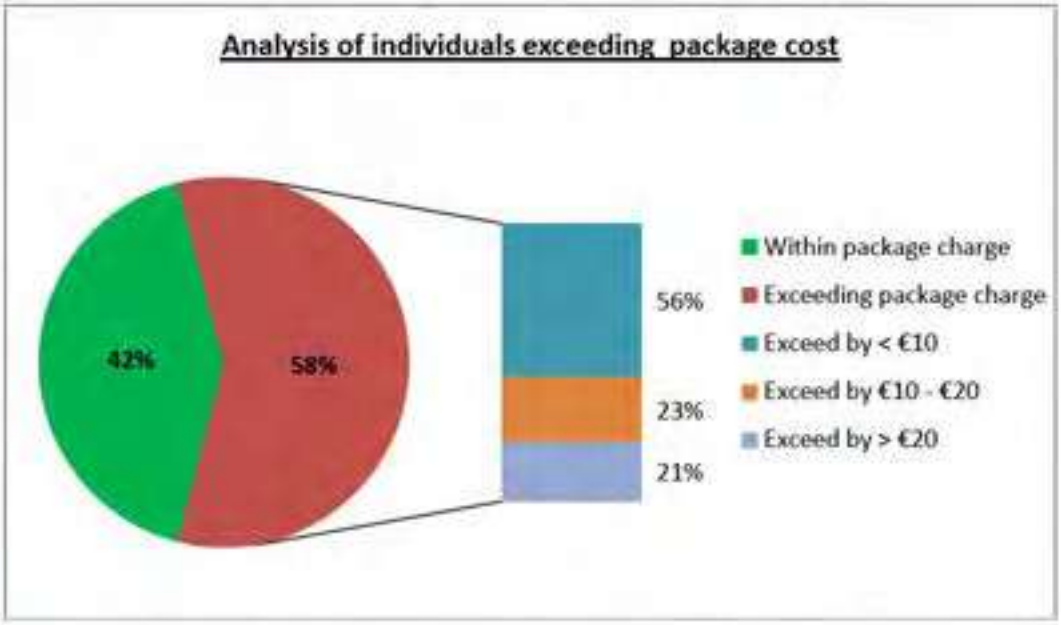


Equipment charges represent the largest component of variable cost and is analysed by division below. The chart presents the equipment cost, by IBD, in the six month period covered by the review.

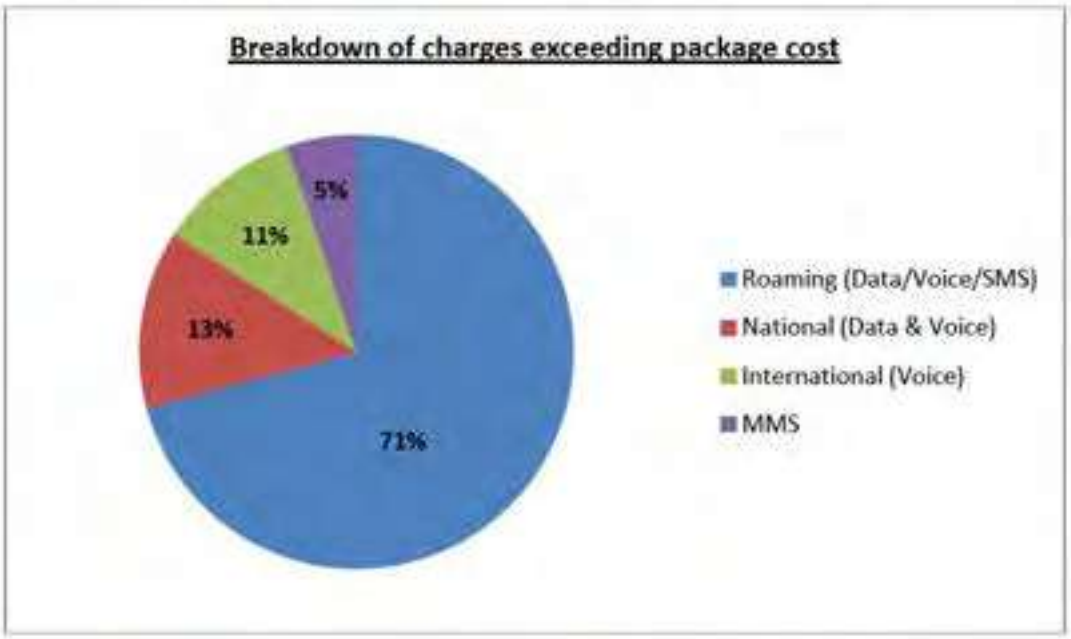


3.3 Individuals exceeding fixed monthly package

We examined the billings in one month to identify the number of individuals exceeding their standard monthly package cost. The cost incurred by the 58% of users exceeded their fixed charge in June 2014, as set-out below:



Of the individuals who exceeded their standard package / bundle, 21% exceeded their fixed billing for the month by an amount greater than €20. As illustrated below, roaming charges is the main factor driving the increase.

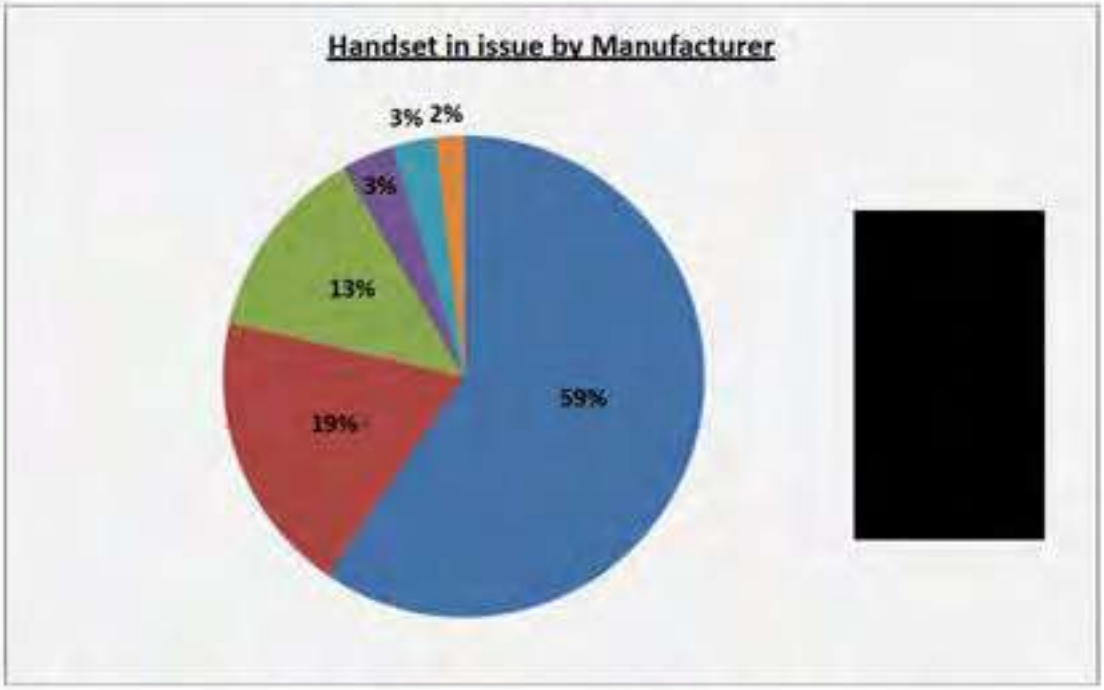


3.4 Refunds

Staff refunds of €6.8k were processed via payroll in the first half of the year.

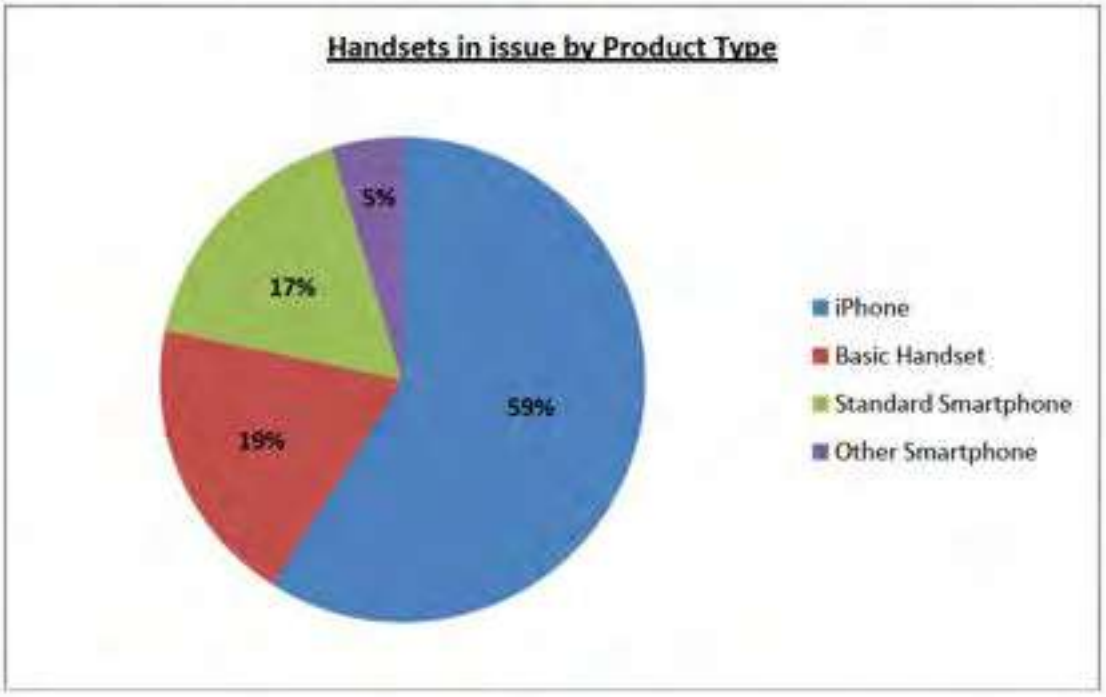
3.5 Analysis of devices / handsets in use

The type of mobile handsets used by the approximately 800 staff accounts may be analysed by manufacturer as follows:



As shown in the charts above, Apple devices account for nearly 60% of mobile phones devices in issue in RTÉ. 46% of these are the latest version (at the time of writing, the iPhone 5).

The chart below analyses the data by type of phone and illustrates that approximately 19% of handsets are, in our view, "basic handsets" which do not incur any significant data charges. In many cases these are pooled phones assigned to cleaning personnel, on-call personnel, engineers etc. The remaining 81% are smartphones which need particular attention and oversight from a cost perspective given the potential for additional data charges.



3.6 Packages

The majority (80%) of accounts avail of a package which provides all national fixed calls, national mobile calls and all national texts, in most cased accompanies by a data bundle. 15% of the accounts involve a standard €2 line rental and may be accompanied by a data package, depending on the work area. A small number of specialist packages are in operation in areas such as Technology and Digital (4G, test accounts with large data allowances, etc).

4. Findings

4.1 Criteria for determining the allocation of a mobile phone

Neither the RTÉ Mobile Device Policy nor the Mobile Device Authorisation Form currently lists the criteria for determining the allocation of a mobile phone device to a staff member.

Possible examples of criteria for determining the allocation of a mobile phone include:

No.	*Criterion*
1	Requirement to spend time working out of the office, or normal place of work
2	Staff member is on an official on-call rota
3	The individual is not office based and works on the production floor / studios / etc.
4	Customer facing – the individual has regular communications with customers / agencies or other third parties which requires a mobile phone
5	A key member of staff that needs to be contactable at any time

Consideration should also be given to listing these criteria on the Mobile Device Authorisation Form, with a request for the authorising Line Manager to indicate (tick a box) on the form the reason(s) for granting a mobile phone to the user.

As nearly half of the workforce has an RTÉ issued mobile phone there is a risk that a mobile phone could be viewed as a „standard issue" in some areas. On a case by case basis, the business reason for issuing a mobile phone should be assessed against standard criteria for allocating an RTÉ mobile to a staff member. The criteria should be met prior to issuing a phone. This could be easily tracked via the Mobile Device Authorisation Form and would afford the opportunity to gather statistics on the factors driving new accounts.

4.2 RTÉ Mobile Device Policy

The RTÉ Mobile Device Policy ("the Policy") was published in mid-2013. Technology had commenced a scheduled review of the RTÉ Mobile Device Policy prior to the start of this audit.

The following matters merit review as part of the next revision of the document:

High Priority

a) Outline the criteria determining the allocation of a mobile phone, as set-out in 4.1 above

b) Outline the criteria determining the requirement for a staff member to make a refund in respect of repairs / issue of new devices. The Mobile Device Authorisation Form outlines that:

"The user may be liable for costs incurred for repairs up to a maximum 50% depending on the circumstances"

The circumstances under which a refund is applicable should be set-out in the Policy to ensure clarity in this regard and consistency in the approach to dealing with different cases.

c) It is timely to revisit the operation of Section 4.11 of the Policy in relation to the return of devices during periods of leave of absence. When the Policy was originally written shorter periods of leave of absence – as occurred under the most recent incentivised schemes – may not have been considered and this may explain the requirement (4.11) that:

"Should an individual avail of a leave of absence from the organisation the individual is required to return their mobile device(s) to Technology Operations"

Furthermore, the Mobile Device Authorisation Form outlines that:

"Staff on personal/short term leave must contact RTÉ Finance, to arrange payment of their monthly [redacted] *bills"* and

"If on extended unpaid leave, staff must contact: mobiledevices@rte.ie, RTÉ Technology to arrange alternative payment methods and/or return of devices and transfer of ownership"

The operation of these clauses merit review as these clauses are not adhered to in practice in all cases, as evidenced from the findings in Section 4.3 below.

Secondly, the Policy needs to outline the costs which must be refundable in the event of a leave of absence / maternity leave – clearly outline in the Policy whether the cost to be refunded is the excess above the standard package cost, or the full cost of the bill (including rental).

Medium Priority

d) The Policy does not refer to authorisation / approval procedures and does not refer to the Mobile Device Authorisation Form and approval of same. Section 3 of the Policy is excessively focused on the IT steps to log a service call without firstly setting out the initial authorisation procedures

e) The Policy would be strengthened by including a section on standards of acceptable use of mobile devices, with emphasis on highlighting the importance of using phones in a lawful and ethical manner

f) The document does not refer to the Policy on the procurement of associated equipment (chargers, replacement batteries, etc.) and matters relating to repairs

Low Priority

g) The section on refunding RTÉ in respect of personal calls (Section 6) is now out of date. A new online system operates via a process facilitated via Google forms

h) The standard package referred to in the "Useful Tips and Guides" Section of the Policy is out of date and needs updating. National texts are free in the most commonly applied tariff package in RTÉ and does not involve a charge, as currently set-out in the Policy

i) Finally, the document would be improved by including a section setting out the roles and responsibilities of various parties – Line Manager, Finance, user, etc.

4.3 Managing staff departures

We assessed the risk of a mobile phone account of a departed member of staff continuing to be paid after his / her departure. We also assessed the risk of out of bundle call / data costs of a staff member on maternity leave or leave of absence not being recouped by RTÉ.

In the event of a staff resignation, the member of staff and his / her manager are reminded, in a letter from HR, of the Policy on returning devices. Similarly, individuals on maternity leave / leave of absence are reminded in their departure letter of their obligations regarding mobile devices.

On a monthly basis, Technology compares active RTÉ mobile phone user records to IT records of RTÉ e-mail accounts inactive for a period of greater than three months. Inactive e-mail accounts with a corresponding active mobile phone records are highlighted and investigated. This check is carried out to identify any staff departures / long term leave of absence etc. not communicated to Technology. While this partly mitigates the risks, we would expect stronger detective controls to be in place for the process.

Weaknesses in the preventative and detective controls may be the root cause of the following findings:

4.3.1 Retired staff members

The current list of individuals assigned an RTÉ mobile phone includes two staff members who, according to our records, retired in December 2012 and December 2013, respectively.

- We were informed that a local arrangement existed with the December 2012 retiree to retain his RTÉ phone and e-mail account for a short period after his departure in lieu of being available for consultancy after his departure. This arrangement now merits review.

- Following this audit, the latter account will now be closed.

4.3.2 Leave of absence

We noted that 22 members of staff on leave of absence at the time of our review were assigned an RTÉ mobile phone. Of those, 16 had exceeded the fixed cost of their bundle (based on their expenditure in the final month of our review).

We note that Group Finance does not have access to data on members of staff on Leave of Absence. As a result, Finance is not in a position to carry out a more specific focused review on the level of expenditure incurred by these individuals in order to ensure costs are being recouped.

Monitoring controls would be strengthened if Finance accessed data to carry out specific monitoring checks on these accounts.

4.3.3 Maternity leave

We noted that nine members of staff on maternity leave at the time of our review were assigned an RTÉ mobile phone. Of these, three had exceeded their fixed bundle charge in the final month of our review.

Similar to 4.3.2, the monthly phone expenditure of individuals on maternity leave is also not subject to specific review as Finance does not access data of staff on maternity leave.

(With reference to points 4.3.2 and 4.3.3 it is worth noting that some of these staff members may be making a refund when prompted as part of the monthly finance procedures).

4.4 Mobile phone costs claimed via [redacted]

In the period covered by this review, 26 holders of RTÉ mobile phones also used the T[redacted] system to make a reclaim of costs to the mobile phones account code. While the amounts involved are not material, a twice-yearly review of mobile phone costs reclaimed through [redacted] is merited to:

Ascertain the type of costs being reclaimed locally; and
Ensure that the purchase of hardware or repair services is not arranged locally and reclaimed through [redacted]. (Procedures are now in place centrally via Technology in this regard.)

4.5 Line Manager's oversight

Mobile phone account-holders receive an electronic copy of their monthly phone bill from RTÉ"s mobile service provider. Monitoring control would be strengthened if the individual"s Line Manager had oversight of the level of mobile phone expenditure, either via being copied on the e-bill sent by e-mail to the account holder, or by receiving a consolidated summary of all applicable bills. The latter may be more appropriate given that some Line Managers have multiple bill holders in their costpool.

Prior to the implementation of the e-bill solution, the practice has been to circulate physical mobile phone bills to Line Managers for distributing to staff. Under the new electronic billing process, Line Managers do not have visibility of bills.

4.6 Sharing of information

Staff members submit (signed) Mobile Authorisation Forms to Technology in respect of new connections, or if a new handset is required due to damage etc.

It would improve oversight if Technology copied new Mobile Authorisation Forms to Finance in order to better track accounts, especially the issue of new phones issued following damage. On occasions, depending on the circumstances, a staff member may be required to reimburse part of the cost of the handset to RTÉ. By receiving the relevant Mobile Authorisation Forms, Finance will be in a position to track the receipt of this refund through payroll.

4.7 Managing variable cost

As illustrated in Section 3 above, 45% of the expenditure on mobile phones is variable in nature. Two categories of expenditure account for the majority of the variable cost – equipment charges (43%) and roaming charges (36%).

Equipment
We estimate approximately €100k will be spent on new mobile handsets in 2014, which represents a sizeable proportion of the overall mobile phone cost for the year. As a result, it is important to ensure that new handsets are issued only when there is a valid business reason and that handsets are recycled among staff, where appropriate, following the departures and retirement of personnel.

As outlined in Section 3.5, 59% of the phones in issue are Apple iPhone products. While the functionality of the standard (Samsung) smartphone is similar to an iPhone in many respects – such as email functionality and apps – the latter costs multiples times more. Therefore, it is important that the Samsung is the default standard issue smartphone unless there is a valid business reason for Apple IOS applications or specific apps.

We acknowledge the benefits of Apple products in terms of the standardisation of support and security and the low number of versions of products in issue at any point in time (e.g. the recent iPhone issued is version 6, whereas approximately 140 iterations of the Android operating system exist on devices currently within support). We also acknowledge that IOS has been an important tool in promoting efficiency in news gathering via mobile journalism.

However, it is questionable whether 59% of existing users have a valid business reason for IOS apps and, as a result, a valid reason for an Apple phone. It is important to enforce the issuing of Samsung devices, as standard, unless a valid business case exists.

We note that new procedures have been introduced in this area. Four categories of phones are available to RTÉ staff, with the higher end production business phones requiring sign-off from the CFO prior to purchase.

Roaming cost
Roaming costs account for under a third of the variable cost of mobile phones. In late May 2014, Finance issued a short reminder of the cost implications of roaming and a reminder to users to disable the automatic updating of email / apps. This was the first such update for a considerable period of time and should be carried out on a more frequent basis. Other similar reminders should also be considered.

We forecast that about €25k of the variable cost in 2014 will relate to SMS-MMS, two-third of which relates to roaming text messages.

4.8 Non-employees

We identified that two non-employees (*one non-VAT registered Sole Trader and one Limited Company*) had an RTÉ mobile phone account in their own name in the period covered by this review. The rationale for granting these individuals a mobile phone should be reviewed as they are not employees of RTÉ.

4.9 Tender specification

The existing mobile phone contract is due to expire at the end of the year and a new tender is scheduled to take place at that point. We recommend that the terms of the tender specification are assessed in light of the changes in the pattern of use of mobile phones over recent years. This is in order to ensure the specification outlined in the tender is best aligned to the current pattern of use.

For example, the use of data while roaming has increased considerably over recent year as journalists post real-time photos and comments on social media and, in some cases, use their phone as an additional tool for production. The data limits on the existing data roaming bundles (e.g. €2 for a 1-day 50MB for Europe) merit review as part of the new tender process with a view to better aligning the package to the current demand and increased level of use.

We acknowledge that the tender is a competitive process and that the specification of the package is therefore dependent on the tender bids provided.

4.10 Approval

We selected a sample of mobile phone accounts and requested the signed Mobile Device Authorisation Form for the account. No issues noted.

5. Action Plan

Audit Finding and Reference		Agreed Action	Responsibility / Date
Criteria determining the allocation of a mobile phone	*4.1*	This will be addressed as part of the update of the Policy – see action to update the policy, set-out below.	See action below
RTÉ Mobile Device Policy	*4.2*	Prior to the start of this audit, Technology commenced a scheduled review of the RTÉ Mobile Device Policy. The latest draft of the Policy will be reviewed and updated, as necessary, to address the points (a - i) set-out in section 4.2. The priority areas are: • Outline criteria for determining the allocation of a mobile phone; • Outline the circumstances when a staff refund of equipment cost is required; and • Set-out the Policy in relation to refunds of costs in the event of leave of absence. The Mobile Device Authorisation Form will also be updated as necessary (e.g. to record criteria for the allocation of a phone)	[redacted] [redacted] 31 January 2015
Managing Staff Departures	*4.3*	Technology is in the process of developing a new Leaver, Joiner and Mover Policy and will consult with Human Resources as part of developing the Policy in order to seek input on aspects relating to employee data. The input of personnel involved in the management of mobile phones will be sought, as required. The monthly HR Headcount report will be used as the source data to identify staff on leave of absence / unpaid maternity leave in order to highlight any out of bundle expenditure. This will be carried out having regard for the updated policy set-out at 4.2 above.	[redacted] [redacted] 31 January 2015 [redacted] Ongoing
Mobile phone costs – [redacted]	*4.4*	A twice yearly review will be carried out to identify the mobile phone holders who also used the [redacted] system to make a reclaim of mobile phone costs.	[redacted] 31 January 2015

Audit Finding and Reference		Agreed Action	Responsibility / Date
		In the case of any material amounts (above a predefined limit) the local Finance Directors / Financial Controllers will be requested to review the relevant [redacted] reclaims of the individuals to identify any duplication of mobile costs, or categories of expenditure (repairs, purchase of hardware) which should have been procured centrally through Technology.	
Line Manager's oversight	***4.5***	Technology will contact [redacted] to ascertain the technical feasibility of providing, to the relevant supervising Line Manager, a consolidated summary of all the mobile phone billings chargeable to the costpool. (It is a matter for the mobile provider to determine if this is feasible.)	[redacted] *(to raise with 3rd party mobile provider)* 31 December 2014
Sharing of information	***4.6***	A new folder will be set-up on the G: drive. Copies of the completed PDF Mobile Device Authorisation Forms will be saved in the folder when each IT Helpdesk ticket is completed. Finance will be granted access to the form.	[redacted] Done
Managing variable cost	***4.7***	New procedures have been introduced and four categories of phones are set-out on the Mobile Device Authorisation Form. The higher end production business phones require sign-off from the CFO prior to purchase. Guidance and clarification will be provided in the Policy on when an iPhone is merited, as opposed to a standard smartphone (IOS Apps etc.) Reminders about the cost implications of roaming will be posted on the intranet from time to time, with tips on disabling the automatic updating of e-mail and apps.	Done See 4.2 above [redacted] Ongoing
Non-employees	***4.8***	The two specific cases will be queried with line management locally.	Done
Tender specification	***4.9***	A tender process is scheduled to commence in late 2014. The tender specification (ITT) will be updated for developments in the past three years. (Planning for the tender was already in progress prior to the completion of the audit)	[redacted] 31 December 2014 (to commence the process)

6. Summary and Rating

There are approximately 800 mobile phone handsets currently issued to RTÉ staff. [redacted] was selected as the preferred supplier of mobile services following a competitive tender process in 2011. The use of mobile phones is governed by the RTÉ Mobile Devices Policy (2013).

This audit involved a review of the existing Policy and an examination of mobile phone data provided to RTÉ Internal Audit by Technology and Group Finance.

The audit is rated as "improvement needed". A key action is to update the RTÉ Mobile Device Policy, in particular to provide further clarification on the:

- Criteria for determining the allocation of a mobile phone;
- Policy in relation to refunds of costs in the event of staff leave of absence; and
- Circumstances when a staff refund of equipment cost (repair / new device) is required.

These matters are not clearly set-out in writing, resulting in inconsistency in the application of the existing Policy. We also identified some other opportunities to improve monitoring controls as set-out in the action plan.

Appropriate approval of the issue of the mobile device and the set-up of new account was in place for a sample selected during the audit.

We appreciate the assistance of staff in Technology and Finance during the course of this audit.

Rating: **Improvement Needed**

RTÉ Internal Audit

Review of [redacted] Fee Payments

13 December 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Human Resources:

[redacted]

Finance:

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background

Two systems are used for processing payments to individuals – the payroll system and the [redacted] fees 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:

- Non-employees providing "people services" to RTÉ e.g. Presenters, Programme Contributors, Independent Camera Operators, Musicians, Actors, Writers etc. (contract for services)
- Employees who work irregular hours and employees on short-term contracts (as this payment system is flexible and allows for the payment of employees with irregular hours)

An average of approximately 900 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 payslips and reports and administer the actual payments to the individuals.

Objectives of Audit

- Verify the accuracy of payments made via [redacted] fees by agreeing a sample of fee payments 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] Fees 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 payments / regular payments to Contractors / etc.;
- Job Description

We tested the following:

- ✓ Agreed the 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 the process under which the individual was engaged (procurement / tendering), including compliance with the new (2016) Code of Practice for the Governance of State Bodies.

The scope of our audit did <u>not</u> include:

- ✗ A review of the IT systems used by RTÉ or [redacted] to process people payments;
- ✗ The payroll system; and
- ✗ A review of master files / standing data

Risk

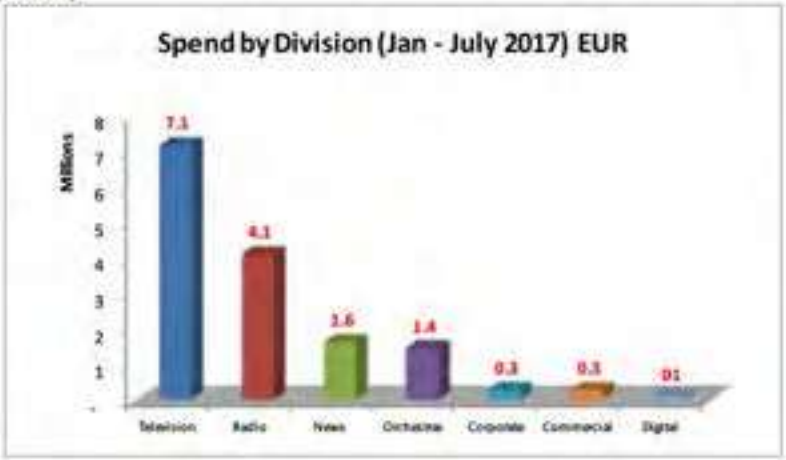
The key corporate risks addressed by the report are as follows:

- Risk # 3 – Management and Prioritisation of Financial Resources
- Risk # 1 – Reputation Risk
- Risk # 8 – Organisation & People

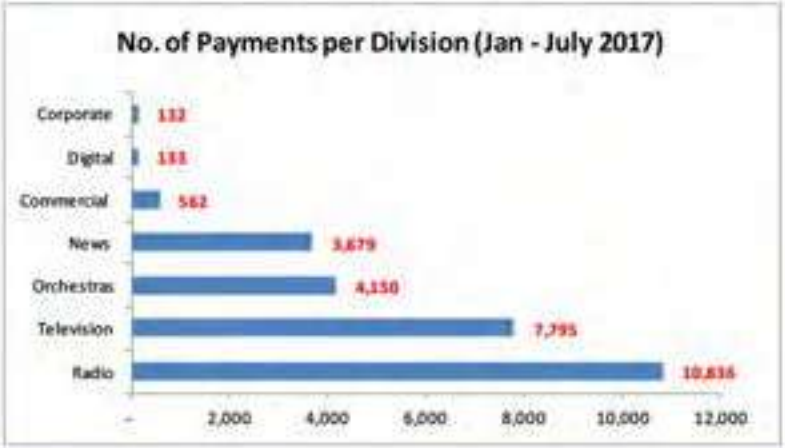
Data Analysis

A Spend / # Payments by IBD

€15 million of [redacted] fee payments took place in the seven month period to 4 August 2017 (week 31), of which 48% related to Television (€7.1m).



27,288 [redacted] fee payments have been processed in the period, with Radio payments accounting for 40%. 4,990 individuals / entities received a fee payment during the period. The average payment was for €550. However, individual payments ranged from €1 to €45k.

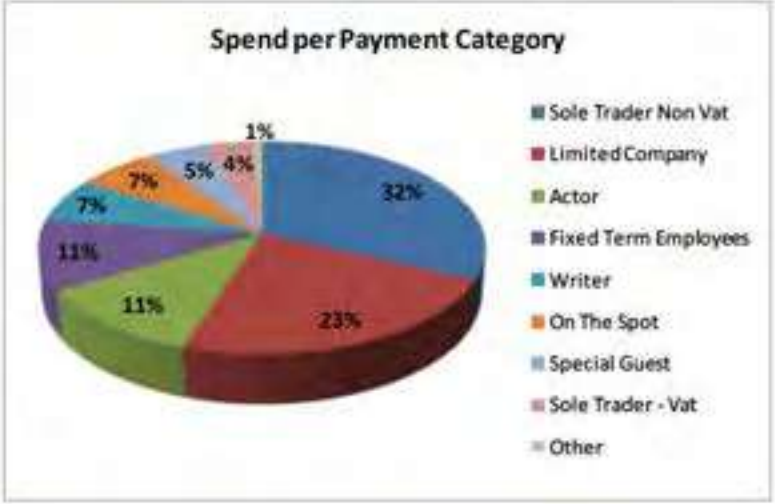


A summary of statistics per IBD (up to week 31) is shown in the table below.

Per IBD	Total Spend €m	# of Payments	# of Individuals
Television	[redacted]		
Radio			
News			
Orchestras			
Corporate			
Commercial			
Digital			
Total	15.0	27,287	4,990

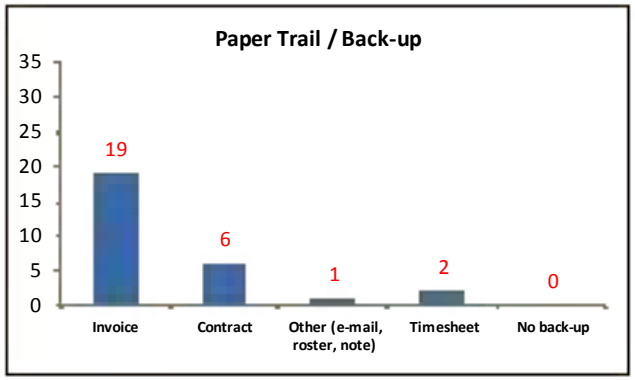
B Spend per Category

[redacted] fee payments can be further analysed according to their contract classification. As shown in the chart below, 36% of fee payments are made to Sole Traders (both VAT and Non VAT Registered), followed by Limited Companies at 23%.



Summary of Key Findings – *See Action Plan for more details*

1) Paper Trail

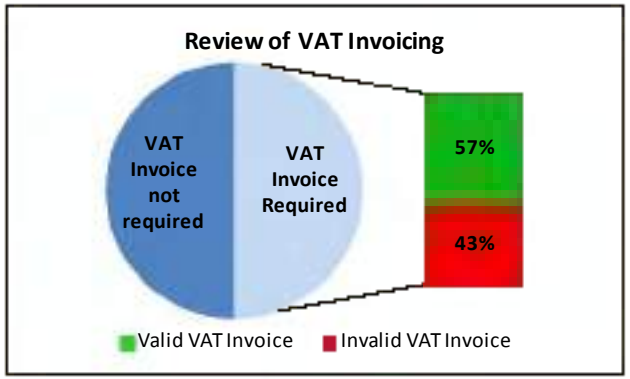


Paper Trail

The majority of individuals (64%) in our sample submitted invoices to RTÉ. The back-up for the remaining fee payments consisted of a variety of sources, with a signed-off timesheet or a contract of engagement being the most common back-up for casual employees.

It should be noted that one of the invoices was handwritten (a Contributor on RnaG). However, there is a valid signed contract in place covering the engagement.

2) Valid VAT Invoice



Valid VAT Invoice

14 of the Independent Contractors in our sample were VAT registered in the period covered by the audit test and therefore are within the scope of this test. Eight of the 14 VAT invoices reviewed as part of this audit (57%) 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.

Exceptions identified in the audit predominately related to administrative (name / address) matters, the absence of a VAT number for the supplier providing the service, the absence of an invoice number / date or the absence of a unit price.

Summary of Key Findings – *See Action Plan for more details*

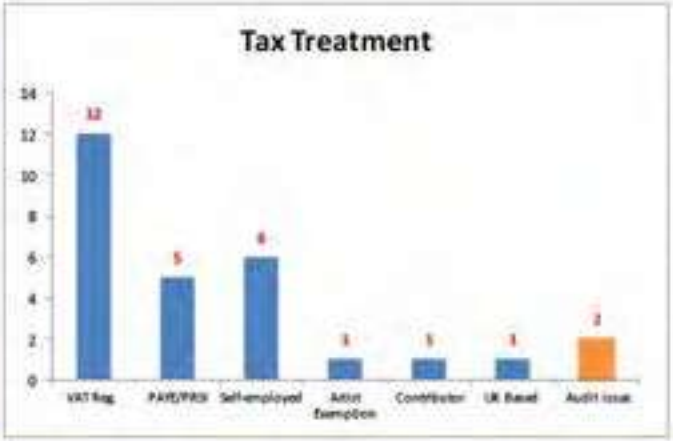
3) Fee Rates

We carried out a comparison of the fee rate RTÉ has contracted with the supplier to the rate actually billed to RTÉ. 22 of the 28 individuals invoiced RTÉ at their contract rate.

- Three individuals have no formal contract setting out fees as they are on-the-spot Contributors, Stringers or Special Guests. While this test is therefore not applicable to these individuals in all cases, we confirmed that the billed rate was in accordance with that agreed verbally or over email with the Line Manager and / or in line with the normal rate for the engagement.

- Three individuals billed RTÉ at a slightly different rate than the contract (two at a higher rate than the agreed fee per content and one at a lower rate). All three differences were not material and, most likely, reflect a lack of filing of paperwork evidencing of a contract change or an addition to the existing contract.

4) Taxation



Taxation

The taxation treatment of each individual in our sample is set-out in the graphic across.

The majority (93%) of individuals were treated correctly from a taxation perspective, either through the deduction of PAYE at source or by securing appropriate evidence from the individual of their tax status (e.g. VAT registration / self-employment, Exclusion Order, etc.).

However, we identified potential issues with RTÉ's taxation of **two** individuals although the amounts involved are not material. These issues are further explained in the action plan. In summary:

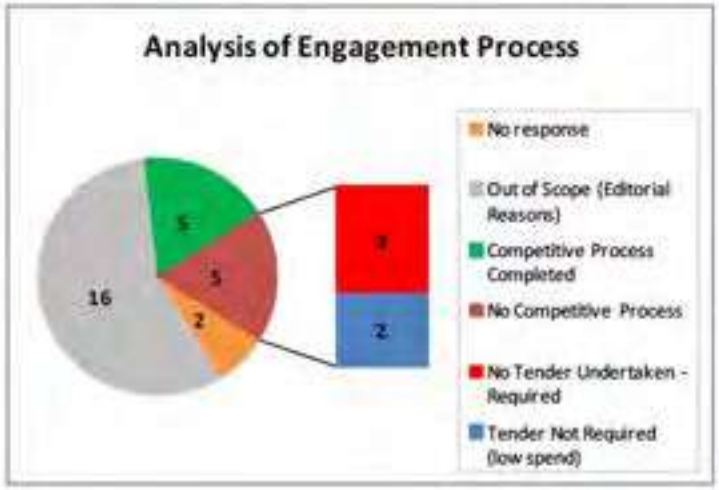
- Two individuals are registered for VAT, but not charging VAT on their invoices to RTÉ. The RTÉ records indicate the individuals should be charging VAT, given their VAT Registration. (The year-to-date earnings for both individuals was less than the €2k threshold after which an investigation into their tax status is initiated by People Payments.)

Summary of Key Findings – *See Action Plan for more details*

5) Tender Process

During the audit we investigated whether a competitive tender process was carried out in respect of the engagement of individuals in our audit sample. The findings are set-out in the graphic across and explained in further detail below.

- 16 (57%) of the individuals in our sample were out of scope of a formal procurement process due to the nature of their role (Presenters, Special Guests, Musicians, etc). While certain judgement is exercised in our conclusions, the engagement of these individuals is based on editorial decision making and therefore subject to the audio-visual media services exemption.
- Some form of competitive process occurred for 18% (five individuals) selected from our sample. However, this did not always involve an advertisement.
- No response was received from the Line Manager for two of our selected sample (7%). 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 tender process was not carried out for 18% (five individuals) of the sample selected.
  - A tender was not required for two 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 [redacted]
  - For the remaining three engagements, we have concluded that a more formal competitive tender process should have been completed (as is done for suppliers on the [redacted] payment system). In these three cases, similar roles are currently being engaged via [redacted]



Key Findings

Key Management Issues

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. 95% of these instances occurred in Radio which reflects the nature of its output. In some cases this may be due to the manner in which temporary approvers are assigned to cover periods of leave.

We also noted three instances, in our sample, where there was no approval from a member of Finance.

Tender Process / Public Procurement Rules

No competitive tender process took place in respect of three engagement where a competitive process was deemed necessary. Secondly, no formal process exists to monitor if a competitive tender 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. This increases the risk than tendering is not carried out when required

The new (2016) Code of Practice for the Governance of State Bodies contains specific requirements regarding the monitoring of compliance with Public Procurement rules and reporting of same. This is in force for the first time for the year-ended 31 December 2017.

Taxation Issues

Only 57% of the applicable Contractors in our audit sample issued invoices which fulfilled all of the Revenue's requirements for a valid VAT invoice. It is timely to issue another reminder to fee inputters and approvers of the components of a valid VAT invoice in order to better identify issues of non-compliance prior to processing the invoices for payment. A number of minor taxation matters merit review such as ensuring that VAT is being charged in cases where the individual is VAT registered.

Conclusion

Conclusion

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. We carried out a review of a sample of fee payments in 2017 and sought evidence supporting the payments.

We noted examples of good controls in place in relation to the processing of payments and associated compliance requirements, with the majority of fee payments in our sample supported by paperwork, billed at the correct rate and processed according to the correct tax treatment. However, we also identified opportunities for improvement, where stronger control is needed. We have agreed actions to address weaknesses in segregation of duties of certain approvals in Radio; issues relating to VAT invoicing and, finally, evidence of tax treatment. These are explained in further detail in the action plan.

In addition, there is a need to strengthen monitoring controls to check if tendering is taking place where required in the cases of Contractors engaged through [redacted] fees.

We appreciate the assistance and cooperation from the relevant HR and finance personnel during the course of the audit.

Rating

IMPROVEMENT NEEDED

RTÉ

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	[redacted] Fee Approval Procedures				
1.	**Segregation of Duties – Fee Approval** ***Background*** Each IBD has a number of fee administrators who raise fee payment requests on [redacted] Fee requests must then be approved by two approvers – usually the costpool manager and a member of finance. ***Finding*** We noted an absence of segregation of duties in the approval of certain fee payments. In the period covered by this review: • The first and second approval step was carried out by the same individual in the case of **814** fee payments; • This represented **2.8%** of all fee payments processed; • **12** individuals carried out the duplicate approval steps for these transactions. • Nine of the 12 individuals were Finance approvers, accounting for 801 (98%) of the transactions. 95% of the transactions were Finance approvers in Radio. *(For the avoidance of doubt, transactions processed by super-users – see #3 below – are not included in the above statistics.)* While a majority of [redacted] approvers do not have the functionality to carry out a first and second approval role, some users may be a designated first approver on some costpools and a second approver on other costpools. Therefore, they have access to both the approver 1 and approver 2 functionality on [redacted]	Radio has been highlighted due to the fact that RTÉ Radio output is predominantly live and relies on presenters, contributors and interviewees – who all must be paid fortnightly. On a monthly basis approx. 1,400 [redacted] payments are made in Radio to approximately 200 programme costpools. (The number of Radio programme costpools has effectively been halved over recent years reflecting ongoing cost reduction, schedule changes and restructuring). RnaG programmes generate c900+ individual [redacted] payments per month. The vast bulk of these payments are for small amounts, paid to local contributors in Casla, Baile na nGall, Doire Beaga and Baile Átha Cliath. There are only a handful of	The Finance team in Radio will be given [redacted] rights to transfer worklists to other members of the team. This will allow two different approvers (both being Finance) to a payment, in the cases where the programme approver / Line Manager is not available. Under the new organisational structure approvers will be reviewed with an action plan to reduce the burden on particular individuals. Reminders will be issues to all approvers as to the correct procedures for managing the transfer of worklists and approving fee requests. The same individual will not act as a first and second approver.	M to H	[redacted] 31 December 2017 [redacted] 31 December 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Causes The transferring of [redacted] approval worklists is a factor contributing to this issue. The first approver is absent and transfers his / her approval to an individual who is already the designated second approver for the same transaction, or already assigned a temporary second approver. This becomes a particular issue in the case of long term absence (ICB, career break, etc.) where worklists are transferred for an extended period. In other cases, while the worklist was not forwarded the transaction may have been manually approved by an approver at short notice to meet the Tuesday fee payment deadline. From a technical perspective, [redacted] does not currently prevent a user from acting as the first and second approver. An action from the 2014 Fees audit was to investigate whether [redacted] has the technical functionality to restrict an approver from acting as a first and second approver. It was determined that it was not possible to implement this without causing a significant performance problem given the age and functionality of the system.	Finance approvers to deal with a significant volume of transactions. Following the restructuring of Radio and Orchestras the number of approvers has reduced from 6 to 4. Only one person in Radio Finance has [redacted] rights to actually transfer work-lists. No matter how many times Finance remind Editorial and programme colleagues to clear their work-lists they are invariably left with unapproved payments. Work-lists are not transferred to substitute approvers when on leave or out of the office. In remote locations there are not many approvers to share the responsibility. ([redacted]			
2.	**<u>Finance Approver</u>** During our testing of a sample of 28 fee payments, we noted that a member of Finance was not one of the designated approvers in	Agreed [redacted]	A review of fee approvers for all active costpools will be carried out to check if a finance approver is in place in all cases. Any exceptions will be addressed.	M	[redacted] 31 December

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	the case of three (11%) of the transactions tested. *(Contract types: two Sole Traders and one ongoing casual employee).* Two out of the three instances occurred in Radio. Two of the approvers were local administrators not involved in the business operations, which is a form of mitigation as they are removed from the initiation of the transaction and this is a form of segregation of duties. Finance approval is important in order to have oversight of the appropriateness of taxation treatment and related matters.				2017
3.	**<u>Segregation of Duties – "Super-Users"</u>** ***Background*** [redacted] "super-users" have the authority to input, approve (both first and second approval) and processes a transaction. These payments are valid transactions, but are not subject to the normal segregation of duties controls on [redacted] Three "super-users" in People Payments process transactions in this manner relating to: • Top talent payments processed centrally by People Payments following manual approval by the CFO; • Fee requests which could not be processed locally, in the normal way for a variety of reasons – a written request is submitted to People Payments to process the transaction; • Corrections of errors identified before the payment run is processed. ***Finding 3A*** In the period covered by this audit 274 (0.9% of data) fee lines	Agreed. Half-yearly reports will be completed to ensure the number of "super-user" approvals is in line with previous years and monitored for reasonableness. [redacted]	***3A*** Half-yearly reporting of the number of transactions processed and approved in this way will be introduced. This will be completed by one member of People Payments and reviewed by the People Payments Manager. This will list the number of transactions processed per individual, in this manner, in order to identify and investigate any increased use (should it occur). ***3B*** In the case of the duplicate sign-on, one sign-on will be disabled.	L Done	[redacted] 31 March 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	were input, approved (both first and second approval) and processed by the same individual. This is slightly less than the prior year where there was 362 (1.1%). The input and approval of a transaction by the same individual should only happen in a small number of exceptions and merits regular monitoring. However, the use of this powerful approval method is consistent over the past few years and it is being used appropriately in limited circumstances as intended. In mitigation, all "super-user" approvals for Top Talent are authorised in advance in writing with two signatures on invoices from the Group Financial Controller and a suitable person from within the Business. For remaining "super-user" transactions, authorisation would be received from the relevant Line Managers over email and filed. ***Finding 3B*** During our review, we noted that one of the "super-users" in People Payments had logged in under two different user names during the year. On further investigation it was noted that the individual's username was changed during the year for house-keeping purposes. The old log-in has been locked and is unusable but kept for reference.				
	Taxation Matters				
4.	**Valid VAT Invoice** ***Background*** We noted that 14 Independent Contractors in our sample of 28 were registered for VAT and, therefore, were required to issue a	Agreed. What constitutes a valid VAT invoice will continue to be covered in the localised training groups on Fee payments.	People Payments, in conjunction with the FDs/FCs, will provide all fee inputters with a document listing the components of a valid VAT invoice.	M	[redacted] 31 January 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	valid VAT invoice. These were within the scope of our audit test. ***Finding*** However, our testing indicated that only eight (57%) of these invoices fulfilled all of 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 audit issues related to matters such as the recording of name / address (of RTÉ and / or the supplier) or the absence of a VAT number for the supplier providing the service. A valid VAT invoice is required in order to claim a refund / input credit for the VAT amount paid.	These are interactive working groups and focus on explaining the approach and understanding the reasoning behind Fee payments. They re-emphasise the criteria to consider when instigating payment. ([redacted]	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.		
5.	**<u>Taxation Treatment</u>** ***Background*** The taxation treatment of each individual in our sample was reviewed for appropriateness. ***Findings*** ✓ The majority (93%) of individuals were treated correctly from a taxation perspective, either through the deduction of PAYE at source or by securing appropriate evidence from the individual of their tax status (e.g. VAT registration / self-employment, Exclusion Order, etc.).	Agreed. People Payments will notify the local teams and ensure they are aware that the two individuals are VAT registered. The importance of ensuring the correct taxation rules are adhered to when making payments will continue to be covered in the localised training groups on Fee payments.	The Finance teams in both areas will be made aware that both individuals are VAT Registered and request that VAT be charged on all future invoices to RTÉ.	L	[redacted] 31 December 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	X However, we identified potential issues with RTÉ's taxation of two individuals. Both individuals are registered for VAT, but not charging VAT on their invoices submitted to RTÉ. However, the amounts involved are not material. Per People Payments records and verification of the VAT number on the (European Commission) VIES VAT number validation website, the individuals should be charging VAT, given their VAT Registration. The year-to-date earnings for both individuals was less than the €2k threshold after which an investigation into their tax status is initiated by People Payments.	[redacted]			
	Contract Compliance				
6.	**Comparison of Fee Billed to Contract** ***Background*** During testing we carried out a comparison of the fee rate, per contracts agreed with the suppliers to the rate actually billed by the supplier to RTÉ, in order to ascertain whether any discrepancies exist. ***Finding*** 22 of the 28 individuals invoiced RTÉ at their contract rate as per the RTÉ contract of engagement / employment. The circumstances around the remaining six individuals was as follows: ✓ Three individuals have no formal contract setting out fees as they are on-the-spot Contributors, Stringers or Special	Agreed. The contract was not updated for a new negotiated fee rate in the case of one individual. This will be brought to the attention of HR and the contract will be updated to reflect the agreed rate. [redacted] The importance of ensuring that rate changes agreed locally are communicated to Finance and HR teams will be reiterated to the fee in-	While relatively minor differences, the Finance official responsible for the area will investigate the correct rate per recent agreements. This will then be either reflected in the contract if necessary, or communicated to the individual providing the service to ensure invoicing at the incorrect rate.	M	[redacted] 31 December 2017

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Guests. While this test is therefore not applicable to these individuals in all cases, we confirmed that the billed rate was in accordance with that agreed with the Line Manager and / or in line with the normal rate for the engagement. X Three individuals billed RTÉ at a slightly different rate than the contract (**two** at a higher rate than the agreed fee per content and **one** at a lower rate). See below for more details of each: a) The fee per the invoice to RTÉ was €50 higher than the agreed rate per the contract. There were eight payments made to this individual during the period of the contract and to when the data was run (maximum margin of difference €400) b) The fee per the invoice to RTÉ was €25 higher than the agreed rate per the contract. There were 19 payments made to this individual during the period of the contract and to when the data was run (maximum margin of difference €475) c) The fee per the invoice to RTÉ was €50 lower than the agreed rate per the contract. There were five payments made to this individual during the period of the contract and to when the data was run. ***Conclusion*** All three differences were not material and, most likely, reflect a lack of filing of paperwork evidencing a contract change or an addition to the existing contract.	putters / approvers at the localised training sessions. [redacted]			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
7.	**Duplication of Contracts** ***Background*** We identified one further issue as part of our review of the accuracy of the billed rates (compared to the contract). ***Finding*** For one of the 28 individuals reviewed, it was noted that the person engaged via the RTÉ Guide, was already engaged under a Sole Trader contract elsewhere in RTÉ. The RTÉ Guide staff were not aware of the individual's contract already in place with RTÉ's makeup department. The individual was engaged by the RTÉ Guide via an agency, with whom the RTÉ Guide has standard rates in place per cover shoot for hair and make-up artists. The Guide usually pay the Agency via [redacted] but paid this artist via [redacted] fees as they were already set up there under the Sole Trader contract. ***Implications*** The fact that the same individual is engaged under two different contracts, or methods of engagement, within RTÉ creates additional complication as there is no visibility over the total level of work the person is carrying out. There also may be inconsistent rates being applied with potential savings to be made if all consolidated under the one contract.	Agreed. We have no objection to finding out who's on contract to the make-up department for future reference. [redacted] This point will continue to be covered at localised training sessions encouraging people to investigate whether individuals are already engaged by RTÉ under another contract. Ideally, all of the work provided from one service provider should be captured in one contract for a period. This gives greater visibility and consistency over rates, pricing and levels of work provided to RTÉ. [redacted]	The RTÉ Guide will consider liaising with the RTÉ make-up team to ascertain the methods in which they engage make-up artists and whether any other individuals regularly engaged via an agency have any existing relationships / contracts with RTÉ. The need for a separate engagement via an agency will also be re-visited.	L	[redacted] 31 March 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Other Process Observations				
8.	**Tender Process / Public Procurement Rules** ***Background*** RTÉ is required to comply with public procurement guidelines. These provide for formal tendering at national and EU level, depending on the levels of spend and other circumstances. It is a basic principle of good internal control and public procurement policy that competitive tendering procedures should be followed, unless there are justifiably exceptional circumstances. There are some exemptions for audio-visual media services. During the audit we investigated whether a competitive tender process is being carried out in the engagement of individuals. These are "contracts for services" processed through [redacted] Fees, although in some cases similar services are engaged and processed through the Purchase Order System on [redacted] The national procurement rules apply irrespective of the payment system / internal RTÉ processing applied. ***Findings*** The findings from this review are explained in further detail below: ✓ 16 (57%) of the individuals in our sample were out of scope of a formal procurement process due to the nature of their role (Presenters, Special Guests, Musicians, etc). While certain judgement is exercised, the engagement of these individuals is based on editorial decision making and therefore subject to the audio-visual media services		*Code of Practice for the Governance of State Bodies* A review will be carried out to ascertain the extent of tendering carried out for non-employees (Contractors) engaged via [redacted] fees in 2017. Follow-up actions will be agreed as necessary. Scope: expenditure >€25k *(for a non-employee ID in* [redacted] in FY 2017, excluding the engagement of services involving editorial discretion and also excluding employee contracts. *Process Issues* These findings will be considered in the context of the broader initiatives outlined below: 1. HR's recently announced review of the engagement of Contractors in RTÉ will consider how best to integrate tendering / procurement procedures into any new Contractor engagement process. 2. The strategic project to select a new ERP system will consider how to efficiently align the existing procurement process and workflow	H	[redacted] Finance Teams 28 February 2018 [redacted] 30 April 2018 [redacted] To Q1 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	exemption. ✓ Some form of competitive process occurred for 18% (five individuals) selected from our sample. However, this did not always involve an advertisement. → No response was received from the Line Manager for two of our selected sample (7%). 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 tender process was not carried out for 18% (five individuals) of the sample selected. → A tender was not required for two 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 [redacted] X For the remaining three engagements, we have concluded that a more formal competitive tender process should have been completed (as is done for suppliers on the [redacted] payment system). In these three cases, similar roles are currently being engaged via [redacted] The 2017 year-to-date expenditure for one engagement (€55k) exceeds the €25k threshold over which a formal		for Contractors currently engaged via [redacted] fees, as compared to the Contractors engaged via [redacted]		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	tender should take place (using eTenders). For the remaining two engagements, the spend over the past two years falls within the €5k to €25k threshold requiring some form of competitive process to take place. ***Conclusion*** • No competitive tender process took place for three engagements where a competitive process was deemed necessary. (This is based on a small audit sample size – there may be other cases of an absence of formal tendering across the population of 4,990 individuals, given the weak monitoring controls). • No formal process exists to monitor if a competitive tender 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. This increases the risk than tendering is not carried out when required. There is a difference in the tendering monitoring controls in place for Contractors engaged via [redacted] fees and Contractors engaged via Accounts Payable. A formal process exists via the Purchase Order ("PO") System on [redacted] to check if a competitive tender process has taken place for orders >€10,000. In addition, Purchasing carry out follow-up monitoring checks to assess compliance. This is accompanied by Delegated Authority Limits for the approval of POs.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	• No centralised tendering register is currently in place in respect of engagements via [redacted] fees. The new (2016) *Code of Practice for the Governance of State Bodies* contains specific requirements regarding the monitoring of compliance with Public Procurement rules and the reporting of same. This is in force for the first time for the year-ended 31 December 2017. There is a requirement to maintain a centralised register listing all payments in excess of €25k with a monitoring system in place to flag non-competitive procurement.				

RTÉ Internal Audit

Review of Taxi Expenditure *(Taxi Vouchers)*

17 October 2018

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background

Background

Overview
If a staff member takes a taxi journey for a valid business reason, RTÉ's Travel Policy requires them to pay in cash and reclaim the expense through the Transfare system. The expense claim is authorised by the individual's line manager, in the usual manner.

However, a staff member with a more regular taxi requirement, particular in the context of their normal working roster, may use the taxi voucher system as an alternative to reclaiming a taxi receipt through Transfare.

Process for Taxi Vouchers
In summary, the taxi voucher system works as follows:

- A business area with an ongoing need - staff or contributors - for taxi vouchers nominates a person to have responsibility for collecting book(s) of vouchers from Office Services. This nominated person is authorised by the Director of that area.
- It is the responsibility of that nominee, or the costpool manager, to distribute the books of vouchers around the department, if necessary, or to hold them in their possession.
- When a staff member needs a taxi for him/herself or for a contributor, they request a voucher from the nominated person in their area who holds the taxi vouchers. The staff member fills in the details on the voucher – i.e. name, date & time of journey, journey details and costpool.
- When these details are complete, the authoriser will authorise the voucher. (The authoriser is generally the person holding the voucher book.)
- The completed, authorised voucher is given to the taxi driver as "payment" at the end of the journey, with the employee/contributor annotating the cost of the journey on the voucher.

In the case of staff members, the taxi voucher system is for use outside public transport hours i.e. before 07.00 or after 23.30. These terms and conditions are clearly outlined on the voucher.

Voucher Types
Vouchers are printed in different colours, with each colour illustrating the reason for use. The three voucher types are explained below:

- **Yellow**: The intended use is for RTÉ programme contributors (non-staff) and can be used at any time
- **Green**: Denotes staff usage in the early morning (pre 07:00)
- **Blue**: Denotes staff usage late at night (post 23:30)

RTÉ Staff Travel Policy
The key elements of RTÉ's Travel Policy (2011) in relation to the use of taxis are as follows:

- Taxis should be used only exceptionally due to the time of travel, nature of the journey, personal safety considerations, the carriage of heavy luggage, or if public transport does not provide a reasonable option;
- Staff are expected to make their own arrangements for travel to and from their workplace;
- RTÉ may provide taxis for staff required to travel to or from work outside of public transport hours;
- Vouchers may not be used by employees except when travel to / from work is required outside public transport hours; and
- Vouchers must be authorised by a person in authority and not the passenger.

Taxi Companies
RTÉ avails of the services of two Taxi Companies which operate the voucher system – [redacted] ([redacted]) and [redacted] ([redacted]). These companies also accept cash fares.

Other Information
Taxi voucher expenditure is generally charged to programmes. For example, taxis used by staff working in News and Current Affairs will be charged to the various programme sitting within the Content Division.

Objectives, Scope & Risks

Objectives of Audit

The objective of this audit was to carry out a review of expenditure incurred on taxi vouchers from January to June 2018 inclusive, and to investigate whether the usage and authorisation of taxi vouchers is in compliance with the RTÉ Travel Policy.

Scope of Audit

The scope is limited to a review of electronic data provided by the taxi company which, in turn, was compiled from the physical taxi vouchers used by RTÉ staff members and contributors.

We tested the following:

- ✓ Verified the appropriateness of voucher use based on the user and time of the day (valid business reasons);
- ✓ Performed analysis on whether taxi vouchers are being used by staff outside of public transport hours only;
- ✓ Checked whether staff are using contributor vouchers (yellow);
- ✓ Verified whether vouchers were authorised and the appropriateness of person authorising;
- ✓ Performed a check of the completeness and accuracy of vouchers;
- ✓ Investigated the process in place for obtaining taxi voucher booklets;
- ✓ Checked for self-authorisation of taxi vouchers; and
- ✓ Reviewed data for other unusual items / irregularities.

The scope of our audit did not include:

- ✗ A review of the IT systems used by RTÉ or the relevant taxi companies in compiling the data;
- ✗ Taxi Expenditure reclaimed via the [redacted] system

Risk

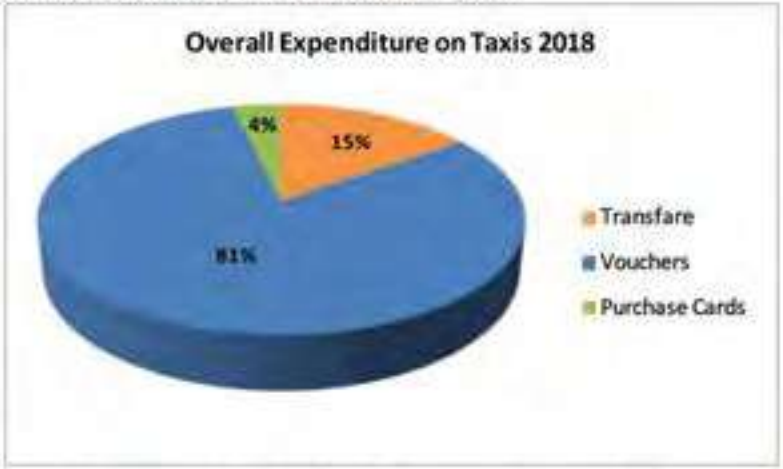
The key corporate risks addressed by the report are as follows:

- Risk # 4 – Reputation and Compliance *(a common subject of FOI requests)*
- Risk # 6 – Management of Finances and Business Planning

Data Analysis

A Overall Taxi Expenditure

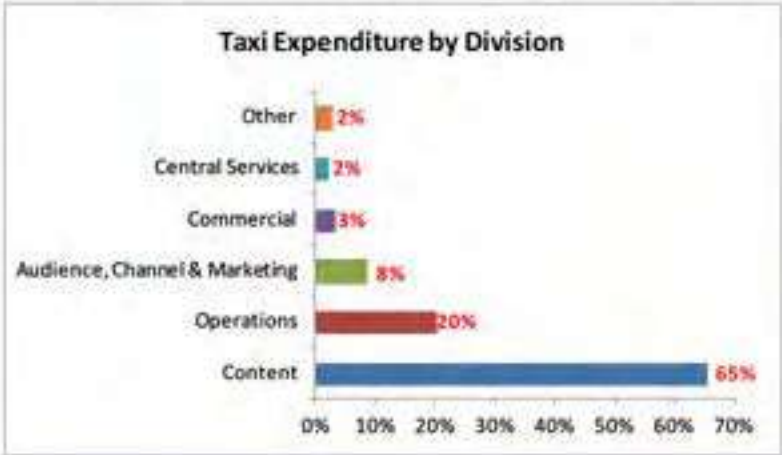
Expenditure on taxis was €174k across all payment systems in the six month period to June 2018. As shown below, 81% of this amount was attributed to taxi vouchers, which is the subject of this report.



The breakdown of spend per month for the period is shown in the chart below. Expenditure is relatively consistent month on month with an expected decrease in June, when some programmes depart for the summer.

B Spend / Payments on Vouchers by Division and per Month

5,886 taxi vouchers to the value of €137k were invoiced in the six month period to June 2018, of which 65% related to the Content division (€90k). News is captured within the relevant content / programme area.



C Analysis of Taxi Fares by Value

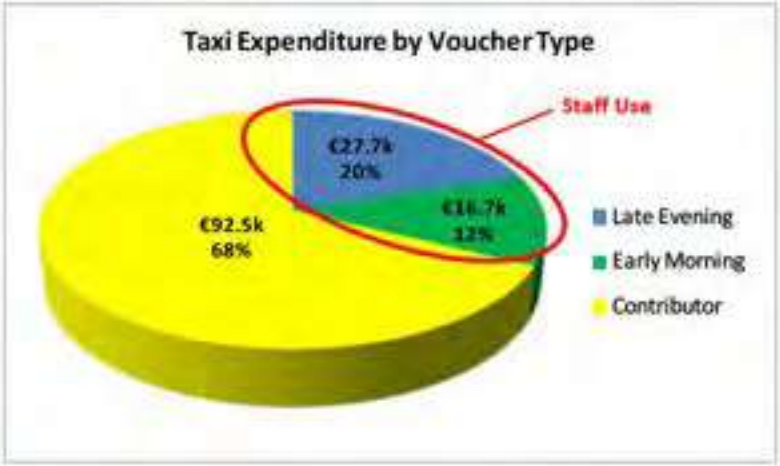
A further breakdown of taxi vouchers and number of journeys undertaken, by value thresholds, is displayed below. Individual taxi fares ranged from €7 to €554 in the period and the average taxi fare was €23.

Fare per Voucher Used	Number of Journeys	€ Total Value
€0 - €10	321	2,965
€11 - €20	2,886	44,745
€21 - €30	1,465	36,331
€31 - €40	674	23,565
€41 - €50	315	14,182
€51 - €60	112	6,135
€61 - €70	60	3,889
€71 - €100	46	3,754
> €100	7	1,374
Total	**5,886**	**136,940**

Data Analysis

Spend by Voucher Type

The data can be further analysed according to the voucher type used. As shown below, over two thirds (68%) of expenditure is on Contributor vouchers. Of the 5,886 vouchers used during in the period, 4,003 (68%) were contributor vouchers, with the balance explained below:



Summary of Key Findings – *See Action Plan for more details*

1) Usage of Taxi Vouchers

Taxi Vouchers used at incorrect times by staff members

The chart illustrates the appropriateness of use of staff taxi vouchers (Blue and Green). In summary, there was no issue with 1,303 of vouchers (69%) during the period under review as the taxi was used outside public transportation hours, as specified in the RTÉ Travel Policy. This represents €30,814 in value.

The remaining 577 vouchers (31%) to the value of €13,540 were used by staff during public transport hours, which is not in line with the policy. This exception can be further analysed by voucher colour, with 45% of exceptions relating to early morning (green) vouchers and 55% being late evening (blue). In these cases, if a valid business use is determined, the staff member should have redeemed the journey through Transfare.

Contributor Vouchers

In addition, we noted inappropriate use of contributor vouchers by staff members. Contributor (yellow) vouchers are reserved for use by Contributors to programmes and related third parties.

2) Authorisation of Vouchers

Taxi Vouchers used without proper authorisation

The rules and regulations for the use of the RTÉ taxi voucher system (set-out on the reverse of the voucher) outline that vouchers must be authorised by a person in authority and not the passenger.

As shown on the left, taxi vouchers were appropriately authorised in 93.5% of the 5,886 vouchers used during the period.

In 4% of cases (213 vouchers), the authorisation was recorded as being illegible. Self-authorisation (where the authoriser and passenger were the same person) took place in 2% of cases (147 vouchers) and the authorisation field was blank in 0.5% of cases (31 vouchers). In both latter cases, this represents a breach of policy.

Key Findings

Key Management Issues

Incorrect Usage of Vouchers

We noted that 31% of staff taxi vouchers issued during the period were used incorrectly during public transport hours, representing a breach of the RTÉ Staff Travel Policy. This represents 577 vouchers and €13,540 in value.

In addition, the review highlighted the inappropriate use of contributor vouchers by RTÉ staff members. This is also a breach of the rules, as alternative vouchers are in place to govern appropriate use by RTÉ staff.

Inappropriate Authorisation of vouchers

Taxi vouchers were used in circumstances where the authorisation was not properly evidenced by a supervisor. This occurred approximately 400 vouchers (7%) used during the six month period. We noted instances of authorisation signatures being illegible, self-authorisation or an absence of authorisation. This is also in breach of the RTÉ Staff Travel Policy.

Conclusion

A large proportion of vouchers are used appropriately by staff members in line with the Policy. However, this review also highlighted the use of taxi vouchers in circumstances that are in breach of the RTÉ Staff Travel Policy.

31% of vouchers reviewed (€13.5k) were used by staff during public transport hours, which is not in line with the policy. In also noted inappropriate use of contributor (yellow) vouchers by staff members, which should be used by contributors and third parties only. In addition, in 7% of cases (approximately 400 vouchers and €8.4k in value), inappropriate authorisation of taxi vouchers was recorded, also representing a breach of policy.

As explained above, breaches are primarily due to the use of some vouchers by staff members during public transport hours, the use of contributor vouchers by RTÉ staff members and taxi vouchers being used where the authorisation is not properly evidenced by an appropriate supervisor.

In response to these findings, both management and staff need to be reminded of the RTÉ's Travel Policy, specifically with relation to the use of taxi vouchers.

We appreciate the assistance of Office Services in providing relevant data for the audit.

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Usage and Authorisation of Vouchers				
1.	**Contributor Taxi Vouchers Used by Staff** ***Background*** Green and blue coloured vouchers denote use in early morning or late evening, respectively, by staff members. Yellow vouchers are reserved for programme contributors and, by their nature, are expected to have a more widespread usage in terms of times of the day. However, yellow vouchers are not expected to be used by RTÉ staff members. ***Findings*** We carried out a review of all vouchers used in the first six months of the year. The findings applicable to the green and blue vouchers are summarised in the points below: X The review highlighted the inappropriate use of contributor vouchers by RTÉ staff members. Due to data limitations (i.e. no ID number from the taxi data to easily link to staff listings), it is not possible to quantify the level of inappropriate usage, but repeated staff usage of yellow vouchers was evident from our observation of the data. This occurred throughout the period of time within scope of the audit. X While not considered a significant issue, the green and blue vouchers are being used interchangeably for early morning and late evening trips i.e. the voucher was not always correctly aligned to the time of the trip, with many vouchers used at the incorrect time.	There are inherent faults in the current policy and procedures around the use of taxi vouchers. To correctly address the issues raised in this report, RTÉ needs to review and make changes to its current policy. As it stands the current policy will continue to be breached as staff are continually using the contributor (yellow) vouchers during public transport hours rather than claiming the fares via Transfare. For various business reasons staff will continue with this practice in the absence of a suitable voucher. An "emergency" staff voucher for use during public transport hours, issued at Line Manager's discretion, would address this breach. Companies with which RTÉ has an agreed contract obtain a 12% discount. It is not possible to guarantee the 12%	A written reminder will be issued to all staff and management regarding taxi vouchers. This written reminder will cover the policy that is currently in place as per the RTÉ Travel Policy, guidelines around the correct usage and authorisation of vouchers, and the procedures that are in place for their correct usage. Voucher holders will be also reminded of security of vouchers and the importance of retaining vouchers in a secure location.	H	[redacted] 31 December 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
		is awarded when staff are paying with cash. A management process needs to be introduced for assessing the issues raised in this report and how to address them. ([redacted]			
2.	**<u>Vouchers Used by Staff During Public Transport Hours</u>** ***Background*** In the case of staff members, the taxi voucher system is for use outside public transport hours only i.e. before 07.00 or after 23.30, as per the RTÉ Travel Policy. ***Finding*** The findings are summarised in the points below: ✓ There was no issue with 1,303 of vouchers (69%) during the period under review as the taxi was used outside public transportation hours, as specified in the RTÉ Travel Policy. These vouchers represent €30,814 in value. X The remaining 577 vouchers (31%) were used by staff during public transport hours, representing €13,540 in value. This exception can be further analysed by voucher colour, with 45% of exceptions relating to early morning (green) vouchers and 55% being late evening (blue). In these cases, if a valid business use is determined, the staff	See Management Comment in finding #1 above.	See actions in finding #1 above.	H	See above

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	member should have redeemed the journey through Transfare.				
3.	**<u>Use of Vouchers Without Appropriate Authorisation</u>** ***Background*** The rules and regulations for the use of the RTÉ taxi voucher system (set-out on the reverse of the voucher) outline that vouchers must be authorised by a person in authority and not the passenger. ***Findings*** The findings are summarised in the points below: ✓ Taxi vouchers were appropriately authorised in 93.5% of the 5,886 vouchers used during the period. This represented €128,582 in value. X In 4% of cases (213 vouchers), the authorisation was recorded as being illegible. Self-authorisation (where the authoriser and passenger was the same person) took place in 2% of cases (147 vouchers). The authorisation field was blank in 0.5% of cases (31 vouchers). The total value of vouchers not appropriately authorised was €8,358 or 6.5% of the total expenditure. ***Impact*** While an illegible signature may simply reflect a lack of due care and attention by the authorising RTÉ staff member signing the voucher, there is a risk that a signature is made deliberately illegible to mask non-compliance with the regulations for the use	See Management Comment in finding #1 above. The voucher itself has a space for the approver to complete their name in block capitals. Reminders should be made to staff to complete vouchers fully. [redacted]	See actions in finding #1 above.	H	See above

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	of the RTÉ taxi voucher system. This could arise for a variety of reasons: self-authorisation (by the passenger), fictitious authorisation, or authorisation by an individual who is not a valid RTÉ approver.				
	Policy & Other Observations				
4.	**Strategic Review of Taxi Voucher System** On a more strategic level, in the context of the ongoing organisational restructuring and changes in work practices, it is timely to revisit the purpose and objective of staff taxi vouchers. Staff use is likely to represent in excess of €100k of the expenditure on taxi vouchers in 2018 (> 4,000 vouchers). An entitlement to access a taxi voucher for travel to work outside of normal public transportation hours has been created over the years, irrespective of whether it is a once-off / project requirement, or an ongoing requirement based on the individual's normal rostered pattern of work. It is timely to reconsider if this is still appropriate based on changes in working methods and changes in the composition of teams. It is timely to consider whether the scope of the entitlement to use a voucher outside normal transportation hours should be restricted to certain types of work activity *(rostered versus late changes; regular patters versus once-off/project; etc.)* and validate whether the existing use remains in line with management's intention.	Agreed. RTÉ also needs to strategically review whether they want to continue paying taxi fares for staff to come to work for their normal rostered hours, strictly because they are outside public transport hours. *([redacted])*	A strategic review of the current taxi voucher system will be undertaken. Consideration will be given to reviewing taxi vouchers in the context of the six enabling initiatives to support the delivery of the RTÉ strategy and is likely to fit best in the Creating Smarter initiative.	M	[redacted] 31 January 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	This could be considered in the context of the six enabling initiatives to support the delivery of the RTÉ strategy or in the context of the update of the RTÉ Travel Policy.				
5.	**Lack of Regular Communication to Staff** ***Finding*** We noted during the audit that communication to staff members regarding the use of taxi vouchers is overdue. It is timely that a reminder is issued to all staff and management regarding taxi vouchers. This written reminder should cover the policy that is currently in place as per the RTÉ Travel Policy, guidelines around the correct usage of vouchers and the procedures that are in place. Guidance on security and safekeeping, and the importance of retaining vouchers in a secure location, is also needed.	Agreed. Holders of taxi voucher booklets need to: a) Ensure they are locked away securely. b) Be passed to their Line Manger should they transfer to a different area or depart the organisation, as well as informing Office Services of the change. [redacted]	In addition to the written reminder in finding #1, a notice will be placed on The Hub reminding all staff members of the appropriate procedures. A separate written reminder will be issued to voucher book holders (once updated), reinforcing the importance of security and to treat taxi voucher booklets in a manner similar to cash. Booklets should not be left lying around in open common areas.	H	[redacted] 31 December 2018 [redacted] 31 December 2018
6.	**Use of Different Coloured Vouchers** ***Background*** As explained in finding #1 above, green and blue coloured vouchers denote use in early morning or late evening, respectively, by staff members. ***Finding*** We noted during testing that the correct vouchers are not being issued at the correct times, for example, early morning vouchers (green) were issued and used in the evening, and vice versa.	Agreed. Rationalising the number of voucher book types available in line with any agreed changes in policy would be appropriate. [redacted]	A review into combing the early morning and late evening staff vouchers into one single voucher for staff use outside of public transportation hours will be undertaken.	M	[redacted] 31 December 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	We note that there may not be a requirement to have both an early morning and late evening vouchers in place for staff. There is no business requirement to differentiate between early morning and late evening fares as the rates are largely the same and the current process of having two vouchers may be unnecessarily complicating the process. It may make more sense to merge the early morning / late evening vouchers into one staff voucher for use outside of public transport hours.				
7.	**<u>Out-dated Authorisation Listing for Taxi Booklets</u>** ***Background*** According to the RTÉ Travel Policy, taxi vouchers must be authorised by a person in authority and not by the passenger. To ensure taxi booklets are issued to the authorised personnel only, a listing of authorised nominees for collection of taxi vouchers is kept by the holders of voucher booklets in Office Services. Approval in writing must be received by Office Services from the relevant Line Manager in the area before a new nominee for obtaining taxi booklets can be added to the list. ***Finding*** The findings are summarised in the points below: X It was noted that the authorisation listing being used at the time of the review was not fully up-to-date, with departed staff names still listed as nominees.	1) The authorisation listing will be updated. The responsibility lies with the booklet holders to keep Office Services informed of change once the list is updated. 2) The introduction of a counterfoil or perforated stub booklet can be investigated. All Line Managers / book holders should record who they have issued vouchers to and the reason for use. Any changes to the voucher book design	1) The authorisation listing of taxi voucher booklet holders will be updated to reflect changes due organisation restructuring and staff departures. The authorisation listing will be updated on a half-yearly basis. 2) The feasibility of introducing counterfoil booklets for vouchers will be examined. This will improve record keeping and aid in the tracking of voucher usage.	M	[redacted] 31 December 2018 [redacted] 31 December 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	X The authorisation is no longer fully up to date following the organisation restructure, with many nominees having moved roles or divisions. ***Impact*** The above findings reduce the ability of Office Services personnel to accurately track the location of taxi voucher booklets, during and following the restructuring period. There is also a risk that Line Managers are not following up on the location of booklets of staff that have departed. It is their responsibility to reassign taxi voucher booklets in such situations.	should only be done after the taxi policy has been finalised to reduce costs associated with double jobbing on this issue. ([redacted])			
8.	**<u>Incomplete vouchers and lack of sufficient information</u>** ***Background*** When a staff member needs a taxi for him/herself or for a contributor, they request a voucher from the nominated person in their area who holds the taxi vouchers. The staff member fills in the details on the voucher – i.e. name, date & time of journey, journey details and costpool. When these details are complete, the authoriser will authorise the voucher. (The authoriser is generally the person holding the voucher book.) ***Findings*** It was noted during testing that all of the necessary fields were not completed by staff members when completing vouchers. While the pick-up point and destination fields were completed in all instances, the passenger name was omitted on 48 vouchers	See Management Comment in finding #1 above.	See actions in finding #1 above.	L	See above

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	(0.8%) and expenditure to the value of €1,235. However, we note that Office Services track voucher booklets issued and is therefore in a position to know which area the voucher related to, although not the named individual. ***Impact*** Insufficient information on taxi vouchers does not facilitate monitoring of their usage or provides limited information in the case of a dispute. Staff using vouchers should be made aware of the correct voucher to be used, the rules around their use and the details to be completed on each voucher.				
9.	**Travel Policy out of date** ***Finding*** The RTÉ Travel Policy has not been updated since November 2008. An update of the Policy is therefore now overdue. A draft was submitted to employee representatives for discussion in late 2013 but was never finalised or approved. The coming together of part of the business into 'One RTÉ' draws further attention to the need for a new Policy as the existing policy may have been implemented slightly differently across different areas, which are now coming together. As outlined in #4 above, the purpose and objective of staff taxi voucher use should also be considered in the context of this update to determine if the use of vouchers by staff members should be restricted.	Most issues of this audit could be managed through the updating of the policy and ensuring that it is appropriate for RTÉ's business needs. Then it can be managed through senior level communication and strong line management control. [redacted]	This was highlighted in another audit report and is already being tracked on our log of open audit action points.	H	N/A – already actioned

RTÉ Internal Audit

Report on Supplier and Employee Master Data

11 November 2016

Circulation:
Director-General
Executive
Members of the Audit and Risk Committee

[redacted]

Central HR

[redacted]

The contents of this document are confidential and for internal RTÉ use only

Background, Objectives & Scope

Background

RTÉ has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable [redacted]), Payroll [redacted]) and [redacted]

➢ **Accounts Payable** is used to pay suppliers of goods, professional fees, corporate services etc. There are tiered delegated authority approval limits in place via [redacted] 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.

➢ [redacted] is used to pay non-employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, casual employees and employees on very short fixed term contracts are paid via [redacted] 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. **Employee master data** is maintained on [redacted], with processing by the outsourced providers, [redacted].

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.

Objectives of audit

Payroll / Employee Data

- ✓ To detect if any employees are being paid via other payment systems and to assess if appropriate
- ✓ To detect "ghost" or fictitious employees

[redacted]

- ✓ To identify if any individual has more than one [redacted] fees account
- ✓ 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
- ✓ To detect if any suppliers are also paid via [redacted] or payroll

Scope of audit

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, (Fees & Employees) and Payroll (via outsource provider) was analysed to identify duplicate accounts using:

- ✓ Bank Account Number
- ✓ Name of business, employee, Independent Contractor, Sole Trader etc.
- ✓ Address
- ✓ PPS number or VAT number, where relevant

The following was outside of the scope of this audit:

- ✗ 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]

Key Risks & Summary Findings

Risks

The key corporate risks addressed by the report are as follows:

- Risk # 1 – Reputation Risk *(Fraud risk; Conflicts of Interest)*
- Risk # 3 – Management and prioritisation of financial resources
- Risk # 8 – Organisation and people

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.	Result
Across Systems:		
Accounts Payable & [redacted] Fees	A.1	
[redacted] Fees & [redacted] Employees	A.2	
Accounts Payable & [redacted] Employees	A.3	
Outsourced Payroll & [redacted] Employees	A.4	
Within Systems:		
Accounts Payable data	B.1	
[redacted] Fees data	B.2	
[redacted] Employees data	B.3	
Outsourced Payroll Data	B.4	

In the pages overleaf we have summarised the detailed findings for each of the areas referenced above.

Detailed Findings

Detailed Findings

The audit findings are presented in two sections. Section A outlines duplicate accounts across different payment systems and Section B, overleaf, outlines duplicate accounts within a payment system.

A: Suppliers set-up on more than one payment system

① Accounts Payable and [redacted] – set up on both systems

72 suppliers (2% of the 3,623 suppliers) on Accounts Payable have an account with matching master file data to an account(s) on [redacted] fees (1.3% of the 5,237 accounts on [redacted] fees). There was a valid reason for the duplicate account in the case of 45 (63%) of these suppliers/accounts.

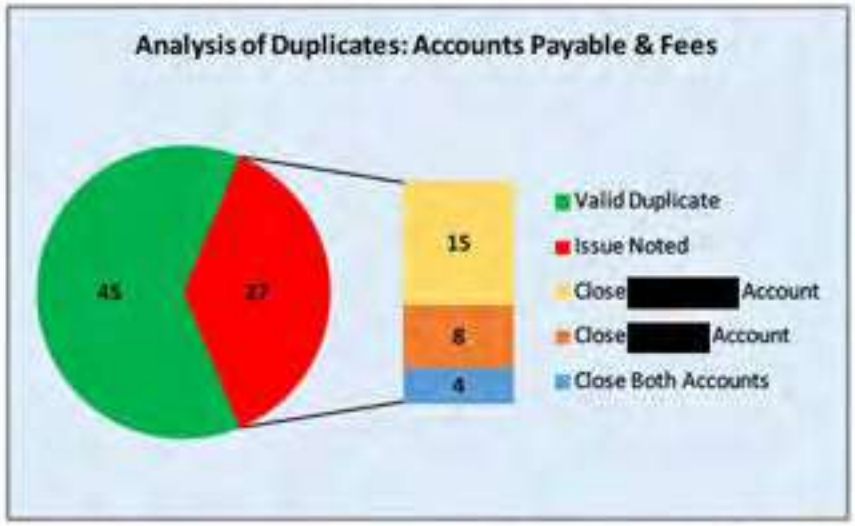
The remaining 27 duplicates (38%) are not necessary and need further action as duplicate accounts pose a higher risk. In 26 cases, at least one payment had been processed on each payment system. The nature of the service delivered was similar irrespective of the payment system used. While the remaining supplier has an account on both payment systems, only one account has been used to make a payment.

Of the 27 unnecessary duplicate accounts, 15 [redacted] accounts should be closed and three [redacted] accounts. Both accounts should be closed in four instances, as they are legacy accounts with no recent activity.

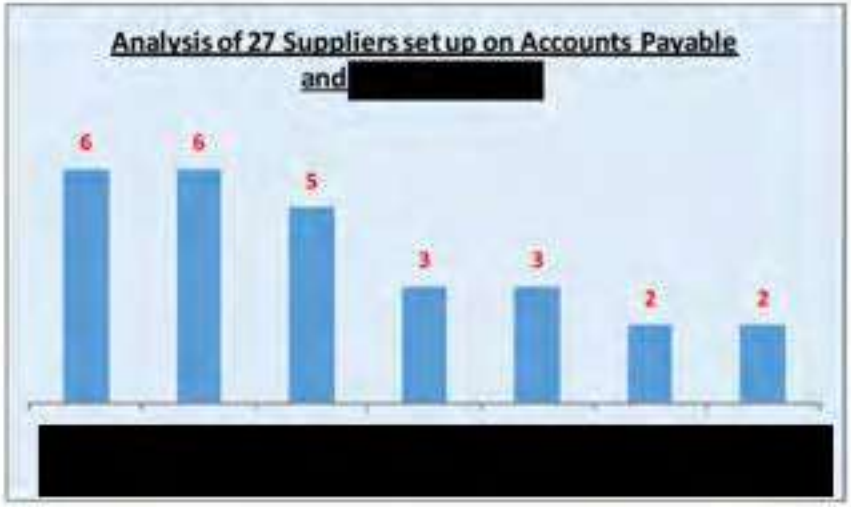
The breakdown of duplicates between [redacted] and [redacted] is analysed in the charts across.

Talent Agencies

There was matching master data in the case of nine talent agencies receiving payments for "named talent" via Accounts Payable and [redacted]. See the action plan for further details. These talent agencies were receiving payment via accounts payable for individuals who also have active accounts on [redacted] ees.



The type of service being provided by these 27 suppliers is set-out below:



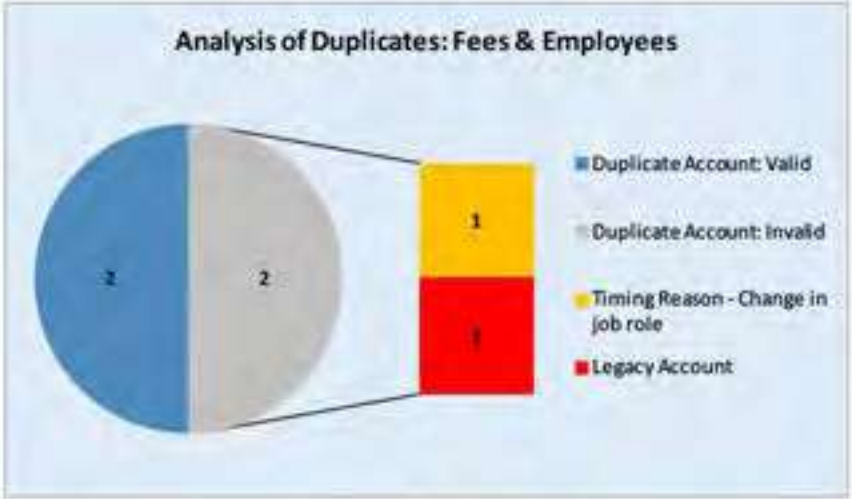
Summary Findings (Cont'd)

② [redacted] Fees and [redacted] Employees – set up on both systems

Two employees have an unnecessary active account on [redacted] fees.

In one case, a former non-employees was successful in securing an employee role and the duplicate account is therefore a timing issue. The remaining duplicate is a legacy fees account that needs to be deactivated.

(Six further accounts had already been closed / deactivated. These accounts are flagged with a "Do Not Use" notification on the master data, and no activity / payments can be made. They are inactive accounts and for historical viewing purposes only.)



③ Accounts Payable and [redacted] Employees – set up on both systems

Six employees also have an active account on Accounts Payable. Four of the duplicate accounts related to employees having petty cash accounts and two related to the purchase of programme rights in Television. There are valid reasons for the duplicates in all cases.

④ Payroll and [redacted]t Employees – set up on both systems

There were no individuals listed on the records provided by the outsourced Payroll company, [redacted], that did not exist on the [redacted] records as valid employees. Data sets were comapred using PPSN and bank account numbers.

B: Duplicate supplier accounts within a payment system

① Suppliers with more than one account on Accounts Payable

We identified 93 suppliers (2.6% of suppliers) with more than one account on Accounts Payable. 72 (77%) of the duplicate accounts were required for valid reasons due to billing in different currencies, separate legal entities etc. However, 21 (23%) of these suppliers did not require more than one account on [redacted]. This is similar to the results of the previous audit.

In the case of seven of the 21 duplicate suppliers, payments were made in 2016 using both of the duplicate accounts. 10 suppliers were paid using only one of the duplicate accounts. Finally, no payments were made in 2016 in the case of the remaining four duplicate accounts.

RTÉ

Summary Findings (Cont'd)

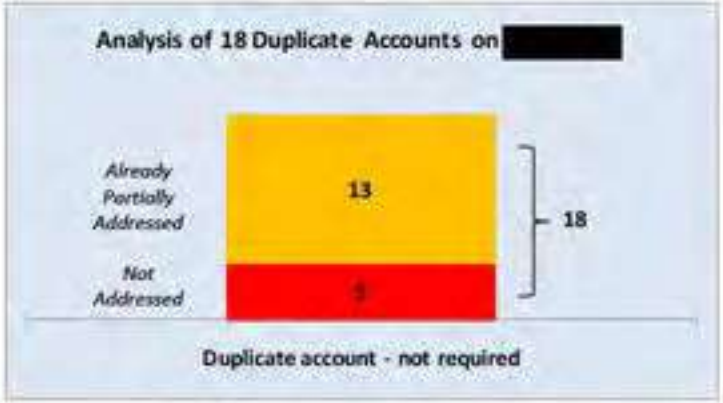
② **Individuals with more than one account on [redacted] fees**

We identified 18 individuals with more than one active account on [redacted] fees (0.3% of 5,237 accounts). These are isolated incidents in the context of the number of active accounts and represent an improvement on the results recorded in the last audit.

These individuals do not, in our view, based on further investigation, need more than one active account. In a majority of cases, payments are only being made via one of the accounts, and the second, legacy, account should therefore be closed.

Of the 18 individuals, 13 had already been partially actioned by HR as the accounts not required were flagged with a "Do Not Use" notification on the master data.

In eight of the 18 instances, the original creation of the second account was unavoidable for taxation purposes. However, on creation of the second account, the initial account should have been made inactive.



③ **Individuals with more than one account on [redacted] Employees**

We did not identify any employees with duplicate records on [redacted] Employees data. We performed checks using bank accounts, National Identifier (PPSN / VAT no / Company No), names and addresss.

④ **Individuals with more than one account on Payroll**

We did not identify any employees set up twice on the outsourced payroll providers, [redacted].

The results of both three and four above are in line with the previous audit.

C: Duplicate Payments

We noted no duplicate payments, in 2016, in respect of the duplicate accounts highlighted as an exception during the course of our testing.

Conclusion

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.

Conclusion

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 a payment system. In some cases, judgment needs to be exercised as regards the most appropriate payment system based on the nature of the engagement. This increases the duplicate risk. The key risk of a duplicate account is intentional or unintentional duplicate payments. In addition, this audit represents a check of the operational effectiveness of the masterfile and account set-up controls.

We identified 27 suppliers with active accounts on both the Accounts Payable and [redacted] fees payment systems. Following a separate review of the supplier list on each payment system, we identified 18 individuals (0.3% of total accounts) with more than one account on [redacted] fees and 21 suppliers (0.6% of total suppliers) with duplicate accounts on Accounts Payable, both in circumstances where only one account was required.

These findings should be considered in the context of the large number of accounts on both systems - 3,623 suppliers in the case of accounts payable and 5,237 accounts on [redacted] fees - and the low percentage of duplicate accounts in the context of the overall number of accounts.

A number of results show improvements from the 2014 audit. This is especially relevant for the number of duplicate supplier accounts on Accounts Payable and the number of duplicate accounts on [redacted] fees. The audit is rated at the mid-point in the scale, although at the upper end of that point when considered in the context of the low level of exceptions as a percentage of the full data population.

Actions have been agreed to address the key issues raised in this report. A review will be carried out to ensure that no duplicate payments have been processed on the duplicate accounts identified in this report.

We would like to thank the relevant personnel in People Payments, Accounts Payable and the HR (Data) team for their assistance in carrying out this audit.

Rating

Overall Rating IMPROVEMENT NEEDED

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	Suppliers set up on more than one payment system			
1.	**Suppliers on Accounts Payable and [redacted] fees** ***Findings*** **72** suppliers on Accounts Payable (2% of the 3,623 suppliers) have accounts with similar master file data to accounts on [redacted] fees (1.3% of the 5,237 accounts on [redacted] fees). Internal Audit deemed it appropriate that **45** of these suppliers be set-up on both payment systems as the nature of the services being paid for on Accounts Payable are entirely different from the services of the named individuals being provided on [redacted] fees. (For example hotel accommodation for RTÉ staff paid through Accounts Payable and the owner of the same hotel receiving fee payments on [redacted] for contributing to a radio programme). This is in line with RTÉ payment guidelines. The remaining **27** duplicates (38%) are not necessary and need further action. • The 27 suppliers providing the services of named individuals were set up for payment on both Accounts Payable and [redacted] fees. These can be analysed, by type of service, as follows: [redacted] 6 6 5 3 3 2 2 **27**	Accounts Payable and People Payments will carry out a joint review of the 27 suppliers set up on both payment systems and a decision will be made as to the most appropriate payment system for the supplier in question. Any supplier accounts set up on the wrong payment system or not used within the last year will be deactivated. A review of these 27 suppliers will be carried out to ensure that no duplicate payments were made during the year. A review of the remaining 45 accounts will be undertaken to ascertain whether both accounts are actually required.	M	Done [redacted] Done [redacted] Done [redacted]

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	This represents a slight deterioration on the position since the last audit (i.e. 19 duplicate accounts in the prior audit compared to 27 for this audit) • We noted 9 talent agencies receiving payment for "named talent" on Accounts Payable. However only payments to agencies for "generic talent" – talent contracted to the agency, extras for Fair City, backing dancers etc. – should be processed through Accounts Payable • These talent agencies were receiving payment via Accounts Payable for individuals who also have active accounts on [redacted] fees. ***Impact*** As a result: • There is a risk of duplicate payments in the event of an invoice being posted and approved on both payment systems • The appropriate contract may not be in place. All individuals providing personal services to RTÉ should receive an independent contract in order to clarify the nature of the individual's relationship with RTÉ. Suppliers set-up on Accounts Payable are not issued with standard independent contracts • Deductions may not be processed correctly - Accounts Payable does not facilitate the deduction of PAYE and PRSI, which may be required for certain independent contractors, where evidence of their tax status has not been obtained. • This may cause confusion with suppliers as Accounts Payable is managed by a different department to Fee payments and would have different points of contact; and • Payslips may be issued in circumstances which are not appropriate e.g. to charities			

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
2.	**Incorrect system used to record payment** As outlined above, 45 duplicate accounts across Accounts Payable and [redacted] Fees are assessed as being valid and appropriate as the nature of the services being paid for on Accounts Payable are entirely different from the services being provided on [redacted] fees. However, of the 45 accounts, we noted three instances where personal work was incorrectly being recorded on [redacted] instead of on [redacted] The personal work would have been more appropriately billed via Fees. For example, an IPU Television programme was purchased and paid for via a supplier account on [redacted] (Accounts Payable). The owner / director of the same company has also contributed on various Producer / Director training courses in an individual personal capacity and has an account on [redacted] fees. However, we noted that some of the personal work was incorrectly processed through the Accounts Payable account. A similar issue arose for two other accounts. While a valid duplicate account exists in these three cases – therefore not highlighted in the 27 exceptions in finding # 1 – the work was not always billed on the correct system.	See finding for action # 1 above.	M	N/a
3.	**Employees with active [redacted] fee accounts** Four employees also have active [redacted] fees accounts (i.e. a payment could be made through [redacted] fees and payroll for the employees). In two cases, it was deemed appropriate for the individual to have an account on each payment system. In the remaining two cases, only one account is required. The details of both are set-out below:	The employee's account on [redacted] fees will both be deactivated.	M	[redacted] Completed

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	• An employee (ill-health early retiree) was paid for a contribution on a Radio Documentary in 2009 via [redacted] Fees. While the payment method was appropriate, this legacy account should now be closed. • A former non-employee was successful in securing an employee role (Video Editor in TV Operations) and the duplicate account is a timing issue. The non – employee (Fees) account will be closed. The risk of a duplicate accounts is: - Potential duplicate payments; and - Employee history spread over different accounts leading to difficulty in tracking the nature of RTÉ's relationship with the individual. In the case of the exceptions above, one of the accounts did not have a PPS number assigned to it. As a result, the automatic [redacted] control which prevents a duplicate account being created with the same PPS number did not operate.			
4.	**<u>Employees with an active Supplier Account</u>** Six employees also have active supplier accounts on [redacted] (Accounts Payable). There is a risk here of potential duplicate or inappropriate payment as a result of duplicate accounts. However, the duplicate accounts are valid in all six instances, as explained below. Four are staff members with valid supplier accounts to receive petty cash floats and specific procedures are in place to manage petty cash. There is no issue with this. In the remaining two instances the supplier accounts were used for the purchase of programme rights, which is a valid payment method, independent of the job role and procured using the normal procurement	No action required.	N/A	N/A

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	procedures. No other current employees had an active account on Accounts Payable.			
	Duplicate Supplier accounts within a payment system			
5.	**Duplicate supplier accounts on Accounts Payable** **93** suppliers on Accounts Payable had more than one supplier account (circa 3% of the 3,623 suppliers on Accounts Payable). 72 (77%) of these suppliers needed a second supplier account to facilitate billing in different currencies, separate legal entities etc. However, the remaining 21 suppliers did not require multiple accounts. This is similar to the results of the previous audit. (20 duplicate accounts identified at the time). The risk of having more than one account for a supplier includes: • Potential duplicate payments as invoices could be posted to both supplier accounts and inadvertently paid twice; and • Difficulty in tracking spend may lead to breaches in RTÉ procurement guidelines as purchases may, when the purchase activity on both accounts is combined, exceed the threshold for public tenders etc. Of the 21 (23%) duplicate accounts identified, payments were made in 2016 using both of the duplicate accounts in the case of seven suppliers.	The 21 duplicate supplier accounts on Accounts Payable will be reviewed and any accounts not required will be deactivated ("parked"). A review will be carried out by Purchasing, in conjunction with Accounts Payable, to ensure that no historic duplicate payments have been processed on the supplier accounts. (Scope: the 21 suppliers identified as not needing a duplicate account) A reminder will be issued to personnel with the authority to set-up a supplier account to perform a detailed check in advance of set-up to ensure that the supplier in question does not already have a supplier account.	Medium	Done [redacted] Done [redacted] 31 December 2016 [redacted] 31 December2016
6.	**Duplicate accounts on** [redacted]. We identified **18** individuals with more than one account on [redacted] fees (0.3% of the 5,237 accounts in total on [redacted] fees). All 18 were	In the case of the 18 duplicate accounts, a review will be carried out and one of the accounts will be deactivated / terminated on [redacted]		Done [redacted]

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	deemed to be invalid duplicate accounts. Of the 18 issues, 13 (72%) had already been partially actioned by HR as the accounts not required were flagged with a "Do Not Use" notification on the master data. In eight of the 18 instances, the original creation of the second account was unavoidable for taxation purposes. However, on creation of the second account, the initial account should have been made inactive. This represents an improvement on the position at the last audit (30 invalid duplicate accounts) [redacted] will not allow a supplier account to be set up using a PPS number already keyed into the system for another supplier. This is a key control to prevent duplicate accounts. However, a PPS number is not assigned to an account in all cases (e.g. ad-hoc programme contributors), which explains why some of the duplicate accounts were not prevented by the IT controls. This impact of duplicate accounts are: • A duplicate payment could occur if the same invoice was posted to both accounts on [redacted] fees and inadvertently approved for payment twice • As HR monitor the level of activity within [redacted] fee accounts to determine if the individual's contract continues to be appropriate, this is more difficult when there are multiple accounts • For tax purposes, where PAYE and PRSI are deducted for an individual, more than one account will cause confusion re tax credits, PAYE limits etc.			

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	General			
7.	**Number of Fee In-putters on** [redacted] At the time of our audit, 243 individuals had the ability to raise fee payment requests on [redacted]. This has increased from the number at the time of our audit of [redacted] Fee payments in late 2014 (199). With the passage of time it is now timely to carry out an updated review of the list. The number of fee inputters is high and HR Shared Services have little control or visibility over who the inputters are and whether payments are being input correctly. In addition, there is inconsistency in who inputs fees in each division with some people undertaking the exercise very infrequently, increasing the risk of errors. The raising of fee payment requests on [redacted] requires a certain level of specialised knowledge of the [redacted] system, taxation, the components of a valid VAT invoice, exclusion orders etc. In addition, there is an element of basic administration required to ensure that: - Invoices agree to contracts; - The invoice has not already been paid; - Invoices are checked back to rosters as necessary; and - Invoices are correctly filed. The greater the number of individuals raising requests the more difficult it is to ensure that everyone is fully trained and, therefore, the greater the likelihood of error. [redacted] as a system, is also very limited in that extra prompts or	Central HR will circulate a list of individuals with a fee input access profile on [redacted] to Central Finance, specifying when the individual last input a fees invoice. Central Finance will circulate to the IBDs as appropriate. The purpose of this review will be to identify any individuals no longer requiring the fee input access profile (either because of a change in role or if they have not raised a fee for a considerable period of time). The access will be removed as appropriate. A similar review will take place twice per year in the future.	M	[redacted] 31 December 2016

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	parameters at the fee input stage of the process cannot be added as extra precautionary controls.			

RTÉ

Technology Risk Assessment Report

16 September 2015

Building a better working world

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1. Executive Summary

1.1 Background

The purpose of this document is to identify the current and emerging technology risks facing RTÉ. RTÉ engaged ■ to assist Internal Audit in carrying out this review. The review involved a combination of meetings, review of documentation, audit testing and a workshop with Technology personnel. At the outset of the review process a Technology risk questionnaire was issued to technology management to allow individuals to anonymously input their key Technology risks and to rate other aspects of Technology operations.

A large number of risks were identified during this review. Risks were analysed and grouped into common Technology risk themes, which forms the basis of the top Technology risks identified below. ■ and Internal Audit conducted follow up meetings with the risk owners to finalise rankings, identify existing controls and understand any relevant on-going mitigation projects. In addition, where applicable, the risk owners also provided comments on estimated effort/cost required to reduce the Technology risks.

1.2 Summary of findings

Outlined below are the key Technology risks and the risk radar which highlights the risk category plus the assessed risk status.

Priority Rank	Technology Risk
1	Reliance on legacy applications that are in need of investment /replacement
2	Lack of awareness regarding information security and data protection
3	Inadequate technology BCP and disaster recovery
4	Reliance on ageing infrastructure that is in need of investment /replacement
5	Applications not fit for purpose for current and known future requirement
6	People and skills risks: • Capability (skills) deficit to deliver service demand • Capacity of team to keep pace with service demand
7	Over-reliance on key individuals: • RTÉ staff members • Third parties: including availability of local skills and overall management of third party contracts
8	Lack of adherence to policies and procedures

1.3 Controls remediation status

We engaged with the relevant risk owners to assess the controls employed to mitigate the risks. This review is only focused on the controls to address the specific risk identified: while other related controls are in place in many cases, these are not documented in this report. Where control gaps were noted, we investigated the remediation plan. Outlined below is the remediation status for each of the top Technology risks. In determining the remediation status we assessed the extent of progress towards implementing robust controls which will mitigate the risks.

Priority Rank	Technology Risk	Risk Category	Summary of Remediation Activities	Remediation Status
1	Reliance on legacy applications that are in need of investment/replacement	Operational/ Strategic	Technology is engaging with Finance to gather the business requirements and decide on whether to replace or upgrade [redacted] the solution design for an upgrade to [redacted] is in progress (phased budgeting). Migration of the [redacted] application to new hardware platform.	2
2	Lack of awareness regarding information security and data protection	Compliance	A new User Management Policy, effective Q3 2015. Technology is currently engaging with third parties who provide IT security awareness training.	3
3	Inadequate technology BCP and disaster recovery	Operational	A cross-IBD project is underway to develop the BCP and DR plans and to identify where investment may be needed. Technology is within scope.	3
4	Reliance on ageing infrastructure that is in need of investment/replacement	Strategic	Funding committed towards the establishment of (and migration to) a private cloud and a new storage strategy based on virtualisation: Project Nebula.	2
5	Applications not fit for purpose for current and known future requirements	Strategic	Upgrade of [redacted] in the planning phase. Other actions are in progress for the other (less key) systems.	2
6	People and skills risks: • Capability (skills) deficit to deliver service demand • Capacity of team to keep pace with service demand	Operational	A training budget is available for Technology staff. Reorganisation of Technology team to facilitate better work shadowing and job rotation is complete.	3.5
7	Over-reliance on key individuals: • RTÉ staff members • Third parties: including availability of local skills and overall management of third party contracts	Operational	Training underway to ensure work shadowing in the case of a small number of instances of over-reliance on key skills. Access to a broader pool of third parties now available, including UK based providers.	3
8	Lack of adherence to policies and procedures	Compliance	This will be addressed by the actions under risk 2 above.	3

Level 1: No formal plan	Level 2: Formal plan established	Level 3: Activities ongoing against plan	Level 4: Remediation status advanced	Level 5: Remediated

2. Detailed Findings by Technology Risk

We have provided additional context including controls, business impact and remediation status for each of the eight technology key risks. This was based on interviews held with each of the risk owners and consideration of controls:

Risk 1:
Reliance on legacy applications that are in need of investment / replacement

Risk owner: [redacted], Head of Applications & Systems

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
Key system outages might occur due to software or hardware failure	[redacted]		

Risk 1:
Reliance on legacy applications that are in need of investment / replacement

Risk owner: [redacted], Head of Applications & Systems

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
	[redacted]		

Risk 2:
Lack of awareness regarding information security and data protection

Risk owner: [redacted], Connectivity & Security Team Lead

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
Unauthorised access could be gained to RTÉ's systems and supporting hardware exposing the information assets to potential abuse. RTÉ devices could be used to conduct unauthorised business activities by ex-employees. Non-compliance with Data Protection legislation and possible reputation damage.	[redacted]		

Risk 2:
Lack of awareness regarding information security and data protection

Risk owner: [redacted], Connectivity & Security Team Lead

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
	[redacted]		

Risk 2:
Lack of awareness regarding information security and data protection

Risk owner: [redacted], **Connectivity & Security Team Lead**

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
	[redacted]		

Risk 3:
Inadequate technology BCP and disaster recovery

Risk owner: [redacted]

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
Single points of failure in critical technology and other broadcast infrastructure, impacting business continuity and output (e.g. [redacted] n the TV building). **Poor planning impacting the organisation's recovery from a disaster event (fire, flood, environmental event, etc.) within an acceptable timeframe.**	[redacted]		

Risk 4:
Reliance on ageing infrastructure that is in need of investment/replacement

Risk owner: [redacted], Head of Technology Infrastructure
Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
Ageing network infrastructure and storage could result in system outages across RTÉ's Technology landscape. (Ageing broadcast infrastructure addressed by TV RCM exercise referred to in risk 3)	Storage [redacted]		

Risk 4:
Reliance on ageing infrastructure that is in need of investment/replacement

Risk owner: [redacted], **Head of Technology Infrastructure**
Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
	[redacted]		

Risk 5:
Applications not fit for purpose for current and known future requirements

Risk owner: [redacted], Head of Applications & Systems

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
RTÉ might fail to achieve strategic objectives due to system limitations. Decisions might be made based on inaccurate management information sourced from spreadsheets.	[redacted]		

Risk 5:
Applications not fit for purpose for current and known future requirements

Risk owner: [redacted], **Head of Applications & Systems**
Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
	[redacted]		

Risk 6:
People and skills risk

Risk owner: [redacted], CTO
Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
RTÉ strategic objectives that require supporting Technology developments might not be realised on a timely basis. **Delays in business as usual processing due to slower responses from Technology personnel.**	**Capability (Skills) deficit**		
	Additional context: The Technology team does not have a sufficient number of individuals with certain key skills (e.g., project management skills) to manage the service demand. The Technology team does not possess some of the new skills required to support new emerging technology. **Risk driver**: Some legacy issues in the mix of skills among existing personnel. Headcount restrictions limiting the ability to acquire new skills externally.	• IT might fail to provide required support to the business due to absence of the skills required • Inability to execute some of the strategic projects	**Control**: Training budget in place for leadership and technical training. **Remediation activities**: n/a
	Team Capacity to keep pace with service demands		
	Additional context: Technology does not have the required headcount to meet some of the operational and strategic demands of the business and, more importantly, to be more proactive in anticipating user needs and future project requirements. **Risk driver**: Inadequate headcount budget given the financial constraints over recent years.	• Slow delivery and inability to execute some of the strategic projects • Succession planning challenges as there is no capacity to shadow other key roles • Failure to proactively anticipate requirements	**Control**: The Technology team has been reorganised to facilitate shadowing and job rotation. In addition, staff members are being cross training across the key technologies to facilitate the job rotations. **Remediation activities**: Manpower planning process in progress.

Risk 7:
Over reliance on key individuals:
- RTÉ staff members
- Third parties: including availability of local skills and overall management of third party contracts

Risk owner: [redacted], Director of Production and Operations Digital

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
Individuals and third parties might not be available to provide on-going application support or key services.	**Additional context**: There is a reliance on one [redacted] who is responsible for certain key tasks, without backup. ([redacted]) Restructuring of technology over recent years has now addressed a number of legacy specialist skills areas. In some cases there is scope for improvement in the processes in place to manage business critical third party contracts. In addition, for some niche broadcasting services, reliance is being placed on third parties. **Risk driver**: No succession planning to reduce reliance on individuals. There is a limited pool of third parties offering some of the broadcasting services in the Irish market hence a dependence on a few third parties.	• Failure to effect required system changes resulting in the systems not being available to process transactions or respond to changing business needs • Process disruption due to third party support not being available to remediate technology issues or provide ongoing maintenance	**Control**: Development of systems in a structured fashion to industry best practice to allow handover to another Develop, as necessary. **Remediation activities**: A second individual in [redacted] is in the process of being trained to shadow the [redacted] which, in turn, will free up time to focus on development work on [redacted]. Resourcing Plan in Digital. Sourcing and engagement of new suppliers to mitigate over reliance where identified.

Risk 8:
Lack of adherence to policies and procedures

Risk owner: [redacted], Connectivity & Security Team Lead

Risk rating: ●

Risk description	Additional context/Risk driver	Business impact	Controls/Remediation activities
Unauthorised access could be gained to the RTÉ systems. **Misuse of existing systems.** **Loss or damage to assets.**	**Additional context**: Adherence to policy by staff often only takes place when it is enforced by the configuration of systems (e.g., password complexity). Users will often try to circumvent policy where not technically enforced. The user access management policy and password policies are not being complied with. In addition, there is no formal HR exit process. Lack of awareness of policies in some cases and users sometimes view policies as bureaucratic. **Risk driver**: Lack of user awareness regarding their responsibilities and potential impact of non-compliance.	• Same as Risk 2 above	Same as Risk 2 above.

Appendix A BCP/DRP management comments relating to risks 1 and 3

Ref	Application	Recovery plan tested in the last year (Y/N)	Additional comments
[redacted]			

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RTÉ Internal Audit

Review of Media Services Contract, dated July 2011

11 October 2016

Circulation:

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RTÉ

Background and Scope

1. Background

Objective

This report sets-out a summary of the findings following Internal Audit's review of RTÉ's contract with [redacted] (a trading division of [redacted] Limited). The contract covers the provision of media planning, buying and other related services.

This contract was selected for review as:

- It is financially material;
- [redacted] has multiple RTÉ contact points throughout the organisation (thereby increasing the risk of inconsistency or lack of coordination);
- The potential for increased risk of inaccuracy in billings is increased due to the treatment of rebates / discounting and the number of job roles and hourly rates.

This is a follow-on exercise from recent work in the areas of tendering and purchasing and, in that context, Internal Audit is examining some of RTÉ's largest contracts.

Background to Tender Process

In February 2011 RTÉ commenced a tender process seeking an [redacted]

Contract

Following a two-stage bid process and agency presentations, [redacted] was appointed as the successful bidder.

The contract was effective for three years from 11 July 2011, with the possibility to extend for an additional two years at RTÉ's discretion.

This is a material contract with an average annual net expenditure (excluding non-recoverable VAT and net of agency commission) [redacted]

2. Scope

The scope of this audit involved an examination of a sample media campaign in the following areas:

- RTÉ Guide
- Radio (RTÉ 2fm)
- Television (RTÉ One)
- RTÉ Corporate / Licence Fee
- GAAGO

In some cases the media plan audited was targeted at a specific product or campaign (RTÉ 2fm brand re-launch; Rebellion, RTÉ One) and we audited that campaign accordingly. In other cases (e.g. RTÉ Guide), a single consolidated media campaign is agreed for the year and we audited one month within the plan.

The audit involved:

- ✓ Comparing the media costs billed by [redacted] to the Media Plans agreed with RTÉ
- ✓ Comparing the details of the media fees billed by [redacted] to RTÉ to the Media Plan
- ✓ Reviewing the Media Plan and recalculating the media fees with reference to the contract, where sufficient detail of hours/roles is provided

Risks and Summary

2. Scope (Cont'd)

- ✓ Where feasible, validating the cost of a sample of media purchased by [redacted] on behalf of RTÉ to another independent source, to verify the appropriateness of the pass-through cost
- ✓ Reviewing the Media Plan generally for unusual items, reasonableness and checking arithmetic accuracy
- ✓ Comparing the billing mechanisms, and the consistency of pricing, across RTÉ departments
- ✓ Checking compliance with the contract, especially with reference to billings, pricing, discounting and the treatment of agency commissions

We have not carried out a full audit of the data provided by [redacted] However, we carried out a high-level reconciliation to RTÉ's records on the Accounts Payable ledger in Agresso.

3. Risks

The key corporate risks addressed by the report are as follows:

- Risk # 3 – Management and Prioritisation of Financial Resources
- Risk # 8 – Organisation Structures

4. Executive Summary

Internal Audit carried out review of RTÉ's media services contract with [redacted] (a trading division of [redacted]) dated 11 July 2011. The purpose of the review was to assess [redacted] compliance with the contract and to identify any opportunities for strengthening control.

We found evidence of good practice in the management of campaigns locally in the divisions. Media plans are agreed in advance of campaigns and marketing personnel carry out reviews at the end of the material campaigns. For the sample of campaigns reviewed as part of this audit, we noted that billing was in line with the media plan, agency commission was appropriately adjusted for in the case of 'traditional' / above the line media campaigns and billing rates were largely in line with the agreed contract. Work is also already well advanced on re-tendering the contract as required under public procurement rules.

We identified opportunities to improve the management of the contract as set-out in the actions. In particular, this refers to providing for regular contract review meetings, improving the centralised management report and strengthening the monitoring of the contract from a consolidated RTÉ group perspective. In this regard, a central owner of the contract is recommended to ensure oversight of the entire spend across the organisation and to ensure ongoing compliance with the contract. This would be in addition to the existing monitoring procedures taking place locally.

This report sets-out a number of findings in Appendix 1. These findings are addressed by the action points in Appendix 2 of the report.

We appreciate the assistance of relevant marketing personnel during the course of this review.

Findings

5. Findings

The findings are summarised briefly below. Refer to Appendix 1 for full description and for further background and context. The suggested actions to address these are set-out in Appendix 2.

Area / Theme	*Summary*
1. Tendering	The contract between RTÉ and [redacted] is due to be re-tendered. This is at an advanced stage and the Invitation to Tender document is about to issue.
2. Contract Management	We noted some weaknesses in the manner in which the contract between RTÉ and [redacted] was executed and is managed. There is scope for increased centralised monitoring of the contract, in conjunction with better management reporting and KPIs.
3. Contract Compliance	There is no formal process to ensure compliance with certain clauses in the contract, specifically in the areas of monitoring discounts; the treatment of unbilled media; and the pricing / billable hours.
4. Finance	This audit did not highlight any significant weaknesses with the financial control procedures, but does highlight the importance of strong oversight and monitoring procedures. We noted some delays in billing and instances of multiple months of media fees billed in a single invoice.
5. Hourly fee rates	We noted some differences between the hourly rates / roles specified on divisional media plans and the rates / roles included in Schedule C of the contract between RTÉ and [redacted]
6. Media Fees	We examined the media fees as a percentage of media cost and our observations, including tables of financial data, is contained in Appendix 1. We noted some inconsistency in the format of the pricing of media fees, as set-out in media campaigns.
7. Media Costs	There is no agreed process or policy in place for the verification of the media costs charged to RTÉ by [redacted] No formal value for money industry benchmarking is undertaken to check if [redacted] is securing the best rates in the marketplace on behalf of RTÉ. [redacted] is not entirely consistent in the format of the pricing of media costs across different media plans.

Rating

Overall Rating

Appendix 1 – Detailed Findings

This section provides further details on the summary findings set-out on page 3 of the report.

1. Tendering

The contract between RTÉ and [redacted] is due to be re-tendered in line with clause 2 (duration and renewal) and to ensure continuing compliance with public procurement guidelines.

Technically, the tender process should have taken place in July 2016. We were informed that a short contract extension was agreed to facilitate the tender process. We note that the tender preparation process is now at an advanced stage and the Invitation to Tender document is about to issue.

2. Contract Management

We noted some weaknesses in the manner in which the contract between RTÉ and [redacted] was executed and is managed.

- The contract is not signed, which may create a risk in the event of a dispute. It proved difficult to locate a final version of the contract and the version inspected as part of this audit is headed "subject to contract" and contains a dated tracker of amendments

- Not all RTÉ personnel engaging with [redacted] in the planning of campaigns are aware of all the relevant details / clauses within RTÉ's contract with [redacted]

- There is no single owner of the contract, with multiple contact points between RTÉ and [redacted] It is appropriate that personnel in the divisions manage details of their own campaigns and liaise with [redacted] staff on a day-to-day basis regarding the delivery of campaigns. However, the absence of an additional central contact point / owner makes it difficult to monitor the contract from an overall RTÉ group perspective and to assess operational performance, as explained further in the bullet points below

- There is no regular, consolidated reporting on the contract and, in practical terms, the contract is managed as if it is a number of separate IBD contracts. While this may be appropriate at an individual campaign level, there are added benefits to having regular reporting at a consolidated RTÉ group perspective to enhance oversight

- The sections on contract performance do not contain any KPIs. While reviews of campaign performance are undertaken locally, contract performance does not appear to be considered in practical terms at an overall RTÉ group-wide basis

  - Section 2.2 outlines that:

    [redacted]

While reviews happen after campaigns at a divisional level, at varying time intervals, in practical terms we understand that this clause is not operating on a consolidated 'RTÉ group' basis

- Section 5 (b) of the contract refers to:
  [redacted] *nce with the reasonable instructions given from time to time by the RTÉ Media Buyer"*

  The clause above does not reference the frequency of review meetings, the agenda and the management reporting requirements in advance of the meeting. In addition, similar to the earlier finding, we understand that this clause is not implemented on a consolidated basis for overall expenditure at a group level

In summary, there is scope for increased centralised monitoring of RTÉ's Media Services contract. While we noted evidence of good practice in the management of campaigns locally in the divisions, centralised oversight combined with improved management reporting and KPIs may afford an opportunity to achieve better monitoring, implement more sophisticated pricing arrangements and better manage access to [redacted] resources (billable hours), especially in the case of strategic planning.

3. Contract Compliance

We reviewed the extent to which the contract is being complied with and the following compliance aspects merit reference:

- Clause 7.9 of the contract states that:
  [redacted]

  - We are not aware of any formal process to follow-up on discounts or other rebates due to RTÉ. We have no evidence that RTÉ has the data to calculate if discount amounts are due, the methodology for calculation, or has followed-up with [redacted] regarding this matter.

    - No individual is monitoring the overall spend and activity across the entire organisation; no individual has sight of RTÉ's consolidated spend
    - In the absence of centralised monitoring of contract compliance at an RTÉ group level, there is a risk that discounts are not being passed to RTÉ (or are not granted at the appropriate level)
    - We reviewed the [redacted] supplier account in the Accounts Payable Ledger in Agresso for the period from January 2015 to date. We noted no credits or rebates in respect of discounts. (However, this review would not identify any local netting arrangement against an existing campaign)

  - We acknowledge that the level of other *"supplier discounts"* to be passed to RTÉ may not represent a material amount. This is due to the fact that that the contract provides that [redacted] will retain *"all volume incentives and prompt payment incentives"*.

- We audited the treatment of agency commission across the divisions, noting no issues for the audit sample selected: a 15% commission rebate was provided to RTÉ in the case of traditional Television and Radio broadcast media, outdoor, cinema and digital marketing campaigns placed on Irish digital media (entertainment.ie, joe.ie, Sky Go, etc.). See observation in Section 6.3 below on commission on social media campaigns generally

- The definition of cost in Clause 1 of the contract states that cost comprises:
  "the Agency's invoiced cost from a third party...."

  This suggests that any unbilled media should be passed back to RTÉ, if for whatever reason a media vendor fails to bill [redacted] It is unclear if RTÉ has ever asked the question in this regard.

- Clause 7.3 states that:

  [redacted]

  As explained below, we noted some isolated examples where the hours were not explicitly analysed in the media plan. Secondly, it would improve control if centralised oversight or tracking of the hours billed across all RTÉ campaigns was implemented and reviewed at regular performance meetings.

4. Finance and billing

There is a lot of activity on the [redacted] supplier account, with [redacted]

As a result, strong financial management procedures are important in order to track billings and reduce the risk of a duplicate billing being passed for payment. We noted the following:

- There is good practice in most business areas, with a "PO tracker" as an appendix to the media plan. We also noted that media costs and media fees were separately billed in each of the campaigns reviewed, thereby assisting ease of verification
- We noted isolated delays in billings to RTÉ. As an example, a [redacted] billing in May 2016 related to a media fee incurred in November 2015
- We noted that billings for media fees occur in an ad-hoc pattern on occasions. While often correctly billed monthly in arrears, we noted examples whereby two to three months of media fees are billed separately in a short time-period (effectively as a 'catch-up' on earlier months)
- As part of reviewing our sample, we also noted an example of two months of media fees billed in a single invoice, which increases the difficulty of tracking
- Sometimes a single month of media fees is covered by a single PO; on other occasions one PO covered a number of months of media fees, illustrating the need for robust procedures
- Social media billings are more complex to track and to reconcile the amount spent to the budget

This audit did not highlight any significant weaknesses with the financial control procedures, but does highlight the importance of strong oversight and monitoring procedures. Management reporting from [redacted] could be expanded to provide greater centralised reporting on the status of billings.

5. **Hourly Fee Rates:** Inconsistency in the hourly fee rates in the contract as compared to the rates in the media plans

We noted some differences between the rates / roles specified on project media plans and the rates / roles included in Schedule C of the contract between RTÉ and [redacted]

- We noted some inconsistency between the role descriptions used in individual media plans and the role descriptions set-out in the contract.
  - [redacted]
  - However, we noted that the rates billed for these roles are generally in line with equivalent roles in the contract
- [redacted]

  [redacted]
- Related to the above issues, we noted different rates charged for individuals classified as a "Director" role (e.g. one campaign inspected has Directors billed at [redacted]. While it is to RTÉ's benefit to have a lower [redacted] rate for a Director, it is unclear how this reconciles to Schedule C of the contract where a Director [redacted]
- In the absence of regular, consolidated reporting on the contract at a group level, there is a risk that different divisions could be charged different rates for the same role.
- One of the media plans has no job roles listed; the plan contains staff names and rates only.
- We have seen no written evidence of an approval process for amendments to the rates per Schedule C of the contract.

6. Media Fees

6.1 Media fees as a percentage media cost

The media fees vary as a percentage of media costs, depending on the nature of the work.

- Media fees as a percentage of the net media costs ranged from [redacted]
- However, excluding one outlier at [redacted]
- The campaign with the media fees comprising [redacted] of the net media costs contained a large element of digital marketing and addressed the re-launch of a refreshed programme schedule, which may account for some of the difference.
- In the financial year ended 31 December 2015, the [redacted]) billed by [redacted] represented [redacted]

Table 1:

	Media Cost (gross)	Media Cost (net)	Media Fees
	€'000	*€'000*	*€'000*
YE 31.12.2015	[redacted]		

Notes:

- Based on 2015 data provided by [redacted] data adjusted by Internal Audit to also include RTÉ Guide media campaigns
- Comprises billable cost excluding the impact of NRV; includes the cost of RTÉ own media purchased at an arm's length basis (e.g. RTÉ Guide adverts on RTÉ Television), but adverts aired as part of owned inventory (e.g. Licence Fee ads on RTÉ Television, Radio and RTÉ.ie) are priced at zero
- Excludes Saorview

Note that in addition to the above, some digital media costs (especially social media) are also incurred directly by RTÉ and are not arranged through [redacted] These costs are excluded from the data.

The gross media costs may be analysed by category of media as follows:

Table 2:

Category of Media	Media Cost *(gross) €'000*	
Outdoor	[redacted]	25.2%
Broadcast (Radio)		24.3%
Digital marketing		22.3%
Social media		15.1%
Broadcast (Television)		13.1%
Total YE 31.12.2015		100%

- Based on 2015 data provided by [redacted]

The media fees for 2015 may be sub-analysed as follows:

Table 3:

Business Area	Media Fee
RTE Guide	[redacted]
RTE International Player	
RTE Player RTE GAAGO	
TV Licence	
RTE TV - RTE1	
RTE TV - RTE2	
RTE TV - 6 Nations	
RTE Radio	
RTE Corporate / Brand	
Total	

- Based on 2015 data provided by [redacted]

While difficult to form definitive conclusions based on a small sample of campaigns, we noted that campaigns with a higher digital media element incur higher media fees. In our sample, we noted that the campaigns with a high level of traditional broadcast media or outdoor incurred a lower level of media cost compared to more complex digital or social media campaigns.

(The above analysis excludes the impact of access to internal resources, or other Contractors, which might reduce the level of work carried out directly by the Agency. Each division does not have access to the same level of internal specialist resources, and some may therefore be more reliant on Agency resources than others, which impacts the level of media fees in the division and the media fees as a percentage of gross media costs.)

6.2 Inconsistency in the format of pricing

We noted some inconsistency in the format of the pricing of media fees, as set-out in media campaigns.

- Three of the five campaigns inspected included sufficient detail to interrogate the make-up of the fee, including the number of hours worked by each job role and the hourly rate per role
- Two campaigns did not set-out a sufficient level of detail.
  - Monthly estimated media fees were included in the campaign for [redacted]. However, despite job roles and names being listed on the sheet, no individual hours are assigned to the job; the monthly media fee is a single figure without further sub-calculation
  - Another campaign did not list the media fee as part the media campaign documentation

6.3 Social media campaigns

We noted the following regarding social media campaigns. (This finding is also relevant to Section 3 above)

- No 15% commission rebate is granted to RTÉ for social media campaigns run via international brands such as Facebook, Twitter etc. (We were informed that this is because these are self-service platforms and the agency does not levy an additional commission in the same way as for the other digital campaigns.)
- Media fees are charged on social media campaigns, although the manner in which the media fees are presented in media plans varies across divisions.
  - In some cases, specific social media plans are prepared, with the media fees (hours) for that campaign specifically identifiable and shown on the media plan with the related social media costs. These campaigns are straightforward to understand and analyse
  - In other cases, the media fee is calculated as part of the broader media plan and the media fee for the month covers all campaigns in the month. However, in such cases the plan becomes more complex and difficult to track:
    - In months containing social and traditional/above the line campaigns, the media fee is therefore not readily analysed between the two elements of costs
    - In one division the media fees and the traditional media costs are contained in one tab of the media plan spreadsheet. However, the related social media (Facebook and Twitter) costs are contained in another
    - This increases the complexity of the plan and an individual not familiar with day to day operations would find it difficult to interpret the plan. In this case, we also noted the plan audited was version # 77
    - In cases where an under-spend on a social media campaign occurs in a month, we noted that the media fee is still charged at the level agreed in the original budget for that month

7. Media Costs

7.1 Verification of media cost

There is no agreed process or policy in place for the verification of the actual media costs charged to RTÉ, such as spot checks of the original invoice from the third party to [redacted] There is a risk that the cost recharged to RTÉ is higher than the actual cost, without RTÉ's knowledge.

'Reasonableness checks' are carried out by RTÉ and the personnel are experienced in managing media campaigns. However, we noted the following:

- The use of a media auditor to verify value for money at an RTÉ group level is not exercised under the contract.
- No formal value for money industry benchmarking is undertaken to check if [redacted] is securing the best rates in the marketplace on behalf of RTÉ.
- No evidence is obtained that the campaign is fully delivered as per the media plan and billed to RTÉ at a rate equal to the third party's invoice to [redacted]

7.2 The format of pricing

[redacted] is not entirely consistent in the transparency of the pricing of media costs in the media plans in each division.

- We noted good practice ([redacted]) whereby unit cost data, no. of adverts, etc. is provided thereby facilitating a better analysis of the make-up of the calculation of the cost of the media bought on RTÉ's behalf. The calculation of price is transparent and the media plan represents a centralised record of the planned media activity
- In other cases the make-up of the media costs is less clear from the spreadsheet, with incomplete income unit cost information, or inconsistencies in the media costs spreadsheet. While this information may be available in other sources, the media plan should be a definitive, standalone, record of plans in the event of non-availability of staff or to provide ease of analysis across divisions.
- We were unable to reconcile the unit cost and quantity of an outdoor campaign to the calculation of media charges.

Appendix 2 – Action Plan

We set-out a number of actions to address the findings identified above, to be actioned in a timetable in line with the tender evaluation and contract award process.

	Ref. to Detailed Finding in Appendix 1	Suggested Action	Owner
1.	Tendering – 1)	• Carry-out a tender for media services. (We note that this action was already in progress prior to this review taking place) • When the contract is awarded, ensure that relevant marketing personnel, and any other staff dealing with [redacted] receive a copy of the contract and the agreed fee table	[redacted]
2.	Contract management – 2) Contract compliance – 3)	• Prepare a comprehensive Invitation to Tender document, expanding the scope of the February 2011 document to address management reporting, KPIs, performance review meetings and the agreed fee structure. Clearly outline: ○ Regularly (most likely quarterly) review meetings ○ Format of reporting e.g. RTÉ media spend, sub-analysed by division; hours and media spend billed; performance evaluation criteria, etc. ○ Pricing mechanism: clarify the discount / rebate arrangement and the process to be followed to calculate (based on consolidated RTÉ expenditure) when / if this is due to RTÉ	[redacted]
3.	Finance and billing – 4) Media fees – 5), 6)	• In conjunction with the reporting procedures in action two, introduce a mechanism to monitor compliance with the contracted fee rates and to check on consistency in their application across the organisation • Ensure there is an agreed approach specified in the contract for amending rates / roles, should this be required • Consider expanding the management reporting requirements to include centralised reporting on the status of billings	[redacted]
4.	Media costs – 7)	• Agree a process for the audit of media costs, such as spot checks to the original third party invoice to [redacted] in order to mitigate the risk that the cost recharged to RTÉ is higher than the actual cost.	See finding # 3: address in contract with successful

	Ref. to Detailed Finding in Appendix 1	Suggested Action	Owner
		• Consider the use of a Media Auditor to undertake a value for money industry benchmarking exercise to check if [redacted] is securing the best rates in the marketplace on behalf of RTÉ. • Introduce a review process to ascertain if, for whatever reason, any media vendor failed to bill [redacted] in order to check if the credit is passed to RTÉ	bidder
5.	Relevant to all findings, especially contract management – 2) and Contract compliance – 3)	• Consider appointing a single owner / coordinator of the media services contract. While marketing personnel locally will continue to engage with [redacted] on individual campaigns, there are benefits to implementing stronger oversight mechanisms and regular reporting from a consolidated RTÉ group perspective. • This individual will: lead the review meetings with [redacted] assisted by divisional representatives, and will monitor the consolidated RTÉ spend; review consistency in approach across divisions; pricing / rebate matters; track billings and monitoring performance etc. • This also affords an avenue to provide increased coordination across complementary campaigns scheduled in different divisions at a similar time • For the avoidance of doubt, the review mechanisms taking place locally will continue in operation. This action is envisaged as an addition oversight given the size of the contract and the multiple contact points	[redacted]

RTÉ Internal Audit

Report on Payroll

16 October 2015

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

People Payments / Group Finance

[redacted]

Human Resources

[redacted]

Finance Teams

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Objectives and Scope

Background

Introduction

The People Payments department in Group Finance is responsible for processing payments to (1) RTÉ employees and (2) non employees (such as programme presenters, writers, musicians etc.) who provide personal services to RTÉ. The Manager of the department is assisted by a team of five people. There are two separate payments systems in place in People Payments – the payroll system and the fees system. (A separate audit of Supplier and Employee Master Data is completed to determine if there is any duplication of payments between the systems.)

Payment Methods

Individuals paid via the **payroll** system are employees of RTÉ and have PRSI and PAYE deducted from their salary. These employees are either permanent & pensionable, in ongoing employment or on fixed term / fixed purpose contracts. Fixed term / fixed purpose contracted employees paid through payroll have contracts greater than three months duration and work fixed fortnightly hours.

The **fees** payment system (which is out of scope) is used for processing payments to non-employees providing personal services to RTÉ programmes. The system is also used in respect of employees who work irregular hours, or employees on short term contracts (<3 months).

Payroll

Three employees manage RTÉ's payroll, processing the payments of 1,735 (September 2015) individuals each fortnight. Each payment covers a period a week in advance and a week in arrears. Part of the payroll function is outsourced to [redacted] which calculates employer and employee taxes, prepares payslips and reports etc.

There are three separate fortnightly payrolls – main payroll, sterling payroll and the Irish language payslip payroll. The monthly executive payroll is also managed by the People Payments department.

Objective and Scope

The scope of the audit was the three fortnightly payroll runs. The audit was financial in nature, with random samples selected from dates in 2015. It included a review of the:

- ✓ accuracy of employee pay data on the payroll system i.e. the employee's base salary, overtime rates, allowances, pension contributions, voluntary deductions etc;
- ✓ accuracy of pay data on [redacted]
- ✓ accuracy of tax deducted by [redacted] and of the subsequent payments made to each individual;
- ✓ accuracy and timely submission of the related tax forms;
- ✓ overtime process, focusing on overtime approval, compliance with policy, efficiency and process aspects; and
- ✓ completeness and accuracy of data transfer to [redacted]

It did not include a review of the:

- X IT audit of systems used by RTÉ or [redacted]; or
- X Fees payment system, subject to a separate audit in October 2014; or
- X Executive Payroll – to be audited separately.

Sample Selection

- Full end-to-end testing of the payroll process was performed for 12 employees – selected randomly – covering new joiners, leavers (both early retirement and 'normal' departures), current employees and employees receiving overtime.
- Eight employees were selected at random for the following 'focused' testing:
  - Maternity Leave
  - Sick Leave
  - Benefit-In-Kind entitlements
  - Unpaid Leave of Absence

Conclusion and Rating

Key Management Issues

We identified a small number of findings which are set-out in the action plan. However, individually, none of these findings merit reporting as a "key management" issue in the executive summary.

Overall Conclusion

RTÉ's People Payments department administers the fortnightly RTÉ payroll. This is not a straightforward task given the turnover in short term employee contracts, the processing of overtime payments and changes in voluntary deductions. In addition, payroll personnel carry out a second check of overtime already approved locally, sometimes identifying errors in the application of the rules. The standard of control in the payroll department is strong, with the payroll run being administered in an effective manner.

In order to carry out their duties, the People Payments department rely on the support of HR Shared Services / HR teams in order to identify changes in the payroll standing data or other matters impacting the payroll run. In turn, HR is reliant on the support and timely notifications from line management. HR is in regular communication with a large group of managers and deals with the contractual implications of a variety matters in the employment life cycle – new hires, resignations, changes in pay, contract extensions. Therefore our audit also included testing of the notification process.

We appreciate the assistance of People Payments (Payroll) and Human Resources during the course of this audit.

Rating

SATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
1.	**Departure / Reengagement of Staff** *Background* Three employees that had departed RTÉ in the period under review were selected for testing as part of our broader end-to-end payroll process testing. One departure was a "normal" resignation and the remaining two departed via early retirement. *Finding* We noted no issues with two of the departed employees selected. All calculations and supporting paperwork were in order. In the case of the remaining employee, an early retirement, we noted the following: 1) Reengagement of staff member - The individual departed in March 2015 and has since been reengaged as an Independent Contractor for the period from 1 September 2015 to 31 December 2015. The individual was reengaged to carry out a piece of work similar to that being undertaken by them prior to departure (*management of an external event*). We noted the following: • Approval from the Director General, or a member of the Executive appointed in his absence, is required prior to the reengagement of an employee that has departed under early retirement or a severance package. In this instance, verbal confirmation was received in agreement to the individual's return, on an exceptional		1) Written approval (including signature and date) should be sought from the Director-General / Executive member appointed on his behalf prior to reengaging retired employees. This will facilitate an audit trail of approval if needed. 2) For completeness, the employee's annual leave record for 2015 will be updated on [redacted] to reflect the departure.	L	HR IBD Teams Ongoing [redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	basis. Ideally, this agreement should be in writing with an authorising signature. 2) Incorrect details on [redacted] – At the time of testing (after the individual had retired), the individual's 2015 annual leave record contained an outstanding annual leave balance. While not a significant audit issue, the normal HR practice is to reduce the annual leave balance to zero upon departure, explaining the adjustment in the comment box in the leave record on [redacted] In mitigation, it has been confirmed that the reengagement was on an exceptional basis this year and that the event will be managed by Corporate Communications thereafter.				
2.	**Overpayment Due to Late Notification** *Background* We carried out end to end testing on the Payroll process for a sample of employees, as outlined in the Executive Summary. *Finding* We noted that one employee was overpaid for three weeks due to a late notification of a promotion / new role. In summary, the employee was overpaid an allowance that should have ceased on commencement of a new role, and underpaid his new salary. The sum of the allowances was greater than the new salary and, therefore, the net effect was a total overpayment of [redacted] This was recouped over the course of three pay periods. We noted no issues with the other 19 salary payments tested.	Agreed. [redacted])	Discussions will be held between HR and the Manager of People Payments on devising the best approach to streamline the notification process. This will include a consistent approach for dealing with overpayments. All overpayments will be tracked on one spreadsheet to monitor their recoupment, whether the number of them is increasing / decreasing and any other trends etc. This is already in train.	M L	[redacted] 31 December 2015 [redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Implication While not a material amount, this matter has a cash flow implication for RTÉ, as the recoupment of overpayments sometimes occurs over a period of time, based on putting a reasonable repayment schedule in place. In addition, it causes additional unnecessary administration effort. The resolution of overpayment issues may be dealt with by HR or People Payments directly. It is therefore important to have an agreed-upon policy that is consistent for all instances of over-payments within RTÉ.				
3.	**<u>Overtime Process</u>** ***Complicated overtime rules*** There are several overtime rules and procedures in RTÉ particular to different work areas, grades etc. The overtime rules and procedures evolved over years of negotiations / bargaining, with different conditions applicable to different grades of employees. As a result, the rules can be complicated and some employees and costpool managers do not appear to have a complete knowledge of the overtime rules in their department in all cases. Consequently, Payroll has to check each individual overtime claim sheet for accuracy. In addition, we noted the following the following issues during the course of our audit testing: ***Inaccuracies in overtime sheets*** We reviewed 20 overtime sheets submitted by 15 employees	Agreed. [redacted])	In the context of the broader (strategic) exercise examining the options for the upgrade or replacement of the Financial Application, consideration will be given towards implementing online timesheets whereby coding and data input parameters can be written specifically to reduce the manual checks required.	M	[redacted] 31 December 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	covering 11 different pay periods. The results of testing are as follows: ▪ All overtime sheets were approved by an appropriate Supervisor ▪ Seven overtime claim sheets (out of 20 sheets tested) were approved by Supervisors even though part of the overtime claimed was incorrect (35%). In mitigation, four of the instances resulted in the employee under claiming. ▪ Three instances of over claiming were noted on the timesheets tested, including: - Incorrect number of shifts claimed, or claiming a shift when not entitled to it; and - Meal break encroachment claimed when not entitled to it. All errors in the sample tested had been detected by People Payments prior to payment and therefore the correct amount of overtime was paid to the employee. ***Manual Process*** The processing of overtime is a manual and time-consuming process. Each pay period People Payments rekeys overtime claim sheets into a format (notepad) suitable for electronic submission to [redacted] and into batch control worksheets. People Payments, as noted above, also manually check each overtime sheet to ensure they comply with the overtime rules.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
4.	**Access to [redacted] / Review of User profiles** Part of the payroll function is outsourced to [redacted], which calculates employer and employee taxes, prepares payslips and reports etc. The RTÉ Payroll team can access current and historic payroll records via [redacted] (the payroll enquiry system). [redacted] is a database hosted in RTÉ and is accessed by the Payroll team via Citrix. [redacted] is a read-only system and changes to standing Payroll records are input via interface files. During testing we noted that nine user logins in RTÉ still have access to [redacted] even though the individual has either moved to other teams or departed RTÉ. There is no annual review performed of the appropriateness of users' access. In mitigation, it is a reference system only and cannot be edited.	Agreed. ([redacted] Agreed. [redacted])	Login access for the nine individuals will be terminated. An annual review of [redacted] log-in access will be undertaken and updates made accordingly.	L	[redacted] Done [redacted] 31 December 2015
5.	**Backup For Voluntary Deductions** There was no formal employee notification on file in the People Payments department for certain voluntary deductions made in the case of two employees tested as part of the audit. In the case of one employee there was no record evidencing a deduction for the RTÉ Sports and Social Club and the RTÉ Golf Club. In the other case, there was no record on file evidencing deductions made to the Credit Union and the RTÉ Sports and Social Club. In mitigation, both employees are employees of RTÉ for greater than 16 years and this is therefore, more than likely, a legacy	Agreed. ([redacted]	An email from the employees sanctioning the deduction will be kept on file instead. Efforts will be made to file all future employee notices on their receipt.	L	[redacted] Ongoing

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	issue. In mitigation, each employee receives fortnightly a hard copy of their payslip for review and validation and any deductions not requested can be queried with People Payments.				

RTÉ Internal Audit

Review of Premium Rate Competitions

18 December 2017

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Television Commercial:
[redacted]

RTÉ Guide:
[redacted]

Radio Commercial:
[redacted]

Background

Background

RTÉ Competitions
Viewers of / listeners to RTÉ services are given the opportunity to win prizes by entering competitions on RTÉ Radio and RTÉ Television services. Readers of the RTÉ Guide also have the opportunity to enter weekly competitions. RTÉ competitions have various entry mechanisms. Competitions operate at a premium rate (income generating for RTÉ), standard rate (the cost of a standard call or text and no income for RTÉ), by e-mail or, on very rare occasions, postal entry. This report focuses on competitions which have a premium rate entry mechanisms.

Regulation
The Irish market is regulated by ComReg. ComReg operates a Code of Practice for Premium Rate Services ("Code of Practice") which must be observed by all companies and/or individuals offering premium rate services in Ireland.

Definition of Premium rate competitions
Premium rate competitions are competitions where entrants have to pay more than the cost of a standard call / text to enter. RTÉ premium rate competition entries are generally at a cost of €2 or £2. The prizes for such competitions tend to be high value prizes or cash prizes in order to attract high entry levels.

[redacted].

The Code of Practice includes specific guidance in relation to competition promotions and winner selection. All competition announcements and promotion material must include specific information such as the competition question, details of the prize, the cost of entry etc.

Premium Rate Revenue
Premium rate revenue is shared between the Network Operators (e.g. Vodafone), the Service Provider (e.g. [redacted] which collates the calls/texts for RTÉ) and the Promoter (e.g. RTÉ). In many cases, prizes for the premium rate competitions are provided by a prize sponsor (at no cost to RTÉ). In isolated cases the prize sponsor also pays a media fee.

RTÉ is budgeted to generate approximately €6m (gross) revenue from competitions, of which **96%** relates to Television competitions.

Programme Interaction and Competitions Department
Premium rate services in Television are managed by the Programme Interaction and Competitions Department ("PIC"), a sub-unit of RTÉ Commercial. Four members of staff work in PIC, managing Television competitions.

RTÉ Guide and RTÉ Radio premium rate competitions are managed separately, by one person within each area. In Radio, the PIC team are involved only in the technical set-up of the competition on the system and are not involved in the winner selection process.

The various teams managing Premium Rate Competitions across the organisations are responsible for the following:

- sourcing prizes for RTÉ competitions;
- technical set-up and management of the call/text event in tandem with RTÉ's preferred IVR and SMS service providers;
- providing programme teams with detailed script and graphic instructions
- writing support material (including competition/vote details on rte.ie);
- monitoring of live events in tandem with the IVR and SMS Service Providers with a view to ensuring no technical issues;
- winner selection and communication of winner details to programme teams for on-air announcement;
- record keeping including competition winner details, demonstrating the winner was a valid random entrant; and
- prize fulfillment (where the prize is provided via RTÉ).

Scope and Objectives

Objectives of Audit

This audit is a full review of the operation of premium rate competitions across the organisation and is merited given the high profile nature and the high level of reputation risk involved.

The objectives of the audit were as follows:

- ✓ Check if on-air/ on-screen/ printed competition announcements comply with the Code of Practice;
- ✓ Check if on-air/on-screen voting announcements comply with the Code of Practice;
- ✓ Ascertain if the competition winners are valid entrants to the competition and are selected in a fair, open and transparent manner;
- ✓ Assess the adequacy of documentation and record keeping;
- ✓ Review the PIC policies and procedures for competitions including disaster recovery procedures and a review of training records;
- ✓ Ensure that procedures are in place to prevent viewers from voting during repeat programmes, programmes shown on the RTÉ Player and RTÉ One+1, and competitions advertised on Social Media;
- ✓ Gain an understanding of whether personal data from competitions is being retained locally within each area and how/where it is stored;
- ✓ Review RTÉ's general competition terms and conditions; and
- ✓ Ascertain the status of the issues and recommendations noted in the last audit report on Premium Rate Competitions.

Risk

The key corporate risks addressed by the report are as follows:

- Risk # 1 – Reputation Risk
- Risk # 3 – Management and Prioritisation of Financial Resources
- Risk # 5 – Changes to Regulation
- Risk # 6 – Business continuity and disaster recovery

Scope of Audit

The scope of this audit is limited to premium rate competitions promoted on RTÉ Television, RTÉ Radio and in the RTÉ Guide in 2017.

The scope of our audit did not include:

- ✗ A review of non-premium rate competitions, including the comment lines for Radio services (51551, 51552, 51553 and 51554)
- ✗ Detailed IT / technical review
- ✗ A detailed review of the accounting for premium rate income

Key Findings

Key Management Issue

Operation of Competitions in Radio *(Finding #1)*

We noted some instances of non-compliance with the Code of Practice in Radio. These included:

- One promotion for a charity initiative in Radio went to air in July 2017 without any pricing information, or notification, that a premium rate charge was involved. As a result, consumers could potentially have texted the short code without realising that a premium rate charge was involved.

  This issue was alerted to RTÉ by the Charity after the Charity was itself notified by the Premium Rate Licensing section in ComReg.

- The on-air announcements for the Radio competitions in the audit sample did not cross refer to a relevant RTÉ.ie webpage containing supporting competition information (full competition details, Service Provider information, general terms and conditions etc.)

- The back-up provided for one competition – which ran across the programme for a full week – was incomplete to verify whether the winner selection process was completed correctly. (However, it was possible to recalculate based on the individual daily competitions that week)

Television – Technical Set-up Issue *(Finding #3)*

Due to a technical issue, one competition in Television was not set up correctly on the Service Provider's system, resulting in a very small number of entrants (188) having to be refunded. This was a one-off incident involving a relatively new member to the team. The refunds were minimal, with no complaints or inquiries following the error.

There were no issues with other premium rate competitions in Television in 2017.

Conclusion

Conclusion

RTÉ Television Competitions

The operation of premium rate competitions across RTÉ Television services is satisfactory. This process is managed in-house by the Programme Interaction and Competitions team working closely with programme teams. Good policies and procedures are in place and record-keeping is strong. The PIC team has worked well with programme teams in educating them on processes and responsibilities in this area. RTÉ Television programmes were in compliance with the requirements of the Code of Practice. With the exception of a one-off incident involving a refund due to the technical set-up of a competition by a new staff member, there were no other issues of note.

RTÉ Guide Competitions

The operation of premium rate competitions in the RTÉ Guide is satisfactory and no issues were noted during our review. This represents a major improvement since the last audit in 2010 and reflects the fact that premium rate competitions were brought in-house rather than being entirely run by a third party Service Provider.

RTÉ Radio

[redacted]. We noted an issue with a premium-rate charity initiative during the year, although this is resolved and announcements are now in line with the Code. There is scope to improve competition announcements and filing procedures generally. While the income generated from Radio competitions is largely immaterial in the context of overall Television income, any weaknesses could potentially impact the reputation of all RTÉ services and could have a broader impact. A dedicated competition webpage for Radio competitions will be investigated.

Finally, we would like to thank the staff members from each competitions team within RTÉ for their time and assistance during this audit.

Rating

Given the different areas and management teams locally, it is appropriate to assign a separate audit rating to each of the three areas under review. Radio is assigned a "red" rating on the basis of the communication from ComReg. However, at the time of issuing the report that matter has been addressed.

Individual Rating

- RTÉ Television Competitions: **Satisfactory**
- RTÉ Guide Competitions: **Satisfactory**
- RTÉ Radio Competitions: **Unsatisfactory**

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Compliance with ComReg's Code of Practice				
1.	**RTÉ Radio Premium Rate Competitions** ***Background*** We reviewed a sample of seven premium rate competitions from three areas across the organisation (RTÉ Television, RTÉ Radio and the RTÉ Guide). This included relevant competition support material on RTÉ.ie. [redacted] **Findings** We noted control weaknesses and audit issues impacting compliance with the requirements of the Code of Practice in Radio. These included: • One promotion for a charity initiative in Radio went to air in July 2017 without any pricing information, or notification, that a premium rate charge was involved. As a result, consumers could potentially have texted the short code without realising that a premium rate charge was involved. This issue was alerted to RTÉ by the Charity after the Charity was itself notified by the Premium Rate Licensing section in ComReg, the Regulator for premium rate services. While ComReg informed the Charity of its responsibility – as licence holder and main benefactors – to ensure the service is promoted and operated in line with the requirements of the Code of Practice, there is also potential for significant	Agreed – we will investigation the most efficient technical method for maintaining a radio competitions web-page. [redacted]	The operation of future premium rate competitions will be amended to reflect the findings highlighted in the report: *1.* A cross reference to the competition terms and conditions web-page will take place during the on-air competition announcements for premium rate competitions. *2.* A dedicated competition terms and conditions web page will be developed. In the interim, a reference to the general RTÉ competition voting terms and conditions, located in the "About Us" section of RTÉ.ie, will be considered *3.* The paperwork filed in respect of competitions running across a full week will be increased to ensure records are retained of the cumulative number of entrants [redacted]. *(There is an administrative burden*	H	[redacted] 31 January 2018 [redacted] 31 March 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	reputation damage for RTÉ. We noted a similar charity initiative currently (December 2017) operating on RTÉ 2fm which is in line with the requirements, with appropriate on-air announcements. • The on-air announcements for both of the Radio competitions in our audit sample did not cross refer to a relevant RTÉ.ie webpage containing full competition details, Service Provider information, general terms and conditions, etc. Given the nature and time constraints of radio announcements, only limited information may be broadcast on-air. As a result, it is important to refer listeners to a competition web-page. • The back-up provided for one competition *(17/11/2017: tickets, hotel stay and €500)* was incomplete to verify whether the winner selection process was completed correctly and in line with the Code. The competition ran across the programme for a full week. While the paperwork was complete for a daily winner in our sample (16/11/2017), it is important to retain additional documentation on file evidencing the total number of entrants for the week. *(It was possible to recalculate the method for selecting the weekly winner based on the daily winners)* ***Implications*** While the income generated from Radio competitions is largely immaterial in the context of Television income, control weaknesses could potentially impact the reputation of all RTÉ services and could have a broader impact across all premium rate services.		*involved in maintaining knowledge and skills on regulations and operating procedures etc. It is questionable whether this is justified in Radio where such a small number of individual competitions are involved – circa €50k income YTD 2017)*		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	(As outlined in the Executive Summary, RTÉ is budgeted to generate approximately [redacted] (gross) revenue from competitions, of which [redacted] relates to Television competitions).				
2.	**RTÉ Television Premium Rate Competitions** **Background** Four of the sample of seven premium rate competitions selected were from Television programme competition announcements. **Findings** ✓ RTÉ Television programmes were in compliance with the requirements of the Code of Practice. ✓ There were no issues with the competitions reviewed for the four programmes. All of the paperwork was on file, announcements / visuals were in compliance with the Code of Practice and all the correct references were made.	The PIC department work in a heavily regulated area and work across a vast amount of TV programmes throughout the year including The Late Late Show, The Ray D'Arcy Show, Sport programming, Nationwide, The Rose of Tralee, St. Patrick's Day Festival, Dancing with the Stars, Fair City, Today and lots more besides, generating 6 million in revenue via premium rate services. Considering we had one minor issue in 2017 by a new member of staff I feel this is a great achievement by PIC and I would like to congratulate and acknowledge each member of the department for their continued hard work. ([redacted]	N/a	N/a	N/a

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Technical Issues				
3.	**<u>Television technical set-up issue</u>** ***Background*** Premium rate competitions need to be technically set up on the Service Provider's systems ([redacted] for calls and [redacted] for texts) prior to the competition going to air. If this is not completed, none of the calls / texts will be recorded or logged for entry to the competition but the contestants will be charged the premium rate. ***Finding*** Due to a technical issue, one competition in Television (*Today with Maura and Daithí*) was not set up correctly on the service provider's system, resulting in a very small number of entrants (188) having to be refunded. The refund for this number of entrants would have amounted to just under €400. However, had it not been brought to the Team Lead's attention so promptly, it could have resulted in larger amounts to be refunded to entrants. In addition, as the competition had to be terminated, it resulted in RTÉ incurring a revenue loss. In mitigation, this was a one-off incident involving a relatively new member to the team. The refunds were minimal, with no complaints or inquiries following the error. There have been no issues with any other premium rate competitions in Television in 2017.	See comment for finding #2.	A reminder will be issued to PIC team members regarding the set-up of competitions correctly prior to going to air.	L	[redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Policies and Procedures				
4.	**Policies and Procedures documents** ***Background*** The PIC team in Television has comprehensive policies and procedures already in place with numerous reference documents with guidelines for various scenarios. Record-keeping is also strong with detailed instructions in place on what should be documented to verify the winner selection for each competition. ***Findings*** a) Policies and Procedures Document: The official PIC policies and procedures document is dated 2008. The following, in particular, need updating: • The document refers to RegTel which has now been replaced by Comreg. • Filing is now managed by PIC and not the programme teams. This needs to be updated in the document. • There may be other 'housekeeping' changes needed given the passage of time. *Mitigation* In mitigation, the current PIC team has a folder of one-page policy documents that each member is given upon joining the team, and is referenced to regularly. However, it is timely to update the 2008 policy document as it is a very detailed and could be beneficial as a "go-to" for new team members in understanding the rules and requirements for running premium rate competitions.		a) Update the 2008 Policies and Procedures document. b) Update the text on the document published on RTÉ.ie for current tariff rates (*Guide to RTÉ's Interactive Services*). d) Republish the *Managing all Premium Rate Audience Interaction* document on the HUB in early 2018 and at half yearly intervals after that.	L H L	[redacted] 31 March 2018 [redacted] 31 January 2018 [redacted] 1 February 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	b) Guide to RTÉ's Interactive Services Related to the above, there is a useful "Guide to Interactive Services" posted on RTÉ.ie and provides answers to a number of frequently asked questions on interactive services. It is timely for the PIC team to update the information on charging and tariffs as the tariff and entry numbers have changed from the version posted on RTÉ.ie. The old version may be misleading to the public. c) Managing all Premium Rate Audience Interaction There is a useful guide to "Managing all Premium Rate Audience Interaction Services" posted on The Hub which highlights the importance of complying with the ComReg Code of Practice with regard to premium rate competitions, and the risks of non-compliance. Given the current organisational change and restructuring, it is timely to republish this document on The Hub in early 2018 and at half yearly intervals after that. It would be particularly timely prior to the new programme making season commencing each September.				

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Data Protection				
5.	**GDPR / Data Protection** ***Background*** While the existing contracts with Service Providers contain Data Protection clauses, the introduction of the EU's General Data Protection Regulations ("GDPR") on 25 May 2015 amounts to a substantial overhaul of the existing Directive 95/46/EU and of the Data Protection Acts 1988 and 2003. It has significantly enhanced the obligations of the Data Controller (RTÉ) and the Data Processor (Service Provider) with regard to customer data. RTÉ retains minimal personal records of competition entrants, retaining only competition winner details (generally on G: drive) as part of a competition file. However, the Service Providers (as Data Processors) handle large volumes of personal data and retain data on its servers. ***Finding*** In advance of the introduction of GDPR it is timely to carry out a review of GDPR readiness in respect of premium rate competition data, which would include the following: • Review the contracts with the Service Providers ([redacted] Communications, [redacted] to include the addition of relevant specific GDPR clauses therein • Ascertain if any data sub-processors are used by the Service Provider and if they are appropriately approved by RTÉ • Determine if the servers used by the Service Provider are located in the EEA • Confirm there is a lawful basis on which to obtain / process		Carry-out a review of GDPR readiness, engaging with RTÉ Legal Services, the Data Protection Officer and the wider GDPR working group as required regarding the matters listed across.		[redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	the data gathered from competition entrants. *(The data gathered for the competitions included in our sample in this audit did not highlight any issues re: gathering excessive data.)* In addition, a wider project is ongoing in RTÉ and the cross-organisational actions will be relevant to PIC e.g. the new RTÉ Data Retention and Destruction Policy.				

RTÉ Internal Audit

Review of Visa Procurement Cards

28 October 2014

Circulation:
Members of the Audit and Risk Committee
Noel Curran, Director-General
Executive

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Objectives and Scope

Background

Overview

Purchase cards exist in order to make it simpler and more cost effective for RTÉ personnel to make low value purchases of goods and services. This, in turn, reduces the number of low-value orders processed via [redacted] web.

RTÉ's purchase cards are Visa cards provided by [redacted] The administration of issuing cards and the management of card master data is the responsibility of Central Purchasing. All new purchase card applications must be approved by the Chief Financial Officer and the Group Financial Controller. There are currently 145 purchase cards issued to RTÉ staff.

Guidelines for the use of purchase cards are documented in the Visa Procurement Card Guidelines.

Each cardholder's transactions are recorded by Visa on an online system ([redacted]), which is accessible by the cardholder via the internet. The use of each purchase card is restricted by an individual transaction limit and a monthly cumulative transaction limit. Each month cardholders manually record the transactions made using their purchase card on a pre-printed purchase card envelope and the receipts for the transactions are placed in the envelope. The envelope is then forwarded to the relevant costpool manager for approval.

Scope of audit

The scope of our audit was purchase card transactions during the period 1 May 2014 to 31 August 2014. We selected a sample of 20 purchase card holders across the organisation and requested the relevant monthly purchase card envelopes. We also carried out some high level analysis of the full population of transactions.

This is a repeat audit, at the request of the CFO, following our 14 March 2014 report.

We tested for the following:

- ✓ Verified an envelope was used;
- ✓ Checked for approver sign-off;
- ✓ Checked purchases were within card limits;
- ✓ Verified that receipts were retained; and
- ✓ Verified the reasonableness of accounting code recorded.

Any instances of missing receipts are categorised as follows:-

Category	Description
A	**Major**: missing receipt for a purchase in excess of €500, or numerous higher value receipts.
B	**Intermediate**: missing receipts related to amounts greater than €100 but less than €500, or related to a number of missing low value receipts.
C	**Moderate**: missing receipts related to individual amounts of less than €100, or where the number / value of missing receipts was low in the context of the number of transactions.

The scope of our audit did not include:

- ✗ 2m purchase cards – covered in a separate assignment;
- ✗ Transfare claims.

Methodology

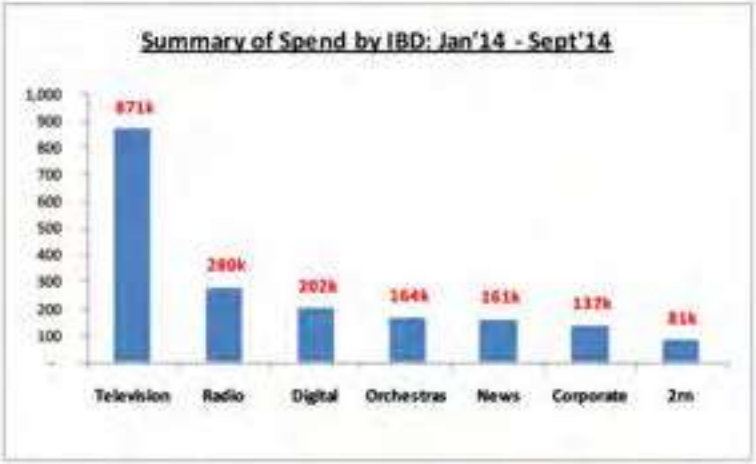
The full population was interrogated based on a suite of pre designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. In addition, a number of other purchase card holders were selected randomly from the full population of purchase card transactions.

In total, 2/3 of our sample was based on the "focused audit tests" and a further 1/3 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

Executive Summary: Financial Background

Financial Background

Ⓐ



Ⓑ

€1.9m of transactions were processed through RTÉ's purchase cards in the nine month period from 1 January 2014 to 30 September 2014, up from €1.6m for the same period in the previous year (an increase of 19%). The largest spend is in Television (46%), Radio (15%) and Digital (11%). The total number of transactions for the nine month period was approximately 13,500, up by 16% from the same period in 2013.

Chart A above presents an IBD analysis of purchase card spend in 2014 to date, while total purchase card spend per month is shown in chart B.

Ⓒ

As shown in C across, there are currently 145 purchase cards issued to RTÉ staff, with the largest numbers assigned to individuals in Television (39%), Radio (12%) and 2rn (24%).

Given its size, 2rn has a disproportionately high number of cards which reflects the fact that engineers and riggers based at various remote regional locations throughout Ireland are assigned a card for local purchasing of supplies for engineering and maintenance works etc.

Executive Summary: Summary Findings

D

An analysis of spend by account code is illustrated in chart D. Production costs represent the highest expenditure for the period at 22%. This consists of various programme cost categories such as set construction, graphics, props, animation, make-up, flowers, venue hire and other direct programme costs.

'Other Accounts' of 14% related to costs such as: catering, transport, copyright, professional fees, subscriptions and insurance, IT costs and premises. Contributor's Travel costs (e.g. hotel accommodation for guests and programme panellists) were also 14%.

Equipment and stationary costs and staff travel and subsistence costs accounted for a further 12% each. Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

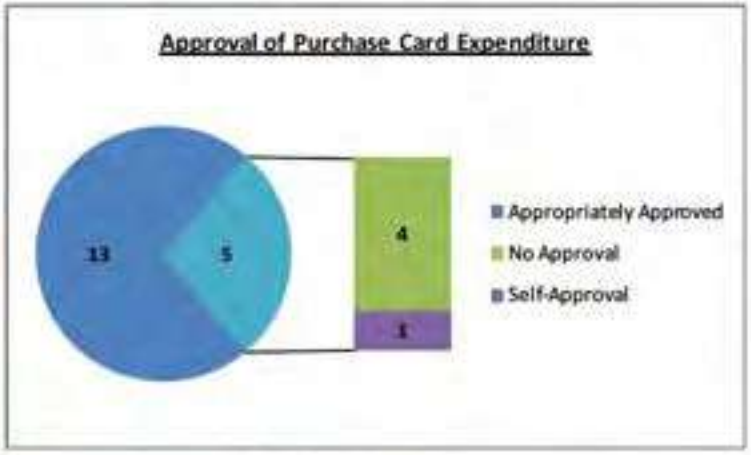
Summary Findings

A

Existence of envelopes:

A Purchase Card envelope was on file for 18 (90%) of the 20 card-holders selected for testing. An envelope was not available for audit in two instances.

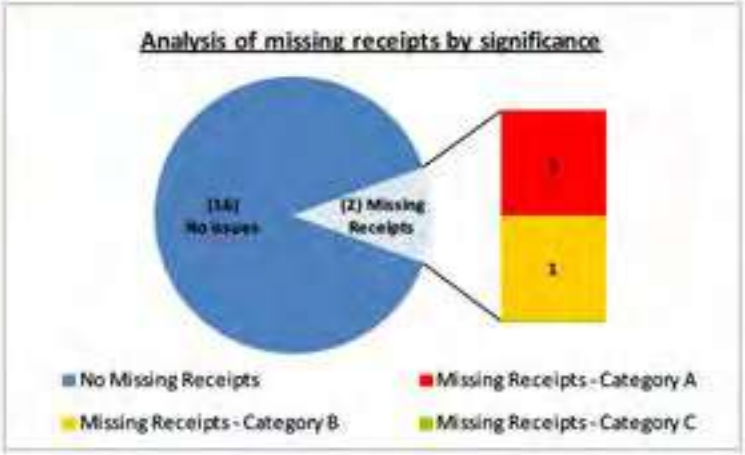
B



Authorisation / Sign-off of envelopes:

We identified some issues with the approval of the purchase card envelopes tested. Of the 18 envelopes tested, five (28%) were not appropriately approved. There are some mitigating circumstances in three cases as explained in the action plan. While an improvement on the prior audit, further action is needed.

Executive Summary: Summary Findings (Cont'd)



Evidence of Receipts:

We noted issues with receipting in the case of two of the 18 purchase card envelopes tested (11%). The two cards were assigned to individuals in Digital and Radio.

As shown in the chart above, one of the cards with missing receipts was assigned a "Category A" rating. This card is a "departmental card". While assigned to a named individual, departmental cards are used to make purchases by a number of individuals in the department. There were 222 transactions processed through this card in the month under review, which is therefore difficult to manage from an administration point of view.

One card was assigned a "Category B" rating. There were 11 missing receipts out of 28 transactions in the month under review (39%). However, these were all low value transactions.

There has been an improvement in the instances of missing receipts since the previous audit.

Executive Summary: Key Issues and Overall Conclusion

Key Management Issues

Breaches of Policy

We noted breaches of policy in certain areas as follows:

- Two out of 20 envelopes tested were not available for inspection
- Five of 18 envelopes reviewed were not approved appropriately
- Two of 18 envelopes reviewed contained missing receipts.

Policy Updates

The "Purchasing Procurement Card Guidelines" have not been updated since September 2004. An update of the guidelines is therefore now overdue.

Overall Conclusion

Visa purchase cards were originally introduced to make it simpler and more cost effective for RTÉ personnel to make low value purchases of goods and services. This objective is being met by the use of purchase cards in RTÉ with the vast majority of transactions being low value, ad-hoc purchases. In addition, purchase cards are being used to purchase the types of goods and services as originally intended when the purchase cards were introduced.

We noted some improvement from the last audit, particularly with regard to receipting. This reflects a renewed focus on this area led by the Finance teams. We would expect these improvements to continue into 2015 as the actions implemented by Finance in Quarter two 2014 continue to take effect.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

The audit tests highlighted instances of non-compliance with the procurement card guidelines, particularly in the areas of envelope retention, approval of purchase card envelopes and some isolated receipting issues. Two envelopes were not available for inspection and five out of eighteen envelopes tested were not appropriately approved.

Rating

IMPROVEMENT NEEDED

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Breaches of Policy				
1.	**Existence of Envelopes** We selected a sample of 20 Purchase Cards for review across the organisation (excluding 2m), covering the four month period from May to August 2014. A purchase card envelope was available for 18 (90%) out of the 20 cards selected. In the remaining **two** instances, the purchase card envelope and relevant receipts were not available for inspection, as follows: • Radio: The card in question is used in Radio Operations and the person administering the card was on annual leave during the month selected for review. As the card is used by more than one person to make purchases, the card administrator was unable to track the receipts upon return. • Television: The named cardholder was on sick leave at the time of the review and the relevant envelope was not located. The management of the card during periods of leave appears to be a common feature in both cases. The audit sample covered the summer period.	Agreed	The relevant Finance Directors / Financial Controllers will inform the relevant Line Manager of the specific breaches of policy relating to the retention of purchase card envelopes to ensure that they are addressed with the relevant cardholder.	M	[redacted] 30 November 2014
2.	**Authorisation / Sign-off of envelopes** We identified issues with the approval of the purchase card envelopes tested, as follows: • Of the 18 envelopes tested, five (28%) were not evidenced as	Agreed	Within each division, purchase card approvers will be contacted by the FDs / FCs to remind them of the importance of ensuring that purchase card envelopes are all signed off on a timely basis and dated as evidence of review. This is especially	M	Financial Directors / Financial Controllers 15 December 2014

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	approved by an appropriate approver / costpool manager. The five cards were assigned to individuals in the following areas – Television (1), Radio (1), Digital (1) and Orchestras (2). There are mitigating circumstances in three cases – Radio (1) and Orchestra (2). Due to new hires and organisational change in these areas in the period covered by the audit, a suitable person of authority to approve the envelopes may have been absent. However, an alternative approver should have been sought, or retrospective approval secured. • In two other cases, while the envelope was signed off, the date of approval was not evidenced on the envelope. This is a slight improvement on the prior audit when seven (35%) of the 20 envelopes tested were not approved appropriately.		relevant for the five cases of unapproved envelopes found during the audit.		
3.	**Evidence of Receipts** Full receipts were retained on file in the case of 16 (89%) of the 18 purchase cards received for testing, analysed as follows – Television: 6 cards, Radio: 2 cards, News & Current Affairs: 3 cards, Corporate: 2 cards, Digital: 1 card and Orchestras: 2 cards. There were issues with receipting in the case of the two remaining envelopes. The cards were assigned to individuals in Digital and Radio. As shown in the Executive Summary, one card was assigned a Category A rating and one a B rating. These are explained in further detail as follows: ■ Card assigned to *Digital*: 18 missing receipts, ranging in values up to €640, out of 222 transactions in the month of testing.	Agreed	The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, to ensure that they are addressed with the relevant cardholder. The FDs / FCs will remind all approving Line Managers of their responsibility to ensure that receipts are retained on file and checked prior to signing-off on the expenditure. Consideration will be given to issuing a new card in Digital in order to reduce the number of transactions being processed via card tested (i.e. the 222 transactions in the	M	[redacted] 30 November 2014 Financial Directors / Financial Controllers 31 December 2014 [redacted] Done

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The missing receipts totalled €2k, 10% of the cardholder's expenditure in the month of review. Many related to online purchases. In mitigation, 36% of the transactions with missing receipts had an e-mail on file from the purchaser informing the cardholder of the purchase. However, the original receipt(s) was not subsequently forwarded to the cardholder by the purchaser. Secondly, the card had a large number of transactions in the month under review. The reason for the missing receipts is that the card operates as a "departmental card" and is used to make purchases on behalf of an individual other than the named cardholder: • This type of dispersed ordering increases the risk of missing receipts as a number of individuals, other than the named cardholder, make purchases. The receipts then have to be retained and consolidated in one envelope at the end of each month. • These cards are also more difficult to manage as purchasers with knowledge of the card number from a previous purchase sometimes make purchases without informing the cardholder in advance that they plan to make a purchase. When the unexpected transaction appears on their [redacted] statement, the cardholder has to firstly identify the likely purchaser and then follow-up with them to request an original receipt for the purchase. This is a time consuming process and receipts can easily be misplaced. Card assigned to *Radio*: 11 missing receipts out of 29 transactions in the month of testing. The majority were online transactions. The missing receipts totalled €280, 32% of the		period under review).		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	cardholder's expenditure in the month of review. While all low value items this is assigned a Category B on the basis of the number of missing receipts.				
	Policy				
4.	**Policy Updates** The "Purchasing Procurement Card Guidelines" have not been updated since September 2004. An update of the guidelines is therefore now overdue. A new version of the RTÉ Procurement Policy was published in July 2014 and the update should be carried out in that context.	Agreed - The "Purchasing Procurement Card Guidelines" are already in the process of being updated. ([redacted]	The "Purchasing Procurement Card Guidelines" will be updated and communicated to staff.	M	[redacted] 15 February 2015

RTÉ Internal Audit

Review of Purchase Cards

19 November 2018

Circulation:
Director-General
Members of the Audit and Risk Committee
Executive

Finance:
[redacted]

The contents of this document are commercially sensitive and for internal RTÉ use only

RTÉ

Background, Objectives and Scope

Background

Overview

This report outlines the results following a review of purchase transactions using RTÉ's Visa procurement cards ("purchase cards").

Purchase cards were introduced in RTÉ to make it easier and more cost effective for RTÉ personnel to make low value purchases of goods and services. This, in turn, reduces the number of low-value orders processed via [redacted] web. It was also acknowledged that for some purchases a credit card payment is the only payment method accepted.

Purchase cards operate in a manner similar to a personal credit card. RTÉ's purchase cards are [redacted] cards provided by [redacted]. The administration of issuing cards and the management of card master data is the responsibility of [redacted].

All new purchase card applications must be approved by the Chief Financial Officer and the Group Financial Controller. There were 160 purchase cards in issue to RTÉ staff at the time of the commencement of the audit.

Process around use of RTÉ Purchase Cards

Guidelines for the use of purchase cards are documented in the Purchasing Card Guidelines 2015, which form part of the overall Purchasing Procedures and Guidelines. The process is summarised in the points below:

- Each month cardholders record the transactions made using their purchase card on a pre-printed purchase card envelope and the receipts / invoices for the transactions are placed in the envelope.
- Each cardholder's transactions are recorded on an online system [redacted].
- At the end of each monthly billing period, the cardholder must log into the system and allocate each transaction an account code, costpool and allocate the VAT in line with the invoice/receipt.
- Once the cardholder has reviewed the transactions and cross-checked the purchase card envelope against the online system the envelope is then forwarded to the relevant Line Manger for approval.
- The use of each purchase card is restricted by an individual transaction limit and a monthly cumulative transaction limit.
- Purchase Card transactions are recorded in [redacted] via a monthly batch upload of data from the [redacted] on line system to [redacted]
- Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

Objectives of Audit

The objective of this audit was to carry out a review of purchase card transactions during the period 1 January 2018 to 31 July 2018 and to report on whether cardholders and associated responsible individuals are adhering to the RTÉ Purchasing Card Guidelines document, published in 2015.

Scope of Audit

Sample Selection Process

The full data set was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample.

Using the results of the tests mentioned above, a sample of 25 purchase card holders was selected from across the organisation and the relevant monthly purchase card envelopes were requested for review. In addition, a number of other purchase card holders were selected randomly from the full population of purchase card transactions.

In total, 2/3 of our sample was based on the "focused audit tests" and a further 1/3 was selected randomly. Representative coverage was also achieved across all divisions and months within scope.

We also carried out some high level data and financial analysis of the full population of transactions, covered in more detail in the pages overleaf.

Scope *(continued)* & Risks

Audit Testing Completed

a) Authorisation & Completeness Testing

For the **25** envelopes selected the following work was performed on each:

- ✓ Verified a Purchase Card envelope was used;
- ✓ Checked Purchase Card envelope for approver sign-off;
- ✓ Checked total transactions for the month were within individual's limit;
- ✓ Verified that receipts were retained and filed in the envelope; and
- ✓ Verified the reasonableness of accounting code recorded.

b) Detailed Testing

For **6** envelopes selected (25% of sample), the following work was completed:

- ✓ Verify that a till / VAT receipt was retained for each transaction and review same. Any instances of missing receipts are categorised as follows:

Category	Description
A	**Major**: missing receipt for in excess of €500, or numerous higher value receipts.
B	**Intermediate**: missing receipts related to amounts greater than €100 but less than €500, or related to a number of missing low value receipts.
C	**Moderate**: missing receipts related to individual amounts of less than €100, or where the number / value of missing receipts was low in the context of the number of transactions.

- ✓ Check if Visa invoice retained (if no Till/VAT receipt)
- ✓ Amounts Agreed to [redacted]
- ✓ VAT – to what extent is VAT being reclaimed
- ✓ Agree the transactions per purchase card envelopes to the transaction information on [redacted] reports (the online system provided by Ulster Bank) for month.

c) Testing on full population

The full population of purchase card data was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample. The range of tests performed on the sample included:

- ✓ Analysis of Entertainment and Subsistence related transactions
- ✓ Analysis of transactions by employee/costpool/division/account
- ✓ Transactions exceeding the individual's normal block limit
- ✓ Analysis of payments to people which should be processed through [redacted] fees
- ✓ Review for large round sums
- ✓ Review for any disallowed expenses, e.g. petrol
- ✓ Review for duplicate amounts by Name & Supplier

The results of these tests were reviewed and investigated in conjunction with the transaction information on [redacted] A sample of unusual items not within the norm, or which appeared unusual, were chosen for further investigation as part of our audit sample.

The scope of our audit did <u>not</u> include:

- ✗ 2rn purchase cards – covered in a separate assignment;
- ✗ Transfare claims.

Risks

The key corporate risks addressed by the report are as follows:

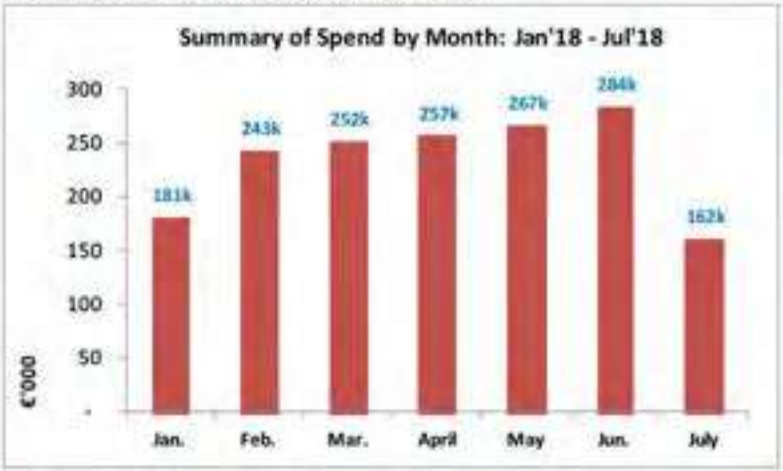
- Risk # 4 – Reputation and Compliance *(a common subject of FOI requests)*
- Risk # 6 – Management of Finances and Business Planning

By their nature, Purchase Cards are a higher risk profile than Purchase Orders and the risk of fraud is higher. In mitigation, the procedures for being granted a purchase cards are very stringent. In the absence of Purchase Cards it is difficult to know how certain buying activities would operate efficiently, for example, wardrobe, make-up, etc.

Data Analysis

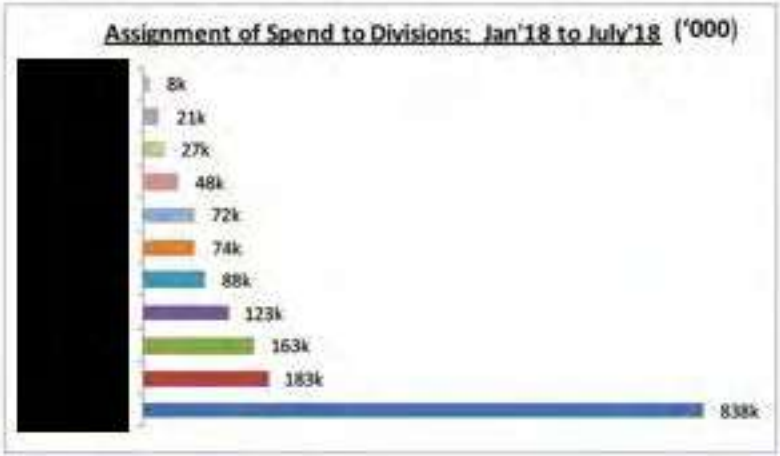
A Purchase Card Expenditure by Month

€1.6m of transactions were processed through RTÉ's purchase cards in the seven month period from 1 January 2018 to 31 July 2018, down 8% from the same period in the previous year (€1.8m).



B Purchase Card Spend by Division

As shown below, the largest spend is in Content (51%), followed by News (11%) and Operations (10%). The total number of transactions for the seven month period was approximately 12,560.



The analysis of B is based on where the expenditure is charged. The cardholder may be in a different division, e.g., Operations charging programme teams.

C Number of Purchase Cards by Division

There were 160 purchase cards in use by RTÉ staff at the time the data was compiled, with the largest number of cards assigned to individuals in Content (32%), followed by 2rn (25%).

At the time of commencing the audit, Procurement was undergoing a review of purchase card holders across the organisation, following the period of restructuring. This exercise will likely have an effect on both the number of cards issued as well as the holders of purchase cards, following organisational change.

Given its size, 2rn has a disproportionately high number of cards which reflects the fact that engineers and riggers based at various remote regional locations throughout Ireland are assigned a card for local purchasing of supplies for engineering and maintenance works etc.

Data Analysis *(Continued)*

D Purchase Card Spend by Account Code

An analysis of spend by account code is illustrated below. Production costs represent the highest expenditure for the period at 24%. This consists of various programme cost categories such as set construction, graphics, props, animation, make-up, flowers, venue hire and other direct programme costs.

'Other Accounts' of 15% related to costs such as: catering, transport, copyright, professional fees, subscriptions and insurance, IT costs and premises. Staff Travel costs (e.g. flights, hotel accommodation, transport costs, etc) were also 15%.

Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code.

Summary of Key Findings – *See Action Plan for more details*

1) Existence of Envelopes

Existence of envelopes:
A Purchase Card envelope was on file for 24 (96%) of the 25 card-holders selected for review. An envelope was not available for audit at the time of testing in one instance.

In mitigation, the cardholder was on leave during the testing period and an envelope was provided at the end of the audit. Refer to the Action Plan for more details.

The nature of this test and the fact that envelopes are retained locally means that individuals had time to compile and the envelope and receipts, in arrears, after the request for the envelope has been made.

2) Authorisation of Vouchers

Authorisation / Sign-off of envelopes:
As per the Purchasing Card Guidelines 2015, once the cardholder has reviewed the transactions and cross-checked the purchase card envelope against the online system the envelope is then forwarded to the relevant Line Manger for approval.

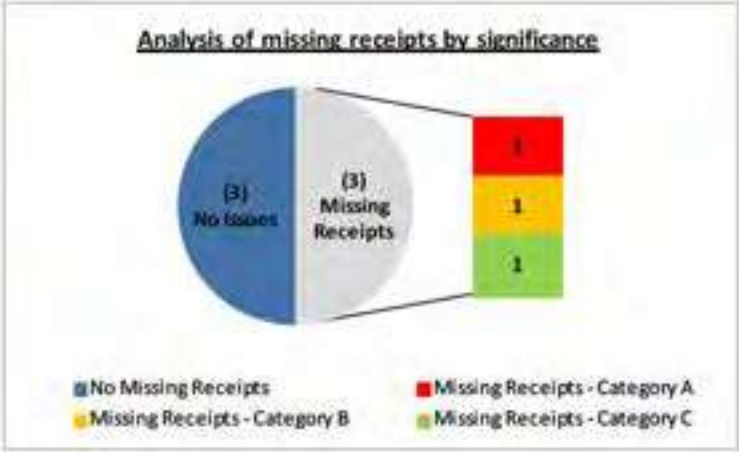
We identified issues with the approval of the purchase card envelopes tested. As shown on the left, of the 25 envelopes tested, 11 (44%) were not appropriately approved.

Of the 11, self-authorisation (where the envelope is approved by the cardholder) took place on 10 of the envelopes (91%). There was no approval evident on the remaining envelope. These both represent a breach of policy.

Given the nature of the test, it is possible that some of those reported as validly approved may have been done so in arrears prior to inspection during the audit.

Summary of Key Findings *(Continued)*

3) Evidence of Receipts



Evidence of Receipts:
We noted issues with receipting in the case of three of the six (50%) purchase card envelopes where more detailed testing was undertaken. The three cards were assigned to individuals in News & Current Affairs, Audience, Channels & Marketing, and Content.

As shown in the chart above, one of the cards with missing receipts was assigned a "Category A" rating. There were 35 transactions processed through this card in the month under review, with receipts not on file for 23 of the transactions, representing 74% of the total transaction value for that card in the particular month under review. The total expenditure on the card in the month was €4.5k.

One card was assigned a "Category B" rating. There were three missing receipts out of 26 transactions in the month under review (11%). While two of the three transactions were of very low value, one missing receipt was more substantial (>€100 and 3% of total transactions for the month), placing it in Category B.

The remaining card was assigned a "Category C" rating. There were three missing receipts out of 15 transactions in the month under review (12%). All three were very low in value (<€30 for each one).

4) Other Findings

We noted other findings regarding the process, as explained in the action plan. These cover the process to manage the cards, span of control, use of holding a/c, etc.

Key Findings

Key Management Issues

Breaches of Purchase Card Policy

We noted breaches of policy in certain areas as follows:

- 11 of 25 envelopes reviewed were not approved appropriately.
- One out of 25 envelopes tested were not available for inspection at the time of testing.
- Three of six envelopes reviewed in detail contained missing receipts.

Manual time-consuming process

The monthly management of purchase card envelopes and the collection of receipts is a very manual process and there is an absence of electronic approval. There is also no link between the physical receipts and review process and the online [redacted] management process. Given the manner in which credit cards operate, the cards are paid every month regardless of whether receipts are on file, or if the envelope is approved. Therefore, this puts greater emphasis on approval, review and filing procedures.

Management of Purchase Cards

During audit testing it was noted that purchase cards in the name of departed staff members were still being used. We were also informed of an instance where one cardholder requested for their card to be cancelled / reissued - the cancellation never occurred with the card being retained in the department and used in the name of the original cardholder.

Month-End Procedures

During audit testing, we noted that purchases are not being categorised and assigned a specific account code on a monthly basis. As a result, they remain in a holding account awaiting reallocation. Cardholders are not completing the month-end procedures on a timely basis.

Key Findings

Conclusion

The objective of this audit was to carry out a review of purchase card transactions during 2018. The full data set was interrogated based on a suite of pre-designed tests in order to highlight irregularities and to assist in the selection of our "focused" random sample.

The audit is rated 'unsatisfactory' for the following reasons:

- 11 of 25 envelopes reviewed were not approved appropriately. (Given the nature of the test, it is possible that some of those reported as validly approved may have been done so in arrears prior to inspection during the audit). In addition, three of six envelopes reviewed contained missing receipts.
- There are weaknesses in the process: the monthly preparation of purchase card envelopes and the collection of receipts is a very manual process and there is an absence of electronic approval.
- During audit testing we noted that purchase cards of departed staff members were still being used.
- Some purchases are not being categorised and assigned a specific account code on a monthly basis by cardholders as part of the monthly financial close procedures. This affects the cost against actual reporting in these areas and finance teams therefore have to follow up with cardholders.
- We identified that cards were being used even though the named cardholder had departed the organisation.

Actions have been agreed to address these points as outlined in the action plan.

We appreciate the co-operation received from the relevant staff members during the course of this audit.

Rating

UNSATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Breaches of Policy				
1.	**Existence of Envelopes** ***Background*** We selected a sample of 25 Purchase Cards for review across the organisation (excluding 2rn), covering the seven month period from January to July 2018. ***Findings*** The following findings were noted: ✓ A Purchase Card envelope was on file for **24** (96%) of the 25 card-holders selected for review. X **One** envelope from Human Resources was not available for audit at the time of testing. In mitigation, the person administering the card was on annual leave for a period during the review. The envelope was submitted at the end of the audit. X It was noted during our review that in certain instances, cardholders were only compiling the envelopes and following up on receipts (for purchases made by others in the case of shared cards) when the audit request was made. This occurred despite the fact that month selected for review was earlier in quarter one.	Agreed. This is already being done with a reminder email circulated by Procurement to all cardholders and the Finance teams each month. The email reminds cardholders of the close-off date for assigning account codes and costpools to all purchase card transactions. [redacted]	Cardholders will be reminded that envelopes need to be prepared monthly following the month where purchases have taken place.	N/A	Complete
2.	**Authorisation / Sign-off of envelopes** ***Background*** As per the Purchasing Card Guidelines 2015, once the cardholder	Agreed. This is already being done with a reminder email circulated by Procurement to all cardholders and the	Within each division, purchase card approvers will be contacted by the FDs / FCs to remind them of the importance of ensuring that purchase card envelopes are	N/A	Complete

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	has reviewed the transactions and cross-checked the purchase card envelope against the online system the envelope is then forwarded to the relevant Line Manger for approval. ***Findings*** We identified issues with the approval of the purchase card envelopes tested, as follows: ✓ Of the 25 envelopes tested, 11 (44%) were approved appropriately as evidenced by an authorising signature from appropriate Line Manger and relevant date. *(However, there is a risk that this was done in arrears.)* X A further 11 (44%) were not evidenced as approved by an appropriate approver / costpool manager. Of the 11, self-authorisation (where the envelope is approved by the cardholder) took place on 10 of the envelopes (91%). There was no approval evident on the remaining envelope. These both represent a breach of policy. The 11 cards were assigned to individuals in the following areas – Content (4), Operations (5) and Finance (2). There are mitigating circumstances in two cases – both Finance (2). These two cards are "departmental cards". While assigned to a named individual, departmental cards are used to make purchases by a number of individuals in the wider department. In effect, the self-approval by the Finance Manager is sufficient once they are performing the monthly review. In addition, due to organisational change in the period	Finance teams each month. [redacted]	all signed off on a timely basis and dated as evidence of review.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	covered by the audit, a suitable person of authority to approve the envelopes may have been absent. However, an alternative approver should have been sought, or retrospective approval secured. ➢ In two other cases, while the envelope was signed off, the date of approval was not evidenced on the envelope.				
3.	**<u>Evidence of Receipts</u>** ***Background*** As explained in the Executive Summary, more detailed audit testing was carried out for 6 of the 25 envelopes tested (25% of the sample). This, among other tests, involved verifying that a valid till /VAT receipt was retained for each transaction during the month selected. ***Findings*** ✓ Full receipts were retained on file in the case of three of the six purchase cards received for testing. X There were issues with receipting in the case of the three remaining envelopes. The cards were assigned to individuals in News, Content and ACM. These are explained in further detail as follows: [redacted] There were 31 transactions processed through this card in the month under review, with receipts not on file for 23 of the transactions, representing €3,361 in value (74% of the total transaction value).	Agreed. There is a new system being introduced that will replace [redacted]. It is yet to be confirmed whether it is possible for cardholders to print monthly purchase card activity from this new system. This will be confirmed over the coming weeks. Once the new system is live, training will take place on how to use it and a user manual will be provided showing cardholders how to access their monthly transactions etc. It will be mandatory for all cardholders, relevant Personal Assistants and Finance teams to attend. Essentially, once an individual	Consideration will be giving to making it a requirement for the [redacted] print-out, listing transactions for the month, to be presented the Line Managers when seeking approval. This will prevent transactions from being omitted in error. The FDs / FCs will inform the relevant Line Managers of the instances of missing receipts, to ensure that they are addressed with the relevant cardholder. The FDs / FCs will remind all approving Line Managers of their responsibility to ensure that receipts are retained on file and checked prior to signing-off on the expenditure.	M	[redacted] 31 December 2018 [redacted] 30 November 2018 [redacted] 30 November 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	On comparison with the online [redacted] report for the selected month, it was noted that only two thirds of the transactions were recorded manually on the face of the purchase card envelope. This highlights the risk of Line Managers approving incomplete information (i.e. the staff member might not record everything on the envelope). Using a print-off from the [redacted] systen as a starting point for which to gather receipts should be recommended to ensure completeness. [redacted] Three missing receipts out of 26 transactions in the month under review (11%). While two of the three transactions were of very low value (€26 in total), one missing receipt was more substantial (€364 and 3% of total transactions for the month), placing it in Category B. The reason for the missing receipts is that the card operates as a "departmental card" and is used to make purchases on behalf of an individual other than the named cardholder: • This type of dispersed ordering increases the risk of missing receipts as a number of individuals, other than the named cardholder, make purchases. The receipts then have to be retained and consolidated in one envelope at the end of each month. • These cards are also more difficult to manage as purchasers	has been authorised to have a purchase card, this is main approval step. [redacted]			

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	with knowledge of the card number from a previous purchase sometimes make purchases without informing the cardholder in advance that they plan to make a purchase. When the unexpected transaction appears on their [redacted] statement, the cardholder has to firstly identify the likely purchaser and then follow-up with them to request an original receipt for the purchase. This is a time consuming process and receipts can easily be misplaced. [redacted] There were three missing receipts out of 15 transactions in the month under review (12%). All three were very low in value (<€30 each).				
	Policy & Other Process Observations				
4.	**<u>Use of PayPal as a form of payment</u>** ***Background*** As part of a separate review in Summer 2018, Internal Audit carried out an investigation involving one RTÉ purchase card. The investigation highlighted some irregularities. ***Findings*** The irregularities identified during this investigation focused, in particular, on transactions processed via PayPal, which is not commonly used as a payment transaction mechanism in RTÉ. *PayPal is an American company operating a worldwide online payments system that supports online money transfers and serves as an electronic alternative to traditional methods of payments, whether electronic bank transfers or physical cheques*	Agreed. The Purchasing Card Guidelines are currently being reviewed and updated and the point on prohibiting the use of PayPal, where possible, will be incorporated and communicated to all cardholders. [redacted]	The practice in certain areas within Operations where each cardholder set up a PayPal account linked to the RTÉ procurement card will cease. The Purchasing Card Guidelines 2015 will be updated to prohibit the use of PayPal as a method of payment via RTÉ purchase cards unless approved by the local Finance Director for specific classes of transactions. The prohibition around the use of PayPal will be communicated to relevant Finance Personnel in the Divisions.	H	[redacted] 31 December 2018 [redacted] 28 February 2019 [redacted] 31 December 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	etc. Internal Audit's investigation highlighted various control weaknesses in the control system in place by PayPal, which facilitated a breach of the Purchasing Card Guidelines 2015. Each PayPal account is assigned a "credit card statement name" which is the name which appears on the customer's (payer's) credit card statement. It is possible to edit the name in the 'My Account' function within PayPal, without any restrictions, increasing the risk of fraudulent activity. There is a risk that the merchant / supplier name appearing on the RTÉ purchase card statement does not reflect the reality of the transaction. In mitigation, only 4% of all RTÉ purchase card payments were processed in this manner and the majority relate to one purchase card, which was the subject of the investigation. ***Impact*** The findings highlighted in investigation detailed above indicate that PayPal is a riskier method of making payments to suppliers, with loose controls in place in PayPal creating opportunities for fraudulent activities. In response to this report, RTÉ needs to address this risk and prohibit the use of PayPal as a method of payment or limit to specific circumstances. The Purchasing Card Guidelines need to be updated to reflect this additional amendment and it needs to be communicated to all staff.				
5.	**<u>Manual Process and Absence of Electronic Approval</u>**	The new ERP system will be the main project for Finance	The Head of Procurement and potentially a wider working group will explore	M	[redacted] 31 August 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	Background Each month cardholders record the transactions made using their purchase card on a pre-printed purchase card envelope and the receipts / invoices for the transactions are placed in the envelope. Once the cardholder has reviewed the transactions and cross-checked the purchase card envelope against the online system the envelope is then forwarded to the relevant Line Manger for approval. The Line Manager must then review each line item on the face of the purchase card envelope and manually inspect the contents of the envelope to verify whether a valid receipt is available before signing their approval. ***Finding*** The monthly preparation of purchase card envelopes and collection of receipts is a very manual process, and there is an absence of electronic approval for Line Managers. There is also no link between physical receipts and review process, and the online [redacted] process, meaning that each transaction and receipt must be inspected manually. Due to the time-consuming and manual nature of this exercise and the fact that certain Line Managers have numerous cards to approve each month, approval and sign-off often gets neglected, as evidenced by the earlier findings. Therefore, by issuing a purchase card, the cardholder effectively has authority to spend up to their limit irrespective of whether the envelope is reviewed by the Line Manager. ***Impact***	and the key priority for 2019. Improvements / changes to other business process will follow on from this and be reviewed and explored at a later stage once the ERP system has bedded in. In the meantime the current process in place for Purchase Cards will continue as normal. [redacted] There is a facility on the new purchase card system for uploading receipts, therefore eliminating the need for the physical envelope. However, the current tool for uploading is currently very slow and RTÉ have opted not to avail of it at present. This will be explored again six months after the "go live" date of [redacted] as the company are working on improving it. [redacted]	improvements that can be made to the current process around the use of Purchase Cards; exploring areas such as electronic approval and automating the filing of receipts.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	The cards are paid every month regardless of whether receipts are on file or approved, thereby increasing risk. This reflects the nature of any credit card. ***Potential Solutions*** It may be timely, with the roll-out of the new ERP system, to explore opportunities for automating the process around RTÉ purchase cards. Electronic approval, similar to what is used to approve Transfare claims, would greatly assist Line Managers as an alternative to the manual envelopes. Similarly, a more systematic approach to the filing / electronic storing of receipts would greatly assist the tracking and approval process. For example, a function allowing receipts to be photographed at point of purchase and automatically filed with each transaction would quicken the approval process and this is functionality is now becoming is more commonplace across similar payment systems. Another control measure to be explored is the possibility of a notification to departmental card holders, notifying them each time their card is used. These options now exist as technology evolves.				
6.	**<u>Span of Control</u>** ***Background*** Due to the nature of the organisation, certain areas require heavy usage of purchase cards, and consequently more purchase cards are in operation within these areas, for example, Content	As part of the move to a new Purchase Card system, an email will be sent to all Financial Directors / Controllers, listing all current cardholders.	In areas where there are a large numbers of Purchase Card holders reporting into one Line Manger, consideration will be given to appointing one individual within the team (an existing Post of Special Responsibility) to assist in the approval	M	[redacted] 28 February 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	and Operations, in order to process low value purchases. ***Finding*** Due to the fact that more purchase cards are required in certain areas, the span of control in these areas is a lot wider. This means that it may be difficult for Line Mangers to be close enough to the detail when approving, due to the sheer volume of envelopes and receipts to review on a monthly basis. In certain areas, the number of cards to be reviewed by Line Managers each month (via the current process) is too high, resulting in either approval at a high level without thoroughly checking transactions, or no approval occurring at all. This was evident in the area of Operations. During our audit testing, we were informed that cardholders in certain areas (for example Make-up and Wardrobe) are required to submit their envelopes to the Line Manager on quarterly rather than monthly basis. This is not in line with the Purchasing Card Guidelines 2015 and increases the risk. One such Line Manager has 12 cardholders reporting into him each month, all of which are high volume cards with numerous transactions each month. ***Impact*** Line Mangers not performing a thorough review of cardholder transactions on a monthly basis is a risk and leaves RTÉ more exposed in terms of inappropriate transactions. A delay in approval also impacts the speed with which an issue is identified. It may be worth considering whether Line Managers in these	They will be requested to confirm that each person still has a valid business need for the purchase card and to make any changes to cardholders in their areas, where necessary. The email will also request the most suitable monthly approver of each purchase card envelope to be nominated. The FDs/FCs must be satisfied with the approvers and number of cardholders in each area. This process is currently in train, with one division completed so far. [redacted]	process or other options to reduce the span of control. This could be explored in conjunction with finding #5 above via a wider working group.		

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	areas need to appoint people within their team to perform part of the review process. This point is also tied into finding #5 above in that if the process was a little more user friendly and automated it would have a knock on effect on the quality and timelines of approval carried out by Line Mangers.				
7.	**<u>Purchase Card Holding Account</u>** ***Background*** Part of the current process is for cardholders, on a monthly basis, to log into the system and allocate each transaction an account code, costpool and allocate the VAT in line with the invoice/receipt. Transactions not assigned to a specific account code by the cardholder in advance of the monthly cut-off are allocated to a holding account and must be reallocated, via journal, to the correct account code. ***Finding*** During audit testing, we noted that purchases are not being categorised and assigned a specific account code on a monthly basis. As a result, they remain in a holding account awaiting reallocation. Cardholders are not completing the month-end procedures on a timely basis. The chart below shows that €318k was posted to the Purchase Card Holding Account in the period covered by the review. At the end of the period, €80k remained unallocated to specific account codes.	Agreed. This is already being done with a reminder email circulated by Procurement to all cardholders and the Finance teams each month. The email reminds cardholders of the close-off date for assigning account codes and costpools to all purchase card transactions. [redacted]	Reminders will be issued to all cardholders to log into the system and allocate each transaction an account code, costpool and allocate the VAT in line with the invoice/receipt on a monthly basis. Exception reporting will be completed and a listing of repeat offenders will be circulated monthly and discussed periodically at the monthly Finance meeting.	N/A	Complete [redacted] 31 March 2019

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	 Impact This means that the Purchase Card Holding Account still has legacy transactions as far back as January 2018 which were never reversed out or assigned an account code. This affects the cost against budget reporting in these areas as the true spend by account code is not reflected. Finance teams therefore have to follow up with cardholders to find out where to reallocate transactions as they would not be close enough to the detail to determine this. This is time consuming and manual.				
8.	**<u>Review of Cardholders in terms of Organisation Structure</u>** ***Finding*** 1) During audit testing we noted that purchase cards of departed staff members were still being used. The names of	This is already in train. When employees depart from the organisation a "Notice of Cessation" email is circulated by PeopleSoft notifying the	1) The list of cardholders will be updated for any departed staff / changes in cardholders. 2) Purchasing will continue to review	N/A M	Complete [redacted]

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	the cardholders were not updated to reflect their departures and changed to the current users at the time of the commencement of the audit. This is mainly due to the period of restructuring that was going on for the first six months of this year. Procurement was aware of this issue and opted to wait until a suitable time when the majority of departures had taken place prior to updating the listing of cardholders. 2) Since the commencement of this audit Procurement have updated the list of cardholders based on the new structure and reviewed card limits accordingly. On review of the updated list, Internal Audit noted that three staff members were still listed as cardholders despite the fact that they have departed. In mitigation, the departures may have been only occurring as this list was being updated, making it difficult for Procurement to track the changes in the interim. 3) Internal Audit were informed of an instance where one cardholder, promoted since the original data was run, requested for her card to be cancelled / reissued, as it was no longer needed. However the cancellation never occurred with the card being retained in the department and still being used in the name of the original cardholder. To ensure that Procurement have a current most up-to-date list of cardholders, a quarterly review will take place.	Procurement and allowing them to update for any changes. It is more difficult to track movements within the organisation, as Procurement is not always notified. A quarterly review of cardholders would assist in this process. [redacted]	this listing and update for any changes on a quarterly basis. 3) The purchase card referred to in point #3 will be reclaimed and reallocated to a named individual / cancelled as necessary.	H	[redacted] 31 December 2018

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
9.	**Number of Cardholders** ***Background*** At the time the audit commenced, there were 160 RTÉ purchase in issue among staff. Following the update that was carried out after the One RTÉ organisation restructuring, mentioned in finding #8 above, this number was reduced to 144 cards. ***Findings*** 144 cards is a high number of cards to have in circulation around the organisation (almost 8% of all employees), especially given their risk as explained earlier. In mitigation, 40 are issued to 2rn for valid reasons. On review of the full population of purchase card data for the seven month period, we noted that there was no activity or transactions recorded for 16 cardholders. A further three cards had total expenditure of less than €100 for the seven month period. 14 of the 144 cards had less than €700 spend in total for the seven month period, indicative of spend less than €100 per month. ***Impact*** The above suggests there may be scope to reduce the number of cards in issue in the organisation by potentially a further 33 (23%). Given the risk they pose, consideration should be given to reducing the number of them in issue where possible. This would bring the number in issue in RTÉ to 70-75 (excluding 2rn).	As part of the move to a new Purchase Card system, an email will be sent to all Financial Directors / Controllers, listing all current cardholders. They will be requested to confirm that each person still has a valid business need for the purchase card and to make any changes to cardholders in their areas, where necessary. The email will also request the most suitable monthly approver of each purchase card envelope to be nominated. The FDs/FCs must be satisfied with the approvers and number of cardholders in each area. This process is currently in train, with one division completed so far. [redacted]*)*	A review will be undertaken into the number of purchase cards in issue and whether they are actually needed. The purchase cards of the cardholders with no or little transactions in the seven months should be returned and cancelled.	M	[redacted] 31 January 2019

RTÉ Internal Audit

Review of Outside Broadcast Contracts

7 December 2017

Circulation:

Executive

Purchasing

[redacted]

Divisions

[redacted]

Background

1. Background

Objective
This report sets-out the findings following Internal Audit's review of RTÉ's expenditure on Outside Broadcast ("OB") Television services.

Expenditure on OB services was selected for review as:

- The level of expenditure is financially material;
- The existence of multiple RTÉ – Supplier contact points throughout the organisation increases the risk of inconsistency or lack of coordination;
- The services are primarily live, high-profile, indigenous programming output with a higher risk of reputation damage if problems arise.

This is a follow-on exercise from recent work in the areas of tendering and purchasing and, in that context, Internal Audit is examining some of RTÉ's largest contracts.

Background to Main OB Tender Process
In April 2014 RTÉ commenced a tender process seeking suppliers for the provision of quality outside broadcasting services for the capture and transmission of predominantly live events. This specification included core outside broadcast technical facilities and associated crewing. The delivery of the service enables RTÉ to broadcast designated events to its viewers and, where applicable, third party broadcasters.

Given the large number of events, the tender comprised four separate lots:

- Lot 1: circa 10 sports events* with around 12 or more cameras per event (*Rugby and other sports*)
- Lot 2: circa 20 sports events, comprising 5 events with around 15 cameras and 15 events with around 7 cameras (*Soccer and other sports*)
- Lot 3: circa 30 sports events, comprising 10 events with around 10 cameras, 15 events with around 7 cameras and 5 events with around 15 cameras (*GAA and other sports*)
- Lot 4: circa 15 mixed events (parades, sport, political etc.) where 5 events will require around 10 cameras and 10 events will require around 7 cameras

* *The number of events and camera requirements are indicative, based on the original tender documentation, and are subject to modification based on production demands and replays of sporting events etc.*

Contract
The duration of contracts is dependent on sports rights agreements between RTÉ and Soccer, GAA and Rugby authorities. Following a two-stage bidding process in 2014 contracts were awarded as follows:

- Lot 1 and lot 2: [redacted]) for an initial three-year term [redacted]
- Lot 3 and lot 4: [redacted] for an initial two-year term [redacted].

  Lot 3 was subsequently [redacted].

Mini-OB Tender / *'Today'* facilities
In addition to the main tender, a tender process to select a mini-OB panel was completed in 2016, to address smaller OB events up to five cameras.

Nine suppliers are currently listed on the mini-OB panel and individual tenders are managed via RTÉ Purchasing. RTÉ issues tender requests to companies appointed to the Panel inviting them to respond within a specified time limit. The process provides RTÉ with greater flexibility, with the tender response time being as short as two days on some occasions.

The mini-OB panel addresses events not covered by the main OB contract outlined across.

Finally, a separate, standalone, tender process is undertaken for OB services for *Today with Maura and Dáithí* from Cork. An updated tender process was completed in recent months, in advance of the 2017/2018 season.

Background (cont'd) and Scope

Financial Analysis
In the published RTÉ Annual Report for the year-ended 31/12/2016, RTÉ reported expenditure of €5.9m. on OB services.

The forecast expenditure on OB services for 2017 [redacted] This reflects higher expenditure in 2016 due to the General Election and events relating to the 1916 commemoration. The difference also reflects the timing of sporting events and the renegotiation of contracts.

In 2017, in excess of [redacted] of the expenditure on OB services related to two large suppliers. This is consistent with 2016.

In excess of [redacted] of the expenditure on OB services in 2017 related to sporting events, with the remainder split between news events and Television programmes.

The corresponding figure for sport was [redacted] in 2016, with the balance equally split between News events *(party conferences, elections, 1916 and national commemoration)* and Television programmes *(Today, entertainment, Rose of Tralee, Electric Picnic etc.)*

2. Scope

The scope of this audit involved an examination of expenditure on Outside Broadcast Television services. The expenditure is captured in [redacted] account code 5600.

The audit involved:

- ✓ Checking the tendering arrangements
- ✓ Confirming the existence of the event (with reference to transmission logs, production plans, etc.) and the engagement of the supplier for OB facilities
- ✓ Comparing the accuracy of the OB facilities and crew costs invoiced by the supplier to the rates contracted with RTÉ
  - o Where contracts have been renegotiated, we included a sample at both the old and new rates to ensure the new contract was correctly applied
- ✓ Agreeing additional services / staff included in the invoice to an Event Variation Sheet / RTÉ approval to ensure appropriately authorised
- ✓ Reviewing the accounting for OB expenditure
- ✓ Comparing the billing mechanisms, and the consistency of pricing, for different events across the organisation – sport, entertainment, parades, party conferences, etc.
- ✓ Checking compliance with the contract generally, especially with reference to contractual clauses covering service review, billings, pricing, etc.

The scope of the audit included lot 1 to lot 4 of the main tender; a sample of the mini-OB tenders and the Cork facilities tender. The following was out of scope:

✗ Racecourse Outside Broadcast services

3. Risks

The key corporate risks addressed by the report are as follows:

- Risk # 3 – Management and Prioritisation of Financial Resources

Findings

4. Findings

The findings are summarised below.

Tender Type / Category	*Sample Size (# invoices)*	*Sample Value (€'000)*	*Testing Result*	*Audit Issues*
Main OB Tender (lot 1 to lot 4)	9	532		-
Mini-OB Tenders	6	43		1
Cork Facilities	1	76		-
Total	16	651		

1. We tested a sample of six different supplies of OB services which should have been procured through the mini-OB panel:
   - ✓ We noted no issues with **four** of our mini-OB tender samples. Three involved a full tender. [redacted]
   - → Following further investigation, **one** was out of scope of the requirement to carry out a tender via the mini-OB panel
   - ✗ [redacted]

Action: Create a more specific template pricing schedule for the mini-OB ITT. This is especially relevant for assignments greater than one day. Update the template as necessary and circulate to Line Managers for implementation.

[redacted] I 31 March 2018 I Medium Priority

Conclusion

5. Conclusion

Internal Audit carried out review of RTÉ's expenditure on Outside Broadcast ("OB") services. The purpose of the assignment was to review the tendering arrangements, check compliance with the various contract in place and identify any opportunities for strengthening control.

We found evidence of good practice in the management of OB expenditure in the divisions. The vast majority of RTÉ's expenditure on OB services is carried out under the main (lot 1 to lot 4) OB contracts and the Cork facilities tender. This expenditure was undertaken in line with the public procurement rules and, for the sample of invoices tested, we noted that the billing was in accordance with the contract, with additional services agreed in advance. As summarised in the table above, we noted no audit issues as part of our testing.

We also examined a sample of expenditure under the mini-OB contract process. There were no audit issues for the majority of our audit sample. The expenditure was undertaken in line with the public procurement rules and we noted that the billing was in accordance with the tender.

However, we identified that one supplier [redacted].

As the exception is 0.76% of our audit sample and only 0.11% of the forecast 2017 expenditure on OB services we consider this an isolated incident and the rating remains at "satisfactory". In addition this rating reflects the fact that the expenditure under the mini-OB process is a small proportion of the overall expenditure.

We appreciate the assistance of Purchasing and other relevant personnel during the course of this review.

Rating

Overall Rating

RTÉ Internal Audit

Report on Pension Administration *(RTÉ Superannuation Scheme)*

16 December 2015

Circulation:
Director-General
Trustees of the RTÉ Superannuation Scheme
Members of the Audit and Risk Committee
Executive

People Payments / Group Finance

[redacted]

Relevant Extracts

[redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

RTÉ

Introduction and Background

Background

Introduction

The purpose of this audit is to review how RTÉ discharges its responsibilities as Registered Administrator of the RTÉ Superannuation Scheme. The audit focused on testing the controls in place.

Pension Administration

The Social Welfare and Pensions Act 2008 ("the Act") was signed into law on 7 March 2008. With effect from 1 November 2008, the Trustees of every scheme must appoint a Registered Administrator to provide various services to the scheme known as "core administration functions".

The core administration functions consist of the preparation of the annual scheme reports, the preparation of annual benefit statements and the maintenance of sufficient and accurate records to discharge these functions.

Registered Administrators are statutorily obliged to register with the Pensions Board on an annual basis when they perform core administration functions on behalf of scheme trustees. The registration process takes the form of self-certification whereby the Registered Administrator concerned certifies its competence and capability to perform the core functions and that it has adequate administrative systems and procedures in place.

In order to determine whether Registered Administrators are complying with the provisions of the Pensions Act, 1990 and related regulations in carrying out the core administration functions, each year the Pensions Board performs a number of on-site inspections of these entities pursuant to its powers under Section 18 of the Act. The most recent inspection of RTÉ's administration of the Superannuation Scheme was carried out in 2014.

RTÉ Superannuation Scheme - Background

The RTÉ Superannuation Scheme is a funded, contributory, defined benefit scheme, established under legislation and sponsored by RTÉ. The assets of the Scheme are vested in the Trustees and entirely separated from the assets of RTÉ.

The Scheme was originally set up under Section 15 of the Broadcasting Authority Act, 1960 and is now governed under Section 91 of the Broadcasting Act, 2009. No new employees have been admitted to the scheme since 1989. RTÉ has been Registered as the Registered Administrator of the Scheme with effect from 1 November 2008.

RTÉ Superannuation Scheme - Membership

As at 30 September 2015, there were 230 RTÉ employees (Permanent and Pensionable classification) who are members of the RTÉ Superannuation Scheme (236 as at 30 December 2014). In addition to the Permanent and Pensionable employees, a further 1,494 retired members were in the scheme at 30 September 2015, as follows:

○ Pensioner	1,230
○ Spouse	233
○ Others *(Children, divorces)*	31

The assets of the RTÉ Superannuation Scheme had a market value of [redacted] million at 30 September 2015 ([redacted] million as at 31 December 2014).

IT Systems

The following are the key applicable IT systems:

- [redacted] Human Resource Management System
- [redacted] Financial Accounting Software

Objectives and Scope

Objective and Scope

The scope of the audit was to undertake a review of the pension administration of the RTÉ Superannuation Scheme. Please refer to *Section B* overleaf for details of the specific controls tested.

✓ The scope of the review addresses the following four categories of control:

Category of Control	Scope
Physical Access Controls	Review of access rights to premises and buildings and whether they are appropriate and authorised.
IT Access Controls	Review of user profiles and access rights to the relevant IT systems and shared drives.
Data Integrity Controls	Review of the procedures in place to ensure the accuracy and consistency of member data records.
Operational Controls	Review and walkthrough of day-to-day business operations and controls, covering the retirement process, the processing of pensions and pension accounting.

It did not include a review of:

✗ The Annual Accounts of the Scheme. The accounts are audited each year by KPMG.
✗ The administration of the RTÉ Defined Contribution (DC) Scheme or the RTÉ "50/50" Risk-Sharing Pension Scheme (Hybrid), which is undertaken by a third-party (Invesco).

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 *Section A* overleaf.

Conclusion and Rating

Overall Conclusion

This audit examined RTÉ's responsibilities as Registered Administrator of the RTÉ Superannuation Scheme. The RTÉ Superannuation Scheme is a funded, contributory, defined benefit scheme, established under legislation and sponsored by RTÉ. In line with the Social Welfare and Pensions Act 2008 the Trustees of every scheme must appoint a Registered Administrator to provide various services to the scheme known as core administration functions.

The standard of control in the administration of the RTÉ Superannuation Scheme is satisfactory. While there is reliance on excel spreadsheets to track membership listings under various pension categories, this is tightly monitored and reconciled with both People Payment's records and [redacted] We carried out a review of the key controls in the areas of: physical and IT access controls, data integrity controls, retirement processes, benefit statements and life certificates. We noted no significant issues as part of testing. A small number of less significant items are being actioned at present, as set out in the Appendix overleaf.

We appreciate the co-operation and assistance received from the Pensions Manager, Pensions Administrator and relevant staff during the course of this audit.

Rating

SATISFACTORY

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
	User Access				
1.	**Access to Superannuation pages on [redacted] / Review of User profiles** A review of user access to the Superannuation pages on [redacted] was carried out during the audit. It was noted that nine individuals in RTÉ have edit-access to the Superannuation pages on [redacted]. Of the nine, it was deemed appropriate that seven individuals retain edit access to the Superannuation pages. Three of the seven are directly involved in the Pension Administration and the remaining four are involved in system support or are super users of the system. The remaining two individuals are part of the People Payments team and it would be more appropriate for them to have read-only access to the Superannuation pages.	Agreed. [redacted]	Edit access for the two individuals in question will be updated to allow read-only access.	L	[redacted] Completed
2.	**Review of access to the Pension Shared Drive (G Drive)** A review of user access to the Shared Pension Folder on the G Drive was carried out during the audit. It was noted that eight individuals have access to view the Pension Shared drive. Of the eight, it was deemed appropriate that six individuals have this access and should retain it. The remaining two individuals do not require access to this drive based on their current job role and should be removed. The number of people given access should be kept to a minimum for confidentiality reasons.	Agreed. [redacted])	Access to the Pension Shared Drive will be removed for the two individuals in question.	L	[redacted] Completed

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
3.	**Security of physical pension files** *Background* The physical pension files are stored on the second floor of the Administration building in a special filing unit called a Lektriever Cabinet. The Lektriever Cabinet is an automated filing vertical carousel designed to manage a complete range of files and media. It is locked with a padlock that is accessed via a key. *Finding* The key to the Lektriever is currently unmarked and stored on the Pension Administrator's desk. Access to the Lektriever cabinet is not password protected / protected by a secure code, although the functionality appears to be available. Given the confidentiality of the files stored in the Lektriever, an investigation into whether a password can be installed to access the file rather than using a key is merited.	Agreed. [redacted]	The possibility of implementing a password to access the Lektriever file will be investigated the next time maintenance of the cabinet is being carried out (yearly).	L	[redacted] 30 June 2016
4.	**Filing of Reconciliations** The Monthly Membership Reconciliation is saved on the personal drive (F-drive) of the Group Pension's Manager rather than on the Pension Shared Drive (G-drive) and is not password protected. This limits access to these files and could be a potential issue from a continuity of work point of view. In mitigation, all files on the F-Drive can be located by the Technology team on request.	While storing reconciliations on the F-Drive limits access, it maintains the confidentiality of the salary and pension information contained. The membership lists are moved to the G-Drive once the reconciliation is complete ensuring that up-to-date listings are available for administrative purposes. The reconciliations are not required for day to day	Consideration will be given to moving the reconciliations stored on the F-drive to the Pension Shared drive on the G-drive, should the responsibility of the reconciliation process move to other team members.	L	[redacted] 31 December 2015

	Finding	Management Comment	Agreed Action	Priority	Manager responsible and Completion Date
		administrative purposes. They are reviewed in summary form as part of the audit validation process. [redacted]			

	Control Activity	Summary of Test of Control	Testing Approach
Physical Access Controls			
1)	ID cards are required to access the buildings housing pension records and IT databases, appropriately restricted based on job roles.	• Verify the operation of the ID card access control system and the assignment of job roles.	Test of operating effectiveness
2)	Physical pension files and records are retained in a secure manner to ensure confidentiality.	• Verify the security of physical pension files, including access to the Lektriever filing cabinets.	Test of operating effectiveness
3)	CCTV system in place on the RTÉ campus.	• Review of the existence and operation of CCTV cameras in the relevant premises.	Test of application controls
4)	Controls to preserve information in the event of fire / other natural disaster.	• Review of controls / remediation should the physical storage be impacted by a fire / other natural disaster.	Walkthrough testing
IT Access Controls			
5)	Access is appropriately restricted, based on job roles, to the Superannuation pages on the [redacted] system.	• Review the appropriateness of the list of individuals with a user profile granting access to the Superannuation pages on [redacted]	Observation and inspection
6)	Access is appropriately restricted to the Exchequer (Accounting) System.	• Review the appropriateness of the list of individuals with access to the Exchequer system.	Observation and inspection
7)	A maintenance / support contract is in place for key systems.	• Confirmation of the existence of up to date support contracts.	Observation an enquiry
8)	Key systems and databases are appropriately backed-up.	• Review of back-up schedule and backup storage locations.	Observation and inspection
9)	Access is appropriately restricted to the Pension shared drive (G: Drive)	• Review the appropriateness of the list of individuals with access to the Pension shared drive.	Observation and inspection
10)	Access is appropriately restricted to sensitive spreadsheets / files containing personal information.	• Investigate the storage location (on the IT network) of key files and the access arrangements.	Test of control
Data Integrity Controls			
	Standing Data		
11)	A monthly reconciliation takes place between the membership records / spreadsheet, maintained by the Pension team in Group Finance, and [redacted] Data.	• Audit the reconciliation for one month in 2015 and review any reconciling items.	Substantive testing
		• Select a sample of individuals from the pension membership records and agree the data to the standing data maintained by HR on [redacted].	Observation and inspection

	Control Activity	Summary of Test of Control	Testing Approach
		• Select a sample of individuals from the records maintained by HR on [redacted] and agree the data to the pension membership records	Observation and inspection
12)	A quarterly reconciliation takes place between the membership records maintained by the Pension team and People Payment's records, covering both membership numbers (*members in scheme*) and financial data (*payments / contributions to the scheme*); "Quarterly Administration Report"	• Audit one reconciliation in 2015 and review any reconciling items.	Substantive testing
	Annual Life Certificates		
13)	A Life Certificate is circulated annually to pensioners of the Scheme to be returned, signed, by the pensioner and a certifying witness	• Test for completeness – select a sample of pensioners from sources independent of the Pensions database and confirm they are within the scope of the Life Certification process.	Observation and inspection
		• Review the results of Life Certificate circulation process and audit the "reconciliation" to the database of members.	Substantive testing
	Annual Benefit Statements		
14)	Benefit Statements are circulated annually to RTÉ employees who are members of the Superannuation Scheme (but yet to retire).	• Understand the procedures and controls in place for running / sending the Benefit Statements (via mail merge) and verify the control checks involved. • Audit a sample of Benefit Statements from 2015, agreeing the data to the membership database, [redacted] and to the physical personnel files.	Walkthrough testing Substantive testing
Operational / Processing Controls			
	Retirement Process		
15)	A retirement process is in place in respect of members retiring from employment in RTÉ, which is applied consistently for all retirements.	• Select a sample of recent retirees and walk through the pension retirement process from start to finish, verifying to source documentation	Walkthrough testing
		• For the sample selected, recalculate lump sum and pension amounts.	Substantive testing
		• For a sample of relevant retirees, validate the processing of children's pension and check to source documentation.	Walkthrough – test of operating effectiveness
	Payment of Pension		
16)	A monthly reconciliation takes place between the membership records, maintained by People Payments in Group Finance, and	• Audit the reconciliation for one month in 2015 and review any reconciling items.	Substantive testing

	Control Activity	Summary of Test of Control	Testing Approach
	the monthly pension payments report received from NorthgateArinso, the payroll outsource service provider.		
17)	A quarterly reconciliation takes place between the membership records maintained by the Pensions team and the pension payments report received from NorthgateArinso.	• Audit one reconciliation in 2015 and review any reconciling items.	Substantive testing
18)	An input sheet recording changes to pensioners' data in the month (new retirees, deaths, changes in pension amount etc.) is prepared and checked by a second person before being sent to NorthgateArinso for processing.	• Verify the validity of a sample of changes processed for one month in 2015.	Observation and inspection
	Death of Pensioner		
19)	A process is in place to administer the death of a pensioner (including processing of a spouse pension, where applicable), which is applied consistently for all retirements	• Check the processing of a sample of new spouse pensions in 2015 to source documentation and verify the correct pension amount is paid by People Payments and recorded correctly.	Substantive testing
	Accounting		
20)	Journal entries are prepared and signed off to account for monthly financial transactions (i.e. deductions from active Permanent and Pensionable employees and payments of pensions to Pensioners) and to maintain the books and records of the Scheme.	• Audit one journal entry to the books and records of the RTÉ Superannuation Scheme.	Substantive testing
21)	There is a 17-step process for administering the pension levy each year	• Walkthrough the process.	Walkthrough test

RTÉ Internal Audit

Report on Supplier and Employee Master Data

4 November 2014

Circulation:
Director-General
Executive
Members of the Audit and Risk Committee

Central [redacted]

The contents of this document are strictly confidential and for internal RTÉ use only

Executive Summary: Objectives and Scope

Background

RTÉ has three key payment systems to pay individuals and companies supplying goods / services to RTÉ: Accounts Payable ([redacted] Payroll ([redacted]

➢ **Accounts Payable** is used to pay suppliers of goods, professional fees, corporate services etc. [redacted] 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.

➢ [redacted] employees providing "personal services", including any company whose primary function is to provide the personal services of a named individual. In addition, [redacted] 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.

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.

Objectives of audit

Payroll

✓ To detect if any employees are being paid via other payment systems i.e. [redacted] or [redacted] fees
✓ To detect "ghost" or fictitious employees

[redacted] Fees

✓ [redacted]
✓ 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 (e.g. to facilitate payment in different currency)
✓ [redacted]

Scope of audit

The scope of our audit was limited to analysing "active" supplier, [redacted] via outsource provider) was analysed to identify duplicate accounts within each payment system and between different payment systems using:

✓ Bank account number
✓ Name of business, employee, Independent Contractor, Sole Trader etc.
✓ Address
✓ PPS number or VAT number, where relevant

The following was outside of the scope of this audit:

✗ Suppliers paid via purchase card
✗ A full review of duplicate payments on payroll, [redacted] Duplicates were examined by exception]

Executive Summary: Summary Findings

Summary Findings

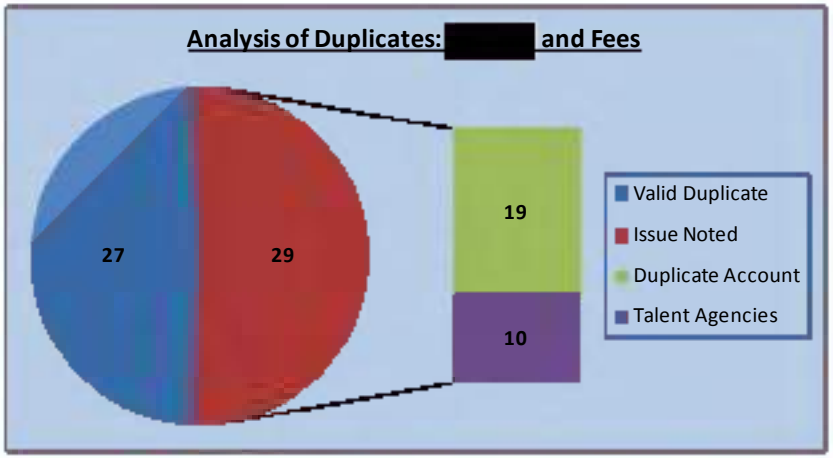
The audit findings are presented in two sections. Section A outlines duplicate accounts across different payment systems and Section B, overleaf, outlines duplicate accounts within a payment system.

A: Suppliers set-up on more than one payment system

1 Accounts Payable and [redacted] fees – set up on both systems

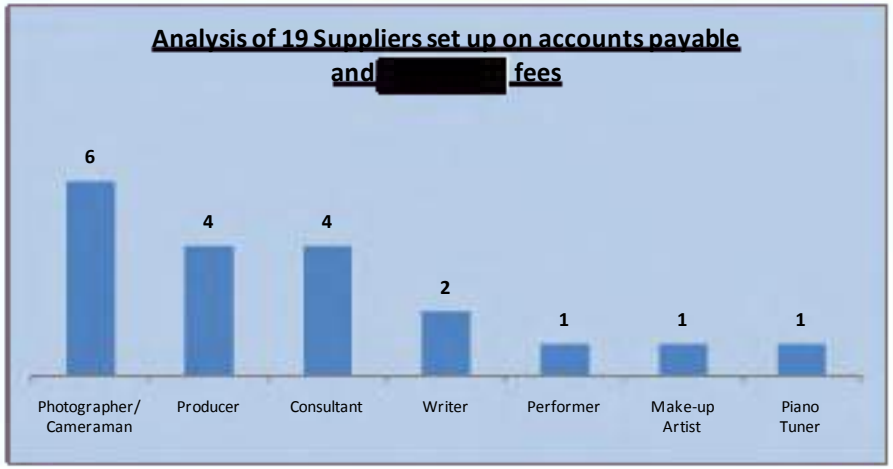
56 suppliers (< 2% of the 3,327 suppliers) on Accounts Payable have an account with matching master file data to an account(s) [redacted] 1% [redacted] There was a valid reason for the duplicate account in the case of **27** (48%) of these suppliers/accounts.

The remaining **29** suppliers (52%) need further action:



Of the 29 issues noted, **10** are a specific finding relating to talent agencies receiving payments for "named talent" [redacted] See the action plan for further details.

The other **19** duplicate accounts are not necessary. In **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. While the remaining **6** suppliers have accounts on both payment systems, only one account has been used to make a payment to date. The type of service being provided by these 19 suppliers is set-out below:



2 [redacted] Fees and Payroll – individuals set up on both systems

[redacted] The (legacy) fees accounts need to be deactivated at this point.

3 Accounts Payable and Payroll – individuals set up on both systems

One retired employee (*departed on a severance package and availing of a DARP*) also has an active account, and received payments, via Accounts Payable. Appropriate written approval for the re-engagement was secured. No other current employees have an account on Accounts Payable, other than a small number of valid employee accounts for petty cash payment purposes.

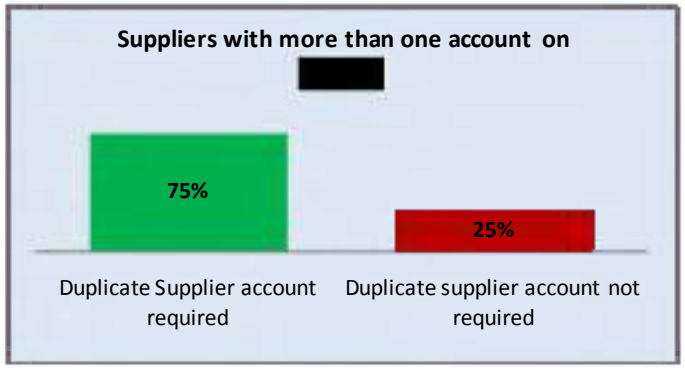
Executive Summary: Summary Findings (Cont'd)

B: Duplicate supplier accounts within a payment system

1 Suppliers with more than one account on Accounts Payable

We identified **81** suppliers (2% of suppliers) with more than one account on Accounts Payable. These suppliers were deemed to be related as they had the same name, addresses, bank account details or VAT number. 61 (75%) of the duplicate accounts were required for valid reasons due to billing in different currencies, separate legal entities etc. However, 20 (25%) [redacted]

In the case of four of the 20 duplicate suppliers, payments were made in 2014 using both of the duplicate accounts. Nine suppliers were paid using only one of the duplicate accounts. Finally, no payments were made in 2014 in the case of the remaining seven duplicate accounts.

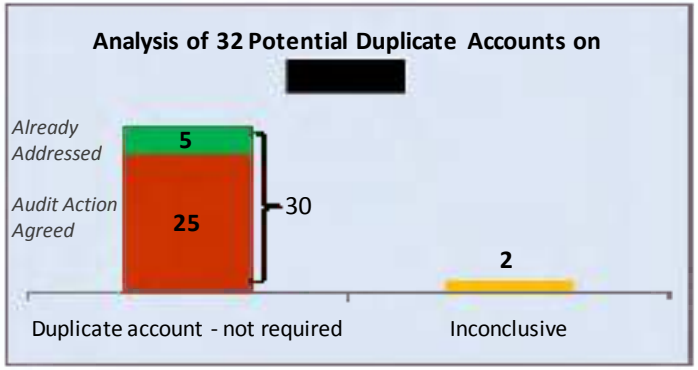


2 Individuals with more than one account on [redacted] fees

[redacted] % of accounts).

30 (94%) of these individuals do not, in our view, based on further investigation, need more than one account. In a majority of cases, payments are only being made via one of the accounts, and the second, legacy, account should therefore be closed. Of the 30 individuals, five had already been actioned by HR in the period between our download of data and the issue of the draft report.

The case of two (6%) of the 32 individuals are deemed to be inconclusive based on the evidence on hand and merit further review.



3 [redacted]

C: Duplicate Payment

We noted no duplicate payments, in 2014, in respect of the duplicate accounts highlighted as an exception during the course of our testing.

Executive Summary: Key Issues

Key Management Issues

Suppliers with more than one account within a payment system

20 suppliers have more than one account on Accounts Payable, in circumstances where only one supplier account is required. In addition, we noted that 30 suppliers (Independent Contractors, Sole Traders, Writers etc.) [redacted] also in circumstances where only one account is required. As a result:

- There is a risk of duplicate payments being processed;
- It is difficult to track 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

Suppliers set up on more than one payment system

19 suppliers have "active" [redacted] As a result:

- There is a risk of duplicate payments being processed;
- It is difficult to track 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

In addition, 10 Talent Agencies are processing billings for "named talent" through Accounts Payable. [redacted] ble.

Executive Summary: Overall Conclusion

Overall Conclusion

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 a payment system. The key risk of a duplicate account is intentional or unintentional duplicate payments. In addition, this audit represents a check of the operational effectiveness of the masterfile and account set-up controls.

[redacted] Following a separate review of the supplier list on each payment system, we identified 30 individuals (<1% of total accounts) [redacted] 1% of total suppliers) with duplicate accounts on Accounts Payable, both in circumstances where only one account was required.

These findings should be considered in the context of the large number of accounts on both systems, [redacted] and the low percentage of duplicate accounts in the context of the overall number of accounts. In addition, in some cases, judgment needs to be exercised as regards the most appropriate payment system based on the nature of the engagement. This increases the duplicate risk.

We are pleased to note improvements in results compared to our 2013 audit. [redacted] . [redacted] this is driven by the number of issues in relation to Talent Agencies, which are more difficult to manage.

Actions have been agreed to address the key issues raised in this report. A review will be carried out to ensure that no duplicate payments have been processed on the duplicate accounts identified in this report. We would like to thank the relevant personnel for their assistance in carrying out this audit.

Rating

Improvement Needed

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	Suppliers set up on more than one payment system			
1.	**Suppliers on Accounts Payable and [redacted] fees** ***Findings*** **56** suppliers on Accounts Payable (<2% of the 3,327 suppliers) have accounts with similar master file data to accounts on [redacted] fees (1% of the 4,018 accounts on [redacted] fees). **27** of these suppliers are required to be set-up on both payment systems as the nature of the services being paid for on Accounts Payable are entirely different from the services of the named individuals being provided on [redacted] fees. (For example hotel accommodation for RTÉ staff paid through Accounts Payable and the owner of the same hotel receiving fee payments for contributing to a radio programme). This is in line with RTÉ payment guidelines. The remaining **29** suppliers on Accounts Payable merit investigation and action. • We noted that 19 suppliers providing the services of named individuals were set up for payment on both Accounts Payable and [redacted] fees. These can be analysed, by type of service, as follows: [redacted] 6 [redacted] 4 [redacted]ant 4 [redacted] 2 P[redacted] 1 [redacted] 1 [redacted] 1 **19** • We noted 10 talent agencies receiving payment for "named talent" on Accounts Payable. However only payments to agencies for "generic	[redacted] will carry out a joint review of the 19 suppliers set up on both payment systems and a decision will be made as to the most appropriate payment system for the supplier in question. Any supplier accounts set up on the wrong payment system or not used within the last year will be deactivated. A review of these 19 suppliers will be carried out to ensure that no duplicate payments were made during 2014. A review and update of the existing payment system guidelines will be carried out: • The RTÉ payment system guidelines will be updated and expanded to provide clarity regarding the treatment of various categories of expenditure. The existing guidelines are in excess of 10 years old and many staff members are not aware of the existence of the document. • The guidelines will indicate which type of supplier of personal services should be set up on [redacted] fees and the circumstances when Accounts Payable is the appropriate system. • The payment system guidelines will be circulated to all employees in Finance and HR who are responsible for dealing with queries regarding the appropriate payment system to use. A note on talent agency contracts will be included in the above guidelines setting out the most appropriate payment system for talent agency contracts under various scenarios – i.e. whether it is named or generic talent.	M	[redacted] [redacted] [redacted]

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	talent" – talent contracted to the agency, extras for [redacted], backing dancers etc. – should be processed through Accounts Payable • These talent agencies were receiving payment via accounts payable for individuals who also have active accounts on [redacted] fees. This represents a slight deterioration on the position since the last audit (i.e. 27 duplicate accounts in the prior audit compared to 30 for this audit) ***Impact*** As a result: • There is a risk of duplicate payments in the event of an invoice being posted and approved on both payment systems • The appropriate contract may not be in place. All individuals providing personal services to RTÉ should receive an independent contract in order to clarify the nature of the individual's relationship with RTÉ. Suppliers set-up on Accounts Payable are not issued with standard independent contracts • Deductions may not be processed correctly - Accounts Payable does not facilitate the deduction of PAYE and PRSI, which may be required for certain independent contractors, where evidence of their tax status has not been obtained. • This may cause confusion with suppliers as Accounts Payable is managed by a different department to Fee payments and would have different points of contact; and • Payslips may be issued in circumstances which are not appropriate e.g. to charities On a broader level there is scope to update the existing Payment System Guidelines in order to provide clearer, more specific guidance on the appropriate payment system for different types of purchases, having regard for procurement procedures.			

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
2.	**Incorrect system used to record payment** As outlined above, 27 duplicate accounts across Accounts Payable and [redacted] Fees are assessed as being valid duplicates as the nature of the services being paid for on Accounts Payable are entirely different from the services being provided on [redacted] fees. However, of the 27 accounts, we noted **four** instances where personal work was incorrectly being recorded on [redacted] instead of on [redacted] The personal work would have been more appropriately billed via Fees. For example, a specialist media software system was purchased and paid for via a supplier account on [redacted] (Accounts Payable). The owner of the same software company is also a contributor on various programmes and has an account on [redacted] fees. However, we noted that some of the personal work was incorrectly processed through the Accounts Payable account. A similar issue arose for three other accounts. While a valid duplicate account exists in these four cases – therefore not highlighted in the 29 exceptions in finding # 1 – the work was not always billed on the correct system.	See finding for action # 1 above. This will be addressed via the updated Payment System Guidelines.	M	N/a
3.	**Employees with active [redacted] fee accounts** One current employee also has an active [redacted] fees accounts (i.e. a payment could be made through [redacted] fees and payroll for the employees). The details are set-out below: • [redacted] engaged under an ongoing contract of employment. A legacy non-employee account (from 2008) on [redacted] Fees also exists for this individual arising from an On the Spot contract. This account should now be closed.	This employee's account on [redacted] fees will be deactivated.	M	[redacted] Done

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	The risk of a duplicate accounts is: - Potential duplicate payments; and - Employee history spread over different accounts leading to difficulty in tracking the nature of RTÉ's relationship with the individual. In the case of the exception above, one of the accounts did not have a PPS number assigned to it. As a result, the automatic [redacted] control which prevents a duplicate account being created with the same PPS number did not operate.			
4.	**<u>Employee with an active Supplier Account</u>** One retired employee (*recently departed on a severance package and availing of a DARP*) also has an active account, and received payments, via [redacted] Accounts Payable. There is a risk of potential duplicate or inappropriate payment as a result of duplicate accounts. No other current employees had an active account on Accounts Payable, other than a small number of valid accounts for petty cash payment purposes. (A small number of staff members have a valid supplier accounts to receive petty cash floats and specific procedures are in place to manage petty cash).	No action required – appropriate approval was secured in respect of the re-engagement following retirement.	M	N/a

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	Duplicate Supplier accounts within a payment system			
5.	**Duplicate supplier accounts on Accounts Payable** **81** suppliers on Accounts Payable had more than one supplier account (circa 2% of the 3,327 suppliers on Accounts Payable). 61 of these suppliers needed a second supplier account to facilitate billing in different currencies, separate legal entities etc. However, the remaining 20 suppliers did not require multiple accounts. This represents an improvement since the last audit (32 duplicate accounts identified at the time). The risk of having more than one account for a supplier includes: • Potential duplicate payments as invoices could be posted to both supplier accounts and inadvertently paid twice; and • Difficulty in tracking spend may lead to breaches in RTÉ procurement guidelines as purchases may, when the purchase activity on both accounts is combined, exceed the threshold for public tenders etc. Of the 20 duplicate accounts identified, payments were made in 2014 using both of the duplicate accounts in the case of four suppliers.	The 20 duplicate supplier accounts on Accounts Payable will be reviewed and any accounts not required will be deactivated ("parked"). A review will be carried out by Purchasing, in conjunction with Accounts Payable, to ensure that no historic duplicate payments have been processed on the supplier accounts. (Scope: the 20 suppliers identified as not needing a duplicate account) A reminder will be issued to personnel with the authority to set-up a supplier account to perform a detailed check in advance of set-up to ensure that the supplier in question does not already have a supplier account.	Medium	[redacted]
6.	**Duplicate accounts on [redacted] Fees** We identified **32** individuals with more than one account on [redacted] fees (<1% of the 4,018 accounts in total on [redacted] fees). 30 (94%) of the duplicate accounts were not, in our view, required. Of the 30 issues, five had already been addressed by HR in the period between our download of data and the issue of the draft report. The position of the remaining two individuals was deemed to be inconclusive based on the evidence available.	In the case of the 25 duplicate accounts, a review will be carried out and one of the accounts will be deactivated on [redacted] A further review to conclude on the two inconclusive accounts will be undertaken. Staff responsible for setting up new accounts on [redacted] will be reminded that a full check has to be carried out to determine if there is an account already open for the individual on [redacted] before setting up a new account.		[redacted]

	Finding	Agreed Action	Priority	Completion Date and Manager Responsible
	This represents an improvement on the position at the last audit (53 duplicate accounts) [redacted] will not allow a supplier account to be set up using a PPS number already keyed into the system for another supplier. This is a key control to prevent duplicate accounts. However, a PPS number is not assigned to an account in all cases (e.g. ad-hoc programme contributors), which explains why some of the duplicate accounts were not prevented by the IT controls. This impact of duplicate accounts are: • A duplicate payment could occur if the same invoice was posted to both accounts on [redacted] fees and inadvertently approved for payment twice • As HR monitor the level of activity within [redacted] fee accounts to determine if the individual's contract continues to be appropriate, this is more difficult when there are multiple accounts • For tax purposes, where PAYE and PRSI are deducted for an individual, more than one account will cause confusion re tax credits, PAYE limits etc.	A review will be carried out to ensure that duplicate payments have not been processed on the 30 duplicate accounts in 2014.		[redacted]
7.	**<u>Duplicate account – Match of PPSN Numbers</u>** The [redacted] system should not allow an account to be set up using a PPSN number that has already been used on the system. This is a key control. However, during testing, we noted that one individual had two accounts on [redacted] containing the same PPSN master data. This may indicate that a key [redacted] IT control is not operating effectively. On further investigation, we were informed that both records are legacy items, most likely loaded from a legacy system when [redacted] was initially implemented. The technical controls did not operate at that point.	One account will be deactivated on [redacted] As payments have been made from both accounts in 2014, and to facilitate reporting, "Do Not Use" will be added to the terminated account name, as opposed to removing the account from the user's view on [redacted]	M	[redacted]

RTÉ

Internal Audit Reports Competed and Issued – 10 Year Period circa July 2013 to June 2023

Request of the Joint Oireachtas Committee on Tourism, Culture, Arts, Sport and Media

The redactions are mainly for commercially sensitive or personal information. Further redactions remove the names of IT systems or details of specific financial or technology processes which, if disclosed, may expose the organisation to additional risk such as cyber-attack risk or external fraud.

Cyber, technology infrastructure or related reports: these are not released on grounds of the non-disclosure of sensitive data on RTÉ's technology infrastructure. Such a disclosure would increase cyber security risk, may be a signal or prompt to attract external attacks and may disclose details of confidential preventative security measures which 3rd parties could attempt to exploit. These reports are referenced specifically below.

In a small number of cases permission must be secured from a third party, in line with contractual / engagement letter terms. This has been secured at date of uploading other than for one report. That report is still under review and was delayed due to staff departures and annual leave in the third party firm.

Audit	*Assignment Title*	*Issue Date*
July – December 2013		
1	Digital Commercial Revenue	1 July 2013
2	Car Rental Service	1 August 2013
3	Insurance	30 September 2013
4	Audit of Merchandising Inventory, Digital	8 October 2013
5	Commercial Revenue Television	4 November 2013
6	Programme Acquisitions (Television)	8 November 2013

Audit	Assignment Title	Issue Date
2014		
1	Purchasing Receipting and Ordering	21 January 2014
2	RTE NSO Report	31 January 2014
3	Report on System of Internal Control System	13 March 2014 9 April 2014
4	Allocations Process	14 March 2014
5	Purchase Cards	14 March 2014
6	2rn Financial Control	8 April 2014
7	Insurance Update	12 May 2014
8	Commercial Revenue - Radio	16 June 2014
9	Treasury Report	30 June 2014
10	2rn Network Operations	14 August 2014
11	Review of Fees	6 October 2014
12	Mobile Devices Policy	4 November 2014
13	Purchase Cards	28 October 2014
14	Supplier and Employee Master Data	4 November 2014

Audit	Assignment Title	Issue Date
2015		
1	Security	21 January 2015
2	Acquired Programme Inventory	3 February 2015
3	Travel & Subsistence	20 February 2015
4	Purchasing Receipting and Ordering	28 January 2015
5	2rn Financial Control	24 February 2015
6	Review of Cost Allocation Process	23 March 2015
7	Annual Internal Control Review	11 March 2015 15 April 2015
8	Web Scanning Service	27 March 2015
9	Health and Safety Risk	5 June 2015
10	2rn Revenue	21 September 2015
11	Review of Tendering	9 September 2015
12	Technology Risk Assessment	16 September 2015
13	Report on Payroll	16 October 2015
14	Review of Pension Administration - Defined Benefit Scheme	16 December 2015

Audit	Assignment Title	Issue Date
2016		
1	Music Reporting to Collecting Societies	21 January 2016
2	2rn Financial Control	26 February 2015
3	Review of Cost Allocation Process	14 March 2015
4	Annual Internal Control Review	14 March 2016 13 April 2016
5	Security Review of Internet-facing Infrastructure *Cyber, technology infrastructure or related report.*	23 March 2016
6	Compliance with the Code of Practice for the Governance of State Bodies	31 March 2016
7	Review of Purchasing Compliance	12 April 2016
8	Commercial Revenue – Digital	23 June 2016
9	Report on Cyber Controls Assessment *Cyber, technology infrastructure or related report.*	20 July 2016
10	Review of Rights Clearance for Content on Non-Linear Services	18 August 2016
11	Programme Sales	30 August 2016
12	Supplier and Employee Master Data	11 November 2016
13	Review of Media Services Contract	11 October 2016

Audit	Assignment Title	Issue Date
2017		
1	Tendering Procedures – Follow-up Review	4 January 2017
2	2rn Financial Control	21 February 2017
3	Review of Purchasing Compliance	8 March 2017
4	Review of Cost Allocation Process	23 March 2017
5	Compliance with the Code of Practice for the Governance of State Bodies	5 April 2017
6	Annual Internal Control Review	15 March 2017 12 April 2017
7	On The Spot Contracts	3 May 2017
8	Report on Backup Arrangements *Cyber, technology infrastructure or related report.*	26 July 2017
9	IT and Data Privacy Assessment of the RTÉ ID Database	4 August 2017
10	Report on Commercial Revenue and Commercial Regulation (Television Channels)	14 August 2017
11	Review of Management's Implementation of Actions in Internal Audit Reports	27 October 2017
12	Review of Fees	13 December 2017
13	Review of Premium Line Competitions	18 December 2017

Audit	Assignment Title	Issue Date
2018		
1	2rn Data Risk Assessment	2 February 2018
2	2rn Financial Control	20 February 2018
3	Review of Procurement Compliance *Year-ended 31 December 2017* *Report 1 of 2 (Purchasing Compliance)*	23 February 2018
4	Review of Cost Allocation Process	28 March 2018
5	Review of Procurement Compliance *Year-ended 31 December 2017* *Report 2 of 2 (Procurement Register)*	11 April 2018
6	Compliance with the Code of Practice for the Governance of State Bodies	12 April 2018
7	Reports to the Audit & Risk Committee on the System of Internal Control *Year Ended 31 December 2017*	13 March 2018 & 18 April 2018
8	Review of Database Management System Controls for the PhoneBOX Application	21 May 2018
9	Blank	
10	Commercial Revenue and Commercial Regulation (Radio Channels)	13 August 2018
11	Implementation of Actions in Internal Audit Reports: Status Update Report	14 September 2018
12	Review of Taxi Expenditure (Taxi Vouchers)	17 October 2018

Audit	Assignment Title	Issue Date
13	Review of Purchase Cards	19 November 2018
14	Review of Outside Broadcast Contracts	7 December 2017
15	Review of Cyber Phishing Controls (Payments) *Cyber, technology infrastructure or related report.*	12 December 2018

Audit	Assignment Title	Issue Date
2019		
1	2rn Financial Control	7 February 2019
2	Review of Office 365 Security and Privacy: Exchange Online	11 February 2019
3	Review of Procurement Compliance *Year-ended 31 December 2018* *Report 1 of 2 (Procurement Register)*	12 February 2019
4	Compliance with the Code of Practice for the Governance of State Bodies	11 April 2019
5	Review of Procurement Compliance *Year-ended 31 December 2018* *Report 2 of 2 (Purchasing Compliance)*	12 April 2019
6	Reports to the Audit & Risk Committee on the System of Internal Control *Year Ended 31 December 2018*	13 March 2019 & 17 April 2019
7	Educational Partnership	6 June 2019
8	Implementation of Actions in Internal Audit Reports: Status Update, Q2 2019	13 June 2019
9	2rn Commercial Revenue *(Incorporating RTÉ's charges, as Multiplex Service Provider, for carriage on the DTT*	4 July 2019

Audit	Assignment Title	Issue Date
	platform)	
10	Review of "Lump Sum" Payments	19 September 2019
11	Review of Purchase Order Compliance	25 October 2019
12	Corporate Compliance and Fraud Framework Review Update *06/09/2023 Permission for release still in process of being secured from 3rd part, as required under contract*	2019

Audit	Assignment Title	Issue Date
2020		
1	Review of Card Payment Terminal Processing	15 January 2020
2	2rn Financial Control	12 March 2020
3	Review of Compliance with the Code of Practice for the Governance of State Bodies *Year-ended 31 December 2019*	9 April 2020
4	Review of Procurement Compliance *Year-ended 31 December 2020* *Report 1 of 2 (Procurement Register)*	9 April 2020
5	Reports to the Audit & Risk Committee on the System of Internal Control *Year Ended 31 December 2019*	18 March 2020 & 15 April 2020
6	Review of Procurement Compliance *Year-ended 31 December 2019* *Report 2 of 2 (Purchasing Compliance)*	5 June 2020
7	Fraud Risk Workshop	1 July 2020

Audit	Assignment Title	Issue Date
8	Review of Health and Safety	14 July 2020
9	Review of Purchase Order Compliance	23 July 2020
10	Review of Supplier and Employee Master Data	30 October 2020
11	Review of Purchase Order Compliance	17 December 2020
12	Business In The Community Re-Certification	Various 2020

Audit	Assignment Title	Issue Date
2021		
1	2rn Financial Control	12 March 2021
2	Review of Compliance with the Code of Practice for the Governance of State Bodies *Year-ended 31 December 2020*	15 April 2021
3	Review of Procurement Compliance *Year-ended 31 December 2020* *Report 1 of 2 (Procurement Register)*	16 April 2021
4	Reports to the Audit & Risk Committee on the System of Internal Control *Year Ended 31 December 2020*	24 March 2021 & 21 April 2021
5	Review of Purchase Cards	13 May 2021
6	Review of Procurement Compliance *Year-ended 31 December 2020* *Report 2 of 2 (Purchasing Compliance)*	3 June 2021

Audit	Assignment Title	Issue Date
7	Review of Purchase Order Compliance *(Jan – May 2021)*	24 June 2021
8	Review of Remote Working Controls *Cyber, technology infrastructure or related report.*	25 June 2021
9	Programme Classification & Compliance Review	6 September 2021
10	Commercial Regulation Compliance Review	26 September 2021
11	Review of Purchase Order Compliance *(to end Q3 '21)*	8 December 2021

Audit	Assignment Title	Issue Date
2022		
1	Assume Breach Security Assessment *Cyber, technology infrastructure or related report.*	20 January 2022
2	2rn Internal Financial Control	24 February 2022
3	Review of Procurement Compliance Year-ended 31 December 2021 *Report 1 of 2 (Procurement Register)*	31 March 2022
4	Review of Compliance with the Code of Practice for the Governance of State Bodies *Year-ended 31 December 2021*	14 April 2022
5	Reports to the Audit & Risk Committee on the System of Internal Control *Year Ended 31 December 2021*	16 March 2022 & 21 April 2022
6	Review of Programme Acquisitions	17 May 2022
7	Review of Procurement Compliance Year-ended 31 December 2021 *Report 2 of 2 (Purchasing Compliance)*	22 June 2022
8	Report on Commercial Revenue Operations (Advertising & Sponsorship)	31 August 2022
9	Review of Purchase Order Compliance (Q1, Q2 2022)	19 October 2022
10	Review of Finance Fee Payment	14 November 2022

Audit	Assignment Title	Issue Date
2023 (Half Year)		
1	Implementation of Actions in Internal Audit Reports	24 January 2023
2	Review of Purchase Order Compliance (Q3, Q4 2022)	26 January 2023
3	2rn Internal Financial Control	8 March 2023
4	Review of Procurement Compliance Year-ended 31 December 2022 *Report 1 of 2 (Procurement Register)*	12 April 2023
5	Review of Compliance with the Code of Practice for the Governance of State Bodies *Year-ended 31 December 2022*	14 April 2023
6	Reports to the Audit & Risk Committee on the System of Internal Control *Year Ended 31 December 2022*	21 March 2023 & 20 April 2023
7	ERP Lessons Learned	20 April 2023
8	Review of Procurement Compliance Year-ended 31 December 2021 *Report 2 of 2 (Purchasing Compliance)*	3 July 2023