

**Reference ID:** JOC20

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

**Query:** Publication of all reports from external auditors serving RTÉ from the past ten year

**Response:** We attach the reports from the auditors to the ARC for the last 10 years.



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**RTÉ**

Audit Strategy and Plan  
Year ending 31 December 2013

16 December 2013

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in connection with this  
report are:**

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**This document sets out our planned approach to the audit of Raidió Teilifís Éireann for the year ending 31 December 2013.**

**We take a risk based approach to our audit and focus our work on areas where we assess the risk of material misstatement to be high.**

**We are committed to working with RTÉ to deliver not just an efficient and effective audit, but also to add value to your business.**

## Purpose

This document sets out our proposed approach to the audit of Raidió Teilifís Éireann (“the Group or RTÉ”) for the year ending 31 December 2013 for consideration by the RTÉ Audit & Risk Committee.

Our main aim is to identify the significant business and financial statement risks faced by the Group and explain how we plan to approach them in our audit.

## Overview of this document

This document:

- Describes our overall approach to the audit of RTÉ;
- Highlights the key developments during the year which impact on our audit approach;
- Identifies the significant risks and areas of focus that we consider need to be addressed by our audit;
- Discusses materiality and how we apply it to our audit;
- Provides information on our quality control process;
- Highlights the key audit success factors; and
- Sets out the agreed timetable for the audit.

In this context, we welcome input to our strategy and plan (and its subsequent approval) by the Audit & Risk Committee.

## Our audit approach

Our approach has been developed from our understanding of the business gained during:

- On-going contact and planning meetings held with group and divisional management;
- Interim audit fieldwork conducted in November 2013; and
- Developments in the industry and marketplace during the period.

## Our responsibilities as auditor

Our audit of Raidió Teilifís Éireann is conducted in accordance with the relevant provisions of International Auditing Standards and our formal terms of reference as set out in our engagement letter.

Our responsibility is to the shareholders of RTÉ. In addition, under law we have professional responsibilities to report certain matters, if they come to our attention, to regulatory bodies, as follows:

- suspected money laundering offences;
- suspected theft and fraud offences ; and
- indictable offences under Company law.

In this context, we plan and perform the audit to obtain reasonable - not absolute - assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

This document describes how we will deliver our audit for Raidió Teilifís Éireann.

It is presented under the terms of our audit engagement letter and its circulation is restricted.

## Experience

- Our engagement team has significant experience in the industry and strong knowledge of Raidió Teilifís Éireann.
- We use KPMG specialists from tax, IT and pension specialist groups to provide on the ground support to our core audit team.

## Independence

- Independence and quality is at the foundation of our approach. We have systems and processes in place to ensure our ongoing independence.

## Adding value

- The knowledge gained from our audit combined with our depth of experience means we have value to add in areas that are broader than just those affecting the financial statements.
- We will use this knowledge to develop open and constructive dialogue with you on how your approach differs to common practice.
- We will provide the Audit & Risk Committee with a summary of our key observations at the year end meeting.

## Tailored approach

- We invest the time to understand the key challenges and drivers affecting your business. Our audit approach is carefully designed to align with these.

## Risk based approach

- We work closely with management to understand the business and its challenges to ensure our audit responds to changes in the business.
- Our audit plan outlines our assessment of audit risk and highlights specific areas of focus for the audit.

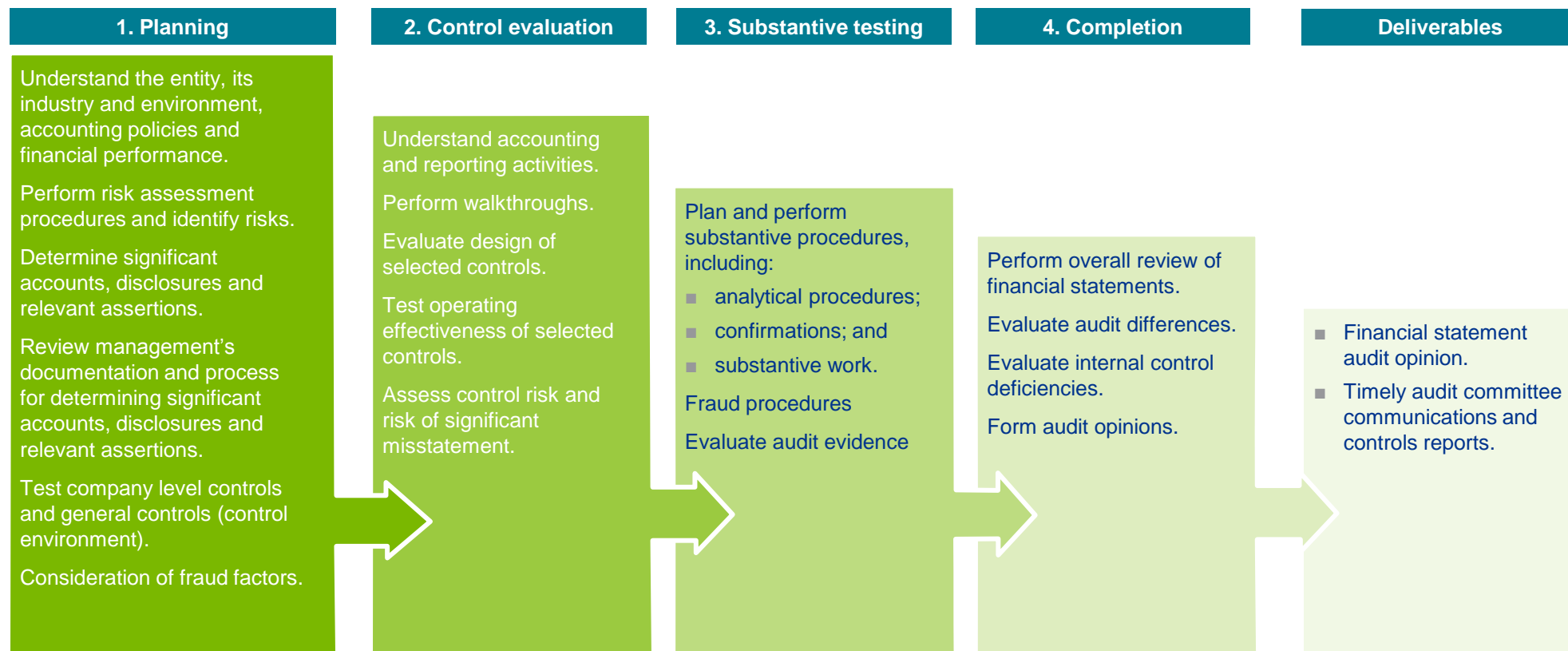
## Insightful reporting

- You will expect us to form independent views on the key accounting issues. We will express these clearly and concisely in a way that is understandable to accountants and non-accountants alike.
- Our audit gives us an independent view on your key results drivers. We will use this knowledge to challenge the key messages delivered by your internal reporting systems.



# KPMG's audit process

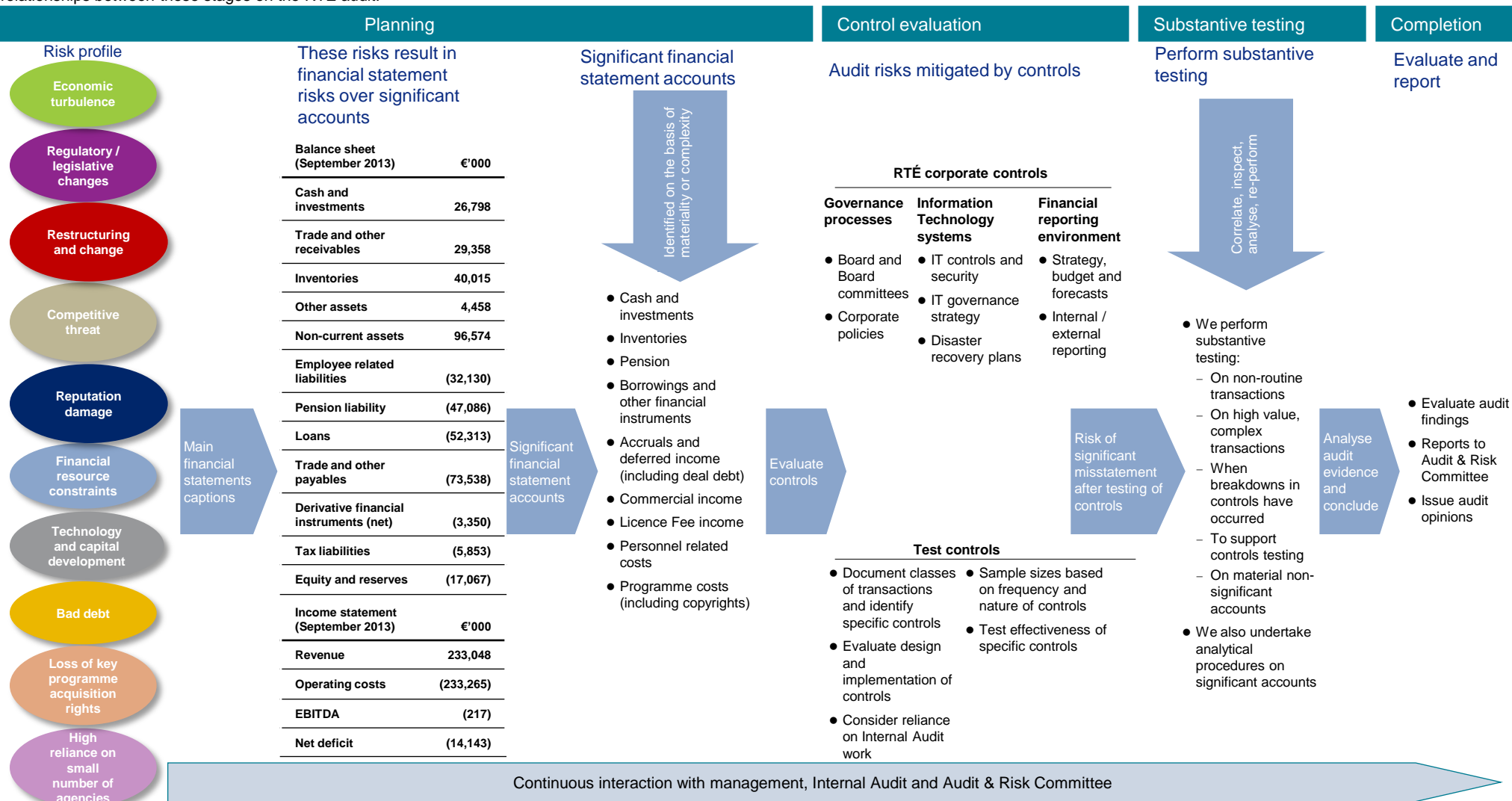
Our risk based audit approach is used consistently around the globe to deliver robust audits that meet all the requirements of International Standards on Auditing. We offer the audit industry's most technologically empowered audit and it is through this platform that our four-phase audit methodology is delivered.



| Key elements  |  |
|---|--|
| <p>Efficient, effective, integrated audit</p> <p>Focused on significant business risks, key process activities and related internal controls.</p> | <p>Ongoing communication with the audit committee and management.</p> <p>Prompt response to emerging issues.</p> <p>Meaningful feedback and advice.</p> <p>Timely review of significant or unusual transactions.</p> |

# Audit plan on a page

Our audit approach considers business risks and financial statement risks (collectively audit risks), related controls and additional audit tests to form our audit opinion. The following diagram outlines the relationships between these stages on the RTÉ audit.



The significant inherent risk audit areas are rated in terms of the level of judgement surrounding their treatment.

## Areas of significant inherent risk directly impacting financial statement balances

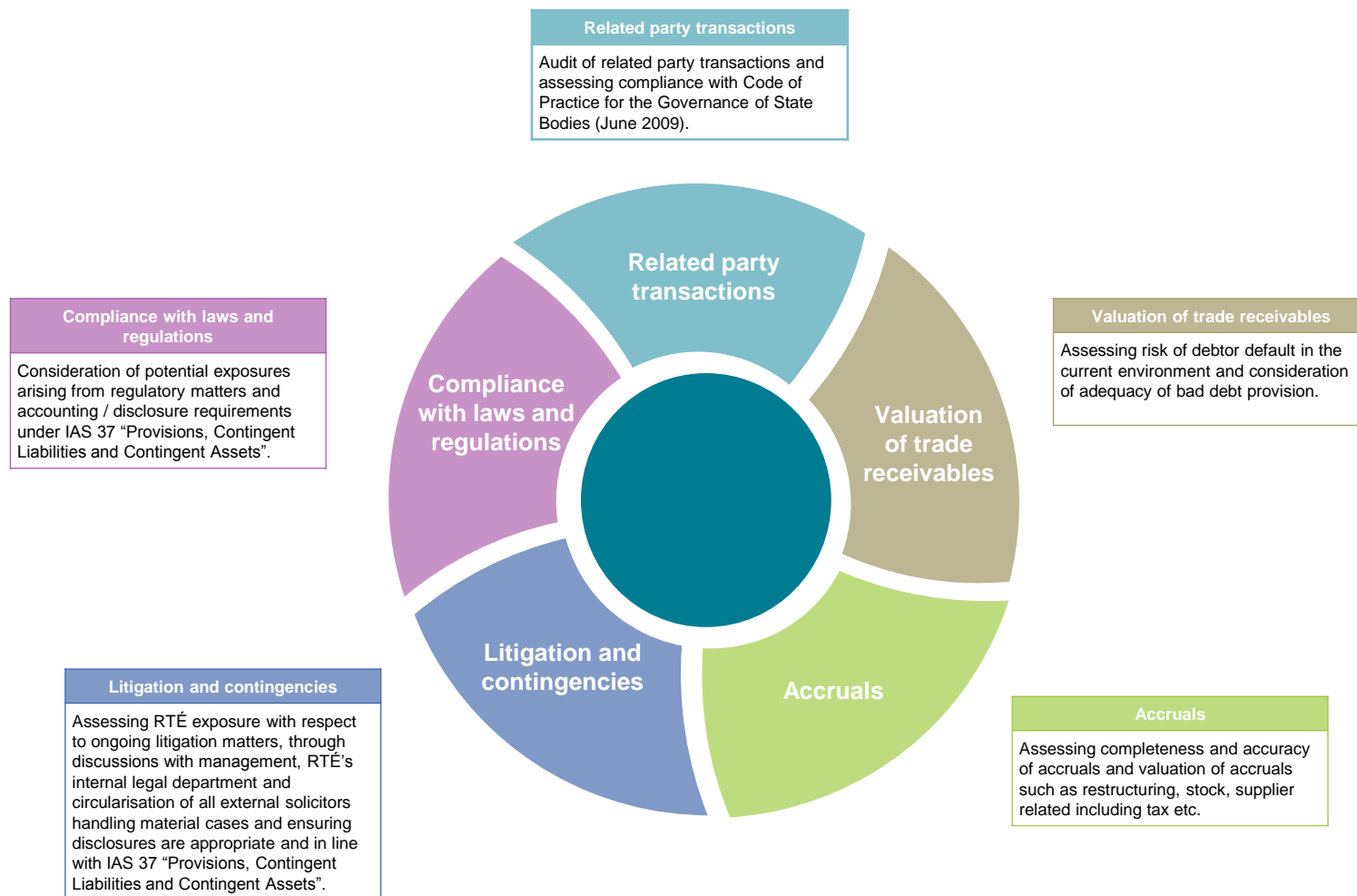
| Area   | Level of judgement |      | KPMG comment  |
|--|--------------------|------|---|
|  | 2013               | 2012 |   |
| <b>Commercial revenue and deal debt</b>      | 2                  | 2    | <p>Commercial income for the period to 30 September 2013 is €101m comprising TV, Radio, Network, Digital and Performing Groups.</p> <p>Our planned approach includes as follows:</p> <ul style="list-style-type: none"> <li>▪ Update our knowledge of key revenue processes across all IBDs</li> <li>▪ Perform test of design and operating effectiveness on key controls within the TV and Radio revenue process</li> <li>▪ Perform trend analysis of monthly TV, Radio, Digital and Network Revenue versus prior year and budget</li> <li>▪ Testing of year end deal debt balance via confirmation</li> <li>▪ Specific item testing as required</li> </ul>  |
| <b>Pensions</b>                              | 3                  | 3    | <p>RTÉ operates a Defined Benefit Pension Scheme – RTÉ Superannuation Scheme.</p> <p>There are significant judgments involved in determining the pension assets/(liabilities) for the scheme. RTÉ relies upon a firm of external experts in preparing its actuarial valuations.</p> <p>The Trustees of the RTÉ Superannuation Scheme have approved to pass the 2012 pension levy onto members which will result in a past service credit of circa €4.9 million in 2013.</p> <p>The key procedures we will perform will include:</p> <ul style="list-style-type: none"> <li>▪ Audit of the IAS 19 valuations at 31 December 2013 including a detailed review of the key assumptions</li> <li>▪ Independent confirmation of the assets of the RTÉ Superannuation Scheme</li> <li>▪ Audit of accounting entries and related disclosures in accordance with IAS 19, Employee Benefits</li> <li>▪ Review correspondence with members of the RTÉ Superannuation Scheme and approval to pass on the pension levy to members and accounting for same</li> </ul> |
| <b>Going concern and covenant compliance</b> | 2                  | 2    | <p>RTÉ has forecast a net surplus of €1m and EBITDA of €21m for the year ended 31 December 2013.</p> <p>The Group has a working capital facility in place with Bank of Ireland and a term loan facility with Barclays related to DTT.</p> <p>To satisfy the going concern requirement, the Board must conclude that RTÉ will be a going concern for at least 12 months from the date of approval of the financial statements.</p> <p>Our audit work will include a review of the budgets for 2014 and 2015 and cash flow projections as well as assessing the group's compliance with financial covenants as relevant to support the going concern basis in the financial statements.</p>   |





## Other areas of audit focus

As part of our year end reporting, we will update the Audit & Risk Committee on the results of our financial statement risks and on an exception basis with respect to other areas of audit focus.



Regulatory accounts for Market A and Market B are required to be submitted to ComReg by 30 April 2014 representing the first time requirement for regulatory accounts for the networks business.

### ***RTÉ NL – 2013 audit***

Key risk areas for RTÉ NL statutory audit are similar to those at RTÉ group including revenue and Barclays bank debt covenant compliance. Refer to page 6 for details.

### ***Additional considerations for 2013***

In early 2013, RTÉ NL moved to separate premises on the Belgard Road and a new Board of RTÉ NL was constituted. Processes within RTÉ NL are now operated and controlled by the entity itself and not by RTÉ Group. We will update our understanding of key processes within RTÉ NL as part of our audit procedures for FY13.

In July 2013, ComReg issued a pronouncement noting that broadcasting, transmission and distribution services (BTS) are to be regulated across two separate BTS markets, Market A and Market B. This requires RTÉ NL / RTÉ to produce regulated accounts for submission to ComReg in 2014 for the year ended 31 December 2013.

Draft accounting documentation and draft regulated accounts were submitted to ComReg in November 2013. KPMG will be engaged to perform the audit of Regulatory Accounts for the year ended 31 December 2013.

### ***Reporting***

As required, we can meet the RTÉ Audit & Risk Committee and the RTÉ NL Board as necessary to update on our audit findings from the statutory and regulatory audit in March / April 2014.

## Other factors affecting our audit

| Area  | KPMG approach   |
|---|---|
| <b>Management representations</b>   | We obtain representations from management throughout the audit on matters pertaining to the financial statements. We also obtain a representation letter from the board upon completion of the audit.   |
| <b>Reliance on Internal Audit</b>   | <p>Internal Audit and KPMG have varying levels of interaction that is continuously reassessed based upon changes in the Group's risk profile and changes to the internal audit plan.</p> <p>Key matters to be considered in connection with the audit include:</p> <ul style="list-style-type: none"> <li>■ A review by KPMG of all internal audit reports that address internal controls over financial reporting and its impact upon our approach;</li> <li>■ KPMG will liaise with Internal Audit in performing a full year CAAT on purchases and also place reliance on: <ul style="list-style-type: none"> <li>➢ Report on Treasury (once available)</li> <li>➢ Review of VISA procurement cards (once available)</li> <li>➢ Report on commercial revenue, Television</li> <li>➢ Report on acquired programmes</li> <li>➢ Review of cost allocations process (once available)</li> </ul> </li> <li>■ We assess the issues addressed in the reporting by internal audit for indicators of weaknesses in controls.</li> </ul>  |
| <b>Compliance with Code of Practice for the Governance of State Bodies ("Code of Practice") and compliance with the UK Corporate Governance Code (2012)</b> | <p><i>Code of Practice for the Governance of State Bodies</i></p> <p>State bodies, including the subsidiaries of such bodies, are required in the conduct of their operations to adopt the Code of Practice and, to confirm to the relevant Minister that this has been done as set out in paragraph 13.1 of the Code.</p> <p>As auditors, we are required to review whether the statement of the system of internal financial control as required by the Code of Practice for the Governance of State Bodies reflects RTÉ's compliance with paragraph 13.1(iii) of the Code and is consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.</p> <p>The company is required to note that the Code of Practice has been adopted and the extent to which it is being complied with. RTÉ in the past confirmed its compliance with the Code of Practice in the Corporate Governance Statement included in the Annual Report. The Corporate Governance Statement and the Chairperson's narrative statement on internal financial control comprises "other information" included in a document containing audited financial statements. As a result, there is also a broader requirement under Auditing Standards for the auditor to read such "other information" and if the auditor becomes aware of any apparent misstatements therein, or identifies any material inconsistencies with the audited financial statements, to seek to resolve them.</p> <p><i>UK Corporate Governance Code (2012)</i></p> <p>RTÉ is currently considering whether to adopt the UK Corporate Governance Code (2012) which is effective for accounting periods on or after 1 October 2012 given key revisions to the Code in September 2012. We understand that Internal Audit is preparing a paper for submission to the Audit &amp; Risk Committee on the 16 December 2013 with respect to this matter.</p> |
| <b>Subsequent events</b>  | We perform procedures to obtain reasonable assurance that subsequent events requiring adjustment of, or disclosure in, the financial statements are identified and that any such adjustments or disclosures in the financial statements are appropriate.  |

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We plan to use KPMG specialists in the following areas:

### Tax specialists

#### KPMG tax specialists will assist the engagement team as follows:

- Corporate and deferred tax
- Audit of supplier related accruals
- Audit of VAT recovery rate

### Pension specialists

#### KPMG actuarial specialist:

- RTÉ Superannuation Scheme
- Liaison with RTÉ's Group Pensions Manager

### KPMG IT specialists

#### IT systems and controls

- IT systems are integral to the accurate completion of management information and financial statements of the Group.
- Our audit team will be supported by IT specialists led by Selwyn Hearn and will perform the following procedures:
  - Testing of design and operating effectiveness of IT general controls environment over Agresso and Landmark
  - Performing CAATs on journal entries and mapping to financial statements
  - Liaising with RTÉ Internal Audit in performing a full year CAAT on purchases to ensure all invoices paid were appropriately receipted and had a purchase order, where relevant – i.e. testing of 3 way match

We will analyse the results of our audit and form our audit opinion accordingly. We will formally communicate our significant findings to you in March 2014 through our Audit & Risk Committee report.

This Report will address as appropriate:

- Material judgmental areas;
- Accounting policy issues;
- Corrected and uncorrected audit differences;
- Risk management issues;
- Other matters relevant to the audit; and
- Confirmation of independence.

Any observations and recommendations in respect of significant deficiencies or weaknesses identified in internal control systems over financial reporting will be discussed with management and also communicated to the Audit & Risk Committee in this report.

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, as noted above we nevertheless report to the Audit & Risk Committee misstatements of lesser amounts to the extent these are identified by our audit work.

We conduct our audit in accordance with International Auditing Standards (UK & Ireland) which oblige us to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance, and to request that adjustments are made to correct such matters.

In the context of the 31 December 2013 year end audit of Raidió Teilifís Éireann, KPMG's view is that a difference could be considered to be clearly trivial if it is less than **€243,000**. We expect to base our assessment of materiality on the Group's budget revenue of €324 million.

In this context we propose to report the following to the Audit & Risk Committee:

- Individual errors, uncorrected, over **€243,000**;
- Smaller amounts, individually if evidence that systematic error is occurring, the total amount is significant or there are unusual items;
- Matters involving a significant level of judgement; and
- Summary of adjusted audit differences.

### Mandated communications with the Audit Committee

- Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff.
- The general approach and overall scope of the audit, including levels of materiality, fraud risks and audit responses and engagement letter.
- Any disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report.
- The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements.
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements.
- Any material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Expected modifications to the auditor's report.
- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management.

## Fraud versus error

The term 'error' refers to an unintentional misstatement in the reporting of an entity.

The term 'fraud' refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception or misconduct to obtain an unjust or illegal advantage.

There are two types of misstatements relevant to an auditor's consideration of fraud:

- Misstatements resulting from fraudulent financial reporting, which involves intentional misstatements or omissions of amounts or disclosures in financial reporting to ultimately deceive financial statement users; and
- Misstatements resulting from misappropriation of assets, which typically involve theft of an entity's assets and is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing.

## Responsibilities

The primary responsibility for the prevention and detection of fraud and error rests with both management and those charged with the governance of an entity.

It is important that they place a strong emphasis on fraud prevention, which may reduce the opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.

This involves creating and maintaining a culture of honesty and ethical behaviour and establishing appropriate controls to prevent, deter and detect fraud. When management and those charged with governance fulfil these responsibilities, the opportunities to commit fraud can be reduced significantly.

## Responsibilities of management

It is the responsibility of management to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the entity's business.

This includes responsibility for implementing and ensuring the continued operation of accounting and internal control systems which are designed to prevent and detect fraud and error. Such systems reduce, but do not eliminate, the risk of misstatements, whether caused by fraud or error.

## Responsibilities of those charged with governance

It is the responsibility of those charged with governance to ensure, through oversight of management, the integrity of an entity's accounting and financial reporting systems and that appropriate controls are in place, including those for monitoring risk, financial control and compliance with the law.

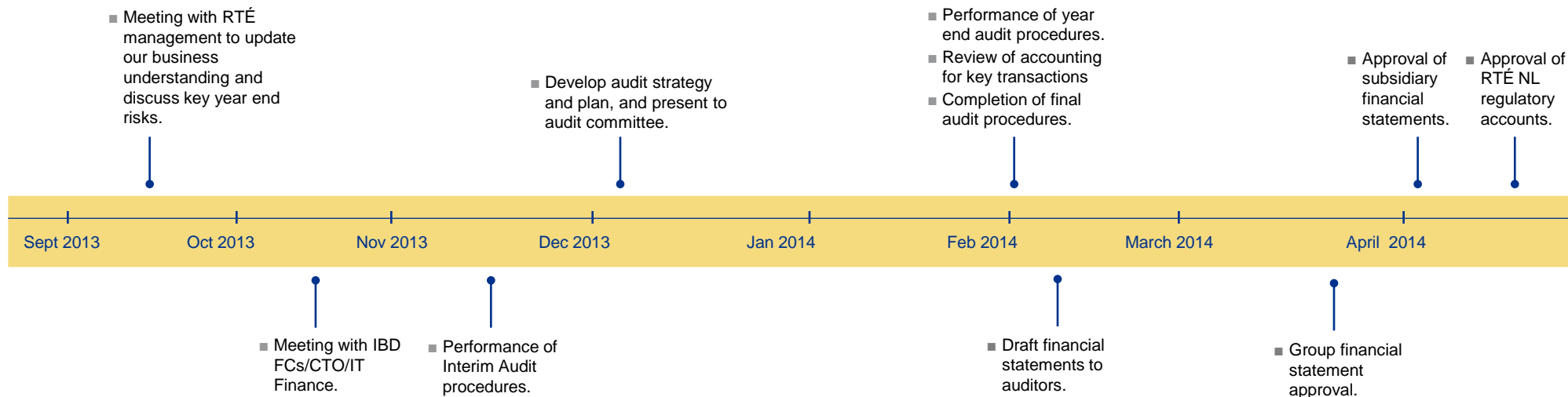
## Responsibilities of the auditor

The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework.

An audit conducted under ISA is designed to provide reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

The fact that an audit is carried out may act as a deterrent, but the auditor is not and cannot be held responsible for the prevention of fraud and error under the Auditing Standards.

Year-round communication with RTÉ and the Audit & Risk Committee ensures our year-round work is co-ordinated and efficient and keeps you informed and properly served in relation to our audit. The diagram below details the reporting timelines for the year ended 31 December 2013:





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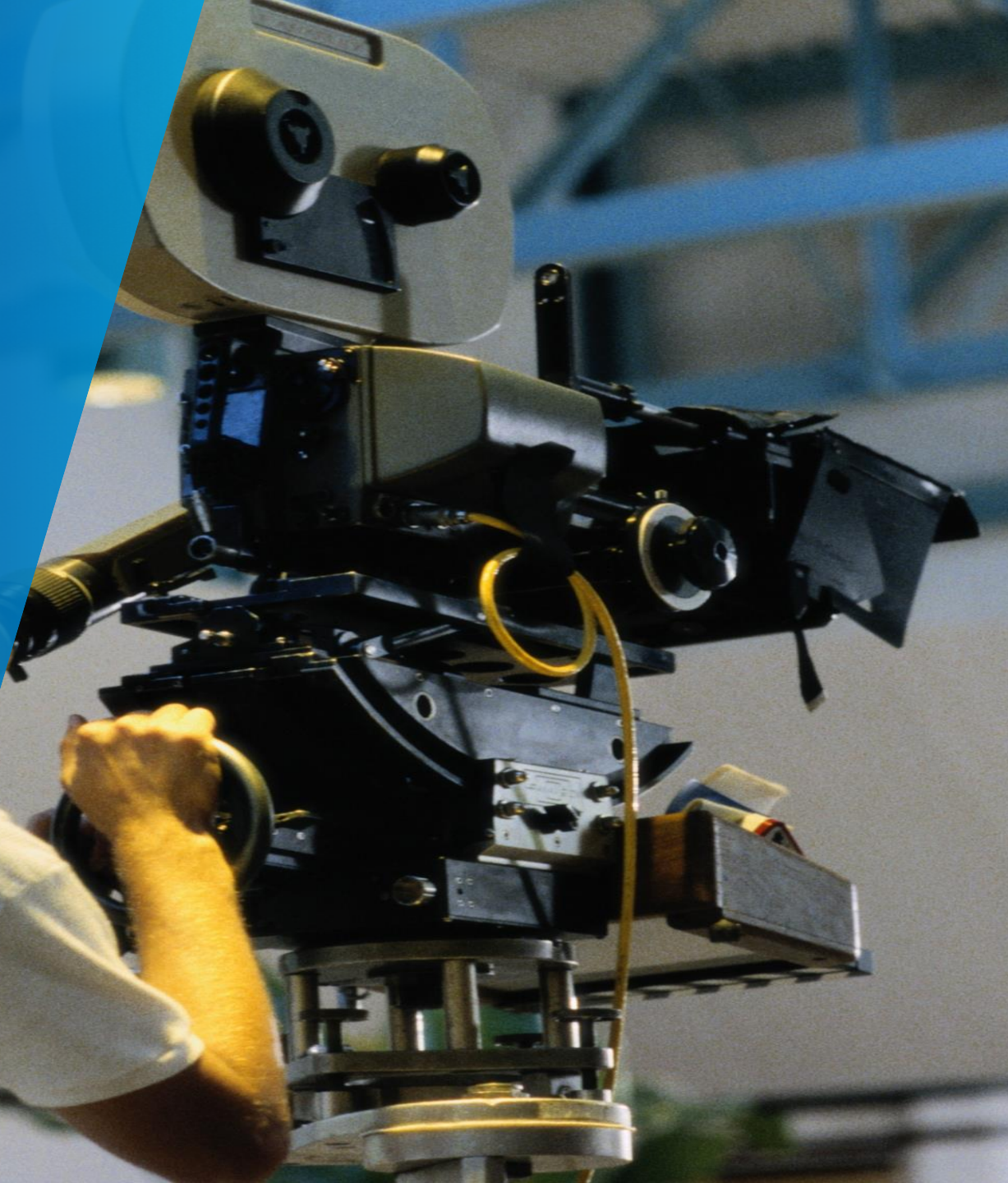


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# RTÉ

Audit findings for the year ending  
31 December 2014

11 March 2015



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in connection with this  
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| <b>Executive summary</b>    | <b>2</b>  |
| <b>Earnings performance</b> | <b>4</b>  |
| <b>Audit risks</b>          |           |
| ■ Significant audit risks   | 5         |
| ■ Other audit risks         | 10        |
| <b>IT in the audit</b>      | <b>12</b> |
| <b>Appendices</b>           | <b>14</b> |

| Area                      | Summary observations   | Analysis  |
|---------------------------|--|---|
| Status of the audit       |  |   |
| Where are we now?         | <p>Our audit is largely complete subject to:</p> <ul style="list-style-type: none"> <li>■ Receipt and review of draft of the RTÉ Annual Report;</li> <li>■ Consideration and approval by the Board of the RTÉ Annual Report and letter of representation;</li> <li>■ Completion of our subsequent events review prior to financial statements finalisation in April;</li> <li>■ Chairman's letter to the Minister on internal controls; and</li> <li>■ Finalisation of audit procedures and certain confirmation matters.</li> </ul> <p>It is our intention to issue an unqualified audit opinion on the financial statements of the Group.</p>  | N/A   |
| Areas of main audit focus |  |   |
| Audit risks               | <p>The following significant audit risks, which we have identified as having the greatest effect on our audit approach and execution, are addressed in this Report:</p> <ul style="list-style-type: none"> <li>■ Going concern;</li> <li>■ Commercial revenue and deal debt;</li> <li>■ Pensions accounting; and</li> <li>■ Management override of controls.</li> </ul> <p><i>Other areas of audit focus which we wish to bring to your attention include:</i></p> <ul style="list-style-type: none"> <li>■ TV licence fee</li> <li>■ Valuation of trade receivables;</li> <li>■ Accruals;</li> <li>■ Tax provisions; and</li> <li>■ Accounting for interest rate swaps</li> </ul> <p>The directors should be satisfied with the accounting treatment adopted for each of these matters as part of their consideration and approval of the financial statements.</p> | <p>Page</p> <p>6</p> <p>7</p> <p>8</p> <p>5</p> <p>10</p> <p>10</p> <p>11</p> <p>11</p> <p>11</p> |

| Area   | Summary observations   | Analysis                                    |
|--|--|---|
| Areas of main audit focus <i>(continued)</i>   |  |   |
| Governance   |  |   |
| <b>Assessment of compliance with the Code of Practice for Governance of State Bodies</b> | As a statutory corporation, RTÉ is required to comply with the Code of Practice for Governance of State Bodies.<br>We are awaiting relevant information including updated Risk Register and Annual Internal Controls Effectiveness Review to support RTÉ's compliance with the Code of Practice for Governance of State Bodies and will update the Audit & Risk Committee at our next meeting. | Audit & Risk Committee Meeting – April 2015 |
| <b>Control observations</b>  | In general, we noted that the internal controls tested by us as part of our audit were strong, with no significant internal control deficiencies identified in the course of our audit.  | N/A   |
| Other matters  |  |   |
| <b>Fraud and non-compliance with law and regulations</b>                                 | We did not note any instances of fraud or non-compliance with laws or regulations in the year.   | Appendix 2                                  |
| <b>Routine communications and audit differences</b>                                      | Adjusted and unadjusted differences and other routine communications have been included in this report as required by auditing standards.  | Appendix 1                                  |

## Earnings performance

EBITDA before restructuring and other charges amounts to €16.1 million (2013: €20.7 million).

Reduction in EBITDA due to increased operating costs of c. €5 million and a reduction of c. €5m in free TV licence from the government. This was offset by an increase in commercial revenue of €4.4m and additional sales of TV licences from An Post of €0.8 million.

Various once off credits to the income statement have contributed to the overall surplus of €0.9m for the year.

### Earnings as reported

|   | Note | 2014<br>€'000 | 2013<br>€'000   |
|---|------|---------------|-----------------|
| Surplus before tax                            |      | (Draft) 938   | (Audited) 1,066 |
| Depreciation of fixed assets                  | A    | 12,306        | 13,864          |
| Amortisation of intangible assets             |      | 1,294         | 1,391           |
| Net finance expense                           | B    | 1,788         | 4,734           |
| EBITDA  | C    | 16,326        | 21,055          |
| <b>Restructuring and other charges</b>        |      |               |                 |
| - employee                                    | D    | 463           | 127             |
| - VAT pension provision                       |      | (700)         | (517)           |
| EBITDA before restructuring and other charges |      | 16,089        | 20,665          |

Source: Consolidated financial statements

#### A Depreciation

- The reduction in the depreciation charge reflects an increase in fully depreciated assets in 2014 versus prior year. There was €0.7m of accelerated depreciation charged in the prior year which did not occur in 2014.

#### B Net finance expense

- The significant decrease in net finance expense is due to a mark to market gain of €1.4m on USD forward contracts in 2014 compared to a €0.2m loss on same in the prior year. Contracts were taken out at an average rate of US\$1.35 while the year end rate was US\$1.21.
- There was a €0.4m credit on defined benefit (DB) charges compared to a €1.5m DB charge in the prior year as a result of an excess of interest income over interest expense on scheme assets and liabilities.

- These credits were offset by an additional €1m of an interest charge on the interest rate swap as a result of the de-designation of the swap following refinancing of the Barclay's loan.

#### C Other significant credits/charges included within EBITDA

- The identification of certain credits/charges included within EBITDA is necessarily subjective and our analysis should not be considered definitive or exhaustive. Items identified are as follows:

##### Tax Provisions

- Arising from a clarification by Revenue on the VAT treatment of independent production contracts, a historic provision on independent production contract VAT was no longer required and credited to the income statement amounting to €1.9m.
- A provision for non-recoverable VAT on UK suppliers of €1.3m was credited to the income statement following a settlement with the HMRC in the UK for €100k.
- An additional €1m provision for PRSI was charged in 2014. This is to cover a risk where certain contractors in RTÉ who could be deemed employees in the event of a challenge by Revenue, hence RTÉ may be liable to PRSI on payments to these individuals.

#### Restructuring and other charges

- The 2014 restructuring charge of €0.5 million, net, primarily represents corporate charges.
- In 2012 RTÉ recorded a VAT provision of €1.25 million relating to a possible VAT pension provision from the RTÉ Superannuation Scheme of which €0.5 million was released in 2013 with the balance of €0.7 million released in 2014 as the provision was no longer necessary.

### KPMG comment

We have presented a reconciliation of reported earnings to our understanding of the underlying performance based on items identified during the course of our audit.





| Significant audit risks   |                   |            |            |  |
|---|-------------------|------------|------------|--|
| Area  | Level of prudence | Balance    |            | KPMG view  |
|   |                   | 2014<br>€m | 2013<br>€m |  |
| <b>Going concern</b>  | 3                 | N/A        | N/A        | ■ We have reviewed management's assessment of the going concern basis of preparation and are satisfied that it is appropriate.   |
| <b>Commercial revenue and deal debt</b>                         | 3                 | 149.6      | 145.2      | ■ Based on the audit procedures performed, we are satisfied that commercial revenue and deal debt are not materially misstated.  |
| <b>Pensions</b><br><i>IAS 19 pension deficit</i>                | 3                 | (19.2)     | 8.3        | ■ Assumptions adopted by management as part of our IAS 19R review of the RTÉ Superannuation Scheme are reasonable. Mortality assumptions adopted by RTÉ are prudent and will be reviewed by management in 2015.  |
| <b>Management override of controls</b>                          | 3                 | N/A        | N/A        | ■ Based on the audit procedures performed on the testing of journal entries, accounting estimates as well as significant transactions, we have not identified any material instances of management override of controls.   |
| Other audit risks   |                   |            |            |  |
| Area  | Level of prudence | Balance    |            | KPMG view  |
|   |                   | 2014<br>€m | 2013<br>€m |  |
| <b>Receivables (Trade), net</b><br><i>Net trade receivables</i> | 2                 | 38.4       | 35.8       | ■ The closing bad debt provision amounts to €2.1 million representing 100% provision of the past due uninsured debtors not collected at 31 January 2015 and specific provision for current (i.e. not past due) balances from customers such as Indi.   |
| <b>Accruals including tax provisions</b>                        | 2                 | (54.5)     | (56.9)     | ■ The closing balance at 31 December 2014 represents specific accruals relates primarily to routine items (€24.2 million), inventory (programme) accruals (€15.8 million), VAT and payroll related accruals (€4.1 million), litigation (€6.5 million), revenue related rebates and deal debt (€4.0 million).   |
| <b>Tax provisions</b>   | 3                 | (4.1)      | (5.0)      | ■ The closing balance at 31 December 2014 represents a €2.1 million balance for estimated liabilities on self employed contractors, a €1.3 million balance relating to non recoverable VAT on Six Nations games played overseas and €0.7 million relating to IPU commissioned programmes and non-recoverable VAT on artists fees which no VAT has been paid to date. |
| <b>TV licence fee</b>   | 3                 | 178.6      | 182.4      | ■ Based on the audit procedures performed, we are satisfied that TV licence fee income is not materially misstated.  |
| <b>Accounting for interest rate swaps</b>                       | 3                 | (1.2)      | (2.1)      | ■ Arising from the Barclays refinancing effective 18 June 2014, the interest rate swap was de-designated and all movements in fair value of this swap are now charged to the income statement.   |

Projected 2015 EBITDA of €12 million. Projected 2016 EBITDA of €3 million.

2015 net deficit of €5 million budgeted and net deficit of €13 million projected for 2016.

Closing cash balances of €25 million and €15 million projected at 31 December 2015 and 2016 respectively.

RTÉ NL is in compliance with financial covenants under the Barclay's Project Finance Facility at 31 December 2014.

RTÉ is in compliance with financial covenants under the Bank of Ireland Term Loan Facility at 31 December 2014.

We have reviewed management's assessment of the going concern basis of preparation and are satisfied that it is appropriate.

### 2015 & 2016 Projected cash flow

|                                 | Budget<br>2015<br>€ million | Projections<br>2016<br>€ million |
|---------------------------------|-----------------------------|----------------------------------|
| EBITDA                          | 12                          | 3                                |
| Net deficit                     | (5)                         | (13)                             |
| <b>Closing cash balances</b>    | <b>25</b>                   | <b>15</b>                        |
| Loan balance – mostly long term | <b>59</b>                   | <b>55</b>                        |
| <b>Net debt</b>                 | <b>(34)</b>                 | <b>(40)</b>                      |

Source: Interim budget 2015 and Projections 2016

### Background and description

The RTÉ group financial statements are prepared on a going concern basis. The Board Members are required as part of their approval of the financial statements to confirm that it is appropriate to prepare the financial statements on a going concern basis i.e. that RTÉ can meet its obligations as they fall due for at least 12 months from the date of approval of the financial statements. As auditors, KPMG are required to assess the director's assessment of going concern.

RTÉ management has prepared an interim budget for 2015 which was approved by the Board on 16 January 2015. RTÉ management have circulated a draft board paper for discussion and consideration by the Audit & Risk Committee prior to approval of the going concern basis of preparation in the financial statements.

- RTÉ is projecting a net deficit of €5 million in 2015 primarily due to cost inflation and modest revenue growth given the increased competition from the arrival of UTV. Key assumptions included within Budget 2015 are as follows:
  - Modest growth of 3% in commercial revenue in 2015 vis a vis 2014 budget (2.7% growth vs 2014 actual).

### KPMG comment

We have evaluated management's assessment of the going concern basis of preparation and based on our procedures we are satisfied that it includes all relevant information to address this matter. We believe that it is appropriate to prepare the financial statements on the going concern basis. Based on the audit procedures performed, we are satisfied RTÉ / RTÉ NL are in compliance with the relevant financial covenants at 31 December 2014. The Board are required as part of their approval of the financial statements to confirm that it is appropriate to prepare the financial statements on a going concern basis.

- Modest growth of 1% in licence fee income compared to the 2014 forecast and reasonably consistent with 2014 actual.
- Increase of €8.0 million in operating costs in 2015, primarily personnel related arising from the return of staff from incentivised career breaks and pressure on resource levels.
- Projections for 2016 anticipate further increases in commercial income in line with economic growth forecasts and increases in licence fee income arising from efficiencies in collections. This revenue growth, however, is not expected to cover significant once off costs in 2016 arising from 'Special Events' namely the Olympics, Euro 2016, 1916 Centenary and a General Election.
- Projected cash balances at 31 December 2015 and 2016 are €25 million and €15 million respectively with the following key assumptions:
  - Capital expenditure of €7.5 million and €9.5 million respectively in 2015 and 2016.
  - Working capital levels remain broadly consistent with 2014 levels.
  - Drawdown of funds from Barclays Loan Facility of €13 million during 2015 which was contracted in 2014.
  - Continued quarterly repayments on the Bank of Ireland Amortising Loan Facility.
- We understand that 2015 commercial revenue performance to date is ahead of budget. Management intend to monitor the Interim Budget 2015 and the budgeted deficit of €5 million. Management has indicated that there are limited opportunities for cost reductions due to resource pressures and that a continued positive performance in commercial and licence fee income may help mitigate the proposed 2015 deficit of €5 million.

### Compliance with financial covenants

Management has presented us with their financial covenant calculations at 31 December 2014 with respect to the Barclay's and Bank of Ireland loan facility.

## Significant audit risks

### Commercial revenue and deal debt

**Commercial revenue increased by €4.4 million reflecting a modest upturn in the market.**

**Overall deal debt provision has remained unchanged in the current year.**

|                    | 2014<br>€'000 | 2013<br>€'000 |
|--------------------|---------------|---------------|
| Commercial revenue | 149,605       | 145,214       |
| Deal debt          | (775)         | (768)         |

Source: 2014 trial balance

We performed our planned audit procedures on commercial revenue and deal debt and noted no issues arising from these procedures. Key points of note are as follows:

#### Commercial revenue

Commercial revenue increased by €4.4 million from the prior year. Television advertising revenue increased by 5% from €77.7 million to €80.5 million year on year. This is reflective of a general upturn in the market and the economic environment in Ireland as well as maintenance of RTÉ's market share in 2014. Radio advertising revenue fell by 3% from €18.3 million to €17.8 million year on year reflecting a poor trading performance in Q2 and Q3 of 2014. This was offset by a strong performance in Q4 2014 where RTÉ recovered some of the shortfall and in particular with respect to 2FM.

#### Deal debt provision

The deal debt provision at 31 December 2014 is €0.8 million (2013: €0.8 million). The pricing structure for TV advertising sales is linked to the expected number of viewers at the time of airing. Where actual ratings do not reach expected ratings, a liability is recognised for the monetary amount of the 'under delivery'. No amount is recognised in the financial statements in respect of over deliveries in accordance with IAS 37, Provisions, Contingent Assets and Contingent Liabilities on the basis that these amounts may not be recovered from customers.

#### Deal debt provision (continued)

We have discussed the provision for deal debt with management and the estimation process employed in arriving at the provision. We are satisfied that the provision is fairly stated.

#### KPMG comment

Based upon the audit procedures performed, we are satisfied that revenue and deal debt are not materially misstated.



The RTÉ Superannuation Scheme has a deficit of €19.2 million on an IAS 19R basis at 31 December 2014.

Key movements are as follows:

- positive asset returns (in excess of anticipated interest income on assets of €30.9 million) of €123.6 million
- actuarial loss due to 1.65% change in discount rate of €210 million offset by actuarial gain of €58.9 million due to reduced salary / pension / inflation assumptions

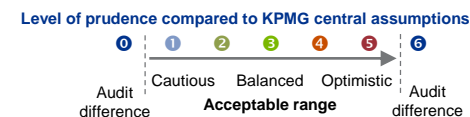
In addition, a past service credit of €5.7 million arises from the September 2014 decision to pass the pension levy to Scheme members at 30 June 2013.

### RTÉ Superannuation Scheme

| Pension accounting   |                     |                     |                      |   |            |
|--|---------------------|---------------------|----------------------|---|------------|
| €'m  | Increase in deficit | Increase in surplus | Net impact € million | Commentary  | Volatility |
| Opening surplus ( <i>balance sheet</i> )   |                     |                     | 8.3                  | The opening IAS 19 surplus for the Scheme at 1 January 2014 was €8.3 million.   | -          |
| Current service cost ( <i>income statement</i> )   |                     |                     | (2.9)                | Service cost for the year amounts to €2.9 million (2013: €3.2 million)  | 3          |
| Past service credit, net ( <i>income statement</i> )                                     |                     |                     | 5.7                  | There is a past service credit of €5.7 million arising from the decision taken in September 2014 by the Trustees of the Scheme to pass the pension levy to Scheme members as at 30 June 2013.   | 3          |
| Net interest cost / credit ( <i>income statement</i> )                                   |                     |                     | 0.4                  | This is the difference between the interest income on scheme assets of €30.8 million and the interest expense on the liabilities of €30.5 million.  | 2          |
| Contributions ( <i>balance sheet</i> )   |                     |                     | 1.3                  | The company has made cash contributions over the year of €1.3 million.  | -          |
| Remeasurement Change in assumptions gain ( <i>other comprehensive income</i> )           |                     |                     | (151.1)              | There has been an actuarial loss arising from a change in assumptions of €151.1 million. This is due to a decrease of 1.65% in the discount rate resulting in an estimated loss of €210 million which has been offset by an estimated actuarial gain of €58.9m due to reduced salary/pension/inflation assumptions. | 1          |
| Remeasurement Benefit obligation experience (loss) ( <i>other comprehensive income</i> ) |                     |                     | (4.5)                | There has been an experience loss of €4.5 million, as a result of membership experience over 2014 being worse than expected, and reflected in the full valuation carried out.   | 3          |
| Return on scheme assets (gain) ( <i>other comprehensive income</i> )                     |                     |                     | 123.6                | Actual asset returns for the year are €154 million which is net of 0.6% government levy. The actuarial gain on scheme assets (i.e. returns in excess of interest income on assets recognised in the Income Statement of €30.9 million) was €123.6 million.  | 1          |
| Closing deficit ( <i>balance sheet</i> )   |                     |                     | (19.2)               | Therefore the closing IAS 19 surplus for the Scheme at 31 December 2014 is €19.2 million.   | -          |

### RTÉ – IAS 19R as at 31 December 2014

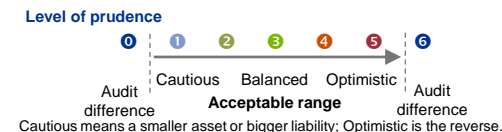
#### Key assumptions



| Assumptions                           | Company   |                        | KPMG                     |                          | Assessment | KPMG commentary   |
|---------------------------------------|---|------------------------|--------------------------|--------------------------|------------|---|
| Overall                               | -   |                        | -                        |                          | 3          | ■ The overall assumptions adopted by the Company can be considered to be reasonably balanced for a Scheme with a liability duration of 14.4 years.  |
| Discount rate                         | 2.0%  |                        | 1.56% ± 0.3%             |                          | 3          | ■ The discount rate is in line with the market median and is slightly higher than KPMG's estimate.  |
| Inflation                             | 1.25%   |                        | 1.2% ± 0.25%             |                          | 3          | ■ The Company's inflation rate of 1.25% is in line with the market median rate of 1.2% (± 0.25%) for a 15 year duration scheme.   |
| Salary growth                         | 1.5% - 2% from 2016 – 2018<br>1.25% per annum from 2019 onwards |                        | N/A                      |                          | 3          | ■ The assumption is reasonable compared to last year and acceptable under IAS 19R. Management has increased the salary inflation rate from 1% per prior year valuation to 1.5% in 2016 due to cost pressures and reduced the long term salary growth rate in line with inflation. |
| Pension increases                     | 1.5% - 2% from 2018 – 2020<br>1.25% per annum from 2021 onwards |                        | N/A<br>N/A               |                          | 3          | ■ Consistent with prior year, RTÉ are proposing a 2 year delay in the application of the salary growth assumptions to pension increases.  |
| Life expectancy *                     | Male:   | Female:                | Male:                    | Female:                  | 2          | ■ The proposed tables at 31 December 2014 produce life expectancies that are somewhat more prudent than KPMG's assumptions. We understand that management intend to review mortality rates in 2015.   |
| Current pensioner<br>Future pensioner | 23.7 years<br>25 years  | 25 years<br>26.2 years | 20.7 years<br>23.4 years | 23.2 years<br>25.4 years |            |   |

#### KPMG comment

There is a significant degree of estimation in the Pension Accounting Model. Based on the audit procedures performed we are satisfied that the accounting for the RTE Superannuation Scheme at 31 December 2014 is not materially misstated. We will review the pension disclosures for completeness and accuracy once the Annual Report is available.



| Other audit risks                  |                   |  |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
|------------------------------------|-------------------|--|------------|---|------------------------------------|--|--|--|----|--|---------|------|--|----------------------------|--------|--------------------------------|-------------|--------|--------------------------------|-----------|------|--|---------|------|--|
| Area                               | Level of prudence | Balance                                |            | KPMG view   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
|                                    |                   | 2014<br>€m                             | 2013<br>€m |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| TV licence fee                     | 3                 | 178.6                                  | 182.4      | <ul style="list-style-type: none"><li>Licence fee revenue decreased by €3.8 million (2%) in 2014 from €182.4 million to €178.6 million. This is attributable to a cut of €5 million in the free TV licences from the Government in 2014 which has been offset by an increase in the number of licences sold by An Post.</li><li>RTÉ has a €2.7 million receivable due from the Department of Energy and Natural Resources (DCENR) as at 31 December 2014 (2013: €3 million).</li><li>Management are in the process of reconciling this balance with the DCENR and have made significant progress in the current year, however the balance currently remains unconfirmed.</li></ul>  |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| Valuation of trade receivables     | 2                 | 38.4                                   | 35.8       | <ul style="list-style-type: none"><li>Gross trade receivables has increased by €2.6 million with a slight decrease in the bad debt provision from €2.4 million to €2.1 million.</li><li>To date 85% of debtor balances at year ended 31 December 2014 has been collected.</li><li>The most significant debtor in the bad debt provision is TV3.</li></ul> <table><tr><th colspan="3">Movement in TV3 bad debt provision</th></tr><tr><td></td><td>€m</td><td></td></tr><tr><td>Opening</td><td>1.18</td><td></td></tr><tr><td>Paid on bad debt provision</td><td>(0.26)</td><td>2012 DTT tariffs balance (60%)</td></tr><tr><td>Written off</td><td>(0.17)</td><td>2012 DTT tariffs balance (40%)</td></tr><tr><td>Additions</td><td>0.16</td><td>Shortfall on payments on 2014 invoices</td></tr><tr><td>Closing</td><td>0.91</td><td></td></tr></table> <ul style="list-style-type: none"><li>The €0.9 million provided for at 31 December 2014 relate to 30% of the 2013 and Q1 2014 DTT Tariff balances not yet paid amounting to €745k as well as €160k shortfall on the remaining 2014 invoices. RTÉ have initiated legal proceedings with TV3 on the above debt as the payments are still outstanding.</li></ul> | Movement in TV3 bad debt provision |  |  |  | €m |  | Opening | 1.18 |  | Paid on bad debt provision | (0.26) | 2012 DTT tariffs balance (60%) | Written off | (0.17) | 2012 DTT tariffs balance (40%) | Additions | 0.16 | Shortfall on payments on 2014 invoices | Closing | 0.91 |  |
| Movement in TV3 bad debt provision |                   |  |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
|                                    | €m                |  |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| Opening                            | 1.18              |  |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| Paid on bad debt provision         | (0.26)            | 2012 DTT tariffs balance (60%)         |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| Written off                        | (0.17)            | 2012 DTT tariffs balance (40%)         |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| Additions                          | 0.16              | Shortfall on payments on 2014 invoices |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |
| Closing                            | 0.91              |  |            |   |                                    |  |  |  |    |  |         |      |  |                            |        |                                |             |        |                                |           |      |  |         |      |  |



| Other audit risks                  |                   |            |            |   |
|------------------------------------|-------------------|------------|------------|---|
| Area                               | Level of prudence | Balance    |            | KPMG view   |
|                                    |                   | 2014<br>€m | 2013<br>€m |   |
| Accruals                           | 3                 | (54.5)     | (56.9)     | <ul style="list-style-type: none"> <li>The accruals balance comprises a number of items as set out on page 5. The most significant element of this balance is routine accruals.</li> <li>Routine accruals have decreased from €26.1 million to €24.2 million on prior year mainly related to reduced employee related, professional fees and capital expenditure accruals. KPMG's IT specialists have performed a full year reconciliation on purchases to ensure all invoices paid were appropriately receipted and had a purchase order, where relevant.</li> <li>Based on the analysis, we derived an estimated GRNI balance for all open POs relating to 2013 and 2014 of €7.1 million, with €6.1 million relating to POs received in 2014, with the remaining €1 million relating to 2012/2013. The remaining €17.1 million between the derived GRNI balance of €7.1 million and the general accruals balance of €24.2 million relates to staff costs, professional fees, programming costs, music licences, outside broadcast and premises accruals for which no POs are in place. [We have reviewed the reconciling items as prepared by management and are satisfied that the accruals are appropriate.]</li> </ul>   |
| Tax provisions                     | 3                 | (4.1)      | (5.0)      | <ul style="list-style-type: none"> <li>There was significant movement in a number of tax provisions following a review by management during 2014.</li> <li>€1.9 million of a provision relating to VAT on independent producers contracts was released due to a change in commissioned programme contracts and clarification of the VAT treatment by Revenue.</li> <li>€1.3 million of a provision for non-recoverable VAT on UK suppliers was also released following an agreement with HMRC. This was settled for an amount less than the provision.</li> <li>There was a €1.3 million addition to provisions relating to a VAT claim submitted to Revenue as part of the November / December 2014 VAT return with respect to reclaiming previously non-recoverable VAT on Six Nations games which were played overseas.</li> <li>With respect to payroll related taxes, there are a number of contractors who operate as self employed persons and contract their services to RTÉ. Given the increased focus by the Revenue Commissioners and Department of Social Protection on payroll related matters, RTÉ have determined an additional accrual of €1m was necessary in the current year in the event of a challenge/audit by revenue.</li> <li>The balance of €0.7 million relates to IPU commissioned programmes and non recoverable VAT on artists fees.</li> </ul> |
| Accounting for interest rate swaps | 3                 | (1.2)      | (2.1)      | <ul style="list-style-type: none"> <li>RTÉ entered into this interest rate swap to fix their interest payments on the original Barclay's Loan facility. This was accounted for using hedge accounting and at each balance sheet date the swap was re-measured at fair value with the movement being shown in the Statement of Other Comprehensive Income</li> <li>This loan facility was refinanced on 18 June 2014 from a €38.25 million facility to a €53 million facility. Facility A comprised of €13 million, not yet drawdown and Facility B of €40 million which is fully drawdown at the year end.</li> <li>Effective 18 June 2014, the interest rate swap became ineffective due to a substantial modification to the debt in accordance with IAS 39 <i>Financial Instruments : Recognition and Measurement</i>. As such, all movements in the fair value of this swap are now charged to the income statement instead of other comprehensive income. The swap is due to expire in December 2015 and the balance at 31 December 2014 represents the fair value at that date.</li> </ul>  |

### KPMG comment

Based on the audit procedures performed, we are satisfied that the other areas of audit risks are not materially misstated at 31 December 2014.

The audit of key IT systems is critical to our audit work. RTÉ is reliant on IT systems to facilitate accurate financial reporting

KPMG's IT Audit specialists focused on the Agresso, Landmark and IBMS systems that support the financial reporting processes

The scope of the our IT audit work did not include a review of any other IT systems and the wider IT environment in RTÉ outside of Finance IT

## Scope of IT audit work

Under International Standards on Auditing, we are required to test General IT Controls ("GITC") for key IT environments supporting financial reporting. To support this process, we used IT Audit specialists to work with the audit team in this area.

RTÉ is heavily dependent on IT to support its business operations and financial reporting processes. For the purposes of supporting an audit of the financial statements, we focus on testing the key IT systems which support the financial reporting processes.

The following describes the work we perform in this regard and the areas that we examine:



### Management of IT

- This is concerned with how the organisation ensures that IT financial systems are aligned to the requirements and needs of the business.

### Logical access

- Here, we examined the processes and controls which ensure that access is restricted appropriately, and that over time periodic checks are completed to ensure that access continues to be appropriate. Such controls are important for segregation of duties and fraud prevention.

- Please note that we did not specifically check that all access rights are appropriate; we checked certain key access settings and focused on the overall process by which access rights are granted, approved and monitored.

### Program change & development

- RTÉ is reliant on its systems to process financial transactions. Assurance was gained over this from an audit perspective through a combination of sample tests and detailed consideration of how developments or changes to the systems are authorised, documented, tested and approved.

### Computer operations

- The operation of the systems needs to be continuously monitored to ensure that they continue to process transactions correctly and that any exceptions or problems in processing are detected and resolved in a manner that ensures the accuracy of transaction processing. We examined management's processes and controls which ensure this is in place.

### Key applications

The key applications in-scope for KPMG's IT review include the following:

| Application | Purpose   |
|-------------|---|
| Agresso     | General Ledger and Financial Reporting System which is managed by the Finance IT department.                                    |
| Landmark    | Used to record revenue from TV and Radio advertising. This system is an off the shelf package provided by 3rd party developers. |

- In prior years, General IT Controls ("GITCs") in place for IBMS were tested as part of our audit work. However, controls relevant to our audit have not been effective for this system for a number of years. As we cannot rely on GITCs, the audit approach in this area is more substantive in nature and detailed testing of such GITCs for this system has not been executed this year. We did; however, obtain a verbal update on any prior year points noted for this application.

## Strong progress on strategic projects

### Update of IT Strategy

- A comprehensive review of the IT Strategy was conducted in 2014
- Future Strategic goals have been clearly defined and the overall status of the IT environment has been assessed from an integrated strategic perspective

### Completion of major strategic initiatives

- The FAST digital workflow project was completed in the financial year
- Further progress on HD technology implementation and capabilities has been made

### Landmark Upgrade Project

- The upgrade of the Landmark sales system was successfully completed.
- Key stakeholders were involved in the project.

### Implementation of PMO

- Project Management Office ("PMO") established and additional staff trained in methodology.
- Project management procedures have become more formalised

### Reorganisation of IT department

- "Modern" IT department structure implemented over past number of years
- Successful, large projects achieved while executing significant reduction in headcount over past number of years

## Key risks

Our view of IT key risks for the business:

- **Pace of technology development in media industry/ Alignment of business and IT strategies**
- **Support for older back office systems**
- **IT Security**
- **Disaster Recovery/ Business Continuity**
- **Third party Vendor Management**

## Areas for improvement/further consideration

### Logical Access Controls

- 71% of our findings (10 out of 14 points) relate to this area
- Administration of logical access, for Landmark and IBMS systems in particular, needs to improve. We understand that the risk is somewhat limited by a low turnover of staff in areas of the business that use the application.
- Controls over identifying and removing leavers from systems on a timely basis need particular attention.

### Business Continuity Management

- IT has put in place IT contingency arrangements in relation to IT infrastructure and applications.
- However, the business has not formulated or documented business continuity scenarios and responses to the same. This has a knock-on impact on IT, as requirements for different scenarios and business expectations for the same are not clear.

### Age of back office systems

- Agresso and IBMS are both operating on old versions of the software. We understand that while vendors will support the applications in respect of system fixes, no further development will be supported for the current versions of the software. We understand that Peoplesoft HR system is also under consideration for upgrade.
- Upgrades are envisioned in the IT strategy, but have been delayed.

## Emerging practice – Information Security as a business consideration

- RTÉ has most of the structures expected with regard to security of systems from external threats. The IT organisation has designated a technical Technology Security Lead who conducts regular scans/penetration tests and has secured its perimeter through use of firewalls.
- Emerging good practice is to consider Information Security more broadly than IT Security. Many of our clients with sensitive data and customer assets, combined with a significant reliance on on-line operations for their core business appoint an Information Security Officer to coordinate Information security activities across the business and IT. This includes identification of sensitive information assets and review of procedures around how these are secured; data protection; policies and procedures throughout the business; detailed reviews of arrangements for sensitive data/access.

# Appendices

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## Summary of adjusted and unadjusted audit differences

As set out in our audit strategy and plan presentation to the Audit Committee, we report to you identified errors greater than €244,000.

### Adjusted and unadjusted audit differences

#### Description (€'m)

There are no adjusted or unadjusted audit differences that we wish to bring to your attention.



| Area                        | Overview   | KPMG commentary  |
|-----------------------------|--|--|
| Fraud                       | <ul style="list-style-type: none"> <li>We are required to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or by fraud.</li> </ul>  | <ul style="list-style-type: none"> <li>Our risk assessment procedures included consideration of the fraud prevention programme operated by Internal Audit and discussion with the Head of Internal Audit concerning the scope of work undertaken and its results.</li> <li>No individually significant or material instances of actual or suspected fraud were identified in the course of our work.</li> </ul>  |
| Law and regulation breaches | <ul style="list-style-type: none"> <li>Auditing Standards require us to obtain confirmation from the directors that they are not aware of any material breaches of applicable laws and regulations relating to the Group.</li> </ul>   | <ul style="list-style-type: none"> <li>During the course of our audit work we have not noted any breaches of applicable laws and regulations which could have a material impact on the Group's activities.</li> </ul>  |
| Litigation and claims       | <ul style="list-style-type: none"> <li>Auditing Standards require us to obtain confirmation from the directors that they are not aware of any material instances of litigation or claims against the company.</li> </ul>   | <ul style="list-style-type: none"> <li>The litigation accrual has increased by €0.3 million year on year to €6.5 million reflecting a significant number of new cases in the current year offset by changes in existing cases based on new information or developments in 2014.</li> <li>The year end liability represents a prudent estimate of settlement costs and legal fees related to a large number of open claims managed by RTÉ in-house lawyers, generally below the insurance threshold.</li> </ul> |
| Independence                | <ul style="list-style-type: none"> <li>Auditing Standards require us to communicate to you in writing at least annually whether we are independent with respect to the Group.</li> </ul>   | <ul style="list-style-type: none"> <li>Please refer to Independence Letter in Appendix 4.</li> </ul>   |
| Written representations     | <ul style="list-style-type: none"> <li>Our standard audit procedures require that the Company issue to KPMG a management representation letter prior to audit sign off.</li> </ul>   | <ul style="list-style-type: none"> <li>Draft management representation letter to be issued in advance of our next meeting.</li> </ul>  |
| Related parties             | <ul style="list-style-type: none"> <li>Accounting Standards and Company law require the disclosure of material related party transactions.</li> <li>We have enquired of management as to the process in place to both identify related parties and to ensure that transactions with those related parties are captured. We are satisfied that this process is adequate.</li> </ul> | <ul style="list-style-type: none"> <li>We are awaiting RTÉ's analysis of related party transactions for the year ended 31 December 2014.</li> <li>The directors need to be satisfied that all material related party transactions have been disclosed appropriately.</li> </ul>  |

| Area  | Overview   | KPMG commentary   |
|---|--|---|
| Management judgments and accounting estimates | <ul style="list-style-type: none"> <li>The preparation of the consolidated financial statements requires management of the Group to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period.</li> </ul> | <ul style="list-style-type: none"> <li>Key judgments and estimates are discussed on the previous pages of this report.</li> </ul>   |
| Post balance sheet events                     | <ul style="list-style-type: none"> <li>Accounting Standards require consideration of all events up to the date of approval of the financial statements in case they impact on the financial statements, either by way of adjustment or disclosure.</li> </ul>  | <ul style="list-style-type: none"> <li>We will update the Audit Committee at our April 2015 meeting of the results of our procedures related to post balance sheet events.</li> <li>The directors should confirm that they are not aware of any material events since the balance sheet date that would impact the FY 2014 financial statements.</li> </ul> |

This page provides an overview of the fees earned by KPMG Ireland for the year ended 31 December 2014.

|  | €'000      |
|--|------------|
| <b>Professional non audit fees billed to 31 December 2014</b>                              |            |
| <b><i>Other assurance services</i></b>   |            |
| - BAI Qualifying Income Review 2013  | 12         |
| - IPU Commissioning Procedures 2013  | 11         |
| <b><i>Other non-audit services</i></b>   |            |
| - Training – Hedge accounting course   | 2          |
| - iXBRL Conversion   | 5          |
| - Corporate Finance re: 2rn banking model  | 20         |
| - Corporate Finance re: assistance on finalisation of 2rn Barclays agreement               | 20         |
| - Corporate Finance re: general financial assistance including update of strategic reviews | 34         |
| Tax compliance services (re 2013)  | 12         |
| Tax advisory services  | 163        |
| <b>Total</b>   | <b>279</b> |

|   | €'000      |
|---|------------|
| <b>Fees for the 2014 financial statement audit</b>  |            |
| The agreed fees for the 2014 audit is in accordance with our tender document issued in 2010 |            |
| The fees agreed for auditing RTÉ in the year ending 31 December 2014 are as follows:        |            |
| <b><i>Financial Statement Audit</i></b>   |            |
| • Group and other* (including dormant entities)   | 90         |
| • RTÉ Commercial Enterprises Limited  | 15         |
| • 2rn   | 9          |
|   | <b>114</b> |
| <b><i>Pension Audit</i></b>   |            |
| • Pension review  | 46         |
| <b><i>2rn – Regulatory Audit</i></b>  |            |
| • Regulatory audit – 2rn  | 30         |
| <b>Total</b>  | <b>190</b> |

\* Other incorporates dormant entities, report on One World Fund and IPU annual report

The figures above exclude VAT, and expenses where applicable

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**Private and confidential**

The Audit and Risk Committee  
Raidió Teilifís Éireann  
Donnybrook  
Dublin 4

11 March 2015

To the Audit and Risk Committee Members

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG independence and the objectivity of the partner and the audit team. This letter is intended to comply with this requirement.

We have summarised the fees paid to us by the company and its related entities for significant professional services provided by us during the reporting period in the attached appendix 3.

We are satisfied that our general procedures support our independence and objectivity.

**General procedures to safeguard independence and objectivity**

KPMG is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

A review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs, concluded that we are compliant with APB Ethical Standards in relation to this audit engagement.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit and Risk Committee.

**Confirmation of audit independence**

We confirm that as of 11 March 2015, in our professional judgment, KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee and should not be used for any other purposes.

Yours faithfully

KPMG

#### Basis of preparation

We have prepared this Audit Committee Report ('Report') in accordance with the terms of our audit engagement letter dated 13 October 2014 and our audit strategy and plan document previously communicated to you on 17 December 2014.

#### Purpose of this report

This Report is made to the Company's Audit Committee in order to communicate matters of interest as required by International Standards on Auditing (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

#### Restrictions on distribution

This Report is for the benefit and information of the addressees only and should not be copied, referred to or disclosed, in whole or in part, without our prior written consent, except as specifically permitted in our engagement letter. We accept no responsibility to any other party who obtains access to this report, whether under the Freedom of Information Act or otherwise.

#### Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Company's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Company's members in accordance with the Companies Acts.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

#### Limitations on work performed *(continued)*

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.



*cutting through complexity*

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# RTÉ

Audit findings for the year ended 31 December 2015

Presentation to the Audit & Risk Committee

14 March 2016

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in connection with this  
report are:

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# Executive summary

| Area                             | Summary observations  | Analysis |
|----------------------------------|---|----------|
| <b>Status of the audit</b>       |   |          |
| <b>Where are we now?</b>         | <p>Our audit is largely complete subject to:</p> <ul style="list-style-type: none"> <li>■ Review of GRNI accrual analysis by Internal Audit;</li> <li>■ Receipt and review of complete draft of the RTÉ Annual Report;</li> <li>■ Consideration and approval by the Board of RTÉ Annual Report and letter of representation;</li> <li>■ Completion of our subsequent events review prior to financial statements finalisation in April;</li> <li>■ Chairman's letter to the Minister on internal controls; and</li> <li>■ Finalisation of audit procedures and certain confirmation matters.</li> </ul> <p>It is our intention to issue an unqualified audit opinion on the financial statements of the Group.</p>  | N/A      |
| <b>Areas of main audit focus</b> |   |          |
| <b>Audit risks</b>               | <p>The following significant audit risks, which we have identified as having the greatest effect on our audit approach and execution, are addressed in this Report:</p> <ul style="list-style-type: none"> <li>■ Commercial revenue and deal debt;</li> <li>■ Pensions;</li> <li>■ Management override of controls.</li> </ul> <p><i>Other areas of audit focus which we wish to bring to your attention include:</i></p> <ul style="list-style-type: none"> <li>■ Going concern and covenant compliance;</li> <li>■ TV licence fee;</li> <li>■ Valuation of trade receivables;</li> <li>■ Accruals;</li> <li>■ Tax provisions; and</li> <li>■ Accounting for interest rate swaps.</li> </ul> <p>The board should be satisfied with the accounting treatment adopted for each of these matters as part of their consideration and approval of the financial statements.</p> | Page 4   |

# Significant audit risks

| Significant audit risks                      |               |            |  |
|--|---------------|------------|--|
| Area   | Balance       |            | KPMG view  |
|  | 2015<br>€m    | 2014<br>€m |  |
| <b>Commercial revenue and deal debt</b>      | <b>155.4</b>  | 149.6      | ■ Based on the audit procedures performed, we are satisfied that commercial revenue and deal debt are not materially misstated.  |
| <b>Pensions (RTÉ SA Scheme)</b>              | <b>43.4</b>   | (19.2)     | ■ Assumptions adopted by management as part of our IAS 19R review of the RTÉ Superannuation Scheme are reasonable.   |
| <b>Management override of controls</b>       | <b>N/A</b>    | N/A        | ■ Based on the audit procedures performed on the testing of journal entries, accounting estimates as well as significant transactions, we have not identified any material instances of management override of controls.   |
| Other audit risks                            |               |            |  |
| Area   | Balance       |            | KPMG view  |
|  | 2015<br>€m    | 2014<br>€m |  |
| <b>Going concern and covenant compliance</b> | <b>N/A</b>    | N/A        | ■ We have reviewed management's assessment of the going concern basis of preparation and are satisfied that it is appropriate.   |
| <b>TV licence fee</b>                        | <b>178.9</b>  | 178.6      | ■ Based on the audit procedures performed, we are satisfied that TV licence fee income is not materially misstated.  |
| <b>Receivables (Trade), net</b>              | <b>38.8</b>   | 38.4       | ■ The closing bad debt provision amounts to €1.3 million representing 100% provision of the past due uninsured debtors not collected at 29 January 2016 and specific provision for current (i.e. not past due) balances from customers such as Xtra-Vision.  |
| <b>Accruals including tax provisions</b>     | <b>(60.7)</b> | (56.8)     | ■ The closing balance at 31 December 2015 represents specific accruals relates primarily to routine items (€28.7 million), inventory (programme) accruals (€18.9 million), VAT and payroll related accruals (€3 million), litigation (€5.4 million), revenue related rebates and deal debt (€4.7 million).   |
| <b>Tax provisions</b>                        | <b>(3)</b>    | (4.1)      | ■ The closing balance at 31 December 2015 represents a €2.6 million balance for estimated PRSI on self-employed contractors, €0.3 million in respect of non-recoverable VAT that could potentially be charged by Irish-resident self-employed contractors and other payroll related amounts of €0.1 million. There was a release of €1.3 million in relation to VAT reclaimed on Six Nations games played overseas during the years 2011 through 2014. |
| <b>Accounting for interest rate swaps</b>    | <b>(0.3)</b>  | (1.2)      | ■ The year one mark to market adjustment on the interest rate swap over the Barclays loan was €0.3 million. Our valuation expert has reviewed this position and is satisfied the valuation is appropriate.   |

# Significant audit risks – Commercial revenue and deal debt

**Commercial revenue increased by €5.8 million reflecting a strong television advertising performance in Q4 of 2015 and maintenance of market share.**

**€0.2 million increase in deal debt provision year on year driven by increased television advertising activity in Q4 of 2015.**

| Commercial revenue and deal debt |              |              |
|----------------------------------|--------------|--------------|
|                                  | 2015<br>€000 | 2014<br>€000 |
| Commercial revenue               | 155,404      | 149,605      |
| Deal debt                        | (980)        | (775)        |

Source: 2015 trial balance

Revenue recognition is a complex area in particular when assessing the units of accounting within significant multi-year contractual arrangements.

We have performed our planned audit procedures on commercial revenue and deal debt. Key points of note arising from our procedures are as follows:

## Deal debt provision

The deal debt provision at 31 December 2015 is €1 million (2014: €0.8 million). The pricing structure for TV advertising sales is linked to the expected number of viewers at the time of airing. Where actual ratings do not reach expected ratings, a liability is recognised for the monetary amount of the 'under delivery'. No amount is recognised in the financial statements in respect of over deliveries in accordance with IAS 37, Provisions, Contingent Assets and Contingent Liabilities on the basis that these amounts may not be recovered from customers.

We have discussed the provision for deal debt with management and the estimation process employed in arriving at the provision. We are satisfied that the provision is fairly stated.

## Sky contract

RTÉ entered into a contract with Sky in respect of distribution of RTÉ content by Sky. The contract is for a period of 5 years and involves total payments to RTÉ of €11 million over this term including an initial upfront payment of €0.5 million. Management have considered the Sky arrangement and concluded that the payment received on signature of the contract was earned and have recognised this amount as revenue.

We have discussed with management whether the signing of this contract constitutes a discrete earnings process and whether the appropriate accounting treatment would be to spread the upfront fee over the 5 year term of the arrangement.

Sky have confirmed to the company that the upfront payment fee constituted a signing bonus fee and was not connected to the licence.

We do not object to the company's accounting treatment for this contract.

## KPMG view

Based on the audit procedures referred to above, we are satisfied that commercial revenue and deal debt are not materially misstated.

# Defined benefit pension scheme

The RTÉ Superannuation Scheme has a surplus of €43.4 million on an IAS 19R basis at 31 December 2015.

Plan assets at 31 December 2015 are approximately €1 billion.

Key movements are as follows:

- positive asset returns (in excess of anticipated interest income on assets of €19.3 million) of €31.5 million
- actuarial gain due to 0.4% change in discount rate of €52.3 million offset by actuarial loss of €20.5 million due to increased salary / pension / inflation and mortality assumptions

A past service credit of €5.7 million arises from the September 2015 decision to pass the 0.6% pension levy to Scheme members at 30 June 2014.

## RTÉ Superannuation Scheme

| Pension accounting  |                     |                     |                        |  |
|---|---------------------|---------------------|------------------------|--|
| €m  | Increase in deficit | Increase in surplus | Net impact<br>€million | Commentary   |
| Opening deficit ( <i>balance sheet</i> )  |                     |                     | (19.2)                 | The opening IAS 19 deficit for the Scheme at 1 January 2015 was €19.2 million.   |
| Current service cost ( <i>income statement</i> )  |                     |                     | (3.5)                  | Service cost for the year amounts to €3.5 million (2014: €2.9 million).  |
| Past service credit, net ( <i>income statement</i> )  |                     |                     | 5.7                    | There is a past service credit of €5.7 million arising from the decision taken in July 2015 by the Trustees of the Scheme to pass 0.6% of the 2014 pension levy to Scheme members with effect from October 2015.   |
| Net interest cost / credit ( <i>income statement</i> )                                      |                     |                     | (0.4)                  | This is the difference between the interest income on scheme assets of €19.2 million and the interest expense on the liabilities of €19.6 million.   |
| Contributions ( <i>balance sheet</i> )  |                     |                     | 1.3                    | The company has made cash contributions over the year of €1.3 million.   |
| Remeasurement<br>Change in assumptions gain ( <i>other comprehensive income</i> )           |                     |                     | 31.8                   | There has been an actuarial gain arising from a change in assumptions of €31.8 million. This is due to an increase of 0.4% in the discount rate resulting in an estimated gain of €52.3 million which has been offset by an estimated actuarial loss of €18.5 million due to increased salary/pension/inflation assumptions and an estimated actuarial loss of €2 million due to increased mortality rate assumptions. |
| Remeasurement<br>Benefit obligation experience (loss) ( <i>other comprehensive income</i> ) |                     |                     | (3.8)                  | There has been an experience loss of €3.8 million, as a result of membership experience over 2015 being worse than expected, and reflected in the full valuation carried out.  |
| Return on scheme assets (gain) ( <i>other comprehensive income</i> )                        |                     |                     | 31.5                   | Actual asset returns for the year are €50.8 million which is net of 0.75% government levy. The actuarial gain on scheme assets (i.e. returns in excess of interest income on assets recognised in the Income Statement of €19.3 million) was €31.5 million.  |
| Closing surplus ( <i>balance sheet</i> )  |                     |                     | 43.4                   | Therefore the closing IAS 19 surplus for the Scheme at 31 December 2015 is €43.4 million.  |

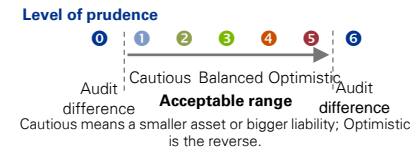
## KPMG view

RTÉ has recognised an asset of €43.4 million at 31 December 2015 as under the Scheme Regulations any surplus on the Fund on a wind-up returns to the Authority.

The RTÉ Superannuation fund has accrued for investment management expenses that are reimbursable to RTÉ in respect of 2015. RTÉ invoiced and received €0.6 million from the Fund in 2015 in respect of reimbursement of expenses for 2013 and 2014. RTÉ has not accrued for receipt of the 2015 expenses incurred, amounting to €0.2 million as these amounts are not yet approved by the RTÉ Superannuation Fund.

For a scheme of 13.7 years duration, Mercer's benchmark figures are 2.34% - 2.35%. Management have rounded up and applied a discount rate of 2.4% in valuing the net position of the Scheme as at 31 December 2015. RTÉ has also revised mortality assumptions upwards. In overall terms, we believe the assumptions to be balanced when compared with industry benchmarks. There is a significant degree of estimation in the Pension Accounting Model. Based on the audit procedures performed, we are satisfied that the accounting for the RTÉ Superannuation Scheme at 31 December 2015 is not materially misstated.

# Other audit risks – Other areas of audit focus



| Other audit risks                     |              |             |   |
|---------------------------------------|--------------|-------------|---|
| Area                                  | Balance      |             | KPMG view   |
|                                       | 2015<br>€m   | 2014<br>€m  |   |
| <b>Going concern</b>                  | N/A          | N/A         | <ul style="list-style-type: none"> <li>We have evaluated management's assessment of the going concern basis of preparation and based on our procedures we are satisfied that it includes all relevant information to address this matter. We believe that it is appropriate to prepare the financial statements on the going concern basis. Based on the audit procedures performed, we are satisfied RTÉ / RTÉ NL are in compliance with the relevant financial covenants at 31 December 2015. The Board are required as part of their approval of the financial statements to confirm that it is appropriate to prepare the financial statements on a going concern basis.</li> </ul>   |
| <b>TV licence fee</b>                 | <b>178.9</b> | 178.6       | <ul style="list-style-type: none"> <li>Licence fee revenue has remained relatively consistent year on year.</li> <li>RTÉ has a €3.1 million receivable due from the Department of Energy and Natural Resources (DCENR) as at 31 December 2015 (2014: €2.7 million). The year on year increase primarily relates to an underpayment in 2015 by the DCENR of €0.5 million which has subsequently been received in January 2016. The balance with the DCENR currently remains unconfirmed albeit efforts are being made by management to agree and confirm this balance with the DCENR.</li> </ul>   |
| <b>Valuation of trade receivables</b> | <b>38.8</b>  | 38.4        | <ul style="list-style-type: none"> <li>Gross trade receivables has decreased by €0.4 million with a corresponding decrease in the bad debt provision from €2.1 million to €1.3 million, largely driven by the settlement of the TV3 debt during the year.</li> <li>To date 89% of debtor balances at year ended 31 December 2015 has been collected.</li> </ul>   |
| <b>Inventory</b>                      | <b>32.1</b>  | <b>33.8</b> | <ul style="list-style-type: none"> <li>We performed testing over the inventory balance at year end which primarily comprises acquired (€12.9 million) and commissioned inventory (€17.1 million).</li> <li>As part of our procedures over acquired inventory, we performed a walkthrough of the process for a sample of three different types of acquisitions, from the point of acquisition through to initial recognition on the books and subsequently amortisation. We also selected a sample of additions to the acquired inventory balance during the year and a separate sample of amortisations charged to the income statement. We vouched these samples to supporting documentation including signed contracts and transmission logs.</li> <li>As a separate assurance engagement for which we issue a separate report to management, we perform agreed upon procedures over the Independent Productions Unit (IPU) commissioning process whereby we assess the control environment over the commissioning process for a selection of submissions in the year. For each submission selected, we ensure that the process in place has been adhered to and that amortisation has been appropriately calculated and reflected on the books. We rely on the work we perform as part of this engagement with respect to the commissioned inventory balance at 31 December. We also perform top-up procedures whereby we test the commissioned amortisation charge for the year by selecting a sample and vouching it to supporting documentation including contracts and transmission logs.</li> <li>Based on the testing performed, we are satisfied that the inventory balance and related amortisation as at 31 December 2015 is not materially misstated.</li> </ul> |

# Other audit risks – Other areas of audit focus (continued)

| Other audit risks                         |              |              |   |
|---|--------------|--------------|---|
| Area                                      | Balance      |              | KPMG view   |
|   | 2015<br>€m   | 2014<br>€m   |   |
| <b>Tax provisions</b>                     | <b>(3.0)</b> | <b>(4.1)</b> | <ul style="list-style-type: none"> <li>■ The tax provisions balances of €3.0 million consists of: <ul style="list-style-type: none"> <li>- €2.6 million (2014: €2.1 million) estimated PRSI liability in respect of contractors who operate as self employed persons and contract their services to RTE. Given the increased focus by the Revenue Commissioners and Department of Social Protection on payroll related matters, RTE have determined an additional accrual of €0.5 million was necessary in the current year in the event of a challenge / audit by Revenue;</li> <li>- €0.3 million (2014: €0.3 million) relating to potential non-recoverable VAT that could be charged by Irish resident self-employed contractors; and</li> <li>- €0.1 million (2014: €0.05 million) provision in respect of other minor payroll related matters.</li> </ul> </li> <li>■ The remainder of the movement year on year is attributable to the following: <ul style="list-style-type: none"> <li>- Release of €1.3 million provision in respect of VAT recovered on Six Nations games played overseas in 2011-2014 inclusive;</li> <li>- Release of €0.3 million provision relating to VAT on independent producers contracts due to no significant issues arising in 18 month period once clarification of the decreased treatment by revenue in the provision.</li> </ul> </li> <li>■ Our tax specialists have reviewed the provisions and concur with management's assessment.</li> </ul> |
| <b>Accounting for interest rate swaps</b> | <b>(0.3)</b> | <b>(1.2)</b> | <ul style="list-style-type: none"> <li>■ RTE entered into an interest rate swap for the original Barclays loan facility and applied hedge accounting. This hedge became ineffective in June 2014 when the facility was refinanced. The prior year liability of €1.2 million has been released to the income statement in December 2015 on expiry of the interest rate swap.</li> <li>■ A new interest rate swap was put in place during the year applying to the €40 million Barclays loan facility and is also accounted for as a hedge. A fixed rate of 0.21% has been secured from December 2015 through June 2019. A mark-to market loss of €0.3 million was incurred in 2015 and recognised through other comprehensive income (OCI).</li> </ul>   |

## KPMG view

Based on the audit procedures performed, we are satisfied that the other areas of audit risks are not materially misstated at 31 December 2015.

# Other matters

| Other matters   |  |   |
|---|--|---|
| Area  | Overview   | KPMG commentary   |
| <b>Fraud</b>  | <ul style="list-style-type: none"> <li>We are required to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether caused by error or by fraud.</li> </ul>  | <ul style="list-style-type: none"> <li>Our risk assessment procedures included consideration of the fraud prevention programme operated by Internal Audit and discussion with the Head of Internal Audit concerning the scope of work undertaken and its results.</li> <li>No individually significant or material instances of actual or suspected fraud were identified in the course of our work.</li> </ul>                                 |
| <b>Law and regulation breaches</b>                    | <ul style="list-style-type: none"> <li>Auditing Standards require us to obtain confirmation from the directors that they are not aware of any material breaches of applicable laws and regulations relating to the Group.</li> </ul>   | <ul style="list-style-type: none"> <li>During the course of our audit work we have not noted any breaches of applicable laws and regulations which could have a material impact on the Group's activities.</li> </ul>   |
| <b>Litigation and claims</b>                          | <ul style="list-style-type: none"> <li>Auditing Standards require us to obtain confirmation from the directors that they are not aware of any material instances of litigation or claims against the company.</li> </ul>   | <ul style="list-style-type: none"> <li>The litigation accrual has decreased by €1.1 million year on year to €5.4 million reflecting settlement of cases and revisions based on new information or developments in 2015.</li> <li>The year end liability represents an estimate of settlement costs and legal fees related to a large number of open claims managed by RTÉ in-house lawyers, generally below the insurance threshold.</li> </ul> |
| <b>Independence</b>                                   | <ul style="list-style-type: none"> <li>Auditing Standards require us to communicate to you in writing at least annually whether we are independent with respect to the Group.</li> </ul>   | <ul style="list-style-type: none"> <li>Please refer to Independence Letter on page 12.</li> </ul>   |
| <b>Written representations</b>                        | <ul style="list-style-type: none"> <li>Our standard audit procedures require that the Company issue to KPMG a management representation letter prior to audit sign off.</li> </ul>   | <ul style="list-style-type: none"> <li>Draft management representation letter to be issued in advance of our next meeting.</li> </ul>   |
| <b>Related parties</b>                                | <ul style="list-style-type: none"> <li>Accounting Standards and Company law require the disclosure of material related party transactions.</li> <li>We have enquired of management as to the process in place to both identify related parties and to ensure that transactions with those related parties are captured. We are satisfied that this process is adequate.</li> </ul> | <ul style="list-style-type: none"> <li>We are awaiting RTÉ's analysis of related party transactions for the year ended 31 December 2015.</li> <li>The board need to be satisfied that all material related party transactions have been disclosed appropriately.</li> </ul>   |
| <b>Management judgements and accounting estimates</b> | <ul style="list-style-type: none"> <li>The preparation of the consolidated financial statements requires management of the Group to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period.</li> </ul>     | <ul style="list-style-type: none"> <li>Key judgements and estimates are discussed on the previous pages of this report.</li> </ul>  |

# Other matters (continued)

| Other matters  |  |   |
|--|--|---|
| Area   | Overview   | KPMG commentary   |
| <b>Adjusted and unadjusted audit differences</b>   | <ul style="list-style-type: none"> <li>■ To comply with auditing standards, the following three types of audit differences will be presented to the Audit &amp; Risk Committee: <ul style="list-style-type: none"> <li>- summary of adjusted audit differences;</li> <li>- summary of unadjusted audit differences;</li> <li>- summary of disclosure differences (adjusted and unadjusted).</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ There are no material unadjusted differences audit differences to bring to the attention of the Audit and Risk Committee.</li> </ul>   |
| <b>Post balance sheet events</b>   | <ul style="list-style-type: none"> <li>■ Accounting Standards require consideration of all events up to the date of approval of the financial statements in case they impact on the financial statements, either by way of adjustment or disclosure.</li> </ul>  | <ul style="list-style-type: none"> <li>■ We will update the Audit and Risk Committee at our April 2016 meeting of the results of our procedures related to post balance sheet events.</li> <li>■ The directors should confirm that they are not aware of any material events since the balance sheet date that would impact the FY2015 financial statements.</li> </ul>   |
| <b>Assessment of Compliance with the Code of Practice for Governance of State Bodies</b> | <ul style="list-style-type: none"> <li>■ As a statutory corporation, RTÉ is required to comply with Code of practice for Governance of State Bodies.</li> </ul>  | <ul style="list-style-type: none"> <li>■ We are awaiting relevant information including updated Risk Register and Annual Internal Controls Effectiveness Review to support RTÉ's compliance with the Code of Practice for Governance of State Bodies and will update the Audit &amp; Risk Committee at our next meeting.</li> </ul>   |
| <b>Control observations</b>  | <ul style="list-style-type: none"> <li>■ As part of our audit approach, we tested a number of manual controls across the advertising and payroll processes.</li> </ul>   | <ul style="list-style-type: none"> <li>■ In general, we noted that the internal controls tested by us as part of our audit were strong, with no significant internal control deficiencies identified in the course of our audit.</li> </ul>   |
| <b>IT considerations</b>   | <ul style="list-style-type: none"> <li>■ We designed our audit procedures in such a manner that we did not place reliance on the IT systems in place. However, we did engage our IT specialists to update our understanding of the IT environment and to obtain an update with respect to management letter points raised in prior periods relating to Agresso, Landmark and IBMS.</li> </ul>                      | <ul style="list-style-type: none"> <li>■ We understand Internal Audit, with assistance from E&amp;Y, carried out a review during 2015 to identify current and emerging technology risks facing RTÉ. This review highlighted the aging applications and infrastructure in place that are in need of investment / replacement. Our findings from the procedures performed largely mirror the findings of this report. There is a risk that updated or insufficiently supported systems might not be able to serve business requirements going forward. We recommend that the business consider these systems for capital investment in order to ensure they can continue to serve evolving business requirements and requirements around availability going forward. With respect to prior period management letter points, we acknowledge progress has been made on a significant number of points raised but the level of progress in any given year is restricted to the assigned capital spend levels.</li> </ul> |



# Summary of fees

This page provides an overview of the fees earned by KPMG Ireland for the year ended 31 December 2015.

| Audit and Assurance fees for the 2015 financial statement audit  |            |
|--|------------|
| Summary of professional fees   | €000       |
| <b>Audit services</b>  |            |
| <i>The agreed fees for the 2015 audit is in accordance with our tender document issued in 2010. The fees agreed for auditing RTÉ in the year ending 31 December 2015 are as follows:</i> |            |
| <b>Financial Statement Audit</b>   |            |
| Group and other*   | 90         |
| RTÉ Commercial Enterprises Limited   | 15         |
| 2rn  | 9          |
| <b>Total audit fees</b>  | <b>114</b> |
| <b>Pension audit</b>   |            |
| Pension review   | 46         |
| <b>Total pension fees</b>  | <b>46</b>  |
| <b>2rn – Regulatory audit</b>  |            |
| Regulatory audit – 2rn   | 30         |
| <b>Total regulatory audit fees</b>   | <b>30</b>  |
| <b>Assurance services</b>  |            |
| - BAI Qualifying Income Review 2014  | 13         |
| - IPU Commissioning Procedures 2014  | 11         |
| - Top Talent review 2012 - 2014  | 9          |
| <b>Total assurance fees</b>  | <b>33</b>  |
| <b>Total audit and assurance fees</b>  | <b>223</b> |

| Professional non-audit fees billed to 31 December 2015                               |            |
|--|------------|
|  | €000       |
| <b>Other non-audit services</b>  |            |
| - Corporate Finance Projects – Property Project, RTÉ Medium Range Projections, GAAGO | 130        |
| - Corporate Finance – Support on BOI RG Funding                                      | 34         |
| Tax compliance services (re: 2014)   | 12         |
| Tax advisory services  | 74         |
| Superannuation pension scheme review of IRR Model                                    | 10         |
| <b>Total</b>   | <b>260</b> |

# Independence letter

## **Private and confidential**

The Audit and Risk Committee  
Raidió Teilifís Éireann  
Donnybrook  
Dublin 4

14 March 2016

To the Audit and Risk Committee Members

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG's independence and the objectivity of partner and the audit team. This letter is intended to comply with this requirement.

We have considered the fees paid to us by the company and its related entities for professional services provided by us during the reporting period.

We have summarised the fees paid to us by the company and its related entities for significant professional services provided by us during the reporting period in the previous slide.

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place.

## **General procedures to safeguard independence and objectivity**

KPMG is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the FRC's Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

A review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs, concluded that we are compliant with FRC's Ethical Standards in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate.

Please inform me if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit Committee.

## **Confirmation of audit independence**

We confirm that as of 14 March 2016, in our professional judgment, KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee and should not be used for any other purposes.

Yours faithfully

KPMG

# The small print

## **Basis of preparation**

We have prepared this Audit Committee Report ('Report') in accordance with the terms of our audit engagement letter dated 27 November 2015 and our audit strategy and plan document previously communicated to you on 9 December 2015.

## **Purpose of this report**

This Report is made to the Company's Audit Committee in order to communicate matters of interest as required by International Standards on Auditing (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

## **Restrictions on distribution**

This Report is for the benefit and information of the addressees only and should not be copied, referred to or disclosed, in whole or in part, without our prior written consent, except as specifically permitted in our engagement letter. We accept no responsibility to any other party who obtains access to this report, whether under the Freedom of Information Act or otherwise.

## **Limitations on work performed**

This Report is separate from our audit report and does not provide an additional opinion on the Company's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Company's members in accordance with the Companies Acts.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditor. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.



**kpmg.ie**

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# RTÉ

## Report to the Audit & Risk Committee

**Audit findings for the year ending  
31 December 2016**

15 March 2017





# Introduction



## To the Audit & Risk Committee of RTÉ

We are pleased to have the opportunity to meet with you on 15 March 2017 to discuss the results of our audit of the consolidated financial statements of RTÉ (the “Company”) (and its subsidiaries (the “Group”), as at and for the year ended 31 December 2016.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 7 December 2016. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy.

Subject to the Board’s approval, we expect to be in a position to sign our audit opinion on the Group’s financial statements at an agreed upon date in April 2017, provided that the outstanding matters noted on page 3 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor’s Report.

We draw your attention to the important notice on page 18 of this report, which explains:

- the purpose of this report;
- limitations on work performed; and
- restrictions on distribution of this report.

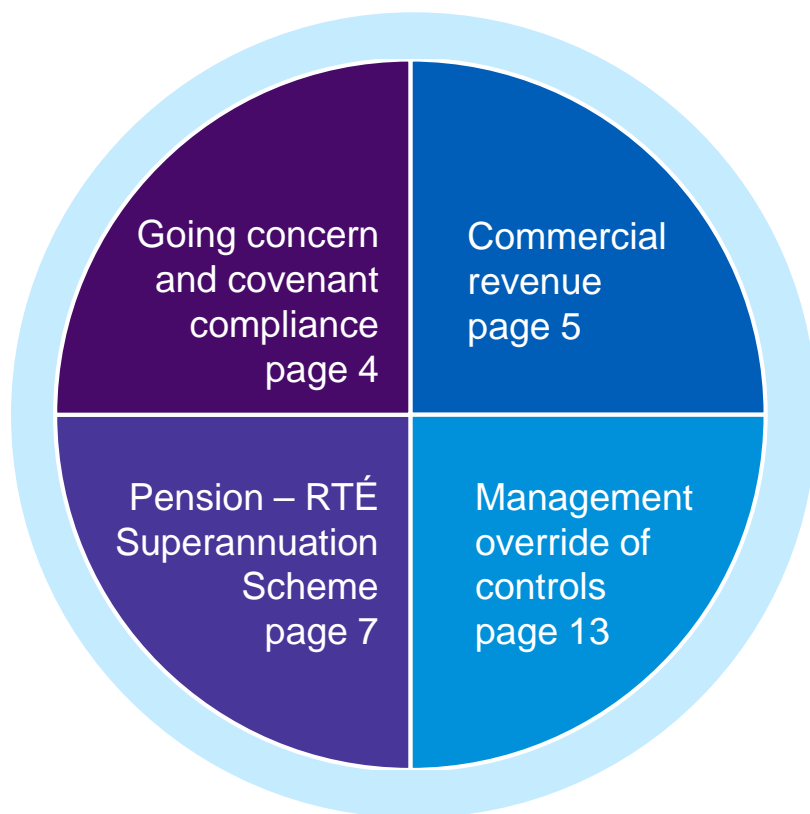
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# Executive summary – key matters



## Outstanding matters

We are substantially complete with our audit, pending finalisation of the following:

- Receipt and review of complete draft of the RTÉ Annual Report;
- Review of allocations including FY'15 restatement of Note 2 of annual report;
- Review of GRNI accrual analysis by Internal Audit;
- Receipt of cash and FX confirmations;
- Consideration and approval by the Board of RTÉ Annual Report and letter of representation;
- Completion of our subsequent events review prior to the financial statements finalisation in April;
- Chairman's letter to the Minister on internal controls; and
- Finalisation of audit procedures and certain confirmation matters.

# Audit risks



Scepticism



Challenge



## Going concern and covenant compliance

### Going concern and covenant compliance

#### The risk

- Due to RTÉ's net deficit position coupled with the level of external debt in place, to which covenants are attached, we have identified going concern and covenant compliance as an audit risk.

FY'16 Net deficit post tax of  
€19.7 million

FY'17 projected net deficit pre  
tax of €6.8 million

Total borrowings at 31  
December 2016: €57.9 million

Total cash at 31 December  
2016: €17.7 million

#### Detail

- When financial statements are prepared on the going concern basis, the board members need to be satisfied that the Group can continue in existence for the foreseeable future, i.e. that RTÉ will continue as a going concern for at least 12 months from the date of approval of the financial statements. Typically this assessment is made by looking at a forecast horizon beyond 12 months (typically 18-24 months).
- Auditing standards require us, as auditors, to assess management's use of the going concern assumption including the appropriateness of the related disclosures and implications for the auditors' report, if any.
- Our audit work includes reading management's going concern paper prepared for the board members including reviewing the budget for 2017, which does not incorporate the proceeds arising on any future land sale, and management's forecasts for 2018 and beyond.
- We also assess the level of cash resources available to the Group and test the Group's compliance with the financial covenants as relevant to support the going concern basis in the financial statements. Based on the audit procedures performed, we are satisfied RTÉ and 2m are in compliance with the relevant financial covenants as at 31 December 2016. The RTÉ Bank of Ireland covenants were amended in December 2016. Based on the Interim Budget for 2017, RTÉ is likely to breach its Bank of Ireland covenants for the year ended 31 December 2017. We understand that management are currently negotiating with Bank of Ireland to amend the financial covenants for 2017.

#### KPMG view

- We have reviewed management's conclusion relating to the going concern basis of preparation and based on our procedures we are satisfied that it includes all relevant information to address this matter. We will review the related disclosures pertaining to going concern within the annual report to ensure they appropriately reflect management's conclusions



# Audit risks (continued)



Scepticism



Challenge



## Commercial revenue

Level of judgement

2016

2015

2

2

Level of judgement

1 2 3 4 5

Low

High

### Commercial revenue

#### The risk

- Based on the level of judgement, materiality and complexity of the account, KPMG have determined commercial revenue to be an audit risk.

Total 2016 revenue:  
€337 million

- Commercial: €158 million (47%)
- Licence fee: €179 million (53% - page 9)

### Detail

| Commercial revenue                        | Total Revenue FY'16 | Total Revenue FY'15 |
|---|---------------------|---------------------|
|   | €000                | €000                |
| Advertising revenue                       | 111,302             | 109,952             |
| Sponsorship revenue                       | 10,167              | 9,054               |
| Network revenue (2rn third party revenue) | 10,068              | 10,653              |
| Other income                              | 26,700              | 25,744              |
| <b>Total</b>                              | <b>158,237</b>      | <b>155,403</b>      |

The increase in commercial revenue during 2016 is primarily driven by strong growth in the first half of the year, as a result of positive economic growth factors, and strong audiences around RTÉ's special events programming. Following the Brexit referendum, there was a significant weakening in the advertising market in the second half of 2016, and this has resulted in overall commercial revenue of €158 million for 2016. RTÉ has commenced implementation of a consolidated commercial trading structure in 2017, which will provide a single point of contact for agencies and clients across TV, Radio, Digital and RTÉ Guide. It is expected that the consolidated trading approach will improve RTÉ's relationships with customers, and drive improved revenues in 2017 and onwards. Despite this, the commercial revenue impact of Brexit is expected to continue into 2017.

#### Advertising revenue

The accounting for revenue will differ depending on the type of sale and terms of the underlying agreement. A significant proportion of the external revenue is generated via advertising. RTÉ's advertising revenue system is designed such that revenue recognition does not occur prior to broadcasting. We have tested controls in place that ensure that no customer is billed until such time as the underlying advertisement is broadcast. We perform cut-off procedures to ensure that all revenue is recorded in the correct accounting period and we vouch a sample of year end receivables to cash received post year end, to satisfy the collectability assumption.

The pricing of the annual contractual arrangements with advertising agencies and the details of each advertising campaign, together with the related processes and controls, are complex and involve estimation. In particular, the pricing mechanism means it is possible for a difference to arise between the price paid for an advertising campaign and the value it delivered, mainly as a result of the actual viewing figures being different from the agreed level. Where the Group has over-delivered viewers this is referred to as a 'deal credit', or where delivery has fallen short, it is referred to as 'deal debt'. Rather than the price paid for that campaign being adjusted, these differences are noted for each agency and then taken account of when agreeing either future campaigns or the annual contract. A net deal debt position with an agency is recorded in RTÉ's accounts, as a liability. Net deal credit positions are not recognised. We have tested RTÉ's process for accounting for deal debt, ensuring it is consistent with prior years and for a sample, challenged the year end position considering customer's correspondence and agreed terms of business. We concur with management's assessment of deal debt at year end.

# Audit risks (continued)



Scepticism



Challenge



## Commercial revenue (continued)

Level of judgement  
2016 2015  
**2** **2**

Level of judgement  
**1** **2** **3** **4** **5**  
Low High

### Advertising revenue (continued)

The top 5 advertising agencies with which RTÉ trade account for 56% of total commercial revenue earned by RTÉ as outlined below. 96% of the outstanding receivables balance at year end for these customers (total €21.8 million) has been collected post year end.

| Top commercial customers                          |                          |
|---|--------------------------|
|   | Total Revenue FY'16 €000 |
| 1. Core Media                                     | 39,520                   |
| 2. Dentsu Aegis Network                           | 17,529                   |
| 3. Mindshare                                      | 11,796                   |
| 4. Mediacom                                       | 9,593                    |
| 5. Optimum Media                                  | 9,428                    |
| <b>Total revenue generated by top 5 customers</b> | <b>87,866</b>            |
| <b>Total FY'16 commercial revenue</b>             | <b>158,237</b>           |
| <b>As % of total commercial revenue</b>           | <b>56%</b>               |

### Non-advertising revenue

- Non-advertising revenue comprises network revenue as well as sponsorship and other commercial income. Other commercial income streams include circulation and event income (€5.7 million), content and merchandising income (€13.4 million), sale of facilities related income (€3.1 million) and DTT related income (€4.5 million).
- Network revenue is generated by 2rn, a subsidiary of the RTÉ Group and comprises third party revenue from downstream radio broadcast customers. Sponsorship income is predominately derived by RTÉ company while other income streams are generated across both RTÉ and CEL. We audited a sample of sponsorship and network income to underlying contracts and supporting documentation to ensure that revenue recognition is appropriate. We have tested controls relating to the non-advertising revenue processes by revenue type and performed analytical review procedures over all revenue streams.

### Key arrangements in 2016:

- **Euro 2016 arrangement:** in 2015, RTÉ signed a contractual arrangement to broadcast the Euro 2016 Championship matches in June / July 2016 for €5.5 million. In 2016, RTÉ sub-licenced a portion of the contracted live matches to TV3, in line with the existing UEFA contract. TV3 paid €1.8 million to RTÉ for the exclusive right to broadcast 22 games including the final match of the tournament. RTÉ have accounted for this income as an offset to the costs incurred within operating expenses reflecting the actual cost of broadcast to RTÉ of €3.7 million. We have reviewed the underlying agreements and accounting treatment including related cash receipts, noting no issues. The revenue accounting policy note to the annual report will be amended in 2016 to reflect the company's accounting treatment of such arrangements.
- **1916 Centenary Funding:** In 2016, RTÉ received a total of €5.3 million in funding to organise and produce 1916 centenary related public events in addition to RTÉ's own coverage. This income has been accounted for as an offset against the related costs incurred. We have reviewed the underlying agreements and supporting documentation in place and concur with the accounting treatment adopted.

### KPMG view

- Based on the audit procedures referred to above, we are satisfied that commercial revenue and deal debt are not materially misstated.

# Audit risks (continued)



Challenge



Scepticism



Specialists



## Pension: RTÉ Superannuation Scheme

Level of judgement

2016

2015

3

3

Level of judgement

1 2 3 4 5

Low

High

### Pensions: RTÉ Superannuation Scheme

#### The risk

- RTÉ operates a Defined Benefit Pension Scheme – RTÉ Superannuation Scheme. There are significant judgements involved in determining the pension assets and liabilities for the scheme. The valuation is considered an audit risk as, given the quantum of the pension surplus, small changes in the assumptions can have a material financial impact on the Group.

Pension asset:  
€27.1 million

#### Detail

- Plan assets at 31 December 2016 were €1,043 million and plan liabilities at 31 December 2016 were €1,016 million. RTÉ has therefore recognised an asset of €27.1 million at 31 December 2016.
- We have confirmed the ownership and valuation of all plan assets.
- There is a significant degree of estimation in the Pension Accounting Model. Our procedures included challenging the key assumptions applied in determining the Group's net deficit, including the discount rate, inflation rate, rate of increase in salary and mortality/life expectancy, with the support of our own actuarial specialists. This included a comparison of these key assumptions against externally derived data. In overall terms, we believe the assumptions to be balanced when compared with industry benchmarks.
- For 2016 and beyond, the RTÉ Superannuation fund is directly paying for investment related expenses that were previously incurred by RTÉ. In 2016, RTÉ invoiced and received €0.2 million from the Fund in 2016 in respect of reimbursement of expenses for 2015.
- In 2011, legislation was passed by the Government that established an annual levy of 0.6% of pension scheme assets payable for the 4 year period 2011 – 2014 inclusive. There was a past service credit of €5.7 million in the prior year arising from a decision taken in 2015 by the Trustees of the Scheme to pass 0.6% of the 2014 pension levy to Scheme members with effect from October 2015. The actual pension levy paid for 2014 represented 0.75% of the value of the Scheme's assets at 30 June 2014, of which 0.15% was an additional levy introduced by the Finance Act 2013, which was not passed on to members by the Trustees. The Trustees did not pass on the pension levy paid of 0.75% in 2015 to members by means of a benefit reduction. Accordingly there is no past service credit in 2016.

#### KPMG view

- Based on the audit procedures performed, we are satisfied that the accounting for the RTÉ Superannuation Scheme at 31 December 2016 is not materially misstated.

# Audit risks (continued)



Challenge



Scepticism



Specialists



## Pension: RTÉ Superannuation Scheme (continued)

Level of judgement  
2016 2015  
3 3

Level of judgement  
1 2 3 4 5  
Low High

| Pension accounting  |                     |                     |                        |  |
|---|---------------------|---------------------|------------------------|--|
| Description   | Increase in deficit | Increase in surplus | Net impact<br>€million | Commentary   |
| <b>Opening surplus</b> ( <i>balance sheet</i> )   |                     |                     | <b>43.4</b>            | The opening IAS 19 surplus for the Scheme at 1 January 2016 was €43.4 million.   |
| <b>Current service cost</b> ( <i>income statement</i> )                                       |                     |                     | <b>(3.1)</b>           | Service cost for the year amounts to €3.1 million (2015: €3.5 million). This represents the present value of the projected retirement benefits earned by plan participants in the current period   |
| <b>Net interest credit</b> ( <i>income statement</i> )  |                     |                     | <b>1.1</b>             | This is the difference between the interest income on scheme assets of €23.4 million and the interest expense on the liabilities of €22.3 million.   |
| <b>Contributions</b> ( <i>balance sheet</i> )   |                     |                     | <b>1.2</b>             | The company has made cash contributions over the year of €1.2 million (2015: €1.3 million) in respect of the Scheme's active employees.  |
| <b>Remeasurement Change in assumptions loss</b> ( <i>other comprehensive income</i> )         |                     |                     | <b>(82.2)</b>          | There has been an actuarial loss arising from a change in assumptions of €82.2 million. This is due to a decrease of 0.7% in the discount rate from 2.4% to 1.7% resulting in an estimated loss of €92 million remeasurement of plan liabilities which has been offset by an estimated actuarial gain of €9.8 million due to increased salary/pension/inflation assumptions. |
| <b>Remeasurement Benefit obligation experience gain</b> ( <i>other comprehensive income</i> ) |                     |                     | <b>3.8</b>             | There has been an experience gain of €3.8 million, as a result of membership experience over 2016 being better than expected, and reflected in the full valuation carried out.   |
| <b>Return on scheme assets (gain)</b> ( <i>other comprehensive income</i> )                   |                     |                     | <b>62.9</b>            | Actual asset returns for the year are €86.3 million which is net of 0.75% government levy. The actuarial gain on scheme assets (i.e. returns in excess of interest income on assets recognised in the Income Statement of €23.4 million) was €62.9 million.  |
| <b>Closing surplus</b> ( <i>balance sheet</i> )   |                     |                     | <b>27.1</b>            | Therefore the closing IAS 19 surplus for the Scheme at 31 December 2016 is €27.1 million.  |

# Other areas of audit focus



## TV licence fee

**€179.1 million (2015: €178.9 million)**

Licence fee revenue has remained relatively consistent year on year. RTÉ has a €2.9 million receivable due from the Department of Communications, Climate Action and Environment (DCCAE) as at 31 December 2016 (2015: €3.1 million). The balance with the DCCAE currently remains unconfirmed.

## Valuation of trade receivables

**€40.3 million (2015: €38.8 million)**

Gross trade receivables has increased by €1.5 million while the bad debt provision has remained relatively consistent at €1.2 million (2015: €1.3 million). To date 94% of debtor balances at year ended 31 December 2016 has been collected with all individually material uncollected balances provided for in line with RTÉ policy.

## Inventory

**€35.4 million (2015: €32.1 million)**

We performed testing over the inventory balance at year end which primarily comprises acquired (€14.6 million) and commissioned inventory (€19.4 million).

We performed a walkthrough of the acquired and commissioned inventory processes, obtaining an understanding of the accounting treatment from initial purchase / commission through to amortisation. RTÉ's accounting for acquired inventory impacts on both the closing stock balance as well as stock prepayment and stock liability balances depending on the schedule of contractual payments and the 'in-licence' date of the underlying content. We vouched a sample of closing stock, stock prepayment and stock liability balances as well as a sample of acquired inventory amortisation to supporting documentation including signed contracts and transmission logs. For commissioned inventory, we tested a sample of closing stock, amortisation and commissioned accruals to supporting documentation and ensured, in all cases, that the company's policy is being adhered to.

Based on the testing performed, we are satisfied that the inventory balance and related amortisation as at 31 December 2016 is not materially misstated.

## Accruals

**€61.4 million (2015: €60.7 million)**

The closing balance at 31 December 2016 represents specific accruals relates primarily to routine items (€19.8 million), inventory (programme) accruals (€22.5 million), payroll related accruals (€5.2 million), tax provisions (€4.3 million), litigation (€4.6 million), revenue related rebates and deal debt (€5 million). KPMG tested material provisions and accruals to supporting evidence and recalculated amounts where appropriate. Similar to prior years, we have engaged with RTÉ's Internal Audit team to generate a GRNI valuation to support the general accruals account balance. We also investigate any notable year on year movements falling outside our expectations.

## Tax provisions

**€4.3 million (2015: €3 million)**

The tax provisions balance increased by €1.3 million year on year driven by an additional provision in respect of potentially irrecoverable VAT on costs relating to online ("Digital") activities. All other tax provisions are consistent with prior year.

## Accounting for interest rate swaps

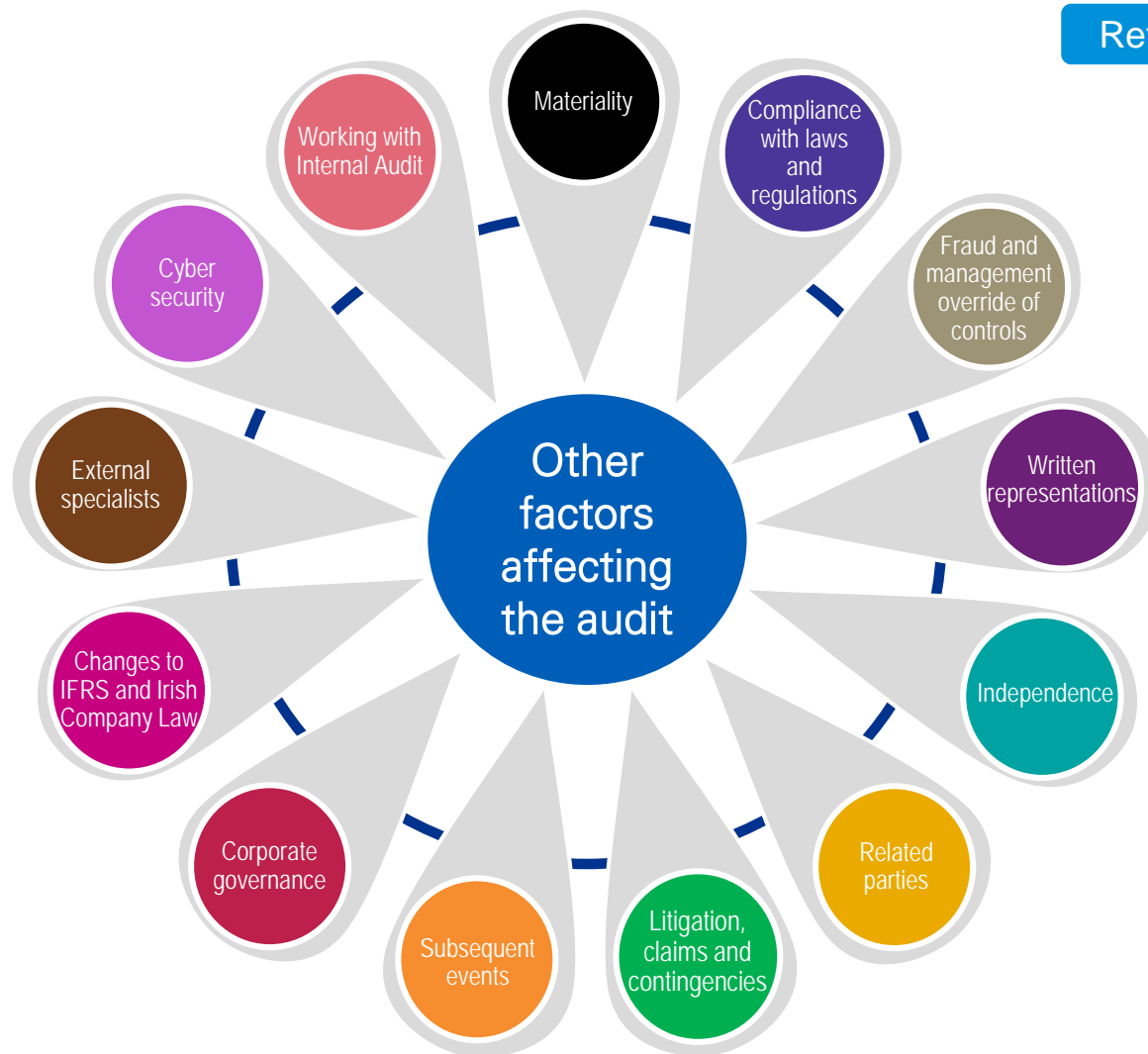
**€0.5 million loss (2015: €0.3 million loss)**

An interest rate swap was put in place in 2015 applying to the €40 million Barclays loan facility and is accounted for as a hedge. An overall fixed interest rate of 2.36% was secured on the €40 million facility from December 2015 through June 2019, comprising a swap cost of 0.21% plus margin 2.15%. A mark-to-market loss of €0.5 million (2015: loss of €0.3 million) was recorded in 2016 and appropriately recognised through other comprehensive income (OCI).



# Required communications with the Audit Committee

Refer to pages 13 and 14



# Appendices

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# How we delivered audit quality





# Required communications with the Audit Committee



## Materiality

We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures.

Group materiality has been set at €5 million which is 1.5% of group turnover.

We design our procedures to detect errors at a lower level of precision, i.e. €3.7 million. We have flexibility to adjust this level downwards.

## Adjusted and unadjusted audit differences

We report identified errors greater than €250,000 to the Risk & Audit Committee. There are no material unadjusted audit differences to bring to the attention of the Audit and Risk Committee.

## Compliance with laws and regulations

Auditing Standards require us to obtain confirmation from the directors that they are not aware of any material breaches of applicable laws and regulations relating to the Group. No matters indicating non-compliance were noted during the audit.

## Fraud and management override of controls

No material instances of actual or suspected fraud were identified in the course of our audit.

Auditing standards require management override of controls to be considered a significant risk. In order to address this risk, we have performed detailed testwork over all judgemental areas to ensure no management bias in addition to testwork over manual journal entries. Based on the audit procedures performed, the engagement team have not identified any material instances of management override of controls. In addition to the procedures performed, KPMG note that there is a strong control environment in place in RTÉ which further mitigates the fraud risk associated with management override of controls.

## Accounting Policies

As part of our audit, we will assess the appropriateness of all significant accounting policies, highlight changes in accounting policies and future developments.

## Written representations

We obtain representations from management throughout the audit on matters pertaining to the financial statements. We also obtain a representation letter from the Board upon completion of the audit.

We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 December 2016.

## Independence

Auditing standards require us to communicate to you in writing at least annually whether we are independent with respect to the Group. Refer to page 17.

## Related parties

We have not identified any material related party transactions during our audit work requiring disclosure other than those already disclosed.

The Board needs to be satisfied that all material related party transactions have been disclosed appropriately.

## Litigation, claims and contingencies

Auditing Standards require us to obtain confirmation from the Board members that they are not aware of any material instances of litigation or claims against the company.

The litigation accrual has decreased by €0.8 million to €4.6 million in 2016 reflecting settlement of cases and revisions based on new information or developments in 2016. The largest settlement in 2016 was for €2 million relating to a 2001 case, which was fully provided for and for which there was no income statement impact on accounting for the settlement.

The year end liability represents an estimate of settlement costs and legal fees related to a large number of open claims managed by RTÉ in-house lawyers, generally below the insurance threshold.

# Required communications with the Audit Committee



## Subsequent events

We perform subsequent procedures to obtain reasonable assurance that subsequent events requiring adjustment of, or disclosure in, the financial statements are identified and that any such adjustments or disclosures in the financial statements are appropriate. As part of our procedures over subsequent events, we will consider the future land sale and sale of Sky EPG slots post year end for €5 million, along with related disclosure note requirements.

The board members should confirm that they are not aware of any material events since the balance sheet date that would impact the financial statements.

## Corporate governance

The group is required to describe in its annual report its compliance with the Code of Practice for the Governance of State Bodies including consideration of the New Code of Practice. Refer to page 15.

We will review, as part of our audit procedures, the Group's related disclosures in the Annual Report and the supporting information to support those disclosures.

## Changes to IFRS and Irish Company Law

The changes to IFRS requirements effective for FY16 did not have a material impact on the Group.

Changes to Irish Company Law effective for the year ended 31 December 2016 include the Directors' Compliance Statement and Statement of relevant audit information. Refer to page 15.

## External Specialists

For the purpose of our audit we placed reliance on the work of Mercer, a pension and actuarial specialist engaged to prepare the actuarial valuations of RTÉ's defined benefit pension schemes. We are satisfied that we can rely on the work of this specialist.

## IT in the audit

We designed our audit procedures in such a manner that we did not place reliance on the IT systems in place. However, we did engage our IT specialists to update our understanding of the RTÉ IT environment. As reported in prior year, there remains a risk that updated or insufficiently supported systems might not be able to serve business requirements going forward. This is linked to RTÉ Group's key risk around business continuity and disaster recovery. We understand measures are being undertaken to address this risk across the Group including ongoing testing of business continuity plans.

## Cyber security

Management is responsible for evaluating the risk of cybersecurity incidents across all aspects of the entity's business operations, its financial reporting and compliance with laws and regulations, and for establishing appropriate processes, safeguards, and controls to protect the entity and its IT systems from cybersecurity incidents.

Our IT specialists met with RTÉ's IT management to discuss RTÉ's approach to cyber security. We have not been made aware of any cybersecurity incidents or attempted cybersecurity incidents that would impact the recognition, measurement, or disclosures necessary for the financial statements to conform International Financial Reporting Standards.

## Working with Internal Audit

As part of our audit procedures, we liaise with RTÉ Internal Audit and are able to place reliance on the procedures performed by Internal Audit during the year. We have reviewed the reports produced by RTÉ Internal Audit during 2016, which cover areas such as purchasing compliance, commercial revenue, supplier and employee master data and tendering procedures. While we do not place direct reliance on these reports, we have read the reports and considered the related findings as part of our risk assessment. We further engage the assistance of the Internal Audit Department with respect to our audit of the cost allocations process and in the generation of a GRNI accrual based on underlying PO information to validate the general accruals balance at 31 December 2016.



# Legislative developments

Companies Act 2014:  
changes effective for  
accounting periods  
commencing on / after 1  
June 2015

- The Companies Act 2014 imposed a new requirement on directors to include a *Directors' Compliance Statement* in the annual Directors' Report. The intention is to demonstrate the company's commitment to obeying the laws to which it is already subject and to clarify the extent of directors' corporate responsibility and improve accountability. The directors must confirm the following has been completed:
  - Compliance policy statement in place
  - Arrangements and structures in place - designed to secure material compliance with relevant obligations
  - Annual review of arrangements and structures carried out
- The response required by directors will vary and will depend on such factors as the nature, scale and complexity of the company's business. The Board of RTÉ should consider the comfort that they will need to obtain in order to sign off on the Directors' Compliance Statement and to what extent their considerations should be documented within the annual report.
- The Companies Act 2014 also requires a *Statement of relevant audit information* to be included in the annual Directors' Report. This statement outlines the Directors' duty to ensure that the auditors have all relevant information, and to take steps to ensure they have made themselves aware of all relevant audit information, and to confirm such in their directors' report.

New Code of Practice for the  
Governance of State Bodies

- In August 2016, the Minister for Public Expenditure and Reform published a revised and updated *Code of Practice for the Governance of State Bodies* ("Code of Practice"). The revised document replaces the previous 2009 Code of Practice. From a financial reporting perspective, the revised Code is 'comply or explain' in nature and applicable for financial reporting periods beginning on or after 1 September 2016. The 2016 RTÉ Group annual report will make reference to the revised Code and RTÉ's intentions with respect to compliance in 2017.

# Audit & Non-audit fees



This page provides an overview of the fees earned by KPMG Ireland for the year ended 31 December 2016.

| Audit and Assurance fees for the 2016 audit | Fee €      | Professional non-audit fees for the year ended 31 December 2016 | Fee €      |
|---|------------|---|------------|
| <b>Financial Statement Audit</b>            |            | <b>Other non-audit services</b>                                 |            |
| - Group and other*                          | 90         | Corporate Finance – property related                            | 51         |
| - RTÉ Commercial Enterprises Limited        | 15         | Corporate Finance – projection model work                       | 70         |
| - 2rn                                       | 9          |   |            |
| <b>Total audit fees</b>                     | <b>114</b> | Tax compliance services   | 12         |
| <b>Pension audit</b>                        |            | Tax advisory services   | 169*       |
| - Pension review                            | 46         | iXBRL services  | 4          |
| <b>Total pension fees</b>                   | <b>46</b>  | <b>Total other non-audit fees</b>                               | <b>306</b> |
| <b>2rn – Regulatory audit</b>               |            |   |            |
| - Regulatory audit – 2rn                    | 30         |   |            |
| <b>Total regulatory audit fees</b>          | <b>30</b>  |   |            |
| <b>Assurance services</b>                   |            |   |            |
| - EBU Certificate                           | 1          |   |            |
| - BAI Qualifying Income Review              | 13         |   |            |
| - IPU Commissioning Procedures              | 11         |   |            |
| - Top Talent review                         | 3          |   |            |
| <b>Total assurance fees</b>                 | <b>28</b>  |   |            |
| <b>Total audit and assurance fees</b>       | <b>218</b> |   |            |

\* €169k includes €40k relating to advice on property matters and €45k in respect of the 2rn Revenue audit.

# Auditor Independence



## Private and confidential

Members of the Audit & Risk Committee  
Raidió Teilifís Éireann  
Donnybrook  
Dublin 4

15 March 2017

To the Audit and Risk Committee Members

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG independence and the objectivity of partner and the audit team. This letter is intended to comply with this requirement.

We have considered the fees paid to us by the company and its related entities for professional services provided by us during the reporting period.

We have summarised the fees paid to us by the company and its related entities for significant professional services provided by us during the reporting period in the previous slide.

We are satisfied that our general procedures support our independence and objectivity.

## General procedures to safeguard independence and objectivity

KPMG is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

A review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs, concluded that we are compliant with APB Ethical Standards in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate.

Please inform me if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit and Risk Committee.

## Confirmation of audit independence

We confirm that as of 15 March 2017, in our professional judgment, KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee and should not be used for any other purposes.

Yours faithfully

KPMG

# Important notice

**This report is presented under the terms of our audit engagement letter.**

- **Circulation of this report is restricted.**
- **The content of this report is based solely on the procedures necessary for our audit.**



## Purpose of this report

This Report has been prepared in connection of our audit of the consolidated financial statements of RTE (the “Company”) and its subsidiaries (the “Group”), prepared in accordance with International Financial Reporting Standards as issued by the European Union (“IFRSs”) , as at and for the year ended 31 December 2016.

This Report has been prepared for those charged with governance, whom we consider to be the Audit and Risk Committee, in order to communicate matters of interest as required by ISAs (UK&I) (including ISA (UK&I) 260 Communication with Those Charged with Governance), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose.

This report summarizes the key issues identified during our audit but does not repeat matters we have previously communicated to you. In particular, we draw your attention to our audit plan and strategy report, dated 7 December 2016, which summarized your and our responsibilities, the results of our risk assessment and certain information regarding our audit strategy and audit planning.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Company/Group’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of those charged with governance of the Company/Group; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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RTÉ

## Report to the Audit & Risk Committee

Audit findings for the year ending 31 December 2017

13 March 2018

A glowing red 'ON AIR' sign, typically found in radio or television studios, with the words 'ON' and 'AIR' stacked vertically in large, illuminated letters.

ON  
AIR





# Introduction

## To the Audit & Risk Committee of RTÉ

We are pleased to have the opportunity to meet with you on 13 March 2018 to discuss the results of our audit of the consolidated financial statements of RTÉ (the “Company”) (and its subsidiaries (the “Group”), as at and for the year ended 31 December 2017.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan and strategy report, presented on 6 December 2017. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy.

Subject to the Board’s approval, we expect to be in a position to sign our audit opinion on the Group’s financial statements at an agreed upon date in April 2018, provided that the outstanding matters noted on page 4 of this report are satisfactorily resolved.

We expect to issue an unmodified Auditor’s Report.

We draw your attention to the important notice on page 22 of this report, which explains:

- the purpose of this report; and
- limitations on work performed;
- restrictions on distribution of this report.

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# How we deliver audit quality

## CONTINUOUS IMPROVEMENT



Training



Quality  
reviews



Root cause  
analysis



Action

## DEPTH OF EXPERIENCE



Years'  
experience



Continuity  
of team



Involvement  
of specialists

## TAILORED APPROACH



Profound  
understanding



Materiality



Risk-based

## CHALLENGE AND INSIGHT



Cautious Optimistic  
Independent  
view



Scepticism and  
judgement



Robust  
challenge

## TWO-WAY COMMUNICATION



Ongoing dialogue



No  
surprises



Timely  
reporting



Emerging  
challenges



# Our audit findings

## Significant audit risks

### Key audit matters in our final audit report

| Audit risks                               | Risk change |         |
|---|-------------|---------|
| Commercial revenue                        | No change   | Page 5  |
| Pensions (Superannuation)                 | No change   | Page 7  |
| Disposal of land and Sales Enabling Works | New         | Page 9  |
| Restructuring                             | New         | Page 10 |
| Management override of controls           | No change   | Page 11 |

## Outstanding matters

We are substantially complete with our audit, pending finalisation of the following:

- Finalisation of audit procedures and certain confirmation matters;
- Receipt and review of complete draft of the RTÉ Annual Report;
- Review of allocations;
- Review of GRNI accrual analysis by Internal Audit;
- Consideration and approval by the Board of RTÉ Annual Report and letter of representation;
- Completion of our subsequent events review prior to the financial statements finalisation in April; and
- Chairman's letter to the Minister on internal controls.



# Audit focus areas

## 1. Commercial revenue

| 2017 | 2016 | Level of judgement |
|------|------|--------------------|
| 2    | 2    |                    |

### Commercial revenue

#### The issue

- Based on the level of judgement, materiality and complexity of the account, KPMG have determined commercial revenue to be an area of audit focus.

#### Total 2017 revenue - €338 million

- Commercial revenue: €152 million (45%)
- Licence fee income: €186 million (55% - page 12)

### Our response

| Commercial revenue                        | Total Revenue<br>FY'17<br>€000 | Total Revenue<br>FY'16<br>€000 |
|---|--------------------------------|--------------------------------|
| Advertising revenue                       | 104,553                        | 111,302                        |
| Sponsorship revenue                       | 10,460                         | 10,167                         |
| Network revenue (2rn third party revenue) | 9,987                          | 10,068                         |
| Other income                              | 26,507                         | 26,700                         |
| <b>Total</b>                              | <b>151,507</b>                 | <b>158,237</b>                 |

The decrease in commercial revenue during 2017 reflects a reduction in commercial advertising from increasing competition from online advertising channels not traditionally offered by RTÉ, amongst others. Secondly, there were relatively few special event programs during 2017 when compared to 2016. A weak sterling post Brexit has put strain on the UK market's Euro spend which is a continuing challenge for RTÉ. 2017 was the first year of implementation of a consolidated commercial trading structure which provided a single point of contact for agencies and clients across TV, Radio, Digital and RTÉ Guide. It is expected that the consolidated trading approach will improve RTÉ's relationships with customers, and drive improved revenues in 2018 and onwards. Despite this, the commercial revenue impact of Brexit is expected to continue into 2018.

#### Advertising revenue

The accounting for revenue will differ depending on the type of sale and terms of the underlying agreement. A significant proportion of the external revenue is generated via advertising. RTÉ's advertising revenue system is designed such that revenue recognition does not occur prior to broadcasting. We have performed substantive testing to ensure that both TV and Radio advertising have been recognised appropriately, and in line with policy. This substantive testing involved verifying both TV and Radio advertising campaigns to campaign pricing documents and verifying these campaigns to transmission logs to ensure the revenue was appropriately recognised. We perform cut-off procedures to ensure that all revenue is recorded in the correct accounting period and we vouch a sample of year end receivables to cash received post year end, to satisfy the collectability assumption (90% of year-end balance received by 23 February 2018).



# Audit focus areas (continued)

## 1. Commercial revenue (continued)

| 2017 | 2016 | Level of judgement |
|------|------|--------------------|
| 2    | 2    |                    |

### Advertising revenue (continued)

The top 5 advertising agencies with which RTÉ trade account for 67% of total commercial revenue earned by RTÉ as outlined below. 87% of the outstanding receivables balance at year end for these customers (total €21.2 million) has been collected post year end.

| Top commercial customers                          |                           |
|---|---------------------------|
|   | Total Revenue FY'17 €152m |
| 1. Core media                                     | €35.7m                    |
| 2. Group M  | €26.2m                    |
| 3. Aegis  | €16.8m                    |
| 4. Omnicom  | €15.5m                    |
| 5. Interpublic                                    | €6.5m                     |
| <b>Total revenue generated by top 5 customers</b> | <b>€101m</b>              |
| <b>Total FY'17 commercial revenue</b>             | <b>€152m</b>              |
| <b>As % of total commercial revenue</b>           | <b>67%</b>                |

### Advertising revenue (continued)

The pricing of the annual contractual arrangements with advertising agencies and the details of each advertising campaign, together with the related processes and controls, are complex and involve estimation. In particular, the pricing mechanism means it is possible for a difference to arise between the price paid for an advertising campaign and the value it delivered, mainly as a result of the actual viewing figures being different from the agreed level. Where the Group has over-delivered viewers this is referred to as a 'deal credit', or where delivery has fallen short, it is referred to as 'deal debt'. Rather than the price paid for that campaign being adjusted, these differences are noted for each agency and then taken account of when agreeing either future campaigns or the annual contract. A net deal debt position with an agency is recorded in RTÉ's accounts, as a liability. Net deal credit positions are not recognised. We have tested RTÉ's process for accounting for deal debt, ensuring it is consistent with prior years and for a sample, challenged the year end position considering customer's correspondence and agreed terms of business. We concur with management's assessment of deal debt at year end.

### Non-advertising revenue

- Non-advertising revenue comprises network revenue as well as sponsorship and other commercial income. Other commercial income streams include circulation and event income (€5.3 million), content and merchandising income (€13.4 million), sale of facilities related income (€3.4 million) and DTT related income (€4.5 million).
- Network revenue is generated by 2rn, a subsidiary of the RTÉ Group and comprises third party revenue from downstream radio broadcast customers. Sponsorship income is predominately derived by RTÉ company while other income streams are generated across both RTÉ and CEL. We audited a sample of sponsorship and network income to underlying contracts and supporting documentation to ensure that revenue recognition is appropriate. We have tested controls relating to the non-advertising revenue processes by revenue type and performed analytical review procedures over all revenue streams.

### KPMG view

- Based on the audit procedures referred to above, we are satisfied that commercial revenue and deal debt are not materially misstated.



# Audit focus areas (continued)

## 2. Pension: RTÉ Superannuation Scheme

| 2017 | 2016 | Level of judgement |
|------|------|--------------------|
| 3    | 3    |                    |

### Pensions: RTÉ Superannuation Scheme

#### The issue

- RTÉ operates a Defined Benefit Pension Scheme – RTÉ Superannuation Scheme. There are significant judgements involved in determining the pension liabilities for the scheme. The valuation is considered an audit risk as, given the quantum of the pension surplus, small changes in the assumptions can have a material financial impact on the Group.

#### Pension asset

€48.1 million  
(2016: €27.1 million)

#### Detail

- Plan assets at 31 December 2017 were €1,053 million and plan liabilities at 31 December 2017 were €1,005 million. RTÉ has therefore recognised an asset of €48.1 million at 31 December 2017.
- We have confirmed the ownership and valuation of all plan assets.
- There is a significant degree of estimation in the Pension Accounting Model. Our procedures included challenging the key assumptions applied in determining the Group's net deficit, including the discount rate, inflation rate, rate of increase in salary and mortality/life expectancy, with the support of our own actuarial specialists. This included a comparison of these key assumptions against externally derived data.
- During 2017, a proposal by RTÉ to discontinue voluntary reimbursements to the DB Scheme under the previous ERRF / VSF was accepted by the Trustees. A provision of €7.1 million which had been held for future reimbursements, was released in 2017. The actuaries have identified a past service cost related to these reimbursements of €5.7 million, leaving a net P&L impact of €1.4 million. The above items, relating to the reimbursement release and the past service costs are included in the exceptional restructuring and other charge amounts, as discussed on page 10.
- Our actuarial specialist has read the Mercer report and we are satisfied that the key judgements and assumptions are balanced when compared with industry benchmarks.

#### KPMG view

- Based on the audit procedures performed, we are satisfied that the accounting for the RTÉ Superannuation Scheme at 31 December 2017 is not materially misstated.



# Audit focus areas (continued)

## 2. Pension: RTÉ Superannuation Scheme (continued)

| 2017 | 2016 | Level of judgement        |
|------|------|---------------------------|
| 3    | 3    | <br>1 2 3 4 5<br>Low High |

| Pension accounting  |                     |                     |                         |   |
|---|---------------------|---------------------|-------------------------|---|
| Description   | Increase in deficit | Increase in surplus | Net impact<br>€ million | Commentary  |
| <b>Opening surplus</b> ( <i>balance sheet</i> )   |                     |                     | <b>27.1</b>             | The opening IAS 19 surplus for the Scheme at 1 January 2017 was €27.1 million.  |
| <b>Current service cost</b> ( <i>income statement</i> )   |                     |                     | <b>(3.2)</b>            | Service cost for the year amounts to €3.2 million (2016: €3.1 million). This represents the present value of the projected retirement benefits earned by plan participants in the current period  |
| <b>Past service cost</b> ( <i>income statement</i> )  |                     |                     | <b>(5.7)</b>            | Past service cost for the year amounts to €5.7 million (2016: €nil). This represents the past service costs to be recognised in the defined benefit cost as at 31 December 2017, as a result of RTÉ no longer reimbursing the scheme for individuals retired under the ERRF scheme. |
| <b>Net interest credit</b> ( <i>income statement</i> )  |                     |                     | <b>0.5</b>              | This is the difference between the interest income on scheme assets of €17.4 million and the interest expense on the liabilities of €16.9 million.  |
| <b>Contributions</b> ( <i>balance sheet</i> )   |                     |                     | <b>1.2</b>              | The company has made cash contributions over the year of €1.2 million (2016: €1.2 million) in respect of the Scheme's active employees.   |
| <b>Remeasurement<br/>Change in assumptions gain</b> ( <i>other comprehensive income</i> )         |                     |                     | <b>4.4</b>              | There has been an actuarial gain arising from a change in assumptions of €4.4 million. This is due to a increase of 0.1% in the discount rate from 1.7% to 1.8% resulting in an estimated actuarial gain of €4.4 million due to increased salary/pension/inflation assumptions.     |
| <b>Remeasurement<br/>Benefit obligation experience loss</b> ( <i>other comprehensive income</i> ) |                     |                     | <b>(9.1)</b>            | There has been an experience loss of €9.1 million, as a result of membership experience over 2017 being worse than expected, and reflected in the full valuation carried out.   |
| <b>Return on scheme assets (gain)</b> ( <i>other comprehensive income</i> )                       |                     |                     | <b>32.9</b>             | Actual asset returns for the year are €50.2 million which is net of 0.75% government levy. The actuarial gain on scheme assets (i.e. returns in excess of interest income on assets recognised in the Income Statement of €17.3 million) was €32.9 million.                         |
| <b>Closing surplus</b> ( <i>balance sheet</i> )   |                     |                     | <b>48.1</b>             | Therefore the closing IAS 19 surplus for the Scheme at 31 December 2017 is €48.1 million.   |

# Audit focus areas



## 3. Disposal of land and Sales Enabling Works

| 2017 | 2016 | Level of judgement |
|------|------|--------------------|
| 4    | N/A  |                    |

### Sale of land

#### The issue

- During the year RTÉ sold a portion of the Donnybrook site. In addition, The Group incurred expenditure on 'sales enabling works'. These are material transactions relating to projects commenced by RTÉ in order to facilitate the land disposal, which resulted in both costs and capital expenditure.

| 2017                                   | €million     |
|--|--------------|
| Sale proceeds                          | 107.5        |
| Related expenditure                    | (2.8)        |
| <b>Gain per financial statements</b>   | <b>104.7</b> |
| <b>Sale Enabling Works (SEW)</b>       |              |
| Total expensed                         | 5.2          |
| Total capitalised                      | 1.7          |
| <b>Total FY17 SEW costs incurred</b>   | <b>6.9</b>   |
| <b>Total accrual as at 31 Dec 2017</b> | <b>3.5</b>   |

#### Our response

- KPMG obtained and reviewed management's accounting paper on the sale of land and expenditure on sales enabling works, including all supporting documentation and correspondence.
- We made enquiries of management in relation to the accounting treatment of the expenditure sales enabling works. Our procedures examined whether the expenditure met the recognition criteria of an asset (IAS 16), and whether the expenditure should be accrued for at year-end (IAS 37).
- We considered the judgements made by management in determining the split of the sales enabling works expenditure between capital and expense.
- Vouched proceeds and related costs to supporting documentation including bank statements.
- Vouched other expenditure, such as the N11 Junction, the crèche, sports and social club, Fair City set and boundary works to supporting documentation.
- Considered presentation and disclosure of above matters in the financial statements, and ensure they were in accordance with relevant IFRS.
- Reviewed relevant board minutes and ensured transactions has been authorised in accordance with specified limits.

#### Our findings

- We re-performed the net calculation of the gain on the sale of the land (€104.7 million). We note that this gain of €104.7 million is calculated in line with IAS 16, *Property, Plant and Equipment*, and is required to be shown separately in the financial statements.
- We considered the treatment of the costs relating to each of the "Sales Enabling Projects" (SEP's). We note management's judgement in applying the relevant standards under IFRS and we performed testing of the expenditure on individual projects.
- Management note that the total cost of the sales enabling works is estimated at €9.5 million, with the remained to be incurred in FY2018
 

|                              |                     |
|------------------------------|---------------------|
| actual FY17 costs            | €6.9 million        |
| estimated FY18 costs         | €2.6 million        |
| <b>estimated total costs</b> | <b>€9.5 million</b> |
- Following the performance of the procedures noted, we are satisfied that both the gain on the disposal of the land and the sales enabling works are appropriately accounted for.





# Audit focus areas

## 4. Restructuring

### Restructuring

#### The issue

- In 2017, the Group announced a restructuring programme which will materially change the manner in which the business is conducted and will result in significant headcount reductions.

#### Total restructuring costs

€m

|  |       |
|--|-------|
| Processed exits - accepted and agreed              | 13.6  |
| Estimated costs of future exits                    | 14.5  |
| Reimbursement to RTE SA – release (see page 7)     | (7.1) |
| Past Service cost relating to release (see page 7) | 5.7   |
| Non payroll related restructuring costs            | 0.7   |
| Professional costs re VEP programme                | 0.5   |
| Pension contribution provision                     | 1.7   |

#### Total

29.6

#### Our response

- Our procedures included the following:
  - Obtained and reviewed management's restructuring accounting paper.
  - Vouch movements on provision to supporting documentation.
  - Ensured that the presentation and disclosures are in accordance with the relevant IFRS (IAS 37).
- We note an initial target set by management of a 250 employees, representing a 14% reduction in headcount. We tested the make up of the restructuring benefits provision for both the Voluntary Severance (VS) and Voluntary Early Retirement (VER) schemes initiated in 2017.
- We note 149 employees have been approved and accepted under the schemes, 84 of whom have exited at 31 December 2017. A further 65 employees have been processed to exit by June 2018.
- Management have estimated the cost of the remaining 100 employees to exit in 2018, and KPMG have carried out specific procedures over this estimate.
- An additional accrual has been recorded reflecting management's estimated liability relating to potential pension entitlements of contractors and casuals. The accrual (€1.7 million) was informed by a review performed by Eversheds and had regard to the active independent contractors applying a risk factor to the resulting estimated liability. See page 13 for more details.

#### Our findings

- We are satisfied that the expense and the restructuring provision are appropriately accounted for.
- We note that directly related costs have been included in the restructuring expense, and we have tested a sample to supporting evidence, noting no issues.
- We tested the estimate year end provision made by management, noting no indication of management bias in making this estimate. We have tested the underlying assumptions and the basis for estimation.
- The pension related items, the release of the provision for the reimbursement to RTE Superannuation Scheme (€7.1 million) and the subsequent past service cost relating to this (€5.7 million), are discussed in more detail on page 7.

2017

2016

3

N/A

Level of judgement





# Audit focus areas

## 5. Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

### Management override of controls

#### The issue

- As per International Auditing Standard 240 (ISA 240), section 31, management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

#### Our response

- Auditing standards require management override of controls to be considered a significant risk (ISA 240.31)
- In order to comply with the ISA, the engagement team are required to design audit procedures which address the risk of management override of control (ISA 240. 45 (b))
- In order to address this risk, we have performed the following:
  - Performed detailed testwork over all judgemental areas to ensure no management bias.
  - Performed testwork over all manual journal entries.
  - KPMG note that there is a strong control environment in place in RTÉ which further mitigates the fraud risks associated with management override of controls.

Please note that the above procedures are in line with the procedures outlined in ISA 240, section 32 (ai – aiii)

#### Our findings

- Based on the audit procedures performed on the testing of journal entries, accounting estimates as well as significant transactions, we have not identified any material instances of management override of control.



# Other areas of audit focus

| Area  | KPMG commentary  |
|---|--|
| <b>TV Licence fee</b><br><b>€186.1 million (2016: €179.1 million)</b>               | <p>Licence fee revenue has increased €7 million year on year, €6 million arising due to changes in the Government Budget 2017. During the year, the Department of Communications, Climate Action and Environment (DCCAE) completed an extensive in depth review of the license fee and its collection process between the Department, An Post and RTÉ from 2002 to 31 December 2016. This reconciliation and review confirmed the gross license fee receipts in each year from An Post collections and the Department of Social Protection, and the related commission fee payable to An Post for license fee collections. The DCCAE provided conclusions to each party, and obtained written agreement from RTÉ and An Post in relation to these conclusions. RTÉ has a €4.2 million receivable due from the DCCAE as at 31 December 2017 (2016: €2.9 million). This receivable relates to RTÉ accounting for the license fee on an accruals basis, thus recognising a receivable on the occasions that households choose to make partial payments during the year. The increase is due to the increase in the number of households choosing to pay the license fee via direct debit and a cash payment to An Post arising from the reconciliation process. The balance with the DCCAE currently remains unconfirmed, however the review noted above provides RTÉ comfort that the receivable estimate is materially correct for the review period, as the DCCAE have concluded as the cash payments to all bodes up to 31/12/16, and noted no materially significant errors.</p> <p>Based on the testing performed, we are satisfied that the TV license fee and related receivable as at 31 December 2017 are not materially misstated.</p> |
| <b>Valuation of trade receivables</b><br><b>€39.6 million (2016: €40.3 million)</b> | <p>Gross trade receivables has decreased by €0.7 million year on year while the bad debt provision has remained relatively consistent at €1.0 million (2016: €1.2 million). As at 23 February 2018 90% of debtor balances at year ended 31 December 2017 have been collected with all individually material uncollected balances provided for in line with RTÉ policy.</p> <p>We will update our review of subsequent cash collections prior to the April 2018 approval of the financial statements.</p>   |
| <b>Inventory</b><br><b>€33.3 million (2016: €35.4 million)</b>                      | <p>We performed testing over the inventory balance at year end which primarily comprises acquired (€13.8 million) and commissioned inventory (€19.5 million).</p> <p>We performed a walkthrough of the acquired and commissioned inventory processes, obtaining an understanding of the accounting treatment from initial purchase / commission through to amortisation. RTÉ's accounting for acquired inventory impacts on both the closing stock balance as well as stock prepayment and stock liability balances depending on the schedule of contractual payments and the 'in-licence' date of the underlying content. We vouched a sample of closing stock, stock prepayment and stock liability balances as well as a sample of acquired inventory amortisation to supporting documentation including signed contracts and transmission logs. For commissioned inventory, we tested a sample of closing stock, amortisation and commissioned accruals to supporting documentation and ensured, in all cases, that the company's policy is being adhered to.</p> <p>Based on the testing performed, we are satisfied that the inventory balance and related amortisation as at 31 December 2017 is not materially misstated.</p>  |

# Other areas of audit focus (continued)



| Area  | KPMG commentary   |
|---|---|
| <b>Accruals</b><br><b>€67.1 million (2016: €61.4 million)</b><br><i>(note the above excludes the restructuring accrual, discussed on page 10)</i> | <p>The closing balance at 31 December 2017 represents specific accruals relates to routine items (€35.7 million), inventory (programme) accruals (€13.7 million), payroll related accruals (€6.3 million), tax provisions (€1.7 million), litigation (€4.2 million), revenue related rebates and deal debt (€5.5 million). KPMG tested material provisions and accruals to supporting evidence and recalculated amounts where appropriate. Similar to prior years, we have engaged with RTE's Internal Audit team to generate a GRNI valuation to support the general accruals account balance. We also investigate any notable year on year movements falling outside our expectations.</p>                    |
| <b>Pension Contribution Provision</b><br><b>€1.7 million (2016: €Nil)</b>   | <p>A new provision has been made during the year for potential pension contributions for casual workers and contractors. Eversheds have assisted RTE in identifying the affected population and RTE have established the provision based on this census data, payroll data, a 5 year horizon and a 25% risk weighting. KPMG have reviewed the basis for calculation of this provision and tested the underlying assumptions where possible, noting the estimate is reasonable.</p>  |
| <b>Tax provisions</b><br><b>€5.2 million (2016: €4.3 million)</b>   | <p>The tax provision is made up of two elements, potentially irrecoverable VAT on costs relating to online ("Digital") activities and self-employed contractors.</p>  |
| <b>Corporation Tax Charge</b>   | <p>As part of the commencement of a new property trade in 2015, RTE appropriated land to trading stock. The tax charge for 2017 is predominantly as result of corporation tax on the proceeds of the 8.64 acre land sale as part of RTE's property trade. These proceeds less various deductions have been taxed at a property trade rate of 25%. The corporation tax on this trade has been further reduced by offsetting current year broadcasting trading losses against it, on a value basis in line with tax legislation.</p>  |
| <b>Accounting for interest rate swaps</b><br><b>€0.2 million gain (2016: €0.35 million loss)</b>  | <p>An interest rate swap was put in place in 2015 applying to the €40 million Barclays loan facility and is accounted for as a hedge. An overall fixed interest rate of 2.36% was secured on the €40 million facility from December 2015 through June 2019, comprising a swap cost of 0.21% plus margin 2.15%. A mark-to-market gain of €0.2 million (2016: loss of €0.35 million) was recorded in 2017 and appropriately recognised through other comprehensive income (OCI). KPMG performed an independent valuation of the swap and have reviewed the hedge accounting.</p> <p>Based on the testing performed, we are satisfied that the accounting for interest rate swaps is not materially misstated.</p> |
| <b>Sale of EPG (Sky) Channel Slots</b><br><b>€5 million (2016: €Nil)</b>  | <p>During the year, the Group sold two EPG (Sky Channel) slots, resulting in a gain of €5 million. The channel slots were originally held at a cost of nil, and the gain on the sale, net of commission costs, has been appropriately recognised in the profit and loss.</p>  |



# Required communications with the Audit Committee










# Appendices

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# Required communications with Audit Committee

| Type   | Response  |
|--|---|
| <b>Materiality</b>                               |  <p>We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures.</p> <p>Group materiality has been set at €5 million which is 1.5% of group turnover.</p> <p>We design our procedures to detect errors at a lower level of precision, i.e. €3.75 million. We have flexibility to adjust this level downwards.</p>                              |
| <b>Adjusted and unadjusted audit differences</b> |  <p>We report identified errors greater than €250,000 to the Risk &amp; Audit Committee. There were no material unadjusted audit differences to bring to the attention of the Audit and Risk Committee.</p>  |
| <b>Compliance with laws and regulations</b>      |  <p>Auditing Standards require us to obtain confirmation from the directors that they are not aware of any material breaches of applicable laws and regulations relating to the Group. No matters indicating non-compliance were noted during the audit.</p>   |
| <b>Accounting policies</b>                       |  <p>As part of our audit, we will assess the appropriateness of all significant accounting policies, highlight changes in accounting policies and future developments.</p>   |
| <b>Written representations</b>                   |  <p>We obtain representations from management throughout the audit on matters pertaining to the financial statements. We also obtain a representation letter from the Board upon completion of the audit.</p> <p>We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 December 2017.</p> |





| Type  | Response   |
|---|--|
| <b>Independence</b>                         |  <p>Auditing standards require us to communicate to you in writing at least annually whether we are independent with respect to the Group. Refer to page 22.</p>  |
| <b>Related parties</b>                      |  <p>We have not identified any material related party transactions during our audit work requiring disclosure other than those already disclosed.</p> <p>The Board needs to be satisfied that all material related party transactions have been disclosed appropriately.</p>  |
| <b>Litigation, claims and contingencies</b> |  <p>Auditing Standards require us to obtain confirmation from the Board members that they are not aware of any material instances of litigation or claims against the company.</p> <p>The litigation accrual has decreased by €0.35 million to €4.2 million in 2017 reflecting settlement of cases and revisions based on new information or developments in 2017. The largest settlement in 2017 was for €0.05 million relating to a 2008 case, which was fully provided for and for which there was no income statement impact on accounting for the settlement.</p> <p>The year end liability represents an estimate of settlement costs and legal fees related to a large number of open claims managed by RTÉ in-house lawyers, generally below the insurance threshold.</p> |




# Required communications with Audit Committee (continued)

| Type   |   | Response   | Type                  |   | Response  |
|--|---|--|-----------------------|---|---|
| <b>Subsequent events</b>                     |    | <p>We perform subsequent procedures to obtain reasonable assurance that subsequent events requiring adjustment of, or disclosure in, the financial statements are identified and that any such adjustments or disclosures in the financial statements are appropriate.</p> <p>The board members should confirm that they are not aware of any material events since the balance sheet date that would impact the financial statements.</p>   | <b>IT in audit</b>    |    | <p>We designed our audit procedures in such a manner that we did not place reliance on the IT systems in place. As reported in prior year, there remains a risk that updated or insufficiently supported systems might not be able to serve business requirements going forward. This is linked to RTÉ Group's key risk around business continuity and disaster recovery. We understand measures are being undertaken to address this risk across the Group including ongoing testing of business continuity plans.</p> |
| <b>Changes to IFRS and Irish Company Law</b> |    | <p>As discussed in the audit plan and strategy meeting, there were two major changes to IFRS, IFRS 15 revenue and IFRS 16 leases. While neither are effective for FY17, it is not expected that IFRS 15 will have a material impact on the Group. Management should assess the impact of IFRS 16, which is effective for period beginning 1 January 2019. Refer to slide 19 for more details.</p> <p>The changes to Company Law effective for FY17 did not have a material impact on the Group or any of its subsidiaries.</p>                           | <b>Cyber security</b> |    | <p>Management is responsible for evaluating the risk of cybersecurity incidents across all aspects of the entity's business operations, its financial reporting and compliance with laws and regulations, and for establishing appropriate processes, safeguards, and controls to protect the entity and its IT systems from cybersecurity incidents.</p>   |
| <b>Corporate governance</b>                  |    | <p>A revised Code of Practice for the Governance of State Bodies, issued in September 2016 is applicable to RTÉ for the current financial year. The group is required to describe in its annual report its compliance with the Code including consideration of the New Code of Practice.</p> <p>We will review, as part of our audit procedures, the Group's related disclosures in the Annual Report and the supporting information to support those disclosures, in the context of the revised code and additional guidance provided by the DCCAE.</p> |                       |   | <p>We have been made aware of one cybersecurity incident which lead to €0.15 million being paid to an account falsely set up in 2RN's name. The incident is being investigated and cyber consultants recommended control changes, which have been implemented. The amount has been fully recovered, and there has been no impact on the financial statements for the year.</p>  |
| <b>External specialists</b>                  |  | <p>For the purpose of our audit we placed reliance on the work of Mercer, a pension and actuarial specialist engaged to prepare the actuarial valuations of RTÉ's defined benefit pension schemes. We are satisfied that we can rely on the work of this specialist.</p>   | <b>Going Concern</b>  |  | <p>As part of our audit we assessed the appropriateness of the going concern basis of preparation. We reviewed management's conclusions relating to this and are satisfied that it includes all relevant information to address the matter. No issues were identified as part of this review, and the engagement team conclude that the use of the going concern basis of preparation is appropriate.</p>   |



# Required communications with Audit Committee (continued)

| Type   | Response  |
|--|---|
| <b>Working with Internal Audit</b>   |  <p>As part of our audit procedures, we liaise with RTÉ Internal Audit and are able to place reliance on the procedures performed by Internal Audit during the year. We have reviewed the reports produced by RTÉ Internal Audit during 2017, which cover areas such as purchasing compliance, commercial revenue, supplier and employee master data and tendering procedures. While we do not place direct reliance on these reports, we have read the reports and considered the related findings as part of our risk assessment. We further engage the assistance of the Internal Audit Department with respect to our audit of the cost allocations process and in the generation of a GRNI accrual based on underlying PO information to validate the general accruals balance at 31 December 2017.</p> |
| <b>Other matters warranting attention by those charged with governance</b> |  <p>There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.</p>  |
| <b>Control deficiencies</b>  |  <p>We have noted no control deficiencies for the year ended 31 December 2017.</p>  |
| <b>Modifications to auditor's report</b>                                   |  <p>Based on the evidence to date and the status of outstanding matters, we do not anticipate modifications to the auditor's report, including in relation to other information.</p>   |

| Type  | Response  |
|---|---|
| <b>Significant difficulties</b>   |  <p>No significant difficulties were encountered during the audit.</p>   |
| <b>Actual or suspected fraud, noncompliance with laws and regulations or illegal acts</b> |  <p>No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit. No other matters related to fraud that are relevant to your responsibilities were identified.</p> |
| <b>Disagreements with management or scope limitations</b>                                 |  <p>The engagement team had no disagreements with management and no scope limitations were imposed by management of the group or the components during the audit.</p>  |
| <b>Other information</b>  |  <p>No material inconsistencies were identified related to other information in the annual report.</p>   |
| <b>Accounting practices</b>   |  <p>Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we consider these are appropriate.</p>  |
| <b>Significant matters discussed or subject to correspondence with management</b>         |  <p>The engagement team discussed both the disposal of land and sales enabling works and the restructuring plan with management. All significant matters which arose in relation to the above were communicated to management as necessary.</p>  |



# New and forthcoming Accounting Standards (IFRS)

As noted in the audit plan and strategy presentation there are three major changes expected to IFRS in the coming years:

- IFRS 15 – Revenue from contracts with customers
- IFRS 9 – Financial Instruments
- IFRS 16 – Leases

Minimal impact is expected in relation to IFRS 9, Financial instruments, however the impact of both IFRS 15 and IFRS 16 is still being evaluated. It is expected that IFRS 15 will have little or no impact, while the impact of IFRS 16 to the Group financial statements is still unknown as at March 2018. The impact of IFRS 16 is expected to result in increased assets and increased liabilities primarily reporting operating lease capitalisation.

# Audit and non-audit fees



This page provides an overview of the fees earned by KPMG Ireland for the year ended 31 December 2017.

| Audit and Assurance fees for the year ended 31 December 2017 | Fees       |
|--|------------|
|  | €000       |
| <b>Financial statement audit</b>                             |            |
| Group and other * (including dormant entities)               | 90         |
| RTÉ Commercial Enterprises Limited                           | 15         |
| 2rn  | 9          |
|  | <b>114</b> |
| <b>Pension audit</b>   |            |
| Pension funds audit  | 49         |
|  | <b>49</b>  |
| <b>2rn – Regulatory Audit</b>                                |            |
| Regulatory audit – 2rn                                       | 30         |
|  | <b>30</b>  |
| <b>Assurance services</b>                                    |            |
| BAI Qualifying Income Review (2016)                          | 13         |
| IPU Commissioning Procedures (2016)                          | 11         |
| Top Talent Review (2016)                                     | 3          |
|  | <b>27</b>  |
| <b>Total 2017 audit and assurance fees</b>                   | <b>220</b> |
| <b>Total 2016 audit and assurance fees</b>                   | <b>218</b> |

| Professional non-audit fees for the year ended 31 December 2017 | Fees       |
|---|------------|
|   | €000       |
| <b>Non-audit services</b>                                       |            |
| Tax compliance services   | 12         |
| Tax advisory services   | 211        |
| Corporate Finance – Project Montrose – Property Workstream      | 51         |
| Corporate Finance – RTÉ Model Update                            | 75         |
| Management Consulting – Project Readiness                       | 156        |
| <b>Total 2017 non-audit fees</b>                                | <b>505</b> |
| <b>Total 2017 non-audit fees</b>                                | <b>306</b> |



# Audit independence

## Private and confidential

Members of the Audit & Risk Committee  
Raidió Teilifís Éireann  
Donnybrook  
Dublin 4

13 March 2018

Dear Sirs

We have been engaged to audit the consolidated financial statements of Raidió Teilifís Éireann ("the Company") for the year ended 31 December 2017.

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG's independence and the objectivity of the partner and the audit team. This letter is intended to comply with this requirement.

We have summarised the fees paid to us by the company and its related entities for significant professional services provided by us during the reporting period in the attached Appendix 3.

We are satisfied that our general procedures support our independence and objectivity.

## General procedures to safeguard independence and objectivity

KPMG is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the FRC's Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

Please inform me if you would like to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Audit & Risk Committee.

## Significant facts and matters that may bear on independence and objectivity

KPMG provide tax services to RTÉ Group throughout the year. We have identified this as a threat to our independence and objectivity. The safeguard we have put in place to address this threat is to have the year end tax provision reviewed by a second tax partner independent of the current Tax team.

KPMG provide advisory and corporate finance services to the RTÉ Group throughout the year. These are permissible services, which do not have a direct bearing on the financial statements and are not being relied upon by the audit team for audit purposes. Accordingly, we have not identified these services as a threat to our independence and objectivity.

In light of this safeguard, our assessment is that the above matter has been properly addressed in accordance with FRC's Ethical Standards and does not threaten our objectivity or independence.

## Confirmation of audit independence

We confirm that as of 13 March 2018, in our professional judgment, KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit & Risk Committee and should not be used for any other purposes.

Yours faithfully

KPMG



# Important notice

**This report is presented under the terms of our audit engagement letter**

- **Circulation of this report is restricted.**
- **The content of this report is based solely on the procedures necessary for our audit.**

## Purpose of this report

This Report has been prepared in connection of our audit of the consolidated financial statements of RTÉ (the “Company”) and its subsidiaries (the “Group”), prepared in accordance with International Financial Reporting Standards as issued by the European Union (“IFRSs”), as at and for the year ended 31 December 2017.

This Report has been prepared for those charged with governance, whom we consider to be the Audit and Risk Committee, in order to communicate matters of interest as required by ISAs (including ISA 260 Communication with Those Charged with Governance), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose.

This report summarizes the key issues identified during our audit but does not repeat matters we have previously communicated to you. In particular, we draw your attention to our audit plan and strategy report, dated 6 December 2017, which summarized your and our responsibilities, the results of our risk assessment and certain information regarding our audit strategy and audit planning.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Company/Group’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of those charged with governance of the Company/Group; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



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**Report to the Audit & Risk Committee  
Year ending 31 December 2018**

**13 March 2019**

# Partner introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We are pleased to present Deloitte's 2018 interim Audit Summary to the Board of RTÉ . We conduct our audit of the financial statements in accordance with International Standards on Auditing (Ireland) and would like to draw your attention to the following key messages:

| <b>Conclusions from our testing</b> | <ul style="list-style-type: none"><li>• Based on our testing we intend to issue an unmodified audit opinion in respect of RTÉ and its subsidiary companies.</li><li>• Our audit work is largely complete. This document includes a summary of our testing to date of significant risks, key judgements and other areas of accounting that we wish to discuss with management and the Board.</li></ul> |
|-------------------------------------|---|
| <b>Insights</b>                     | <ul style="list-style-type: none"><li>• Throughout the document we will highlight observations and insights we have identified from our audit.</li></ul>  |
| <b>Status of our audit</b>          | <ul style="list-style-type: none"><li>• Our audit is substantially complete and while further procedures around disclosures and financial statement presentations are still to be completed, we do not envisage any changes to the underlying results for the period as prepared by Management.</li></ul>   |

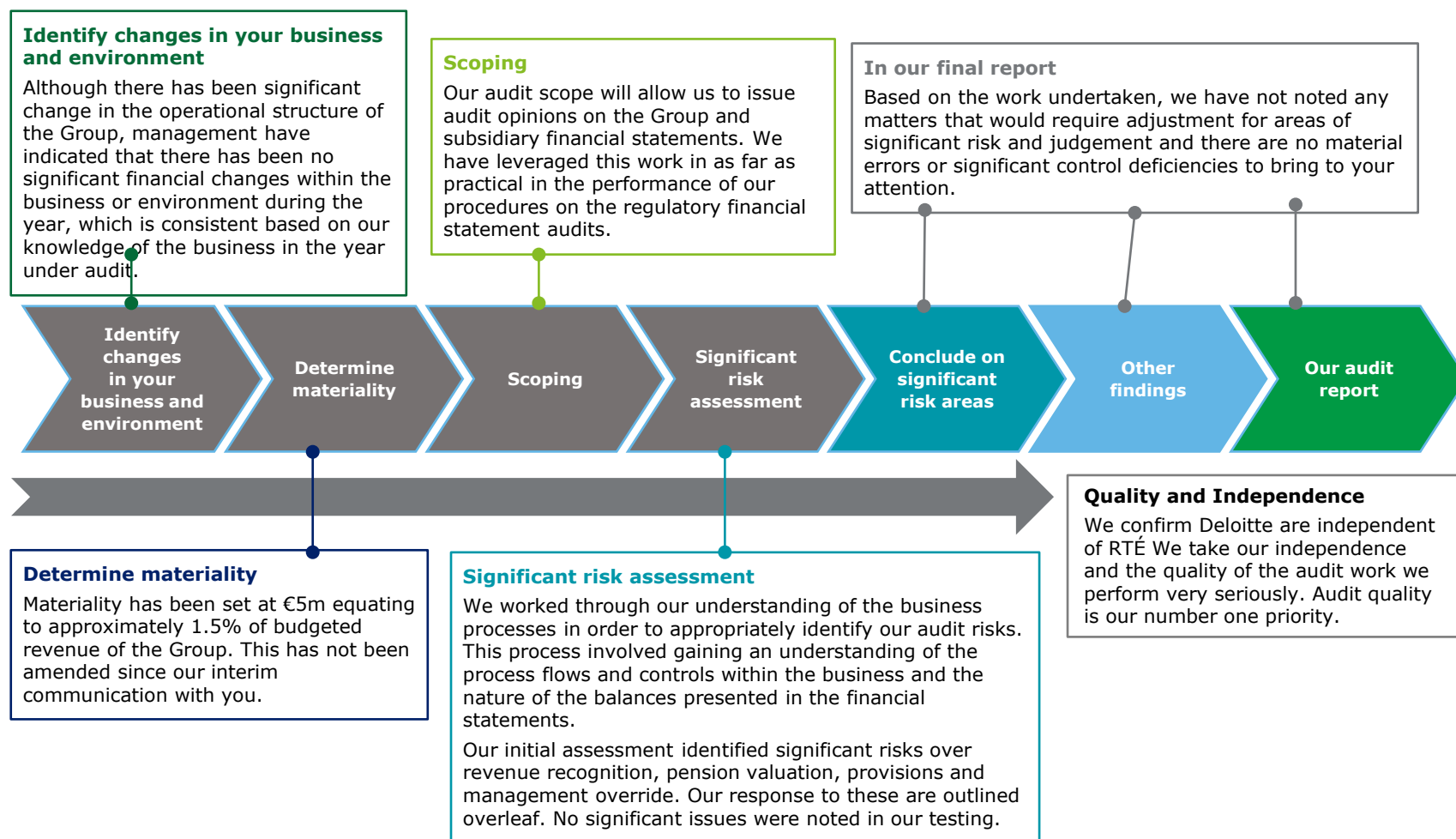


**Richard Howard**  
Audit partner










# Our audit explained

## We tailor our audit to your business and your strategy



# Significant risks

## Risk dashboard

| Risk                                  | Material | Fraud risk | Planned approach to controls testing | Level of management judgement   | Expected to be included in the Audit & Risk Committee's report |   |
|---------------------------------------|----------|------------|--------------------------------------|---|--|---|
| Revenue recognition – deferred income | ✓        | ✓          | D&I                                  |  | ✓  |  |
| Pension – assumptions                 | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Provisions                            | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Management Override                   | ✓        | ✓          | D&I                                  | N/A   | ✓  |  |

D+I – Design & Implementation

OE – Operating effectiveness



High judgement level



Moderate judgement level



Low judgement

# Significant Risks

## Key areas of judgement

---

### Risk

### Audit Response

---

#### Revenue recognition – deferred income

There is a risk that revenue is not recognised appropriately across the contract period and any separate deliverables have not been appropriately recorded in line with the requirements of IFRS 15.

- We assessed the design and implementation of relevant controls to address the completeness of revenue. The principle control is the period end review of the deferred revenue listing. While, the review was undertaken to sufficient granularity for the purposes of our audit, we recommend that the review is undertaken on a more granular level to identify possible items of deferred revenue which may need to be reversed.
- Our substantive procedures did not note any material misstatement or errors to be brought to your attention.

---

#### Pension – assumptions

There is a risk that incorrect assumptions have been used and the actuary inaccurately calculates the future liabilities payable to the schemes members on retirement. As a result the pension asset in the financial statements may be misstated.

- We assessed the design and implementation of relevant controls around how RTÉ select the assumptions which are used to calculate future liabilities.
- Our pension specialist reviewed the estimates used by references to similar schemes and liabilities of schemes with similar profiles. No material differences were noted between the underlying assumptions used by RTÉ and those our specialist would expect to see.

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**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration



# Significant Risks

## Key areas of judgement

| Risk   | Audit Response   |
|--|--|
| <b>Provisions</b><br><br>There is a risk that incorrect assumptions have been used resulting in the provisions in the financial statements being misstated.  | <ul style="list-style-type: none"><li>• We assess the design and implementation of the controls over the provisioning process.</li><li>• We developed an understanding of the methodology used by RTE in determining the year end liability</li><li>• Senior members of our team, together with an employee taxes expert from our tax department challenged the underlying judgements used. It was noted that the judgements used were in line with our expectations</li></ul>       |
| <b>Management override of controls</b><br><br>ISA (UK and Ireland) 240 – The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements, also highlights the risk of management override of controls as a presumed specific risk area. | <ul style="list-style-type: none"><li>• We documented our understanding and evaluate the financial reporting process and the controls over the financial reporting process.</li><li>• As part of our testing, we reviewed accounting estimates for biases that could result in a material misstatement due to fraud. No material accounting bias was noted in our testing.</li><li>• No incidents of fraud, or suggested fraud were noted as part of our audit procedures.</li></ul> |

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration

# Responses to Risks of Fraud

---



## Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



## Required representations:

As part of our audit close procedures we will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Microsoft Ireland entities.

We will also ask the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



## Audit work performed:

In our planning we identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance to document the company's assessment of the susceptibility of the company's financial statements to material misstatement due to fraud and the process in place to mitigate this risk. We have also made enquiries regarding management's knowledge of any actual plus suspected or alleged frauds affecting the company. As part of our testing of journal entries we utilised our proprietary data analytics tool (Spotlight) to analyse journal entries posted during the year.

## Concerns:

Deloitte has no concerns in relation to managements responses to risks of fraud.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

### **Deloitte Ireland LLP**

Chartered Accountants and Statutory Audit Firm  
13 March 2019



At Deloitte, we make an impact that matters for our clients, our people, our profession, and in the wider society by delivering the solutions and insights they need to address their most complex business challenges. As the largest global professional services and consulting network, with approximately 263,900 professionals in more than 150 countries, we bring world-class capabilities and high-quality services to our clients. In Ireland, Deloitte has nearly 3,000 people providing audit, tax, consulting, and corporate finance services to public and private clients spanning multiple industries. Our people have the leadership capabilities, experience and insight to collaborate with clients so they can move forward with confidence.

This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte Ireland LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte Ireland LLP is a limited liability partnership registered in Northern Ireland with registered number NC1499 and its registered office at 19 Bedford Street, Belfast BT2 7EJ, Northern Ireland.

Deloitte Ireland LLP is the Ireland affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.



**Report to the Audit & Risk Committee  
Year ending 31 December 2019**

**18 March 2020**



# Partner introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

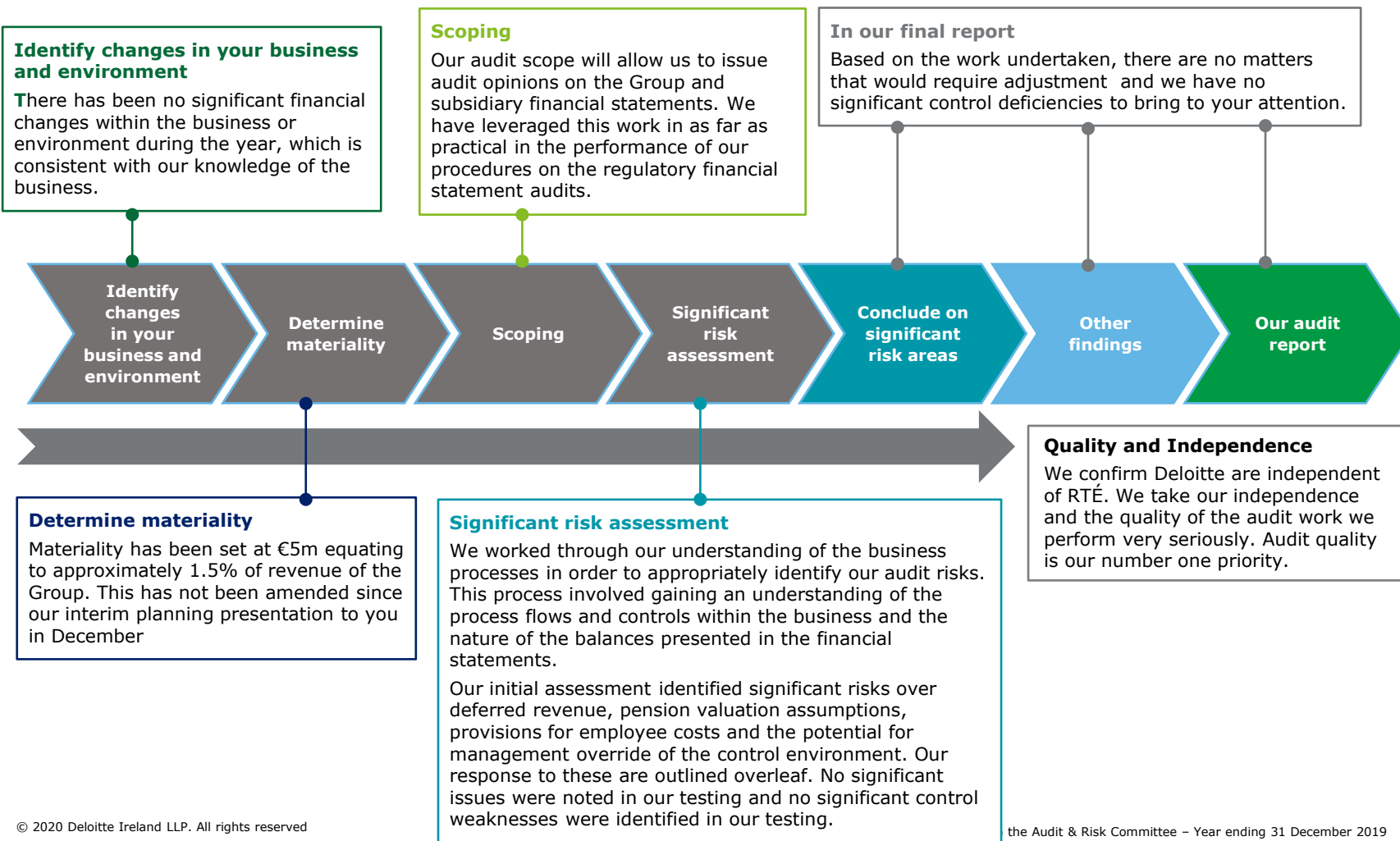
We are pleased to present Deloitte's 2019 Audit Summary to the Board of RTÉ. We conduct our audit of the financial statements in accordance with International Standards on Auditing (Ireland) and would like to draw your attention to the following key messages:

| <b>Conclusions from our testing</b> | <ul style="list-style-type: none"><li>• Based on our testing we intend to issue an unmodified audit opinion in respect of RTÉ and its subsidiary companies.</li><li>• Our audit work is largely complete. This document includes a summary of our testing to date of significant risks, key judgements and other areas of accounting that we wish to discuss with management and the Board.</li></ul>   |
|-------------------------------------|---|
| <b>Insights</b>                     | <ul style="list-style-type: none"><li>• Throughout the document we will highlight observations and insights we have identified from our audit. Consistent with the prior year, we did not rely on computer application controls.</li><li>• No issues were noted in relation to the implementation of IFRS 16 during the year.</li><li>• We have reviewed management's assessment of going concern and we have no matters to bring to your attention</li></ul> |
| <b>Status of our audit</b>          | <ul style="list-style-type: none"><li>• Our audit is substantially complete and while further procedures around disclosures and financial statement presentations are still to be completed, we do not envisage any changes to the underlying results for the period as prepared by Management.</li></ul>   |

**Richard Howard**  
Audit partner








# Our audit explained

## We tailor our audit to your business and your strategy



# Significant risks

## Risk dashboard

| Risk                                  | Material | Fraud risk | Planned approach to controls testing | Level of management judgement   | Expected to be included in the Audit & Risk Committee's report |   |
|---------------------------------------|----------|------------|--------------------------------------|---|--|---|
| Revenue recognition – deferred income | ✓        | ✓          | D&I                                  |  | ✓  |  |
| Pension – assumptions                 | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Provisions                            | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Management Override                   | ✓        | ✓          | D&I                                  | N/A   | ✓  |  |

D+I – Design & Implementation

OE – Operating effectiveness



High judgement level



Moderate judgement level



Low judgement

# Significant Risks

## Key areas of judgement

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### Risk

### Audit Response

---

#### Revenue recognition – deferred income

There is a risk that revenue is not recognised appropriately across the contract period and any separate deliverables have not been appropriately recorded in line with the requirements of IFRS 15.

- We assessed the design and implementation of relevant controls to address the completeness of revenue and appropriate deferral at period end. Further to our recommendation in the prior year, a detailed review of deferred revenue was undertaken during 2019.
- Our substantive procedures did not note any material misstatement or errors to be brought to your attention.

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#### Pension – assumptions

There is a risk that incorrect assumptions have been used and the actuary inaccurately calculates the future liabilities payable to the schemes members on retirement. As a result the pension asset in the financial statements may be misstated.

- We assessed the design and implementation of relevant controls around how RTÉ select the assumptions which are used to calculate future liabilities, including the use of a third party expert to assist in calculating the liability.
- Our pension specialist reviewed the estimates used by references to similar schemes and liabilities of schemes with similar profiles. No material differences were noted between the underlying assumptions used by RTÉ and those our specialist would expect to see.

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**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration



# Significant Risks

## Key areas of judgement

---

### Risk

### Audit Response

---

#### Employee Provisions

There is a risk that incorrect assumptions have been used resulting in the provisions in the financial statements being misstated.

- We assess the design and implementation of the controls over the provisioning process.
- We developed an understanding of the methodology used by RTÉ in determining the year end liability, including the use of third party experts in assisting to assess the level of liability arising.
- Senior members of our team, together with an employee taxes expert from our tax department challenged the underlying judgements used. It was noted that the judgements used were in line with our expectations and not unreasonable.

---

#### Management override of controls

ISA (UK and Ireland) 240 – The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements, also highlights the risk of management override of controls as a presumed specific risk area.

- We documented our understanding and evaluate the financial reporting process and the controls over the financial reporting process.
- As part of our testing, we reviewed accounting estimates for biases that could result in a material misstatement due to fraud. No material accounting bias was noted in our testing.
- Using analytical tools, we reviewed journal posting during the year which may exhibit characteristics of fraud and investigated them. No issues were noted.
- No incidents of fraud, or suggested fraud were noted as part of our audit procedures.

---

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration

# Responses to Risks of Fraud

---



## Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



## Required representations:

As part of our audit close procedures we will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Microsoft Ireland entities.

We will also ask the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



## Audit work performed:

In our planning we identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance to document the company's assessment of the susceptibility of the company's financial statements to material misstatement due to fraud and the process in place to mitigate this risk. We have also made enquiries regarding management's knowledge of any actual plus suspected or alleged frauds affecting the company. As part of our testing of journal entries we utilised our proprietary data analytics tool (Spotlight) to analyse journal entries posted during the year.

## Concerns:

Deloitte has no concerns in relation to managements responses to risks of fraud.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting
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As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.

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### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

### **Deloitte Ireland LLP**

Chartered Accountants and Statutory Audit Firm  
18 March 2020



#### Important notice

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This document is not an offer and is not intended to be contractually binding. Should this proposal be acceptable to you, and following the conclusion of our internal acceptance procedures, we would be pleased to discuss terms and conditions with you prior to our appointment and no reliance may be placed for any purposes whatsoever on the contents of this document.

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**MAKING AN  
IMPACT THAT  
MATTERS**  
*since 1845*





**Report to the Audit & Risk Committee  
Year ending 31 December 2020**

**24 March 2021**

# Partner introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We are pleased to present Deloitte's 2020 Audit Summary to the Board of RTÉ. We conduct our audit of the financial statements in accordance with International Standards on Auditing (Ireland) and would like to draw your attention to the following key messages:

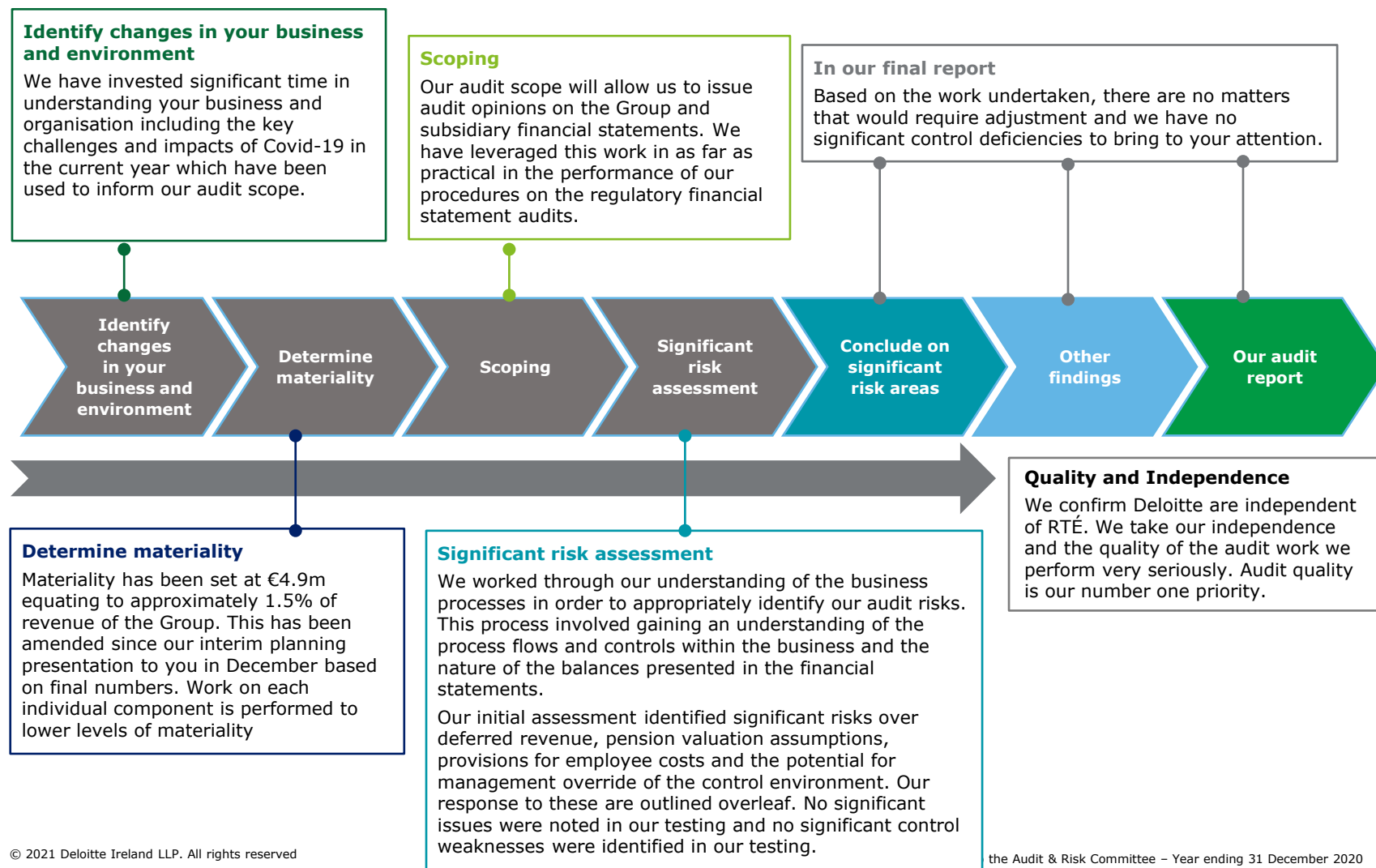
| <b>Conclusions from our testing</b> | <ul style="list-style-type: none"><li>• Based on our testing we intend to issue an unmodified audit opinion in respect of RTÉ and its subsidiary companies.</li><li>• Our audit work is largely complete. This document includes a summary of our testing to date of significant risks, key judgements and other areas of accounting that we wish to discuss with management and the Board.</li></ul>  |
|-------------------------------------|--|
| <b>Insights</b>                     | <ul style="list-style-type: none"><li>• Throughout the document we will highlight observations and insights we have identified from our audit. Consistent with the prior year, we did not rely on computer application controls.</li><li>• As part of our risk assessment, we performed detailed procedures on payroll (appendix 1).</li><li>• We have reviewed management's assessment of going concern and we have no matters to bring to your attention. This will also be assessed ahead of the date of signing.</li></ul> |
| <b>Status of our audit</b>          | <ul style="list-style-type: none"><li>• Our audit is substantially complete and while further procedures around disclosures and financial statement presentations are still to be completed, we do not envisage any changes to the underlying results for the period as prepared by Management.</li></ul>  |



**Richard Howard**  
Audit partner








# Our audit explained

## We tailor our audit to your business and your strategy



# Significant risks

## Risk dashboard

| Risk                                  | Material | Fraud risk | Planned approach to controls testing | Level of management judgement   | Expected to be included in the Audit & Risk Committee's report |   |
|---------------------------------------|----------|------------|--------------------------------------|---|--|---|
| Revenue recognition – deferred income | ✓        | ✓          | D&I                                  |  | ✓  |  |
| Pension – assumptions                 | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Provisions                            | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Management Override                   | ✓        | ✓          | D&I                                  | N/A   | ✓  |  |

D+I – Design & Implementation

OE – Operating effectiveness



High judgement level



Moderate judgement level



Low judgement

# Significant Risks

## Key areas of judgement

---

### Risk

### Audit Response

---

#### Revenue recognition – deferred income

There is a risk that revenue is not recognised appropriately across the contract period and any separate deliverables have not been appropriately recorded in line with the requirements of IFRS 15.

- We assessed the design and implementation of relevant controls to address the completeness of revenue and appropriate deferral at period end.
- Our substantive procedures did not note any material misstatement or errors to be brought to your attention.

---

#### Pension – assumptions

There is a risk that incorrect assumptions have been used and the actuary inaccurately calculates the future liabilities payable to the schemes members on retirement. As a result the pension asset in the financial statements may be misstated.

- We assessed the design and implementation of relevant controls around how RTÉ select the assumptions which are used to calculate future liabilities, including the use of a third party expert to assist in calculating the liability.
- Our pension specialist reviewed the estimates used by references to similar schemes and liabilities of schemes with similar profiles. No material differences were noted between the underlying assumptions used by RTÉ and those our specialist would expect to see.
- Consistent with the approach adopted in prior years, the inflation assumption used in the 50/50 Scheme has been set in line with RTÉ's main scheme which has a shorter duration than the Plan. While a single inflation assumption is common for Plans in the same Group, the assumption is optimistic for the Plan. We estimate the impact of moving this assumption to the closest point in our range (e.g. 1.45%) to be an increase in the liabilities c€1.5m.

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**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration



# Significant Risks

## Key areas of judgement

| Risk   | Audit Response   |
|--|--|
| <b>Employee Provisions</b><br><br>There is a risk that incorrect assumptions have been used resulting in the provisions in the financial statements being misstated.   | <ul style="list-style-type: none"><li>• We assessed the design and implementation of the controls over the provisioning process.</li><li>• We developed an understanding of the methodology used by RTE in determining the year end liability, including the use of third party experts in assisting to assess the level of liability arising.</li><li>• Senior members of our team, together with an employee taxes expert from our tax department challenged the underlying judgements used. It was noted that the judgements used were in line with our expectations and not unreasonable.</li></ul>  |
| <b>Management override of controls</b><br><br>ISA (UK and Ireland) 240 – The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements, also highlights the risk of management override of controls as a presumed specific risk area. | <ul style="list-style-type: none"><li>• We documented our understanding and evaluated the financial reporting process and the controls over the financial reporting process.</li><li>• As part of our testing, we reviewed accounting estimates for biases that could result in a material misstatement due to fraud. No material accounting bias was noted in our testing.</li><li>• Using analytical tools, we reviewed journal posting during the year which may exhibit characteristics of fraud and investigated them. No issues were noted.</li><li>• We also performed detailed analytical procedures on payroll to assess possible indicators of fraud and no matters were noted (see appendix 1).</li><li>• No incidents of fraud, or suggested fraud were noted as part of our audit procedures.</li></ul> |

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration

# Going Concern

## Risk identified

In accordance with ISA 570 it is the auditor's responsibility to obtain sufficient appropriate audit evidence to support management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern.

## Key judgements and our challenge of them



Management continues to adopt the going concern assumption in preparing the financial statements. Management produces a paper setting out conclusions on the going concern assumption, which includes forecast results and the financial position for a period at least 12 months from the anticipated approval of the Annual Financial Statements. This also included an assessment for a number of years beyond the foreseeable future.

This assessment includes a budget, forecasts and cashflow analysis, including a sensitivity analysis.

## Deloitte response



In considering the risk of going concern our work included, but was not limited to, the following procedures:

- Obtained an understanding of the business model, objectives, strategies and related business risks, how the business is structured and financed and the measurement and review of financial performance, including forecasts, future cash flows, and management's budgeting processes;
- Challenged and assessed the forecasts prepared by management including an assessment of the assumptions used in the forecasts, including assumptions around debt and cash savings, and a challenge to the assumptions based on a review of the Strategic Plan, historical accuracy of forecasts prepared by management and amount of headroom in the forecasts;
- We evaluated the relevance and reliability of the underlying data management used to make the assessment ; and
- We will assessed the adequacy of the going concern disclosure and whether it reflects a true and fair assessment of the work performed.

## Deloitte view

We agree with management on the appropriateness of adopting the going concern basis of accounting in the financial statements, and the adequacy of the related disclosures therein. We also concur that there are no material uncertainties which require disclosure. The Audit Committee must satisfy themselves that management's judgements in relation to going concern are appropriate.

# Responses to Risks of Fraud

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## Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



## Required representations:

As part of our audit close procedures we will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that impact group entities.

We will also ask the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



## Audit work performed:

In our planning we identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance to document the company's assessment of the susceptibility of the company's financial statements to material misstatement due to fraud and the process in place to mitigate this risk. We have also made enquiries regarding management's knowledge of any actual plus suspected or alleged frauds affecting the company. As part of our testing of journal entries we utilised our proprietary data analytics tool (Spotlight) to analyse journal entries posted during the year.

## Concerns:

Deloitte has no concerns in relation to managements responses to risks of fraud.



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Richard Howard**

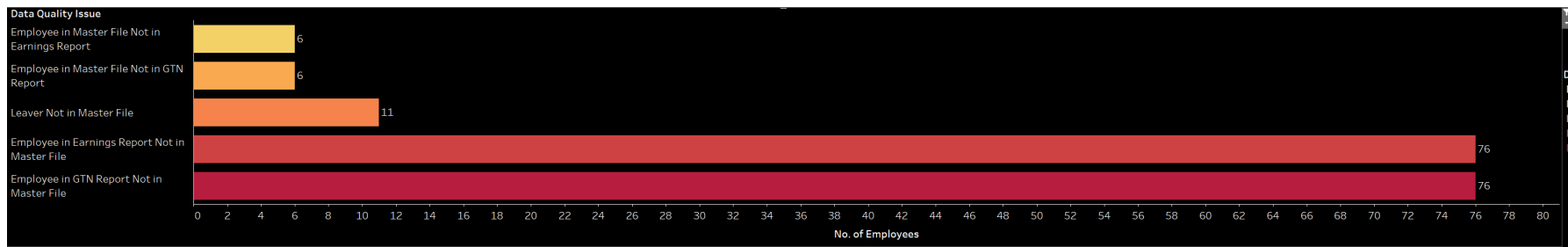
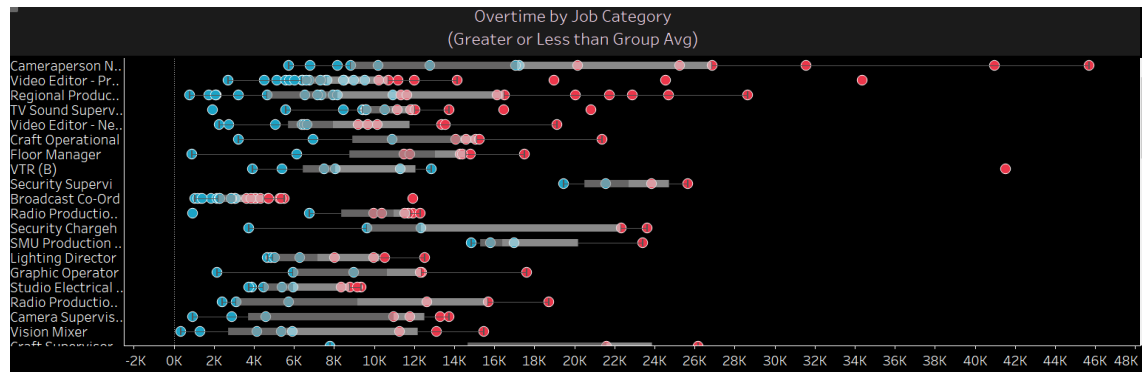
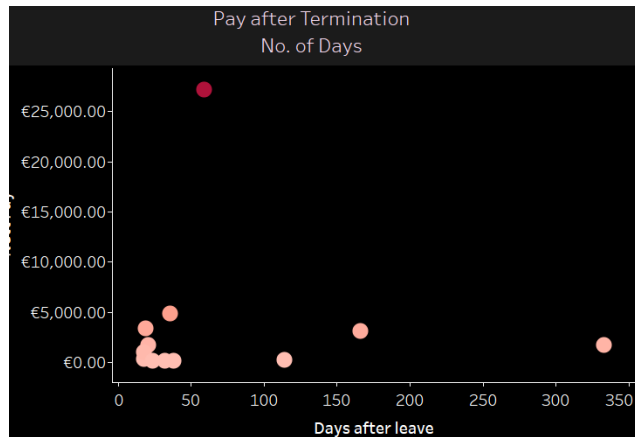
**Deloitte Ireland LLP**

Chartered Accountants and Statutory Audit Firm  
24 March 2021

# Appendix 1

## Payroll risk assessment and testing

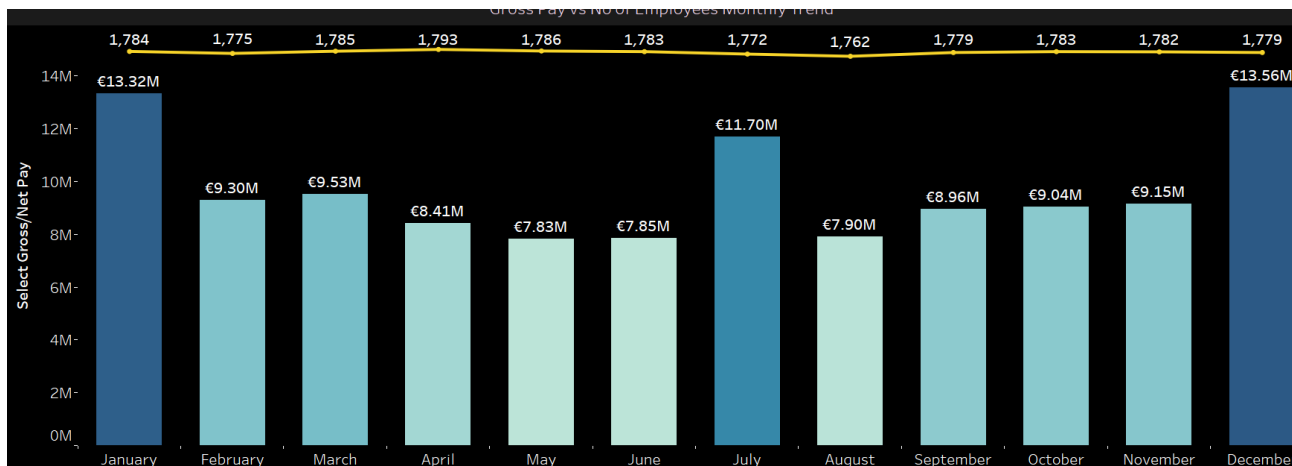
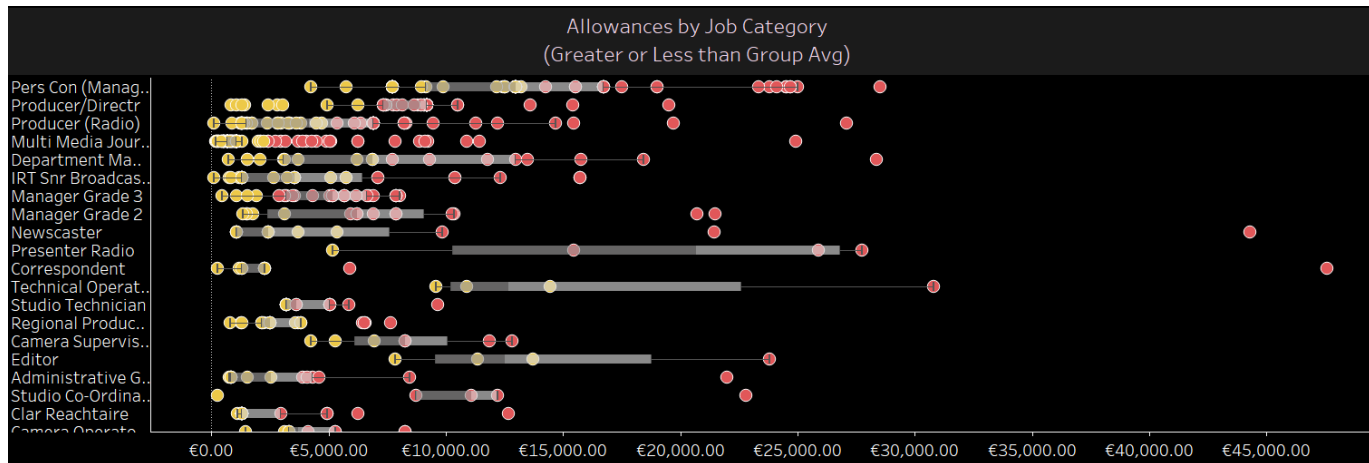
We utilised our data analytics specialists to assist us with both risk assessment of payroll and testing the full payroll costs for FY'20. Below are some of the data analytics output from our risk assessment. This allowed us to understand the profile of payroll, changes in the year, identify outliers or anomalies (e.g. duplicate payments) and to determine our audit risk level for payroll. We were assisted by our data analytics specialists to recalculate all payroll costs for the year and reconcile all payroll costs from the payroll system to the general ledger. We have shared our analysis and insight with management and will also share it with Internal Audit.



# Appendix 1 (continued)

## Payroll risk assessment and testing (continued)

We utilised our data analytics specialists to assist us with both risk assessment of payroll and testing the full payroll costs for FY'20. Below are some of the data analytics output from our risk assessment. This allowed us to understand the profile of payroll, changes in the year, identify outliers or anomalies (e.g. duplicate payments) and to determine our audit risk level for payroll. We were assisted by our data analytics specialists to recalculate all payroll costs for the year and reconcile all payroll costs from the payroll system to the general ledger. We have shared our analysis and insight with management and will also share it with Internal Audit.





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## **Report to the Audit & Risk Committee Year ending 31 December 2021**

11 March 2022

# Partner introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We are pleased to present Deloitte's 2021 Audit Summary to the Board of RTÉ. We conduct our audit of the financial statements in accordance with International Standards on Auditing (Ireland) and would like to draw your attention to the following key messages:

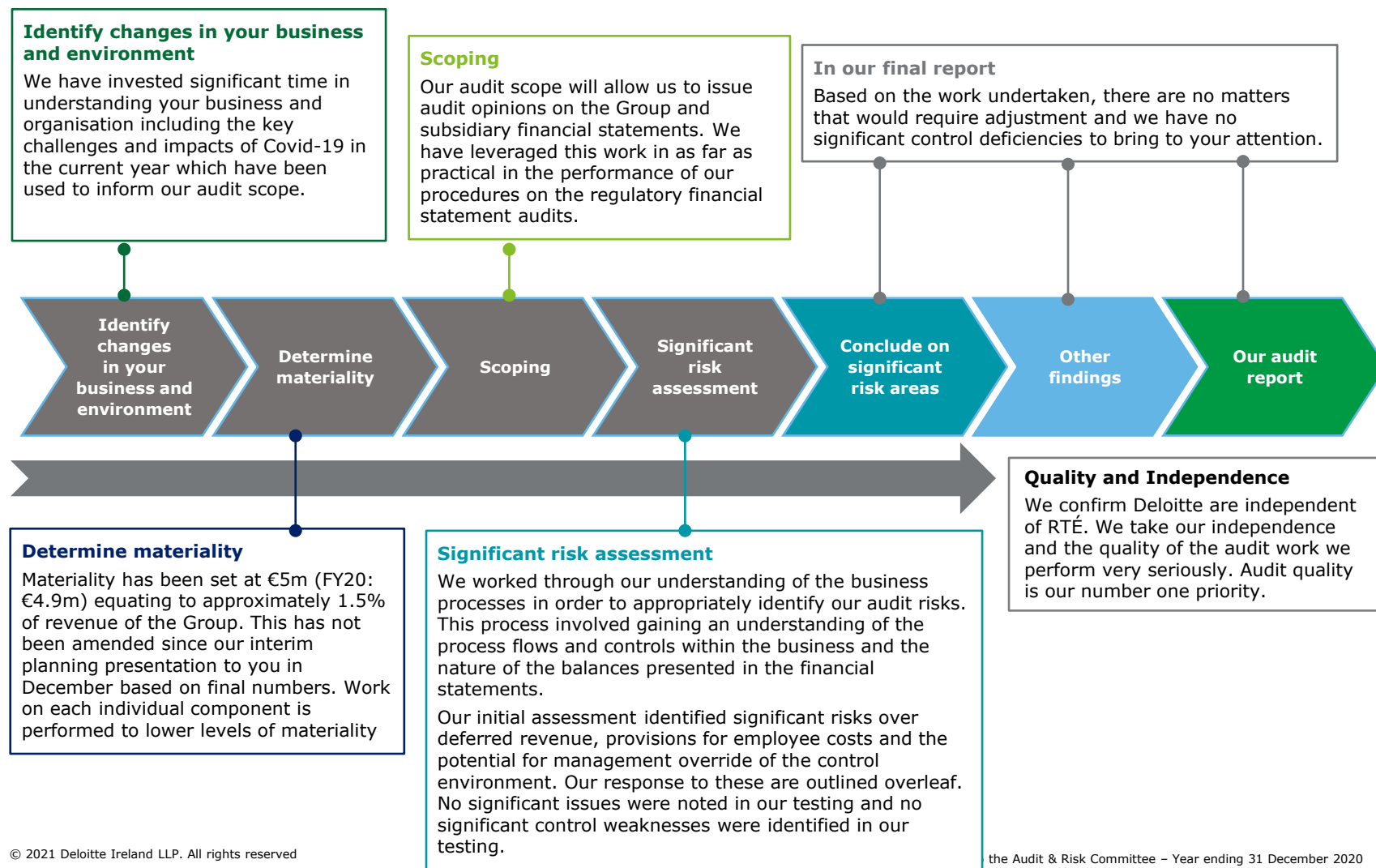
| <b>Conclusions from our testing</b> | <ul style="list-style-type: none"><li>• Based on our testing we intend to issue an unmodified audit opinion in respect of RTÉ and its subsidiary companies.</li><li>• Our audit work is largely complete. This document includes a summary of our testing to date of significant risks, key judgements and other areas of accounting that we wish to discuss with management and the Board.</li></ul>  |
|-------------------------------------|--|
| <b>Insights</b>                     | <ul style="list-style-type: none"><li>• Throughout the document we will highlight observations and insights we have identified from our audit. Consistent with the prior year, we did not rely on computer application controls.</li><li>• As part of our risk assessment, we performed detailed procedures on payroll (appendix 1).</li><li>• We have reviewed management's assessment of going concern and we have no matters to bring to your attention. This will also be assessed ahead of the date of signing.</li></ul> |
| <b>Status of our audit</b>          | <ul style="list-style-type: none"><li>• Our audit is substantially complete and while further procedures around disclosures and financial statement presentations are still to be completed, we do not envisage any changes to the underlying results for the period as prepared by Management.</li></ul>  |



**Richard Howard**  
Audit partner







# Our audit explained

## We tailor our audit to your business and your strategy



# Significant risks

## Risk dashboard

| Risk                                  | Material | Fraud risk | Planned approach to controls testing | Level of management judgement   | Expected to be included in the Audit & Risk Committee's report |   |
|---------------------------------------|----------|------------|--------------------------------------|---|--|---|
| Revenue recognition – deferred income | ✓        | ✓          | D&I                                  |  | ✓  |  |
| Provisions                            | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Management Override                   | ✓        | ✓          | D&I                                  |  | ✓  |  |

D+I – Design & Implementation

OE – Operating effectiveness



High judgement level



Moderate judgement level



Low judgement



# Significant Risks

## Key areas of judgement

| Risk  | Audit Response  |
|---|---|
| <p data-bbox="67 456 560 485"><b>Revenue recognition – deferred income</b></p> <p data-bbox="67 506 637 614">There is a risk that revenue is not recognised appropriately across the contract period and any separate deliverables have not been appropriately recorded in line with the requirements of IFRS 15.</p> | <ul data-bbox="666 506 1678 614" style="list-style-type: none"><li data-bbox="666 506 1678 556">• We assessed the design and implementation of relevant controls to address the completeness of revenue and appropriate deferral at period end.</li><li data-bbox="666 556 1678 614">• Our substantive procedures did not note any material misstatement or errors to be brought to your attention.</li></ul>   |
| <p data-bbox="67 728 328 756"><b>Employee Provisions</b></p> <p data-bbox="67 778 637 856">There is a risk that incorrect assumptions have been used resulting in the provisions in the financial statements being misstated.</p>   | <ul data-bbox="666 778 1678 985" style="list-style-type: none"><li data-bbox="666 778 1678 828">• We assessed the design and implementation of the controls over the provisioning process.</li><li data-bbox="666 828 1678 906">• We developed an understanding of the methodology used by RTÉ in determining the year end liability, including the use of third party experts in assisting to assess the level of liability arising.</li><li data-bbox="666 906 1678 985">• Senior members of our team, together with an employee taxes expert from our tax department challenged the underlying judgements used. It was noted that the judgements used were in line with our expectations and are not unreasonable.</li></ul> |

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration



# Significant Risks

## Key areas of judgement

| Risk  | Audit Response  |
|---|---|
| <p data-bbox="67 456 483 485"><b>Management override of controls</b></p> <p data-bbox="67 499 637 642">ISA (UK and Ireland) 240 – The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements, also highlights the risk of management override of controls as a presumed specific risk area.</p> | <ul data-bbox="656 499 1665 785" style="list-style-type: none"><li data-bbox="656 499 1665 542">• We documented our understanding and evaluated the financial reporting process and the controls over the financial reporting process.</li><li data-bbox="656 542 1665 614">• As part of our testing, we reviewed accounting estimates for biases that could result in a material misstatement due to fraud. No material accounting bias was noted in our testing.</li><li data-bbox="656 614 1665 656">• We reviewed journal posting during the year which may exhibit characteristics of fraud and investigated them. No issues were noted.</li><li data-bbox="656 656 1665 699">• We also performed detailed analytical procedures on payroll to assess possible indicators of fraud and no matters were noted (se appendix 1).</li><li data-bbox="656 699 1665 742">• No incidents of fraud, or suggested fraud were noted as part of our audit procedures.</li></ul> |

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration

# Going Concern

## Risk identified

In accordance with ISA 570 it is the auditor's responsibility to obtain sufficient appropriate audit evidence to support management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern for the foreseeable future.

## Key judgements and our challenge of them



Management continues to adopt the going concern assumption in preparing the financial statements. Management produces a paper setting out conclusions on the going concern assumption, which includes forecast results and the financial position for a period at least 12 months from the anticipated approval of the Annual Financial Statements. This also included an assessment for a number of years beyond the foreseeable future.

This assessment includes a budget, forecasts and cashflow analysis, including a sensitivity analysis.

## Deloitte response



In considering the risk of going concern our work included, but was not limited to, the following procedures:

- Obtained an understanding of the business model, objectives, strategies and related business risks, how the business is structured and financed and the measurement and review of financial performance, including forecasts, future cash flows, and management's budgeting processes;
- Challenged and assessed the forecasts prepared by management including an assessment of the assumptions used in the forecasts, including assumptions around debt and cash savings, and a challenge to the assumptions based on a review of the Strategic Plan, historical accuracy of forecasts prepared by management and amount of headroom in the forecasts;
- We evaluated the relevance and reliability of the underlying data management used to make the assessment ; and
- We assessed the adequacy of the going concern disclosure and whether it reflects a true and fair assessment of the work performed.

## Deloitte view

We agree with management on the appropriateness of adopting the going concern basis of accounting in the financial statements, and the adequacy of the related disclosures therein. We also concur that there are no material uncertainties which require disclosure. The Audit Committee must satisfy themselves that management's judgements in relation to going concern are appropriate.

# Responses to Risks of Fraud

---



## Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



## Required representations:

As part of our audit close procedures we will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that impact group entities.

We will also ask the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



## Audit work performed:

In our planning we identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance to document the company's assessment of the susceptibility of the company's financial statements to material misstatement due to fraud and the process in place to mitigate this risk. We have also made enquiries regarding management's knowledge of any actual plus suspected or alleged frauds affecting the company. As part of our testing, we analysed journal entries posted during the year.

## Concerns:

Deloitte has no concerns in relation to managements responses to risks of fraud.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Richard Howard**

**Deloitte Ireland LLP**

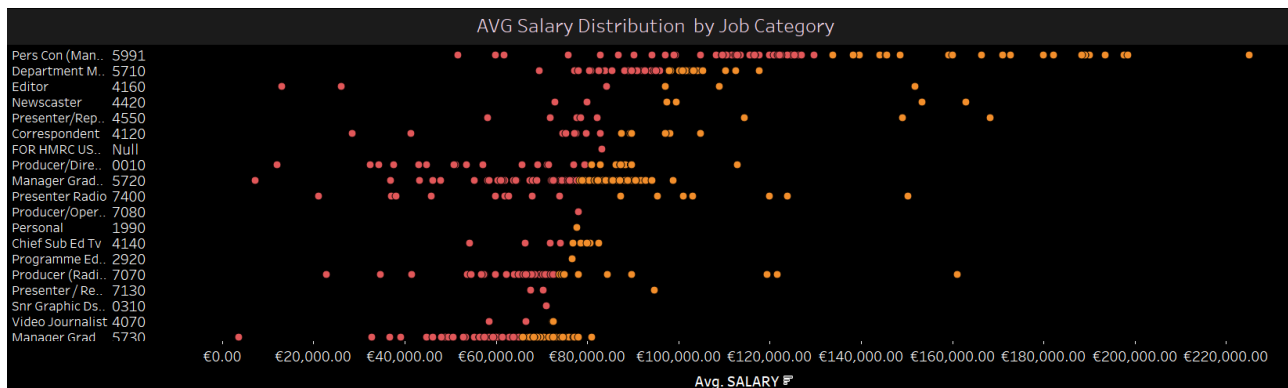
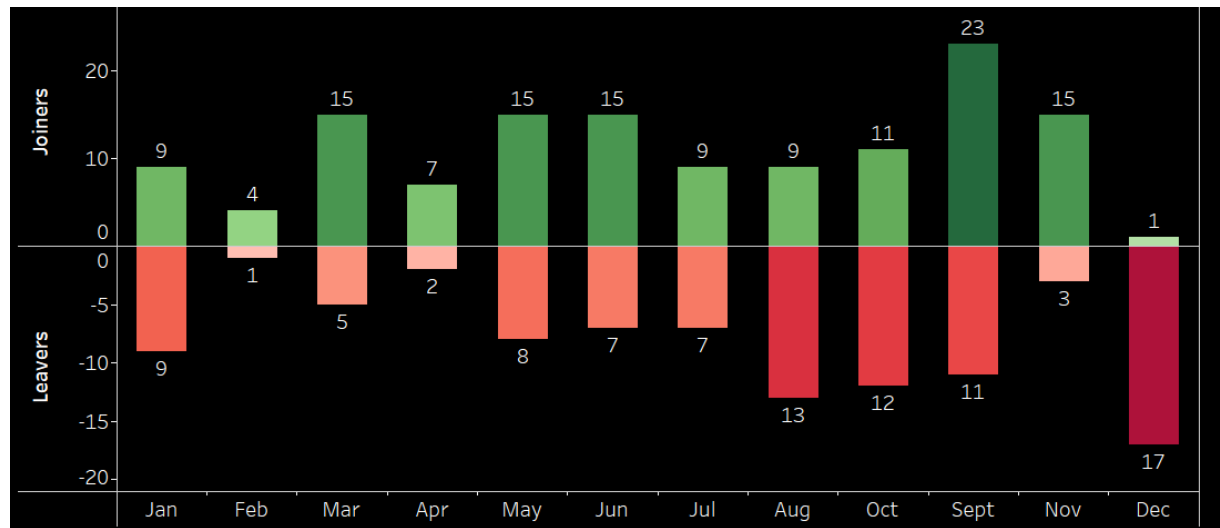
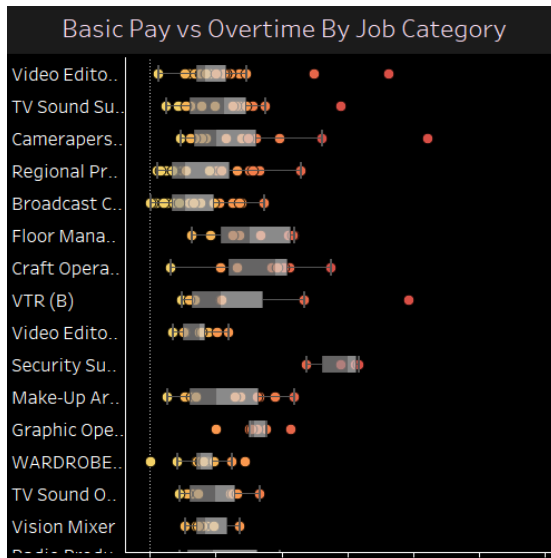
Chartered Accountants and Statutory Audit Firm

11 March 2022

# Appendix 1

## Payroll risk assessment and testing

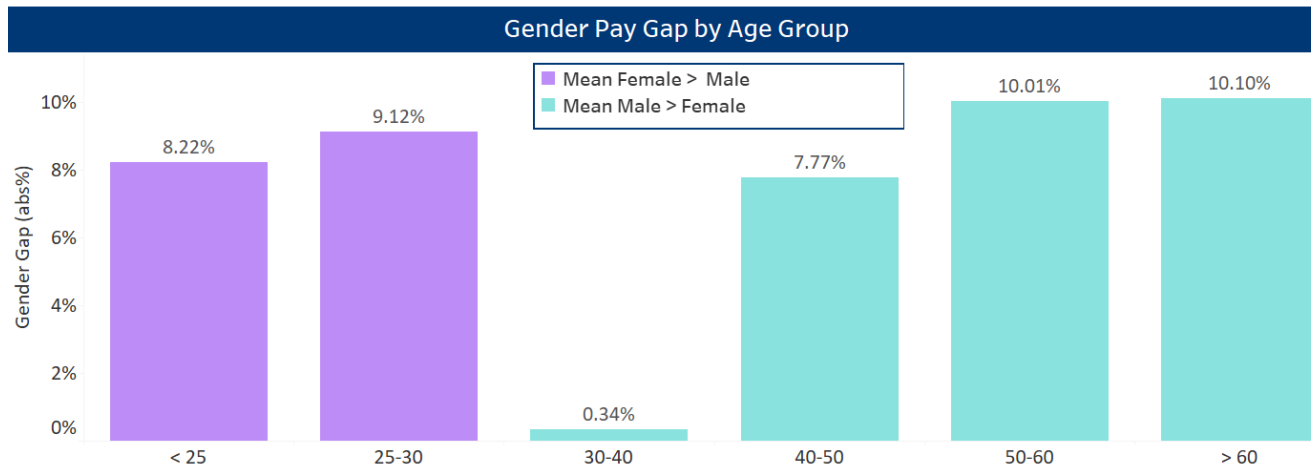
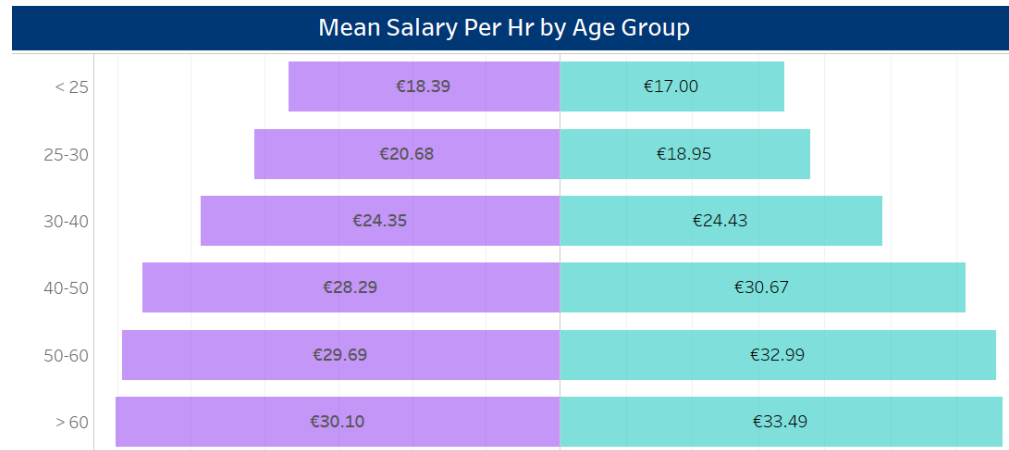
We utilised our data analytics specialists to assist us with both risk assessment of payroll and testing the full payroll costs for FY'21. Below are some of the data analytics output from our risk assessment. This allowed us to understand the profile of payroll, changes in the year, identify outliers or anomalies (e.g. duplicate payments) and to determine our audit risk level for payroll. We were assisted by our data analytics specialists to recalculate all payroll costs for the year and reconcile all payroll costs from the payroll system to the general ledger. We have shared our analysis and insight with management and will also share it with Internal Audit.



# Appendix 1 (continued)

## Payroll risk assessment and testing (continued)

We utilised our data analytics specialists to assist us with both risk assessment of payroll and testing the full payroll costs for FY'20. Below are some of the data analytics output from our risk assessment. This allowed us to understand the profile of payroll, changes in the year, identify outliers or anomalies (e.g. duplicate payments) and to determine our audit risk level for payroll. We were assisted by our data analytics specialists to recalculate all payroll costs for the year and reconcile all payroll costs from the payroll system to the general ledger. We have shared our analysis and insight with management and will also share it with Internal Audit.





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**Report to the Audit & Risk Committee  
Year ending 31 December 2022**

**Issued: 15 March 2023**

# Partner introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We are pleased to present Deloitte's 2022 Audit Summary to the Board of RTÉ. We conduct our audit of the financial statements in accordance with International Standards on Auditing (Ireland) and would like to draw your attention to the following key messages:

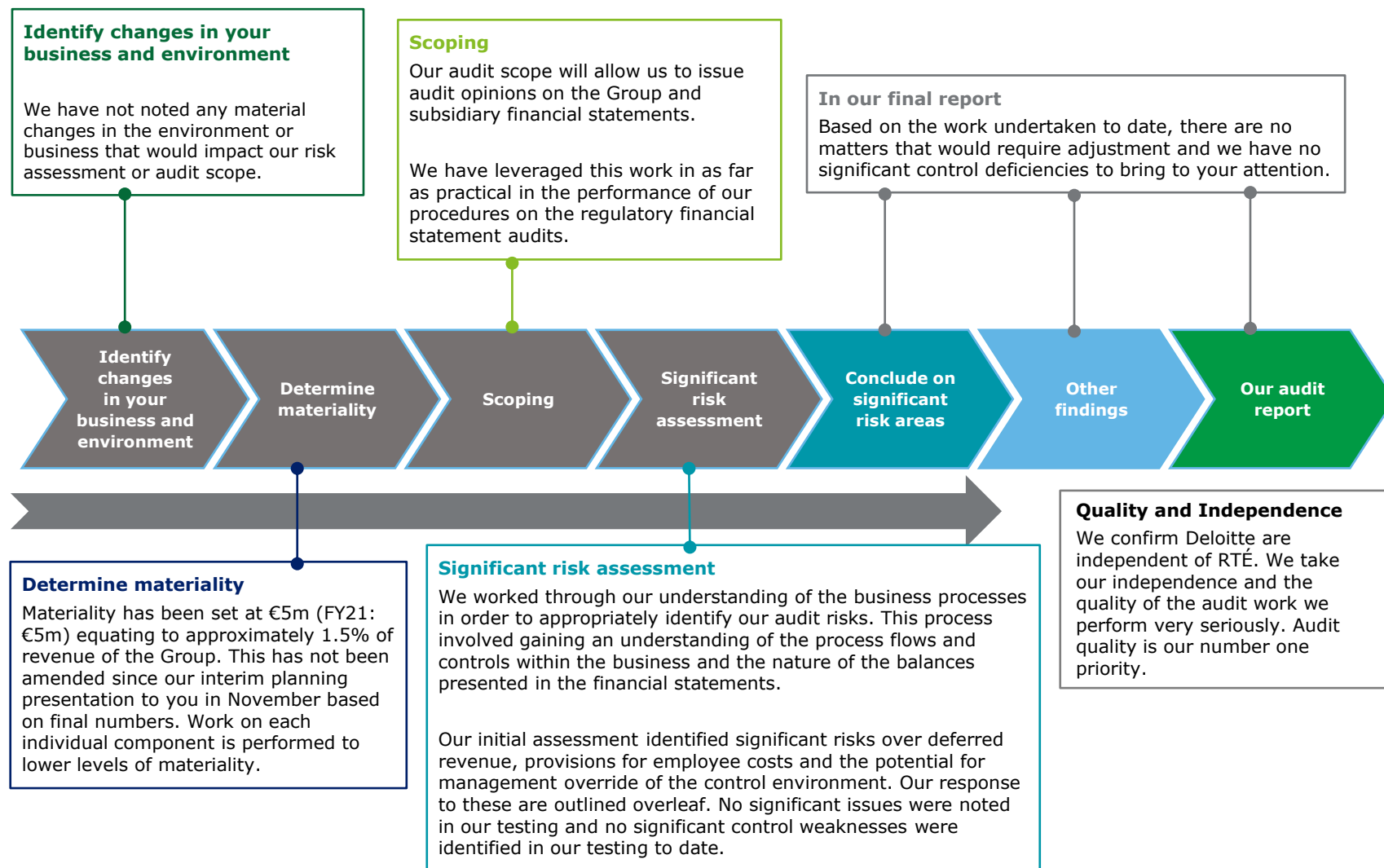
| <b>Conclusions from our testing</b> | <ul style="list-style-type: none"><li>• Based on our testing we intend to issue an unmodified audit opinion in respect of RTÉ and its subsidiary companies.</li><li>• Our audit work is largely complete. This document includes a summary of our testing to date of significant risks, key judgements and other areas of accounting that we wish to discuss with management and the Board.</li></ul>   |
|-------------------------------------|---|
| <b>Insights</b>                     | <ul style="list-style-type: none"><li>• Throughout the document we will highlight observations and insights we have identified from our audit. Consistent with the prior year, we did not rely on computer application controls.</li><li>• As part of our risk assessment, we performed detailed procedures on payroll costs which we have shared with management (appendix 1).</li><li>• We have reviewed management's assessment of going concern and we have no matters to bring to your attention as regards the ability of the organisation to continue to trade for the foreseeable future.</li></ul> |
| <b>Status of our audit</b>          | <ul style="list-style-type: none"><li>• Our audit is substantially complete. Material areas currently being closed out include<ul style="list-style-type: none"><li>- Finalisation of our audit procedures on the pension asset</li><li>- On going substantive procedures on the employee related provision.</li><li>- Review of financial statements and disclosures</li></ul></li></ul>   |



**Richard Howard**  
Audit partner







# Our audit explained

## We tailor our audit to your business and your strategy



# Significant risks

## Risk dashboard

| Risk                                  | Material | Fraud risk | Planned approach to controls testing | Level of management judgement   | Expected to be included in the Audit & Risk Committee's report |   |
|---------------------------------------|----------|------------|--------------------------------------|---|--|---|
| Revenue recognition – deferred income | ✓        | ✓          | D&I                                  |  | ✓  |  |
| Provisions – Employee Related         | ✓        | ✗          | D&I                                  |  | ✓  |  |
| Management Override                   | ✓        | ✓          | D&I                                  |  | ✓  |  |

D+I – Design & Implementation

OE – Operating effectiveness



High judgement level



Moderate judgement level



Low judgement

# Significant Risks

## Key areas of judgement

| Risk  | Audit Response   |
|---|--|
| <p><b>Revenue recognition – deferred income</b></p> <p>There is a risk that revenue is not recognised appropriately across the contract period and any separate deliverables have not been appropriately recorded in line with the requirements of IFRS 15.</p> | <ul style="list-style-type: none"><li>• We assessed the design and implementation of relevant controls to address the completeness of revenue and appropriate deferral at period end.</li><li>• Specifically for funding of €15m received in December 2022 from the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media (DTCAGSM), we received confirmation from the department that this funding was recommended in the Report of the Future of Media Commission (FOMC) as relating to 2023 so has been appropriately deferred.</li><li>• Our substantive procedures did not note any material misstatement or errors to be brought to your attention.</li></ul> |
| <p><b>Employee Provisions</b></p> <p>There is a risk that incorrect assumptions have been used resulting in the provisions in the financial statements being misstated.</p>   | <ul style="list-style-type: none"><li>• We assessed the design and implementation of the controls over the provisioning process.</li><li>• We developed an understanding of the methodology used by RTE in determining the year end liability.</li><li>• Senior members of our team, together with an employee taxes expert from our tax department are involved in challenging the underlying judgements used.</li><li>• The testing of this provision is currently ongoing and we will conclude on the judgments and assumptions used once complete.</li></ul>   |

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration

# Significant Risks

## Key areas of judgement

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| Risk | Audit Response |
|------|----------------|
|------|----------------|

---

|  |  |
|--|--|
| <b>Management override of controls</b> |  |
|--|--|

|  |  |
|--|--|
| ISA (UK and Ireland) 240 – The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements, also highlights the risk of management override of controls as a presumed specific risk area. |  |
|--|--|

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"><li>• We documented our understanding and evaluated the financial reporting process and the controls over the financial reporting process.</li><li>• As part of our testing, we reviewed accounting estimates for biases that could result in a material misstatement due to fraud. No material accounting bias was noted in our testing to date.</li><li>• We reviewed journal posting during the year which may exhibit characteristics of fraud and investigated them. No issues were noted.</li><li>• We also performed detailed analytical procedures on payroll to assess possible indicators of fraud and no matters were noted (see appendix 1).</li><li>• No incidents of fraud were noted as part of our audit procedures.</li></ul> |
|--|--|
- 

**Significant Risk:** An identified and assessed risk of material misstatement that requires special audit consideration

# Going Concern

## Risk identified

In accordance with ISA 570 it is the auditor's responsibility to obtain sufficient appropriate audit evidence to support management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern for the foreseeable future.

## Key judgements and our challenge of them



Management continues to adopt the going concern assumption in preparing the financial statements. Management produces a paper setting out conclusions on the going concern assumption, which includes forecast results and the financial position for a period at least 12 months from the anticipated approval of the Annual Financial Statements. This also included an assessment for a number of years beyond the foreseeable future.

This assessment includes a budget, forecasts and cashflow analysis, including a sensitivity analysis.

## Deloitte response



In considering the risk of going concern our work included, but was not limited to, the following procedures:

- Obtained an understanding of the business model, objectives, strategies and related business risks, how the business is structured and financed and the measurement and review of financial performance, including forecasts, future cash flows, and management's budgeting processes;
- Challenged and assessed the forecasts prepared by management including an assessment of the assumptions used in the forecasts, including assumptions around debt and cash savings, and a challenge to the assumptions based on a review of the Strategic Plan, historical accuracy of forecasts prepared by management and amount of headroom in the forecasts;
- We evaluated the relevance and reliability of the underlying data management used to make the assessment ; and
- We assessed the adequacy of the going concern disclosure and whether it reflects a true and fair assessment of the work performed.

## Deloitte view

We agree with management on the appropriateness of adopting the going concern basis of accounting in the financial statements, and the adequacy of the related disclosures therein. We also concur that there are no material uncertainties which require disclosure. The Audit Committee must satisfy themselves that management's judgements in relation to going concern are appropriate.

# Responses to Risks of Fraud

---



## **Responsibilities:**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



## **Required representations:**

As part of our audit close procedures we will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that impact group entities.

We will also ask the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



## **Audit work performed:**

In our planning we identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance to document the company's assessment of the susceptibility of the company's financial statements to material misstatement due to fraud and the process in place to mitigate this risk. We have also made enquiries regarding management's knowledge of any actual plus suspected or alleged frauds affecting the company. As part of our testing, we analysed journal entries posted during the year and assessed any areas of potentially material bias in estimates and judgements.



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting
- Other insights we have identified from our audit.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Richard Howard**

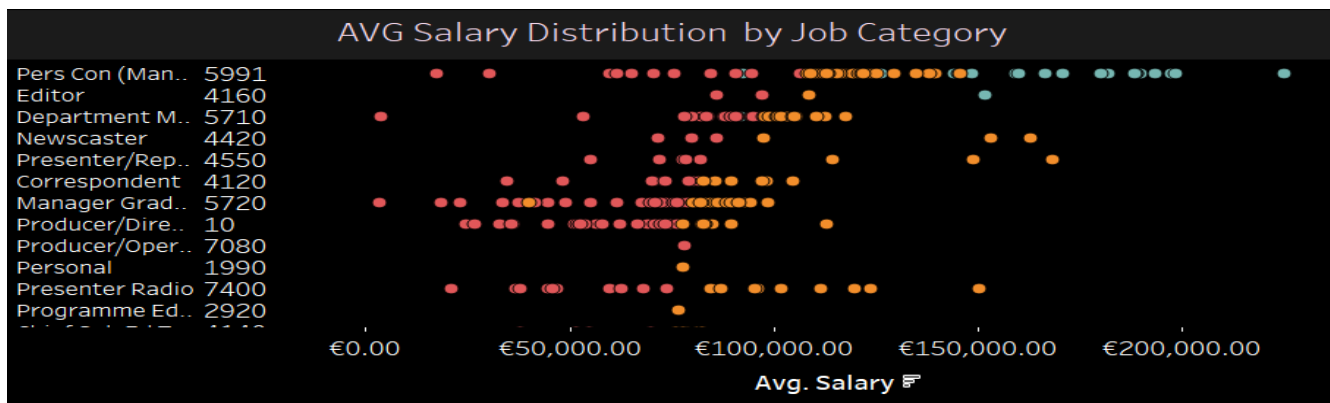
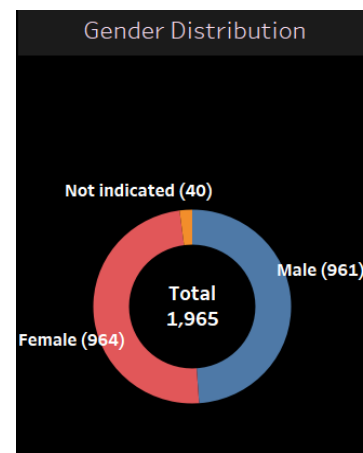
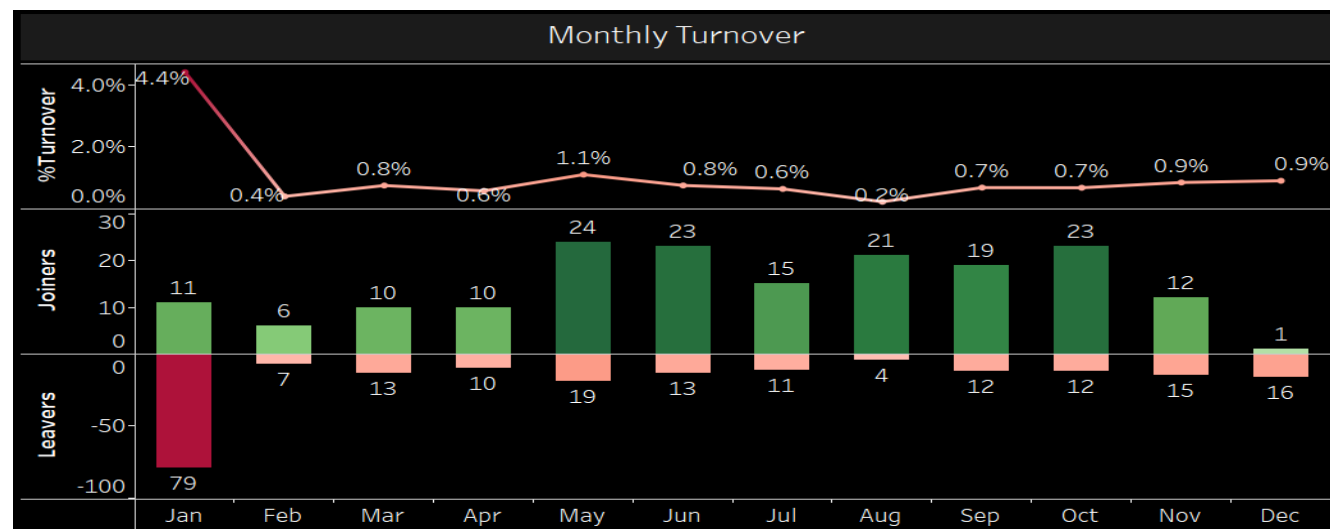
**Deloitte Ireland LLP**

Chartered Accountants and Statutory Audit Firm  
15 March 2023

# Appendix 1

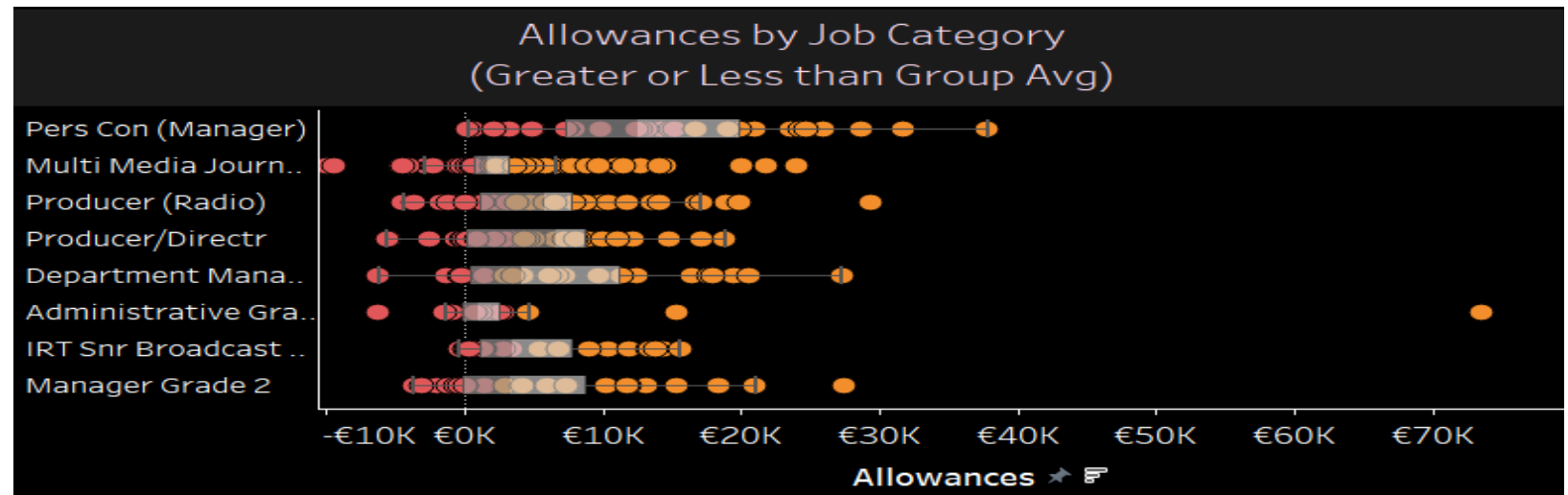
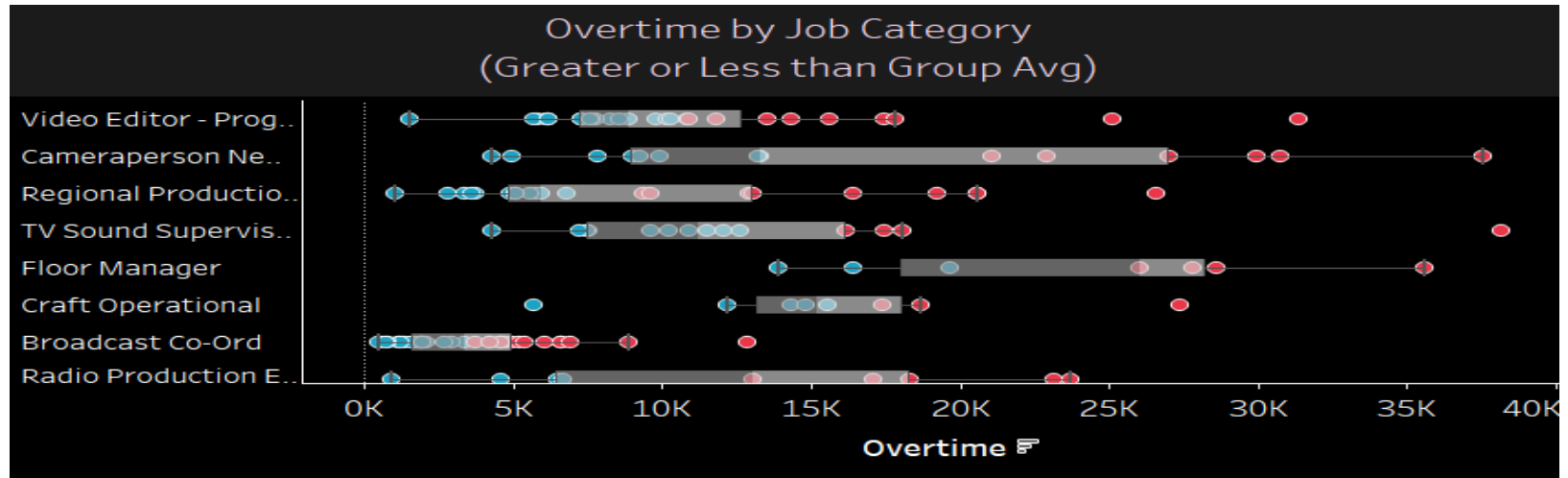
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# Appendix 1 (continued)

## Payroll risk assessment and testing (continued)





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